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Veeko®

VEEKO INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1173)

**DISCLOSEABLE TRANSACTION:
ACQUISITION OF PROPERTY IN THE PRC**

16 February 2007

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DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise.

“Acquisition”	the acquisition of the Property as contemplated under the Agreement
“Agreement”	the agreement dated 30 January 2007, made between the Auction Companies and SYG in respect of the Acquisition
“Auction Companies”	collectively, 汕頭經濟特區拍賣行 (Shantou Economic Special District Auction Company) and 汕頭市物業拍賣行 (Shantou City Property Auction Company), being one of the signing parties of the Agreement
“Board”	the board of Directors
“Company”	Veeko International Holdings Limited, a company incorporated in the Cayman Islands and whose issued shares are listed on the Main Board of the Stock Exchange
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	14 February 2007, 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
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Property”	a block of building (excluding certain portions) known as 新荷大廈 (Xinhe Building) located in Shantou New and High Technology Industrial Development Zone in the PRC
“Purchase Price”	approximately RMB27,090,798 (equivalent to HK\$27,090,798), being the purchase price payable by SYG under the Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SYG”	汕頭韻高時裝有限公司 (Shantou Yungao Fashion Company Limited), a wholly owned subsidiary of the Company which was incorporated in the PRC on 12 February 2007
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“m ² ”	square metre
“RMB”	Renmibi, the lawful currency of the PRC

In this circular, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.00. Such exchange rate has been used, where applicable, for purposes of illustration only and does not constitute a representation that any amounts were or may have been exchanged at these or any other rates or at all.

LETTER FROM THE BOARD

Veeko®

VEEKO INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1173)

Executive Directors:

Mr. Cheng Chung Man, Johnny (*Chairman*)

Ms. Lam Yuk Sum

Independent non-executive Directors:

Mr. Cheng Chung Hoo

Mr. Yang Wei Tak

Mr. Yeung Wing Kay

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal office in Hong Kong:

10th Floor, Wylar Centre Phase II

192-200, Tai Lin Pai Road

Kwai Chung, New Territories

Hong Kong

To the shareholders of the Company

16 February 2007

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION: ACQUISITION OF PROPERTY IN THE PRC

INTRODUCTION

On 2 February 2007, the Company announced that SYG, a wholly owned subsidiary of the Company, which was in the process of incorporation in the PRC on the date of the Agreement, entered into the Agreement with the Auction Companies on 30 January 2007 to acquire the Property which was put under auction held by the Auction Companies pursuant to a court order.

As each of the applicable percentage ratios (within the meaning of the Listing Rules) for the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. The purpose of this circular is to give you further details of the Agreement and other information of the Group.

LETTER FROM THE BOARD

AGREEMENT

Date: 30 January 2007

Parties: The Auction Companies, which are engaged in carrying out auctions in the PRC, as the signing parties.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Auction Companies and their ultimate beneficial owners are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

SYG as purchaser. SYG is a wholly owned subsidiary of the Company which, on the date of the Agreement, was in the process of incorporation in the PRC. With the knowledge that the incorporation process of SYG had not yet completed, the Auction Companies accepted SYG's entering into the Agreement as the purchaser. SYG was incorporated in the PRC on 12 February 2007.

Subject Matter: The Property, being a block of building (excluding certain portions) known as 新荷大廈 (Xinhe Building) located in Shantou New and High Technology Industrial Development Zone in the PRC which occupies an area of approximately 31,355.09 m².

Purchase Price: Approximately RMB27,090,798 (equivalent to HK\$27,090,798).

The Purchase Price was determined by the Auction Companies pursuant to a court order of the Shantou City Intermediate People's Court. Given that the Purchase Price was fixed by the Auction Companies with reference to a "reference price" (as referred to in the paragraph headed "Further information on the Property" below) determined at the first auction of the Property, which was unsuccessful, the Directors, including the independent non-executive Directors, consider that the Purchase Price, which is lower than the "reference price" at the first auction, is fair and reasonable.

The Purchase Price is to be paid by SYG before the end of March 2007 in the following manner:

- (1) 90% of the Purchase Price to be paid to the account of the Shantou City Intermediate People's Court; and
- (2) 10% of the Purchase Price to be paid to the account of the Auction Companies.

As at the Latest Practicable Date, commission payable by SYG to the Auction Companies, in the amount of RMB680,000, had been paid in full and an aggregate amount of RMB10,000,000 (equivalent to HK\$10,000,000) had been paid to the Shantou City Intermediate People's Court as part of the consideration.

LETTER FROM THE BOARD

The Purchase Price and the commission had been, and will be, paid out of the Group's internal resources.

Completion: It is expected that the completion of the Acquisition will take place one month after the full payment of the Purchase Price in around April 2007.

INFORMATION ON THE GROUP AND REASON FOR THE ACQUISITION

The Group is principally engaged in the design, manufacture and retail of ladies' apparel under the Group's two own brand names, namely, *Veeko* and *Wanko*.

The Directors (including the independent non-executive Directors) are of the view that the Agreement is on normal commercial terms and the execution of the Agreement is in the ordinary and usual course of business of the Group 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.

The Group has established two manufacturing plants in Shantou, the PRC, which are operated in leased properties. The Directors intend to move one of these plants into the Property in line with the Group's plan to expand its production capacity subsequent to the completion of the Acquisition.

The Directors expect that by utilising the Property as one of its manufacturing plants, rental costs incurred by the Group will be saved. Together with the Group's expansion plan having been implemented in full, the Group's earning is expected to be further improved in a long run. The total amount of non-current assets of the Group is expected to be increased by the value of the Property which is approximately HK\$27,090,798 and the total amount of current assets of the Group is expected to be decreased by the amounts of the Purchase Price and the commission paid to the Auction Companies. Save as disclosed, the Acquisition does not have any material effect on the assets and liabilities of the Group.

FURTHER INFORMATION ON THE PROPERTY

The Property was first put up under an auction in November 2006 and the then "reference price", determined by a property valuation at the direction of the Shantou City Intermediate People's Court, of the Property was RMB33,863,497.20 (equivalent to HK\$33,863,497.20). The Property was not successfully sold at the first auction. In accordance with the practice in the PRC, the Property was put up for a second auction with a reduction in the "reference price". The Group successfully acquired the Property at the second auction at a consideration of approximately RMB27,090,798 (equivalent to HK\$27,090,798).

ADDITIONAL INFORMATION

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

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

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' INTERESTS

- (a) As at the Latest Practicable Date, the interests and short positions of each Director in the shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were 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 in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Name of company	Capacity	Number and class of securities (note 1)
Cheng Chung Man, Johnny	The Company	Founder (note 2)	994,044,180 ordinary shares (L)
Lam Yuk Sum	The Company	Beneficiary of a trust (note 2)	994,044,180 ordinary shares (L)
	The Company	Beneficial owner	124,194,000 ordinary shares (L)

Notes:

- The letter "L" represents the Director's interests in the shares of the Company.
 - As at the Latest Practicable Date, these shares were beneficially owned by Silver Crown Profits Limited ("Silver Crown"). The shares in Silver Crown were in turn held by the trustee of the J Cheng Family Trust, a discretionary trust set up by Mr. Cheng Chung Man, Johnny and the discretionary objects of which include family members of Mr. Cheng Cheng Chung Man, Johnny and Ms. Lam Yuk Sum.
- (b) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest and 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 were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and

short positions in which they were deemed or taken to have 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 were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

- (a) As at the Latest Practicable Date, so far as is known to the Directors, the following persons, other than a director or chief executive of the Company, had 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 were 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 the Company:

Name of shareholder	Capacity	Number of ordinary shares (note 1)	Approximate percentage of interest
Silver Crown	Beneficial owner	994,044,180 shares (L)	59.78%
Well Feel Group Limited	Interest of a controlled corporation (note 2)	994,044,180 shares (L)	59.78%
HSBC International Trustee Limited	Trustee (note 2)	994,044,180 shares (L)	59.78%
Value Partners Limited	Investment manager	99,680,000 shares (L)	5.99%
Cheah Cheng Hye	Interest of a controlled corporation (note 3)	99,680,000 shares (L)	5.99%

Notes:

- The letter "L" represents the entity's interests in the shares of the Company.
- The entire issued share capital of Silver Crown was held by Well Feel Group Limited which in turn was a wholly owned subsidiary of HSBC International Trustee Limited. By virtue of the provisions of Part XV of the SFO, each of Well Feel Group Limited and HSBC International Trustee Limited was deemed to be interested in all the shares of the Company in which Silver Crown was interested.
- Cheah Cheng Hye owned 35.65% of the issued share capital of Value Partners Limited and by virtue of the provisions of Part XV of the SFO was deemed to be interested in all the shares of the Company in which Value Partners Limited was interested.

- (b) As at the Latest Practicable Date, so far as is known to the Directors, the following entity was 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 other members of the Group:

Name of subsidiary	Name of entity	Percentage of holding
東莞迪高時裝有限公司 (Dong Guan Dico Fashion Co., Ltd.)	東莞市虎門企業發展公司 (unofficial translation being Dongguan Humen Enterprise Development Company)	25%

- (c) Save as disclosed in this circular, so far as is known to the Directors, as at the Latest Practicable Date, there was no other person who had 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, had a direct or indirect interests amounting to 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.

4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or claims of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

5. DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation. As at the Latest Practicable Date, there was not any proposed Director or proposed service contract with Directors.

6. COMPETING BUSINESS

None of the Directors and his associates (as defined in the Listing Rules) has any interests in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. MISCELLANEOUS

- (a) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The head office and principal place of business of the Company in Hong Kong is at 10th Floor, Wyler Centre Phase II, 192-200, Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong.
- (c) The company secretary and qualified accountant of the Company is Ms. Wong Chi Ying, a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and an associate member of the Hong Kong Institute of Certified Public Accountants.
- (d) The branch share registrar and transfer office of the Company is Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.