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## IMPORTANT

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

**If you have sold or transferred** all your shares in **FAVA International Holdings Limited** (the “**Company**”), you should at once hand this circular 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.

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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 IN RESPECT OF THE ACQUISITION OF FURNITURE RETAIL BUSINESS OF MR. ZHOU XU EN

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

24 June 2008

\* For identification purpose only

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

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GEM has been 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

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

“Acquisition”	the acquisition of the Target Business under the Acquisition Agreement
“Acquisition Agreement”	the conditional acquisition agreement dated 6 June 2008 entered into between Langfang Hengyu and Mr. Zhou in respect of the Acquisition
“associates”	has the meaning ascribed to this term under the GEM Listing Rules
“Audited Net Profit”	the audited net profit of the Target Business for the period from 1 April 2008 to 31 March 2009
“Audited Net Profit in the Second Stage”	the audited net profit of the Target Business for the period from 1 April 2009 to 31 March 2010
“Audited Net Profit in the Third Stage”	the audited net profit of the Target Business for the period from 1 April 2010 to 31 March 2011
“Board”	the board of Directors
“Business Day(s)”	any day (excluding a Saturday and Sunday) on which banks generally are open for business in the PRC
“Business Relationship”	certain business relationship between Huari Furniture and the Group, including but not limited to (i) Huari Furniture as lessor leases certain land and buildings to the Group as lessee. Such leased properties are used by the Group for production and storage; and (ii) Huari Furniture as licensor grants to the Group a non-exclusive right to use a trademark of Huari Furniture at an annual licence fee of RMB2 million
“Company”	FAVA International Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the GEM
“Consideration”	the consideration for the Acquisition
“Completion”	all the conditions precedent as set out in the Acquisition Agreement are either satisfied or waived by Langfang Hengyu

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## DEFINITIONS

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“Completion Date”	the day on which all the conditions precedent as set out in the Acquisition Agreement are either satisfied or waived by Langfang Hengyu (or such other date as may be mutually agreed between Langfang Hengyu and Mr. Zhou in writing), which is also the date of transfer of the title of the Target Business
“Director(s)”	the director(s) of the Company
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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; Mr. Zhou and his parents in aggregate hold approximately 98% equity interests in Huari Furniture
“HK\$”	Hong Kong dollar, 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)
“Langfang Hengyu”	Langfang Huari Hengyu Home Co., Ltd* (廊坊華日恒宇家居有限公司), a company incorporated in the PRC and is an indirect wholly-owned subsidiary of the Company
“Latest Practicable Date”	19 June 2008, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Mr. Zhou”	Mr. Zhou Xu En (周旭恩先生), who is the owner of the Target Business
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan

\* For identification purpose only

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## DEFINITIONS

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“Reference Date”	1 April 2008
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended and supplemented from time to time)
“Share(s)”	ordinary share(s) of HK\$0.002 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Business”	the business and the assets to be acquired under the Acquisition Agreement including the retail business and assets of 9 furniture retail shops in Beijing City owned by Mr. Zhou as at the Reference Date (including but not limited to all the contracts, agreements or undertakings signed with any third parties and all the rights and benefits derived from them)
“Zhou LOI”	the letter of intent dated 7 January 2008 and entered into between Langfang Hengyu and Mr. Zhou setting out the basic understanding between the parties thereto in connection with the Acquisition
“%”	per cent

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**LETTER FROM THE BOARD**

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**FAVA INTERNATIONAL HOLDINGS LIMITED**

**名家國際控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 8108)

*Executive Directors:*

Mr. Li Ge

Mr. Zhao Guo Wei

*Independent non-executive Directors:*

Mr. Lee Yuen Kwong

Mr. Yang Jie

Mr. Yang Dongli

*Registered Office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Principal Place of Business*

*in Hong Kong:*

Room 1005

C.C. Wu Building

302-8 Hennessy Road

Wanchai

Hong Kong

24 June 2008

*To Shareholders:*

Dear Sir/Madam,

**DISCLOSEABLE TRANSACTION  
IN RESPECT OF  
THE ACQUISITION OF FURNITURE RETAIL BUSINESS OF  
MR. ZHOU XU EN**

**INTRODUCTION**

On 6 June 2008, Langfang Hengyu and Mr. Zhou entered into the Acquisition Agreement, pursuant to which Langfang Hengyu conditionally agreed to acquire, and Mr. Zhou conditionally agreed to sell, the Target Business at a consideration not exceeding RMB35,000,000.

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.

\* For identification purpose only

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## LETTER FROM THE BOARD

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As the relevant percentage ratios pursuant to Rules 19.06 and 19.22 of the GEM Listing Rules applicable to the Acquisition and the acquisition of furniture retail business referred to in the announcement of the Company dated 19 February 2008 exceed 5% but are below 25%, the Acquisition constitutes a discloseable transaction for the Company under the provisions of Chapter 19 of the GEM Listing Rules.

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

### THE ACQUISITION AGREEMENT

**Date:** 6 June 2008

**Parties:** Purchaser: Langfang Hengyu

Vendor: Mr. Zhou. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save that Mr. Zhou held approximately 9.09% of the issued share capital of the Company as at the Latest Practicable Date and the Business Relationship, Mr. Zhou and his associates are Independent Third Parties.

**Business to be acquired:** Pursuant to the Acquisition Agreement, Langfang Hengyu conditionally agreed to acquire the Target Business from Mr. Zhou.

### Consideration

Langfang Hengyu and Mr. Zhou entered into the Acquisition Agreement, pursuant to which Langfang Hengyu conditionally agreed to acquire, and Mr. Zhou conditionally agreed to sell, the Target Business at a consideration which equals to the Audited Net Profit multiplied by:

- (i) 3 times in the event that the Audited Net Profit is less than RMB5,000,000; or
- (ii) 4 times in the event that the Audited Net Profit is more than or equals to RMB5,000,000 but less than or equals to RMB7,000,000; or
- (iii) 5 times in the event that the Audited Net Profit exceeds RMB7,000,000.

However, for the purpose of calculating the Consideration, if the Audited Net Profit exceeds RMB7,000,000, it will be capped at RMB35,000,000. In other words, the Consideration will not exceed RMB35,000,000 in any event.

Langfang Hengyu shall procure that the Audited Net Profit figure to be obtained before 31 May 2009 and inform Mr. Zhou of the same.

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## LETTER FROM THE BOARD

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### **Basis of Consideration**

The Consideration is determined after arm's length negotiation between Langfang Hengyu and Mr. Zhou on normal commercial terms with reference to the audited net profit to be generated from the Target Business for the twelve months ending 31 March 2009, multiplied by a price-to-earnings ratio.

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

### **Payment of Consideration**

The Consideration shall be satisfied by Langfang Hengyu in RMB cash in the following manners:

- (a) irrespective of the value of the Audited Net Profit, a prepayment in the amount of RMB7,000,000 shall be payable after five months but not later than eight months from the Completion Date. Such prepayment shall be payable in a lump sum and non-refundable;
- (b) the remaining balance of the Consideration (if any) shall be payable by the following installments:
  - (i) 60% on the date of issue of the audit report in relation to the Audited Net Profit;
  - (ii) 30% on the date of issue of the audit report in relation to the Audited Net Profit in the Second Stage but in the event that the Audited Net Profit in the Second Stage is less than 125% of the Audited Net Profit, the shortfall (capped at the amount of this installment) shall be deducted from this installment; and
  - (iii) 10% on the date of issue of the audit report in relation to the Audited Net Profit in the Third Stage but in the event that the Audited Net Profit in the Third Stage is less than 150% of the Audited Net Profit, the shortfall (capped at the amount of this installment) shall be deducted from this installment.

The Group intends to use its internal resources and/or bank borrowings (if necessary) to satisfy the Consideration.

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## LETTER FROM THE BOARD

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### Conditions Precedent

Completion of the Acquisition is conditional on the fulfillment of the conditions precedent set out below:

- (a) all the title documents and records of the Target Business have been provided by Mr. Zhou to Langfang Hengyu and the results of the review on all these documents and records are being found satisfactory by Langfang Hengyu in the form of written notification to Mr. Zhou;
- (b) all the approvals and consents (if any) in respect of the Target Business to ensure Langfang Hengyu will become the legal and beneficial owner of the Target Business have been obtained;
- (c) the Non-competition Undertaking has been executed by Mr. Zhou in favour of Langfang Hengyu;
- (d) the receipt by Langfang Hengyu of a PRC legal opinion in relation to the legality of the title of the Target Business and the transfer of title in a form acceptable to Langfang Hengyu;
- (e) any other documents which are requested by Langfang Hengyu.

### Termination of the Acquisition Agreement

The Acquisition Agreement will be terminated upon the occurrence of any of the following matters:

- (a) all the conditions precedent above are not either satisfied or waived by Langfang Hengyu (except for the condition precedent (c)) on or before 1 October 2008;
- (b) the mutual agreement between Langfang Hengyu and Mr. Zhou;
- (c) in the event that one party breaches any provision in the Acquisition Agreement, the other party may deliver a written notice to the defaulting party to request for remedy or ratification of such breach or may terminate the Acquisition Agreement immediately.

### Completion

The Completion of the Acquisition is expected to take place on the Completion Date when all the conditions precedent set out in the section headed "Conditions Precedent" in this circular are either satisfied or waived by Langfang Hengyu (except for the condition precedent (c)).

Mr. Zhou has agreed and undertaken to Langfang Hengyu that, subsequent to the Completion, Mr. Zhou will continue or procure a designated third party to continue to assist in the operation and management of the Target Business during the period as requested by Langfang Hengyu.

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## LETTER FROM THE BOARD

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### **Transfer of Ownership of the Target Business**

Mr. Zhou has agreed that Langfang Hengyu will be entitled to the ownership and all benefits and rights associated with the Target Business from the Completion Date.

Mr. Zhou will complete or assist Langfang Hengyu to complete all the filing or registration of the transfer of title of the Target Business in accordance with relevant PRC laws and regulations within 30 Business Days after the Completion, or any other statutory timeframe (if such statutory timeframe is shorter than 30 Business Days). Mr. Zhou will further complete or assist Langfang Hengyu to complete all the transfer of the rights and benefits of Mr. Zhou in the contracts, agreements or undertakings in relation to the Target Business to Langfang Hengyu within 30 Business Days after the Completion. In the event that the registration process has to be extended, written consent will be obtained from Langfang Hengyu. All registration fees in connection with the transfer of title will be jointly borne by Langfang Hengyu and Mr. Zhou in accordance with the relevant PRC law and regulations.

### **NON-COMPETITION UNDERTAKING BY MR. ZHOU**

Mr. Zhou has undertaken to Langfang Hengyu that, for a period of five years from the date of the signing of a non-competition undertaking dated 6 June 2008 or to the date on which Mr. Zhou will no longer hold any shares of the Company, whichever is the later (the “Non-competition Undertaking”):

- (a) (i) Mr. Zhou will not, in Beijing in the PRC, directly or indirectly, operate or participate in by any means any furniture retail business or any business similar to or same as the furniture retail business currently carried on by Langfang Hengyu or the Target Business (the “Restricted Business”), or hold any equity interest in any company engaged in the Restricted Business, or (ii) being employed by any person, company or organization which directly or indirectly participates in the Restricted Business;
- (b) Mr. Zhou will not directly or indirectly, employ or procure employment of the directors, general managers or deputy general managers of Langfang Hengyu;
- (c) Mr. Zhou will not, by themselves 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 Langfang Hengyu, no matter whether such persons are in breach of their employment or service contracts due to their departure.

All the undertakings above applies to Mr. Zhou and any companies whose 50% or above of the equity interests are owned by Mr. Zhou; all the directors, general managers and deputy general managers of the aforesaid companies, or any individuals who owns 50% or above of the equity interests of any of the aforesaid companies. If any person or company aforementioned breaches the undertakings (a), (b) and (c) above, Mr. Zhou will be deemed to have breached the Non-competition Undertaking.

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## LETTER FROM THE BOARD

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### INFORMATION ABOUT MR. ZHOU AND THE TARGET BUSINESS

Mr. Zhou is a furniture retailer. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save that Mr. Zhou held approximately 9.09% of the issued share capital of the Company as at the Latest Practicable Date and the Business Relationship, Mr. Zhou and his associates are Independent Third Parties.

The Target Business to be acquired under the Acquisition Agreement consists of the retail business and assets of 9 furniture retail shops in Beijing owned by Mr. Zhou as at the Reference Date (including but not limited to all the contracts, agreements or undertakings signed with any third parties and all the rights and benefits derived from them).

### Financial information regarding the Target Business

Based on the unaudited financial information in respect of the Target Business provided by Mr. Zhou, which is prepared in accordance with the PRC accounting standards, the turnover and the net profit before and after tax and extraordinary items attributable to the Target Business for the two years ended 31 December 2007 and the three months ended 31 March 2008 are set out as below:

	<b>Year ended 31 December 2006 RMB</b>	<b>Year ended 31 December 2007 RMB</b>	<b>Three months ended 31 March 2008 RMB</b>
Turnover	21,445,097.15	24,839,103.25	10,736,994.42
Net profit (before tax and extraordinary items)	3,410,371.63	4,219,037.70	2,393,708.94
Net profit (after tax and extraordinary items)	3,410,371.63	4,219,037.70	2,393,708.94

Based on the unaudited financial information in respect of the Target Business provided by Mr. Zhou, the asset value of the Target Business as at 31 December 2007 and 31 March 2008 were RMB6,451,119.46 and RMB7,550,021.12 respectively.

### INFORMATION OF THE GROUP

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

### BENEFITS OF AND REASONS FOR THE ACQUISITION

As mentioned in the Company's latest annual report for the year ended 31 December 2007, the Group is committed towards becoming a leading integrated furniture supplier from production to retailing.

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## LETTER FROM THE BOARD

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The Directors are of the view that the Acquisition will enable the Group to explore new and consolidate its existing retail business and network in the PRC which is in line with the Group's business objective to develop its retail of business 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 Acquisition Agreement, the Company will own the Target Business. In the event that the Group uses its internal resources to satisfy the Consideration, the Directors consider that it will not have any effect on the net assets and liabilities of the Group. On the other hand, in the event that the Consideration is financed by bank borrowings, the assets and the liabilities of the Group will be enlarged to the same extent which shall not exceed RMB35,000,000. As the Target Business has been generating turnover and profit for the two years ended 31 December 2006 and 31 December 2007 and the three months ended 31 March 2008, the Directors consider that the Target Business will enhance the revenue base of the Group.

### GENERAL

As the relevant percentage ratios pursuant to Rules 19.06 and 19.22 of the GEM Listing Rules applicable to the Acquisition and the acquisition of furniture retail business referred to in the announcement of the Company dated 19 February 2008 exceed 5% but are below 25%, the Acquisition constitutes a discloseable transaction for the Company under the provisions of Chapter 19 of the GEM Listing Rules.

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

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

**1. RESPONSIBILITY STATEMENT**

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

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

**2. DISCLOSURE OF INTERESTS**

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

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

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

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

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

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

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

**Long position**

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

Name	Capacity	Number of Shares held	Approximate percentage of total issued share capital in the Company (Note 1)
True Allied Assets Limited	Beneficial owner	351,518,000	29.22%
Ms. Huang Ye-hua (Note 2)	Interest of controlled corporation	351,518,000	29.22%
Mr. Zhou Xu En	Beneficial owner	109,382,430	9.09%
Arisaig Greater China Fund Limited (Note 3)	Beneficial owner	97,592,000	8.11%
Arisaig Partners (Mauritius) Limited (Note 3)	Investment manager	97,592,000	8.11%
Cooper Lindsay William Ernest (Note 3)	Interest of controlled corporation	97,592,000	8.11%
Citigroup Inc.	Interest of controlled corporation	73,500,000	6.11%

Name	Capacity	Number of Shares held	Approximate percentage of total issued share capital in the Company (Note 1)
Deutsche Bank Aktiengesellschaft	Beneficial owner	70,456,000	5.86%
	Personal having a security interest in shares	1,712,000	0.14%
Sino Hope Investments Limited	Beneficial owner	69,953,330	5.82%
Mr. Zhao Jiangong (Note 4)	Interest of controlled corporation	69,953,330	5.82%
Fair China Focus Fund Limited	Beneficial owner	60,776,000	5.05%
Fair Investment Management Limited (Note 5)	Interest of controlled corporation	60,776,000	5.05%
Mr. Lau Tak Chuen, Airy (Note 6)	Interest of controlled corporation	60,776,000	5.05%

## Notes:

1. The percentage is calculated by dividing the number of shares interested or deemed to be interested by the existing 1,202,799,970 issued shares as at the Latest Practicable Date.
2. Ms. Huang Ye-hua is interested by virtue of her 100% beneficial interest in True Allied Assets Limited.
3. 97,592,000 Shares are held by Arisaig Greater China Fund Limited under management by Arisaig Partners (Mauritius) Limited in its capacity as an investment manager and Cooper Lindsay William Ernest is interested in the 97,592,000 Shares through its controlled corporation.
4. Mr. Zhao Jiangong is interested by virtue of his 100% beneficial interest in Sino Hope Investments Limited.
5. Fair Investment Management Limited is interested by virtue of its 100% beneficial interest in Fair China Focus Fund Limited.
6. Mr. Lau Tak Chuen, Airy is interested by virtue of his 100% beneficial interest in Fair Investment Management Limited.

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

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

### **3. COMPETING INTERESTS**

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

### **4. LITIGATION**

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

### **5. SERVICE CONTRACTS**

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

### **6. MISCELLANEOUS**

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company in Hong Kong is situated at Room 1005, C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong while the Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited 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.

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

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

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

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