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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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 licensed securities dealer, 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 to the purchaser or the transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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*(Incorporated in Hong Kong with limited liability)*  
(Stock Code: 727)

**DISCLOSEABLE TRANSACTION**

**DISPOSAL OF 45% OF EQUITY INTEREST IN  
AND SHAREHOLDER'S LOAN OWING BY  
MILLION SKY INVESTMENTS LIMITED**

**Financial adviser to VXL Capital Limited**

  
**Optima Capital Limited**  
*(formerly known as VXL Financial Services Limited)*

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context requires otherwise:*

“Announcement”	the announcement of the Company dated 23 August 2007 regarding, among other things, the Disposal
“Aggregated Transactions”	collectively the Disposal and the Transaction
“Agreement”	the agreement dated 23 August 2007 entered into between VXL Investments and the Purchaser in relation to the Disposal
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	VXL Capital Limited, a company incorporated in Hong Kong with limited liability, the ordinary shares of which are listed on the Main Board of the Stock Exchange
“Completion Date”	on 23 August 2007, the day on which the Purchaser having obtained legal ownership of the Sale Shares and the Shareholder’s Loan
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Shares and the Shareholder’s Loan under the Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	10 September 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Million Sky”	Million Sky Investments Limited, a company incorporated in Samoa with limited liability
“PRC”	The People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region and Taiwan
“Purchaser”	High Joy International Limited, a company incorporated in the British Virgin Islands with limited liability
“Sale Shares”	45 ordinary shares of US\$1.00 each in the issued share capital of Million Sky, representing 45% of the entire issued share capital of Million Sky

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## DEFINITIONS

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“Shares”	ordinary share(s) of HK\$0.01 each in the ordinary share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Shareholder’s Loan”	The shareholder’s loan of HK\$27,320,787.16 and US\$999,900 due from Million Sky to VXL Investments as at 31 March 2007
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the transactions as referred to the circular of the Company dated 27 October 2006 including, among others, the disposal by the Company of 55% interests in and shareholder’s loan owing by Million Sky
“VXL Investments”	VXL Investments Holdings Limited, a company incorporated in Samoa with limited liability and a wholly-owned subsidiary of the Company
“VXL Leasing”	卓越國際租賃有限公司 (VXL International Leasing Co. Ltd.*), a wholly foreign owned enterprise incorporated in the PRC and a wholly-owned subsidiary of Million Sky (* for identification only)
“Warrants”	listed warrants of the Company (stock code: 831)
“Warrantholder(s)”	the holder(s) of the Warrant(s)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

*For the purpose of this circular, RMB to HK\$ is translated at a rate of RMB1.00 = HK\$1.0313. No representation is made that any amounts in RMB could have been or could be converted as such rate or any other rates or at all.*

*Certain English translations of Chinese names or words in this circular are included for information purpose only and should not be regarded as the official English translation of such Chinese names or words.*

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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

Datuk LIM Chee Wah  
Mr. Percy ARCHAMBAUD-CHAO  
Ms. Patsy SO Ying Chi

*Registered office:*

Suite 2707-8, One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

*Independent non-executive Directors:*

Mr. Alan Howard SMITH, *J.P.*  
Dr. Allen LEE Peng Fei, *J.P.*  
Mr. David YU Hon To

13 September 2007

*To the Shareholders and for information only, the Warrantholders*

Dear Sir or Madam,

### **DISCLOSEABLE TRANSACTION**

#### **DISPOSAL OF 45% OF EQUITY INTEREST IN AND SHAREHOLDER'S LOAN OWING BY MILLION SKY INVESTMENTS LIMITED**

#### **INTRODUCTION**

Reference is made to the Announcement. As stated in the Announcement, the Board announced that on 23 August 2007, VXL Investments, a wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser pursuant to which VXL Investments agreed to sell and the Purchaser agreed to purchase the Sale Shares and the Shareholder's Loan at a total cash consideration of RMB34,785,000 (equivalent to approximately HK\$35,873,771).

The Disposal is aggregated with the Transaction under Rule 14.22 of the Listing Rules. Given certain of the applicable percentage ratios are 5% or more but less than 25%, the Aggregated Transactions constitute a discloseable transaction for the Company under the Listing Rules, and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Save for the Transaction, the Company did not have any previous transactions with the Purchaser and its ultimate beneficial owner which required aggregation under Rule 14.22 of the Listing Rules.

The purpose of this circular is to provide you with information relating to among other matters, the Agreement and the Disposal.

#### **THE AGREEMENT**

**Date:** 23 August 2007

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## LETTER FROM THE BOARD

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**Parties:**

Vendor: VXL Investments, a wholly-owned subsidiary of the Company, whose principal business is investment holding

Purchaser: High Joy International Limited

As at the Latest Practicable Date, the Purchaser owns 55% interests in Million Sky. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and the ultimate beneficial owner of the Purchaser are third parties independent of the Company and connected persons of the Company. Save as disclosed herein, the Company did not have any previous relationship with the Purchaser and its ultimate beneficial owner.

**Assets to be disposed of:**

Pursuant to the Agreement, VXL Investments agreed to sell and the Purchaser agreed to purchase the Sale Shares and the Shareholder's Loan.

**Consideration:**

The consideration for the Disposal of RMB34,785,000 (equivalent to approximately HK\$35,873,771) payable by the Purchaser to VXL Investments will be satisfied by cash on the Completion Date. The Consideration was arrived at after arm's length negotiations between the parties involved by reference to the par value of the Sale Shares of US\$1.00 each, the unaudited consolidated net liabilities of Million Sky and the book value of the Shareholder's Loan. The Directors (including the independent non-executive Directors) consider that the Consideration is on normal commercial terms and fair and reasonable so far as the Company and the Shareholders are concerned.

**Completion:**

Completion of the Disposal have taken place on the Completion Date.

**INFORMATION ON MILLION SKY AND VXL LEASING***Million Sky*

Million Sky was incorporated on 28 October 2005 and is principally engaged in investment holding. The assets of Million Sky include its 100% interest in VXL Leasing, bank balances and amount due from a shareholder.

As at 31 March 2007, the unaudited consolidated net liabilities of Million Sky was approximately HK\$0.81 million. For the year ended 31 December 2006 and the three months ended 31 March 2007, the unaudited consolidated net loss of Million Sky were approximately HK\$2.97 million and HK\$0.66 million respectively. Such financial information are based on accounts prepared under Hong Kong Financial Reporting Standards.

The consolidated net liabilities of Million Sky attributable to the Group as at 31 March 2007 was approximately HK\$0.36 million while the carrying value of the Shareholder's Loan as at 31 March 2007 was approximately HK\$35.13 million.

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## LETTER FROM THE BOARD

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### *VXL Leasing*

VXL Leasing is a wholly foreign owned enterprise incorporated in the PRC on 24 February 2006. It is the sole subsidiary of Million Sky. VXL Leasing is principally engaged in operational leasing and financial leasing of various types of machinery and equipment in the PRC.

### **REASONS FOR THE TRANSACTION AND USE OF PROCEEDS**

The Group is principally engaged in property related investment and securities investment. The assets of the Group mainly comprise investment properties in Hong Kong and the PRC.

The Purchaser is principally engaged in investment holding. As at the Latest Practicable Date, the Purchaser owns 55% equity interest of Million Sky.

Prior to the Disposal, Million Sky is an associate company of the Group and the results of which is accounted for by the Group using the equity accounting method. Upon completion of the Disposal, the Group will not have any interest in Million Sky.

The Directors consider that the completion of the Disposal will allow the Group to focus its resources on its core business, including property related investment which the Directors anticipate to have promising prospects. As stated in the circular of the Company dated 29 June 2007 in relation to the acquisition of certain hotel properties by the Group, the Company intends to diversify its property portfolio principally located in the PRC and will continue its effort to establish a brand name for quality budget hotel chain in the PRC.

The proceeds of approximately HK\$35.87 million from the Disposal is intended to be used as general working capital of the Group.

### **FINANCIAL EFFECTS OF THE DISPOSAL ON THE GROUP**

As a result of the Disposal, the Group is expected to accrue a gain of approximately HK\$2.17 million, which is the difference between the consideration for the Disposal of approximately HK\$35.87 million and the total carrying value of investments in and exchange reserve of Million Sky in the books of the Group as at 31 March 2007 of approximately HK\$33.50 million, after netting off the estimated professional fees of approximately HK\$0.20 million to be incurred. Upon completion of the Disposal, the total assets of the Group is expected to increase by approximately HK\$1.10 million, being the difference of the consideration for the Disposal of approximately HK\$35.87 million and the carrying value of investments in Million Sky as at 31 March 2007 of approximately HK\$34.77 million. There will be no effect on the total liabilities of the Group as a result of the Disposal.

The Directors consider that there is no adverse impact on the Group's existing business upon completion of the Disposal. Subsequent to the Disposal, the Group will focus its resources in its principal business of property investment including investment in properties in Hong Kong and the PRC.

The Directors (including the independent non-executive Directors) consider the Disposal is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

Your attention is drawn to the further information contained in the appendix to this circular.

Yours faithfully,  
By order of the Board  
**Percy ARCHAMBAUD-CHAO**  
*Director and Chief Executive Officer*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein 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 are taken or deemed to have taken under such provisions of the SFO), or which 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 of the Company:

Name of Directors	Nature of Interests	Note	Ordinary Shares of HK\$0.01 each	Approx. % of Issued Shares
Datuk LIM Chee Wah	Interests in Shares - Corporate Interests	1	1,069,308,000	69.98%
	Interests in Warrants - Corporate Interest	2	153,861,600	10.07%
	Interests in Share Options - Personal Interests	3	4,400,000	0.29%
			<u>1,227,569,600</u>	<u>80.34%</u>
Percy ARCHAMBAUD-CHAO	Interests in Shares - Corporate Interests	4	300,000,000	19.63%
	Interests in Warrants - Corporate Interest	5	60,000,000	3.93%
	Interests in Share Options - Personal Interests	3	4,400,000	0.29%
			<u>364,400,000</u>	<u>23.85%</u>
Patsy SO Ying Chi	Interests in Share Options - Personal Interests	3	4,400,000	0.29%

*Notes:*

1. The corporate interests of 1,069,308,000 Shares are held by VXL Capital Partners Corporation Limited ("VXLCPL"), a company wholly and beneficially owned by Datuk Lim Chee Wah ("Datuk Lim"). The interests in 1,069,308,000 Shares comprises 769,308,000 Shares which are beneficially owned by VXLCPL and 300,000,000 Shares which are deemed to be interested by VXLCPL as security interests. The 300,000,000 Shares are duplicated with the interests of Mr. Percy ARCHAMBAUD-CHAO ("Mr. A. Chao") as set out in note 4 of this section and the interests of VXLCPL and Huge More Limited ("Huge More") as set out in note 2 of the section "Substantial Shareholders' Interests in Securities".
2. The corporate interests of 153,861,600 Warrants are held by VXLCPL and duplicated with the interests of VXLCPL as set out in note 3 of the section "Substantial Shareholders' Interests in Securities".
3. Details of the interests in Share Options are set out separately in the section "Interests in Share Options".
4. The corporate interests of 300,000,000 Shares are held by Huge More, a company wholly and beneficially owned by Mr. A. Chao. The 300,000,000 Shares are duplicated with the security interest deemed to be interested by VXLCPL as set out in note 1 of this section and the interests of VXLCPL and Huge More as set out in note 2 of the section "Substantial Shareholders' Interests in Securities".
5. The corporate interests of 60,000,000 Warrants are held by Huge More and duplicated with the interests of Mr. A. Chao as set out in note 4 of the section "Substantial Shareholders' Interests in Securities".

**(B) Interests in Share Options**

Share Options granted under the Share Option Scheme of the Company adopted on 5 June 2005 and remain outstanding as at Latest Practicable Date are:

Name of Directors	Number of Share Options Outstanding	Exercise Price (HK\$)	Grant Date	Exercisable Period
Datuk LIM Chee Wah	4,400,000	0.77	23/08/2007	23/08/2007-22/08/2012
Percy ARCHAMBAUD-CHAO	4,400,000	0.77	23/08/2007	23/08/2007-22/08/2012
Patsy SO Ying Chi	4,400,000	0.77	23/08/2007	23/08/2007-22/08/2012

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company has any interest 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 which are required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which 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 or the chief executive of the Company, the following persons (not being a Director or the chief executive of the Company) have an interest or short position in the Shares and underlying Shares of the Company 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 the 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	Ordinary Shares of HK\$0.01 each	Approx. % of Issued Shares
VXL Capital Partners Corporation Limited	Interests in Shares - Beneficial Interests	1	769,308,000	50.35%
	Interests in Shares - Security Interests	2	300,000,000	19.63%
	Interests in Warrants - Beneficial Interests	3	153,861,600	10.07%
			<u>1,223,169,600</u>	<u>80.05%</u>
Huge More Limited	Interests in Shares - Beneficial Interests	2	300,000,000	19.63%
	Interests in Warrants - Beneficial Interests	4	60,000,000	3.93%
			<u>360,000,000</u>	<u>23.56%</u>

*Notes:*

- 769,308,000 Shares are beneficially owned by VXL CPL, which is wholly and beneficially owned by Datuk Lim, the Chairman of the Board and an executive Director of the Company.
- 300,000,000 Shares are beneficially owned by Huge More and are deemed to be interested by VXL CPL as security interests. Huge More is wholly and beneficially owned by Mr. A. Chao, the Chief Executive Officer and an executive Director of the Company. These 300,000,000 Shares duplicated among themselves in this section and as set out in notes 1 and 4 of the section "Directors' and Chief Executive's Interests in Securities".
- 153,861,600 Warrants are beneficially owned by VXL CPL and duplicated with the interests of Datuk Lim as set out in note 2 of the section "Directors' and Chief Executive's Interests in Securities".
- 60,000,000 Warrants are beneficially owned by Huge More and duplicated with the interests of Mr. A. Chao as set out in note 5 of the section "Directors' and Chief Executive's Interests in Securities".
- All the interests disclosed above represent long position in the Shares.

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 under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the normal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of any other members of the Group or had any options in respect of such capital.

#### **4. LITIGATION**

As at the Latest Practicable Date, 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.

#### **5. 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).

#### **6. COMPETING BUSINESSES**

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

#### **7. GENERAL**

- (a) The company secretary of the Company is Ms. Ada MAK Yuk Ling. She is an associate member of The Hong Kong Institute of Chartered Secretaries.
- (b) The qualified accountant of the Company is Ms. YAU Yue Ka. She is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants.
- (c) 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.
- (d) The registered office of the Company is situated at Suite 2707-8, One Exchange Square, 8 Connaught Place, Central, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text.