
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Lai Fai International Holdings Limited**, you should at once hand this circular to the purchaser(s) or to the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

(Stock code: 8183)

PROPOSED CHANGE OF AUDITORS

This circular, for which the directors (the "Directors") of Lai Fai International Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this circular 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 circular misleading; and (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

A notice convening an extraordinary general meeting of the Company to be held at the Rear Portion of G/F, Grandview Garden, 71-77 Pau Chung Street, Tokwan, Kowloon, Hong Kong on Friday, 21st January 2005 at 10:00 a.m. is set out on pages 4 to 5 of this circular.

Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the office of the branch share registrar and transfer office of the Company, Tengis Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not prevent shareholders from attending and voting at the meeting if they so wish.

This circular will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the day of its posting

28th December 2004

CHARACTERISTICS

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance to given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcement in gazetted newspaper. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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LETTER FROM THE BOARD



LAI FAI INTERNATIONAL HOLDINGS LIMITED

廉輝國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8183)

Executive Directors:

LI Shui (*Executive Chairman*)

LEE You

Non-executive Directors:

Yoshitaka KITAO (*Honorary Non-executive Chairman*)

YU Kam Kee, Lawrence, *M.B.E. J.P.*

Independent Non-executive Directors:

HO Hou Chiu, William

MAK Tak Cheong, Edmund

CHE King Lun, Frankly

Registered office:

Century Yard, Cricket Square

Hutchins Drive

P.O. Box 2681 GT

George Town

Grand Cayman

British West Indies

Head Office and principal Place of business in Hong Kong:

Rear Portion of G/F

Grandview Garden

71-77 Pau Chung Street

Tokwawan

Kowloon

Hong Kong

28th December 2004

To the Shareholders

Dear Sir or Madam,

PROPOSED CHANGE OF AUDITORS

PROPOSED CHANGE OF AUDITORS

On 22nd December 2004, the board of directors (the “Board”) of Lai Fai International Holdings Limited (the “Company”) had announced that Ernst & Young (“EY”) had resigned as auditors of the Company with effect from 22nd December 2004. Following the resignation of EY, the Board had resolved to propose to the shareholders of the Company (“Shareholders”) to appoint Albert Lam & Co. (“ALC”) as the new auditors of the Company.

LETTER FROM THE BOARD

In the notice of resignation dated 22nd December 2004, EY confirmed that there were no circumstances connected with their resignation which they considered ought to be brought to the attention of the members or creditors of the Company. As disclosed in the Company's announcement dated 22nd December 2004, the Board had confirmed that there were no circumstances in respect of the change of auditors which they considered should be brought to the attention of the Shareholders and, in connection with EY's resignation, there was or had been no disagreement between the Board and EY. It is anticipated that the change of the Company's auditors will not affect the audit and the release of annual report for the year ending 31st December 2004 of the Company.

The reason for the change of the Company's auditors is because EY and the Company cannot arrive at consensus on the audit fees for the year ending 31st December 2004. Consequently, EY have resigned as auditors of the Company and its subsidiaries with effect from 22nd December 2004. Prior to its resignation, EY did not engage in any audit work in respect of the accounts of the Company and its subsidiaries for the year ending 31st December 2004.

EXTRAORDINARY GENERAL MEETING

A notice convening the extraordinary general meeting to be held at the Rear Portion of G/F, Grandview Garden, 71-77 Pau Chung Street, Tokwawan, Kowloon, Hong Kong on Friday, 21st January 2005 at 10:00 a.m., for the purpose of considering the proposal to change the Company's auditors is contained on pages 4 to 5 of this circular.

PROCEDURES FOR DEMANDING POLL BY THE SHAREHOLDERS

Pursuant to Article 66 of the Company's Articles of Association, on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative, shall have one vote for every fully paid share of which he is holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by a member or members present in person or in the case of a member being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or

LETTER FROM THE BOARD

- (d) by a member or member present in person or in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

A demand by a person as proxy for a member or, in the case of a member being a corporation, by its duly authorised representative shall be deemed to be the same as a demand by a member.

RECOMMENDATION

The directors of the Company believe that the proposed change of the Company's auditors is in the interests of the Company and the Shareholders and therefore recommend the Shareholders to vote in favour of the ordinary resolution at the aforesaid extraordinary general meeting.

DIRECTORS OF THE COMPANY

Executive Directors as at the date of this circular are Mr. Li Shui and Mr. Lee You. Non-executive Directors as at the date of this circular are Mr. Yoshitaka Kitao and Mr. Yu Kam Kee, Lawrence. The independent non-executive Directors as at the date of this circular are Mr. Ho Hou Chiu, William, Mr. Mak Tak Cheong, Edmund and Mr. Che King Lun, Frankly.

Yours faithfully,
By order of the Board
Li Shui
Executive Chairman

NOTICE OF EXTRAORDINARY GENERAL MEETING



LAI FAI INTERNATIONAL HOLDINGS LIMITED

廉輝國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8183)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “Meeting”) of Lai Fai International Holdings Limited (the “Company”) will be held at the Rear Portion of Ground Floor, Grandview Garden, 71-77 Pau Chung Street, Tokwawan, Kowloon, Hong Kong, on Friday, 21st January 2005 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution (with or without modifications) as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** Albert Lam & Co. be and is hereby appointed as the auditors of the Company to fill the vacancy following the resignation of Ernst & Young and to hold office until the conclusion of the next annual general meeting of the Company at a fee to be fixed by the board of directors of the Company.”

By Order of the Board

Lai Fai International Holdings Limited

Lam King Pui

Company Secretary

Hong Kong, 28th December 2004

NOTICE OF EXTRAORDINARY GENERAL MEETING

Registered office:

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

Principal Place of Business:

Rear Portion of Ground Floor
Grandview Garden
71-77 Pau Chung Street
Tokwawan
Kowloon
Hong Kong

Notes:

- (1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company.
- (2) In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of authority, at Tengis Limited, the Company's Hong Kong branch share registrar, at Tengis Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting.
- (3) Delivery of an instrument for appointing a proxy shall not preclude, a Shareholder from attending and voting in person at the meeting and any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.

As at the date of this announcement, the Board of Directors of the Company comprises the following Directors: Mr. Li Shui and Mr. Lee You (executive Directors); Mr. Yoshitaka Kitao and Mr. Yu Kam Kee, Lawrence (non-executive Directors); Mr. Ho Hou Chiu, William, Mr. Mak Tak Cheong, Edmund and Mr. Che King Lun, Frankly (independent non-executive Directors).