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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 together with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

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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: 08108)

### PROPOSAL OF REFRESHMENT OF GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES AND NOTICE OF SPECIAL GENERAL MEETING

**Independent Financial Adviser  
to the Independent Board Committee and the Independent Shareholders**

 亞洲資產管理  
ASIA INVESTMENT MANAGEMENT

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*This circular together with a form of proxy will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for 7 days from the date of its posting and on the website of the Company at [www.fava.com.hk](http://www.fava.com.hk).*

A notice convening the special general meeting to be held at Room 1005, C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong on 3 July 2009, Friday at 11:00 a.m. is set out on pages 17 to 20 of this circular. Whether or not you are able to attend the special general meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company’s Hong Kong branch share registrar, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or any adjournment thereof if you so wish.

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (i) the information contained in this circular is accurate and complete in all material aspects and not misleading; (ii) there are no other matters the omission of which would make any statement herein misleading; and (iii) 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.

A letter from the Independent Board Committee is set out on page 7 of this circular. A letter from the Independent Financial Adviser is set out on pages 8 to 13 of this circular.

17 June 2009

\* For identification purpose only

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## CONTENTS

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	<i>Page</i>
<b>Characteristics of GEM</b> .....	ii
<b>Definitions</b> .....	1
<b>Letter from the Board</b>	
Introduction .....	3
Proposal for Grant of the Issue Mandate and the Repurchase Mandate .....	4
Issue Mandate .....	5
Repurchase Mandate .....	5
The Special General Meeting .....	5
Independent Board Committee .....	6
Recommendations .....	6
General Information .....	6
<b>Letter from the Independent Board Committee</b> .....	7
<b>Letter from the Independent Financial Adviser</b> .....	8
<b>Explanatory Statement</b> .....	14
<b>Notice of Special General Meeting</b> .....	17

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## CHARACTERISTICS OF GEM

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GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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## DEFINITIONS

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

“Announcement”	the announcement of the Company dated 18 May 2009 in respect of the Placing
“Board”	the board of Directors
“Company”	FAVA International Holdings Limited, an exempted company incorporated in Bermuda with limited liability
“Current Issue Mandate”	the general mandate approved and granted to the Directors in the Last Annual General Meeting to allot, issue and deal with Shares
“Current Repurchase Mandate”	the general mandate approved and granted to the Directors in the Last Annual General Meeting to repurchase Shares
“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 Stock Exchange with responsibility for GEM
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, to advise the Independent Shareholders as to the fairness and reasonableness of the grant of the Issue Mandate and the Repurchase Mandate
“Independent Financial Adviser”	Asia Investment Management Limited, a licensed corporation to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders

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## DEFINITIONS

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“Independent Shareholder(s)”	the Shareholders other than the controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates
“Issue Mandate”	the general and unconditional mandate proposed to be granted to the Directors at the SGM to exercise all the powers of the Company to allot, issue and otherwise deal with the Shares
“Last Annual General Meeting”	the annual general meeting of the Company held on 6 May 2009
“Latest Practicable Date”	12 June 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to this circular
“Placing”	the placing of 182,000,000 Shares under the Current Issue Mandate, details of which are set out in the Announcement
“Repurchase Mandate”	the general and unconditional mandate proposed to be granted to the Directors at the SGM to exercise all the powers of the Company to repurchase the securities of the Company
“SGM”	the special general meeting of the Company to be held on 3 July 2009 at Room 1005, C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, approving, among others, the grant of the Issue Mandate and the Repurchase Mandate
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	share(s) of HK\$0.002 each in the capital of the Company
“Shareholder(s)” or “Member(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers approved by the Commission

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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: 08108)

*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

17 June 2009

*To the Shareholders,*

Dear Sir or Madam,

**PROPOSAL OF REFRESHMENT OF GENERAL MANDATES  
TO ISSUE AND REPURCHASE SHARES  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**INTRODUCTION**

On 6 May 2009, resolutions were passed by the then Shareholders granting the Current Issue Mandate and the Current Repurchase Mandate. It is proposed that the Current Issue Mandate and the Current Repurchase Mandate be renewed at the SGM.

The purpose of this circular is to give notice to convene the SGM, to provide further details regarding the proposal for the granting of the Issue Mandate and the Repurchase Mandate to the Directors and to set out the recommendations of the Board, the Independent Board Committee and the Independent Financial Adviser in relation to the matters to be considered at the SGM.

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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### PROPOSAL FOR GRANT OF THE ISSUE MANDATE AND THE REPURCHASE MANDATE

At the Last Annual General Meeting, the Shareholders approved, among others, ordinary resolutions to grant the Current Issue Mandate, which enable the Directors to allot, issue and deal with Shares not exceeding 20% of aggregate nominal amount of the issued share capital (equivalent to 240,559,994 Shares) of the Company at the date of the Last Annual General Meeting and to repurchase Shares not exceeding 10% of the nominal value of the issued share capital (equivalent to 120,279,997 Shares) of the Company at the date of the Last Annual General Meeting. The Current Issue Mandate and the Current Repurchase Mandate have not been refreshed since it was granted.

On 18 May 2009, the Company announced that it has entered into a placing agreement dated 18 May 2009 to issue and allot a total of 182,000,000 Shares under the Current Issue Mandate to independent places pursuant to the Placing. Pursuant to the Announcement, the aggregate net proceeds from the Placing amounted to approximately HK\$17.98 million will be used as general working capital. As at the Latest Practicable Date, approximately HK\$4.18 million of the net proceeds raised from the Placing was utilised as general working capital and approximately HK\$12.38 million of the net proceeds was used to increase Group's investment in PRC subsidiaries. As detailed in the announcement of the Company dated 27 May 2009, the Placing completed on 27 May 2009.

As the Current Issue Mandate granted to the Directors was almost fully utilised after the completion of the Placing, the Directors would only be allowed to allot and issue up to approximately 4.86% of the issued share capital (equivalent to 58,559,994 Shares) of the Company at the date of the Last Annual General Meeting under the Current Issue Mandate as at the Latest Practicable Date if the Current Issue Mandate is not refreshed. In order to allow the flexibility to raise further capital to finance future investments and/or for future business development, the Company wishes to seek approval of Shareholders at the SGM to grant the Issue Mandate to the Directors. Based on the total number of issued shares of the Company as at the date hereof (i.e. 1,384,799,970 Shares) and assuming there is no change in the issued share capital until the date of the SGM, the Issue Mandate will allow the Directors to issue and allot up to 276,959,994 new Shares. However, the Company does not have any immediate plans for any new issue of Shares at present.

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

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

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## LETTER FROM THE BOARD

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

### ISSUE MANDATE

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

### REPURCHASE MANDATE

An ordinary resolution will be proposed at the SGM to grant to the Directors the Repurchase Mandate, details of which are set out in ordinary resolution no. 1(B) of the notice of SGM.

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

### THE SPECIAL GENERAL MEETING

The following are the details of the SGM:-

Date : 3 July 2009

Time : 11:00 a.m.

Venue : Room 1005, C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong

The notice convening the SGM is set out on pages 17 to 20 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to attend the meeting, you are requested to complete and return the form of proxy to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof if you so wish.

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## LETTER FROM THE BOARD

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### INDEPENDENT BOARD COMMITTEE

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

Asia Investment Management Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the grant of the Issue Mandate.

### RECOMMENDATIONS

The Directors are of the opinion that the proposals referred to in this circular are in the best interests of the Company and its Shareholders and recommend you to vote in favour of the resolutions relating to the Issue Mandate and the Repurchase Mandate to be proposed at the SGM.

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

### GENERAL INFORMATION

Your attention is drawn to the letter of advice from the Independent Financial Adviser set out on pages 8 to 13 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in connection with the grant of the Issue Mandate and the Repurchase Mandate and the letter from the Independent Board Committee set out on page 7 of this circular which contains its recommendation to the Independent Shareholders in relation to the grant of the Issue Mandate and the Repurchase Mandate.

Yours faithfully,  
On behalf of the Board of  
**FAVA INTERNATIONAL HOLDINGS LIMITED**  
**Li Ge**  
*Executive Director*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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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: 08108)

17 June 2009

*To the Independent Shareholders*

Dear Sir or Madam,

**PROPOSAL FOR REFRESHMENT OF GENERAL MANDATES  
TO ISSUE AND  
REPURCHASE SHARES**

We refer to the circular of the Company dated 17 June 2009 (the “Circular”) of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders in connection with the proposed grant of the Issue Mandate and the Repurchase Mandate. Asia Investment Management Limited has been appointed as the Independent Financial Adviser to advise us in respect of the Issue Mandate.

Having considered the principal reasons and factors considered by, and the advice of, the Independent Financial Adviser as set out in its letter of advice to us on pages 8 to 13 of the Circular, we are of the opinion that the proposed grant of the Issue Mandate and the Repurchase Mandate is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the grant of the Issue Mandate and the Repurchase Mandate by way of poll.

**Independent Board Committee**

**Lee Yuen Kwong**

**Yang Jie**

**Yang Dongli**

*Independent non-executive Directors*

\* *For identification purpose only*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of a letter of advice from Asia Investment Management Limited to the Independent Board Committee and the Independent Shareholders for the purpose of inclusion in this circular:*



亞洲資產管理

ASIA INVESTMENT MANAGEMENT

Asia Investment Management Limited

Unit B, 14/F, Vulcan House,  
21-23 Leighton Road,  
Causeway Bay, Hong Kong

17 June 2009

*To the Independent Board Committee and the Independent Shareholders of*  
**Fava International Holdings Limited**

Dear Sirs/Madams,

### REFRESHMENT OF ISSUE MANDATE TO ISSUE SHARES

#### INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the grant of the Issue Mandate, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular (the “**Circular**”) of the Company to the Shareholders dated 17 June 2009, of which this letter forms part. Terms used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

Pursuant to Rule 17.42A of the GEM Listing Rules, any refreshment of the general mandate before the next annual general meeting shall be subject to the Independent Shareholders’ approval by way of poll at the SGM. Any controlling Shareholders and their associates or, where there are no controlling Shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution for approving the Issue Mandate. To the best knowledge and belief of the Directors, as at the Latest Practicable Date, there was no controlling Shareholder, and Mr. Li Ge, the chairman and chief executive of the Company, was interested in 388,530,000 Shares as at the Latest Practicable Date, representing approximately 28.06% of the issued share capital of the Company. Accordingly, Mr. Li Ge and his associates will abstain from voting in favour of the resolution for the grant of the Issue Mandate. Other than Mr. Li Ge and his associates, there is no Shareholder required to abstain from voting for the resolution for the grant of the Issue Mandate.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **BASIS OF OUR ADVICE**

In arriving at our opinion and recommendation, we have relied on the information supplied and the opinion expressed by the Directors and the management of the Company. We have assumed that the information contained and representations made to us or referred to in the Circular are true, accurate and complete at the time they were made and continued to be so as at the date of the Circular. We consider that we have taken reasonable steps as required under Rule 17.92 of the GEM Listing Rules in obtaining all necessary information from the Company to reach an informed view, to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion.

All Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have no reasons to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information provided by the Directors and the management of the Company nor have we carried out any independent investigation into the business and affairs of the Company or any of its respective subsidiaries or associates.

### **PRINCIPAL FACTORS TAKEN INTO ACCOUNT**

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

#### **1. Background of and reasons for the grant of the Issue Mandate**

The Group is principally engaged in the direct and indirect retail of household products and others.

At the Last Annual General Meeting, the Shareholders approved, among others, ordinary resolutions to grant the Current Issue Mandate, which enables the Directors to allot, issue and deal with Shares not exceeding 20% of aggregate nominal amount of the issued share capital of the Company as at the date of the Last Annual General Meeting, which is equivalent to 240,559,994 Shares. The Current Issue Mandate has not been refreshed since it was granted.

On 18 May 2009, the Company announced that it had entered into a placing agreement dated 18 May 2009 to place a total of 182,000,000 Shares to independent places pursuant to the Placing. The placing Shares were issued and allotted under the Current Issue Mandate. Pursuant to the Announcement, the aggregate net proceeds from the Placing amounted to approximately

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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HK\$17.98 million will be used as general working capital. As at the Latest Practicable Date, approximately HK\$4.18 million of the net proceeds raised from the Placing was utilised as general working capital and approximately HK\$12.38 million of the net proceeds was used to increase Group's investment in PRC subsidiaries. As noted from the announcement of the Company dated 27 May 2009, the Placing completed on 27 May 2009.

As the Current Issue Mandate granted to the Directors has almost been fully utilised after completion of the Placing, if the Current Issue Mandate is not refreshed and assuming that no Shares will be issued or repurchased by the Company from the Latest Practicable Date to the date of the SGM, the Directors would only be allowed to further allot and issue up to 58,559,994 Shares as at the Latest Practicable Date, representing approximately 4.86% of the issued share capital of the Company as at the date of the Last Annual General Meeting.

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

On the basis of a total 1,384,799,970 Shares in issue as at the Latest Practicable Date and assuming that no Shares will be issued or repurchased from the Latest Practicable Date to the date of the SGM, subject to the passing of the ordinary resolutions for the grant of the Issue Mandate, the Issue Mandate will allow the Directors to issue and allot up to 276,959,994 new Shares.

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

In light of the above, and having considered that the next annual general meeting will not be held until around May 2010, which is around a year time from the Latest Practicable Date, we are of the view that the Issue Mandate (i) would provide the Company with the necessary financing flexibility for any funding needs for any future investments and business developments as and when they arise; (ii) will ensure the Company having sufficient general mandate, if so required, until the general mandate is approved in the next annual general meeting; and (iii) will facilitate the Company to raise funds in a meaningful quantum if and when necessary in a timely manner, we therefore consider that the grant of the Issue Mandate is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3. Flexibility in financing

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

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

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

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

<b>Date of initial announcement</b>	<b>Description</b>	<b>Net proceeds (approximately)</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds</b>
18 May 2009	Placing of new Shares	HK\$17.98 million	General working capital of the Group	As to approximately HK\$4.18 million was utilised as general working capital and as to approximately HK\$12.38 million was used to increase Group's investment in PRC subsidiaries

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

### 5. Potential dilution to shareholding of the Independent Shareholders

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

Name of Shareholders	As at the Latest Practicable Date		Upon full utilisation of the Issue Mandate	
	Shares	%	Shares	%
Mr. Li Ge, a Director ( <i>Note</i> )	388,530,000	28.06	388,530,000	23.38
	–	–	–	–
Public Shareholders	996,269,970	71.94	996,269,970	59.95
Shares that may be issued under the New General Mandate	–	–	276,959,994	16.67
	–	–	–	–
<b>Total</b>	<b><u>1,384,799,970</u></b>	<b><u>100.00</u></b>	<b><u>1,661,759,964</u></b>	<b><u>100.00</u></b>

*Note:*

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

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

As illustrated in the table above, assuming no Shares will be issued or repurchased by the Company from the Latest Practicable Date to the date of the SGM, 276,959,994 new Shares can be issued upon full utilisation of the Issue Mandate, representing 20% the issued share capital as at the date of SGM, and the aggregate shareholding of the existing public Shareholders will decrease from approximately 71.94% as at the Latest Practicable Date to approximately 59.95% upon full utilisation of the Issue Mandate, representing a potential maximum decrease in shareholding of approximately 11.99%.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

### RECOMMENDATION

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

Yours faithfully,

For and on behalf of

**Asia Investment Management Limited**

**Alice Kan**

*Managing Director*

**Hidulf Kwan**

*Associate Director*

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## **EXPLANATORY STATEMENT**

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

### **1. EXERCISE OF THE REPURCHASE MANDATE**

On the basis that 1,384,799,970 Shares are in issue as at the Latest Practicable Date and no further Shares are issued or repurchased prior to the SGM, exercise in full of the Repurchase Mandate could result in up to 138,479,997 Shares being repurchased by the Company during the period from the passing of Resolution 1(B) as set out in the notice of SGM up to (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws or any applicable laws of Bermuda to be held; or (iii) the passing of an ordinary resolution by Shareholders in general meeting revoking, varying and renewing the Repurchase Mandate, whichever occurs first.

### **2. REASONS FOR REPURCHASE**

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

### **3. FUNDING AND EFFECT OF REPURCHASES**

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

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the latest published audited accounts contained in the 2008 annual report of the Company) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on its gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

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## EXPLANATORY STATEMENT

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### 4. UNDERTAKING

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

### 5. INTENTION TO SELL SHARES

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

### 6. TAKEOVERS CODE CONSEQUENCE

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

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

Name	Shares held	Percentage of total issued Shares
True Allied Assets Limited	351,518,000	25.38%
Li Ge ( <i>Note</i> )	388,530,000	28.06%

*Note:*

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

In the event that the Directors exercise in full the power to repurchase shares under the Repurchase Mandate to be proposed at the SGM, the total interests of each of the above shareholders in the existing issued share capital of the Company would be proportionally increased to approximately 28.20% and 31.17%, respectively, and Li Ge will be obliged to make a mandatory offer under Rules 26 and 32 of the Takeovers Code in this respect.

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

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## EXPLANATORY STATEMENT

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

### 7. SHARE PURCHASED BY THE COMPANY

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

### 8. CONNECTED PERSON

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

### 9. SHARE PRICES

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

	Shares	
	Highest	Lowest
<b>2008</b>		
June	0.64	0.53
July	0.57	0.495
August	0.52	0.40
September	0.44	0.242
October	0.25	0.095
November	0.128	0.043
December	0.106	0.05
<b>2009</b>		
January	0.126	0.08
February	0.084	0.051
March	0.065	0.049
April	0.123	0.051
May	0.18	0.089
June (up to the Latest Practicable Date)	0.195	0.139

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## NOTICE OF SPECIAL GENERAL MEETING

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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: 08108)

### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting of FAVA International Holdings Limited will be held at 11:00 a.m. on 3 July 2009, Friday at Room 1005, C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendment, as an ordinary resolutions:

#### ORDINARY RESOLUTIONS

1(A) **“THAT:**

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

\* *For identification purpose only*

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## NOTICE OF SPECIAL GENERAL MEETING

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

(d) for the purposes of this Resolution:—

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

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

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

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## NOTICE OF SPECIAL GENERAL MEETING

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1(B) **“THAT:**

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

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

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

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## NOTICE OF SPECIAL GENERAL MEETING

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1(C) “**THAT:**

conditional upon Resolution 1(A) and 1(B) being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the Directors as mentioned in Resolution 1(B) shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to Resolution 1(A) above.”

By Order of the Board  
**FAVA INTERNATIONAL HOLDINGS LIMITED**  
**Li Ge**  
*Executive Director*

Hong Kong, 17 June 2009

*Notes:*

- (1) Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies (if such member is the holder of two or more shares) to attend and to vote instead of them. A proxy need not be a member of the Company.
- (2) Where there are joint holders of any share any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
- (3) A form of proxy for use at the meeting is enclosed.
- (4) To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, must be deposited at Company’s branch share registrar in Hong Kong, Tengis Limited at 26/F Tesbury Centre, 28 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or adjourned meeting.
- (5) According to Rule 17.47(4) of the GEM Listing Rules, the voting at the AGM will be taken by poll.