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FAVA INTERNATIONAL HOLDINGS LIMITED

名家國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8108)

DISCLOSEABLE TRANSACTION ACQUISITION OF FURNITURE RETAIL BUSINESS

Financial Adviser



Guotai Junan Capital Limited

ACQUISITION OF FURNITURE RETAIL BUSINESS

The Board are pleased to announce 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.

The first instalment of the Consideration will be settled by the Purchaser in 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. The Valuation Report was prepared using the cost method.

The Remaining Balance of the Consideration (if any) will be settled by the Purchaser in cash in the following 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;
- (3) 60% of the Remaining Balance to be satisfied subject to the adjustments in the following manners:
 - (a) 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;
 - (b) 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;
 - (c) 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 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 exceeds 5%, but less than 25%. A circular containing, among other things, details of the Acquisition and information required under the GEM Listing Rules will be despatched to the Shareholders as soon as practicable.

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 date of this announcement 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.

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 Considerations 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;

- (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;
- (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 is expected to take place when all the conditions precedent are fulfilled (or waived by the Purchaser), or such later date as may be agreed between the Purchaser and the Vendor.

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.

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 date of this announcement.

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.

Reasons for and the Benefit 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.

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 exceeds 5%, but less than 25%. A circular containing, among other things, Acquisition and information required under the GEM Listing Rules will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

“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 equals 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

“Furniture Retail Business”	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
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Independent Third Parties”	parties which are independent of and not connected with any of the directors, chief executives, substantial shareholders or management shareholders of the Company or any of its subsidiaries or any of their respective associates (as defined in the GEM Listing Rules)
“PRC”	the People’s Republic of China which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“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
“Remaining Balance”	the Consideration minus the net asset value of the Furniture Retail Business as reported in the Valuation Report
“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 hold not more than 5% of the issued share capital of the Company as at the signing of the S & P Agreement
“%”	per cent.

For illustration purpose, translation of RMB into HK\$ is made in this announcement at the following rate:—

$$HK\$1 = RMB1$$

No representation is made that any amounts in RMB could have been or could be converted at that rate or at any other rate.

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

3 April 2007, Hong Kong

* *For identification purpose only*

As at the date of this announcement, the Executive Directors of the Company are Mr. Li Ge and Mr. Zhao Guo Wei, the Independent Non-executive Directors are Mr. Lee Yuen Kwong, Mr. Yang Jie and Mr. Yang Dongli.

The Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer. 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 document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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