

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



**STANDBROOK
ENTERPRISES LIMITED**

*(Incorporated in the British Virgin Islands
with limited liability)*

**LAI FAI INTERNATIONAL
HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands
with limited liability)*
(Stock code 8183)

**PROPOSED ACQUISITION OF SHARES OF
LAI FAI INTERNATIONAL HOLDINGS LIMITED
BY THE OFFEROR FROM THE VENDORS
AND
POSSIBLE UNCONDITIONAL CASH OFFER
BY
KINGSWAY FINANCIAL SERVICES GROUP LIMITED
ON BEHALF OF THE OFFEROR TO ACQUIRE ALL THE ISSUED
SHARES OF
LAI FAI INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED BY THE OFFEROR,
PARTIES ACTING IN CONCERT WITH IT AND THE VENDORS)
AND
RESUMPTION OF TRADING IN THE SHARES OF
LAI FAI INTERNATIONAL HOLDINGS LIMITED**

**Financial adviser to
the Offeror**



KINGSWAY CAPITAL LIMITED

The boards of directors of the Company and the Offeror announce that on 7th April, 2005, the Offeror (on the one part) and the Vendors (on the other part) entered into a conditional sale and purchase agreement pursuant to which the Vendors had agreed to, inter alia, sell and the Offeror had agreed to purchase the Sale Shares, at HK\$0.80 per Share, subject to the terms and conditions of the Sale and Purchase Agreement, representing approximately 50.20% of the total issued share capital of the Company as at the date of this announcement. Based on the closing price of HK\$0.70 per Share quoted on the Stock Exchange as at the Last Trading Day, the market value of the Sale Shares amounted to approximately HK\$45.31 million.

Subject to and immediately after Completion, the Offeror (and its concert parties) will beneficially own 92,688,000 Shares, representing approximately 71.88% of the total issued share capital of the Company as at the date of this announcement (assuming that none of the Share Options outstanding as at the date hereof will be exercised and accordingly no further Shares will be issued pursuant thereto).

There are at present 3,750,000 outstanding Share Options held by the Option Holders. Pursuant to the Sale and Purchase Agreement, the Sale Optionholders (being two of the Vendors and the holders of 2,655,000 Share Options in aggregate) have agreed to cancel their Share Options, and in consideration therefor, the Offeror has agreed to pay them HK\$0.70 for each Share Option held by them at Completion.

Kingsway Financial, on behalf of the Offeror, will, subject to Completion having taken place, make an unconditional cash offer in compliance with Rule 26 of the Takeovers Code to all Shareholders (other than the Offeror and parties acting in concert with it) to acquire all the issued Shares (including any Shares that may fall to be issued under any Share Options prior to the close of the Offer) not then owned by the Offeror (and parties acting in concert with it) at HK\$0.80 per Share, and to offer HK\$0.70 (being the see through price) to the Option Holders (other than the Sale Optionholders) for each Share Option held by them in consideration of their agreeing to cancel their Share Options. The principal terms of the Offer are set out in the section headed “Possible Unconditional Cash Offer” below in this announcement. Kingsway Financial is satisfied that there are sufficient financial resources available to the Offeror to meet the full acceptances of the Offer in respect of the remaining 36,257,000 Shares (representing approximately 28.12% of the total issued share capital of the Company as at the date hereof) and 1,095,000 Shares that may be issued upon the exercise in full of the Share Options (other than those held by the Sale Optionholders).

Payment for the acceptances under the Offer will be financed by the Offeror from a shareholder’s loan from Artfolio, the holding company of the Offeror.

To the extent applicable and pursuant to the compulsory acquisition power under Section 88 of the Companies Law (2004 Revision) of the Cayman Islands, if the Offeror acquires the prescribed percentage of Shares (being not less than 90% of the Shares affected by the Offer) as required by Section 88 of the Companies Law (2004 Revision) of the Cayman Islands, the Offeror may consider exercising the compulsory acquisition power in accordance with Section 88 of the Companies Law (2004 Revision) of the Cayman Islands.

Pursuant to Rule 2.11 of the Takeovers Code, except with the consent of the Executive, where the Offeror seeks to acquire or privatise the Company by means of the Offer and the use of compulsory acquisition rights, such rights may only be exercised if, in addition to satisfying any requirements imposed by the Companies Law (2004 Revision) of the Cayman Islands, acceptances of the Offer and purchases (in each case of the disinterested Shares) made by the Offeror and persons acting in concert with it during the period of four months after posting of the offer document total 90% of the disinterested Shares.

Furthermore, if the level of acceptances reaches the prescribed level (being not less than 90% of the Shares affected by the Offer) under Section 88 of the Companies Law (2004 Revision) of the Cayman Islands and Rule 2.11 of the Takeovers Code permits a compulsory acquisition and the Offeror proceeds with the privatisation of the Company and withdrawal of listing of the Company’s securities from GEM pursuant to Rule 9.23 of the GEM Listing Rules, the Company will apply for a suspension of dealings in the securities of the Company from the closing of the Offer up to the withdrawal of listing of the Company’s securities from GEM.

In the event that the Offeror does not effect the compulsory acquisition (whether by reason of not having acquired the requisite percentage as required under the Companies Law (2004 Revision) of the Cayman Islands or otherwise), the Offeror may either (i) seek a withdrawal of listing of the Shares from GEM in accordance with the requirements of the GEM Listing Rules and the Takeovers Code (which include (a) with respect to the requirements of Rule 9.20 of the GEM Listing Rules, the approval of the independent Shareholders (being Shareholders other than any controlling Shareholder and its associates) at general meeting passed as a resolution with a majority of at least 75%, and not voted against by 10% (or more), of the votes cast at such meeting, and (b) with respect to the requirements under Rule 2.2 of the Takeovers Code, the approval of Shareholders by means of a resolution at a general meeting with a majority in number representing at least 75% (and not voted against by more than 10%) of the votes attaching to the disinterested Shares voting either in person or by proxy at the meeting must vote in favour of the resolution) and, or privatise the Company by means of a scheme of arrangement; or (ii) the Offeror will either itself or procure the Company to take such steps as are necessary to ensure that the Company maintains an adequate public float so as to comply with the applicable requirements of the GEM Listing Rules.

As the Offeror has not decided whether to maintain the listing of the Company on GEM or to privatise the Company, further announcement will be made in this respect accordingly.

Subject to Completion, the Independent Board Committee of the Company will be formed to advise the Shareholders (other than the Offeror, the parties acting in concert with it (if any) and the Vendors) on the Offer, and an independent financial adviser will be appointed to advise the Independent Board Committee of the Company in relation to the Offer.

Trading in Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 4th April, 2005 at the request of the Company pending publication of this announcement. An application has been made by the Company for the resumption of trading in Shares on GEM with effect from 9.30 a.m. on 8th April, 2005.

THE SALE AND PURCHASE AGREEMENT

Date

7th April, 2005

Parties

Vendors: Best Perfect, SBF, Mr. Li and Mr. Kitao (and Mr. Li will also guarantee the obligations of Best Perfect under the Sale and Purchase Agreement)

Purchaser: The Offeror

Other: Artfolio (being the holding company of the Offeror) who will guarantee the obligations of the Offeror under the Sale and Purchase Agreement

Sale and purchase of the Sale Shares and cancellation of Share Options

Sale Shares: Being 64,732,800 Shares in aggregate, representing approximately 50.20% of the issued share capital of the Company as at the date of this announcement, and of which:—

- (i) 51,456,000 Shares are held by Best Perfect
- (ii) 10,316,800 Shares are held by SBF
- (iii) 2,560,000 Shares are held by Mr. Li
- (iv) 400,000 Shares are held by Mr. Kitao

Each of the above Vendors have agreed to sell their respective Sale Shares to the Purchaser for the consideration referred to below

Share Options: Being 2,005,000 Share Options and 650,000 Share Options held by Best Perfect and Mr. Kitao, respectively. Each of Best Perfect and Mr. Kitao has agreed to cancel all their said respective Share Options for the consideration referred to below

Consideration

HK\$0.80 per Sale Share and HK\$0.70 for the cancellation of each Share Option, amounting to an aggregate consideration of approximately HK\$53.64 million under the Sale and Purchase Agreement.

Conditions of the purchase of the Sale Shares and the cancellation of the Share Options

Completion of, and the obligations of the Offeror (as purchaser) under, the Sale and Purchase Agreement, are conditional upon:—

- (i) the Offeror being satisfied that the warranties given by the Vendors under the Sale and Purchase Agreement are complete, true and accurate; and
- (ii) the Shares remaining listed and traded on GEM after the publication of this announcement regarding the Sale and Purchase Agreement by the SFC and the Stock Exchange, and no notification being received from the Stock Exchange or the SFC that the listing of the Shares on the Stock Exchange will or may be withdrawn or suspended provided that this condition shall not apply if (1) a suspension is required for the purposes of obtaining clearance from the SFC or the Stock Exchange for the publication of the relevant offer circular(s), or (2) a withdrawal or suspension is due to the fact that there would be an inadequate percentage of the issued share capital of the Company being in public hands as a result of the purchases of Shares by the Offeror (or its concert parties).

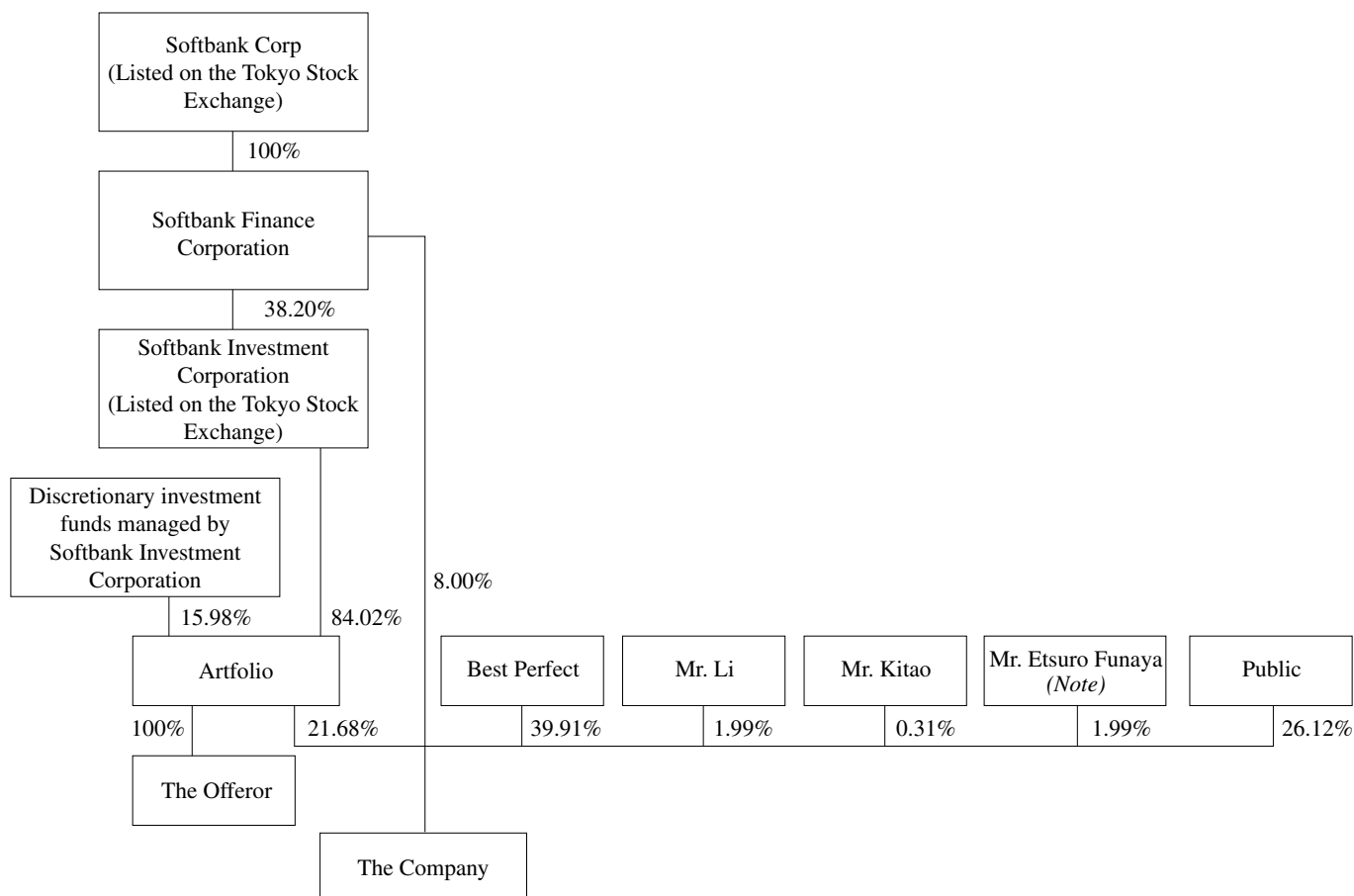
The making of the Offer is conditional upon Completion taking place.

Completion date

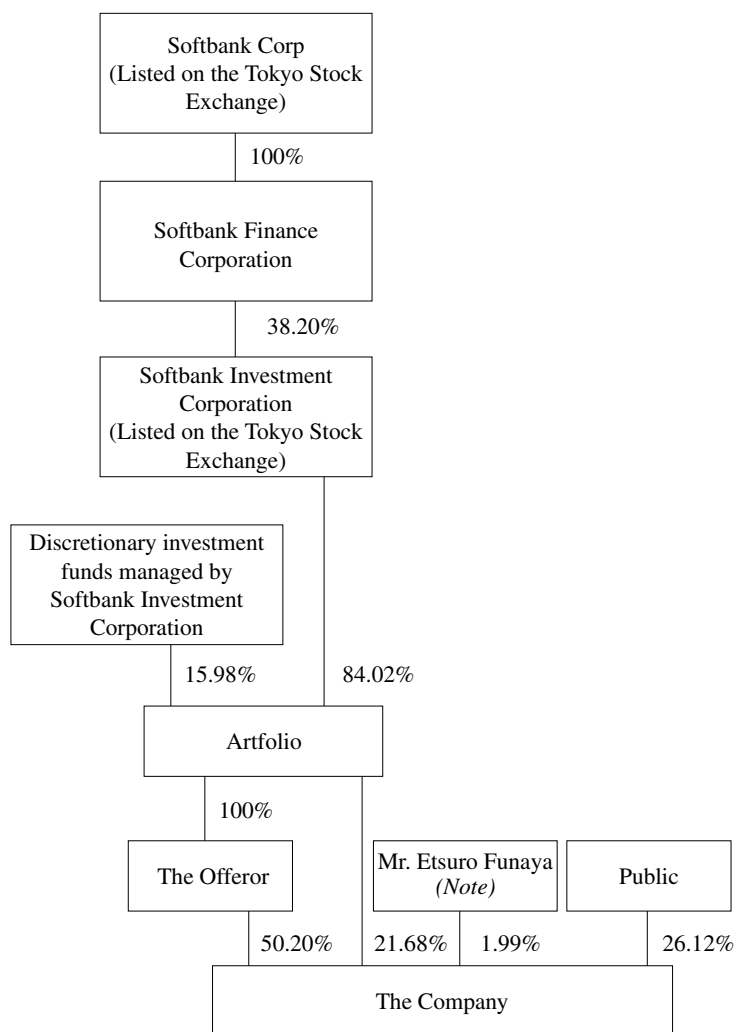
Completion of the Sale and Purchase Agreement shall take place on or before the third business day following the day on which the last unfulfilled conditions is satisfied or waived (whilst condition (ii) above remains being satisfied).

SHAREHOLDING STRUCTURE BEFORE AND IMMEDIATELY AFTER COMPLETION OF THE SALE AND PURCHASE AGREEMENT

(i) Before signing the Sale and Purchase Agreement



(ii) Immediately after completion of the Sale and Purchase Agreement



Note: An initial management shareholder of the Company

POSSIBLE UNCONDITIONAL CASH OFFER

Shares owned by the Offeror at Completion

Upon Completion, the Offeror (and its concert parties) will beneficially own 92,688,000 Shares, representing approximately 71.88% of the total issued share capital of the Company as at the date hereof (assuming that (i) none of the Share Options outstanding as at the date hereof will be exercised and accordingly no further Shares will be issued pursuant thereto; and (ii) no Shares will be repurchased by the Company during the period from the date of this announcement to the Completion).

Save for the acquisition of the Sale Shares by the Offeror under the Sale and Purchase Agreement, during the six months period prior to the date hereof, neither the Offeror nor any parties acting in concert with it had dealt in the Shares.

Share Options

The Company adopted the Pre-IPO Share Option Scheme before Listing. It has also adopted the Share Option Scheme, which became effective upon Listing, but no options have been granted under the Share Option Scheme. The Company will not grant any options under the Share Option Scheme during the offer period in relation to the Offer.

As at the date of this announcement, there are in total 3,750,000 outstanding Share Options held by the Option Holders under the Pre-IPO Share Option Scheme entitling the holders thereof to subscribe for 3,750,000 new Shares at the subscription price of HK\$0.10 per Share during the periods set out below:—

	Number of Share Options
Share Options which are exercisable now and will lapse on 26th August, 2005	545,000
Share Options which are exercisable now and will lapse on 26th February, 2006	3,205,000
Total	<u>3,750,000</u>

Pursuant to the Sale and Purchase Agreement, the Sale Optionholders have agreed to cancel their Share Options, and in consideration therefor and subject to Completion taking place, the Offeror has agreed to pay the Sale Optionholders HK\$0.70 for each Share Option held by them at Completion.

Principal terms of the Offer

Kingsway Financial, on behalf of the Offeror, will, subject to Completion taking place, make an unconditional cash offer in compliance with Rule 26 of the Takeovers Code to all Shareholders (other than the Offeror and parties acting in concert with it) to acquire all the issued Shares not already owned by the Offeror and parties acting in concert with it, and to offer to pay a cash amount (being the see through price) to the Option Holders (other than the Sale Optionholders) for each Share Option held by them in consideration of their agreeing to cancel their Share Options, on the following bases:—

For each Share HK\$0.80 payable in cash

For each Share Option HK\$0.70 payable in cash

Comparison of value

The offer price of HK\$0.80 per Share represents:—

- (a) a premium of approximately 14.29% over the closing price of HK\$0.70 per Share quoted on GEM on the Last Trading Day;
- (b) a premium of approximately 14.29% over the average closing price of approximately HK\$0.70 per Share for the 10 trading days up to and including the Last Trading Day; and

- (c) a premium of 150.00% to the audited net asset value per Share of approximately HK\$0.32 based on the latest published audited consolidated balance sheet of the Company as at 31st December, 2004 and 128,945,000 Shares in issue as at the date of this announcement.

Highest and lowest prices

During the six months preceding the date of this announcement, the highest and lowest traded prices of the Shares on GEM were HK\$0.70 per Share on 9th March, 2005 and HK\$0.49 per Share on 11th, 13th and 14th October, 2004, respectively.

Total consideration payable under the Offer

As at the date of this announcement, there are 128,945,000 Shares in issue. Based on the offer price of HK\$0.80 per Share, the entire issued share capital of the Company is valued at approximately HK\$103.16 million under the Offer. Apart from the Share Options referred to above, there are no other options, warrants or conversion right affecting the Shares outstanding as at the date of this announcement. Assuming the Offer is accepted in full by the Shareholders and Option Holders (to whom the Offer is made) and none of the Share Options outstanding as at the date of this announcement will be exercised and accordingly no further Shares will be issued pursuant thereto, at the offer price of HK\$0.80 per Offer Share and HK\$0.70 per Share Option, the total amount payable by the Offeror under the Offer will be approximately HK\$29.77 million.

Condition of the Offer

The making of the Offer is conditional upon completion of the Sale and Purchase Agreement taking place. The Offer, once made, will be unconditional. Completion of the Sale and Purchase Agreement is conditional upon the satisfaction of the conditions referred to in the section headed “The Sale and Purchase Agreement — Conditions of the purchase of the Sale Shares and the cancellation of the Share Options” in this announcement.

Effect of accepting the Offer

By accepting the Offer, (i) the relevant Shareholders will sell their Shares and all rights attached to them, including the rights to receive all dividends and distribution declared, made or paid on or after the date hereof; and (ii) the Share Options held by relevant Option Holders will be cancelled when an Option Holder has executed a deed of cancellation in respect of his/her Share Options.

Stamp duty

Seller's ad valorem stamp duty at the rate of HK\$1.00 for every HK\$1,000 (or part thereof) of the amount payable in respect of the relevant acceptances of the Offer in respect of the Shares will be payable by the Shareholders. The Offeror will pay for such amount of stamp duty on behalf of and for the account of the accepting Shareholders who accept the Offer and such amount will be deducted from the amount payable to Shareholders on acceptance of the Offer.

Payment

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within ten days of the date on which the relevant documents of title have been received by the Offeror so as to render each such acceptance complete and valid.

FINANCIAL ARRANGEMENT

Payment for the acceptances under the Offer will be financed by the Offeror from a shareholder's loan from the holding company of the Offeror.

Kingsway Financial is satisfied that there are sufficient financial resources available to the Offeror to meet the full acceptances of the Offer in respect of the remaining 36,257,000 Shares (representing approximately 28.12% of the total issued share capital of the Company as at the date hereof) and 1,095,000 Shares that may be issued upon the exercise in full of the Share Options (other than those held by the Sale Optionholders).

The Independent Board Committee and the Composite Offer Document

Subject to Completion taking place, an Independent Board Committee of the Company will be formed to advise the Shareholders (other than the Offeror and parties acting in concert with it (who are also Shareholders), if any) on the Offer and an independent financial adviser will be appointed to advise the Independent Board Committee in relation to the Offer. A Composite Offer Document containing, among other things, the information relating to the Group and the Offeror, the terms of the Offer, the recommendation of the Independent Board Committee of the Company and the advice of the IFA in respect of the Offer, together with forms of acceptance and transfer, will be sent to the Shareholders as soon as practicable in accordance with Rule 8.2 of the Takeovers Code, which shall be within 21 days of the date of this announcement, or such later date as the Executive may approve.

INFORMATION ON THE COMPANY

The Company is an investment holding company and its operating subsidiaries are principally engaged in sourcing, manufacture and retail and wholesale of jewellery products in Hong Kong. The jewellery products of the Group are mainly sold to Japanese tourists, most of whom are referred to the Group by inbound Japanese tour operators in Hong Kong.

INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in the British Virgin Islands. The Offeror's only business is to make the Offer. The Offeror is wholly owned by Artfolio, a company incorporated in Japan. The director of the Offeror is Mr. Sadao Hisaaki, who is also a director of Artfolio. Artfolio is principally engaged in the marketing and distribution of contemporary and antique artworks, including paintings by well-known Japanese and Chinese painters.

As at the date hereof, Artfolio is a substantial Shareholder (within the meaning of the GEM Listing Rules) of the Company, and is beneficially interested in 27,955,200 Shares, representing approximately 21.68% of the issued share capital of the Company.

REASONS FOR THE ENTERING INTO OF THE SALE AND PURCHASE AGREEMENT AND THE OFFER

Artfolio has been a substantial Shareholder (within the meaning of the GEM Listing Rules) since 2002. The entering into of the Sale and Purchase Agreement represents an opportunity for Artfolio to step-up its commitment to the Group.

The directors of Artfolio believe that the transaction will be beneficial to both Artfolio and the Company by combining the Group's strong trademark recognition and understanding of Japanese consumers' preference with Artfolio's existing product range and expertise in the retail sale of artworks and craftworks in Japan. Further, the directors of Artfolio believe that the Group's product range is complementary to and can augment Artfolio's existing product offerings.

Accordingly, the directors of Artfolio and the Offeror, respectively believe that this is now an appropriate time to increase Artfolio's shareholding (through the Offeror) in the Company. In compliance with Rule 26 of the Takeovers Code, the Offeror will, subject to the Completion of the Sale and Purchase Agreement taking place, make the Offer.

COMPULSORY ACQUISITION OR MAINTAINING THE LISTING STATUS OF THE COMPANY

To the extent applicable and pursuant to the compulsory acquisition power under Section 88 of the Companies Law (2004 Revision) of the Cayman Islands, if the Offeror acquires the prescribed percentage of Shares (being not less than 90% of the Shares affected by the Offer) as required by Section 88 of the Companies Law (2004 Revision) of the Cayman Islands, the Offeror may consider exercising the compulsory acquisition power in accordance with Section 88 of the Companies Law (2004 Revision) of the Cayman Islands.

According to Rule 15.6 of the Takeovers Code, as the Offeror may consider exercising its rights under the relevant provisions of the Companies Law (2004 Revision) of the Cayman Islands to compulsorily acquire those Shares not acquired by the Offeror under the Offer, the Offer may not remain open for acceptance for more than four months from the posting of the offer document, unless the Offeror has by that time become entitled to exercise the power of compulsory acquisition avail to it under the Companies Law (2004 Revision) of the Cayman Islands, in which event the Offeror will do so without delay.

Pursuant to Rule 2.11 of the Takeovers Code, except with the consent of the Executive, where the Offeror seeks to acquire or privatise the Company by means of the Offer and the use of compulsory acquisition rights, such rights may only be exercised if, in addition to satisfying any requirements imposed by the Companies Law (2004 Revision) of the Cayman Islands, acceptance of the Offer and purchases (in each case of the disinterested Shares) made by the Offeror and persons acting in concert with it during the period of four months after posting of the offer document total 90% of the disinterested Shares.

Furthermore, if the level of acceptances reaches the prescribed level (being not less than 90% of the Shares affected by the Offer) under Section 88 of the Companies Law (2004 Revision) of the Cayman Islands and Rule 2.11 of the Takeovers Code permits a compulsory acquisition and the Offeror proceeds with the privatisation of the Company and withdrawal of listing of the Company's securities from GEM pursuant to Rule 9.23 of the GEM Listing Rules, the Company will apply for a suspension of dealings in the securities of the Company from the closing of the Offer up to the withdrawal of listing of the Company's securities from GEM.

In the event that the Offeror does not effect the compulsory acquisition (whether by reason of not having acquired the requisite percentage as required under the Companies Law (2004 Revision) of the Cayman Islands or otherwise), the Offeror may either (i) seek a withdrawal of listing of the Shares from GEM in accordance with the requirements of Rule 9.20 of the GEM Listing Rules and the Takeovers Code (which include (a) with respect to the requirements of the GEM Listing Rules, the approval of the independent Shareholders (being Shareholders other than any controlling Shareholder and its associates) at general meeting passed as a resolution with a majority of at least 75%, and not voted against by 10% (or more), of the votes cast at such meeting, and (b) with respect to the requirements under Rule 2.2 of the Takeovers Code, the approval of Shareholders by means of a resolution at a general meeting with a majority in number representing at least 75% (and not voted against by more than 10%) of the votes attaching to the disinterested Shares voting either in person or by proxy at the meeting must vote in favour of the resolution) and, or privatise the Company by means of a scheme of arrangement; or (ii) the Offeror will either itself or procure the Company to take such steps as are necessary to ensure that the Company maintains an adequate public float so as to comply with the applicable requirements of the GEM Listing Rules.

As the Offeror has not decided whether to maintain the listing of the Company on GEM or to privatise the Company, further announcement will be made in this respect accordingly.

The Stock Exchange has stated that, if less than 25% of the issued Shares are in public hands following close of the Offer, or if the Stock Exchange believes that a false market exists or may exist in the trading of the Shares or that there are insufficient number of Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares. In this connection, it should be noted that upon the close of the Offer, there may be insufficient public float for the Shares and therefore trading in the Shares may be suspended until a sufficient level of public float is attained. The Directors, the director of the Offeror and the new director to be nominated by the Offeror and appointed to the Board will jointly and severally agree to undertake to the Stock Exchange to take appropriate steps to ensure that there will be sufficient public float in the Shares if Listing is to be maintained.

PROPOSED CHANGE OF BOARD COMPOSITION OF THE COMPANY

Upon closing of the Offer, the existing two executive Directors, two non-executive Directors and three independent non-executive Directors will remain as Directors.

In addition, subject to completion of the Sale and Purchase Agreement taking place, the Offeror intends to nominate an additional Director to the Board and such appointment will take effect after the later of (i) completion of the Sale and Purchase Agreement having taken place; and (ii) the earliest date permitted under the Takeovers Code, the GEM Listing Rules and laws applicable to the Company.

Apart from the above, the Offeror may, at the appropriate time, nominate additional new Directors to the Board. Further announcement will be made upon such appointment. The Directors and the Offeror believe that the aforesaid proposed change in the board composition of the Company will not have any adverse impact on the Group.

INTENTION OF THE OFFEROR

Following the completion of the Offer and if the Company remains listed on GEM, it is the intention of the Offeror that the existing principal activities of the Group will remain unchanged. The Offeror intends to continue the existing businesses of the Group and has no intention to re-deploy the fixed assets or to make any material changes to the existing management and employees of the Group by reason only of the Offer. Further, the Offeror currently has no intention to inject any assets or businesses into the Group within one year after the close of the Offer. In the event that there is any injection of assets or businesses by the Offeror (or its associates) into the Group within 24 months after Completion, the Stock Exchange may treat the Company as if it were a new listing applicant, and the Offeror will comply with the relevant requirements under the GEM Listing Rules. Notwithstanding the foregoing, the Offeror intends to review the business operations of the Group following completion of the Offer and to implement any appropriate measures to rationalise such business operations where it is in the interests of the Group to do so.

If the Company remains listed on GEM, the Stock Exchange will also closely monitor all future acquisitions or disposals of assets by the Company. The Stock Exchange has indicated that it has the discretion to require the Company to issue a circular to Shareholders irrespective of the size of any proposed transactions, particularly when such proposed transactions represent a departure from the principal activities of the Company. The Stock Exchange also has the power to aggregate a series of transactions of the Company and any such transactions may result in the Company being treated as if it were a new listing applicant and subject to the requirements for new listing application as set out in the GEM Listing Rules.

SUSPENSION OF TRADING IN SHARES

Trading in Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 4th April, 2005 at the request of the Company pending publication of this announcement. An application has been made by the Company for the resumption of trading in Shares on GEM with effect from 9.30 a.m. on 8th April, 2005.

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:—

“Artfolio”	Artfolio Corporation (being the holding company of the Offeror), a company incorporated in Japan, is an 84.02% owned subsidiary of Softbank Investment Corporation (a company incorporated in Japan and the shares of which are listed on the Tokyo Stock Exchange), which is in turn owned (as at the date of this announcement) as to approximately 38.20% by SBF
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Best Perfect”	Best Perfect International Limited, a company incorporated in the British Virgin Islands with limited liability and a Vendor, is owned by Mr. Li as to 91.2% and by Mr. Lee You (a Director and the brother of Mr. Li) as to 8.8%
“Board”	the board of the Directors
“Company”	Lai Fai International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on GEM
“Completion”	completion of the sale and purchase of the Sale Shares and the cancellation of the Share Options held by Best Perfect under the Sale and Purchase Agreement
“Composite Offer Document”	the composite document to be issued by or on behalf of the Offeror and the Company to all Shareholders in accordance with the Takeovers Code containing, amongst other things, information relating to the Group and the Offeror, terms of the Offer, recommendation of the Independent Board Committee of the Company and advice of the IFA in respect of the Offer
“Director(s)”	director(s) of the Company
“disinterested Share(s)”	Share(s) other than those which are owned by the Offeror or persons acting in concert with it, and “disinterested Shareholder(s)” shall be construed accordingly
“Executive”	the executive director of the Corporate Finance Division of the SFC or any of his delegates
“GEM”	the Growth Enterprise Market of the Stock Exchange

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group” and “Group Company”	the Company and its subsidiaries, and “Group Company”, “Group Companies” and member(s) of the Group shall be construed accordingly
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“IFA”	the independent financial adviser to be appointed to advise the Independent Board Committee in relation to the Offer
“Independent Board Committee”	a committee of the Board comprising the three independent non-executive Directors constituted to advise the independent Shareholders in connection with the Offer
“Kingsway Capital”	Kingsway Capital Limited, the financial adviser to the Offeror in relation to the Offer and a licensed corporation under the Securities and Futures Ordinance
“Kingsway Financial”	Kingsway Financial Services Group Limited, a licensed corporation under the Securities and Futures Ordinance and a fellow subsidiary of Kingsway Capital
“Last Trading Day”	1st April, 2005, being the last trading day of the Shares on the Stock Exchange immediately preceding the suspension of trading in the Shares pending the release of this announcement
“Listing”	the listing of the Shares on GEM, which commenced on 26th February, 2003
“Mr. Kitao”	Mr. Yoshitaka Kitao, a Director, a Vendor and a Sale Optionholder
“Mr. Li”	Mr. Li Shui, a Director and a Vendor
“Offer”	the possible unconditional cash offer to be made by Kingsway Financial on behalf of the Offeror in accordance with the Takeovers Code to acquire all the issued Shares (including any Shares that may fall to be issued under any Share Option prior to the close of such offer) not already owned by the Offeror and the parties acting in concert with it, and the Share Options (other than those held by the Sale Optionholders)
“Offeror”	Standbrook Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of Artfolio
“Offer Shares”	the Shares subject to the Offer

“Option Holders”	holders of the Share Options
“Pre-IPO Share Option Scheme”	a share option scheme of the Company approved by written resolutions of the Shareholders on 5th February, 2003
“Sale and Purchase Agreement”	sale and purchase agreement dated 7th April, 2005 entered into between the Vendors, the Offeror and Artfolio in relation to, inter alia, the sale and purchase of the Sale Shares and the cancellation of the Share Options held by Best Perfect and Mr. Kitao
“Sale Optionholders”	Best Perfect and Mr. Kitao, being the holders of 2,005,000 Share Options and 650,000 Share Options, respectively
“Sale Shares”	64,732,800 Shares
“SBF”	Softbank Finance Corporation, a company incorporated in Japan and being one of the Vendors, is a wholly-owned subsidiary of Softbank Corp (a company incorporated in Japan and the shares of which are listed on the Tokyo Stock Exchange)
“Securities and Futures Ordinance”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SFC”	the Securities and Futures Commission of Hong Kong
“Shareholders”	holders of Shares
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Option(s)” or “Option(s)”	the share option(s) granted under the Company’s Pre-IPO Share Option Scheme, further details are set out in the paragraph headed Share Options held by the Option Holders
“Share Option Scheme”	a share option scheme of the Company approved by written resolutions of the Shareholders on 5th February, 2003, which became effective on 26th February, 2003
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Takeovers Code”

the Hong Kong Code on Takeovers and Mergers

“Vendors”

Best Perfect, SBF, Mr. Li and Mr. Kitao

By order of the board of
Standbrook Enterprises Limited
Mr. Sadao Hisaaki
Director

By order of the board of
Lai Fai International Holdings Limited
Mr. Li Shui
Director and Executive Chairman

Hong Kong, 7th April, 2005

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

This announcement, for which the directors of 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 of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (1) the information contained in this announcement (other than that relating to the Offeror and its shareholder and related parties, but including the Group) 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 (other than that relating to the Offeror and its shareholder and related parties, but including the Group) misleading; and (3) all opinions expressed in this announcement (other than that relating to the Offeror and its shareholder and related parties, but including the Group) have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this announcement concerning the Offeror and its shareholder and related parties (other than the Group) and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this announcement concerning the Offeror and its shareholder and related parties (other than the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement concerning the Offeror and its shareholder and related parties (other than the Group) the omission of which would make any statement in this announcement misleading.

This announcement will remain on the GEM website on the “Latest Company Announcements” page for 7 days from the date of its posting.