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## **FAVA INTERNATIONAL HOLDINGS LIMITED**

**名家國際控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 8108)**

### **LETTERS OF INTENT**

#### **IN RESPECT OF**

### **THE PROPOSED ACQUISITION OF FURNITURE RETAIL BUSINESSES OF**

- (1) Mr. Zhou Xu En**
  - (2) Mr. Xiu Xianliu**
  - (3) Mr. Cheng Pishuang**
  - (4) Mr. Pan Yongsheng**
  - (5) Mr. Wu Kemin**
- AND**
- (6) Other Vendors**

### **RESUMPTION OF TRADING**

This announcement is made pursuant to Rule 17.10 of the GEM Listing Rules.

#### **THE PROPOSED ACQUISITIONS**

The Board is pleased to announce that on 7 January 2008, Langfang Hengyu, an indirect wholly owned subsidiary of the Company,

- (1) entered into the Zhou LOI with Mr. Zhou Xu En in respect of the Proposed Zhou Acquisition,
- (2) entered into the Xiu LOI with Mr. Xiu Xianliu in respect of the Proposed Xiu Acquisition,
- (3) entered into the Cheng LOI with Mr. Cheng Pishuang in respect of the Proposed Cheng Acquisition,
- (4) entered into the Pan LOI with Mr. Pan Yongsheng in respect of the Proposed Pan Acquisition,
- (5) entered into the Wu LOI with Mr. Wu Kemin in respect of the Proposed Wu Acquisition, and

\* *for identification purposes only*

(6) entered into the Other LOIs with the Other Vendors in respect of the Proposed Other Acquisitions.

Pursuant to the Proposed Acquisitions, the Group intends to acquire the furniture retail business of a total of 92 furniture retail shops in the PRC which are distributing furniture products of Huari brand. The proposed consideration of each of the Proposed Acquisitions will be determined with reference to the audited net profits of the relevant target business for the year ending 31 December 2008, multiplied by a certain price-to-earnings ratio ranging from 4 to 6 times with a cap set on the audited net profits for the financial year ending 31 December 2008 of each target business (to be adjusted). With an aggregate cap of RMB50,200,000 set on the aggregate audited net profits for the financial year ending 31 December 2008 of the target businesses, the aggregate consideration for the Proposed Acquisitions will not exceed RMB301,200,000.

Details of the Zhou LOI, Xiu LOI, Cheng LOI, Pan LOI, Wu LOI and the Other LOIs are set out in this announcement.

The Proposed Acquisitions are not inter-conditional. Based on the relevant financial data available to the Company as at the date of this announcement, each of the Proposed Zhou Acquisition, Proposed Xiu Acquisition, Proposed Cheng Acquisition, Proposed Pan Acquisition and Proposed Wu Acquisition, if materializes, will itself constitute a notifiable transaction for the Company under the provisions of Chapter 19 of the GEM Listing Rules. Each of the Proposed Other Acquisitions, if materializes, will not constitute a notifiable transaction for the Company under the provisions of Chapter 19 of the GEM Listing Rules. The Company shall comply with the relevant disclosures and shareholders' approval requirements of the GEM Listing Rules where appropriate. The Proposed Acquisitions may or may not materialize. **Shareholders of the Company and the investing public are advised to exercise caution when dealing in the Shares.**

## **RESUMPTION OF TRADING IN THE SHARES**

At the request of the Company, trading in the Shares has been suspended with effect from 2:30 p.m. on 7 January 2008 pending the issue of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:30 a.m. on 9 January 2008.

This announcement is made pursuant to Rule 17.10 of the GEM Listing Rules.

## **THE PROPOSED ACQUISITIONS**

### **THE ZHOU LOI**

#### **Date**

7 January 2008

## **Parties**

Purchaser: Langfang Hengyu, an indirect wholly owned subsidiary of the Company

Vendor: Mr. Zhou Xu En. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, save that Mr. Zhou held approximately 9.07% of the issued share capital of the Company as at the date of this announcement and the Business Relationship, Mr. Zhou is an Independent Third Party. Mr. Zhou is also independent of each of Mr. Xiu Xianliu, Mr. Cheng Pishuang, Mr. Pan Yongsheng, Mr. Wu Kemin and Other Vendors.

Langfang Hengyu and Mr. Zhou entered into the Zhou LOI in respect of the Proposed Zhou Acquisition.

## **Calculation of consideration**

The proposed consideration for the Proposed Zhou Acquisition is determined with reference to the audited net profits of the Zhou Target Business for the financial year ending 31 December 2008 (capped at RMB15,170,000 for the purpose of calculating the consideration for the Proposed Zhou Acquisition), multiplied by a price-to-earnings ratio of 4 to 6 times (to be adjusted); details of the consideration are to be further negotiated by the parties but in any event the consideration will not exceed RMB91,020,000.

## **Payment of the consideration**

The consideration of the Proposed Zhou Acquisition with the following adjustments shall be payable in cash in four installments during a four-year period:

- (i) if the audited net profits of the Zhou Target Business for the financial year ending 31 December 2008 is less than RMB15,170,000, the shortfall shall be deducted from the next following payment installment of the consideration;
- (ii) if the audited net profits of the Zhou Target Business for the financial year ending 31 December 2009 is less than RMB18,210,000, the shortfall shall be deducted from the next following payment installment of the consideration; and
- (iii) if the audited net profits of the Zhou Target Business for the financial year ending 31 December 2010 is less than RMB21,240,000, the shortfall shall be deducted from the next following payment installment of the consideration.

The Group intends to use its internal resources and/or bank borrowings (if necessary) to satisfy the consideration of the Proposed Zhou Acquisition.

## **Exclusivity**

Under the Zhou LOI, Mr. Zhou has undertaken to Langfang Hengyu that he will not contact, negotiate, discuss, consider or enter into contract, whether directly or indirectly with, any third party (other than the professional advisers of himself and Langfang Hengyu) in relation to the Proposed Zhou Acquisition within six months from the date of the Zhou LOI (subject to extension by agreement of the parties in writing).

The Zhou LOI does not constitute the parties' legally binding commitments as to the Proposed Zhou Acquisition, which is subject to the execution and completion of formal sale and purchase agreement by the parties. However, the exclusivity provision in the Zhou LOI, as referred to in this paragraph "Exclusivity" under the section headed "The Zhou LOI" above constitutes the legally binding obligation on the part of Mr. Zhou.

## **INFORMATION ABOUT MR ZHOU XU EN AND THE ZHOU TARGET BUSINESS**

Mr. Zhou is a furniture retailer. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, save that Mr. Zhou held approximately 9.07% of the issued share capital of the Company as at the date of this announcement and the Business Relationship, Mr. Zhou is an Independent Third Party. Mr. Zhou is also independent of each of Mr. Xiu Xianliu, Mr. Cheng Pishuang, Mr. Pan Yongsheng, Mr. Wu Kemin and Other Vendors.

The Zhou Target Business to be acquired under the Proposed Zhou Acquisition consists of the furniture retail business of 9 furniture retail shops in Beijing owned by Mr. Zhou, which are distributing furniture products of Huari brand.

## **THE XIU LOI**

### **Date**

7 January 2008

### **Parties**

**Purchaser:** Langfang Hengyu, an indirect wholly owned subsidiary of the Company

**Vendor:** Mr. Xiu Xianliu. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Mr. Xiu is an Independent Third Party and is independent of each of Mr. Zhou Xu En, Mr. Cheng Pishuang, Mr. Pan Yongsheng, Mr. Wu Kemin and Other Vendors.

Langfang Hengyu and Mr. Xiu entered into the Xiu LOI in respect of the Proposed Xiu Acquisition.

## **Calculation of consideration**

The proposed consideration for the Proposed Xiu Acquisition is determined with reference to the audited net profits of the Xiu Target Business for the financial year ending 31 December 2008 (capped at RMB12,560,000 for the purpose of calculating the consideration for the Proposed Xiu Acquisition), multiplied by a price-to-earnings ratio of 4 to 6 times (to be adjusted); details of the consideration are to be further negotiated by the parties but in any event the consideration will not exceed RMB75,360,000.

## **Payment of the consideration**

The consideration of the Proposed Xiu Acquisition with the following adjustments shall be payable in cash in four installments during a four-year period:

- (i) if the audited net profits of the Xiu Target Business for the financial year ending 31 December 2008 is less than RMB12,560,000, the shortfall shall be deducted from the next following payment installment of the consideration;
- (ii) if the audited net profits of the Xiu Target Business for the financial year ending 31 December 2009 is less than RMB15,100,000, the shortfall shall be deducted from the next following payment installment of the consideration; and
- (iii) if the audited net profits of the Xiu Target Business for the financial year ending 31 December 2010 is less than RMB17,620,000, the shortfall shall be deducted from the next following payment installment of the consideration.

The Group intends to use its internal resources and/or bank borrowings (if necessary) to satisfy the consideration of the Proposed Xiu Acquisition.

## **Exclusivity**

Under the Xiu LOI, Mr. Xiu has undertaken to Langfang Hengyu that he will not contact, negotiate, discuss, consider or enter into contract, whether directly or indirectly with, any third party (other than the professional advisers of himself and Langfang Hengyu) in relation to the Proposed Xiu Acquisition within six months from the date of the Xiu LOI (subject to extension by agreement of the parties in writing).

The Xiu LOI does not constitute the parties' legally binding commitments as to the Proposed Xiu Acquisition, which is subject to the execution and completion of formal sale and purchase agreement by the parties. However, the exclusivity provision in the Xiu LOI, as referred to in this paragraph "Exclusivity" under the section headed "The Xiu LOI" above constitutes the legally binding obligation on the part of Mr. Xiu.

## **INFORMATION ABOUT MR XIU XIANLIU AND THE XIU TARGET BUSINESS**

Mr. Xiu is a furniture retailer. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Mr. Xiu is an Independent Third Party and is independent of each of Mr. Zhou Xu En, Mr. Cheng Pishuang, Mr. Pan Yongsheng, Mr. Wu Kemin and Other Vendors.

The Xiu Target Business to be acquired under the Proposed Xiu Acquisition consists of the furniture retail business of 28 furniture retail shops in Wulumuqi, Dalian, Chongqing, Chengdu and Shanghai owned by Mr. Xiu, which are distributing furniture products of Huari brand.

## **THE CHENG LOI**

### **Date**

7 January 2008

### **Parties**

**Purchaser:** Langfang Hengyu, an indirect wholly owned subsidiary of the Company

**Vendor:** Mr. Cheng Pishuang. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Mr. Cheng is an Independent Third Party and is independent of each of Mr. Zhou Xu En, Mr. Xiu Xianliu, Mr. Pan Yongsheng, Mr. Wu Kemin and Other Vendors.

Langfang Hengyu and Mr. Cheng entered into the Cheng LOI in respect of the Proposed Cheng Acquisition.

### **Calculation of consideration**

The proposed consideration for the Proposed Cheng Acquisition is determined with reference to the audited net profits of the Cheng Target Business for the financial year ending 31 December 2008 (capped at RMB2,550,000 for the purpose of calculating the consideration for the Proposed Cheng Acquisition), multiplied by a price-to-earnings ratio of 4 to 6 times (to be adjusted); details of the consideration are to be further negotiated by the parties but in any event the consideration will not exceed RMB15,300,000.

## **Payment of the consideration**

The consideration of the Proposed Cheng Acquisition with the following adjustments shall be payable in cash in four installments during a four-year period:

- (i) if the audited net profits of the Cheng Target Business for the financial year ending 31 December 2008 is less than RMB2,550,000, the shortfall shall be deducted from the next following payment installment of the consideration;
- (ii) if the audited net profits of the Cheng Target Business for the financial year ending 31 December 2009 is less than RMB3,060,000, the shortfall shall be deducted from the next following payment installment of the consideration; and
- (iii) if the audited net profits of the Cheng Target Business for the financial year ending 31 December 2010 is less than RMB3,570,000, the shortfall shall be deducted from the next following payment installment of the consideration.

The Group intends to use its internal resources and/or bank borrowings (if necessary) to satisfy the consideration of the Proposed Cheng Acquisition.

## **Exclusivity**

Under the Cheng LOI, Mr. Cheng has undertaken to Langfang Hengyu that he will not contact, negotiate, discuss, consider or enter into contract, whether directly or indirectly with, any third party (other than the professional advisers of himself and Langfang Hengyu) in relation to the Proposed Cheng Acquisition within six months from the date of the Cheng LOI (subject to extension by agreement of the parties in writing).

The Cheng LOI does not constitute the parties' legally binding commitments as to the Proposed Cheng Acquisition, which is subject to the execution and completion of formal sale and purchase agreement by the parties. However, the exclusivity provision in the Cheng LOI, as referred to in this paragraph "Exclusivity" under the section headed "The Cheng LOI" above constitutes the legally binding obligation on the part of Mr. Cheng.

## **INFORMATION ABOUT MR CHENG PISHUANG AND THE CHENG TARGET BUSINESS**

Mr. Cheng is a furniture retailer. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Mr. Cheng is an Independent Third Party and is independent of each of Mr. Zhou Xu En, Mr. Xiu Xianliu, Mr. Pan Yongsheng, Mr. Wu Kemin and Other Vendors.

The Cheng Target Business to be acquired under the Proposed Cheng Acquisition consists of the furniture retail business of 3 furniture retail shops in Changzhou owned and operated by Mr. Cheng, which are distributing furniture products of Huari brand.

## **THE PAN LOI**

### **Date**

7 January 2008

### **Parties**

Purchaser: Langfang Hengyu, an indirect wholly owned subsidiary of the Company

Vendor: Mr. Pan Yongsheng. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Mr. Pan is an Independent Third Party and is independent of each of Mr. Zhou Xu En, Mr. Xiu Xianliu, Mr. Cheng Pishuang, Mr. Wu Kemin and Other Vendors.

Langfang Hengyu and Mr. Pan entered into the Pan LOI in respect of the Proposed Pan Acquisition.

### **Calculation of consideration**

The proposed consideration for the Proposed Pan Acquisition is determined with reference to the audited net profits of the Pan Target Business for the financial year ending 31 December 2008 (capped at RMB3,900,000 for the purpose of calculating the consideration for the Proposed Pan Acquisition), multiplied by a price-to-earnings ratio of 4 to 6 times (to be adjusted); details of the consideration are to be further negotiated by the parties but in any event the consideration will not exceed RMB23,400,000.

### **Payment of the consideration**

The consideration of the Proposed Pan Acquisition with the following adjustments shall be payable in cash in four installments during a four-year period:

- (i) if the audited net profits of the Pan Target Business for the financial year ending 31 December 2008 is less than RMB3,900,000, the shortfall shall be deducted from the next following payment installment of the consideration;
- (ii) if the audited net profits of the Pan Target Business for the financial year ending 31 December 2009 is less than RMB4,650,000, the shortfall shall be deducted from the next following payment installment of the consideration; and
- (iii) if the audited net profits of the Pan Target Business for the financial year ending 31 December 2010 is less than RMB5,430,000, the shortfall shall be deducted from the next following payment installment of the consideration.

The Group intends to use its internal resources and/or bank borrowings (if necessary) to satisfy the consideration of the Proposed Pan Acquisition.



## **Exclusivity**

Under the Pan LOI, Mr. Pan has undertaken to Langfang Hengyu that he will not contact, negotiate, discuss, consider or enter into contract, whether directly or indirectly with, any third party (other than the professional advisers of himself and Langfang Hengyu) in relation to the Proposed Pan Acquisition within six months from the date of the Pan LOI (subject to extension by agreement of the parties in writing).

The Pan LOI does not constitute the parties' legally binding commitments as to the Proposed Pan Acquisition, which is subject to the execution and completion of formal sale and purchase agreement by the parties. However, the exclusivity provision in the Pan LOI, as referred to in this paragraph "Exclusivity" under the section headed "The Pan LOI" above constitutes the legally binding obligation on the part of Mr. Pan.

## **INFORMATION ABOUT MR PAN YONGSHENG AND THE PAN TARGET BUSINESS**

Mr. Pan is a furniture retailer. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Mr. Pan is an Independent Third Party and is independent of each of Mr. Zhou Xu En, Mr. Xiu Xianliu, Mr. Cheng Pishuang, Mr. Wu Kemin and Other Vendors.

The Pan Target Business to be acquired under the Proposed Pan Acquisition consists of the furniture retail business of 8 furniture retail shops in Zhengzhou owned and operated by Mr. Pan, which are distributing furniture products of Huari brand.

## **THE WU LOI**

### **Date**

7 January 2008

### **Parties**

Purchaser: Langfang Hengyu, an indirect wholly owned subsidiary of the Company

Vendor: Mr. Wu Kemin. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Mr. Wu is an Independent Third Party and is independent of each of Mr. Zhou Xu En, Mr. Xiu Xianliu, Mr. Cheng Pishuang, Mr. Pan Yongsheng and Other Vendors.

Langfang Hengyu and Mr. Wu entered into the Wu LOI in respect of the Proposed Wu Acquisition.

## **Calculation of consideration**

The proposed consideration for the Proposed Wu Acquisition is determined with reference to the audited net profits of the Wu Target Business for the financial year ending 31 December 2008 (capped at RMB2,600,000 for the purpose of calculating the consideration for the Proposed Wu Acquisition), multiplied by a price-to-earnings ratio of 4 to 6 times (to be adjusted); details of the consideration are to be further negotiated by the parties but in any event the consideration will not exceed RMB15,600,000.

## **Payment of the consideration**

The consideration of the Proposed Wu Acquisition with the following adjustments shall be payable in cash in four installments during a four-year period:

- (i) if the audited net profits of the Wu Target Business for the financial year ending 31 December 2008 is less than RMB2,600,000, the shortfall shall be deducted from the next following payment installment of the consideration;
- (ii) if the audited net profits of the Wu Target Business for the financial year ending 31 December 2009 is less than RMB3,120,000, the shortfall shall be deducted from the next following payment installment of the consideration; and
- (iii) if the audited net profits of the Wu Target Business for the financial year ending 31 December 2010 is less than RMB3,640,000, the shortfall shall be deducted from the next following payment installment of the consideration.

The Group intends to use its internal resources and/or bank borrowings (if necessary) to satisfy the consideration of the Proposed Wu Acquisition.

## **Exclusivity**

Under the Wu LOI, Mr. Wu has undertaken to Langfang Hengyu that he will not contact, negotiate, discuss, consider or enter into contract, whether directly or indirectly with, any third party (other than the professional advisers of himself and Langfang Hengyu) in relation to the Proposed Wu Acquisition within six months from the date of the Wu LOI (subject to extension by agreement of the parties in writing).

The Wu LOI does not constitute the parties' legally binding commitments as to the Proposed Wu Acquisition, which is subject to the execution and completion of formal sale and purchase agreement by the parties. However, the exclusivity provision in the Wu LOI, as referred to in this paragraph "Exclusivity" under the section headed "The Wu LOI" above constitutes the legally binding obligation on the part of Mr. Wu.

## **INFORMATION ABOUT MR WU KEMIN AND THE WU TARGET BUSINESS**

Mr. Wu is a furniture retailer. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Mr. Wu is an Independent Third Party and is independent of each of Mr. Zhou Xu En, Mr. Xiu Xianliu, Mr. Cheng Pishuang, Mr. Pan Yongsheng and Other Vendors.

The Wu Target Business to be acquired under the Proposed Wu Acquisition consists of the furniture retail business of 7 furniture retail shops in Baotou owned and operated by Mr. Wu, which are distributing furniture products of Huari brand.

## **THE OTHER LOIs**

On 7 January 2008, Langfang Hengyu also entered into a letter of intent with each of the Other Vendors in respect of the Proposed Other Acquisitions. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of the Other Vendors is an Independent Third Party and is independent of each other and each of Mr. Zhou Xu En, Mr. Xiu Xianliu, Mr. Cheng Pishuang, Mr. Pan Yongsheng and Mr. Wu Kemin.

The terms of the Other LOIs are similar to those of the Zhou LOI, Xiu LOI, Cheng LOI, Pan LOI and Wu LOI. The target businesses to be acquired under the Proposed Other Acquisitions consist of the furniture retail businesses of a total of 37 furniture retail shops in Taiyuan, Shijiazhuang, Wuxi, Luoyang, Jinan, Qinhuangdao and Xian owned and/or operated by the respective Other Vendors, which are distributing furniture products of Huari brand. The proposed consideration for each of the Proposed Other Acquisitions is determined with reference to the audited net profits of the respective target business for the financial year ending 31 December 2008 (capped at a certain RMB amount for the purpose of calculating the consideration for the relevant acquisition and the aggregate cap set on the audited net profits for the financial year ending 31 December 2008 for all the target businesses under the Proposed Other Acquisitions is RMB13,420,000), multiplied by a price-to-earnings ratio of 4 to 6 times (to be adjusted); details of the consideration are to be further negotiated by the parties. The total consideration for the Proposed Other Acquisitions will not exceed RMB80,520,000.

## **BENEFITS OF THE PROPOSED ACQUISITIONS**

The Group is principally engaged in the manufacture and sale of household products, focusing on home furniture in the PRC and overseas markets.

The Directors are of the view that the Proposed Acquisitions will enable the Group to explore its retail business and network in the PRC which is in line with the Group's business objective to develop its retail of business in the PRC.

## GENERAL

The Proposed Acquisitions are not inter-conditional. Based on the relevant financial data available to the Company as at the date of this announcement, each of the Proposed Zhou Acquisition, Proposed Xiu Acquisition, Proposed Cheng Acquisition, Proposed Pan Acquisition and Proposed Wu Acquisition, if materializes, will itself constitute a notifiable transaction for the Company under the provisions of Chapter 19 of the GEM Listing Rules. Each of the Proposed Other Acquisitions, if materializes, will not constitute a notifiable transaction for the Company under the provisions of Chapter 19 of the GEM Listing Rules. The Company shall comply with the relevant disclosures and shareholders' approval requirements of the GEM Listing Rules where appropriate. The Proposed Acquisitions may or may not materialize. **Shareholders of the Company and the investing public are advised to exercise caution when dealing in the Shares.**

## RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares has been suspended with effect from 2:30 p.m. on 7 January 2008 pending the issue of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:30 a.m. on 9 January 2008.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of Directors
“Business Relationship”	certain business relationship between Huari Furniture and the Group, including but not limited to (i) Huari Furniture as lessor leases certain land and buildings to the Group as lessee. Such leased properties are used by the Group for production and storage; and (ii) Huari Furniture as licensor grants to the Group a non-exclusive right to use a trademark of Huari Furniture at an annual licence fee of RMB1 million
“Cheng LOI”	the Letter of Intent dated 7 January 2008 and entered into between Langfang Hengyu and Mr. Cheng Pishuang setting out the basic understanding between the parties thereto in connection with the Proposed Cheng Acquisition
“Cheng Target Business”	the furniture retail business of 3 furniture retail shops in Changzhou owned and operated by Mr. Cheng Pishuang
“Company”	FAVA International Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the GEM

“Connected person(s)”	has the meaning as defined in the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Huari Furniture”	Lang Fang Huari Furniture Joint Stock Co., Ltd.* (廊坊華日家具股份有限公司), a joint stock limited company incorporated in the PRC with limited liability and is principally engaged in manufacture of furniture; Mr. Zhou Xu En and his parents in aggregate hold approximately 98% equity interests in Huari Furniture
“Independent Third Party”	party who is independent of and not connected with any of the directors, chief executives, substantial shareholders or management shareholders of the Company or any of its subsidiaries or any of their respective associates as defined in the GEM Listing Rules
“Langfang Hengyu”	Langfang Huari Hengyu Home Co., Ltd* (廊坊華日恒宇家居有限公司), a company incorporated in the PRC and is an indirect wholly owned subsidiary of the Company
“Other LOIs”	the 6 Letters of Intent all dated 7 January 2008 and entered into between Langfang Hengyu and each of the Other Vendors setting out the basic understanding between the parties thereto in connection with the Proposed Other Acquisitions
“Other Vendors”	Mr. Pan Juncheng, Mr. Yang Yukai, Mr. Ren Kewei, Mr. Liu Qianji, Mr. Liu Lianghou and Mr. Liu Xiaodong
“Pan LOI”	the Letter of Intent dated 7 January 2008 and entered into between Langfang Hengyu and Mr. Pan Yongsheng setting out the basic understanding between the parties thereto in connection with the Proposed Pan Acquisition
“Pan Target Business”	the furniture retail business of 8 furniture retail shops in Zhengzhou owned and operated by Mr. Pan Yongsheng

“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Proposed Acquisitions”	the Proposed Zhou Acquisition, Proposed Xiu Acquisition, Proposed Cheng Acquisition, Proposed Pan Acquisition, Proposed Wu Acquisition and Proposed Other Acquisitions
“Proposed Cheng Acquisition”	the proposed acquisition by Langfang Hengyu of the Cheng Target Business, as contemplated under the Cheng LOI
“Proposed Other Acquisitions”	the proposed acquisitions by Langfang Hengyu of the furniture retail businesses of a total of 37 furniture retail shops in Taiyuan, Shijiazhuang, Wuxi, Luoyang, Jinan, Qinhuangdao, Xian owned and/or operated by the respective Other Vendors, as contemplated under the Other LOIs
“Proposed Pan Acquisition”	the proposed acquisition by Langfang Hengyu of the Pan Target Business, as contemplated under the Pan LOI
“Proposed Wu Acquisition”	the proposed acquisition by Langfang Hengyu of the Wu Target Business, as contemplated under the Wu LOI
“Proposed Xiu Acquisition”	the proposed acquisition by Langfang Hengyu of the Xiu Target Business, as contemplated under the Xiu LOI
“Proposed Zhou Acquisition”	the proposed acquisition by Langfang Hengyu of the Zhou Target Business, as contemplated under the Zhou LOI
“Share(s)”	ordinary share(s) of HK\$0.002 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wu LOI”	the Letter of Intent dated 7 January 2008 and entered into between Langfang Hengyu and Mr. Wu Kemin setting out the basic understanding between the parties thereto in connection with the Proposed Wu Acquisition
“Wu Target Business”	the furniture retail business of 7 furniture retail shops in Baotou owned and operated by Mr. Wu Kemin

“Xiu LOI”	the Letter of Intent dated 7 January 2008 and entered into between Langfang Hengyu and Mr. Xiu Xianliu setting out the basic understanding between the parties thereto in connection with the Proposed Xiu Acquisition
“Xiu Target Business”	the furniture retail business of 28 furniture retail shops in Wulumuqi, Dalian, Chongqing, Chengdu and Shanghai owned by Mr. Xiu Xianliu
“Zhou LOI”	the Letter of Intent dated 7 January 2008 and entered into between Langfang Hengyu and Mr. Zhou Xu En setting out the basic understanding between the parties thereto in connection with the Proposed Zhou Acquisition
“Zhou Target Business”	the furniture retail business of 9 furniture retail shops in Beijing owned by Mr. Zhou
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

By Order of the Board  
**FAVA International Holdings Limited**  
**Li Ge**  
*Director*

Hong Kong, 8 January 2008

*As at the date of this announcement, the Board comprises Mr. Li Ge and Mr. Zhao Guo Wei as executive Directors, and Mr. Lee Yuen Kwong, Mr. Yang Jie and Mr. Yang Dongli as independent non-executive Directors.*

*This announcement, for which 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 enquiries, 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 GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for at least seven days from the day of its posting.*