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## IMPORTANT

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **FAVA International Holdings Limited** (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

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

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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

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*This circular will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” pages for at least seven (7) days from the date of its posting and on the website of the Company at [www.fava.com.hk](http://www.fava.com.hk).*

A notice convening the SGM to be held at Room 1005, C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong on 5 August 2008, Tuesday at 11:00 a.m. is set out on pages 19 to 21 of this circular. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company’s Hong Kong branch share registrar, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

16 July 2008

\* For identification purpose only

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

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GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:*

“Announcement”	the announcement of the Company dated 26 June 2008 in relation to the acquisition of the Target Trademarks
“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
“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

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## DEFINITIONS

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“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 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)
“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
“Latest Practicable Date”	14 July 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Mr. Zhou”	Mr. Zhou Xu En (周旭恩先生)
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan

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## DEFINITIONS

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“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended and supplemented from time to time)
“SGM”	the special general meeting of the Company to be convened to consider and approve, among other things, the acquisition of the Target Trademarks under the Trademarks Transfer Agreement and the Special Mandate
“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 SGM 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
“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

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Li Ge

Mr. Zhao Guo Wei

*Independent non-executive Directors:*

Mr. Lee Yuen Kwong

Mr. Yang Jie

Mr. Yang Dongli

*Registered Office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Principal Place of Business*

*in Hong Kong:*

Room 1005

C.C. Wu Building

302-8 Hennessy Road

Wanchai

Hong Kong

16 July 2008

*To Shareholders:*

Dear Sir/Madam,

## DISCLOSEABLE TRANSACTION ACQUISITION OF TRADEMARKS

### INTRODUCTION

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 not exceeding RMB93,560,000. Such consideration may possibly be settled by the issue and allotment of the Consideration Shares.

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.

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.

\* For identification purpose only

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, Mr. Zhou and his parents in aggregate held 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 acquisition of the Target Trademarks under the Trademarks Transfer Agreement and the Special Mandate at the SGM.

The transfer under the Trademarks Transfer Agreement constitutes a discloseable transaction of the Company under Rule 19.06 of the GEM Listing Rules.

The purpose of this circular is to provide you with details of the Trademarks Transfer Agreement, other information required under the GEM Listing Rules and a notice of SGM in respect of the resolution(s) approving, inter alia, the transaction contemplated under the Trademarks Transfer Agreement and the grant of a Special Mandate to issue and allot the Consideration Shares.

### 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 Latest Practicable Date 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



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## LETTER FROM THE BOARD

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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:

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

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 the 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.

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## LETTER FROM THE BOARD

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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 the 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.

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## LETTER FROM THE BOARD

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### 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 the 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 ( <i>Note</i> )	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>
<b>Total</b>	<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.

Assuming that the shareholding structure of the Company as at the Latest Practicable Date has not been changed immediately after the allotment of the Consideration Shares, there will be no change in control of the Company resulting from the issue of the Consideration Shares.

### 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

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## **LETTER FROM THE BOARD**

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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 Latest Practicable Date, Mr. Zhou and his parents in aggregate held 98% equity interests in Huari Furniture, and an ex-employee of Huari Furniture and a chief executive of Huari Furniture each held 1% equity interest 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 Latest Practicable Date 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.

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## LETTER FROM THE BOARD

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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” on 1 January 2008, indicate the completion of its core value of chain 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.

### FINANCIAL EFFECT OF THE ACQUISITION

Upon completion of the Trademark Transfer Agreement, the Company will own the Target Trademarks. The Consideration will be settled either by cash or by way of allotment and issue of Consideration Shares. In the event that the Consideration is settled by cash, the Consideration will be financed either by using its internal resources or bank borrowing. If the Consideration is financed by its internal resources, the Directors consider that it will not have any effect on the net assets and liabilities of the Group. On the other hand, in the event that the Consideration is financed by bank borrowings, the assets and the liabilities of the Group will be enlarged to the same extent which shall not exceed RMB93,560,000. In the event that the Consideration is financed by way of allotment and issue of the Consideration Shares, the net assets and the total equity attributable to equity holders of the Group will be enlarged to the same extent which shall not exceed RMB93,560,000. The Consideration cannot be ascertained at the present stage, but in case the maximum consideration (i.e. RMB93,560,000) shall be paid in the future, the annual amortization for the Target Trademarks will range from RMB2,163,000 to RMB21,632,000 approximately. In case the minimum consideration (i.e. RMB43,560,000) shall be paid in the future, the annual amortization for the Target Trademarks will range from RMB1,007,000 to RMB10,071,000 approximately.

### SGM

Set out from pages 19 to 21 of this circular is a notice convening the SGM to be held at Room 1005, 10/F., C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong on 5 August 2008 (Tuesday) at 11:00 a.m. at which ordinary resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, to approve the acquisition of the Target Trademarks under the Trademarks Transfer Agreement and the Special Mandate. The voting in respect of the above resolutions of the Independent Shareholders at the SGM will be taken by poll. A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not prevent you from attending and voting in person at the SGM or any adjourned meeting thereof if you so wish.

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## LETTER FROM THE BOARD

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### PROCEDURES FOR DEMANDING A POLL

Pursuant to the Article 66 of bye-laws of the Company, at any general meeting a resolution put to vote of a meeting shall be decided on a show of hands unless voting by way of a poll is required by the GEM Listing Rules or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three Members present in person (or in the case of a Member being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) by any Member or Members present in person (or in the case of a Member being a corporation by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Members having the right to vote at the meeting; or
- (d) by any Member or Members present in person (or in the case of a Member being a corporation by its duly authorised representative) or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring the rights; or
- (e) if required by the GEM Listing Rules, by any Director or Directors who individually or collectively, hold proxies in respect of Shares representing five per cent. (5%) or more of the total voting rights of all Members having right to vote at such meeting.

A demand by a person as proxy for a Member or in the case of a Member being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a Member.

### GENERAL

As at the Latest Practicable Date, Mr. Zhou and his parents in aggregate held 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 resolutions approving the acquisition of the Target Trademarks under the Trademarks Transfer Agreement and the Special Mandate at the SGM.

The transfer under the Trademarks Transfer Agreement constitutes a discloseable transaction of the Company under Rule 19.06 of the GEM Listing Rules.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the view that the terms of the transaction contemplated under the Trademarks Transfer Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders to vote in favour of the resolutions in relation to the transaction under Trademarks Transfer Agreement and the Special Mandate to be proposed at the SGM.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular for other information of the Group.

Yours faithfully,  
By Order of the Board  
**FAVA International Holdings Limited**  
**Li Ge**  
*Executive Director*

**1. RESPONSIBILITY STATEMENT**

This circular, 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:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

**2. DISCLOSURE OF INTERESTS**

- (a) **Directors' and chief executives interests and short positions in shares, underlying shares and debentures**

As at the Latest Practicable Date, the interests and short positions of the Directors, and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

**Long position****Ordinary Shares of HK\$0.002 each in the capital of the Company**

Name of Director/ Chief Executive	Capacity	Number of shares held	Approximate percentage of total issued share capital in the Company
Mr. Li Ge	Beneficial owner	36,908,000	3.06%



Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company was, under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests of short positions in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV) of the SFO, that were required to be entered into the register kept by the Company pursuant to section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the GEM Listing Rules.

**(b) Substantial shareholders' and other persons' interests and short positions in shares and underlying shares**

To the best knowledge of the Directors or chief executives, as at the Latest Practicable Date, the following persons (other than the Directors and chief executives of the Company) had interests or short position in the shares or underlying shares of the Company which as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

**Long position**

**Ordinary Shares of HK\$0.002 each in the capital of the Company**

Name	Capacity	Number of Shares held	Approximate percentage of total issued share capital in the Company (Note 1)
True Allied Assets Limited	Beneficial owner	351,518,000	29.22%
Ms. Huang Ye-hua (Note 2)	Interest of controlled corporation	351,518,000	29.22%
Mr. Zhou Xu En	Beneficial owner	109,382,430	9.09%
	Interest of controlled corporation (Note 3)	106,318,182	8.83%
Huari Furniture	Beneficial owner (Note 3)	106,318,182	8.83%
Ms. Xiu Jun Cheng	Interest of controlled corporation (Note 3)	106,318,182	8.83%

Name	Capacity	Number of Shares held	Approximate percentage of total issued share capital in the Company <i>(Note 1)</i>
Mr. Zhou Tian Tang	Interest of controlled corporation <i>(Note 3)</i>	106,318,182	8.83%
Arisaig Greater China Fund Limited <i>(Note 4)</i>	Beneficial owner	108,820,000	9.05%
Arisaig Partners (Mauritius) Limited <i>(Note 4)</i>	Investment manager	108,820,000	9.05%
Cooper Lindsay William Ernest <i>(Note 4)</i>	Interest of controlled corporation	108,820,000	9.05%
Deutsche Bank Aktiengesellschaft	Beneficial owner	70,456,000	5.86%
	Personal having a security interest in shares	1,712,000	0.14%
Sino Hope Investments Limited	Beneficial owner	69,953,330	5.82%
Mr. Zhao Jiangong <i>(Note 5)</i>	Interest of controlled corporation	69,953,330	5.82%
Fair China Focus Fund Limited	Beneficial owner	60,776,000	5.05%
Fair Investment Management Limited <i>(Note 6)</i>	Interest of controlled corporation	60,776,000	5.05%
Mr. Lau Tak Chuen, Airy <i>(Note 7)</i>	Interest of controlled corporation	60,776,000	5.05%

*Notes:*

1. The percentage is calculated by dividing the number of shares interested or deemed to be interested by the existing 1,202,799,970 issued shares as at the Latest Practicable Date.
2. Ms. Huang Ye-hua is interested by virtue of her 100% beneficial interest in True Allied Assets Limited.
3. The 106,318,182 Shares are the maximum number of Consideration Shares which may be allotted and issued to Huari Furniture or its nominee on or before 31 December 2014 pursuant to the Trademarks Transfer Agreement. Each of Mr. Zhou, Mr. Zhou Tian Tang and Ms. Xiu Jun Cheng is interested by virtue of their respective beneficial interest as to 48.16%, 25.93% and 23.91% in Huari Furniture. Mr. Zhou Tian Tang and Ms. Xiu Jun Cheng are Mr. Zhou's parents.
4. 108,820,000 Shares are held by Arisaig Greater China Fund Limited under management by Arisaig Partners (Mauritius) Limited in its capacity as an investment manager and Cooper Lindsay William Ernest is interested in the 108,820,000 Shares through its controlled corporation.
5. Mr. Zhao Jiangong is interested by virtue of his 100% beneficial interest in Sino Hope Investments Limited.
6. Fair Investment Management Limited is interested by virtue of its 100% beneficial interest in Fair China Focus Fund Limited.
7. Mr. Lau Tak Chuen, Airy is interested by virtue of his 100% beneficial interest in Fair Investment Management Limited.

Save as disclosed above, as at the Latest Practicable Date, the Board is not aware of any other persons (other than the Directors and chief executives of the Company) that had interests or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

So far as is known to the Directors or chief executives of the Company, as at the Latest Practicable Date, no person, other than the Directors or chief executives of the Company, has an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, or, who is expected, directly or indirectly, to be interested in 10 per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or has any options in respect of such capital.

### 3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or the management Shareholders (as defined in the GEM Listing Rules) or their respective associates competes or may compete with the business of the Group or has or may have any other conflicts of interest with the Group required to be disclosed pursuant to the GEM Listing Rules.

### 4. LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance is known to the Directors or the Company to be pending or threatened against any member of the Group.

### 5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered, or is proposing to enter, into any service contract with the Company or its subsidiaries which is not expiring or may not be terminated by the Company within a year without payment of any compensation (other than statutory compensation).

### 6. MISCELLANEOUS

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company in Hong Kong is situated at Room 1005, C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong while the Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (b) The company secretary and the qualified accountant of the Company is Mr. Chan Yuk Hiu Taylor (陳玉曉先生), who is an associate member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants; and the compliance officer of the Company is Mr. Li Ge (李革先生) who is also an executive Director.
- (c) The authorised share capital of the Company was HK\$500,000,000, comprising 250,000,000,000 Shares of HK\$0.002 each. As at the Latest Practicable Date, the total number of issued shares of the Company was 1,202,799,970 Shares. Assuming that the maximum number of the Consideration Shares (i.e. 106,318,182 Shares) will be issued and allotted under the Special Mandate, upon completion of the issue and allotment of the Consideration Shares, the Company's total number of issued shares will increase to 1,309,118,152 Shares.

- (d) The Company has established an audit committee in July 2000 with its written terms of reference being in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group and to provide advice and comments to the Board. As at the Latest Practicable Date, the audit committee comprised three members, namely Mr. LEE Yuen Kwong, Mr. YANG Dongli and Mr. YANG Jie, being independent non-executive Directors.

Details of the members of the Audit Committee are set out below:

Mr. Lee Yuen Kwong, aged 48, graduated at University of Sunderland, England, is a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Lee is now a director of Lynks CPA Limited. He has over twenty years of experience in accountancy and financial management. Mr. Lee acts as an independent non-executive director of Global Bio-chem Technology Group Company Limited and an independent non-executive director of China Best Group Holding Limited.

Mr. Yang Dongli, aged 36, is formerly a Production Department Manager and Senior Engineer in Beijing D&G Machinery Co., Ltd. Mr. Yang graduated in Air Industrial University North of China majoring in Management Engineering. Mr. Yang has over 11 years of working experience.

Mr. Yang Jie, aged 27, is now an engineer of Technical Service Support Department of Epson (China) Co., Limited. Mr. Yang graduated from Beijing Petrochemistry Institute majoring in Process Equipment and Control Engineering. He has over 4 years of working experience. In addition, Mr. Yang has taken the training course on Human Resources Management and Listed Company Regulations held by Ren Ming University, and has also taken the training course on Business Administration held by Qing Hua University.

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## NOTICE OF SPECIAL GENERAL MEETING

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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)

### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting of FAVA International Holdings Limited (the “Company”) will be held at 11:00 a.m. on 5 August 2008 (Tuesday) at Room 1005, C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendment, as ordinary resolutions:

#### ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the trademarks transfer agreement (the “Trademarks Transfer Agreement”) (a copy of which is produced before the meeting marked “A” and initialled by the chairman of the meeting for the purpose of identification) dated 20 June 2008 and entered into between Langfang Huari Hengyu Home Co., Ltd.\* (廊坊華日恒宇家居有限公司), an indirectly wholly-owned subsidiary of the Company as purchaser (“Langfang Hengyu”), Lang Fang Huari Furniture Joint Stock Co., Ltd.\* (廊坊華日家具股份有限公司) as vendor (“Huari Furniture”), and FAVA International Holdings Limited (the “Company”) as guarantor in relation to the transfer of the trademarks as listed in the Trademarks Transfer Agreement (as supplemented by a supplemental agreement entered into between the same parties on 25 June 2008), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) any one director (“Director”) of the Company be and is hereby authorised to do or execute for and on behalf of the Company all such acts and things and such other documents under hand (and, where required, under the common seal of the Company together with such other Director or person authorised by the board of Directors) and to take such steps as he may consider necessary, appropriate, desirable or expedient to implement or give effect to the terms of the Trademarks Transfer Agreement and all transactions contemplated under the Trademarks Transfer Agreement and all other matters incidental thereto or in connection therewith and to agree to and make such variation, amendment and waiver of any of the matters relating thereto or in connection therewith.”

\* For identification purpose only

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## NOTICE OF SPECIAL GENERAL MEETING

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2. **“THAT**

- (a) the possible allotment and issue (“Special Mandate”) of not more than 106,318,182 new shares (“Consideration Shares”) of HK\$0.002 par value each in the capital of the Company credited as fully paid (or such other number of Consideration Shares as adjusted as a result of any consolidation or subdivision of the shares of the Company taking place before the allotment and issue of the Consideration Shares) to Huari Furniture or its nominee on or before 31 December 2014 as the whole or part of the consideration under the Trademarks Transfer Agreement be and are hereby approved;
- (b) the directors of the Company be and are hereby authorised to do all things, including but not limited to the execution of all documents, which the directors deem to be necessary or desirable to effect the foregoing or in connection with the Special Mandate.”

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

Hong Kong, 16 July 2008

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## NOTICE OF SPECIAL GENERAL MEETING

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*Notes:*

- (1) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies (if such member is the holder of two or more shares) to attend and to vote instead of them. A proxy need not be a member of the Company.
- (2) Where there are joint holders of any share any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
- (3) A form of proxy for use at the meeting is enclosed.
- (4) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or adjourned meeting.