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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 TRANSACTION ACQUISITION OF TRADEMARKS AND RESUMPTION OF TRADING

TRADEMARKS TRANSFER AGREEMENT

The Board is pleased to announce that, on 20 June 2008, Langfang Hengyu and Huari Furniture entered into the Trademarks Transfer Agreement, pursuant to which Langfang Hengyu agreed to acquire, and Huari Furniture agreed to sell, (i) the Trademark Pending Registration; and (ii) the Target Registered Trademarks at a consideration to be calculated as follows:

Consideration = 10% of the audited net profit before tax of Langfang Hengyu for the year ending 31 December 2013 minus the balance of the prepaid fees as at 30 June 2008 in the amount of RMB6,440,000 paid by Langfang Tianfeng and Langfang Hengyu under the Langfang Hengyu Trademark Licence Contract, the Langfang Tianfeng Trademark Licence Contract and the Trademark Licence Supplemental Agreement respectively

If the consideration as calculated above is less than RMB43,560,000, the consideration for the transfer of the Target Trademarks under the Trademarks Transfer Agreement shall be RMB43,560,000. If the consideration as calculated above exceeds RMB93,560,000, the consideration for the transfer of the Target Trademarks under the Trademarks Transfer Agreement shall be RMB93,560,000. In other words, the Consideration will not exceed RMB93,560,000 in any event.

The Consideration shall be satisfied in the following manners:

- (1) So far as permitted by the applicable laws and regulations, Langfang Hengyu shall procure the Company and the Company shall pay the Consideration by way of allotment and issue of fully paid new Shares to Huari Furniture or its nominee on or before 31 December 2014. The number of Consideration Shares shall be determined as follows:

Number of Consideration Shares = $\text{Consideration} / \text{RMB}0.88$ (i.e. HK\$1, converted into RMB at an exchange rate of HK\$1:RMB0.88 as agreed by the parties)

Provided that if (i) the issue of the Consideration Shares is not approved by the Independent Shareholders at the general meeting of the Company; or (ii) the allotment and issue of the Consideration Shares in their entirety will trigger the obligation of Huari Furniture and/or its party(ies) in concert to make a general offer to acquire the issued Shares under the Takeovers Code, then either Langfang Hengyu or the Company may request to pay the whole or part of the Consideration in the manner set out in paragraph (2) below.

Given the Consideration will not exceed RMB93,560,000, the number of Consideration Shares (assuming no subdivision or consolidation of Shares will take place from the date of this announcement to the date of allotment of the Consideration Shares) will not exceed 106,318,182 Shares.

- (2) If the issue of the Consideration Shares is not approved by the Independent Shareholders at the general meeting of the Company or the applicable laws and regulations prohibit Huari Furniture or its nominee from being allotted and issued the Consideration Shares as mentioned in paragraph (1) above or pursuant to paragraph (1) above, Langfang Hengyu or the Company requests to pay the whole or part of the Consideration in cash, the Consideration or the balance thereof (as the case may be) shall be fully paid in RMB cash within 18 months from the date on which the audit report of the Company for the year ending 31 December 2013 is issued. The Company agreed to guarantee the payment obligation (if any) of Langfang Hengyu under this paragraph (2).

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

In contemplation of the possible issue and allotment of Consideration Shares pursuant to the Trademarks Transfer Agreement, the Company proposes to seek the approval of the Independent Shareholders in a general meeting to grant to the Directors a Special Mandate to issue and allot the Consideration Shares. The voting at such meeting will be taken on a poll.

As at the date of this announcement, Mr. Zhou and his parents in aggregate held approximately 98% equity interests in Huari Furniture and Mr. Zhou himself held approximately 9.09% of the issued share capital of the Company. Hence, Mr. Zhou has a material interest in the transaction contemplated under the Trademarks Transfer Agreement. Mr. Zhou and his associates shall abstain from voting for the resolution(s) approving the Special Mandate to issue and allot the Consideration Shares.

The transfer under the Trademarks Transfer Agreement constitutes a discloseable transaction of the Company under Rule 19.06 of the GEM Listing Rules. A circular containing, among other things, details of the Trademarks Transfer Agreement, other information required under the GEM Listing Rules and a notice of special general meeting of the Company in respect of the resolution(s) approving, inter alia, the grant of a Special Mandate to issue and allot Consideration Shares will be despatched 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 23 June 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 27 June 2008.

THE TRADEMARKS TRANSFER AGREEMENT

Date: 20 June 2008

Parties: Purchaser: Langfang Hengyu

Vendor: Huari Furniture. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save that Mr. Zhou held approximately 9.09% of the issued share capital of the Company as at the date of this announcement and the Business Relationship, Huari Furniture and its associates are Independent Third Parties.

Guarantor: the Company

Matter to be transferred: Pursuant to the Trademarks Transfer Agreement, Langfang Hengyu agreed to acquire the Target Trademarks from Huari Furniture.

Consideration

Langfang Hengyu and Huari Furniture entered into the Trademarks Transfer Agreement, pursuant to which Langfang Hengyu agreed to acquire, and Huari Furniture agreed to sell, (i) the Trademark Pending Registration; and (ii) the Target Registered Trademarks at a consideration to be calculated as follows:

Consideration = 10% of the audited net profit before tax of Langfang Hengyu for the year ending 31 December 2013 minus the balance of the prepaid fees as at 30 June 2008 in the amount of RMB6,440,000 paid by Langfang Tianfeng and Langfang Hengyu under the Langfang Hengyu Trademark Licence Contract, the Langfang Tianfeng Trademark Licence Contract and the Trademark Licence Supplemental Agreement respectively

If the consideration as calculated above is less than RMB43,560,000, the consideration for the transfer of the Target Trademarks under the Trademarks Transfer Agreement shall be RMB43,560,000. If the consideration as calculated above exceeds RMB93,560,000, the consideration for the transfer of the Target Trademarks under the Trademarks Transfer Agreement shall be RMB93,560,000. In other words, the Consideration will not exceed RMB93,560,000 in any event.

Basis of Consideration

The Consideration is determined after arm's length negotiation between Langfang Hengyu and Huari Furniture on normal commercial terms with reference to the value of the Target Trademarks as at 30 April 2008 in the amount of RMB99,007,148, as assessed by Beijing Zhong Tai Hua Heng Asset Appraisal Co Ltd., which is an Independent Third Party, by adopting the costs method.

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 in the following manners:

- (1) So far as permitted by the applicable laws and regulations, Langfang Hengyu shall procure the Company and the Company shall pay the Consideration by way of allotment and issue of fully paid new Shares to Huari Furniture or its nominee on or before 31 December 2014. The number of Consideration Shares shall be determined as follows:

Number of consideration Shares = $\text{Consideration} / \text{RMB}0.88$ (i.e. HK\$1, converted into RMB at an exchange rate of HK\$1:RMB0.88 as agreed by the parties)

Provided that if (i) the issue of the Consideration Share is not approved by the Independent Shareholders at the general meeting of the Company; or (ii) the allotment and issue of the Consideration Shares in their entirety will trigger the obligation of Huari Furniture and/or its party(ies) in concert to make a general offer to acquire the issued Shares under the Takeovers Code, then either Langfang Hengyu or the Company may request to pay the whole or part of the Consideration in the manner set out in paragraph (2) below.

Given the Consideration will not exceed RMB93,560,000, the number of Consideration Shares (assuming no subdivision or consolidation of Shares will take place from the date of this announcement to the date of allotment of the Consideration Shares) will not exceed 106,318,182 Shares.

The basis in respect of the issue price of the Consideration Shares was determined between the parties, among other things, after arm's length negotiations taking into account of the business prospects and potential growth of the Company and with reference to the Company's recent share price performance at the time when the Trademarks Transfer Agreement was entered into between the parties.

The issue price of HK\$1 per Consideration Share represents:

- (i) a premium of approximately 75% to the closing price of HK\$0.57 per Share as quoted on the Stock Exchange on 20 June 2008, being the last trading day prior to the suspension in trading of Shares and pending the release of this announcement (the “Last Trading Day”);
- (ii) a premium of approximately 76% over the average of the closing prices of the Shares of HK\$0.568 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 72% over the average of the closing prices of the Shares of HK\$0.58 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day.

The Directors consider that the issue price of the Consideration Shares is fair and reasonable.

An application will be made in due course to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

- (2) If the issue of the Consideration Shares is not approved by the Independent Shareholders at the general meeting of the Company or the applicable laws and regulations prohibit Huari Furniture or its nominee from being allotted and issued the Consideration Shares as mentioned in paragraph (1) above or pursuant to paragraph (1) above, Langfang Hengyu or the Company requests to pay the whole or part of the Consideration in cash, the Consideration or the balance thereof (as the case may be) shall be fully paid in RMB cash within 18 months from the date on which the audit report of the Company for the year ending 31 December 2013 is issued. The Company agreed to guarantee the payment obligation (if any) of Langfang Hengyu under this paragraph (2).

Further announcement will be made by the Company in due course in accordance with the GEM Listing Rules regarding the method used to settle the Consideration.

POSSIBLE CHANGE IN SHARE CAPITAL AND SHAREHOLDING STRUCTURE

Assuming that: (1) the proposed Special Mandate is granted by the Independent Shareholders at the forthcoming special general meeting of the Company; (2) the maximum number of the Consideration Shares (i.e. 106,318,182 Shares) will be issued and allotted under the Special Mandate; and (3) immediately before the allotment of the Consideration Shares, the total issued share capital of the

Company and the Shares held by Mr. Zhou remain unchanged and no subdivision or consolidation of Shares has taken place from the date of this announcement till the allotment of the Consideration Shares, the possible changes in the share capital and shareholding of the Company will be as follows:

| Shareholders | Before the issue of the proposed Consideration Shares | | Immediately after the issue of the proposed Consideration Shares | |
|--------------------------------------|---|--------------------------|--|--------------------------|
| | <i>Number of Shares</i> | <i>Approximate %</i> | <i>Number of Shares</i> | <i>Approximate %</i> |
| Mr. Zhou | 109,382,430 | 9.09% | 215,700,612 | 16.48% |
| True Allied Assets Limited (Note) | 351,518,000 | 29.22% | 351,518,000 | 26.85% |
| Public Shareholders | <u>741,899,540</u> | <u>61.69%</u> | <u>741,899,540</u> | <u>56.67%</u> |
| Total | <u><u>1,202,799,970</u></u> | <u><u>100%</u></u> | <u><u>1,309,118,152</u></u> | <u><u>100%</u></u> |

Note: True Allied Assets Limited is wholly owned by Ms. Huang Ye Hua. As far as the Company is aware, Ms. Huang Ye Hua and True Allied Assets Limited are independent of Mr. Zhou.

Effective Date

The Trademarks Transfer Agreement shall become effective when it has been signed and filed with the relevant PRC Trademarks Bureau and the approval of the trademark transfer has been obtained from the relevant PRC Trademarks Bureau and a public announcement has been made in respect of the Target Registered Trademarks (“Effective Date”). The parties agreed that commencing on the Effective Date, all the rights and interests (including but not limited to the right of application for registration) of and arising from the Target Trademarks shall be deemed to have been lawfully and beneficially transferred to Langfang Hengyu. Upon completion of registration of the Trademark Pending Registration, subject to the then applicable laws and regulations, Huari Furniture shall at nil consideration transfer all the rights and interests (including but not limited to the right of application for registration) of and arising from the Trademark Pending Registration to Langfang Hengyu. Huari Furniture further agrees and undertakes that, prior to the issue of new registration certificate or the approval of the trademark transfer for the Target Trademarks in the name of Langfang Hengyu, Huari Furniture will act upon Langfang Hengyu’s directions and assist the latter to exercise its rights as the beneficial owner of the Target Trademarks.

Langfang Hengyu and the Company undertake that Langfang Hengyu shall reasonably use the Target Trademarks and shall obtain written consent from Huari Furniture for transferring any of the Target Trademarks to third party(ies) before the Consideration has been fully paid.

Starting from the Effective Date, the Langfang Hengyu Trademark Licence Contract, the Langfang Tianfeng Trademark Licence Contract and the Trademark Licence Supplemental Agreement shall automatically terminate and lapse.

INFORMATION ABOUT HUARI FURNITURE AND THE TARGET TRADEMARKS

Huari Furniture is currently principally engaged in trading of construction materials. As at the date of this announcement, Mr. Zhou and his parents in aggregate held approximately 98% equity interests in Huari Furniture, and an ex-employee of Huari Furniture and a chief executive of Huari Furniture each held 1% equity interests in Huari Furniture. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save that Mr. Zhou held approximately 9.09% of the issued share capital of the Company as at the date of this announcement and the Business Relationship, Huari Furniture and its associates are Independent Third Parties.

The Target Trademarks to be acquired under the Trademarks Transfer Agreement consist of the 9 trademarks owned by Huari Furniture registered with the PRC Trademark Bureau and the trademark under the process of application with the PRC Trademark Bureau made by Huari Furniture and pending the approval of registration by the PRC Trademark Bureau, The Target Trademarks comprise of trademarks of “Huari”, “華日”, “華日家居” and “華日家具”, all of which are used in the sale of household products under the “Huari” brand.

INFORMATION OF THE GROUP

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

BENEFITS OF AND REASONS FOR THE TRADEMARKS TRANSFER

As mentioned in the Company's latest annual report for the year ended 31 December 2007, the Group is committed towards becoming a leading integrated furniture supplier from production to retailing.

One of our business strategies to achieve the above objective is to execute multi-brand strategy in the future and enhance our existing brands equity of Huari and Jixiangniao in the coming two years.

The Directors are of the view that the Group will obtain actual ownership and control of the Target Trademarks through the present transaction. The present acquisition, together with the acquisition of another trademark “Jixiangniao” in 1 January 2008, indicate the completion of its core value chain of acquisition.

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

GENERAL

In contemplation of the possible issue and allotment of Consideration Shares pursuant to the Trademarks Transfer Agreement, the Company proposes to seek the approval of the Independent Shareholders in a general meeting to grant to the Directors a Special Mandate to issue and allot the Consideration Shares. The voting at such meeting will be taken on a poll.

As at the date of this announcement, Mr. Zhou and his parents in aggregate held approximately 98% equity interests in Huari Furniture and Mr. Zhou himself held approximately 9.09% of the issued share capital of the Company. Hence, Mr. Zhou has a material interest in the transaction contemplated under the Trademarks Transfer Agreement. Mr. Zhou and his associates shall abstain from voting for the resolution(s) approving the Special Mandate to issue and allot the Consideration Shares.

The transfer under the Trademarks Transfer Agreement constitutes a discloseable transaction of the Company under Rule 19.06 of the GEM Listing Rules. A circular containing, among other things, details of the Trademarks Transfer Agreement, other information required under the GEM Listing Rules and a notice of special general meeting in respect of the resolution(s) approving, inter alia, the grant of a Special Mandate to issue and allot the Consideration Shares will be despatched 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 23 June 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 27 June 2008.

DEFINITIONS

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

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| “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 |
| “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 |

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| “Company” | FAVA International Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the GEM |
| “Consideration” | the consideration for the transfer of the Target Trademarks |
| “Consideration Shares” | the new Shares to be issued and allotted to Huari Furniture or its nominee at an issue price of HK\$1 (converted into RMB at an exchange rate of HK\$1:RMB0.88) for the purpose of settlement of the Consideration |
| “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 currently principally engaged in trading of construction materials; Mr. Zhou and his parents in aggregate hold approximately 98% equity interests in Huari Furniture |
| “HK\$” | Hong Kong dollar, the lawful currency of Hong Kong |
| “Independent Shareholder(s)” | Shareholders other than Mr. Zhou and his associates, who are not connected nor interested in the transaction contemplated under the Trademarks Transfer Agreement, or not required to abstain from voting at the general meeting of the Company for approving the Special Mandate |
| “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) |

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| “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 |
| “Langfang Hengyu Trademark Licence Contract” | the trademark licence contract dated 8 January 2007 entered into between Huari Furniture and Langfang Hengyu in respect of the use of one of the Target Registered Trademarks |
| “Langfang Tianfeng” | Langfang Tianfeng Home Co., Ltd* (廊坊天豐家居有限公司), a company incorporated in the PRC and is an indirect wholly-owned subsidiary of the Company |
| “Langfang Tianfeng Trademark Licence Contract” | the trademark licence contract dated 31 May 2006 entered into between Huari Furniture and Langfang Tianfeng in respect of the use of one of the Target Registered Trademarks |
| “Mr. Zhou” | Mr. Zhou Xu En (周旭恩先生), who is the owner of the Target Business |
| “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 |
| “Share(s)” | ordinary share(s) of HK\$0.002 (or such other par value as a result of consolidation or subdivision of shares) each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Shares |
| “Special Mandate” | the special mandate to be sought from the Independent Shareholders at the special general meeting of the Company to cover the allotment and issue of the Consideration Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Takeovers Code” | The Hong Kong Code on Takeovers and Mergers |
| “Target Registered Trademarks” | 9 trademarks registered with the PRC Trademarks Bureau by Huari Furniture as listed out in the Trademarks Transfer Agreement |

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| “Target Trademarks” | the Target Registered Trademarks and the Trademark Pending Registration |
| “Trademark Pending Registration” | a trademark under the process of application with the PRC Trademarks Bureau made by Huari Furniture and pending the approval of the PRC Trademarks Bureau as listed out in the Trademarks Transfer Agreement |
| “Trademark Licence Supplemental Agreement” | the supplemental agreement dated 8 October 2007 which supplements Langfang Tianfeng Trademark Licence Contract |
| “Trademarks Transfer Agreement” | the trademarks transfer agreement dated 20 June 2008 entered into between Huari Furniture, Langfang Hengyu and the Company in relation to the transfer of the Target Trademarks (as supplemented by a supplemental agreement entered into between the same parties on 25 June 2008) |
| “%” | per cent |

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

Hong Kong, 26 June 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 on the “Latest Company Announcements” page for at least seven days from the day of its posting and on the website of the Company at www.fava.com.hk.

* *For identification purposes only*