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VXL CAPITAL LIMITED
卓越金融有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 727)

DISCLOSEABLE TRANSACTION

After the trading hours of the Stock Exchange on 19 December 2013, UIHIL, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Equity Transfer Agreement pursuant to which UIHIL agreed to dispose of, and the Purchaser agreed to acquire, the Sale Interest for the consideration of approximately RMB14.1 million (equivalent to approximately HK\$18.0 million). The Sale Interest represents the entire equity interest in U Inns Wuhan whose principal asset is the Hotel Property.

As the applicable percentage ratios (as defined in the Listing Rules) for the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the notification and announcement requirements under the Listing Rules.

The Board is pleased to announce that after the trading hours of the Stock Exchange on 19 December 2013, UIHIL, a wholly-owned subsidiary of the Company, and the Purchaser entered into the Equity Transfer Agreement pursuant to which UIHIL agreed to dispose of, and the Purchaser agreed to acquire, the Sale Interest. Details of the Equity Transfer Agreement are set out below.

THE EQUITY TRANSFER AGREEMENT

Date

19 December 2013

Parties

- (i) UIHIL; and
- (ii) Mr. Niu Ling Feng, the Purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser is a third party independent of the Company and its connected persons (as defined under the Listing Rules).

Subject asset being disposed of

Pursuant to the Equity Transfer Agreement, UIHIL agreed to dispose of, and the Purchaser agreed to acquire, the Sale Interest. The Sale Interest represents the entire equity interest in U Inns Wuhan.

Consideration

The consideration for the Sale Interest is approximately RMB14.1 million (equivalent to approximately HK\$18.0 million) and shall be payable in cash by the Purchaser to UIHIL in the following manner:

- (i) 50% of the consideration in the amount of approximately RMB7.05 million (equivalent to approximately HK\$9.0 million) will be satisfied on the date of obtaining the approvals of the Disposal from relevant PRC government authorities including tax clearance and foreign exchange remittance; and

- (ii) the remaining balance of the consideration in the amount of approximately RMB7.05 million (equivalent to approximately HK\$9.0 million) will be satisfied on the date of obtaining the letter of acknowledgement of change in shareholding of U Inns Wuhan from the relevant office for Administration for Industry and Commerce in the PRC.

The consideration for the Sale Interest was determined after arm's length negotiations between UIHIL and the Purchaser with reference to the unaudited net asset value of U Inns Wuhan as at 30 November 2013 amounting to approximately RMB10.6 million (equivalent to approximately HK\$13.6 million).

In addition to the consideration for the Sale Interest, the Purchaser agreed to repay the inter-company debt owed by U Inns Wuhan to UIHIL and its subsidiaries in the amount of approximately RMB7.9 million (equivalent to approximately HK\$10.1 million) on the date of the Equity Transfer Agreement.

Completion

The Equity Transfer Agreement is subject to the approval and consent of the relevant government authorities in the PRC. In the event that the consent from the relevant government authorities on the Disposal is not obtained, the Equity Transfer Agreement shall cease and terminate, and UIHIL shall refund to the Purchaser all sum paid by him to UIHIL under the Equity Transfer Agreement. If the Equity Transfer Agreement is not completed due to the default of UIHIL, UIHIL shall also refund to the Purchaser all sum paid by him to UIHIL under the Equity Transfer Agreement together with 20% of the total sum of the consideration for the Sale Interest and the inter-company debt repaid by the Purchaser as compensation. If the Equity Transfer Agreement is not completed due to the default of the Purchaser, the Purchaser shall pay 20% of the total sum of the consideration for the Sale Interest and the inter-company debt repaid by the Purchaser as compensation plus any direct losses incurred by UIHIL in connection with the default in excess of the aforesaid compensation amount.

Upon the receipt of the full settlement of the consideration for the Sale Interest, U Inns Wuhan shall handover the Hotel Property to the Purchaser.

Upon completion of the Disposal, the Company will cease to hold any interest in U Inns Wuhan and U Inns Wuhan will cease to be a subsidiary of the Company.

INFORMATION ON U INNS WUHAN

U Inns Wuhan is principally engaged in hotel investments in the PRC and its principal asset is the Hotel Property located in Wuhan, Hubei Province, the PRC. The Hotel Property is an investment property with a gross floor area of approximately 4,008 square metres and has been leased out for a term of nine years since October 2012 to an independent third party for an annual rent of RMB2.0 million (equivalent to approximately HK\$2.6 million). Based on the unaudited financial statements of U Inns Wuhan, U Inns Wuhan recorded net loss (both before and after taxation) of approximately RMB0.5 million (equivalent to approximately HK\$0.6 million) for the year ended 31 March 2012 and net profit before taxation and after taxation of approximately RMB0.9 million and RMB0.2 million (equivalent to approximately HK\$1.2 million and HK\$0.3 million) respectively for the year ended 31 March 2013. The unaudited net asset value of U Inns Wuhan as at 30 November 2013, including the Hotel Property stated at its fair value based on an independent professional valuation as at 30 September 2013, amounted to approximately RMB10.6 million (equivalent to approximately HK\$13.6 million).

POSSIBLE FINANCIAL EFFECTS OF THE DISPOSAL

Based on the unaudited net asset value of U Inns Wuhan as at 30 November 2013 of approximately RMB10.6 million (equivalent to approximately HK\$13.6 million), it is estimated that the Company will realise a gain from the Disposal of approximately RMB2.0 million (equivalent to approximately HK\$2.6 million), being the difference between the consideration for the Sale Interest and the unaudited net asset value of U Inns Wuhan as at 30 November 2013 after deducting taxes and expenses directly attributable thereto.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is engaged in hotel investment and operations, and property investment. With a view to optimising its hotel investment business, the Group has been restructuring its hotel property portfolio by disposing its interests in certain hotel properties and developing its remaining hotel properties into budget hotels or commercial offices for leasing, sales or outright sales if and when appropriate. The Disposal is in line with the business strategy of the Group.

The net proceeds from the Disposal and the repayment of the inter-company debt, after deducting taxes and expenses directly attributable thereto, are estimated to be approximately RMB20.5 million (equivalent to approximately HK\$26.2 million). The Group intends to apply the aforesaid net proceeds as its general working capital and/or partial settlement of shareholder's loan.

Taking into account of the expected gain to be realised and the positive cash flow to be generated from the Disposal, the Directors (including the independent non-executive Directors) consider that the terms of the Equity Transfer Agreement are on normal commercial terms and are fair and reasonable, and the Disposal is in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined in the Listing Rules) for the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules, and is subject to the notification and announcement requirements under the Listing Rules.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings as set out below:

“Board”	the board of Directors
“Company”	VXL Capital Limited, a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 727)
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Interest by UIHIL to the Purchaser pursuant to the terms of the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 19 December 2013 entered into between UIHIL and the Purchaser in respect of the Disposal
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hotel Property”	the hotel property located in Wuhan, Hubei Province, the PRC and owned by U Inns Wuhan
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	Mr. Niu Ling Feng
“Sale Interest”	the entire equity interest in U Inns Wuhan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U Inns Wuhan”	你的客棧（武漢）酒店管理有限公司（“U” Inns & Hotel (Wuhan) Hotel Management Co. Limited*), a company incorporated under the laws of the PRC with limited liability and a wholly-owned subsidiary of UIHIL as at the date of the Equity Transfer Agreement

“UIHIL”	“U” Inns & Hotels Investment Limited (你的客棧酒店有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

By Order of the Board
VXL Capital Limited
 Datuk LIM Chee Wah
Chairman

19 December 2013

As at the date of this announcement, the Board comprises:

Executive Directors:
 Datuk LIM Chee Wah
 Mr. XIAO Huan Wei

Independent non-executive Directors:
 Mr. Alan Howard SMITH, J.P.
 Mr. David YU Hon To
 Mr. SOO Ying Pooi

Throughout this announcement, amounts in RMB have been translated, for illustration only, into HK\$ at the exchange rate of RMB1 = HK\$1.28. No representation is made that any amounts in RMB or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.

** For identification purpose only*