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Veeko®

VEEKO INTERNATIONAL HOLDINGS LIMITED

威高國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1173)

**DISCLOSEABLE TRANSACTION:
DISPOSAL OF PROPERTY**

The Board wishes to announce that Digao, a wholly-owned subsidiary of the Company established in the PRC, entered into an agreement with Banbo Woolen on 8 October 2012 to dispose of the Property at a consideration of RMB39,000,000 (equivalent to approximately HK\$48,148,000). As an applicable percentage ratio (within the meaning of the Listing Rules) for the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company under the Listing Rules.

INTRODUCTION

The board (“**Board**”) of directors (“**Directors**”) of Veeko International Holdings Limited (“**Company**”), wishes to announce that 汕頭華南迪高時裝有限公司 (Shantou Huanan Digao Fashion Company Limited*) (“**Digao**”), a wholly-owned subsidiary of the Company established in the People’s Republic of China (“**PRC**”), entered into an agreement (“**Agreement**”) with 汕頭經濟特區班柏毛織有限公司 (Shantou Special Economic Zone Banbo Woolen Company Limited*) (“**Banbo Woolen**”) on 8 October 2012 to dispose of a factory located at Unit 7, Zhujin First Street, Zhujin Industrial Zone, Longhu District, Shantou City, the PRC (“**Property**”) at a consideration of RMB39,000,000 (equivalent to approximately HK\$48,148,000) (“**Disposal**”). The Property comprises a total area of approximately 18,888 square meters. The principal terms of the Agreement are set out below.

AGREEMENT

Date : 8 October 2012

Parties : Digao, a company principally engages in manufacturing of garments,
as vendor

Banbo Woolen, a company principally engages in manufacturing of
garments, as purchaser

Subject matter : A factory located at Unit 7, Zhujin First Street, Zhujin Industrial Zone, Longhu District, Shantou City, the PRC, comprises a total area of approximately 18,888 square meters

Consideration : RMB39,000,000 (equivalent to approximately HK\$48,148,000)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Banbo Woolen and its ultimate beneficial owner is a third party independent of the Company and connected persons (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**")) of the Company. The Company does not have any transactions with Banbo Woolen or its beneficial owner completed within 12 months prior to the Disposal.

Purchase Price

The price payable by Banbo Woolen ("**Purchase Price**") was determined after arm's length negotiations between Digao and Banbo Woolen with reference to the prevailing market value of other industrial premises of comparable size and quality in the area where the Property is located and the book value of the Property of approximately RMB18,626,000 (equivalent to approximately HK\$22,995,000) as at 31 August 2012. The Directors, including the independent non-executive Directors, consider that the Purchase Price is fair and reasonable.

The Purchase Price is payable by Banbo Woolen in cash in the following manner:

- (1) RMB1,500,000 (equivalent to approximately HK\$1,852,000) to be paid upon signing of the Agreement as deposit and partial consideration;
- (2) RMB6,500,000 (equivalent to approximately HK\$8,025,000) to be paid on 10 October 2012 as further deposit and partial consideration;
- (3) RMB30,000,000 (equivalent to approximately HK\$37,037,000) to be paid to a specific organisation appointed by the relevant PRC authority to be held in escrow for Digao on the date when relevant documents are submitted for registration of the transfer of the Property (such amount would be released to Digao when the registration of the transfer of the Property is completed);
- (4) RMB1,000,000 (equivalent to approximately HK\$1,234,000) to be paid upon completion as balance of the Purchase Price.

Completion

Completion takes place upon the transfer of the property rights being confirmed by the relevant PRC authorities and the Purchase Price is fully paid. It is expected that completion would take place on or before 15 December 2012.

INFORMATION ON THE GROUP AND REASONS FOR THE DISPOSAL

The Group is principally engaged in the manufacture and retail of ladies' apparel under the Group's two own brand names, namely, *Wanko* and *Veeko* and the retailing of cosmetics and skin care products under the brand of *Colourmix*. Digao principally engages in the manufacturing of garments.

Having considered the utilisation rate of the Property and the plant facility of 汕頭韻高時裝有限公司 (Shantou Yungao Fashion Company Limited*), a wholly-owned subsidiary of the Company principally engages in manufacturing of garments in Shantou, the PRC, the Directors consider that the Disposal is a good opportunity for the Company to consolidate its plant facilities in the PRC in order to enhance its overall production effectiveness. Further, having considered the revitalising property market condition and the Purchase Price for the Property offered by Banbo Woolen, the Directors consider that the Disposal is a good opportunity for the Company to realise its investment. The proceeds from the Disposal will enable the Company to improve its working capital condition for future opportunities that may arise.

The Board (including the independent non-executive Directors) is of the view that the entering into of the Agreement is on an arm's length basis and on normal commercial terms and the terms of the Agreement are fair and reasonable and in the interests of the shareholders of the Company and the Company as a whole.

POSSIBLE FINANCIAL EFFECT OF THE DISPOSAL

Based on the book value of the Property (being approximately RMB18,626,000 (equivalent to approximately HK\$22,995,000) as at 31 August 2012), it is expected that the Company will realise a gain from the Disposal of approximately RMB14,221,000 (equivalent to approximately HK\$17,557,000) after deduction of estimated costs and related taxes incurred in connection with the Disposal.

The net profit before taxation attributable to Digao for the financial years ended 31 December 2010 and 2011 (audited according to the People's Republic of China Generally Accepted Accounting Principles ("PRC GAAP")) were approximately RMB6,179,000 (equivalent to approximately HK\$7,628,000) and RMB1,428,000 (equivalent to approximately HK\$1,763,000) respectively. The net profit after taxation attributable to Digao for the financial years ended 31 December 2010 and 2011 (audited according to PRC GAAP) were approximately RMB5,575,000 (equivalent to approximately HK\$6,883,000) and RMB1,269,000 (equivalent to approximately HK\$1,567,000) respectively.

USE OF PROCEEDS

The Company intends to use the net sale proceeds from the Disposal as general working capital.

GENERAL

As an applicable percentage ratio (within the meaning of the Listing Rules) for the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company under the Listing Rules.

As at the date of this announcement, the Board comprises two executive directors, namely, Mr. Cheng Chung Man, Johnny (Chairman) and Ms. Lam Yuk Sum, and three independent non-executive directors, namely, Dr. Fok Kam Chu, John, Mr. Yang Wei Tak and Mr. Yeung Wing Kay.

On behalf of the Board of
Veeko International Holdings Limited
Cheng Chung Man, Johnny
Chairman

Hong Kong, 8 October 2012

For ease of reference, sums in RMB in this announcement are translated at the rate HK\$1.0 = RMB0.81. This does not mean that HK\$ could be converted into RMB, or vice versa, based on such exchange rate.

* *For identification purposes only.*