



# 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)**

## **FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31ST MARCH 2005**

### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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*This announcement, for which 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 GEM of the Stock Exchange (“GEM Listing Rules”) 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: (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) 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.*

## HIGHLIGHTS

- Turnover for the 3 months ended 31st March 2005 was HK\$14,862,000 (2004: HK\$4,358,000) which has demonstrated a significant improvement of 241%. The improvement was partly attributed to the widening of customers base to visitors from the Mainland China since July 2004 and partly attributed to the recovery of turnover from the last corresponding period amid the recurrence of SARS and bird flu infection cases in the nearby countries of Hong Kong in the first quarter of 2004.
- Gross profit for the 3 months ended 31st March 2005 was HK\$11,055,000 (2004: HK\$2,549,000) which has a greater magnitude of increment than turnover for 334% over the last corresponding period. This was mainly attributed to the general improvement in global economy and spending sentiment and resulted in greater purchasing power. The gross profit margin has increased from 58.5% in the last corresponding period to 74.4% in the current period.
- For the 3 months ended 31st March 2005, the Group recorded a net profit from ordinary activities attributable to shareholders of approximately HK\$1,344,000 (2004: net loss of HK\$1,619,000).
- Earning per share was HK cent 1.042 for the 3 months ended 31st March 2005 and loss per share was HK cents 1.265 for the 3 months ended 31st March 2004.
- The Board does not recommend the payment of an interim dividend for the 3 months ended 31st March 2005.

## RESULTS

The board of directors (the “Board”) of the Company presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the 3 months ended 31st March 2005, together with the comparative unaudited figures for the corresponding periods in 2004.

		<b>For the 3 months ended</b>	
		<b>31st March</b>	
		<b>2005</b>	<b>2004</b>
		<b>Unaudited</b>	<b>Unaudited</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Turnover</b>	3	<b>14,862</b>	4,358
Cost of sales		<b>(3,807)</b>	(1,809)
<b>Gross profit</b>		<b>11,055</b>	2,549
Other revenue and gains		<b>30</b>	—
Selling and distribution costs		<b>(6,240)</b>	(1,561)
General and administrative expenses		<b>(3,501)</b>	(2,583)
<b>Profit/(loss) from operating activities</b>		<b>1,344</b>	(1,595)
Finance cost		<b>0</b>	( 24)
<b>Profit/(loss) before tax</b>		<b>1,344</b>	(1,619)
Tax	4	<b>—</b>	—
<b>Net profit/(loss) from ordinary activities attributable to shareholders</b>		<b><u>1,344</u></b>	<b><u>(1,619)</u></b>
<b>Earnings/(loss) per share</b>	6		
— Basic, HK cents		<b>1.042</b>	(1.265)
— Diluted, HK cents		<b>0.996</b>	N/A

Notes:

## 1. Basis of Presentation and Accounting Policies

The accounting policies and basis of preparation used in preparing the unaudited consolidated quarterly results are the same as those adopted in preparing the financial statements for the year ended 31st December 2004.

The unaudited consolidated quarterly results were not audited by the Company's auditors, but have been reviewed by the Company's audit committee.

In the current period, the Group has adopted, for the first time, a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005.

All significant intra-group transactions have been eliminated on consolidation.

## 2. Segment Information

During the periods under review, the Group was principally engaged in the manufacture, retail and wholesale of jewellery products in Hong Kong, and over 90% of the Group's revenue, results, assets and liabilities were derived from Hong Kong. Accordingly, no business or geographical segment information is presented.

## 3. Turnover

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

## 4. Tax

No provision for Hong Kong profits tax has been made for the 3 months ended 31st March 2005 (2004: Nil) as companies within the Group have no assessable profits or have accumulated tax losses brought forward which exceed the estimated assessable profits in that period.

There is no significant unprovided deferred taxation during the periods under review.

## 5. Dividend

The Board does not recommend the payment of an interim dividend for the 3 months ended 31st March 2005.

## 6. Earning/(Loss) Per Share

### (a) *Basic earning/(loss) per share*

The calculation of basic earning/(loss) per share is based on the unaudited net profit from ordinary activities attributable to shareholders for the 3 months ended 31st March 2005 of HK\$1,344,000 (2004: unaudited net loss of HK\$1,619,000) and the weighted average number of 128,945,000 (2004: 128,000,000) shares of the Company.

(b) *Diluted earning/(loss) per share*

The calculation of diluted earning per share for the 3 months ended 31st March 2005 was based on the unaudited net profit from ordinary activities attributable to shareholders of HK\$1,344,000. The weighted average number of ordinary shares used in the calculation is 128,945,000 ordinary shares in issue during the period and the weighted average of 6,010,000 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the period.

No diluted loss per share has been presented for the 3 months ended 31st March 2004 as the outstanding share options had an anti-dilutive effect on the basic loss per share for that period.

7. **Movement on Reserves**

	(Unaudited) Share-based Premium HK\$'000	(Unaudited) Share-based Compensation Reserve HK\$'000	(Unaudited) Contributed Surplus HK\$'000	(Unaudited) Retained Earnings HK\$'000	(Unaudited) Total HK\$'000
At 1st January 2004	3,664	—	21,177	2,767	27,608
Net loss from ordinary activities attributable to shareholders for the period	—	—	—	(1,619)	(1,619)
<b>At 31st March 2004</b>	<b>3,664</b>	<b>—</b>	<b>21,177</b>	<b>1,148</b>	<b>25,989</b>
At 1st January 2005	3,664	—	21,177	3,343	28,184
Arised on exercising of pre-IPO share options	—	453	—	—	453
Net profit from ordinary activities attributable to shareholders for the period	—	—	—	1,344	1,344
<b>At 31st March 2005</b>	<b>3,664</b>	<b>453</b>	<b>21,177</b>	<b>4,687</b>	<b>29,981</b>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Operation Review**

The Group is principally engaged in the manufacturing and retailing of jewellery products appealing to Japanese and Mainland China tourists who are substantially referred to the Group by the inbound tour operators. For the Japanese tourists, the Group has entered into Business Cooperation Agreements with the inbound Japanese tour operators for an initial term of three years and then renewable annually thereafter.

Since the adoption of Individual Visa Scheme by the Mainland China Government in July 2003, the visitors from Mainland China has been maintaining at high level. For the past six months, arrival visitors from Mainland China was about 1 million per month and accounted for over 50% of total arrival visitors from all countries as per the Hong Kong Tourism Board (“HKTB”) publication.

In addition, comparing the number of arrival visitors from Japan for the first two months of 2005 and 2004, a 49% increment was noted and revealing the fact that arrival visitors from Japan are picking up at the upward track.

### **Turnover**

Turnover for the 3 months ended 31st March 2005 was HK\$14,862,000 (2004: HK\$4,358,000) which has demonstrated a significant improvement of 241%. The improvement was partly attributed to the widening of customers base to visitors from the Mainland China since July 2004 and partly attributed to the recovery of turnover from the last corresponding period amid the recurrence of SARS and bird flu infection cases in the nearby countries of Hong Kong in the first quarter of 2004.

### **Gross Profit**

Gross profit for the 3 months ended 31st March 2005 was HK\$11,055,000 (2004: HK\$2,549,000) which has a greater magnitude of increment than turnover for 334% over the last corresponding period. This was mainly attributed to the general improvement in global economy and spending sentiment and resulted in greater purchasing power. The gross profit margin has increased from 58.5% in the last corresponding period to 74.4% in the current period.

### **Net Profit/(Loss) from Ordinary Activities Attributable to Shareholders**

For the 3 months ended 31st March 2005, the Group recorded a net profit from ordinary activities attributable to shareholders of approximately HK\$1,344,000 (2004: net loss of HK\$1,619,000).

## **BUSINESS OUTLOOK AND PROSPECTS**

Hong Kong has been internationally renowned for its stylish and high quality jewellery and is the third largest jewellery exporter in the world. Hong Kong is also a shopping paradise that tourists all over the world would visit for shopping fine products and especially be fond of by jewellery lovers. According to a recent survey by the HKTB, jewellery and watches are always amongst the top 3 spending items by the arrival visitors by shopping categories.

It is expected that 2005 to 2009 will be the high growth stage of tourism industry upon the opening of Disneyland Hong Kong in September 2005; the Wetland Park and the Tung Chung Cable car connecting to the Big Buddha in 2006; the hosting of Olympic Games by Beijing in 2008 and the hosting of East Asia Game by Hong Kong in 2009.

In addition, the existing 32 Mainland China cities with an approximate of 150 million of Mainland China citizens that are eligible under the Individual Visa Scheme as adopted since July 2003 by the Mainland China Government for more convenient travel to Hong Kong will be a huge uncharted source of visitors that will flourish the growth of tourism industry in Hong Kong.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31st March 2005, the Group had total assets of approximately HK\$46.6 million, including cash and bank balances of approximately HK\$12 million. The Group will continue to finance its operations from its sales operations.

With its net current assets of approximately HK\$40.2 million, current ratio of 12 and quick ratio of 4.3, the Group remains in a good financially liquid position as at 31st March 2005. Taking into consideration of the potential financial resources that may be available to the Group from financial institutions, it is anticipated that the Group will have adequate financial resources to meet its ongoing operations and development requirements in the coming year.

## **GEARING RATIO**

The Group did not have any bank borrowing or bank overdrafts as at 31st March 2005. The Group's gearing ratio defined as total interest-bearing debt to shareholders' fund was 0% as at 31st March 2005.

## **CAPITAL STRUCTURE**

Since the listing of the Company's shares on the GEM of the Stock Exchange on 26th February 2003, except for the exercise of share options in the 3rd quarter of 2004 by the eligible persons pursuant to the Pre-IPO Share Option Plan of the Company adopted on 5th February 2003, there has been no change in the capital structure of the Company. The share capital of the Company comprises only ordinary shares.

## **FUNDING AND TREASURY POLICY**

The Group adopts a prudent funding and treasury policy with regard to its overall business operations and foreign currencies receipts are converted into Hong Kong dollars and banked in at the next banking day to minimise foreign exchange risks.

## **SIGNIFICANT INVESTMENTS**

There was no significant investment during the period.

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES**

For the 3 months ended 31st March 2005, approximately 78% of the Group's income was denominated in Hong Kong dollars or US dollars, with the remaining denominated in Yen and Renminbi. For the same period, over 95% of the Group's expenditure was denominated in Hong Kong dollars, with the remaining denominated in Yen and Australian dollars. The Group received cash in Japanese Yen, Renminbi, Hong Kong dollars and US dollars from its retail operations in the approximate proportion of 43%, 43%, 10% and 4%, respectively for the 3 months ended 31st March 2005. The Group generally charges a small premium over the market exchange rate if the customer pays in Yen and Renminbi, and converts the Yen and Renminbi receipts to Hong Kong dollars on the next banking day. As such, the Group faces minimal foreign exchange risks.

## **RULE 17.15 TO 17.21 OF THE GEM LISTING RULES**

The directors of the Company have confirmed that the Group was not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

## **DIRECTORS' SERVICE CONTRACTS**

Mr. Li Shui and Mr. Lee You entered into service contracts with the Company for an initial term of three years commencing on 26 February 2003 which are subject to termination by either party giving not less than three months' written notice to the other.

Save as disclosed above, no director has a service contract with the Company which is not determinable by the Company within one year without payment, other than statutory compensation.

## **DIRECTORS' INTERESTS IN CONTRACTS**

Except for those disclosed in the paragraph headed "Connected Transactions" in the Company's annual report 2004, none of the directors had any material beneficial interests, either direct or indirect, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the 3 months ended 31st March 2005.



## **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE SHARES AND UNDERLYING SHARES**

As at 31st March 2005, the interests of the directors and the chief executive of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules relating to securities transactions by directors, were as follows:

### **Long positions in shares of the Company**

<b>Name of director</b>	<b>Number of ordinary shares held, capacity and nature of interest</b>			<b>Total</b>	<b>Percentage of the Company's issued share capital as at 31st March 2005</b>
	<b>Directly beneficially owned</b>	<b>Through spouse or minor children</b>	<b>Through controlled corporation</b>		
Mr. Li Shui ( <i>Note</i> )	2,560,000	—	51,456,000	54,016,000	41.89

*Note:* The 51,456,000 shares are registered in the name of Best Perfect International Limited (“Best Perfect”) whose issued share capital is held by Mr. Li Shui as to 91.2% and Mr. Lee You as to 8.8%. Both Mr. Li Shui and Mr. Lee You are executive directors of the Company and directors of Best Perfect.

## Long positions in underlying shares of the Company

Pursuant to the Pre-IPO Share Option Plan of the Company adopted on 5th February 2003, certain directors, ex-directors, chief executive and employees were granted share options to subscribe for shares of the Company, details of which as at 31st March 2005 were as follows:

	Exercisable period	Total number of share options granted	Number of share options exercised in the 3rd quarter of 2004	Number of share options lapsed in the current quarter	Number of share options outstanding as at 31st March 2005	Percentage of the Company's issued share capital as at 31st March 2005
<b>Directors/Ex-director</b>						
Mr. Li Shui ( <i>Note 4</i> )	<i>Note 5</i>	4,010,000	—	2,005,000	2,005,000	1.55
Mr. Yoshitaka Kitao	<i>Note 5</i>	1,300,000	400,000	250,000	650,000	0.50
Mr. Yu Kam Kee, Lawrence	<i>Note 5</i>	500,000	—	250,000	250,000	0.19
Mr. Ty Siao Kian, George *	<i>Note 5</i>	500,000	—	500,000	—	—
Mr. Che King Lun, Frankly	<i>Note 5</i>	400,000	—	200,000	200,000	0.16
Mr. Mak Tak Cheong, Edmund	<i>Note 5</i>	200,000	—	100,000	100,000	0.08

\* resigned on 15th March 2004

### Employees (*Note 3*)

Mr. Lam King Pui	<i>Note 6</i>	330,000	165,000	—	165,000	0.13
Ms. Yip Kwai Lin	<i>Note 6</i>	200,000	100,000	—	100,000	0.08
Ms. Kong Yuk Ching	<i>Note 6</i>	200,000	100,000	—	100,000	0.08
Ms. Wong Lai Chu	<i>Note 6</i>	80,000	40,000	—	40,000	0.03
Ms. Lee Mei Ling	<i>Note 6</i>	100,000	50,000	—	50,000	0.04
Mr. Chu Ka Loi	<i>Note 6</i>	100,000	50,000	—	50,000	0.04
Ms. Chan Yuk Ping	<i>Note 6</i>	80,000	40,000	—	40,000	0.03

### Notes:

- The date of grant for the Pre-IPO share options was on 26th February 2003.
- The exercise price of the Pre-IPO share option per share is HK\$0.1.
- Employees are those working under employment contracts regarded as “continuous contracts” under Employment Ordinance (Chapter 57 of the laws of Hong Kong).
- The options were granted to Best Perfect which is beneficially owned by Mr. Li Shui and Mr. Lee You, directors of the Company as to 91.2% and 8.8% respectively. Accordingly, Mr. Li Shui was deemed to be interested in the options to subscribe for shares in the Company held by Best Perfect under the SFO.
- (i) a maximum of 50% of the total number of options granted at any time during the first year after the date falling 12 months after 26th February 2003 (the “First Exercise Period”) and (ii) the remainder 50% of the total number of options granted at any time during the period of one year after the end of the First Exercise Period.

6. (i) a maximum of 50% of the total number of options granted at any time during the first year after the date falling 6 months after 26th February 2003 (the “Employees’ First Exercise Period”) and (ii) the remainder 50% of the total number of options granted at any time during the period of one year after the end of the Employees’ First Exercise Period.

Save as disclosed above, as at 31st March 2005, none of the directors and the chief executive of the Company or their associates had any interests or short positions in the shares or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 of the GEM Listing Rules relating to securities transactions by directors.

## **SUBSTANTIAL SHAREHOLDERS’ AND OTHER PERSONS’ INTERESTS IN SHARES AND UNDERLYING SHARES**

So far as the directors or chief executive of the Company are aware, as at 31st March 2005, the persons (not being directors and the chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant Divisions 2 and 3 of Part XV of the SFO and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, were as follows:

### **Long position in shares of the Company**

<b>Name of shareholders</b>	<i>Notes</i>	<b>Capacity and nature of interest shares</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company’s issued share capital as at 31st March 2005</b>
Best Perfect	1	Directly beneficially owned	51,456,000	39.90
Mr. Li Shui	1	Through a controlled corporation	51,456,000	39.90
		Directly beneficially owned	2,560,000	1.99
Ms. Li So Kuen	2	Through a spouse	54,016,000	41.89
Artfolio Corporation (“Artfolio”)	3	Directly beneficially owned	27,955,200	21.68
Softbank Finance Corporation (“SBF”)	3	Through a controlled corporation	27,955,200	21.68
		Directly beneficially owned	10,316,800	8.00

*Notes:*

1. Best Perfect is beneficially owned by Mr. Li Shui and Mr. Lee You, directors of the Company, as to 91.2% and 8.8%, respectively. Accordingly, Mr. Li Shui is deemed to be interested in the same block of shares held by Best Perfect under the SFO.
2. Ms. Li So Kuen is deemed to be interested in the 54,016,000 shares in which Mr. Li Shui, her spouse who is a director of the Company, is interested.
3. Artfolio is beneficially owned as to 84.02% by SBF. Accordingly, SBF shall be deemed to be interested in the same block of shares held by Artfolio under the SFO.

### **Long positions in underlying shares of the Company**

Pursuant to the Pre-IPO Share Option Plan of the Company adopted on 5th February 2003, share options in respect of 4,010,000 underlying shares of the Company were granted to Best Perfect, details of which were disclosed in the paragraph headed “Directors’ and Chief Executive’s Interests in the Shares and Underlying Shares”. As at 31st March 2005, Best Perfect was beneficially owned as to 91.2% and 8.8% by Mr. Li Shui and Mr. Lee You, respectively.

Further, by virtue of Mr. Li Shui’s interests in Best Perfect and therefore deemed interest in the Company, Ms. Li So Kuen, his spouse, was also taken to be interested in the above-mentioned share options in respect of 4,010,000 underlying shares of the Company granted to Best Perfect under the SFO.

Save as disclosed above, as at 31st March 2005, the Company had not been notified of any other person (other than a director or chief executive of the Company) who had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

### **DIRECTORS’ RIGHTS TO ACQUIRE SHARES**

Save as those disclosed under the heading “Long positions in underlying shares of the Company” of “Directors’ and Chief Executive’s Interests in the Shares and Underlying Shares” above, at no time during the period under review were rights to acquire benefits by means of the acquisition of shares in the Company granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the Company’s directors to acquire such rights in any other body corporate.

### **SPONSORS’ INTERESTS**

Pursuant to an agreement dated 10th February 2003 entered with the Company, Celestial Capital Limited (“CASH”) received and will receive fees for acting as the Company’s retained sponsor until 31 December 2005 or until such agreement is terminated upon the terms and conditions set out therein.

Except for the above, as notified by CASH, none of the sponsor or any of its directors or employees or associates (as referred to in note 3 to Rule 6.35 of the GEM Listing Rules) had any interest in the shares of the Company or any members of the Group or any rights to subscribe for or to nominate persons to subscribe for the shares of the Company or any members of the Group as at 31st March 2005 and the date of this announcement respectively.

## **COMPETING INTEREST**

Saved as those disclosed in the Prospectus, as at 31st March 2005, none of the directors or the management shareholders (as defined in the GEM Listing Rules) of the Company had an interest in a business which competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

## **AUDIT COMMITTEE**

The Company set up an audit committee on 5th February 2003 with written terms of reference in compliance with the requirements as set out in Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review and provide supervision over the financial reporting process and internal controls of the Group. The audit committee comprises two independent non-executive directors, namely Mr. Mak Tak Cheong, Edmund and Mr. Che King Lun, Frankly and one executive director, namely, Mr. Li Shui. Mr. Mak Tak Cheong, Edmund is the chairman of the audit committee. The Group's results announcement for the 3 months ended 31st March 2005 have been reviewed by the audit committee, who are of the opinion that such announcement complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

Since its establishment, the audit committee met 9 times, reviewing the Company's and the Group's reports and results announcements as well as providing advice and recommendations to the directors of the Company.

## **BOARD PRACTICES AND PROCEDURES**

The Company has complied with the Board Practices and Procedures as set out in Rules 5.28 to 5.34 of the GEM Listing Rules since the listing of the Company's shares on the GEM on 26th February 2003.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the 3 months ended 31st March 2005.

## **EVENTS AFTER BALANCE SHEET DATE**

References are made to the Company's announcements dated 7th April 2005 and 12th April 2005 and circular dated 27th April 2005 subsequent to the 3 months period ended 31st March 2005, a proposed acquisition of shares in the Company by Standbrook Enterprises Limited from Li Shui, Yoshitaka Kitao, (both of whom are directors of the Company) and Best Perfect International Limited, a company incorporated in the British Virgin Islands with limited liability owned as to 91.2% by Li Shui and as to 8.8% by Lee You (a director of the Company and brother of Li Shui) was completed on 12th April 2005.

A circular for the mandatory unconditional cash offer by Kingsway Financial Services Group Limited on behalf of Standbrook Enterprises Limited to acquire all the issued shares and the share options of the Company (other than those shares already owned by Standbrook Enterprises Limited and parties acting in concert with it) were despatched on 27th April 2005.

On behalf of the Board  
**Lai Fai International Holdings Limited**  
**Li Shui**  
*Executive Chairman*

Hong Kong, 12th May 2005

*As at the date of this announcement, the Board comprises of 2 executive directors, being Mr. Li Shui and Mr. Lee You; 2 non-executive directors, being Mr. Yoshitaka Kitao and Mr. Yu Kam Kee, Lawrence; 3 independent non-executive directors, being Mr. Ho Hou Chiu, William, Mr. Mak Tak Cheong, Edmund and Mr. Che King Lun, Frankly.*

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