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LAI FAI INTERNATIONAL HOLDINGS LIMITED

麗輝國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Temporary Usage of the Net Proceeds From Listing of the Company's Shares

The board of directors (the "Board") of Lai Fai International Holdings Limited (the "Company") and its subsidiaries (the "Group") announces that the Group has made a temporary usage of the Listing Proceeds in meeting the daily operation expense as a result of the adverse impact brought by SARS. The Group's monthly turnover had decreased by over 90% since April 2003 and resulted in operating loss that could not be met by the Group's working capital. In this regard, the Group has made temporary usage of the Listing Proceeds for approximately HK\$2.2 million in the second quarter of 2003. The Board believes the use of the Listing Proceeds for the daily operation purpose is temporary. The Board does not have any present intention in curtailing and/or changing the spending as scheduled in the Prospectus for the coming business plans and expects the required funding will be recovered from cash generated from the Group's future operations when the Group's business restores to the pre-SARS level. The Board will closely monitor the effect of the aftermath of SARS on the Group's operations and will make further announcement if the Board foresees there will be any necessary changes in the use of Listing Proceeds and/or business plans as set out the Prospectus.

Shareholders of the Company and investors should exercise caution when dealing in the shares of the Company.

This announcement is made pursuant to paragraph 17.10 of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

The Group is principally engaged in the manufacturing and retailing of jewellery products appealing to Japanese tourists who are substantially referred to the Group by inbound Japanese tour operators in Hong Kong .

From April to June 2003, Hong Kong was under a tough time in dealing with the disease Severe Acute Respiratory Syndrome (“SARS”) and was further dampened by the aftermath of the Iraq war in various kinds of economic activities.

Tourism was one of the most seriously affected industries during that period. There was a sharp shrinkage in the number of tourists when the World Health Organization issued the travel advisory against non-essential travel to Hong Kong on 2nd April 2003. In this regard, on 25th April 2003 the Group had issued a profit warning announcement pursuant to paragraph 17.10 of the GEM Listing Rules on the GEM website that the results of the Group for the second quarter as well as the interim results for the six months ended 30th June 2003 might be significantly affected by the outbreak of SARS and the Company’s shareholders as well as the public investors should exercise caution when dealing in the Company’s shares.

The interim results announcement for the six months ended 30th June 2003 will be published on the GEM website on 13th August 2003.

SARS was an unforeseen natural disaster leading to severe social and economic adverse impacts to Hong Kong, especially the tourism industry. At the time of the issuance of the Company’s prospectus on 11th February 2003 (the “Prospectus”), the Board could not have possibly anticipated the outbreak of this disease. Since April 2003, the Group’s monthly turnover had decreased by over 90%, resulting in operating loss that could not be met by the Group’s working capital. In this regard, the Group has made temporary usage of the net proceeds from listing (the “Listing Proceeds”) for approximately HK\$2.2 million in the second quarter of 2003.

Detailed applications of the Listing Proceeds are set out as follows:

	Use of the Listing Proceeds		Total
	Budgeted	Non-budgeted	
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Amount of the Listing Proceeds on 26th February 2003			16,344
Cash outflow from operating loss not meet by working capital		(2,211)	
Traveling expenses for Japan business development	(23)		
Payment for raw materials acquired for Japan business development purpose	(255)		
Hardware upgrade for internal system network	(20)		(2,509)
Balance of Listing Proceeds as at 30th June 2003			<u><u>13,835</u></u>

PROSPECTS

Signs of tourism recovery were seen recently. However, Japanese tourists visiting Hong Kong has not yet restored to the pre-SARS level. Although the Group's turnover in July 2003 showed modest recovery, it is premature to comment on the pace of recovery in the third quarter of 2003. Nonetheless, with the devoted efforts from the Hong Kong Government in tourism, the Group is confident that turnover in the 4th quarter of 2003 will be significantly improved than those in the 2nd and the 3rd quarter of 2003.

Based on the present trend of recovery assuming no further recurrence of SARS in Hong Kong in the near future, the Board believes that the Group's operations and business will not deteriorate further.

Depending on the pace of recovery in the Group's turnover for the coming months, the Group may continue to finance its operations by a temporary usage of the Listing Proceeds. However, the Board believes the use of the Listing Proceeds for daily operation purpose is temporary. It is the Group's present intention to continue applying the Listing Proceeds in accordance with the Prospectus and recover those used Listing Proceeds from cash generated from the Group's future operations when the Group's business restores to the pre-SARS level. Before then, the Group will exercise stringent cost controls to minimize the need to apply the Listing Proceeds to finance the Group's operations.

The Board does not have any present intention in curtailing and/or changing the spending as scheduled in the Prospectus for the coming business plans. The Board further confirms that there are no material changes in the business activities and business objectives as stated in the Prospectus. The Board will closely monitor the effect of the aftermath of SARS on the Group's operations and will make further announcement if the Board foresees there will be any necessary changes in the use of the Listing Proceeds and/or business plans as set out the Prospectus.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June 2003, the Group had total assets of approximately HK\$46.5 million, including cash and bank balances of approximately HK\$13.8 million and except for a finance lease payable amounting to HK\$150,000, the Group did not have any bank overdrafts or loans nor any material capital commitments. As at 30th June 2003, the Group had a net cash position and its gearing ratio, defined as net borrowings divided by shareholders' fund, was nil.

With net current asset of approximately HK\$41.5 million, the Group remained in a financially liquid position as at 30th June 2003. Taking into consideration of the existing financial resources available to the Group, it is anticipated that the Group will have adequate financial resources to meet its ongoing operation and development requirements in the coming year.

More detailed analysis for the Listing Proceeds and the movement of cash inflow & outflow will be published on the GEM website upon the Group's results announcement for the 3 months and 6 months ended 30th June 2003 on 13th August 2003.

Shareholders of the Company and investors should exercise caution when dealing in the shares of the Company.

By Order of the Board
Lai Fai International Holdings Limited
Li Shui
Chairman

Hong Kong, 12th August 2003

This announcement, for which the Directors of the Company (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquires, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the “Latest Company Announcements” page of the GEM website for at least seven days from its date of publication.