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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)

ONGOING CONNECTED TRANSACTIONS

On 28 April 2003, HEU, as agent of Humen Residents' Committee, as landlord and Veeko Manufacturing as tenant entered into the Tenancy Agreement whereby Veeko Manufacturing agreed to lease from Humen Residents' Committee the Properties as factory premises and dormitory for the staff of the Group for a term of three years commencing from 1 May 2003. The total annual rental payable by Veeko Manufacturing under the Tenancy Agreement is RMB2,118,336 (approximately HK\$1,998,430), exclusive of water, electricity and other charges and the annual management fee payable by Veeko Manufacturing is RMB30,000 (approximately HK\$28,300).

The Tenancy Agreement is in fact a modification of the tenancy made between the Group and Humen Residents' Committee made in December 1998, details of which have been disclosed in the Company's prospectus dated 31 March 1999. In respect of such tenancy, the Company was granted by the Stock Exchange a waiver from disclosure requirements under Chapter 14 of the Old Rules in April 1999 upon its listing on the Main Board of the Stock Exchange. Details of such waiver, including its conditions, have also been set out in the Company's prospectus dated 31 March 1999.

Particulars of the Tenancy Agreement are set out in the paragraph headed "Tenancy Agreement" of this announcement.

By virtue of the relationship between Humen Residents' Committee and Veeko Manufacturing which is more particularly described under the paragraph headed "Relationships between the parties and ongoing connected transactions" in this announcement, the transactions contemplated under the Tenancy Agreement constitute connected transactions for the Company and are discloseable under Rule 14.25(1) of the Old Rules.

The failure of the Company to disclose the transactions contemplated under the Tenancy Agreement under Rule 14.25(1) of the Old Rules when the Tenancy Agreement was entered into in April 2003 has constituted a breach of Rule 14.25(1) of the Old Rules. The Stock Exchange has informed the Company that it reserves the rights to take appropriate actions against the Company and/or the Directors in respect of such breach.

The Directors, including the independent non-executive Directors, have confirmed that the Tenancy Agreement is entered into in the normal and ordinary course of business of the Group upon normal commercial terms and such terms are fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

BACKGROUND

Pursuant to two tenancy agreements and a supplemental tenancy agreement all dated 30 December 1998 and made between the Group and Humen Residents' Committee, the Group leased the Properties, together with certain other premises, from Humen Residents' Committee for a term of 12 years commencing from 1 January 1999 at a monthly rental of RMB8 per sq.m. subject to an increase of 10% for every three years. By virtue of the relationship between Humen Residents' Committee and the Group which is more particularly described under the paragraph headed "Relationships between the parties and ongoing connected transactions" in this announcement, the transactions contemplated under the two tenancy agreements and the supplemental tenancy agreement constituted connected transactions for the Company. Details of such connected transactions have been disclosed in the Company's prospectus dated 31 March 1999. In respect of such connected transactions, the Company was granted by the Stock Exchange a waiver from disclosure requirements under Chapter 14 of the Old Rules in April 1999 upon its listing on the Main Board of the Stock Exchange. Details of such waiver, including its conditions, have also been set out in the Company's prospectus dated 31 March 1999.

The Group and HEU, as agent of Humen Residents' Committee, entered into the Tenancy Agreement after arm's length negotiations in view of the fact that the parties have agreed to reduce the area of the premises subject to the tenancy from an aggregate gross floor area of 26,160 sq.m. to 22,066 sq.m.. Accordingly, on 1 May 2003, the Group and HEU, as agent of Humen Residents' Committee, entered into a termination agreement for the termination of all the abovementioned tenancy agreements previously entered into.

In short, the Tenancy Agreement is in fact a modification of the tenancy made between the Group and Humen Residents' Committee made in December 1998.

TENANCY AGREEMENT

The principal terms of the Tenancy Agreement are as follows:

Date of the Tenancy Agreement	:	28 April 2003
Parties	:	(a) HEU, as agent of Humen Residents' Committee, as landlord; and (b) Veeko Manufacturing as tenant
Properties	:	A portion of Level 1 and Levels 2 to 4 of Industrial Building Block No. 3 (with a total gross floor area of 13,713 sq.m.) and Levels 1 to 7 of Block A and a portion of Level 1 and Level 2 to Level 3 of Block B of Dormitory Building Block No. 4 (with a total gross floor area of 8,353 sq.m.), The Third Industrial Zone Humen Town, Dongguan, Guangdong, the PRC
Term	:	three years commencing from 1 May 2003 to 30 April 2006
Monthly rental	:	the amount of rent, exclusive of water, electricity and other charges is RMB176,528 (approximately HK\$166,536)
Monthly management fee	:	RMB2,500 (approximately HK\$2,358)
Use of the Properties	:	As production facilities and dormitory for the staff of the Group

BASIS UPON WHICH THE RENTAL WAS DETERMINED

The rental payable under the Tenancy Agreement and the terms and conditions of the Tenancy Agreement were arrived at after arm's length negotiations between HEU, as agent of Humen Residents' Committee, and Veeko Manufacturing. Although no independent valuation as regards the rental has been obtained by the Group, the Directors were given to understand that a portion of the building which the Properties are comprised is leased out by HEU, as agent of Humen Residents' Committee, to another party at the same per sq.m. rental.

RELATIONSHIPS BETWEEN THE PARTIES AND ONGOING CONNECTED TRANSACTIONS

Veeko Manufacturing is an indirect wholly owned subsidiary of the Company.

Dong Guan Dico is a sino-foreign equity joint venture established by the Group and Dongguan Humen Enterprise with the Group holding 75% of its equity interest and with Dongguan Humen Enterprise holding the remaining 25% equity interest. Dongguan Humen Enterprise is an enterprise controlled by Humen Residents' Committee whereas HEU is wholly owned by Humen Residents' Committee.

In view of the fact that Humen Residents' Committee is an associate (as defined in the Listing Rules) of Dongguan Humen Enterprise, who is a substantial shareholder of a subsidiary of the Company, Humen Residents' Committee is a connected person of the Company and the transactions contemplated under the Tenancy Agreement constitute connected transactions for the Company and are discloseable under Rule 14.25(1) of the Old Rules.

The failure of the Company to disclose the transactions contemplated under the Tenancy Agreement under Rule 14.25(1) of the Old Rules when the Tenancy Agreement was entered into in April 2003 has constituted a breach of Rule 14.25(1) of the Old Rules. The Stock Exchange has informed the Company that it reserves the rights to take appropriate actions against the Company and/or the Directors in respect of such breach.

Appropriate disclosure of the transactions contemplated under the Tenancy Agreement will be made in the annual report and accounts of the Company for the year in which the Tenancy Agreement subsists.

LISTING RULES COMPLIANCE

The transactions contemplated under the Tenancy Agreement, which constitute continuing connected transactions under the Listing Rules, are subject to the annual review requirements as set out in Rules 14A.37 to 14A.39 of the Listing Rules.

Accordingly, the independent non-executive Directors will review the transactions contemplated under the Tenancy Agreement pursuant to Rule 14A.37 of the Listing Rules and confirm in the annual report and accounts of the Company for the year in which the Tenancy Agreement subsists that the aforementioned transactions have been entered into:

1. in the ordinary and usual course of business of the Company;
2. either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
3. in accordance with the Tenancy Agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Under Rule 14A.38 of the Listing Rules, the auditors of the Company will provide a letter to the Board for the year in which the Tenancy Agreement

subsists (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report), confirming that the continuing connected transactions contemplated under the Tenancy Agreement:

1. have received the approval of the Board;
2. have been entered into in accordance with the Tenancy Agreement; and
3. have not exceeded the total annual rental payable under the Tenancy Agreement as disclosed in this announcement.

The Company shall also allow, and shall procure that the counterparty to the Tenancy Agreement shall allow, the auditors of the Company sufficient access to their records for the purpose of reporting on the transactions as set out in Rule 14A.39 of the Listing Rules. The Board shall state in the annual report for the year in which the Tenancy Agreement subsists whether the auditors of the Company have confirmed the matters stated in Rule 14A.38 of the Listing Rules.

GENERAL

The Group is principally engaged in the design, manufacture and retail of ladies' apparel under the Group's two own brand names, namely, **Wanko** and **Veeko**. The Properties are occupied by the Group as production facilities and as dormitory for its staff.

The Board is of the view that the entering into of the Tenancy Agreement is on normal commercial terms and in the ordinary and usual course of business of the Company and the terms of the Tenancy Agreement are fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

As at the date of this announcement, the Board comprises Mr Cheng Chung Man, Johnny and Ms Lam Yuk Sum as executive Directors and Mr Cheng Chung Hoo and Mr Yang Wei Tak as independent non-executive Directors.

TERMS USED IN THIS ANNOUNCEMENT

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

“Board”	the board of directors of the Company
“Company”	Veeko International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares having a par value of HK\$0.01 each are listed on the Main Board of the Stock Exchange
“Directors”	the directors of the Company
“Dongguan Humen Enterprise”	東莞市虎門企業發展公司 (unofficial translation being Dongguan Humen Enterprise Development Company), a collectively owned enterprise established in the PRC on 9 January 1988
“Dong Guan Dico”	東莞迪高時裝有限公司 (Dong Guan Dico Fashion Co., Ltd.), a sino-foreign equity joint venture enterprise established in the PRC on 13 August 1991 and owned as to 75% by the Group and as to 25% by Dongguan Humen Enterprise
“Group”	collectively, the Company and its subsidiaries
“HEU”	東莞市虎門鎮虎門寨經濟聯合社 (unofficial translation being Dongguan Humen Town Humen Economic Union), an enterprise wholly owned by Humen Residents' Committee
“Humen Residents' Committee”	東莞市虎門鎮虎門寨居民委員會 (unofficial translation being Dongguan Humen Town Humen Residents' Committee), being the holding entity of Dongguan Humen Enterprise and HEU

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Old Rules”	the Listing Rules which were in effect as at the date when the Tenancy Agreement was entered into
“Properties”	A portion of Level 1 and Levels 2 to 4 of Industrial Building Block No. 3 (with a total gross floor area of 13,713 sq.m.) and Levels 1 to 7 of Block A and a portion of Level 1 and Level 2 to Level 3 of Block B of Dormitory Building Block No. 4 (with a total gross floor area of 8,353 sq.m.), The Third Industrial Zone Humen Town, Dongguan, Guangdong, the PRC
“PRC”	the People’s Republic of China
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreement”	the Tenancy Agreement dated 28 April 2003 and entered into between HEU, as agent of Humen Residents’ Committee, as landlord and Veeko Manufacturing as tenant in respect of the Properties
“Veeko Manufacturing”	Veeko Manufacturing Company Limited, an indirect wholly owned subsidiary of the Company
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“sq.m.”	square metres
“%”	per cent.

In this announcement, for purpose of illustration only, amount quoted in RMB have been converted into HK\$ at the rate of RMB1.06 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.

By Order of the Board
Cheng Chung Man, Johnny
Chairman and Managing Director

Hong Kong, 18 May 2004

Please also refer to the published version of this announcement in The Standard.