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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)

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RESPECT OF
THE ACQUISITION OF MANUFACTURING AND
WHOLESALE BUSINESS OF JIXIANGNIAO FURNITURE FACTORY
AND
RESUMPTION OF TRADING**

Financial adviser



Guotai Junan Capital Limited

THE ACQUISITION

Reference is made to the announcement dated 18 September 2007 of the Company in respect of the LOI.

The Board is pleased to announce that, on 19 October 2007, Langfang Hengyu, Jixiangniao Furniture Factory and Mr. Liu entered into the Acquisition Agreement, pursuant to which Langfang Hengyu conditionally agreed to acquire and Jixiangniao Furniture Factory conditionally agreed to sell, the Target Business at a consideration which is divided into the following two components:

- (1) the appraisal value of RMB4,520,000 of the Trademark as at 30 September 2007 and the appraisal value of RMB306,112.53 of the Target Business (excluding inventory and the Trademark) as at 15 October 2007 as appraised by Beijing Zhong Tai Hua Heng Assets Valuation Company Limited* (北京中泰華恒資產評估有限公司), an independent qualified PRC valuer as stated in the relevant valuation report and the value of the inventory as at the Stock Valuation Date; and

(2) an amount calculated by reference to the audited net profit of the Target Business for the year ending 31 December 2008 and in accordance with the following formula:

$$A \times B - C$$

whereas,

A = the audited net profit of the Target Business for the year ending 31 December 2008

B = price-to-earnings ratio

C = the value or the appraisal value of the Target Business as referred to in component (1) above

- (a) if A is between RMB10 million (inclusive) and RMB12 million (inclusive), then B is 6;
- (b) if A is less than RMB10 million but more than or equals to RMB8 million, then B is 5;
- (c) if A is less than RMB8 million but more than or equals RMB6 million, then B is 4;
- (d) if A is less than RMB6 million, then B is zero, that means component (1) above is the total consideration of the Acquisition;
- (e) if A exceeds RMB12 million (for the purpose of this paragraph(e), A is capped at RMB15 million), then component (2) of the consideration of the Acquisition shall be calculated as follows:

$$\mathbf{RMB12\ million \times B + (A - RMB12\ million) \times 50\% - C}$$

whereas,

$$B = 6$$

C = the value or the appraisal value of the Target Business as referred to in component (1) above

In any event, the maximum amount of Consideration payable shall not exceed RMB73.5 million (being RMB12 million x 6 + (RMB15 million – RMB12 million) x 50%).

The Consideration shall be satisfied by Langfang Hengyu in the following manners:

- (a) the value of the Target Business (as referred to in component (1) above) shall be payable in RMB cash on the First Completion Date;
- (b) the remaining balance of the Consideration (as referred to in component (2) above) shall be payable in RMB cash by the following installments:
 - (i) 30% on the Second Completion Date or 30 April 2009, whichever is the later;
 - (ii) 30% on either the date 12 months after the Second Completion Date or 30 April 2010, whichever is the later; and
 - (iii) 40% on either the date 24 months after the Second Completion Date or 30 April 2011, whichever is the later.

The Directors (including the independent non-executive Directors) consider the terms and conditions of the Acquisition are fair and reasonable and in the interests of the Shareholders as a whole.

Mr. Liu is the owner and operator of Jixiangniao Furniture Factory and is the spouse of Ms. Huang Ye Hua. Ms. Huang Ye Hua is the sole shareholder of True Allied Assets Limited, which is a substantial shareholder of the Company. As such, Mr. Liu is regarded as a connected person of the Company and the Acquisition will constitute a connected transaction under the provisions of Chapter 20 of the GEM Listing Rules. As the relevant percentage ratios pursuant to the GEM Listing Rules applicable to the Acquisition exceeds 5% but below 25%, the Acquisition also constitutes a discloseable transaction for the Company under the provisions of Chapter 19 of the GEM Listing Rules.

Based on the provision set out in the GEM Listing Rules, the Acquisition is subject to, inter alia, the Independent Shareholders' approval. As Mr. Liu, who is interested in the Acquisition, is the spouse of Ms. Huang Ye Hua, Ms. Huang Ye Hua and her associates will abstain from voting in respect of the resolution approving the Acquisition at the SGM.

A circular containing, among other things, (1) further information on the Acquisition; (2) the recommendations of the Independent Board Committee; (3) the advices of the independent financial adviser to the Independent Board Committee and Independent Shareholders; and (4) the notice of SGM, will be dispatched to the Shareholders as soon as practicable.

RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares has been suspended with effect from 9:30 a.m. on 22 October 2007 pending the release 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 23 October 2007.

THE ACQUISITION

Date: 19 October 2007

Parties:

Purchaser:	Langfang Hengyu
Vendor:	Jixiangniao Furniture Factory, which is 100% owned by Mr. Liu
Warrantor:	Mr. Liu

Business to be acquired: Pursuant to the Acquisition Agreement, Langfang Hengyu conditionally agreed to acquire the Target Business from Jixiangniao Furniture Factory.

Consideration

Langfang Hengyu, Jixiangniao Furniture Factory and Mr. Liu entered into the Acquisition Agreement, pursuant to which Langfang Hengyu conditionally agreed to acquire and Jixiangniao Furniture Factory conditionally agreed to sell, the Target Business at a consideration which is divided into the following two components:

- (1) the appraisal value of RMB4,520,000 of the Trademark as at 30 September 2007 and the appraisal value of RMB306,112.53 of the Target Business (excluding the inventory and the Trademark) as at 15 October 2007 as appraised by Beijing Zhong Tai Hua Heng Assets Valuation Company Limited* (北京中泰華恒資產評估有限公司), an independent qualified PRC valuer as stated in its valuation report and the value of the inventory as at the Stock Valuation Date; and
- (2) an amount calculated by reference to the audited net profit of the Target Business for the year ending 31 December 2008 and in accordance with the following formula:

$$A \times B - C$$

whereas,

A = the audited net profit of the Target Business for the year ending 31 December 2008

B = price-to-earnings ratio

C = the value or the appraisal value of the Target Business as referred to in component (1) above

(a) if A is between RMB10 million (inclusive) and RMB12 million (inclusive), then B is 6;

(b) if A is less than RMB10 million but more than or equals to RMB8 million, then B is 5;

- (c) if A is less than RMB8 million but more than or equals RMB6 million, then B is 4;
- (d) if A is less than RMB6 million, then B is zero, that means component (1) above is the total consideration of the Acquisition;
- (e) if A exceeds RMB12 million (for the purpose of this paragraph(e), A is capped at RMB15 million), then component (2) of the consideration of the Acquisition shall be calculated as follows:

$$\text{RMB12 million} \times B + (A - \text{RMB12 million}) \times 50\% - C$$

whereas,

$$B = 6$$

C = the value or the appraisal value of the Target Business as referred to in component (1) above

In any event, the maximum amount of Consideration payable shall not exceed RMB73.5 million (being RMB12 million x 6 + (RMB15 million – RMB12 million) x 50%).

Basis of Consideration

The Consideration under the Acquisition Agreement is determined after arm's length negotiation between Langfang Hengyu and Jixiangniao Furniture Factory on normal commercial terms with reference to the audited net profit to be generated from the Target Business for the year ending 31 December 2008, multiplied by a price-to-earnings ratio which is determined with reference to the price-to-earnings ratio of companies listed in Hong Kong which are engaged in similar business with the Company.

The Directors (including the independent non-executive Directors) consider that such Consideration to be fair and reasonable and in the interests of the Shareholders as a whole.

Payment of Consideration

The Consideration shall be satisfied by Langfang Hengyu in the following manners:

- (a) the value of the Target Business (as referred to in component (1) of the Consideration above) shall be payable in RMB cash on the First Completion Date;
- (b) the remaining balance of the Consideration (as referred to in component (2) above) shall be payable in RMB cash by the following installments:
 - (i) 30% on the Second Completion Date or 30 April 2009, whichever is the later;

- (ii) 30% on either the date 12 months after the Second Completion Date or 30 April 2010, whichever is the later; and
- (iii) 40% on either the date 24 months after the Second Completion Date or 30 April 2011, whichever is the later.

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

Conditions Precedent

First Completion and Second Completion of the Acquisition are conditional on the fulfillment of the conditions precedent set out below:

- (a) all the title documents and records of the Target Business have been provided by Jixiangniao Furniture Factory to Langfang Hengyu and the results of the review on all these documents and records are being found satisfactory by Langfang Hengyu in the form of written notification to Jixiangniao Furniture Factory;
- (b) stock take of inventory in relation to the Target Business as at the Stock Valuation Date has been finished by Jixiangniao Furniture Factory and the result is found satisfactory by Langfang Hengyu;
- (c) all the approvals and consents (if any) (i) in respect of the Target Business excluding the Trademark (for First Completion); and (ii) in respect of the Trademark (for Second Completion) to ensure Langfang Hengyu will become the legal and beneficial owner of the Target Business have been obtained;
- (d) the Non-competition Undertaking has been executed by Jixiangniao Furniture Factory and Mr. Liu in favor of Langfang Hengyu;
- (e) the receipt by Langfang Hengyu of a PRC legal opinion in relation to the legality of the title of the Target Business and the transfer of title in a form acceptable to Langfang Hengyu;
- (f) the Independent Shareholders' approval at the SGM regarding the Acquisition Agreement and the transactions contemplated thereunder has been obtained; and
- (g) any other documents which are requested by Langfang Hengyu.

Termination of the Acquisition Agreement

The Acquisition Agreement will be terminated upon the occurrence of any of the following matters:

- (a) all the conditions precedent above are not either satisfied or waived by Langfang Hengyu (except for the conditions precedent (d) and (f)) on or before 21 January 2008;
- (b) the mutual agreement between Langfang Hengyu, Jixiangniao Furniture Factory and Mr. Liu;
- (c) in the event that one party breaches any provision in the Acquisition Agreement, other parties may deliver a written notice to the defaulting party to request for remedy or ratification of such breach or may terminate the Acquisition Agreement immediately.

Completion

The First Completion of the Acquisition is expected to take place when all the applicable conditions precedent set out in the section headed “Conditions Precedent” in this announcement are either satisfied or waived by Langfang Hengyu (except for the conditions precedent (d) and (f)). The Second Completion of the Acquisition is expected to take place when the transfer of title of the Trademark to Langfang Hengyu is completed and the registration certificate of the Trademark in the name of Langfang Hengyu, issued by the relevant PRC government authority is obtained.

Mr. Liu has agreed and undertaken to Langfang Hengyu that, subsequent to the First Completion, Mr. Liu will continue or procure Jixiangniao Furniture Factory to continue to assist in the operation and management of the Target Business during the period as requested by Langfang Hengyu. In consideration of the above, Langfang Hengyu has agreed to the following arrangement:

- (a) if the audited net profit of the Target Business for the year ending 31 December 2009 exceeds the figure for the year ending 31 December 2008 multiplied by 125%, then Langfang Hengyu shall pay Jixiangniao Furniture Factory an extra amount equivalent to 50% of the difference between the two figures as performance bonus; on the other hand, if the audited net profit of the Target Business for the year ending 31 December 2009 is less than the figure for the year ending 31 December 2008 multiplied by 125%, then any such difference shall be deducted as penalty imposed from the payment installment referred to in paragraph (b)(ii) under the section “Payment of Consideration” in this announcement; and
- (b) if the audited net profit of the Target Business for the year ending 31 December 2010 exceeds the figure for the year ending 31 December 2009 multiplied by 125%, then Langfang Hengyu shall pay Jixiangniao Furniture Factory an extra amount equivalent to 50% of the difference between the two figures as performance bonus; on the other hand, if the audited net profit of the Target Business for the year ending 31 December 2010 is less than the figure for the year 2009 multiplied by 125%, then any such difference shall be deducted as penalty imposed from the payment installment referred to in paragraph (b)(iii) under the section “Payment of Consideration” in this announcement.

The amount of penalty as described in (a) and (b) above shall not be subject to any cap, but in any case, the payment installment referred to in paragraph (b)(ii) and (b)(iii) under the section “Payment of Consideration” in this announcement shall not be less than zero.

Transfer of Ownership of the Target Business

Jixiangniao Furniture Factory have agreed that Langfang Hengyu will be entitled to the ownership and all benefits and rights associated with (i) the Target Business excluding the Trademark from the First Completion Date; and (ii) the Trademark from the Second Completion Date.

Jixiangniao Furniture Factory will complete or assist Langfang Hengyu to complete all the filing or registration of the transfer of title of the Target Business in accordance with relevant PRC laws and regulations within 30 Business Days after the relevant completion, or any other statutory timeframe (if such statutory timeframe is shorter than 30 Business Days). Jixiangniao Furniture Factory will further complete or assist Langfang Hengyu to complete all the transfer of the rights and benefits of Jixiangniao Furniture Factory in the contracts, agreements or undertakings in relation to the Target Business to Langfang Hengyu within 30 Business Days after the relevant completion. In the event that the registration process has to be extended, written consent will be obtained from Langfang Hengyu. All registration fees in connection with the transfer of title will be jointly borne by Langfang Hengyu and Jixiangniao Furniture Factory in accordance with the relevant PRC law and regulations.

NON-COMPETITION UNDERTAKING BY MR. LIU AND JIXIANGNIAO FURNITURE FACTORY

Jixiangniao Furniture Factory and Mr. Liu have jointly and severally undertaken to Langfang Hengyu that, for a period of five years or until the date on which Mr. Liu and/or his associates (as defined under the GEM Listing Rules) do not hold any Share, whichever is the later, from the date of the signing of a non-competition undertaking dated 19 October 2007 (the “Non-competition Undertaking”):

- (a) (i) Jixiangniao Furniture Factory and Mr. Liu will not, in the PRC, directly or indirectly, operate or participate in by any means any business of manufacturing and wholesaling of sofa, tea tables and living room furniture or any business similar to or same as the furniture business currently carried on by Langfang Hengyu or the Target Business (the “Restricted Business”), or hold any equity interest in any company engaged in the Restricted Business, or (ii) being employed by any person, company or organization which directly or indirectly participates in the Restricted Business;
- (b) Jixiangniao Furniture Factory and Mr. Liu will not directly or indirectly, employ or procure employment of the directors, general managers or deputy general managers of Langfang Hengyu;
- (c) Jixiangniao Furniture Factory and Mr. Liu will not, by themselves or on behalf of any person, recruit or solicit any directors, general managers or managerial staffs of the Company to join any companies other than Langfang Hengyu, no matter whether such persons are in breach of their employment or service contracts due to their departure.

All the undertakings above applies to Jixiangniao Furniture Factory and Mr. Liu and any companies whose 50% or above of the equity interests are owned by Jixiangniao Furniture Factory or Mr. Liu; or companies who own 50% or above of the equity interests of Jixiangniao Furniture Factory; all the directors, general managers and deputy general managers of the aforesaid companies, or any individuals who owns 50% or above of the equity interests of any of the aforesaid companies. If any person or company aforementioned breaches the undertakings (a), (b) and (c) above, Jixiangniao Furniture Factory and Mr. Liu will be deemed to have breached the Non-competition Undertaking.

INFORMATION ABOUT JIXIANGNIAO FURNITURE FACTORY AND THE TARGET BUSINESS

Mr. Liu is the spouse of Ms. Huang Ye Hua. Ms. Huang Ye Hua is the sole shareholder of True Allied Assets Limited, a substantial shareholder of the Company holding 29.22% of the total existing issued share capital of the Company as at the date of this announcement.

Based on the information provided by Mr. Liu, Jixiangniao Furniture Factory, whose owner and operator is Mr. Liu, is principally engaged in the business of manufacturing and wholesaling of sofa, tea tables and living room furniture.

The Target Business to be acquired under the Acquisition Agreement consists of (i) the Trademark; (ii) the business of manufacturing and wholesaling of sofa, tea tables and living room furniture and the relevant operating assets of Jixiangniao Furniture Factory (including but not limited to all the contracts, agreements or undertakings in relation to the aforesaid business and assets signed with any Independent Third Parties and all the rights and benefits derived therefrom) but excluding any debts and liabilities; and (iii) the inventory level as at the Stock Valuation Date. The original purchase cost of the Target Business (excluding the inventory) to the Jixiangniao Furniture Factory is RMB388,223.

Financial Information regarding the Target Business

Based on the unaudited financial information in respect of the Target Business provided by Jixiangniao Furniture Factory, which is prepared in accordance with the PRC accounting standards, the turnover and the net profit after tax and extraordinary items attributable to the Target Business for the two years ended 31 December 2006 are set out as below:

	Year ended 31 December 2005 <i>RMB('000)</i>	Year ended 31 December 2006 <i>RMB('000)</i>
Turnover	24,839.0	28,567.8
Net profit	3,416.9	3,929.5

INFORMATION OF THE GROUP

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

BENEFITS OF AND REASONS FOR THE ACQUISITION

As mentioned in the Company's latest interim report for the six months ended 30 June 2007, the Group aims to develop into a comprehensive enterprise providing a blend of production and retailing services.

The Directors are of the view that the Acquisition (i) will broaden the product variety of the Group; (ii) will enable the Group to expand its business into the sofa and tea tables sector of the furniture industry; and (iii) will further diversify the brands and sales network of the Company as a result of the expansion of the Group's production capacity, which is in line with the Group's business objective to provide comprehensive services on its production and retail operation.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Acquisition are fair and reasonable and in the interests of the Shareholders as a whole.

GENERAL

Mr. Liu is the owner and operator of Jixiangniao Furniture Factory and the spouse of Ms. Huang Ye Hua. Ms. Huang Ye Hua is the sole shareholder of True Allied Assets Limited, which is a substantial shareholder of the Company. As such, Mr. Liu is regarded as a connected person of the Company and the Acquisition will constitute a connected transaction under the provisions of Chapter 20 of the GEM Listing Rules. As the relevant percentage ratios pursuant to the GEM Listing Rules applicable to the Acquisition exceeds 5% but below 25%, the Acquisition constitutes a discloseable transaction for the Company under the provisions of Chapter 19 of the GEM Listing Rules.

Based on the provision set out in the GEM Listing Rules, the Acquisition is subject to, inter alia, the Independent Shareholders' approval. As Mr. Liu, who is interested in the Acquisition, is the spouse of Ms. Huang Ye Hua, Ms. Huang Ye Hua and her associates will abstain from voting in respect of the resolution approving the Acquisition at the SGM.

A circular containing, among other things, (1) further information on the Acquisition; (2) the recommendations of the Independent Board Committee; (3) the advices of the independent financial adviser to the Independent Board Committee and Independent Shareholders; and (4) the notice of SGM, will be dispatched to the Shareholders as soon as practicable.

RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares has been suspended with effect from 9:30 a.m. on 22 October 2007 pending the release 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 23 October 2007.

DEFINITIONS

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

“Acquisition”	the acquisition of the Target Business under the Acquisition Agreement
“Acquisition Agreement”	the conditional acquisition agreement dated 19 October 2007 entered into between Langfang Hengyu, Jixiangniao Furniture Factory and Mr. Liu in respect of the Acquisition
“associates”	has the meaning ascribed to this term under the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day (excluding a Saturday and Sunday) on which banks generally are open for business in the PRC
“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
“Consideration”	the aggregate amount of the consideration of the Acquisition which comprises of the following two components:

- (1) the appraisal value of RMB4,520,000 of the Trademark as at 30 September 2007 and the appraisal value of RMB 306,112.53 of the Target Business (excluding the inventory and the Trademark) as at 15 October 2007 as appraised by Beijing Zhong Tai Hua Heng Assets Valuation Company Limited* (北京中泰華恒資產評估有限公司), an independent qualified PRC valuer as stated in the relevant valuation report and the value of the inventory as at the Stock Valuation Date; and
- (2) an amount calculated by reference to the audited net profit of the Target Business for the year ending 31 December 2008 and in accordance with the following formula:

$$A \times B - C$$

whereas,

A = the audited net profit of the Target Business for the year ending 31 December 2008

B = price-to-earnings ratio

C = the value or the appraisal value of the Target Business as referred to in component (1) above

- (a) if A is between RMB10 million (inclusive) and RMB12 million (inclusive), then B is 6;
- (b) if A is less than RMB10 million but more than or equals to RMB8 million, then B is 5;
- (c) if A is less than RMB8 million but more than or equals RMB6 million, then B is 4;
- (d) if A is less than RMB6 million, then B is zero, that means component (1) above is the total consideration of the Acquisition;
- (e) if A exceeds RMB12 million (for the purpose of this paragraph(e), A is capped at RMB15 million), then component (2) of the consideration of the Acquisition shall be calculated as follows:

$$\text{RMB12 million} \times B + (A - \text{RMB12 million}) \times 50\% - C$$

whereas,

$$B = 6$$

C = the value or the appraisal value of the Target Business as referred to in component (1) above

“Director(s)”	the director(s) of the Company
“First Completion”	all the applicable conditions precedent are either satisfied or waived by Langfang Hengyu
“First Completion Date”	the fifth Business Day after all the applicable conditions precedent are either satisfied or waived by Langfang Hengyu (or such later date as may be mutually agreed between Langfang Hengyu and Jixiangniao Furniture Factory in writing), which is also the date of transfer of the title of the Target Business (excluding the Trademark)

“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
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Board Committee”	a committee of the Board established for the purpose of providing the advices on the Acquisition to the Independent Shareholders comprising independent non-executive Directors who are independent of this transaction
“Independent Shareholders”	the Shareholders who are not connected to True Allied Assets Limited and are not required to abstain from voting at the SGM
“Independent Third Parties”	parties which are 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)
“Jixiangniao Furniture Factory”	Langfang Development Zone Yunpeng Road Jixiangniao Furniture Factory* (廊坊開發區雲鵬道吉祥鳥家具廠), a factory established in the PRC which engages in the business of manufacturing and wholesaling of sofa, tea tables and living room furniture
“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
“LOI”	the Letter of Intent dated 18 September 2007 and entered into between Langfang Hengyu and Mr. Liu setting out the basic understanding between the parties thereto in connection with the Acquisition
“Mr. Liu”	Mr. Liu Qian Jin (柳前進先生), the owner and operator of Jixiangniao Furniture Factory and is the spouse of Ms. Huang Ye Hua

“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Second Completion”	the transfer of title of the Trademark to Langfang Hengyu being completed and the registration certificate of the Trademark in the name of Langfang Hengyu issued by the relevant PRC government authority being obtained
“Second Completion Date”	the date on which the title of the Trademark shall be transferred to Langfang Hengyu
“SGM”	the special general meeting of the Company to be convened to consider and approve the matters in relation to the Acquisition
“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
“Stock Valuation Date”	31 December 2007
“Target Business”	the business to be acquired under the Acquisition Agreement including (i) the Trademark; (ii) the business of manufacturing and wholesaling of sofa, tea tables and living room furniture and the relevant operating assets of Jixiangniao Furniture Factory (including but not limited to all the contracts, agreements or undertakings in relation to the aforesaid business and assets signed with any Independent Third Parties and all the rights and benefits derived therefrom) but excluding any debts and liabilities; and (iii) the inventory level as at the Stock Valuation Date
“Trademark”	the trademark of “吉翔鳥JIXIANGNIAO”
“%”	per cent

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

Hong Kong, 22 October 2007

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 on the “Latest Company Announcements” page for at least seven days from the day of its posting.

** For identification purposes only*