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FAVA INTERNATIONAL HOLDINGS LIMITED

名家國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8108)

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES

LETTERS OF INTENT

IN RESPECT OF

THE PROPOSED ACQUISITION OF FURNITURE RETAIL BUSINESSES OF

(1) BEIJING GLORY

AND

(2) HUARI FURNITURE

RESUMPTION OF TRADING

Placing agent



Guotai Junan Securities (Hong Kong) Limited

Financial adviser



Guotai Junan Capital Limited

A. THE PLACING AND SUBSCRIPTION AGREEMENT

On 31 January 2007, the Vendor and the Company entered into the Placing and Subscription Agreement with the Placing Agent, pursuant to which the Placing Agent would on a fully underwritten basis procure purchasers to acquire, and the Vendor would sell 100,000,000 existing Shares at a price of HK\$1.08 per Share.

The Placing Price of HK\$1.08 per Share represents a discount of 10% to the closing price per Share of HK\$1.20 as quoted on the Stock Exchange on the Last Trading Day; a discount of approximately 6.90% to the average of the closing price per Share of approximately HK\$1.16 as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day; and a discount of approximately 4.42% to the average of the closing price per Share of approximately HK\$1.13 as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day.

The Placing Shares represent approximately 19.94% and 16.63% of the existing total issued share capital of the Company and the total issued share capital of the Company as enlarged by the Subscription respectively. Upon completion of the Placing, the shareholding percentage of the Vendor will decrease from approximately 25.71% to approximately 5.77%.

The Placing is not subject to any condition. The parties expect that the Placing will be completed on or about 6 February 2007 or such other date as agreed by both parties.

The Placing Shares will be placed to not less than six independent professional, institutional and/or individual investors.

B. THE SUBSCRIPTION

Pursuant to the Placing and Subscription Agreement, the Vendor has conditionally agreed to subscribe for such number of new Shares equivalent to the number of Shares placed under the Placing, i.e. 100,000,000 new Shares, at the subscription price of HK\$1.08 per Share. Under the Subscription, the Vendor will subscribe for 100,000,000 new Shares, representing approximately 16.63% of the issued share capital of the Company as enlarged by the Subscription. Immediately upon completion of the Subscription, the shareholding of the Vendor in the Company will increase from approximately 5.77% to approximately 21.44%.

The net proceeds from the Subscription are estimated to be approximately HK\$105,000,000 and will be applied as general working capital.

Completion of the Subscription is conditional upon, inter alia, the GEM Listing Committee granting the listing of and, permission to deal in, the new Shares to be issued under the Subscription.

An application will be made to the GEM Listing Committee for the listing of, and permission to deal in, the new Shares to be issued pursuant to the Subscription.

C. THE PROPOSED ACQUISITIONS

The Board is also pleased to announce that on 31 January 2007, Langfang Hengyu, an indirect wholly owned subsidiary of the Company,

- (a) entered into the Beijing LOI with Beijing Glory in respect of the Proposed Beijing Acquisition, at a consideration to be determined with reference to (1) the audited and valued asset value of the furniture retail business of Beijing Glory in Beijing City and/or (2) the audited net profit of the furniture retail business of Beijing Glory in Beijing City, multiplied by a price-to-earnings ratio of approximately four to six times; details of the consideration are to be further negotiated by the parties; and
- (b) entered into the Langfang LOI with Huari Furniture in respect of the Proposed Langfang Acquisition, at a consideration to be determined with reference to (1) the audited and valued asset value of the furniture retail business of Huari Furniture in the Hebei Province and/or (2) the audited net profit of the furniture retail business of Huari Furniture in the Hebei Province, multiplied by a price-to-earnings ratio of four to six times; details of the consideration are to be further negotiated by the parties.

The LOIs do not constitute the relevant parties' legally binding commitments as to the Proposed Acquisitions, which are subject to the execution and completion of formal sale and purchase agreements by the relevant parties. However, the LOIs constitute legally binding obligation on the part of Beijing Glory and Huari Furniture in favour of Langfang Hengyu under which, inter alia, Beijing Glory and Huari Furniture may not contact, negotiate, discuss, consider or enter into contract, whether directly or indirectly with, any third party (other than the professional advisers of themselves and Langfang Hengyu) in relation to the Proposed Beijing Acquisition and the Proposed Langfang Acquisition within six months from the date of the Beijing LOI and the Langfang LOI (subject to extension by agreement of the relevant parties in writing).

The Proposed Acquisitions, if materialize, may or may not constitute notifiable transactions for the Company under the provisions of Chapter 19 of the GEM Listing Rules and the Company shall comply with the relevant disclosures and/or shareholders' approval requirements of the GEM Listing Rules where appropriate. The Proposed Acquisitions may or may not materialize. **Shareholders of the Company and the investing public are advised to exercise caution when dealing in the Shares.**

D. SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares has been suspended with effect from 9:30 a.m. on 1 February 2007 pending the issue of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:30 a.m. on 2 February 2007.

A. THE PLACING AND SUBSCRIPTION AGREEMENT DATED 31 JANUARY 2007

THE PLACING

Parties

Vendor: True Allied Assets Limited

Placing agent: Guotai Junan Securities (Hong Kong) Limited

The Placing Agent is not a connected person of the Company and is independent from the directors, the chief executive, the substantial shareholders or the management shareholders of the Company or its subsidiaries and/or their respective associates. The Placing Agent will receive a placing commission of 2.5% of the aggregate Placing Price multiplied by the Placing Shares placed out under the Placing.

The Placing Shares

100,000,000 existing Shares, representing approximately 19.94% of the existing issued share capital of the Company and approximately 16.63% of the issued share capital of the Company as enlarged by the Subscription.

The Placing Price

The Placing Price of HK\$1.08 per Share was arrived at after arm's length negotiation between the Company, the Vendor and the Placing Agent.

The Placing Price of HK\$1.08 per Share represents a discount of 10% to the closing price per Share of HK\$1.20 as quoted on the Stock Exchange on the Last Trading Day; a discount of approximately 6.90% to the average of the closing price per Share of approximately HK\$1.16 as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day; and a discount of approximately 4.42% to the average of the closing price per Share of approximately HK\$1.13 as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day.

With respect to the discount to the market price per Share, the Directors have taken into account the closing prices of Shares as shown above and considered that the Placing Price is fair and reasonable.

Rights of the Placing Shares

The Placing Shares will be sold free from all liens, charges and encumbrances, claims, options and third party rights and together with all rights attaching thereto as at the date of the Placing and Subscription Agreement, including the right to receive all dividends or other distributions declared, made or paid on the Placing Shares at any time on or after the Placing and Subscription Agreement.

Independence of Placees

The Placees (and their beneficial owners) will not be connected persons of the Company and will be independent from the directors, the chief executive, the substantial shareholders or the management shareholders of the Company or its subsidiaries and/or their respective associates.

All the Placing Shares are to be placed on a fully underwritten basis. The Placing Agent informed the Company that the Placing Shares will be placed to not less than six independent professional, institutional and/or individual investors.

None of the Placees will become substantial shareholders (as defined in the GEM Listing Rules) of the Company as a result of their acquisition of Placing Shares pursuant to the Placing.

Completion of the Placing

The Placing is not subject to any condition. The parties expect that the Placing will be completed on or about 6 February 2007 or such other date as agreed by both parties.

B. THE SUBSCRIPTION

Parties

(a) the Vendor; and

(b) the Company.

The new Shares

100,000,000 new Shares, representing approximately 19.94% of the existing total issued share capital of the Company and approximately 16.63% of the total issued share capital of the Company as enlarged by the Subscription.

The Subscription Price

The subscription price is HK\$1.08 per Share which is equivalent to the Placing Price.

General mandate to issue new Shares

The 100,000,000 new Shares will be issued pursuant to the General Mandate. The Company has not issued any Shares pursuant to the General Mandate.

An application will be made to the GEM Listing Committee for the listing of, and permission to deal in, the new Shares to be issued pursuant to the Subscription.

Ranking of the new Shares

The 100,000,000 new Shares, when issued and fully paid, will rank equally with the existing Shares in issue as at the date of issue of the new Shares.

Conditions of the Subscription

Completion of the Subscription is conditional upon:

(a) completion of the Placing;

(b) the GEM Listing Committee granting or agreeing to grant listing of, and permission to deal in, the new Shares to be issued pursuant to the Subscription; and

(c) the Bermuda Monetary Authority granting permission (if necessary) for the issue of, inter alia, the new Shares issued pursuant to the Subscription and the subsequent transfer of the same to and between persons regarded as non-residents of Bermuda for exchange control purposes for so long as the new Shares issued pursuant to the Subscription are listed on the Stock Exchange.

Completion of the Subscription

Subject to fulfillment of the above conditions, completion of the Subscription will take place on the second business day after the date (which is expected to be not later than 12 February 2007 (or such later date as may be agreed between the Vendor and the Company)) when all the conditions set out above are satisfied.

EFFECT ON THE SHAREHOLDING FOLLOWING COMPLETION OF THE PLACING AND THE SUBSCRIPTION

The shareholding in the Company before and after completion of the Placing and the Subscription are summarised as follows:

Shareholders	Shareholding as at the date of this announcement		Shareholding immediately after completion of the Placing but before the Subscription		Shareholding immediately after completion of the Placing and the Subscription	
	Shares	%	Shares	%	Shares	%
Vendor (Note 1)	128,922,500	25.71	28,922,500	5.77	128,922,500	21.44
Public Shareholders	372,477,485	74.29	372,477,485	74.29	372,477,485	61.93
Placeses	0	0.00	100,000,000	19.94	100,000,000	16.63
Total	501,399,985	100.00	501,399,985	100.00	601,399,985	100.00

Note:

(1) The Vendor is wholly owned by Ms. Huang Ye Hua. Ms. Huang is also the sole director of the Vendor.

REASONS FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS

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

The net proceeds from the Subscription are estimated to be approximately HK\$105,000,000 (representing a net placing price of HK\$1.05 per Share) and will be applied as general working capital of the Group. The total cost incurred as a result of the Placing and the Subscription is expected to be approximately HK\$3,000,000 and will be borne by the Company.

The Directors consider that the Placing and issue of new Shares under the Subscription under the General Mandate requires a shorter time than other equity fund raising exercises. Although the Subscription would lead to a dilution in the shareholding of the existing shareholders, the Directors consider that the benefits of the Placing and the Subscription outweigh the dilution effect resulting from the Placing and the Subscription.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY

The following table summarises the fund raising activities of the Company through the issue of equity securities during the past 12 months immediately preceding the date of this announcement:

Date of announcement	Event	Net proceeds	Intended use of net proceeds	Actual use of net proceeds
7 July 2006	placing of up to an aggregate principal amount of HK\$18,000,000 convertible notes issued by the Company under the general mandate granted to the Directors at the annual general meeting held on 17 May 2006	HK\$17 million	general working capital of the Company	as general working capital of the Company and as consideration for the acquisition of certain equipment under the conditional sales and purchase agreement dated 29 November 2006
3 March 2006	placing of 28,420,000 shares of the Company under the refreshed general mandate granted to the Directors at the special general meeting of the Company held on 7 December 2005	HK\$1.7 million	general working capital of the Company for its daily operation	as general working capital of the Company for maintenance of daily operation

Save as disclosed herein, the Company did not carry out any fund raising activities in the past 12 months.

C. THE PROPOSED ACQUISITIONS

1. THE BEIJING LOI

Parties: Purchaser: Langfang Hengyu, an indirect wholly owned subsidiary of the Company
Vendor: Beijing Glory. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Beijing Glory is an Independent Third Party.

On 31 January 2007, Langfang Hengyu and Beijing Glory entered into the Beijing LOI, under which, Langfang Hengyu intends to acquire the furniture retail business in Beijing City from Beijing Glory at a consideration to be determined with reference to (1) the audited and valued asset value of the furniture retail business of Beijing Glory in Beijing City and/or (2) the audited net profit of the furniture retail business of Beijing Glory in Beijing City, multiplied by a price-to-earnings ratio of approximately four to six times; details of the consideration are to be further negotiated by the parties.

The valuation of the asset value of the furniture retail business of Beijing Glory in Beijing City, if carried out, will be performed by an independent valuer.

The Group intends to use its internal resources and/or bank borrowings (if necessary) and/or the issue of new shares of the Company to satisfy the consideration of the Proposed Beijing Acquisition.

Exclusivity

Under the Beijing LOI, Beijing Glory has undertaken to Langfang Hengyu that it will not contact, negotiate, discuss, consider or enter into contract, whether directly or indirectly with, any third party (other than the professional advisers of itself and Langfang Hengyu) in relation to the Proposed Beijing Acquisition within six months from the date of the Beijing LOI (subject to extension by agreement of the parties in writing).

The Beijing LOI does not constitute the parties' legally binding commitments as to the Proposed Beijing Acquisition, which is subject to the execution and completion of formal sale and purchase agreement by the parties. However, the exclusivity provision in the Beijing LOI, as referred to in this paragraph "Exclusivity" under the section headed "The Beijing LOI" above constitutes the legally binding obligation on the part of Beijing Glory.

2. THE LANGFANG LOI

Parties: Purchaser: Langfang Hengyu, an indirect wholly owned subsidiary of the Company

Vendor: Huari Furniture. 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 Huari Furniture, held not more than 5% of the issued share capital of the Company as at the date of this announcement and the Business Relationship, Huari Furniture and its ultimate beneficial owner are Independent Third Parties.

On 31 January 2007, Langfang Hengyu and Huari Furniture entered into the Langfang LOI, under which, Langfang Hengyu intends to acquire the furniture retail business in the Hebei Province from Huari Furniture at a consideration to be determined with reference to (1) the audited and valued asset value of the furniture retail business of Huari Furniture in the Hebei Province and/or (2) the audited net profit of the furniture retail business of Huari Furniture in the Hebei Province, multiplied by a price-to-earnings ratio of approximately four to six times, details of the consideration are to be further negotiated by the parties.

The valuation of the asset value of the furniture retail business of Huari Furniture in the Hebei Province, if carried out, will be performed by an independent valuer.

The Group intends to use its internal resources and/or bank borrowings (if necessary) and/or the issue of new shares of the Company to satisfy the consideration of the Proposed Langfang Acquisition.

Exclusivity

Under the Langfang LOI, Huari Furniture has undertaken to Langfang Hengyu that it will not contact, negotiate, discuss, consider or enter into contract, whether directly or indirectly with, any third party (other than the professional advisers of itself and Langfang Hengyu) in relation to the Proposed Langfang Acquisition within six months from the date of the Langfang LOI (subject to extension by agreement of the parties in writing).

The Langfang LOI does not constitute the parties' legally binding commitments as to the Proposed Langfang Acquisition, which is subject to the execution and completion of formal sale and purchase agreement by the parties. However, the exclusivity provision in the Langfang LOI, as referred to in this paragraph "Exclusivity" under the section headed "The Langfang LOI" above constitutes the legally binding obligation on the part of Huari Furniture.

3. INFORMATION ABOUT BEIJING GLORY AND ITS FURNITURE RETAIL BUSINESS IN BEIJING CITY

Based on the information provided by Beijing Glory, Beijing Glory is principally engaged in the retail sale of household products, management of retail shops and investment holding in Beijing City.

The business to be acquired under the Proposed Beijing Acquisition consists of furniture retail business in Beijing City.

Beijing Glory is one of the furniture dealers of Huari Furniture.

4. INFORMATION ABOUT HUARI FURNITURE AND ITS FURNITURE RETAIL BUSINESS IN THE HEBEI PROVINCE

Huari Furniture 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 business to be acquired under the Proposed Langfang Acquisition consists of furniture retail business in the Hebei Province.

Huari Furniture is one of the furniture suppliers of Beijing Glory.

5. BENEFITS OF THE PROPOSED ACQUISITIONS

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

The Directors are of the view that the Proposed Acquisitions 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.

6. GENERAL

The Proposed Acquisitions, if materialize, may or may not constitute notifiable transactions for the Company under the provisions of Chapter 19 of the GEM Listing Rules and the Company shall comply with the relevant disclosures and/or shareholders' approval requirements of the GEM Listing Rules where appropriate. The Proposed Acquisitions may or may not materialize. Shareholders of the Company and the investing public are advised to exercise caution when dealing in the Shares.

D. SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

At the request of the Company, trading in the Shares has been suspended with effect from 9:30 a.m. on 1 February 2007 pending the issue of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:30 a.m. on 2 February 2007.

E. DEFINITIONS

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

“associate”	has the same meaning as defined in the GEM Listing Rules
“Beijing LOI”	the Letter of Intent dated 31 January 2007 and entered into between Langfang Hengyu and Beijing Glory setting out the basic understanding between the parties thereto in connection with the Proposed Beijing Acquisition
“Beijing Glory”	Beijing Glory Investment Co., Ltd.* (北京錦繡投資有限公司), a company incorporated in the PRC with limited liability
“Board”	the board of Directors
“Business Relationship”	certain business relationship between Huari Furniture and the Group, including (i) Huari Furniture as lessor leases certain land and buildings to the Group as lessee. Such leased properties are used by the Group for production and storage; and (ii) Huari Furniture as licensor grants to the Group a non-exclusive right to use a trademark of Huari Furniture at an annual licence fee of RMB1 million
“Company”	FAVA International Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the GEM
“connected person(s)”	has the meaning as defined in the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	the listing sub-committee of the board of the Stock Exchange with responsibility for GEM

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general mandate to issue and deal with the Shares granted to the Directors at a special general meeting of the Company held on 26 January 2007
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Huari Furniture”	Lang Fang Huari Furniture Joint Stock Co., Ltd* (廊坊華日家具股份有限公司), a joint stock limited company incorporated in the PRC with limited liability and is principally engaged in manufacture of furniture
“Independent Third Party(ies)”	party or parties who/which are independent of and not connected with any of the directors, chief executives, substantial shareholders or management shareholders of the Company or any of its subsidiaries or any of their respective associates as defined in the GEM Listing Rules
“Langfang Hengyu”	Langfang Hengyu Home Co., Ltd* (廊坊恒宇家居有限公司), a company incorporated in the PRC and is an indirect wholly owned subsidiary of the Company
“Langfang LOI”	the Letter of Intent dated 31 January 2007 and entered into between Langfang Hengyu and Huari Furniture setting out the basic understanding between the parties thereto in connection with the Proposed Langfang Acquisition
“Last Trading Day”	31 January 2007, being the last trading day of the Shares immediately before the date of suspension of trading of the Shares on the Stock Exchange
“LOIs”	the Beijing LOI and the Langfang LOI
“Placees”	any individual(s), institutional or other professional investor(s) or any of their respective subsidiaries or associates (as defined in the GEM Listing Rules) procured by the Placing Agent to purchase any of the Placing Shares pursuant to the Placing and Subscription Agreement
“Placing”	placement of the Placing Shares pursuant to the Placing and Subscription Agreement
“Placing Agent”	Guotai Junan Securities (Hong Kong) Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry on types 1 and 4 regulated activities
“Placing and Subscription Agreement”	the placing and subscription agreement dated 31 January 2007 between the Company, the Vendor, and the Placing Agent in respect of the Placing
“Placing Price”	price payable for the Placing Shares at HK\$1.08 per Share
“Placing Shares”	the 100,000,000 existing Shares placed under the Placing
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Proposed Acquisitions”	the Proposed Beijing Acquisition and the Proposed Langfang Acquisition
“Proposed Beijing Acquisition”	the proposed acquisition by Langfang Hengyu of the furniture retail business of Beijing Glory in Beijing City, as contemplated under the Beijing LOI

“Proposed Langfang Acquisition”	the proposed acquisition by Langfang Hengyu of the furniture retail business of Huari Furniture in the Hebei Province, as contemplated under the Langfang LOI
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.004 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the conditional subscription by the Vendor of 100,000,000 new Shares pursuant to the Placing and Subscription Agreement
“Subscription Price”	price payable for the new Shares in respect of the Subscription at HK\$1.08 per Share
“Vendor”	True Allied Assets Limited, a company with limited liability incorporated in the British Virgin Islands
“Zhou’s Family”	Mr. Zhou Xu En* (周旭恩) and his parents who in aggregate hold approximately 98% equity interests in Huari Furniture
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 1 February 2007

As at the date of this announcement, the Board comprises Mr. Li Ge and Mr. Zhao Guo Wei as executive Directors, and Mr. Lee Yuen Kwong, Mr. Yang Jie and Mr. Yang Dongli as independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least seven days from the day of its posting.

* *for identification purpose only*

Please also refer to the published version of this announcement in China Daily.