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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)

CONTINUING CONNECTED TRANSACTIONS

On 27 July 2006, 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 the Properties as factory premises and dormitory for the staff of the Group for a term of three years commencing from 1 May 2006. The total annual rental payable by Veeko Manufacturing under the Tenancy Agreement is RMB2,091,456 (approximately HK\$2,011,015).

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 "Relationship between the parties and continuing connected transactions" in this announcement, the transactions contemplated under the Tenancy Agreement constitute continuing connected transactions for the Company and are discloseable under Rule 14A.34(1) of the Listing Rules.

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

BACKGROUND

Pursuant to the Tenancy Agreement dated 27 July 2006 and made between the Group and HEU, as agent of Humen Residents' Committee, the Group leased the Properties for a term of three years commencing from 1 May 2006 at a monthly rental of RMB8 (approximately HK\$7.69) per sq. m.. By virtue of the relationship between Humen Residents' Committee and the Group which is more particularly described under the paragraph headed "Relationship between the parties and continuing connected transactions" below, the transactions contemplated under the Tenancy Agreement constitute continuing connected transactions for the Company. The Group and HEU, as agent of Humen Residents' Committee, entered into the Tenancy Agreement after arm's length negotiations in view of the expiry of a previous tenancy agreement relating to, among other properties, the Properties on 30 April 2006.

TENANCY AGREEMENT

The principal terms of the Tenancy Agreement are as follows:

Date of the Tenancy Agreement : 27 July 2006

Parties : (a) HEU, as landlord, an administrative arm of the People's Government of Humen, Dongguan, the PRC and is not engaged in any business activities currently; 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 the whole Block A and a portion of Levels 1 to 3 of Block B of Dormitory Building Block No. 4 (with a total gross floor area of 8,073 sq. m.), The Third Industrial Zone, Humen Town, Dongguan, Guangdong, the PRC

Term : Three years commencing from 1 May 2006 to 30 April 2009

Monthly rental : The amount of monthly rent is RMB174,288 (approximately HK\$167,585)

Use of the Properties : As factory premises and dormitory for the staff of the Group

BASIS UPON WHICH THE RENTAL WAS DETERMINED

The monthly rental of RMB8 (approximately HK\$7.69) per sq. m. payable in cash by the 15th day of each month under the Tenancy Agreement, which is the same as that of the previous tenancy agreement expired on 30 April 2006 and comparable to the market rent of the nearby properties, 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.

The cap for the continuing connected transactions for each of the three years ending 31 March 2009 and a period of one month ending 30 April 2009, calculated with reference to a RMB8 (approximately HK\$7.69) per sq. m. monthly rental, is as follows:

Period	Duration	Cap during the period
From 1 May 2006 to 31 March 2007	11 months	RMB1,917,168 (approximately HK\$1,843,431)
From 1 April 2007 to 31 March 2008	12 months	RMB2,091,456 (approximately HK\$2,011,015)
From 1 April 2008 to 31 March 2009	12 months	RMB2,091,456 (approximately HK\$2,011,015)
From 1 April 2009 to 30 April 2009	1 month	RMB174,288 (approximately HK\$167,585)

RELATIONSHIP BETWEEN THE PARTIES AND CONTINUING CONNECTED TRANSACTIONS

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

Dong Guan Dico is a sino-foreign equity joint venture enterprise 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 an entity controlled 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 continuing connected transactions for the Company and are discloseable under Rule 14A.34(1) of the Listing Rules.

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.

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 factory premises and as dormitory for its staff.

The Directors (including the independent non-executive Directors) are 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 Group and the terms of the Tenancy Agreement (including the rental payable by Veeko Manufacturing under the Tenancy Agreement) and the cap as stated in the paragraph headed “Basis upon which the rental was determined” above are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

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, Mr. Yang Wei Tak and Mr. Yeung Wing Kay 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股份經濟聯合社(unofficial translation being Dongguan Humen Town Humen Economic Union), an entity controlled 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 entity in control of Dongguan Humen Enterprise and HEU
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 the whole Block A and a portion of Levels 1 to 3 of Block B of Dormitory Building Block No. 4 (with a total gross floor area of 8,073 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 27 July 2006 and entered into between HEU as landlord and Veeko Manufacturing as tenant in respect of the leasing 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 the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.04 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.

On behalf of the Board
Cheng Chung Man, Johnny
Chairman

Hong Kong, 8 August 2006

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