
IMPORTANT

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 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.

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

FAVA INTERNATIONAL HOLDINGS LIMITED

名家國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8108)

DISCLOSEABLE TRANSACTION

ACQUISITION OF FURNITURE RETAIL BUSINESS

Financial Adviser



Guotai Junan Capital Limited

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

24 April 2007

* *For identification purpose only*

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

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

“Acquisition”	the acquisition of the Furniture Retail Business under the S & P Agreement
“associates”	has the meaning ascribed to this term under the GEM Listing Rules
“Audited Net Profit”	the audited net profit of the Furniture Retail Business for the twelve months ending 31 March 2008
“Audited Net Profit in the Second Stage”	the audited net profit of the Furniture Retail Business for the twelve months ending 31 December 2008
“Board”	the board of Directors, including independent non-executive Directors, of the Company
“Business Day(s)”	any day (excluding a Saturday and Sunday) on which banks generally are open for business in the PRC
“Company”	FAVA International Holdings Limited, a company incorporated in Bermuda with limited liability whose Shares are listed and traded on GEM
“Completion”	completion of the Acquisition after fulfillment of all conditions precedent as set out in the S & P Agreement (or waived by the Purchaser)
“Completion Date”	the date of Completion or such later date as may be agreed between the Purchaser and the Vendor
“connected person”	shall have the meaning ascribed to it in the GEM Listing Rules
“Consideration”	the consideration of the Acquisition to be equal to the Audited Net Profit multiplied by a price-to-earnings ratio of 3 times in the event that the Audited Net Profit is less than RMB10,000,000, or 4 times in the event that the Audited Net Profit is more than or equals to RMB10,000,000 but less than or equals to RMB15,000,000, or 4.9 times in the event that the Audited Net Profit exceeds RMB15,000,000. In the event that the Audited Net Profit exceeds RMB20,000,000, the maximum amount of the Consideration payable will be equal to RMB20,000,000 multiplied by a price-to-earnings ratio of 4.9 times, that is RMB98,000,000.

DEFINITIONS

	<p>In any event, the minimum Consideration of the Furniture Retail Business shall equal to the net asset value of the Furniture Retail Business as at 22 March 2007 as reported in the Valuation Report</p>
“Furniture Retail Business”	<p>all the furniture assets and retail business excluding all the liabilities in Lang Fang Huari Furniture International Exhibition Center (Hall A)* (廊坊華日家具國際展覽中心(A館)) in Hebei Province which is owned and operated by the Vendor as at 1 April 2007 (including but not limited to all the contracts, agreements or undertakings signed with any Independent Third Parties and all the rights and benefits derived from them), including the stocks, the renovation in progress and the furniture retail business of the Vendor</p>
“GEM”	<p>the Growth Enterprise Market operated by the Stock Exchange</p>
“GEM Listing Rules”	<p>the Rules Governing the Listing of Securities on the GEM</p>
“Group”	<p>the Company and its subsidiaries</p>
“Hong Kong”	<p>The Hong Kong Special Administrative Region of the PRC</p>
“HK\$”	<p>Hong Kong dollar(s), the lawful currency of Hong Kong</p>
“Independent Third Party”	<p>parties which are independent of and not connected with any of the directors, chief executives, substantial shareholders or management shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the GEM Listing Rules)</p>
“Latest Practicable Date”	<p>19 April 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular</p>
“PRC”	<p>the People’s Republic of China which for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan</p>
“Purchaser”	<p>Langfang Hengyu Home Co., Ltd*(廊坊恆宇家居有限公司), a company incorporated in the PRC and is an indirectly wholly-owned subsidiary of the Company</p>
“Remaining Balance”	<p>the Consideration minus the net asset value of the Furniture Retail Business as reported in the Valuation Report</p>

DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC
“S & P Agreement”	the conditional sale & purchase agreement dated 29 March 2007 entered into between the Purchaser and the Vendor in respect of the Acquisition
“Share(s)”	ordinary share(s) of HK\$0.004 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuation Report”	the asset valuation report for the Furniture Retail Business adopting 22 March 2007 as the reference date and issued by the Valuer; the Valuation Report was prepared using the cost method
“Valuer”	Beijing Chong Tai Hua Heng Assets Valuation Company Limited* (北京中泰華恒資產評估有限公司), a qualified valuer under the laws and regulations of the PRC and agreed by the Purchaser and the Vendor
“Vendor”	Lang Fang Huari Furniture Joint Stock Co., Ltd* (廊坊華日家具股份有限公司), a joint stock company incorporated in the PRC with limited liability and is principally engaged in manufacture of furniture
“Zhou’s Family”	Mr. Zhou Xu En* (周旭恩) and his parents who hold in aggregate approximately 98% of equity interests in the Vendor; Mr. Zhou Xu En held not more than 5% of the issued share capital of the Company as at the signing of the S & P Agreement
“%”	per cent

For the purpose of this circular, translations of RMB into Hong Kong dollars is made for illustration purposes only at the exchange rate of HK\$1 to RMB1.

* 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: 8108)

Executive Directors:

Mr. Li Ge

Mr. Zhao Guo Wei

Independent non-executive Directors:

Mr. Lee Yuen Kwong

Mr. Yang Jie

Mr. Yang Dongli

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal Place of Business

in Hong Kong:

Room 1005

C.C. Wu Building

302-8 Hennessy Road

Wanchai

Hong Kong

24 April 2007

To Shareholders:

Dear Sir/Madam,

DISCLOSEABLE TRANSACTION

ACQUISITION OF FURNITURE RETAIL BUSINESS

INTRODUCTION

Reference is made to the announcement of the Company dated 3 April 2007 that the Purchaser and the Vendor entered into the S & P Agreement on 29 March 2007, pursuant to which the Purchaser agreed to acquire the Furniture Retail Business at a Consideration which equals to the Audited Net Profit multiplied by a price-to-earnings ratio of 3 times in the event that the Audited Net Profit is less than RMB10,000,000, or 4 times in the event that the Audited Net Profit is more than or equals to RMB10,000,000 but less than or equals to RMB15,000,000, or 4.9 times in the event that the Audited Net Profit exceeds RMB15,000,000. In the event that the Audited Net Profit exceeds RMB20,000,000, the maximum amount of the Consideration payable will equal to RMB20,000,000 multiplied by a price-to-earnings ratio of 4.9 times, that is RMB98,000,000. In any event, the minimum Consideration of the Furniture Retail Business shall equal to the net asset value of the Furniture Retail Business as at 22 March 2007 as reported in the Valuation Report.

LETTER FROM THE BOARD

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

The Acquisition constitutes a discloseable transaction of the Company under Rule 19.06 of the GEM Listing Rules as the relevant percentage ratios of the Acquisition exceed 5%, but less than 25%.

The purpose of this circular is to provide you with further details of the S & P Agreement as well as other information as required by the GEM Listing Rules.

S & P AGREEMENT

Date: 29 March 2007

Parties: Purchaser: Langfang Hengyu Home Co., Ltd*(廊坊恆宇家居有限公司), a company incorporated in the PRC and is an indirectly wholly-owned subsidiary of the Company.

Vendor: Lang Fang Huari Furniture Joint Stock Co., Ltd* (廊坊華日家具股份有限公司), a joint stock company incorporated in the PRC with limited liability. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, save that the Zhou's Family, who holds 98% equity interests in the Vendor, held not more than 5% of the issued share capital of the Company as at the Latest Practicable Date and the business relationship set out below, the Vendor is an Independent Third Party not connected with any of the Directors, chief executives, substantial shareholders or management shareholders of the Company or any of its subsidiaries or any of their respective associates as defined in the GEM Listing Rules.

The Vendor has certain business relationship with Lang Fang Tian Feng Home Co., Ltd (an indirectly wholly-owned subsidiary of the Company) ("Lang Fang Tian Feng") including, (i) the Vendor as lessor lease certain land and buildings to Lang Fang Tian Feng as lessee. Such leased properties are used by Lang Fang Tian Feng for production and storage; and (ii) the Vendor as licensor grants to Lang Fang Tian Feng a non-exclusive right to use a trademark of the Vendor at an annual licence fee of RMB1 million.

Furniture Retail Business to be acquired: Pursuant to the S & P Agreement, the Purchaser has agreed to purchase from the Vendor the Furniture Retail Business.

LETTER FROM THE BOARD

Consideration

The Purchaser agreed to acquire the Furniture Retail Business from the Vendor at a Consideration which equals to the Audited Net Profit multiplied by a price-to-earnings ratio of 3 times in the event that the Audited Net Profit is less than RMB10,000,000, or 4 times in the event that the Audited Net Profit is more than or equals to RMB10,000,000 but less than or equals to RMB15,000,000, or 4.9 times in the event that the Audited Net Profit exceeds RMB15,000,000. In the event that the Audited Net Profit exceeds RMB20,000,000, the maximum amount of the Consideration payable will equal to RMB20,000,000 multiplied by a price-to-earnings ratio of 4.9 times, that is RMB98,000,000. In any event, the minimum Consideration of the Furniture Retail Business shall equal to the net asset value of the Furniture Retail Business as at 22 March 2007 as reported in the Valuation Report.

The Purchaser shall procure the Audited Net Profit to be obtained before 30 April 2008 and inform the Vendor of the same.

Basis of Consideration

The Consideration under the S & P Agreement is determined after arm's length negotiations between the Purchaser and the Vendor on normal commercial terms with reference to the audited net profit to be generated from the Furniture Retail Business for the twelve months ending 31 March 2008, multiplied by a price-to-earnings ratio which is determined with reference to the price-to-earnings ratio of companies listed in Hong Kong which are engaged in similar business with the Company.

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

Payment of Consideration

The Consideration shall be satisfied by the Purchaser in the following manners:

- a) by cash which equals to the net assets value of the Furniture Retail Business as at 22 March 2007 of RMB3,837,956.32 as reported in the Valuation Report prepared by the Valuer within five Business Days after the release of the Valuation Report or within five Business Days after the Completion Date, whichever is the later; and
- b) the Remaining Balance* of the Consideration (if any) will be settled by the Purchaser in cash in the followings manners:
 - (1) 20% of the Remaining Balance to be satisfied immediately after the release of the audit report in relation to the Audited Net Profit;
 - (2) 20% of the Remaining Balance to be satisfied after 6 months from the release of the audit report in relation to the Audited Net Profit;

LETTER FROM THE BOARD

- (3) 60% of the Remaining Balance to be satisfied subject to the adjustments in the following manners:
- i) in the event that the Audited Net Profit in the Second Stage exceeds the Audited Net Profit by more than 10%, the Purchaser shall pay a premium of 5% over the Remaining Balance to the Vendor, i.e. the Purchaser shall pay 65% of the Remaining Balance to the Vendor after the release of the audit report of the Audited Net Profit in the Second Stage;
 - ii) in the event that the Audited Net Profit in the Second Stage exceeds the Audited Net Profit by less than 10% (or equals to 10%), the Purchaser shall receive a discount of 5% to the Remaining Balance from the Vendor, i.e. the Purchaser shall pay 55% of the Remaining Balance to the Vendor after the release of the audit report of the Audited Net Profit in the Second Stage;
 - iii) in the event that the Audited Net Profit in the Second Stage is less than the Audited Net Profit, the Purchaser shall receive a discount of 10% to the Remaining Balance from the Vendor, i.e. the Purchaser shall pay 50% of the Remaining Balance to the Vendor after the release of the audit report of the Audited Net Profit in the Second Stage.

The Company intends to use its internal resources to satisfy the first instalment of the Consideration set out in paragraph a) above and will use its internal resources and/or bank loans to satisfy the second instalment of the Consideration set out in paragraph b) above.

**Remaining Balance = Consideration – RMB3,837,956.32 being the net assets value of the Furniture Retail Business*

CONDITIONS PRECEDENT

Completion of the Acquisition is conditional on, amongst other things, the fulfilment of the following conditions precedent set out below:

- (a) all the title documents and records of the Furniture Retail Business have been provided by the Vendor and the results of the review on all these documents and records are being found satisfactory by the Purchaser in the form of written notification to the Vendor;
- (b) all the approvals and/or consents (if any) to ensure the Purchaser will become the legal and beneficial owner of the Furniture Retail Business have been obtained;
- (c) the Non-Competition Undertaking has been executed by the Vendor in favor of the Purchaser;
- (d) the receipt by the Purchaser of a PRC legal opinion in relation to the legality of the title of the Furniture Retail Business and the transfer of title in a form acceptable to the Purchaser;
and

LETTER FROM THE BOARD

- (e) any other documents which are requested by the Purchaser.

If the conditions precedent are not fulfilled by 4 April 2007 (or waived by the Purchaser), the S & P Agreement shall be null and void.

COMPLETION

Completion of the Acquisition took place on 2 April 2007.

TRANSFER OF OWNERSHIP OF THE FURNITURE RETAIL BUSINESS

The Vendor have agreed that the Purchaser shall be entitled to the ownership and all benefits and rights associated with the Furniture Retail Business from the Completion Date.

The Vendor shall complete or assist the Purchaser to complete all the filing or registration of the transfer of title in accordance with relevant PRC laws and regulations within 30 Business Days after the Completion Date, or any other statutory timeframe (if such statutory timeframe is shorter than 30 Business Days). In the event that the registration process has to be extended, written consent shall be obtained from the Purchaser. All registration fees in connection with the transfer of title shall be jointly borne by the Purchaser and Vendor in accordance with the relevant PRC law and regulations.

NON-COMPETITION UNDERTAKING BY THE VENDOR

The Vendor, has undertaken to the Purchaser that, for a period of five years from the date of the signing of a non-competition undertaking dated 29 March 2007 (the "Non-Competition Undertaking"):

- (a) (i) the Vendor shall not, in Lang Fang area of Hebei Province, directly or indirectly, operates or participate in by any means of any furniture retail business similar to the furniture retail business carried on by the Purchaser or Furniture Retail Business (the "Restricted Furniture Business"), or hold any equity interest in any company engaged in the Restricted Furniture Business, or (ii) being employed by any person, company or organization who directly or indirectly participates in Restricted Furniture Business;
- (b) the Vendor shall not directly or indirectly, employ or procure employment of the directors, general managers or deputy general managers of the Purchaser;
- (c) the Vendor shall not, by itself or on behalf of any person, recruit or solicit any directors, general managers or managerial staffs of the Company to join any companies other than the Purchaser, no matter whether such persons are in breach of their employment or service contracts due to their departure.

All the undertakings above applies to the Vendor and any companies whose 50% or above of the equity interests are owned by the Vendor; or companies who own 50% of above of the equity interests of the Vendor; all the directors, general managers and deputy general managers of the aforesaid companies, or any persons who owns 50% or above of the equity interests of any of the aforesaid companies.

LETTER FROM THE BOARD

If the Vendor breaches the undertakings mentioned above, the Vendor shall compensate the Purchaser for all the losses and expenses suffered as a result of such breaches, as well as the loss of business opportunities. The Vendor shall account to the Purchaser all the gains arising from its activities in breach of paragraph (a), (b) and (c) above as compensation for the loss of business opportunities of the Purchaser.

INFORMATION ON THE VENDOR AND THE FURNITURE RETAIL BUSINESS

The Vendor is principally engaged in the manufacture and sale of furniture in the PRC, including a wide range of home series furniture, office furniture and hotel furniture. The Directors were informed that the Zhou's Family, who holds approximately 98% equity interests of the Vendor, held not more than 5% of the issued share capital of the Company as at the Latest Practicable Date.

The business to be acquired under the S & P Agreement consists of Furniture Retail Business in the Hebei Province which include the stocks, the renovation in progress and the furniture retail business of the Vendor.

Financial Information

Based on the unaudited financial information from the Vendor obtained by the Company prepared in accordance with the PRC accounting standards, the turnover and the net profit after tax and extraordinary items attributable to the Furniture Retail Business for the two years ended 31 December 2006 are set out below:

	Year ended 31 December 2005	Year ended 31 December 2006
	<i>RMB</i>	<i>RMB</i>
Turnover	5,608,009	13,980,055
Net profit	693,662	6,197,320

INFORMATION OF THE GROUP

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

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE ACQUISITION

As mentioned in the Company's latest financial report for the year ended 31 December 2006, it is the Company's objective to further diversify its investment and further develop the sale of household products in PRC and overseas.

The Company has diversified to engage in the manufacture of household products since late 2005. Since that, the performance of the Company has improved significantly. For the years ended 31 December 2005 and 2006, the turnover of the Company from sales of household products was HK\$22,656,000 and HK\$160,414,000 respectively; and the Company recorded net loss of HK\$2,507,000 for the year ended 31 December 2005 from the operation on sales of household products, but recorded net profit of HK\$41,666,000 for the year ended 31 December 2006 from the operation on sales of household products. Such great improvement was mainly due to the increase in the manufacture and sale of household products in PRC and overseas markets.

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

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

FINANCIAL EFFECT OF THE ACQUISITION

Upon completion of the S & P Agreement, the assets of the Group have increased by approximately RMB3,837,956.32. The business to be acquired under the S & P Agreement consists of Furniture Retail Business in the Hebei Province which include the stocks, the renovation in progress and the furniture retail business of the Vendor only, there will be no effect on the liabilities and the earnings of the Group. The Acquisition of the furniture retail business will generate income to the Group in the future.

GENERAL

The Acquisition constitutes a discloseable transaction of the Company under Rule 19.06 of the GEM Listing Rules as the relevant percentage ratios of the Acquisition exceed 5%, but less than 25%.

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

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

* *For identification purpose only*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

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

2. DISCLOSURE OF INTERESTS

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

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

Long position

Ordinary Shares of HK\$0.004 each in the capital of the Company

Name of Director/ Chief Executive	Capacity	Number of shares held	Approximate percentage of total issued share capital in the Company
Mr. Li Ge	Beneficial owner	18,030,000	3%

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

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

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

Long position

Ordinary Shares of HK\$0.004 each in the capital of the Company

Name	Capacity	Number of Shares held	Approximate percentage of total issued share capital in the Company <i>(Note 1)</i>
True Allied Assets Limited	Beneficial owner	129,226,500	21.49%
Ms. HUANG Ye-hua <i>(Note 2)</i>	Interest of controlled corporation	129,226,500	21.49%
Sino Hope Investments Limited	Beneficial Owner	34,976,665	5.82%
Zhao Jiangong <i>(Note 3)</i>	Interest of controlled corporation	34,976,665	5.82%
Citigroup Inc.	Person having a security interest in shares	31,700,000	5.27%
INVESCO Hong Kong Limited	Manager/adviser of various accounts	30,500,000	5.07%

Notes:

1. The percentage is calculated by dividing the number of shares interested or deemed to be interested by the existing 601,399,985 issued shares as at the Latest Practicable Date.
2. Ms. HUANG Ye-hua is interested by virtue of her 100% beneficial interest in True Allied Assets Limited.
3. Mr. ZHAO Jiangong is interested by virtue of his 100% beneficial interest in Sino Hope Investments Limited.

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

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

3. COMPETING INTERESTS

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

4. LITIGATION

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

5. SERVICE CONTRACTS

As at the Latest Practicable Date, except Mr. Li Ge (one of the executive Directors of the Company) who has entered into a service contract with the Company dated 29 March 2007, none of the Directors has entered, or is proposing to enter, into any service contract with the Company or its subsidiaries which is not expiring or may not be terminated by the Company within a year without payment of any compensation (other than statutory compensation).

6. MISCELLANEOUS

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company in Hong Kong is situated at Room 1005, C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong while the Hong Kong branch share registrar and transfer office of the Company is Tengis Limited 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (b) The company secretary and the qualified accountant of the Company is Mr. Chan Yuk Hiu Taylor (陳玉曉先生), who is an associate member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants; and the compliance officer of the Company is Mr. Li Ge (李革先生) who is also an executive Director.
- (c) The Company has established an audit committee in July 2000 with its written terms of reference being in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group and to provide advice and comments to the Board. As at the Latest Practicable Date, the audit committee comprised three members, namely Mr. LEE Yuen Kwong, Mr. YANG Dongli and Mr. YANG Jie, being independent non-executive directors of the Company.

Mr. Lee Yuen Kwong, aged 46, graduated at University of Sunderland, England, is a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Lee is now a senior director of Lynks CPA Limited. He has over twenty years of experience in accountancy and financial management. Mr. Lee acts as an independent non-executive Director of Global Bio-chem Technology Group Company Limited and an independent non-executive Director of China Best Group Holding Limited.

Mr. Yang Dongli, aged 34, is currently a Deputy Chief Production Officer in Beijing D&G Machinery Co., Ltd. Mr. Yang graduated in Air Industrial University North of China majoring in Management Engineering. Mr. Yang has over 10 years working experience.

Mr. Yang Jie, aged 25, is now an engineer of Technical Service Support Department of Epson (China) Co., Limited. Mr. Yang graduated from Beijing Petrochemistry Institute majoring in Process Equipment and Control Engineering. He has over two years of working experience. In addition, Mr. Yang has taken the training course on Human Resources Management and Listed Company Regulations held by Ren Ming University, and has also taken the training course on Business Administration held by Qing Hua University.