
IMPORTANT

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **VXL Capital Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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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)

MAJOR DISPOSAL

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DEFINITIONS

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

“Adjustment Amount”	the aggregate Net Liabilities of Moral High and Peak Moral High based on their unaudited management accounts as of 31 July 2011
“Agreement”	the conditional sale and purchase agreement dated 21 September 2011 entered into among Daily Right, BRE and the Buyer relating to the sale and purchase of the Sale Shares
“Asset Management Agreement”	the asset management agreement dated 5 November 2008 entered into between Peak Moral High and Insite pursuant to which Insite shall provide asset management services with respect to the Property
“Bank Loan”	the loan advanced by Industrial and Commercial Bank of China Limited to Peak Moral High
“Board”	the board of Directors
“BRE”	BRE/Changshou S.à r.l., a company incorporated in the Grand Duchy of Luxembourg and the 95% shareholder of Moral High and one of the Sellers
“Business Day(s)”	any day(s) other than a Saturday, Sunday or other day(s) on which banks are authorised or required by law to be closed in Hong Kong or Luxembourg (as the case may be)
“Buyer”	Skybird International Limited, a company incorporated in the British Virgin Islands with limited liability
“Company”	VXL Capital Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 727)
“Completion”	completion of the Agreement

DEFINITIONS

“Completion Accounts”	the management accounts of Moral High and Peak Moral High as at the Completion Date, both as reviewed by Deloitte Touche Tohmatsu and agreed to by the Buyer, or failing agreement by the Buyer, such accounts shall be reviewed by KPMG or Ernst & Young
“Completion Date”	the date on which Completion takes place
“connected person(s)”	has the meaning ascribed in the Listing Rules
“Daily Right”	Daily Right Limited, a company incorporated under the laws of the Independent State of Samoa with limited liability and a wholly-owned subsidiary of the Company
“Daily Right Sale Shares”	1,316,505 shares of US\$1 each in the issued share capital of Moral High, representing 5% of the Sale Shares and the portion of the Sale Shares to be sold by Daily Right
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Daily Right Sale Shares pursuant to the terms and conditions of the Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Insite”	盈石企業管理(上海)有限公司 (Insite Asset Management (Shanghai) Company Limited), a limited liability company established in the PRC and the manager of the Property under the Asset Management Agreement
“Latest Practicable Date”	7 November 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Moral High”	Moral High Limited, a company incorporated under the laws of the Independent State of Samoa with limited liability, which is owned as to 95% by BRE and 5% by Daily Right as at the Latest Practicable Date

DEFINITIONS

“Net Liabilities”	the aggregate of all assets and liabilities excluding fixed assets, fixed assets under construction in progress, intangible assets, third party loan and financial assets on shares in affiliated undertakings, where (i) the term “assets” shall include cash or cash equivalents (including restricted cash), account receivables (adjusted for those that are unlikely to be collected by Peak Moral High as referred to in the Agreement), notes and other receivables, advances to suppliers and prepaid expenses and (ii) the term “liabilities” shall include accounts payable, other payable (including government), accrued expenses and social security debts
“Peak Moral High”	峻領德高商業發展(上海)有限公司 (Peak Moral High Commercial Development (Shanghai) Co. Limited), a wholly foreign-owned enterprise established in the PRC and a wholly-owned subsidiary of Moral High
“PRC”	The People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Property”	the property project situated in Putuo District in Shanghai, the PRC known as “Channel 1 調頻壹”
“Sale Shares”	a total of 26,330,100 ordinary shares of US\$1 each in the issued share capital of Moral High, representing 100% of the equity interest in Moral High
“Savills”	Savills Valuation and Professional Services Limited, an independent professional property valuer
“Sellers”	together, BRE and Daily Right
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“Share Option(s)”	option(s) to subscribe for Shares pursuant to the share option scheme adopted by the Company at the annual general meeting of the Company held on 3 June 2005
“Stakeholder”	Woo, Kwan, Lee & Lo
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VXLCPL”	VXL Capital Partners Corporation Limited, a company wholly and beneficially owned by Datuk Lim Chee Wah, the chairman of the Board and an executive Director
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America

Throughout this circular, amounts in RMB have been translated, for illustration only, into HK\$ at the exchange rate of HK\$1.0 = RMB0.81929. 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.

LETTER FROM THE BOARD

VXL CAPITAL LIMITED

卓越金融有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 727)

Executive Directors:

Datuk LIM Chee Wah

Mr. XIAO Huan Wei

Independent Non-Executive Directors:

Mr. Alan Howard SMITH, *J.P.*

Dr. Allen LEE Peng Fei, *J.P.*

Mr. David YU Hon To

Registered Office:

Room 603A, 6th Floor

Empire Centre

No. 68 Mody Road

Tsim Sha Tsui East

Kowloon, Hong Kong

11 November 2011

To the Shareholders,

Dear Sir or Madam,

MAJOR DISPOSAL

INTRODUCTION

On 21 September 2011, Daily Right, a wholly-owned subsidiary of the Company, and BRE entered into the Agreement with the Buyer, whereby BRE and Daily Right agreed to sell to the Buyer the Sale Shares. The Disposal constitutes a major disposal for the Company under Chapter 14 of the Listing Rules and is therefore subject to the approval of the Shareholders. VXLCP, which is beneficially interested in 1,069,308,000 Shares (representing approximately 69.9% of the issued Shares as at the Latest Practicable Date), has given written consent to the Disposal. The written consent from VXLCP is accepted in lieu of holding a general meeting to approve the Disposal pursuant to Rule 14.44 of the Listing Rules.

The purpose of this circular is to provide you with, among other things, (i) details of the Disposal; (ii) financial information of the Group; (iii) the valuation report on the Property; and (iv) other information as required under the Listing Rules.

LETTER FROM THE BOARD

THE AGREEMENT

Date

21 September 2011

Parties

- (i) Daily Right and BRE (the Sellers); and
- (ii) Skybird International Limited (the Buyer).

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, (i) the Buyer is an investment holding company and a wholly-owned subsidiary of New World Department Store China Limited (a company whose shares are listed on the Main Board of the Stock Exchange (stock code : 825)), which is in turn a subsidiary of New World Development Company Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code : 17); (ii) BRE is an investment holding company; (iii) the Buyer and its ultimate beneficial owners are third parties independent of the Company and its connected persons; and (iv) save for the common shareholding interest in Moral High, BRE and its ultimate beneficial owners are third parties independent of the Company and its connected persons. The Company has not been involved in any previous transaction with the Buyer and its ultimate beneficial owners which would otherwise require aggregation with the Disposal pursuant to Rule 14.22 of the Listing Rules.

Subject assets being disposed

The Sale Shares represent the entire issued share capital of Moral High, of which 95% of the issued share capital of Moral High will be sold by BRE and 5% of the issued share capital of Moral High (i.e. the Daily Right Sale Shares) will be sold by Daily Right. The Daily Right Sale Shares represent all the equity interest of Daily Right in Moral High.

The Sale Shares shall be sold free from all claims, charges, liens, encumbrances, equities and third party rights and together with all rights, titles, interests and benefits now and hereafter attached thereto and all dividends, distributions and interest declared, paid, made or accrued in respect thereof on or after the Completion Date.

LETTER FROM THE BOARD

Consideration

The aggregate gross consideration for the Sale Shares is RMB1,460.0 million (equivalent to approximately HK\$1,782.0 million) (subject to the deductions and adjustments as set out below) and is payable by the Buyer to the Sellers in cash as follows:

- (a) the Buyer had prior to the signing of the Agreement deposited HK\$50.0 million with the Stakeholder and shall within 5 Business Days from the date of the Agreement deposit with the Stakeholder an additional HK\$50.0 million, and such aggregate sum of HK\$100.0 million together with interests, if any (the “Deposit”), shall be held in escrow and be released by the Stakeholder to the Sellers at Completion;
- (b) an amount calculated pursuant to the following formula shall be paid by the Buyer to BRE at Completion:

the HK\$ equivalent of $(C - R) - D$

where (i) “C” is 95% of the amount equal to the gross consideration of RMB1,460.0 million less RMB580.0 million (being the outstanding principal balance of the Bank Loan as at Completion) and less the Adjustment Amount, (ii) “R” is the sum of RMB1.2 million (the “Retention Amount”), and (iii) “D” is 95% of the Deposit; and

- (c) an amount calculated pursuant to the following formula shall be paid by the Buyer to Daily Right at Completion:

the HK\$ equivalent of $C - D$

where (i) “C” is 5% of the amount equal to the gross consideration of RMB1,460.0 million less RMB580.0 million (being the outstanding principal balance of the Bank Loan as at Completion) and less the Adjustment Amount, and (ii) “D” is 5% of the Deposit; and

LETTER FROM THE BOARD

- (d) the Retention Amount, after deducting therefrom all compensations or other amounts paid by the Buyer or any of its affiliates to Insite in connection with the employment of existing employees of Insite after Completion and losses which the Buyer, Moral High and/or Peak Moral High may incur as a result of the failure by Insite to pay all relevant salaries, wages, compensation and other amounts in connection with the termination of employment of existing employees of Insite, shall be paid in its HK\$ equivalent by the Buyer to BRE on the date of expiration of the term (including any extended term of up to 6 months from the Completion Date) of the management agreement to be entered into between the Buyer or any of its affiliates with Insite in relation to the provision of asset management services in respect of the Property after Completion.

Based on the unaudited management accounts of Moral High and Peak Moral High as at 31 July 2011, the Adjustment Amount is approximately RMB3.2 million (equivalent to approximately HK\$4.0 million). Based on the above formula, the consideration attributable to the Daily Right Sale Shares and receivable by Daily Right is approximately RMB43.8 million (equivalent to approximately HK\$53.5 million) (subject to adjustments described below).

The consideration for the Sale Shares was arrived at after arm's length negotiations between the Sellers and the Buyer, taking into account the net asset values of Moral High and Peak Moral High, the market price of other properties in the vicinity of the Property, and other factors such as the development and rental potential of the Property.

Adjustment to the consideration

If the amount of the aggregate Net Liabilities of Moral High and Peak Moral High as shown in the Completion Accounts is greater than the Adjustment Amount, then the Sellers shall within 7 Business Days from the delivery of such accounts refund to the Buyer (apportioned between BRE and Daily Right as to 95% and 5% respectively) an amount equal to such excess in its HK\$ equivalent. If the amount of the aggregate Net Liabilities of Moral High and Peak Moral High as shown in the Completion Accounts is less than the Adjustment Amount, then the Buyer shall within 7 Business Days from the delivery of such accounts pay to the Sellers (apportioned between BRE and Daily Right as to 95% and 5% respectively) an amount equal to such shortfall in its HK\$ equivalent.

LETTER FROM THE BOARD

Conditions

Completion is subject to the satisfaction (or waiver by the Buyer) of the following conditions on or prior to the Completion Date:

- (a) each of the representations, warranties and covenants made by the Sellers in the Agreement shall be true and correct in all material respects when made on and as of the Completion Date;
- (b) the Sellers shall have performed or complied in all respects with each obligation and covenant required by the Agreement to be performed or complied with by the Sellers on or before the Completion Date;
- (c) no order or injunction of any court or administrative agency of competent jurisdiction nor any statute, rule, regulation or executive order promulgated by any governmental authority of competent jurisdiction shall be in effect as of the Completion Date which restrains or prohibits the transfer of the applicable assets or the consummation of any other transaction contemplated under the Agreement and all governmental consents related to the transaction shall have been obtained;
- (d) no material adverse change (or effect), the consequence of which is to materially and adversely affect the financial position, business or property, results of operations, business prospects or assets of Moral High and Peak Moral High, shall have occurred since the date of the Agreement which would affect the Property or the prospects, condition, operation or business thereof or in the assets, business, operation, financial condition or prospects of Moral High or Peak Moral High;
- (e) no action, suit or other proceeding shall be pending (save for those listed in the Agreement) which shall have been brought by any person or entity (other than the parties to the Agreement and their affiliates) (i) to restrain, prohibit or change in any material respect the purchase and sale of the applicable assets or the consummation of any other transaction contemplated under the Agreement or (ii) seeking material damages with respect to such purchase and sale or any other transaction contemplated under the Agreement;
- (f) the Sellers shall have delivered, and the Buyer shall have received, all of the documents required to be delivered by the Sellers under the Agreement;

LETTER FROM THE BOARD

- (g) Completion shall not trigger any obligation to repay, additional liabilities, or change in terms under the Bank Loan;
- (h) save for those listed in the Agreement, all licenses and permits concerning the Property shall have been obtained;
- (i) all intercompany balances and loans between Moral High, Peak Moral High and the Sellers and their respective affiliates shall have been settled and all documents and agreements related thereto or in connection therewith shall have been terminated, in each case with no further obligation or liability to Moral High and/or Peak Moral High;
- (j) all registration procedures, approvals and/or consents required by government, laws, rules and regulations and contracts in respect of and/or in connection with the transactions contemplated under the Agreement having been completed and/or obtained;
- (k) Peak Moral High shall terminate Insite's appointment as asset manager pursuant to the Asset Management Agreement with effect from the Completion Date;
- (l) all transfer procedures relating to the transfer by Insite to Peak Moral High of all intellectual property rights relating to “調•頻•壹” shall have been submitted and Insite and Peak Moral High shall have entered into a license agreement in relation to the exclusive use of the “調•頻•壹” trademark until the earlier of (i) the last day of the registration term of the “調•頻•壹” trademark (including any extended registration terms) or (ii) the date the transfer of the “調•頻•壹” trademark from Insite to Peak Moral High is duly completed, for no consideration; and
- (m) Daily Right having obtained the approval of the Agreement and the transactions contemplated thereunder by the Shareholders.

The Buyer may in its absolute discretion at any time waive in writing any one or more of the above conditions and such waiver may be made subject to such terms and conditions as may be determined by the Buyer. In the event that not all the conditions have been fulfilled or waived by the Buyer by no later than 9:00 a.m. (Hong Kong time) on the Completion Date, the Agreement shall lapse and be of no further effect and no party to the Agreement shall have any claim against or liability or obligation to the other party save in respect of any antecedent breaches of the Agreement and the Deposit shall be released to the Buyer by the Stakeholder in accordance with the terms of the agreement entered into by the Sellers and the Buyer with the Stakeholder.

As at the Latest Practicable Date, save for conditions (h) and (m) above, none of the conditions precedent to the Agreement has been fulfilled.

LETTER FROM THE BOARD

Completion

Subject to all the conditions precedent being fulfilled or waived, Completion shall take place on a date which is no later than the 60th day from the date of the Agreement.

INFORMATION ON MORAL HIGH AND THE PROPERTY

Daily Right is an investment holding company. Its principal asset is a 5% interest in Moral High, which in turn is an investment holding company holding a 100% equity interest in the issued share capital of Peak Moral High. Daily Right had disposed of 95% of its interest in Moral High in November of 2008 to BRE.

Peak Moral High is a limited liability company established in the PRC and is a wholly-owned subsidiary of Moral High. The principal asset of Peak Moral High is the Property, which consists of a completed retail development with a gross floor area of approximately 41,000 square meters known as “Channel 1 調頻壹” located at 155 Changshou Road, Putuo District, Shanghai, the PRC. The Property is currently managed by Insite under the Asset Management Agreement and retail business currently in operation at the Property commenced in May 2009. According to the valuation report on the Property issued by Savills, the market value of the Property as at 30 September 2011 amounted to RMB1,385.0 million (equivalent to approximately HK\$1,690.5 million).

The financial information of Moral High based on its unaudited financial statements are as follows:

	Year ended 31 March 2011 <i>HK\$</i>	Year ended 31 March 2010 <i>HK\$</i>
Loss before tax	123,416	60,315
Loss after tax	123,674	60,594
		As at 31 March 2011 <i>HK\$</i>
Net asset value		310,534,228

LETTER FROM THE BOARD

The financial information of Peak Moral High based on its unaudited financial statements are as follows:

	Year ended 31 December 2010		Year ended 31 December 2009	
	RMB'm	HK\$m	RMB'm	HK\$m
Loss before tax	46.7	57.0	251.9	307.5
Loss after tax	46.7	57.0	251.9	307.5
			As at 31 December 2010	
			RMB'm	HK\$m
Net liabilities			0.8	1.0

REASONS FOR THE DISPOSAL

The Company is an investment holding company and its subsidiaries are engaged in property and hotel investments. At present, the Group owns a total of 14 hotel properties in the PRC. As at the date of the Agreement, the Group holds a 5% interest in Moral High and has not been actively involved in the management or operation of the Property since the sale of 95% interest in Moral High to BRE in late 2008. Following Completion, the Group will cease to hold any equity interest in Moral High. The Directors consider that the Disposal represents an excellent opportunity for the Group to realise a capital gain from its investment in Moral High, generates positive cashflow for the Group and enables the Group to reallocate and focus its resources on other projects and investments.

Based on the consideration attributable to the Daily Right Sale Shares of approximately RMB43.8 million (equivalent to approximately HK\$53.5 million) and the book value of the investment holding in Daily Right as at 31 August 2011 of approximately HK\$31.1 million, the Group is expected to realise a profit (before expenses) of approximately HK\$22.4 million from the Disposal and the Group's total assets will be increased by the same amount accordingly. There will be no change in the Group's total liabilities as a result of the Disposal. Shareholders and investors should note that the actual gain on the Disposal will be determined based on the final consideration after adjustments (if any) as described in the paragraph headed "Consideration" above and the book value of the Group's investment in Daily Right at Completion, and may be different from the gain as disclosed above.

Based on the above, the Directors (including the independent non-executive Directors) consider that the terms of the Agreement, including the consideration for the Daily Right Sale Shares, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The net proceeds from the Disposal after deducting the expenses and deductions attributable to the Disposal are estimated to be approximately HK\$51.3 million. The net proceeds shall be used by the Group for future property related investment and general working capital purposes. As at the Latest Practicable Date, the Group has not entered into any agreements or arrangements in relation to further acquisitions of investments.

LISTING RULES IMPLICATIONS

The Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the approval of the Shareholders. To the best of the Directors' knowledge, no Shareholder has a material interest in the Disposal who is required to abstain from voting at a general meeting to approve the Disposal. VXLCP, which is beneficially interested in 1,069,308,000 Shares (representing approximately 69.9% of the issued share capital of the Company as at the Latest Practicable Date), has given written consent to the Disposal. The written consent from VXLCP is accepted in lieu of holding a general meeting to approve the Disposal pursuant to Rule 14.44 of the Listing Rules.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully
For and on behalf of the Board
Datuk LIM Chee Wah
Chairman

1. INDEBTEDNESS**Borrowings**

As of 30 September 2011, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had outstanding indebtedness of approximately HK\$438.5 million (including HK\$ borrowings of HK\$319.2 million, RMB borrowings of RMB42.0 million and US\$ borrowings of US\$8.7 million), details of which are set out below:

	<i>HK\$ million</i>
Shareholder loans	386.0
Other loan	51.5
Finance lease obligation	
Within one year	0.7
Between one and two years	0.3

The net book value of the Group's motor vehicles held under finance lease amounted to approximately HK\$1.4 million as at 30 September 2011.

Contingent liabilities

On 4 October 2011, the Company received notice that a claim (the "Former CEO Claim") has been filed in the Labour Tribunal against it by a former chief executive officer of the Company (the "Former CEO") for a total sum of HK\$30,000,000, which was the alleged discretionary bonus owed by the Company to the Former CEO. The Company intends to vigorously dispute allegations made in the Former CEO Claim. Further details relating to the Former CEO Claim were disclosed in the announcement of the Company dated 6 October 2011. The Group has made a provision of HK\$6.4 million in its financial statements in respect of the contingent liabilities described above.

Except for the above claim and any possible liabilities arising from the above claim, the Group did not have any material contingent liabilities as at the close of business on 30 September 2011.

Saved as aforesaid and apart from intra-group liabilities and normal accounts payable in the ordinary course of business, the Group did not, at the close of business on 30 September 2011, have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, term loans (whether guaranteed, unguaranteed, secured and unsecured), debts securities or any other similar indebtedness (whether guaranteed, unguaranteed, secured and unsecured) or any finance lease commitments, hire purchase commitments, liabilities under acceptance (other than normal trade bills), acceptable credits or any guarantees.

For the purpose of the above statement of indebtedness, amounts denominated in RMB have been translated into HK\$ at an exchange rate of RMB1 = HK\$1.22639, and amounts denominated in US\$ have been translated into HK\$ at an exchange rate of US\$1 = HK\$7.79369.

2. WORKING CAPITAL

The Directors are of the opinion that, taking into account the expected completion of the Disposal and the financial resources available to the Group, including (i) the net proceeds from the Disposal, (ii) internally generated funds, and (iii) the standby financial support from the controlling Shareholder, the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

3. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group currently owns a total of 14 properties in its portfolio and maintains its strategies of developing them into budget hotels or commercial offices for leasing or sale, or, when appropriate, outright sale. The Group's operating hotel which is located in Xiangfan, Hubei Province contributed total revenue of HK\$4.4 million for the year ended 31 March 2011.

The renovation of the Group's property in Yingkou, Liaoning Province was completed in June 2011. Citic Bank, which is a lessee of several lower floors of the building, soft-opened on 1 July 2011. The remaining floors are being marketed for leasing and sale.

The management has identified another property for conversion into commercial usage and is in the course of finalising its execution plan.

The Group will continue to be engaged in property and hotel investments and the Directors believe that such strategies are rightly placed to avail the Group of the developing trend of tourism in the PRC. The Group will also continue its efforts to add value to its assets by seeking appropriate joint ventures or partnership with companies in the hospitality, tourism and property industries or companies with investment interests in these industries.

The following is the text of the letter and valuation certificate, prepared for inclusion in this circular, received from Savills in connection with their valuation as of 30 September 2011 of the Property held by Peak Moral High.



The Directors
VXL Capital Limited
Room 603A, 6th Floor
Empire Centre
No. 68 Mody Road
Tsim Sha Tsui East
Kowloon
Hong Kong

Savills Valuation and
Professional Services Limited
23/F Two Exchange Square
Central, Hong Kong

T: (852) 2801 6100
F: (852) 2530 0756

EA Licence: C-023750
savills.com

11 November 2011

Dear Sirs,

RE: CHANNEL 1(調頻壹), NOS. 155 TO 159, 175 AND 179 CHANGSHOU ROAD AND NOS. 1347 TO 1383 NORTH SHANXI ROAD, PUTUO DISTRICT, SHANGHAI, THE PEOPLE’S REPUBLIC OF CHINA (THE “PROPERTY”)

In accordance with your instructions for us to value the Property situated in the People’s Republic of China (“PRC”) held by 峻領德高商業發展(上海)有限公司 (“Peak Moral High”), we confirm that we have carried out an inspection, made relevant searches and enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of value of the Property as at 30 September 2011 for public circular purpose. VXL Capital Limited (the “Company”, together with its subsidiaries is hereinafter referred to as the “Group”) is indirectly interested in 5% of Peak Moral High through its 5% equity interest in Moral High Limited.

Our valuation of the Property is our opinion of its market value which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale and purchase, and without offset for any associated taxes.

The Property is held by Peak Moral High for investment. We have valued the Property by making reference to the comparable market transactions as available in the market and where appropriate, on the basis of capitalization of net incomes as shown on the schedules handed to us with due allowance for reversionary income potential of the Property.

We have been provided with copies of extracts of title documents relating to the Property in the PRC. However, we have not searched the original documents to verify ownership or to verify any amendments that may not appear on the copies handed to us. We have relied on the advice given by the Group and its legal adviser, Jingtian and Gongcheng, on the PRC laws, regarding the title to the Property.

We have relied to a very considerable extent on information given by the Group and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, ownership, particulars of occupancy, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations. No on-site measurements have been taken. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to our valuation. We have also advised by the Group that no material facts have been omitted from the information provided.

We have inspected the exterior of the Property. During the course of our inspection, we did not note any serious defects. However, no structural survey has been made, we are therefore unable to report that the Property is free from rot, infestation or any other structural defect. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoing of an onerous nature which could affect its value.

In valuing the Property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and Valuation Standards on Properties published by The Hong Kong Institute of Surveyors.

Unless otherwise stated, all money amounts stated are in Renminbi (“RMB”).

Our valuation certificate is attached.

Yours faithfully,
For and on behalf of
Savills Valuation and Professional Services Limited
Anthony C.K. Lau
MRICS MHKIS RPS(GP)
Director

Note: Anthony C.K. Lau is a qualified surveyor and has over 19 years’ experience in the valuation of properties in both Hong Kong and the PRC.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2011
Channel 1 (調頻壹), Nos. 155 to 159, 175 and 179 Changshou Road and Nos. 1347 to 1383 North Shanxi Road, Putuo District, Shanghai, PRC	<p>The Property, known as Channel 1, comprises the 6-level commercial podium of a 29-storey composite building completed in between 2000 and 2006.</p> <p>Substantial renovation of the Property was commenced in 2007 and was completed in 2008.</p> <p>The total gross floor area of the Property is approximately 41,090.20 sq.m. (442,295 sq.ft.).</p> <p>The land use rights of the Property have been granted for a term expiring on 21 March 2045 for commercial uses.</p>	<p>Portion of the Property with a total lettable area of approximately 25,388.20 sq.m. is subject to various tenancies for terms ranging from 1 year to 13 years with the latest one expiring on 12 February 2022 at a total monthly rental of approximately RMB4,760,000, mostly exclusive of management fees. Over 60% of the tenancies are for terms not greater than 3 years.</p> <p>The remaining portion of the Property with a total lettable area of approximately 1,331.37 sq.m. is vacant.</p>	<p>RMB1,385,000,000 (5% interest attributable to the Group: RMB69,250,000)</p>

Notes:

- (1) According to five Shanghai Certificate of Real Estate Ownership Nos. (2007) 023261, (2007) 022186, (2007) 023488, (2007) 023487 and (2007) 017207 issued by Shanghai Housing and Land Resources Administration Bureau, the building ownership of the Property with a total gross floor area of 41,090.20 sq.m. is vested in Peak Moral High Commercial Development (Shanghai) Limited (峻領德高商業發展(上海)有限公司) (“Peak Moral High”) and the land use rights of the Property comprising a site area of 11,757 sq.m. have been granted for a term of 40 years due to expire on 21 March 2045 for commercial uses. Details of the said certificates are summarized as follows:

Certificate No.	Location	Level	Gross Floor Area <i>(sq.m.)</i>	Issuance Date
(2007) 023261	No. 155 Changshou Road	Levels 1 – 3	12,342.68	25 July 2007
(2007) 022186	Nos. 155, 157 and 159 Changshou Road	Levels 4 – 6	13,969.30	24 July 2007
(2007) 023488	No. 175 Changshou Road	Level 1	484.56	1 August 2007
(2007) 023487	No. 179 Changshou Road	Level 1	247.85	1 August 2007
(2007) 017207	Nos. 1347, 1351, 1355, 1359, 1363, 1367, 1371, 1375, 1379 and 1383 North Shanxi Road	Levels 1 – 6	14,045.81	14 June 2007
		Total	41,090.20	

- (2) We have been provided with a legal opinion on the title to the Property issued by the Group’s legal adviser, which contains, inter alia, the following information:
- (i) Peak Moral High has obtained the Real Estate Ownership Certificates of the Property;
 - (ii) the Property is mortgaged to Industrial and Commercial Bank of China Limited (Putuo Sub-branch); and
 - (iii) Peak Moral High is entitled to lease, transfer, mortgage or otherwise dispose of the Property during the mortgaged period after obtaining the written consent from the mortgagee.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at the Latest Practicable Date, the interests and short positions of each Director and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they have taken or deemed to have taken under such provisions of the SFO), or are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to the Company and the Stock Exchange are as follows:

(A) Long Position in Shares and underlying Shares

Name of Directors	Nature of Interests	Note	Shares/ underlying Shares	Approximate % of issued Shares
Datuk LIM Chee Wah	Interests in Shares – Corporate Interests	1	1,069,308,000	69.9%
(“Datuk LIM”)	Interests in Share Options – Personal Interests	2	4,400,000	–
			1,073,708,000	

Notes:

- The corporate interests of 1,069,308,000 Shares are held by VXLCP. The interests in 1,069,308,000 Shares comprises 769,308,000 Shares and 300,000,000 Shares which are beneficially owned by VXLCP and Huge More Limited (“Huge More”) respectively. Huge More is a wholly-owned subsidiary of VXLCP since 7 May 2010. Datuk LIM is also a director and the beneficial owner of VXLCP.
- Details of the interests in Share Options are set out separately in the paragraph headed “Interests in Share Options” below.

(B) Interests in Share Options

Share Options granted to a Director and remain outstanding as at Latest Practicable Date are:

Number of Director	Name of Share Options outstanding	Exercise price (HK\$)	Grant date	Exercisable period
Datuk LIM	4,400,000	0.77	23/08/2007	23/08/2007 – 22/08/2012

Notes:

The above Share Options to subscribe for Shares are exercisable as to:

- (a) up to 20% immediately after date of grant;
- (b) up to 46.7% immediately after 12 months from date of grant;
- (c) up to 73.3% immediately after 24 months from date of grant; and
- (d) up to 100% immediately after 36 months from date of grant.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company has any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or are required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the following persons (not being a Director or chief executive of the Company) have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or have any options in respect of such capital:

Name of Shareholders	Nature of Interests	Note	Shares/ underlying Shares	Approximate % of issued Shares
VXLCPL	Interests in Shares – Beneficial Interests	1	1,069,308,000	69.9%
Huge More	Interests in Shares – Beneficial Interests	1	300,000,000	19.6%

Notes:

- The interest in 1,069,308,000 Shares comprise 769,308,000 Shares and 300,000,000 Shares which are beneficially owned by VXLCPL and Huge More, respectively. Huge More is wholly-owned by VXLCPL since 7 May 2010. Datuk LIM is also a director and the beneficial owned of VXLCPL.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or the chief executive of the Company, no other persons (not being a Director or the chief executive of the Company) has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or has any options in respect of such capital.

4. MATERIAL CONTRACTS

Save as disclosed below, no material contracts (not being contracts entered into in the ordinary course of business carried out by the Group) have been entered into by any member of the Group within the two years preceding the Latest Practicable Date:

- (a) a term sheet dated 27 October 2009 and the corresponding definitive subscription agreement dated 28 October 2009 entered into among the Company, “U” Inns and Hotels Holdings Limited (“UIHHL”), a wholly-owned subsidiary of the Company, and Fortune Sea Group Limited (“Fortune Sea”), an independent third party, pursuant to which UIHHL conditionally agreed to issue and Fortune Sea conditionally agreed to subscribe for 2,590 preferred shares of UIHHL (the “Preferred Share”) at a total subscription price of HK\$145.0 million. The Preferred Shares carry preferred return of 6% per annum and are convertible into 2,590 common shares of UIHHL, representing 25.9% of the issued common shares of UIHHL upon full conversion of the Preferred Shares;
- (b) a termination agreement dated 31 March 2011 entered into between “U” Inns & Hotel Management (Tonghua) Limited* (你的客棧(通化)酒店管理有限公司) (“U Inns Tonghua”), a wholly-owned subsidiary of the Company, and Jilin Province Post Company* (吉林省郵政公司) to terminate the acquisition of a hotel property located in Jilin Province, the PRC by U Inns Tonghua, the penalty for which amounted to RMB1.08 million;
- (c) a sale and purchase agreement dated 7 June 2010 entered into between U Inns & Hotel (Si Chuan) Limited* (你的客棧酒店(四川)有限公司), a wholly-owned subsidiary of the Company, as vendor, and Daying Dongfang Property Development Limited* (大英東方房地產發展有限公司), as purchaser, in respect of the sale of a hotel property located in Sichuan Province, the PRC for a consideration of RMB22 million;
- (d) four termination agreements dated 25 June 2010 entered into between the Group and the respective vendors, each a State-owned enterprise under China Post Group, to terminate the acquisitions of four hotel properties located in Gansu Province and Tibet Autonomous Region, the PRC by the Group, the aggregate penalties for which amounted to approximately RMB4.8 million;
- (e) a sale and purchase agreement dated 27 January 2011 entered into between U Inns & Hotel (Si Chuan) Limited* (你的客棧酒店(四川)有限公司), a wholly-owned subsidiary of the Company, as vendor, and Chengdu Zhaohong Zhi Ye Company Limited* (成都兆鴻置業有限公司), as purchaser, in respect of the sale of two hotel properties located in Sichuan Province, the PRC for a total consideration of RMB21.5 million;

* For identification purpose only

- (f) a sale and purchase agreement dated 13 April 2011 entered into between the Company and VXCPL, the controlling Shareholder and a company wholly and beneficially owned by Datuk LIM, an executive Director, pursuant to which the Company agreed to dispose of the entire issued share capital of Hart Industries (Far East) Limited, a wholly-owned subsidiary of the Company, and the relevant shareholder's loan to VXCPL for a consideration of HK\$1.5 million;
- (g) a termination agreement dated 18 July 2011 entered into between "U" Inns & Hotel (Weihai) Limited* (你的客棧酒店(威海)有限公司) ("U Inns Weihai"), a wholly-owned subsidiary of the Company, and Shandong Province Post Company* (山東省郵政公司) to terminate the acquisition of a hotel property located in Shandong Province, the PRC by U Inns Weihai. The consideration of approximately RMB8.3 million paid by the Group for the acquisition has been refunded in full to the Group; and
- (h) the Agreement.

5. LITIGATION

Save as disclosed below, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group as at the Latest Practicable Date:

- (a) on 4 October 2011, the Company received notice that a claim (the "Former CEO Claim") has been filed in the Labour Tribunal against it by a former chief executive officer of the Company (the "Former CEO") for a total sum of HK\$30,000,000, which was the alleged discretionary bonus owed by the Company to the Former CEO. The Company intends to vigorously dispute allegations made in the Former CEO Claim. Further details relating to the Former CEO Claim were disclosed in the announcement of the Company dated 6 October 2011; and
- (b) on 17 May 2011, VXL Management Services Limited ("VXLMSL"), a wholly-owned subsidiary of the Company, as plaintiff issued a writ of summons (the "Writ") in Hong Kong against Shanghai Huayang Saili Enterprise Development Co., Ltd.* (上海華揚賽利實業發展有限公司) ("Huayang") in respect of a claim (the "Huayang Claim") for an overdue loan in the amount of RMB10 million and the interest accrued thereon owed by Huayang to VXLMSL. The Writ was subsequently served on Huayang by the PRC Court on 10 August 2011. On 30 August 2011, the lawyers acting on behalf of Huayang indicated that it intends to contest the proceedings.

* For identification purpose only

6. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion contained in this circular:

Name	Qualification
Savills	Independent property valuer

Savills has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Savills did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Savills did not have any direct or indirect interest in any assets which were, since 31 March 2011 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to, any member of the Group.

7. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which did not expire or was not determinable by the Group within one year without payment of compensation (other than statutory compensation).

8. CONTRACTS OR ARRANGEMENTS AND COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors and his associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Save for the Company's disposal of the entire issued share capital of Hart Industries (Far East) Limited and the relevant shareholder's loan to VXLCP, a company wholly and beneficially owned by Datuk LIM, an executive Director, for a consideration of HK\$1.5 million as contemplated under the sale and purchase agreement dated 13 April 2011, none of the Directors has any direct or indirect interest in any assets which had been acquired, disposed of or leased to, or which are proposed to be acquired, disposed of or leased to, the Company or any of its subsidiaries since 31 March 2011 (being the date to which the latest published audited financial statements of the Company were made up).

As at the Latest Practicable Date, save for the loans in the amounts of US\$8.7 million and HK\$318.2 million borrowed by the Group from VXLCP both at the interest rate of 10% per annum, there was no contract or arrangement entered into by any member of the Group subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the registered office of the Company at Room 603A, 6th Floor, Empire Centre, No. 68 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong, from the date of this circular and up to and including 25 November 2011:

- (a) the memorandum and articles of association of the Company;
- (b) the material contracts referred to in the section headed "Material Contracts" in this appendix;
- (c) the annual reports of the Company for each of the two years ended 31 March 2010 and 2011;
- (d) the property valuation report issued by Savills contained in Appendix II to this circular;

- (e) the letter of consent referred to under the section headed “Expert and Consent” in this appendix; and
- (f) a copy of each circular issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which has been issued by the Company since 31 March 2011 (being the date of the latest published audited accounts).

10. GENERAL

- (a) The company secretary of the Company is Ms. LIM Yi Ping. She is a member of the Institute of Chartered Accountants in Australia, Australia Institute of Certified Public Accountants and Hong Kong Certified Public Accountants.
- (b) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (c) The registered office of the Company is situated at Room 603A, 6th Floor, Empire Centre, No. 68 Nathan Road, Tsim Sha Tsui East, Kowloon, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.