

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

Veeko®

VEEKO INTERNATIONAL HOLDINGS LIMITED **威高國際控股有限公司**

(incorporated in the Cayman Islands with limited liability)

Directors

Cheng Chung Man, Johnny

Lam Yuk Sum

Ng Man Kit, Lawrence *(resigned on 1st January, 2002)*

Cheng Chung Hoo*

Yang Wei Tak*

* *Independent non-executive directors*

Registered Office

Century Yard

Cricket Square

Hutchins Drive

P. O. Box 2681GT

George Town

Grand Cayman

British West Indies

Principal Office in Hong Kong

10th Floor, Wyler Centre Phase II

192-200, Tai Lin Pai Road

Kwai Chung, New Territories

Hong Kong

24th July, 2002

To the shareholders

Dear Sir or Madam,

GENERAL MANDATE TO REPURCHASE SHARES

INTRODUCTION

At the annual general meeting of Veeko International Holdings Limited (the “Company”) for the year ended 31st March, 2002, a resolution will be proposed to grant to the directors (“Directors”) of the Company a general mandate to repurchase shares of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). This document contains the explanatory statement in compliance with the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange and to give all the information reasonably necessary to enable shareholders of the Company to make an informed decision on whether to vote for or against the resolution to grant to the Directors a repurchase mandate.

GENERAL MANDATE TO REPURCHASE SHARES

At the annual general meeting to be held on 18th September, 2002 (the “Annual General Meeting”), an ordinary resolution will be proposed that the Directors be granted a general mandate to exercise all powers of the Company to repurchase issued and fully paid shares (“Shares”) of HK\$0.01 each in the Company on the Stock Exchange. Under such mandate, the number of Shares that the Company may repurchase shall not exceed 10 per cent. of the share capital of the Company in issue on the date of the resolution. The Company’s authority is restricted to purchases made on the Stock Exchange in accordance with the Listing Rules. On 23rd July, 2002 (the “Latest Practicable Date”), being the latest practicable date prior to printing of this document, there were in issue an aggregate of 1,656,000,000 Shares. Exercise in full of the repurchase mandate, on the basis that no further Shares would be issued or repurchased prior to the date of Annual General Meeting, would accordingly result in up to 165,600,000 Shares being repurchased by the Company. The mandate allows the Company to make or agree to make repurchases only during the period ending on the earliest of the date of the next annual general meeting, the date by which the next annual general meeting of the Company is required to be held by law or by its articles of association or the date upon which such authority is revoked or varied by an ordinary resolution of the shareholders in a general meeting of the Company.

The Directors have no present intention to repurchase any Shares but consider that the mandate will provide the Company with the flexibility to make such repurchases as and when appropriate and beneficial to the Company. Such repurchases may enhance the Company’s net asset value per Share and/or earnings per Share. As compared with the financial position of the Company as at 31st March, 2002 (being the date of its latest published audited accounts), the Directors consider that there would not be any material adverse impact on the working capital and on the gearing position of the Company in the event that the proposed repurchases were to be made in full during the proposed repurchase period. In the circumstances, the Directors do not propose to exercise the repurchase mandate to such an extent as would have a material adverse impact on the working capital or gearing ratio of the Company.

Repurchase of the shares of the Company will be funded entirely from the Company’s available cash flow or working capital facilities, and will, in any event, be made out of funds legally available for the repurchase in accordance with the Memorandum and Articles of Association of the Company and the applicable laws of the Cayman Islands.

DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS

None of the Directors nor, to the best of the knowledge and belief of the Directors having made all reasonable enquiries, any of the associates of any of the Directors has any present intention, in the event that the repurchase is approved by Company’s shareholders, to sell Shares to the Company.

No connected person of the Company (as defined in the Listing Rule) has notified the Company that he/she has a present intention to sell Shares to the Company nor has he/she undertaken not to sell any of the Shares held by him/her to the Company in the event that the Company is authorised to make repurchases of Shares.

UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the repurchase mandate and in accordance with the Listing Rules and any applicable laws of the Cayman Islands.

EFFECT OF TAKEOVERS CODE

A repurchase of Shares by the Company may result in an increase in the proportionate interests of a substantial shareholder of the Company in the voting rights of the Company, which could give rise to an obligation to make a mandatory offer in accordance with Rule 26 of the Hong Kong Code on Takeovers and Mergers (the “Code”).

As at the Latest Practicable Date, to the best of the knowledge and belief of the Company, Silver Crown Profits Limited, who held approximately 60.03 per cent. of the issued share capital of the Company, was the only substantial shareholder holding more than 10 per cent. of the issued share capital of the Company. In the event that the Directors should exercise in full the power to repurchase Shares which is proposed to be granted, the shareholding of Silver Crown Profits Limited in the Company would be increased to approximately 66.7 per cent. of the issued share capital of the Company and such increase would not give rise to an obligation to make a mandatory offer under Rule 26 of the Code.

STOCK EXCHANGE RULES FOR REPURCHASES OF SHARES

The Listing Rules of the Stock Exchange permit companies whose primary listings are on the Stock Exchange to repurchase their shares on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(a) Shareholders’ approval

The Listing Rules provide that all share repurchases on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, which may be by way of general mandate, or by special approval in relation to a specific transaction.

(b) Source of funds

Repurchases must be funded out of funds legally available for such purpose in accordance with the constitutive documents of the company and the laws of the jurisdiction in which the company is incorporated.

SHARE REPURCHASE MADE BY THE COMPANY

The Company had not purchased any of its Shares (whether on the Stock Exchange or otherwise) during the twelve calendar months preceding the date of this circular.

SHARE PRICES

The highest and lowest prices at which the Shares have traded on the Stock Exchange in each of the twelve calendar months preceding the date of this circular were as follows:

	Highest	Lowest
	<i>HK\$</i>	<i>HK\$</i>
July 2001	0.164	0.144
August 2001	0.144	0.105
September 2001	0.100	0.079
October 2001	0.098	0.061
November 2001	—*	—*
December 2001	0.070	0.063
January 2002	0.090	0.063
February 2002	0.108	0.084
March 2002	0.166	0.090
April 2002	0.209	0.140
May 2002	0.275	0.130
June 2002	0.152	0.106

*There was no transaction of shares for the month.

RECOMMENDATION

The Directors consider that the granting of the mandate to repurchase Shares of the Company is in the interest of the Company and so recommend you to vote in favour of the resolution at the forthcoming Annual General Meeting. The Directors will vote all their shareholdings in favour of the resolution.

Yours faithfully
Cheng Chung Man, Johnny
Chairman and Managing Director