
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 together with 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.

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

FAVA INTERNATIONAL HOLDINGS LIMITED**名家國際控股有限公司****(Incorporated in Bermuda with limited liability)*

(Stock Code: 08108)

**(1) PROPOSAL OF REFRESHMENT OF GENERAL MANDATES
TO ISSUE AND REPURCHASE SHARES,
AND
(2) PROPOSALS FOR
TERMINATION OF EXISTING SHARE OPTION SCHEME AND
ADOPTION OF NEW SHARE OPTION SCHEME**

A notice convening the SGM to be held at Room 1005, C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong on 9 December 2010, Thursday at 11:00 a.m. is set out on pages 38 to 42 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.

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, the information contained in this circular is accurate and complete in all materials respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or in this circular misleading.

24 November 2010

* *For identification purpose only*

CHARACTERISTICS OF GEM

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

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

“Adoption Date”	the date on which the New Scheme is conditionally adopted by the Shareholders;
“Announcement”	the announcement of the Company dated 21 September 2010 in respect of the Placing;
“associates”	has the meaning ascribed to it under the GEM Listing Rules and “associates” shall be construed accordingly;
“Auditors”	the auditors for the time being of the Company;
“Board”	the board of Directors for the time being or a duly authorised committee thereof;
“Business Day”	any day on which the Stock Exchange is open for the business of dealing in securities;
“Bye-laws”	the bye-laws of the Company;
“chief executive”	has the meanings ascribed to it under the GEM Listing Rules;
“Company”	FAVA International Holdings Limited (名家國際控股有限公司), an exempted company incorporated in Bermuda with limited liability;
“Company Law”	the Companies Act 1981 of Bermuda (as amended);
“Company Ordinance”	the Companies Ordinance, Cap.32, Laws of Hong Kong;
“Connected Person”	shall have the meaning ascribed to it under the GEM Listing Rules;
“Current Issue Mandate”	the general mandate approved and granted to the Directors in the Last Annual General Meeting to allot, issue and deal with Shares;
“Current Repurchase Mandate”	the general mandate approved and granted to the Directors in the Last Annual General Meeting to repurchase Shares;

DEFINITIONS

“Director(s)”	the director(s) of the Company;
“Effective Date”	the date on which the New Scheme is adopted by a resolution of the Company;
“Eligible Person”	(a) any full-time or part-time employee of any member of the Group or any Invested Entity; (b) any director (including executive, non-executive or independent non-executive directors) of any member of the Group or any Invested Entity; (c) any consultant or adviser (professional or otherwise) to any area of business or business development of any member of the Group or any Invested Entity; (d) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (f) any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group or any Invested Entity; and (g) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group or any Invested Entity;
“EMAX”	EMAX Venture Limited, a company incorporated in the British Virgin Islands, and a wholly-owned subsidiary of the Company;
“Existing Eligible Person”	(a) any full-time employee, director (including non-executive director and independent non-executive director) or part-time employee with weekly working hours of 15 hours or above of the Company or of any of its Subsidiaries or of any any Invested Entity; (b) any supplier of goods or services to any member of the Group or any Invested Entity; (c) any consultant of the Group or any Invested Entity; (d) any customer of the Group or any Invested Entity; (e) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (g) any professional adviser of the Group or any Invested Entity; and (h) any provider of financial assistance (directly or indirectly) to the Group or any Invested Entity;

DEFINITIONS

“Existing Scheme”	the share option scheme of the Company adopted by the Company at its annual general meeting on 24 May 2002;
“Financial Adviser”	the independent financial adviser appointed by the Company;
“GEM”	the Growth Enterprise Market of the Stock Exchange;
“GEM Listing Division”	the listing division of the Stock Exchange with responsibility for GEM;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“Grantee”	any Eligible Person who accepts the Offer of the grant of any Option in accordance with the terms of the New Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee or the legal personal representative(s) of such person;
“Group”	the Company and any entity in which the Company directly or indirectly holds any equity interest;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, to advise the Independent Shareholders as to the fairness and reasonableness of the grant of the Issue Mandate;
“Independent Financial Adviser”	Cinda International Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders;
“Independent Shareholder(s)”	the Shareholders other than the controlling shareholders, the Directors and the chief executive of the Company and their respective associates;
“Invested Entity”	any entity in which the Group holds an equity interest;
“Issue Mandate”	the general and unconditional mandate proposed to be granted to the Directors at the SGM to exercise all the powers of the Company to allot, issue and otherwise deal with the Shares;

DEFINITIONS

“Last Annual General Meeting”	the annual general meeting of the Company held on 6 May 2010;
“Latest Practicable Date”	19 November 2010 being the latest practicable date prior to the printing of this circular for ascertaining certain information for contained herein;
“New Scheme”	the new share option scheme proposed to be adopted by the Company at the SGM, a summary of the terms of which is set out in Appendix II to this circular;
“Offer”	an offer of the grant of an Option made in accordance with Clause 5 of the principal terms of the New Scheme in Appendix II to this circular;
“Offer Date”	the date on which an Option is offered to a Participant;
“Option”	an option to subscribe for Shares that may be granted;
“Option Certificate”	a certificate issued to an Eligible Person upon the grant of any Option to him/her, in such form as the Directors may from time to time determine;
“Option Period”	the period for the exercise of an Option to be notified by the Board to the Grantee at the time of making an Offer, but in any event shall not exceed 10 years from the Offer Date;
“Participant”	any person who satisfies the eligibility requirements set out in Clause 3 of the principal terms of the New Scheme in Appendix II to this circular;
“Placing”	the placing of 276,956,000 Shares under the Current Issue Mandate, details of which are set out in the Announcement;
“Repurchase Mandate”	the general and unconditional mandate proposed to be granted to the Directors at the SGM to exercise all the powers of the Company to repurchase the securities of the Company;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time;
“SGM”	the special general meeting of the Company to be held at Room 1005, C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong on 9 December 2010, Thursday at 11:00 a.m.;

DEFINITIONS

“Share Offer”	the placing and public offer of the Shares, details of which are set out in the prospectus of the Company to be issued at a date to be decided by the Directors;
“Share(s)”	the ordinary share(s) in the capital of the Company with a par value of HK\$0.002 each (or of such other nominal amount of the shares comprising the ordinary share capital of the Company as shall result from a sub-division or a consolidation of such shares from time to time) of the Company;
“Shareholder(s)” or “Member(s)”	holders of the Shares from time to time;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option as described in Clause 6 of the principal terms of the New Scheme in Appendix II to this circular;
“substantial shareholder”	has the meanings ascribed to it under the GEM Listing Rules; and
“Takeovers Code”	the Code on Takeovers and Mergers approved by the Securities and Futures Commission;
“%”	per cent

* *For identification purpose only*

LETTER FROM THE BOARD

FAVA INTERNATIONAL HOLDINGS LIMITED

名家國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 08108)

Executive Directors:

Mr. Li Ge

Mr. Zhao Guo Wei

Mr. Ma Chung Fung, Horace

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Non-executive Director:

Mr. Ng Kwai Wah, Sunny

Principal place of business in

Hong Kong:

Independent non-executive Directors:

Mr. Lee Yuen Kwong

Mr. Yang Jie

Mr. Yang Dongli

Room 1005

C.C. Wu Building

302-8 Hennessy Road

Wanchai

Hong Kong

24 November 2010

To the Shareholders,

Dear Sir or Madam,

**(1) PROPOSAL OF REFRESHMENT OF GENERAL MANDATES
TO ISSUE AND REPURCHASE SHARES,
AND
(2) PROPOSALS FOR
TERMINATION OF EXISTING SHARE OPTION SCHEME AND
ADOPTION OF NEW SHARE OPTION SCHEME**

INTRODUCTION

The purpose of this circular is to provide you with information regarding the resolutions to be proposed at the SGM for (i) the proposal for the granting of the Issue Mandate and the Repurchase Mandate to the Directors and to set out the recommendations of the Board, the Independent Board Committee and the Independent Financial Adviser in relation to the matters to be considered at the SGM; (ii) the termination of the Existing Scheme; (iii) the adoption of the New Scheme; and (iv) the giving of the authorisation to the Board to grant the Options under the New Scheme up to 10% of the Shares in issue as at the date on which the New Scheme is adopted by a resolution of the Company.

LETTER FROM THE BOARD

(1) PROPOSAL OF REFRESHMENT OF GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

On 6 May 2010, resolutions were passed by the then Shareholders granting the Current Issue Mandate and the Current Repurchase Mandate. It is proposed that the Current Issue Mandate and the Current Repurchase Mandate be renewed at the SGM.

Proposal For Grant Of The Issue Mandate And The Repurchase Mandate

At the Last Annual General Meeting, the Shareholders approved, among others, ordinary resolutions to grant the Current Issue Mandate, which enable the Directors to allot, issue and deal with Shares not exceeding 20% of aggregate nominal amount of the issued share capital (equivalent to 276,959,994 Shares) of the Company at the date of the Last Annual General Meeting and to repurchase Shares not exceeding 10% of the nominal value of the issued share capital (equivalent to 138,479,997 Shares) of the Company at the date of the Last Annual General Meeting. The Current Issue Mandate and the Current Repurchase Mandate have not been refreshed since it was granted.

On 21 September 2010, the Company announced that it has entered into a placing agreement dated 21 September 2010 to issue and allot a total of 276,956,000 Shares under the Current Issue Mandate to independent investors not connected with the Directors, chief executive or substantial shareholders and its subsidiaries or any of their respective associates. Pursuant to the Announcement, HK\$30 million of the aggregate net proceeds from the Placing which amounted to approximately HK\$31.80 million has been applied for the partial settlement of the earnest money in the amount of HK\$40 million payable by EMAX to the vendor of the proposed acquisition of 80% interest of a target company by EMAX as refundable earnest money or deposit. Details of the proposed acquisition are set out in the Announcement. As detailed in the announcement of the Company dated 8 October 2010, the Placing completed on 8 October 2010.

As the Current Issue Mandate granted to the Directors was almost fully utilised after the completion of the Placing, the Directors would only be allowed to allot and issue up to approximately 0.0002% of the issued share capital (equivalent to 3,994 Shares) of the Company at the date of the Last Annual General Meeting under the Current Issue Mandate as at the Latest Practicable Date if the Current Issue Mandate is not refreshed. In order to allow the flexibility to raise further capital to finance future investments and/or for future business development, the Company wishes to seek approval of the Shareholders at the SGM to grant the Issue Mandate to the Directors. Based on the total number of issued shares of the Company as at the date hereof (i.e. 1,716,955,970 Shares) and assuming there is no change in the issued share capital until the date of the SGM, the Issue Mandate will allow the Directors to issue and allot up to 343,391,194 new Shares. However, the Company does not have any immediate plans for any new issue of Shares at present.

LETTER FROM THE BOARD

The Company has not repurchased any Shares under the Current Repurchase Mandate since the date of the Last Annual General Meeting. However, as the share base of the Company was increased after the Placing, the Company would like to seek approval of the Shareholders at the SGM to grant the Repurchase Mandate to the Directors. The Company does not have any immediate plans for repurchase of any Shares at present.

At the SGM, resolutions will be proposed to grant the Issue Mandate and the Repurchase Mandate.

As the Issue Mandate is being made prior to the Company's next annual general meeting, pursuant to Rule 17.42A(1) of the GEM Listing Rules, the grant of the Issue Mandate will be subject to Independent Shareholders' approval by way of poll at the SGM, where any controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive Directors) and the chief executive of the Company shall abstain from voting in favour of the Issue Mandate.

As at the Latest Practicable Date, to the best knowledge and belief of the Directors after having made all reasonable enquiries, Mr. Li Ge, the executive Director, directly and indirectly held 388,530,000 Shares representing approximately 22.63% of the total issued share capital of the Company. As such, Mr. Li Ge and his associate (including but not limited to True Allied Assets Limited, which is beneficially wholly-owned by Mr. Li Ge) holding 351,518,000 Shares representing approximately 20.47% of the total issued share capital of the Company will abstain from voting in favour of and will not vote against the resolution of the Issue Mandate at the SGM.

In accordance with the GEM Listing Rules, Cinda International Capital Limited has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the grant of the Issue Mandate. The Company wishes to maintain the flexibility to raise further capital to finance future investments and/or for future business development hence considers it in the interest of the Company to take advantage of the SGM to be convened to approve the grant of the Issue Mandate and the Repurchase Mandate although there are no plans at present to issue any new Shares under the Issue Mandate or to repurchase any Shares under the Repurchase Mandate.

Issue Mandate

Ordinary resolutions will be proposed at the SGM to grant to the Directors the Issue Mandate, and authorize the extension of the Issue Mandate to issue and allot the shares repurchased by the Company under the Repurchase Mandate. Details of the Issue Mandate are set out in ordinary resolutions nos. 1 and 3 of the notice of SGM.

Repurchase Mandate

An ordinary resolution will be proposed at the SGM to grant to the Directors the Repurchase Mandate, details of which are set out in ordinary resolution no. 2 of the notice of SGM.

LETTER FROM THE BOARD

An explanatory statement containing all relevant information relating to the Repurchase Mandate and pursuant to the GEM Listing Rules, in particular Rule 13.08, is set out in the section headed “Explanatory Statement” to this circular. The information in the explanatory statement is to provide you with the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolution relating to the Repurchase Mandate.

Independent Board Committee

The Independent Board Committee comprises Mr. Lee Yuen Kwong, Mr. Yang Jie and Mr. Yang Dongli, all being independent non-executive Directors. It has been established to advise the Independent Shareholders on the grant of the Issue Mandate.

Cinda International Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the grant of the Issue Mandate.

(2) PROPOSALS FOR TERMINATION OF EXISTING SHARE OPTION SCHEME AND ADOPTION OF NEW SHARE OPTION SCHEME

The Existing Scheme was adopted by the Company on 24 May 2002 and will expire on 23 May 2012. The Board has reviewed and considered the Existing Scheme and has proposed on 9 December 2010 to terminate the Existing Scheme and adopt the New Scheme.

The Existing Scheme

Pursuant to an ordinary resolution passed by the Shareholders at an annual general meeting on 24 May 2002, the Company adopted the Existing Scheme. Under the Existing Scheme, the Board may offer options to the Existing Eligible Persons in its absolute discretion.

As at the Latest Practicable Date, the Company had granted 138,000,000 options under the Existing Scheme to subscribe for an aggregate of 138,000,000 Shares, of which 55,200,000 options had been exercised, and 82,800,000 options remained outstanding. Under the Existing Scheme, such 82,800,000 outstanding options shall continue to be valid and exercisable in accordance the rules of the Existing Scheme. The Directors confirm that no further options will be granted under the Existing Scheme prior to the date of SGM.

LETTER FROM THE BOARD

Termination of the Existing Scheme

Under the terms of the Existing Scheme, the Board may by an ordinary resolution at any time terminate the operation of the Existing Scheme. It is proposed by the Board that subject to the approval of the Shareholders at the SGM of the adoption of the New Scheme, the operation of the Existing Scheme shall be terminated (such that no further options could thereafter be offered under the Existing Scheme but in all other respects the provisions of the Existing Scheme shall remain in force and effect) and the New Scheme will take effect, subject to the approvals of the Stock Exchange granting approval for the listing of and dealing in the Shares fall to be allotted and issued upon the exercise of Options in accordance with the terms and conditions of the New Scheme.

New Scheme

The purpose of the New Scheme is to replace the Existing Scheme and to enable the Company to grant Options to the Eligible Persons who, in the absolute discretion of the Board, have made and will make contribution to the Group as well as to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and/or to provide them with a direct economic interest in attaining the long term business objectives of the Group. There are no businesses or interest of the Directors and their respective associates that compete or may compete with the business of the Group.

The Board considers that in order to enhance the motivation and reward mechanism of the Company to evince its recognition of and gratitude for the commitments and contributions of certain persons (other than the employees of the Group), the Board proposes to extend the eligibility of the participants of the share option scheme of the Company to include (a) any full-time or part-time employee of any member of the Group or any Invested Entity, (b) any director (including executive, non-executive or independent non-executive directors) of any member of the Group or any Invested Entity, (c) any consultant or adviser (professional or otherwise) to any area of business or business development of any member of the Group or any Invested Entity, (d) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity, (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity, (f) any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group or any Invested Entity, and (g) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group or any Invested Entity. Save as disclosed in Clause 5.01 of “Summary of The Principal Terms of the New Scheme” contained in Appendix II to this circular, no performance targets that must be achieved before Options can be exercised was specified in the New Scheme. A summary of the principal terms of the New Scheme is set out in Appendix II hereto. The terms of the New Scheme are in line with the provisions of Chapter 23 of the GEM Listing Rules, which govern the terms of the share option schemes of listed companies.

LETTER FROM THE BOARD

The Directors consider that it is not appropriate to state the value of all Options that can be granted pursuant to the New Scheme as if they had been granted at the Latest Practicable Date. The Directors believe that any statement regarding the value of the options as at the Latest Practicable Date will not be meaningful to the Shareholders, taking into account the number of variables which are crucial for the calculation of the Option value which have not been determined. Such variables include the subscription price, exercise period, any lock-up period and performance targets which the Directors may set under the New Scheme and other relevant variables. In the premises, the Directors are of the view that the value of the Options depends on a number of variables which are either difficult to ascertain or can only be ascertained subject to a number of theoretical basis and speculative assumptions. Accordingly, the Directors believed that any calculation of the value of the Options will not be meaningful and may be misleading to the Shareholders in the circumstances.

Conditions Precedent of the New Scheme

The New Scheme will take effect upon satisfaction of the following conditions:

- (i) the approval by the Shareholders at the SGM; and
- (ii) the GEM Listing Division granting approval for the listing of, and permission to deal in, the Shares to be issued and allotted pursuant to the exercise of the Options granted under the New Scheme up to 10% of the Shares in issue as at the date on which the New Scheme is adopted by a resolution of the Company.

Application will be made to the GEM Listing Division for the approval of the listing of, and permission to deal in, the Shares which may fall to be allotted and issued pursuant to the exercise of any Options granted under the New Scheme and any other schemes of the Company up to 10% of the Shares in issue as at the date on which the New Scheme is adopted by a resolution of the Company.

On the basis of 1,716,955,970 Shares in issue as at the Latest Practicable Date and assuming that no further Shares are issued or repurchased by the Company prior to the SGM, the maximum number of Shares to be issued upon the exercise of Options that may be granted under the New Scheme and any other schemes of the Company will be 171,695,597 Shares, being 10% of the Shares in issue as at the Latest Practicable Date, should the New Scheme be adopted.

SPECIAL GENERAL MEETING

You will find on pages 38 to 42 of this circular a notice of the SGM to be held at Room 1005, C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong on 9 December 2010, Thursday at 11:00 a.m. for the purpose of considering and, if thought fit, passing the ordinary resolutions to approve:

- (a) the grant of the Issue Mandate and the Repurchase Mandate to the Directors; and

LETTER FROM THE BOARD

- (b) (i) the termination of the Existing Scheme; (ii) the adoption of the New Scheme; and (iii) the giving of the authorisation to the Board to grant the Options under the New Scheme up to 10% of the Shares in issue as at the date on which the New Scheme is adopted by a resolution of the Company.

As at the Latest Practicable Date, to the best knowledge and belief of the Directors after having made all reasonable enquiries, Mr. Li Ge, the executive Director, directly and indirectly held 388,530,000 Shares representing approximately 22.63% of the total issued share capital of the Company. As such, Mr. Li Ge and his associate (including but not limited to True Allied Assets Limited, which is beneficially wholly-owned by Mr. Li Ge) holding 351,518,000 Shares representing approximately 20.47% of the total issued share capital of the Company will abstain from voting in favour of and will not vote against the resolution of the Issue Mandate at the SGM.

To the best knowledge of the Directors, no Shareholders have a material interest in the Repurchase Mandate, the termination of the Existing Scheme and adoption of the New Scheme and will have to abstain from voting or only vote against the respective resolutions at the SGM.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to be present at the SGM, you are requested to complete the form of proxy 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 in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or adjournment thereof should you so wish.

DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the rules of the New Scheme will be available for inspection at the principal place of business of the Company in Hong Kong during normal business hours from the date of this circular up to and including the date of the SGM and at the venue of the SGM during the SGM.

RECOMMENDATION

The Board believes that the proposals as referred to in this circular are in the best interests of the Company as well as the Shareholders as a whole. Accordingly, the Board recommends you to vote in favour of the ordinary resolutions to be proposed at the SGM.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the granting of the Issue Mandate is fair and reasonable so far as the Independent Shareholders are concerned and accordingly recommends you to vote in favour of the relevant resolutions to be proposed at the SGM for approving the grant of the Issue Mandate.

LETTER FROM THE BOARD

DIRECTORS' RESPONSIBILITY

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, the information contained in this circular is accurate and complete in all materials respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or in this circular misleading.

GENERAL INFORMATION

Your attention is drawn to the letter of advice from the Independent Financial Adviser set out on pages 15 to 21 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in connection with the grant of the Issue Mandate and the letter from the Independent Board Committee set out on page 14 of this circular which contains its recommendation to the Independent Shareholders in relation to the grant of the Issue Mandate and Appendices I and II to this circular.

Yours faithfully,

On behalf of the Board

FAVA INTERNATIONAL HOLDINGS LIMITED

Li Ge

Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

FAVA INTERNATIONAL HOLDINGS LIMITED

名家國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 08108)

24 November 2010

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSAL FOR REFRESHMENT OF GENERAL MANDATE
TO ISSUE SHARES**

We refer to the circular of the Company dated 24 November 2010 (the “Circular”) of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders in connection with the proposed grant of the Issue Mandate. Cinda International Capital Limited has been appointed as the Independent Financial Adviser to advise us in respect of the Issue Mandate.

Having considered the principal reasons and factors considered by, and the advice of, the Independent Financial Adviser as set out in its letter of advice to us on pages 15 to 21 of the Circular, we are of the opinion that the proposed grant of the Issue Mandate is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the grant of the Issue Mandate by way of poll.

Independent Board Committee

Lee Yuen Kwong

Yang Jie

Yang Dongli

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Cinda International Capital Limited to the Independent Board Committee and the Independent Shareholders for the purpose of inclusion in this circular:



信達國際融資有限公司
CINDA INTERNATIONAL CAPITAL LIMITED

45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

24 November 2010

To the Independent Board Committee and the Independent Shareholders of
FAVA International Holdings Limited

Dear Sir/Madam,

REFRESHMENT OF ISSUE MANDATE TO ISSUE SHARES

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the grant of the Issue Mandate, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular (the “**Circular**”) of the Company to the Shareholders dated 24 November 2010, of which this letter forms part. Terms used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

Pursuant to Rule 17.42A of the GEM Listing Rules, any refreshment of the general mandate before the next annual general meeting shall be subject to the Independent Shareholders’ approval by way of poll at the SGM. Any controlling Shareholders and their associates or, where there are no controlling Shareholder, the Directors (excluding independent non-executive Directors) and chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution for approving the Issue Mandate. To the best knowledge and belief of the Directors, Mr. Li Ge was the substantial shareholder holding, directly and indirectly, approximately 22.63% of the total issued share capital of the Company as at the Latest Practicable Date. As such, Mr. Li Ge and his associates (including but not limited to True Allied Assets Limited, which is beneficially wholly-owned by Mr. Li Ge) will abstain from voting in favour of and will not vote against the resolution on the Issue Mandate at the SGM.

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BASIS OF OUR ADVICE

In arriving at our opinion and recommendation, we have relied on the information supplied and the opinion expressed by the Directors and the management of the Company. We have assumed that the information contained and representations made to us or referred to in the Circular are true, accurate and complete at the time they were made and continued to be so as at the date of the Circular. We consider that we have taken reasonable steps as required under Rule 17.92 of the GEM Listing Rules in obtaining all necessary information from the Company to reach an informed view, to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reasons to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, conducted any independent verification of the information provided by the Directors and the management of the Company nor have we carried out any independent investigation into the business and affairs of the Company or any of its respective subsidiaries or associates.

PRINCIPAL FACTORS TAKEN INTO ACCOUNT

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the grant of the Issue Mandate, we have taken into consideration the following principal factors and reasons as set out below:

1. Background and reasons of the grant of the Issue Mandate

The Group is principally engaged in the manufacturing and sales of household products. The Group has been experiencing a downward trend in net profit since 2007. The Group turned from net profit of approximately HK\$118.1 million for the year ended 31 December 2007 to net loss of approximately HK\$120.5 million for the year ended 31 December 2009. The deteriorating performance was mainly due to weak global economy, intensifying competition in the furniture industry, and hiking rents, wages and transportation costs. To address the rising production cost on capacity surplus as a result of the previous overexpansion, the Group disposed of most its underperforming and loss-making assets in the second quarter of 2010, including most self-operated retail shops and wholesale business mainly for low-end customers. Thus, the Group shall focus its financial and management resources on the manufacturing and sales of household products targeting mid-to-high-end consumers.

At the Last Annual General Meeting, the Shareholders approved, among others, ordinary resolutions to grant the Current Issue Mandate, which enables the Directors to allot, issue and deal with Shares not exceeding 20% of aggregate nominal amount of the issued share capital

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of the Company as at the date of the Last Annual General Meeting, which is equivalent to 276,959,994 Shares. The Current Issue Mandate has not been refreshed since it was granted.

On 21 September 2010, the Company announced that it had entered into a placing agreement dated 21 September 2010 with Quam Securities Company Limited (“Quam”), in which Quam agreed to place a total of 276,956,000 Shares to independent placees pursuant to the placing agreement. The placing Shares were issued and allotted under the Current Issue Mandate. Pursuant to the announcement in relation to the Placing, the aggregate net proceeds from the Placing amounted to approximately HK\$31.80 million which were intended to be used for general working capital of the Group and/or to fund potential acquisitions or investment opportunities, including but not limited to the proposed acquisition of 80% interest of a target company by EMAX. As detailed in the announcement of the Company dated 8 October 2010, the placing completed on 8 October 2010. As advised by the Directors, as at the Latest Practicable Date, HK\$30 million of the net proceeds raised from the placing have been fully utilised as the partial payment for the earnest money/deposit for the memorandum of understanding as disclosed in the announcement of the Company dated 21 September 2010 while the rest has been/will be used as general working capital of the Group.

As the Current Issue Mandate granted to the Directors has been substantially utilised after the completion of the Placing, the Directors will only be allowed to allot and issue up to approximately 0.0002% of the issued share capital (equivalent to 3,994 Shares) of the Company as at the Latest Practicable Date until the next annual general meeting of the Company if the Current Issue Mandate is not refreshed.

In order to allow the financial flexibility to raise further capital to finance future investments and/or future business development, the Company wishes to seek approval of Independent Shareholders at the SGM to grant the Issue Mandate so that the Directors will be granted the authority to issue, allot and deal with new Shares not exceeding 20% of the total issued share capital of the Company as at the date of the SGM.

On the basis of a total of 1,716,955,970 Shares in issue as at the Latest Practicable Date and assuming that no Shares will be issued or repurchased from the Latest Practicable Date to the date of the SGM, subject to the passing of the ordinary resolutions for the grant of the Issue Mandate, the Issue Mandate will allow the Directors to issue and allot up to 343,391,194 new Shares.

As discussed with the Directors, the Directors consider that equity financing through the use of the Issue Mandate is an important avenue of resources to the Group, as it (i) does not create any interest paying obligations on the Group as in bank financing; (ii) is less costly and time-consuming than raising funds by way of rights issue or open offer; and (iii) provides the Company with the capability to capture any capital raising or prospective investment opportunity as and when it arises. The Directors consider that such ability is crucial in a rapidly changing investment environment and in times of volatile market conditions.

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Besides, we noted that the next annual general meeting will not be held until around May 2011, which is about half-year time from the Latest Practicable Date. As advised by the Directors, the Company has not entered into any agreement or arrangement which may involve issue of new Shares, however, the Group is, from time to time, identifying possible investment opportunities which may require funding requirement and such investment opportunities may or may not arise at any time prior to the next annual general meeting. If the Current Issue Mandate is not to be refreshed at the SGM, the Company will not have flexible fund raising availability, if so required, until a new general mandate is approved in the next annual general meeting.

In light of the above, we are of the view that the Issue Mandate (i) would provide the Company with the necessary financing flexibility for any funding needs for any future investments and business developments as and when they arise; (ii) will ensure the Company having sufficient general mandate, if so required, until the general mandate is approved in the next annual general meeting; and (iii) will facilitate the Company to raise funds in a meaningful quantum if and when necessary in a timely manner, we therefore consider that the grant of the Issue Mandate is in the interests of the Company and the Shareholders as a whole.

2. Flexibility in financing

As discussed with the Directors, we are given to understand that the Directors have no concrete plan for raising capital by issuing of new Shares as at the Latest Practicable Date. If any potential investors offer attractive terms for investment in the Shares subject to the then market conditions, the Directors will consider and may conduct an equity fund raising exercise by issuing new Shares, the proceeds of which may be used as general working capital and/or supporting the Group's future business development. The Directors consider that funding requirement or appropriate investment opportunities may or may not arise at any time prior to the next annual general meeting. If such opportunities arise prior to the next annual general meeting, decisions may have to be met or made within a limited period of time. The Directors believe that (i) the Issue Mandate will therefore provide the Company with additional flexibility in deciding the source of financing for any acquisition opportunities that may arise in the future; and (ii) the Issue Mandate will empower them to issue new Shares under the refreshed limit speedily as and when necessary, and without seeking further approval from the Shareholders.

Based on the above, and having taken into account that (i) any share placement exercises are dependent, to a large extent, on prevailing market conditions and such opportunities for share placement exercises may not always arise; and (ii) the Issue Mandate would provide the Group with flexibility to issue new Shares or other convertible instruments as consideration for potential future investments or acquisitions as and when such opportunities arise, we therefore consider that the grant of the Issue Mandate is in the interests of the Shareholders and the Company as a whole.

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3. History of fund raising activities of the Group during the last 12 months

According to the information provided by the Directors, we summarise the fund raising activities of the Company during the past 12 months immediately preceding the Latest Practicable Date in the following table:

Date of announcement of activity	Transaction	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
21 September 2010	Placing of new Shares	HK\$31.80 million	Used for general working capital of the Group and/or to fund potential acquisitions or investment opportunities, including but not limited to the proposed acquisition of 80% interest of a target company by EMAX	(i) Approximately HK\$30 million has been applied for the partial settlement of the earnest money in the amount of HK\$40 million payable by EMAX to the vendor of the proposed acquisition of 80% interest of a target company by EMAX as refundable earnest money or deposit; and (ii) Approximately HK\$1.8 million has been/will be used as general working capital

Save as disclosed herein, the Company has not conducted any other equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

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4. Potential dilution to shareholding of the Independent Shareholders

We set out below the table depicting the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) for illustrative purpose, upon full utilisation of the Issue Mandate assuming no Shares will be issued or repurchased by the Company from the Latest Practicable Date to the date of the SGM:

Name of Shareholders	As at the Latest Practicable Date		Upon full utilisation of the Issue Mandate	
	Shares	%	Shares	%
True Allied Assets Limited (<i>Note</i>)	351,518,000	20.47	351,518,000	17.06
Mr. Li Ge (<i>Note</i>)	37,012,000	2.16	37,012,000	1.80
Public Shareholders	1,328,425,970	77.37	1,328,425,970	64.48
Shares that may be issued under the Issue Mandate	–	–	343,391,194	16.66
Total	<u>1,716,955,970</u>	<u>100.00</u>	<u>2,060,347,164</u>	<u>100.00</u>

Note: True Allied Assets Limited is beneficially wholly-owned by Mr. Li Ge, a Director and a substantial Shareholder.

Shareholders should be aware that the Current Issue Mandate will be revoked upon approval at the SGM by the Independent Shareholders of the Issue Mandate which will be and continue to be in force until the earliest of (i) the conclusion of the next annual general meeting of the Company; or (ii) the revocation or variation of the authority given under this resolution by ordinary resolution passed by the Shareholders in general meeting; or (iii) the expiration of the period within which the next annual general meeting of the Company is required by the article of association or any applicable laws of Bermuda to be held.

As illustrated in the table above, assuming no Shares will be issued or repurchased by the Company from the Latest Practicable Date to the date of the SGM, 343,391,194 new Shares can be issued upon full utilisation of the Issue Mandate, representing 20% the issued share capital as at the date of SGM, and the aggregate shareholding of the existing public Shareholders will decrease from approximately 77.37% as at the Latest Practicable Date to approximately 64.48% upon full utilisation of the Issue Mandate, representing a potential maximum decrease in shareholding of approximately 12.89%.

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Taking into account that the Issue Mandate (i) allows the Company to raise capital by allotment and issue of new Shares before the next annual general meeting; (ii) provides more flexibility and options of financing to the Group for further business development as well as for other potential future investments and/or acquisitions as and when such opportunities arise; and (iii) the shareholding interests of all the Shareholders will be decreased in proportion to their respective shareholdings upon any utilisation of the Issue Mandate, we consider that such potential decrease in shareholding of the public Shareholders is acceptable.

RECOMMENDATION

Having taken into account the principal factors and reasons referred to the above, we are of the opinion that the grant of the Issue Mandate is fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Shareholders and recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions for the grant of the Issue Mandate at the SGM.

Yours faithfully,
For and on behalf of
Cinda International Capital Limited
Robert Siu
Executive Director

This appendix serves as an explanatory statement, as required pursuant to Rule 13.08 and other relevant provisions of the GEM Listing Rules, to provide you with requisite information for your consideration of the Repurchase Mandate.

1. EXERCISE OF THE REPURCHASE MANDATE

On the basis that 1,716,955,970 Shares are in issue as at the Latest Practicable Date and no further Shares are issued or repurchased prior to the SGM, exercise in full of the Repurchase Mandate could result in up to 171,695,597 Shares being repurchased by the Company during the period from the passing of Resolution No.2 as set out in the notice of SGM up to (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws or any applicable laws of Bermuda to be held; or (iii) the passing of an ordinary resolution by Shareholders in general meeting revoking, varying and renewing the Repurchase Mandate, whichever occurs first.

2. REASONS FOR REPURCHASE

The Directors believe that the Repurchase Mandate is in the best interests of the Company and the Shareholders. Repurchases of Shares will only be made when the Directors believe that such a repurchase will benefit the Company and the Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earning per share.

3. FUNDING AND EFFECT OF REPURCHASES

In repurchasing shares, the Company may only apply funds legally available, from funds available for dividend or distribution or out of proceeds of new issue, for such purpose in accordance with its Bye-laws, the applicable laws of Bermuda and the GEM Listing Rules. The law of Bermuda provides that the amount to be paid in connection with a share repurchase may only be provided for out of the capital paid up on the shares to be repurchased or out of the funds of the Company which would otherwise be available for dividend or distribution or out of the proceeds of a new issue of shares made for the purpose of the repurchase. The premium, if any, payable on a share repurchase may only be paid out of funds of the Company which would otherwise be available for dividend or distribution or out of the Company's share premium account.

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the latest published audited accounts contained in the 2009 annual report of the Company) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on its gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

4. UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Bye-laws of the Company and the applicable laws of Bermuda.

5. INTENTION TO SELL SHARES

None of the Directors and, to the best of their knowledge, having made all reasonable enquiries, none of their respective associates (as defined in the GEM Listing Rules), have any present intention, in the event that the proposal on the Repurchase Mandate is approved by shareholders, to sell shares to the Company or its subsidiaries.

6. TAKEOVERS CODE CONSEQUENCE

If as a result of a repurchase of shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase in the Shareholder's interests, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, the following shareholder had interests representing 5% or more of the issued share capital of the Company:

Name	Shares held	Percentage of total issued Shares
True Allied Assets Limited	351,518,000	20.47%
Li Ge (<i>Note</i>)	388,530,000	22.63%

Note: As to 351,518,000 Shares held by Mr. Li Ge are held through True Allied Assets Limited.

In the event that the Directors exercise in full the power to repurchase shares under the Repurchase Mandate to be proposed at the SGM, the total interests of each of the above shareholders in the existing issued share capital of the Company would be proportionally increased to approximately 22.75% and 25.14%, respectively.

As at the Latest Practicable Date, save as Mr. Li directly and indirectly owned 388,530,000 Shares of the Company, none of the Directors nor their respective associates were beneficially interested in the issued share capital of the Company.

The Directors are not aware of any consequences which may arise under the Takeovers Code as a result of any purchase made under the Repurchase Mandate. However, the Company undertakes not to repurchase shares which would result in the amount of shares held by the public being reduced to less than 25 per cent.

7. SHARE PURCHASED BY THE COMPANY

The Company has not purchased any of its shares (whether on GEM or otherwise) in the previous six months.

8. CONNECTED PERSON

No connected person (as defined in the GEM Listing Rules (as amended from time to time)) has notified the Company that he/it has a present intention to sell shares to the Company, or has undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders.

9. SHARE PRICES

The highest and lowest prices at which the Shares have been traded on GEM during each of the previous twelve months were as follows:

	Highest <i>HK\$</i>	Shares Lowest <i>HK\$</i>
2009		
November	0.184	0.132
December	0.150	0.114
2010		
January	0.155	0.116
February	0.280	0.122
March	0.290	0.230
April	0.260	0.200
May	0.220	0.140
June	0.152	0.128
July	0.145	0.110
August	0.144	0.115
September	0.212	0.112
October	0.181	0.152
November (up to the Latest Practicable Date)	0.174	0.144

The following is a summary of the principal terms of the New Scheme proposed to be adopted by the Shareholders at the SGM.

1. CONDITIONS

The New Scheme shall take effect subject to the passing of the necessary resolution to adopt the New Scheme by the Shareholders in general meeting and is conditional upon the GEM Listing Division granting the listing of and permission to deal in any Shares to be issued pursuant to the exercise of any Options under the New Scheme.

2. PURPOSES OF THE NEW SCHEME

2.01 The New Scheme is a share incentive scheme and is established to recognize, motivate and provide incentives to those who make contributions to the Group. The purpose of the New Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, shareholders, distributors, contractors, suppliers, agents, customers, business partners or service providers of any member of the Group or any Invested Entity and to promote the success of the business of the Group.

2.02 The New Scheme will give the Participants an opportunity to have a personal stake in the Company and will help achieve the following objectives:

- (a) motivate the Participants to optimise their performance and efficiency; and
- (b) attract and retain the Participants whose contributions are important to the long-term growth and profitability of the Group.

2.03 Unless the Board otherwise determined and stated in the offer of the grant of Options to a Participant, a Participant is not required to achieve any performance targets before any Options granted under the New Scheme can be exercised. Directors have discretion to impose the performance targets restriction on case by case basis.

3. DETERMINATION OF ELIGIBILITY

3.01 The Board may, at its absolute discretion, invite any person belonging to any of the following classes of persons of any member of the Group or the Invested Entity, to be a Participant of the New Scheme and to take up an Option to subscribe for Shares:

- (a) any full-time or part-time employee of any member of the Group or any Invested Entity;
- (b) any director (including executive, non-executive or independent non-executive directors) of any member of the Group or any Invested Entity;

- (c) any consultant or adviser (professional or otherwise) to any area of business or business development of any member of the Group or any Invested Entity;
- (d) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- (f) any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group or any Invested Entity; and
- (g) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group or any Invested Entity.

An Option is personal and shall not be assignable and in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of third party over or in relation to any Option. For the avoidance of doubt, the grant of any options by the Company for the subscription of Shares or any other securities of the Group to any person who fall within any of the above classes of Participants shall not, by itself, unless the Board otherwise determined, be construed as a grant of Option under the New Scheme.

- 3.02 The basis of eligibility of any Participant to the grant of any Option shall be determined by the Board (or as the case may be, the independent non-executive directors) from time to time on the basis of the Participant's contribution or potential contribution to the development and growth of the Group.

4. DURATION AND ADMINISTRATION

- 4.01 Subject to Clauses 1 and 14, the New Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof, after which period no further Options shall be offered or granted but the provisions of the New Scheme shall remain in full force and effect in all other respects to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the New Scheme. Options granted during the life of the New Scheme shall continue to be exercisable in accordance with their terms of grant within the Option Period.
- 4.02 The New Scheme shall be subject to the administration of the Board whose decision (save as otherwise provided herein and in the absence of manifest error) shall be final and binding on all parties.

5. GRANT OF OPTION

- 5.01 On and subject to the terms of the New Scheme, the Board shall be entitled at any time and from time to time within 10 years after the Adoption Date to make an Offer to any Participant as the Board may in its absolute discretion select, and subject to such conditions as the Board may think fit, which may include a condition that the Grantee shall not dispose of the Shares issued upon exercise of the Option within such period of time or under such conditions as the Board may at its absolute discretion determine, minimum period for which an Option must be held and performance targets that must be achieved before an Option can be exercised, to subscribe during the Option Period for such number of Shares (being, subject to Clause 13, a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof) as the Board may determine at the Subscription Price provided always that an Offer made to such Participant will not constitute an invitation to the public to subscribe for the Shares under any applicable legislations.
- 5.02 An Offer shall be made to a Participant on a business day in writing in such form as the Board may from time to time determine, requiring the Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the New Scheme and shall remain open for acceptance by the Participant concerned for a period of 28 days from the Offer Date (inclusive of the Offer Date) upon which provided that no such offer shall be open for acceptance after the expiry of the New Scheme (subject to early termination thereof).
- 5.03 An Offer shall be deemed to have been accepted and an Option to which the Offer relates shall be deemed to have been granted and accepted and to have taken effect when a letter in such form as the Board may from time to time determine signifying acceptance of the Option duly signed by the Grantee together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company within 28 days from the Offer Date (inclusive of the Offer Date). Such remittance shall in no circumstances be refundable.
- 5.04 Any Offer must be accepted in its entirety and can under no circumstances be accepted of less than the number of Shares for which it is offered. To the extent that the Offer of the grant of an Option is not accepted within 28 days in the manner indicated in Clause 5.03, it will be deemed to have been irrevocably rejected by the Participant and the Offer shall lapse and become null and void.
- 5.05 No Offer may be made after a price sensitive event of the Group has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the requirements of the GEM Listing Rules. No Option may be granted during the period commencing one month immediately preceding the earlier of :-

- (i) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and
- (ii) the last day on which the Company shall publish an announcement of its results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules),

and ending on the date of the results announcement.

6. SUBSCRIPTION PRICE

The Subscription Price shall be a price determined solely by the Board and notified to a Participant and shall be at least the higher of : (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the Offer Date; and (iii) the nominal value of a Share on the Offer Date, provided that in the event of fractional prices, the Subscription Price per Share shall be rounded upwards to the nearest whole cent.

For the purpose of calculating the Subscription Price where the Company has been listed for less than five business days, the issue price of the Shares on the Stock Exchange shall be used as the closing price for any business day falling within the period before listing.

7. EXERCISE OF OPTIONS

7.01 An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option (where the Grantee is a company, any change of its major shareholder or any substantial change in its management will be deemed to be a sale or transfer of interest as aforesaid, if so determined by the Board at its sole discretion). Any breach of the foregoing by a Grantee shall entitle the Company to cancel, revoke or terminate any Option granted to such Grantee to the extent not already exercised.

7.02 An Option may be exercised in whole or in part in the manner as set out in Clauses 7.03 and 7.04 by the Grantee giving notice in writing to the Company in such form as the Board may from time to time determine stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised (which, except where the number of Shares in respect of which the Option remains unexercised is less than one board lot or where the Option is exercised in full, must be for a board lot for dealings

in Shares on the Stock Exchange or an integral multiple thereof). Each such notice must be accompanied by a remittance for the full amount of the aggregate Subscription Price of the Shares in respect of which the notice is given together with the reasonable administration fee specified by the Company from time to time. Within 28 days after receipt of the notice and the remittance and, where appropriate, receipt of the Auditors' certificate or the confirmation of the Financial Adviser (as the case may be) pursuant to Clause 10, the Company shall issue and allot the relevant Shares, fully paid, to the Grantee.

7.03 Subject as hereinafter provided in the New Scheme, an Option may be exercised by the Grantee at any time during the Option Period provided that:

- (a) in the event that the Grantee dies before exercising the Option in full, the Option (to the extent not already exercised) shall lapse automatically on the date of death of the Grantee;
- (b) in the event that the Grantee is an employee of the Group or the Invested Entity when an Offer is made to him/her and he/she subsequently ceases to be an employee of the Group or the Invested Entity for any reason other than (i) his/her death or (ii) the termination of his/her employment on one or more of the grounds specified in Clause 8(d), the Option (to the extent not already exercised) shall lapse automatically on the date of cessation of such employment (which date will be the last actual working day on which the Grantee was physically at work with the Company or the relevant member of the Group or the Invested Entity whether salary is paid in lieu of notice or not);
- (c) in the event that the Grantee is an employee of the Group or the Invested Entity when an Offer is made to him/her and he/she subsequently ceases to be an employee by reason of a termination of his/her employment on one or more of the grounds specified in Clause 8(d) and the Grantee has exercised the Option in whole or in part pursuant to Clause 7.02, but Shares have not been allotted to him/her, the Grantee shall, unless the Board determines otherwise, be deemed not to have so exercised such Option and the Company shall return to the Grantee the amount of the Subscription Price for the Shares in respect of the purported exercise of such Option;
- (d) in the event that the Grantee is a distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group or any Invested Entity when an Offer is made to him/her/it and he/she/it subsequently ceases to be so (to be determined in the Company's absolute discretion), the Option (to the extent not already exercised) shall lapse automatically 15 days after the date of the written notice served by the Company on the Grantee to that effect.

- (e) in the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all the Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) the Company shall use its best endeavours to procure that an appropriate offer is extended to all the Grantee (on comparable terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the Options granted to them, as Shareholders). If such offer becoming or being declared unconditional, the Grantee shall, notwithstanding any terms on which his/her Options were granted, be entitled to exercise the Option in full (to the extent not already exercised) at any time within 1 month after the date on which the offer becomes or is declared unconditional;
- (f) in the event of a compromise or arrangement between the Company and the Shareholders or its creditors being proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies pursuant to the Companies Law, the Company shall give notice thereof to all the Grantees on the same day as it gives notice of the meeting to the Shareholders or its creditors to consider such a compromise or arrangement and the Options (to the extent not already exercised) shall become exercisable in whole or in part not later than 5 business days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (the "Suspension Date"), by giving notice in writing to the Company in accordance with Clause 7.02, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given whereupon the Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the business day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the Grantee credited as fully paid. With effect from the Suspension Date, the rights of all Grantees to exercise their respective Options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all Options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of Options under this Clause 7.03(f) shall for the purposes of such compromise or arrangement form part of the issued share capital of the Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of Grantees to exercise their respective Options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the New Scheme) as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any Grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of the Company or any of its officers;

- (g) in the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all Grantees and thereupon, each Grantee shall be entitled to exercise all or any of his Options (to the extent not already exercised) at any time not later than 5 business days prior to the proposed general meeting of the Company by giving notice in writing to the Company in accordance with Clause 7.02, accompanied by a remittance for the full amount of the aggregate Subscription Price of the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

7.04 The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Bye-laws of the Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any Option shall not carry any voting rights until the name of the Grantee has been duly entered on the register of members of the Company as the holder thereof.

8. LAPSE OF OPTION

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:-

- (a) the expiry of the Option Period;
- (b) the expiry of any of the periods referred to in Clauses 7.03(a), (b), (d) or (f);
- (c) subject to Clause 7.03(g), the date of the commencement of the winding-up of the Company;

- (d) in the event that the Grantee is an employee of the Group or the Invested Entity when an Offer is made to him/her and he/she subsequently ceases to be an employee of the Group or the Invested Entity on any one or more of the grounds that he/she has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the Grantee's service contract with the Group or the Invested Entity, the date of cessation of his/her employment with the Group or the Invested Entity. A resolution of the Board or the board of directors of the relevant member of the Group or the Invested Entity to the effect that employment of a Grantee has or has not been terminated on one or more of the grounds specified in this Clause 8(d) shall be conclusive and binding on the Grantee;
- (e) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his/her creditors generally by the Grantee, or conviction of the Grantee of any criminal offence involving his/her integrity or honesty;
- (f) the date on which the Board exercises the Company's right to cancel, revoke or terminate the Option on the ground that the Grantee commits a breach of Clause 7.01 in respect of that or any other Option;
- (g) where the Grantee is only a substantial shareholder of any member of the Group or the Invested Entity, the date on which the Grantee ceases to be a substantial shareholder of such member of the Group or the Invested Entity; and
- (h) subject to the compromise or arrangement as referred to in sub-paragraph 7.03(f) becoming effective, the date on which such compromise or arrangement becomes effective.

9. MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION

- 9.01 (a) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the New Scheme or any other share option schemes of the Company if this will result in the limit being exceeded.

- (b) Subject to Clauses 9.01(c) and (d), the maximum number of Shares issuable upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the New Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of all the Shares in issue as at the date of approval of the New Scheme.
- (c) The 10% limit as mentioned under Clause 9.01(b) may be refreshed at any time by approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the New Scheme and any other share option schemes of the Company (including those outstanding, cancelled or lapsed in accordance with the terms of the New Scheme and other share option schemes of the Company) will not be counted for the purpose of calculating the limit as “refreshed”. A circular must be sent to the Shareholders containing the information as required under the GEM Listing Rules in this regard.
- (d) Subject to Clause 9.01(a), the Company may seek separate approval by the Shareholders in general meeting for granting options beyond the 10% limit under Clause 9.01(b) and (c) provided the options in excess of the limit are granted only to Participants specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to the Shareholders containing a generic description of the specified persons who may be granted such Options, the number and terms of such Options to be granted and the purpose of granting such Options to the specified persons with an explanation of how the terms of the Options will serve the purpose and all other information required under the GEM Listing Rules.

- 9.02 The total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised and outstanding Options) under the New Scheme or any other share option schemes of the Company in any 12-month period up to date of grant must not exceed 1% of the Shares in issue. Where any further grant of Options to a Participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such Participant and his/her associates abstaining from voting, and the number and terms (including the Subscription Price) of Options to be granted to such Participant must be fixed before the Shareholders' approval. In such event, the Company must send a circular to the Shareholders containing the identity of the Participant, the number and terms of Options to be granted (and options previously granted to such person) and all other information required under the GEM Listing Rules. The date of meeting of the Board proposing such further grant should be taken as the Offer Date for the purpose of calculating the Subscription Price under Clause 6.
- 9.03 The maximum number of Shares referred to in Clauses 9.01 and 9.02 will be adjusted, in such manner as the Auditors shall certify in writing or the Financial Adviser shall confirm in writing (as the case may be) to the Board to be fair and reasonable in accordance with Clause 10 (no such certification or confirmation is required in case of adjustment made on a capitalisation issue), in the event of any alteration in the capital structure of the Company by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company.
- 9.04 Notwithstanding the aforesaid, each grant of Options to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by independent non-executive Directors (excluding independent non-executive Director who is the Grantee). Where any grant of Options to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates would result in the total number of Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) under the New Scheme and any other share option schemes of the Company to such person in any 12-month period up to and including the date of such grant:
- (a) representing in aggregate over 0.1% of the Shares in issue; and
 - (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of Options must be approved by the Shareholders at a general meeting of the Company, with voting to be taken by way of poll. The Company shall send a circular to the Shareholders containing all information as required under the GEM Listing Rules in this regard. All connected persons (as defined in the GEM Listing Rules) of the Company shall abstain from voting (except where any connected person intends to vote against the proposed grant and his/her intention to do so has been stated in the aforesaid circular). Any vote taken at the general meeting to approve the grant of such Options must be taken on a poll. Any change in the terms of an option granted to a substantial shareholder of the Company or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

10. REORGANISATION OF CAPITAL STRUCTURE

10.01 In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which any member of the Group or the Invested Entity is party), such corresponding adjustments (if any) shall be made in:

- (a) the number of Shares subject to the Option so far as unexercised; and/or
- (b) the Subscription Prices of any unexercised Option,

as the Auditors shall certify in writing or the Financial Adviser shall confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable and in compliance with the relevant provisions of the GEM Listing Rules (or any guideline or supplementary guidance as may be issued by the Stock Exchange from time to time) (no such certification or confirmation is required in case of adjustment made on a capitalisation issue), provided that any such alteration shall give a Grantee as near as possible the same proportion of the issued share capital of the Company as (but in any event shall not be greater than) that to which he/she/it was previously entitled and any such adjustments shall be made on the basis that the aggregate Subscription Price payable by a Grantee on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than, except upon any consolidation of the Shares pursuant to this Clause 10) it was before such event, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

The capacity of the Auditors or the Financial Adviser (as the case may be) in this Clause 10 is that of experts and not of arbitrators and their certification or confirmation shall, in the absence of manifest error, be final, conclusive and binding on the Company and the Grantees. The costs of the Auditors or the Financial Adviser (as the case may be) shall be borne by the Company.

Upon any adjustment pursuant to Clause 10.01, the Company shall notify the Grantees in writing the adjustments that have been made. If there has been any alteration in the capital structure of the Company, and if the Company has not yet informed the Grantees of any necessary adjustments to be made to their Options in accordance with the certificate of the Auditors or the confirmation of the Financial Adviser (as the case may be), the Company shall, upon receipt of a notice from a Grantee in accordance with Clause 7.02, inform the Grantee of such alteration and shall either inform the Grantee of the adjustment to be made in accordance with the aforesaid certificate or confirmation obtained by the Company for such purpose or, if no such certificate or confirmation has yet been obtained, inform the Grantee of such fact and instruct the Auditors or the Financial Adviser as soon as practicable thereafter to issue a certificate or provide a written confirmation in that regard in accordance with Clause 10.01.

11. SHARE CAPITAL

The exercise of any Option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of the Company. Subject thereto the Board shall make available sufficient authorised but unissued share capital of the Company to meet subsisting requirements on the exercise of Options.

12. DISPUTES

Any dispute arising in connection with the New Scheme (whether as to the number of Shares, the subject of an Option, the amount of the Subscription Price or otherwise) shall be referred to the decision of the Auditors or the Financial Adviser (as the case may be) who shall act as experts and not as arbitrators and whose decision shall, in the absence of manifest error, be final, conclusive and binding on all persons who may be affected thereby.

13. ALTERATION OF THE NEW SCHEME

13.01 The New Scheme may be altered in any respect by resolution of the Board except that the provisions of the New Scheme as to:

- (a) the definitions of “Participant” and “Grantee” and “Option Period”; and
- (b) the provisions of Clauses 2, 3, 4, 5, 6, 7, 8, 9, 10, 14, 15 and this Clause 13;

shall not be altered to the advantage of Grantees or prospective Grantees except with the prior sanction of the Shareholders by a resolution in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction such majority of the Grantees as would be required of the Shareholders under the Bye-laws for a variation of the rights attached to the Shares.

- 13.02 Any alterations to the terms and conditions of the New Scheme, which are of a material nature, or any change to the terms of Option granted, or any change to the authority of the Board in respect of alteration of the New Scheme, must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the New Scheme.
- 13.03 Notwithstanding anything to the contrary contained in Clauses 13.01 and 13.02, the Board may at any time alter or modify the New Scheme in any way to the extent necessary to cause the New Scheme to comply with any statutory provisions or the regulations of any regulatory or other relevant authority. Any amendment to any terms of the New Scheme or the options granted shall comply with the relevant requirements of Chapter 23 of the GEM Listing Rules.
- 13.04 Any change to the authority of the Directors or the New Scheme administrators in relation to any alteration to the terms of the New Scheme must be approved by the Shareholders in general meeting.

14. TERMINATION

The Company by resolution in general meeting or the Board may at any time terminate the operation of the New Scheme and in such event no further Options will be offered but Options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the New Scheme.

15. CANCELLATION

Any cancellation of Options granted but not exercised may be effected on such terms as may be agreed with the relevant Grantee, as the Board may in its absolute discretion sees fit and in a manner that complies with all applicable legal requirements for such cancellation. Where the Company cancels Options and issues new ones to the same Grantee, the issue of such new Options may only be made under the New Scheme with available unissued Options (excluding the cancelled Options) and in compliance with the terms of the New Scheme, in particular within the limit approved by the Shareholders and, subject to the maximum number of Shares available for subscription referred to in Clause 9.01.

NOTICE OF SPECIAL GENERAL MEETING

FAVA INTERNATIONAL HOLDINGS LIMITED

名家國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 08108)

NOTICE IS HEREBY GIVEN that a Special General Meeting of FAVA International Holdings Limited (“Company”) will be held at Room 1005, C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong on 9 December 2010, Thursday at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions :

ORDINARY RESOLUTIONS

1. **“THAT:**

- (a) subject to paragraph (c) of this Resolution, and pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”), the exercise by the directors of the Company during the Relevant Period (as hereafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including but not limited to warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall authorize the directors of the Company during the Relevant Period to make or grant offers, agreements and options (including but not limited to warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such powers (including but not limited to the power to allot, issue and deal with add additional shares in the capital of the Company) during or after the end of the Relevant Period;
- (c) the aggregate nominal value of the share capital allotted or agreed conditionally or unconditionally to be allotted or issued (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) an issue of shares in the Company upon the exercise of subscription rights attaching to any existing warrants, bonds and debentures convertible into shares of the Company or (iii) an issue of shares in the Company upon the exercise of options which may be granted under the existing share option scheme of the Company (as adopted on 24 May 2002) or any share option scheme or similar arrangement for the time being or from time to time adopted for the grant or issue to officers

NOTICE OF SPECIAL GENERAL MEETING

and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares in the Company; or (iv) any scrip dividend scheme or similar arrangement providing for the allotment and issue of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company; or (v) a specific authority granted by the shareholders of the Company in general meeting, shall not exceed 20 per cent. of the aggregate nominal value of the share capital of the Company in issue at the date of the passing of this Resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this Resolution:–

“Relevant Period” means the period from the date of passing of this Resolution until whichever is the earliest of:–

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws of Bermuda to be held; and
- (iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking, varying or renewing the authority given to the directors of the Company by this Resolution; and

“Rights Issue” means an offer of shares of the Company or issue of options, warrants or other securities giving the right to subscribe for shares of the Company, open for a period fixed by the directors of the Company to holders of shares whose names appear on the register of shareholders of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their then holdings of such shares of the Company (or, where appropriate, such other securities) (subject in all cases to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or overseas shareholders having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory applicable to the Company).”

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2. **“THAT:**

- (a) subject to paragraph (b) of this Resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company, including to determine the manner of repurchase, to repurchase shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the shares of the Company may be listed which is recognized by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or requirements of the GEM Listing Rules or of any other stock exchange as amended from time to time, be and the same is hereby generally and unconditionally approved;
- (b) the aggregate nominal value of the shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period shall not exceed 10 per cent. of the nominal value of the share capital of the Company in issue at the date of the passing of this Resolution and the authority granted pursuant to paragraph (a) of this Resolution shall be limited accordingly; and
- (c) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or any applicable laws of Bermuda to be held; and
- (iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking, varying or renewing the authority given to the directors of the Company by this Resolution.”

NOTICE OF SPECIAL GENERAL MEETING

3. “**THAT** conditional upon Resolutions Nos.1 and 2 being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the Directors as mentioned in Resolution No.2 shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to Resolution No.1 above.”

4. “**THAT** subject to and conditional upon the approval of the listing of, and permission to deal in, the shares to be allotted and issued by the Company pursuant to the exercise of any options granted under the new share option scheme of the Company (“New Scheme”, the rules of which are set out in a document submitted to the meeting marked “A” and signed for the purpose of identification by the chairman of the meeting) by the Listing Division of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the New Scheme be and is hereby approved and adopted and the board of directors of the Company be and is hereby authorized to take all such steps as it may deem necessary, desirable or expedient to carry into effect, vary or amend the New Scheme subject to the terms of the New Scheme and Chapter 23 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (as amended from time to time).”

5. “**THAT** the board of directors of the Company be and is hereby authorized to grant options to subscribe for shares in accordance with the rules of the New Scheme, to allot and issue shares pursuant to the exercise of the options so granted, to administer the New Scheme in accordance with its terms and to take all necessary actions incidental thereto as the board of directors of the Company deems fit.”

6. “**THAT** conditional upon the passing of Resolution No. 4 hereinabove, the existing share option scheme of the Company which was adopted on 24 May 2002 (“Existing Scheme”) be and is hereby terminated with effect from the adoption of the New Scheme provided that any options granted under the Existing Scheme prior to the date of its termination shall continue to be valid and exercisable in accordance with the Existing Scheme and the provisions of the Existing Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of such options.”

By Order of the Board
FAVA INTERNATIONAL HOLDINGS LIMITED
Li Ge
Chairman

Hong Kong, 24 November 2010

NOTICE OF SPECIAL GENERAL MEETING

Notes:

- (1) Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint a proxy to attend and vote in his stead. Any such member who is a holder of two or more shares may appoint more than one proxy to attend and vote in his stead. A proxy need not be a member of the Company but must be present in person to represent the member.
- (2) In order 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 that power of attorney or other 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, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the said meeting or any adjournment thereof.
- (3) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
- (4) As the date hereof, the Board comprises seven Directors. The executive Directors are Mr. Li Ge, Mr. Zhao Guo Wei and Mr. Ma Chun Fung, Horace. The non-executive Director is Mr. Ng Kwai Wah, Sunny. The independent non-executive Directors are Mr. Lee Yuen Kwong, Mr. Yang Jie and Mr. Yang Dongli.