
IMPORTANT

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

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

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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)

NOTICE OF SPECIAL GENERAL MEETING

PROPOSED SUBDIVISION OF SHARES AND CHANGE IN BOARD LOT SIZE AND GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

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



CHINA EVERBRIGHT CAPITAL LIMITED

This circular together with a form of proxy will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for 7 days from the date of its posting.

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 Friday, 26 January 2007 at 11:00 a.m. is set out on pages 22 to 25 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, 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 12 of this circular. A letter from the Independent Financial Adviser is set out on pages 13 to 18 of this circular.

5 January 2007

* For identification purpose only

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CHARACTERISTICS OF GEM

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 GEM website in order to obtain up-to-date information on GEM-listed issuers.

DEFINITIONS

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

“Agent”	Hantec International Finance Group Limited, the agent providing matching services to those Shareholders who wish to top-up or sell their holdings of odd lots of the Subdivided Shares
“Board”	the board of Directors
“CCASS”	Central Clearing and Settlement System, established and operated by Hongkong Clearing
“Company”	FAVA International Holdings Limited, an exempted company incorporated in Bermuda with limited liability
“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
“General Mandates”	the Issue Mandate and the Repurchase Mandate
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Hongkong Clearing”	Hong Kong Securities Clearing Company Limited
“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 General Mandates
“Independent Financial Adviser”	China Everbright Capital Limited, a corporation licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong

DEFINITIONS

“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 or Subdivided Shares (if the Share Subdivision becomes effective)
“Latest Practicable Date”	29 December 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to this circular
“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
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)” or “Member(s)”	holder(s) of Shares or Subdivided Shares (if the Share Subdivision becomes effective)
“Share Option Scheme”	the share option scheme adopted by the Company on 24 May 2002
“Share Subdivision”	the proposed subdivision of each of the issued and unissued Shares into five Subdivided Shares referred to herein
“SGM”	the special general meeting of the Company to be held on 26 January 2007
“Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Subdivided Share(s)”	ordinary share(s) of HK\$0.004 each in the share capital of the Company upon completion of the Share Subdivision
“Takeover Code”	the Hong Kong Code on Takeovers and Mergers

EXPECTED TIMETABLE OF THE SHARE SUBDIVISION

2007

Latest time for lodging forms of proxy for the SGM.	11:00 a.m. on Wednesday, 24 January
SGM	11:00 a.m. on Friday, 26 January
Effective date of Share Subdivision	Monday, 29 January
Dealing in Subdivided Shares commences	9:30 a.m. on Monday, 29 January
Existing counter for trading in existing Shares in board lots of 2,000 Shares temporary closes	9:30 a.m. on Monday, 29 January
Temporary counter for trading in Subdivided Shares in board lots of 10,000 Subdivided Shares (in the form of certificates for existing Shares) opens	9:30 a.m. on Monday, 29 January
First day of free-exchange of certificates for existing Shares for new certificates for the Subdivided Shares	Monday, 29 January
Existing counter for trading in Subdivided Shares in board lots of 4,000 Subdivided Shares (in the form of new share certificates for Subdivided Shares) re-opens.	9:30 a.m. on Monday, 12 February
Parallel trading in Subdivided Shares (in the form of new certificates for Subdivided Shares in the existing counter and certificates of existing Shares in the temporary counter) commences.	9:30 a.m. on Monday, 12 February
Temporary counter for trading in Subdivided Shares in board lots of 10,000 Subdivided Shares (in the form of certificates for existing Shares) ends	4:00 p.m. on Wednesday, 7 March
Parallel trading in Subdivided Shares (in the form of new certificates for Subdivided Shares in the existing counter and certificates for existing Shares in the temporary counter) ends	4:00 p.m. on Wednesday, 7 March
Last day for free exchange of certificates for existing Shares for new certificates for Subdivided Shares	4:30 p.m. on Friday, 9 March
Matching service for the sale and purchase of odd lots of Subdivided Shares	from Monday, 12 February to Wednesday, 7 March

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

5 January 2007

To the Shareholders,

Dear Sir or Madam,

**PROPOSED SUBDIVISION OF SHARES
AND CHANGE IN BOARD LOT SIZE
AND
GENERAL MANDATES TO ISSUE
AND
REPURCHASE SHARES**

INTRODUCTION

On 29 December 2006, the Board proposed that each of the existing issued and unissued shares of HK\$0.02 each be subdivided into five shares of HK\$0.004 each in the capital of the Company.

On 17 May 2006, resolutions were passed by the then Shareholders giving general unconditional mandates to the Directors to issue and repurchase Shares. It is proposed that the aforesaid general mandates to issue and allot and to repurchase Shares or Subdivided Shares (if Share Subdivision becomes effective) 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 Share Subdivision and the granting of the General Mandates 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

LETTER FROM THE BOARD

SHARE SUBDIVISION

The Board proposes that each of the existing issued and unissued Shares be subdivided into five Subdivided Shares of HK\$0.004 each. Upon completion of the Share Subdivision, the trading in shares of the Company will be traded in board lots of 4,000 Subdivided Shares.

The Board believes that the Share Subdivision will lower the minimum investment amount in the Shares thereby enhancing the liquidity in trading of the shares of the Company and widening its Shareholders base. Hence, the Board is of the view that the Share Subdivision is in the best interests of the Company and the Shareholders as a whole.

Conditions

The Share Subdivision is conditional upon (i) the passing of an ordinary resolution by the Shareholders at the SGM, and (ii) the GEM Listing Committee granting the listing of and permission to deal in the Subdivided Shares and any new Subdivided Shares which may fall to be issued pursuant to the exercise of options granted under the Company's Share Option Scheme.

Apart from the payment of the expenses for the Share Subdivision, the implementation of the Share Subdivision will not, of itself, alter the underlying assets, business operations, and management or financial position of the Company or the proportional interests of the Shareholders in the Company.

Listing and Dealing

An application was made to the GEM Listing Committee for the listing of and permission to deal in such Subdivided Shares on GEM.

Subject to the granting of listing of, and permission to deal in, the Subdivided Shares on GEM, the Subdivided Shares will be accepted as eligible securities by Hongkong Clearing for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Subdivided Shares on GEM or such other date as determined by Hongkong Clearing. Settlement of transactions between participants of the Stock Exchange on any trading date is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

For those persons whose interests in the Company are currently held through CCASS, dealings in the Subdivided Shares are expected to be capable of settlement through CCASS with effect from the commencement date of the dealings in the Subdivided Shares on the Stock Exchange and without any need on the part of such persons to deposit new share certificates in respect of the Subdivided Shares with Hongkong Clearing.

LETTER FROM THE BOARD

Change in Authorised and Issued Share Capital

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$500,000,000 which is divided into 25,000,000,000 Shares of which 100,279,997 Shares are in issue. Immediately upon completion of the Share Subdivision and on the basis that 100,279,997 Shares are in issue, 501,399,985 Subdivided Shares will be in issue pursuant to the Share Subdivision and the authorised share capital of the Company will be HK\$500,000,000 divided into 125,000,000,000 Subdivided Shares of HK\$0.004 each. The Subdivided Shares will rank pari passu in all respects with each other and the Share Subdivision will not result in any change in the relevant rights of the Shareholders.

Board Lot Size

Currently, the Shares are traded in board lots of 2,000 Shares and upon fulfillment of the conditions of the Share Subdivision, the trading in the shares of the Company will be traded in board lots of 4,000 Subdivided Shares.

Arrangement on odd lot trading

In order to facilitate the trading of odd lots of Subdivided Shares as a result of the Share Subdivision and the change of the board lot size, the Company will appoint the Agent to act as agent in providing a “matching service” to those shareholders who wish to top-up or sell their holdings of odd lots of the Subdivided Shares.

The Agent will provide the service to match the sale and purchase of odd lots of Subdivided Shares during the period from 12 February 2007 to 7 March 2007 both dates inclusive. Holders of Subdivided Shares in odd lots who wish to take advantage of this facility either to dispose of or top-up their odd lots to a board lot of 4,000 Subdivided Shares may, directly or through their brokers, contact Mr. Leung Siu Wa of the Agent at 45th Floor, COSCO Tower, 183 Queen’s Road Central, Hong Kong on telephone number 22357801 or fax number 29076390 during such period. Shareholders should note that successful matching of the sale and purchase of odd lots of Subdivided Shares is not guaranteed and will depend on there being adequate amounts of odd lots of Subdivided Shares available for such matching.

Shareholders are recommended to consult their professional advisers if they are in any doubt about the matching facility described above.

LETTER FROM THE BOARD

Trading Arrangements for the Subdivided Shares

The Shares are listed and dealt in on GEM. No part of the Company's securities are listed or dealt in on any other stock exchange, nor is listing of or permission to deal in the Shares/Subdivided Shares on any other stock exchange being or proposed to be sought. Dealings in the Subdivided Shares will be subject to Hong Kong stamp duty.

1. Dealings

Subject to the Share Subdivision becoming unconditional, the arrangements proposed for dealings in the Subdivided Shares are expected to be as follows:

- (a) From 29 January 2007, the existing counter for trading in the Shares in board lots of 2,000 Shares (in the form of share certificates in green for existing Shares) will be closed temporarily and a temporary counter for trading in the Subdivided Shares in board lots of 10,000 Subdivided Shares will be opened. Certificates for existing Shares may only be traded at the temporary counter and one Share will be deemed to represent five Subdivided Shares.
- (b) With effect from 12 February 2007, the existing counter for trading in the Subdivided Shares will be reopened for trading in Subdivided Shares in board lots of 4,000 Subdivided Shares (in the form of new share certificates in blue for Subdivided Shares). Only new certificates for Subdivided Shares will be traded at this existing counter after reopening.
- (c) During the period from 12 February 2007 to 7 March 2007 (both days inclusive), there will be parallel trading at the above two counters.
- (d) With effect from 9:30 a.m. on 8 March 2007, trading will only be in the Subdivided Shares in board lots of 4,000 Subdivided Shares (in the form of new certificates in blue for Subdivided Shares) and the temporary counter for trading in the Subdivided Shares in board lots of 10,000 Subdivided Shares will be removed. Dealings in the Subdivided Shares represented by certificates for existing Shares will cease after the close of trading on 7 March 2007.

Certificates for existing Shares will only be valid for delivery and settlement in respect of dealings for the period up to 7 March 2007 and thereafter will not be accepted for dealing purposes. However, the certificates for existing Shares will continue to be good evidence of legal title to the Subdivided Shares on the basis of one Share for five Subdivided Shares and may be exchanged for new certificates for Subdivided Shares at any time. Such Shareholders shall be entitled to tender their certificates for existing Shares in exchange for new certificates for the Subdivided Shares in board lots of 4,000 Subdivided Shares so that their shareholding may be accurately represented by the new certificates for the Subdivided Shares.

LETTER FROM THE BOARD

2. *Exchange of certificates*

New certificates for Subdivided Shares will be issued in blue in order to distinguish them from certificates for existing Shares which are green in colour.

Shareholders are urged to exchange their certificates for existing Shares for new certificates for Subdivided Shares as soon as possible on or after Monday, 29 January 2007. This may be done free of charge by delivering the certificates for existing Shares to the branch share registrar of the Company in Hong Kong, Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Friday, 9 March 2007. Thereafter, certificates for existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each new certificate for Subdivided Shares. A Shareholder will be entitled to aggregate his/her/its Shares registered in his/her/its name in order to obtain new certificates for such Subdivided Shares in board lot(s) of 4,000 Subdivided Shares.

If Shareholders are able to lodge their certificates for the existing Shares between 9:00 a.m. and 4:00 p.m. on Monday, 29 January 2007, it is expected that new certificates for the Subdivided Shares will be available for collection on Monday, 12 February 2007. If Shareholders lodge their certificates for the existing Shares after Monday, 12 February 2007, it is expected that new certificates for Subdivided Shares will be available for collection on or after the 10th business day from the date of submission of the certificates for existing Shares to the branch share registrar of the Company in Hong Kong. Unless instructed otherwise, new certificates for Subdivided Shares will be issued in board lots of 4,000 Subdivided Shares.

Share Options

As at the Latest Practicable Date, the Company (i) has no outstanding share options under the Share Option Scheme, which confer the right to subscribe for Shares (ii) does not have any warrants, other types of options, derivatives, convertible securities or other securities in issue.

REFRESHMENT OF GENERAL MANDATES

In the Company's annual general meeting held on 17 May 2006, a general mandate to allot, issue and deal with Shares not exceeding 20% of the then issued share capital of the Company, equivalent to 17,056,000 Shares was granted to the Directors. On 1 December 2006, 14,999,997 Shares were issued by the Company under the aforesaid general mandate as a result of the full conversion of all convertible notes with an aggregate principal amount of HK\$18,000,000 issued by the Company on 28 July 2006. In order to allow the flexibility for future business development and/or fund raising, the Company wishes to seek approval of Shareholders at the SGM to refresh the Issue Mandate. Based on the total number of issued shares of the Company as at the Latest Practicable Date (i.e. 100,279,997 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 20,055,999 new Shares (or 100,279,997 Subdivided Shares, if the Share Subdivision becomes effective). However, the Company does not have any immediate plans for any new issue of Shares or Subdivided Shares (as the case maybe) at present.

LETTER FROM THE BOARD

At the SGM, resolutions will be proposed to refresh the General Mandates.

In accordance with the GEM Listing Rules, China Everbright Capital Limited has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the refreshment of the Issue Mandate. The Company wishes to maintain the flexibility for future business development and fund raising opportunities hence considers it in the interest of the Company to take advantage of the SGM to be convened to approve the refreshment of the General Mandates although there are no plans at present to issue any new Shares under the Issue 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. 2(A) and 2(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. 2(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 : 26 January 2007

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 22 to 25 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, 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.

LETTER FROM THE BOARD

PROCEDURE FOR DEMANDING A POLL

Pursuant to the bye-laws of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless voting by way of a poll is required by the rules of the Stock Exchange or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll), unless a poll is demanded:

- (a) by the chairman of such meeting; or
- (b) by at least three Members present in person (or in the case of a Member being a corporation by its duly authorized representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) by a Member or Members present in person (or in case of a Member being a corporation by its duly authorized representative) or by proxy and representing not less than one-tenth of the total voting rights of all Members having the right to vote at the meeting; or
- (d) by a Member or Members present in person (or in case of a Member being a corporation by its duly authorized representative) or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right; or
- (e) if required by the rules of the Stock Exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent (5%) or more of the total voting rights of all Members having right to vote at such meeting.

A demand by a person as proxy for a Member or in the case of a Member being a corporation by its duly authorized representative shall be deemed to be the same as a demand by a Member.

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 General Mandates.

China Everbright Capital 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 Share Subdivision and the General Mandates to be proposed at the SGM.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser in respect of the Issue Mandate, considers that the granting of the General Mandates 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 General Mandates.

GENERAL INFORMATION

Your attention is drawn to the letter of advice from the Independent Financial Adviser set out on pages 13 to 18 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 letter from the Independent Board Committee set out on page 12 of this circular which contains its recommendation to the Independent Shareholders in relation to the grant of the General Mandates.

Yours faithfully,

On behalf of the Board of

FAVA INTERNATIONAL HOLDINGS LIMITED

Li Ge

Executive Director

FAVA INTERNATIONAL HOLDINGS LIMITED

名家國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8108)

5 January 2007

To the Independent Shareholders

Dear Sir or Madam,

**GENERAL MANDATES TO ISSUE
AND
REPURCHASE SHARES**

We refer to the circular of the Company dated 5 January 2007 (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 General Mandates. China Everbright Capital 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 13 to 18 of the Circular, we are of the opinion that the proposed grant of the General Mandates 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 General Mandates.

Independent Board Committee

Lee Yuen Kwong

Yang Jie

Yang Dongli

Independent non-executive Directors

* *for identification purpose only*

The following is the text of the letter from China Everbright Capital Limited to the Independent Board Committee and the Independent Shareholders, prepared for incorporation into this circular in connection with the granting of the New General Mandate.



CHINA EVERBRIGHT CAPITAL LIMITED

Room 4103-05, Far East Finance Centre, 16 Harcourt Road, Hong Kong

5 January 2007

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**REFRESHMENT OF GENERAL MANDATE
TO ALLOT AND ISSUE SHARES**

(I) INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders with regard to the proposed grant of the new general mandate to issue and allot Shares (the “New General Mandate”). The terms used in this letter shall have the same meaning as those defined in the circular from the Company to the Shareholders dated 5 January 2007 (the “Circular”), of which this letter forms part. Expressions used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

(II) BACKGROUND

Pursuant to Rule 17.42A of the GEM Listing Rules, the proposed New General Mandate requires the approval of Independent Shareholders by poll at the SGM at which any of the controlling Shareholders and their associates (within the meaning of the GEM Listing Rules) or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the company and their respective associates shall abstain from voting in favour of the New General Mandate at the SGM. As at the Latest Practicable Date, the Company did not have any “controlling Shareholder” (within the meaning of the GEM Listing Rules). Other than Mr. Li Ge who holds 3,606,000 Shares, representing 3.59% of the issued share capital of the Company, none of the Directors, chief executive of the Company or their Associates held any Shares. Accordingly, Mr. Li Ge and his associates will abstain from voting on the New General Mandate, and no other Shareholder is required to abstain from voting on the New General Mandate at the SGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

An independent board committee comprising Messrs. Lee Yuen Kwong, Yang Jie and Yang Dongli, being the independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the granting of the New General Mandate.

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular. We have assumed that the information and representations contained or referred to in the Circular and all information and representations provided by the Company and the Directors, for which they were solely and wholly responsible, were true and accurate at the time they were made and continue to be so up to the date of the SGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company or any of its subsidiaries or associates.

(III) PRINCIPAL FACTORS AND REASONS CONSIDERED

The following are the principal factors which we have taken into account in assessing the fairness and reasonableness of the proposed New General Mandate in giving our advice to the Independent Board Committee and the Independent Shareholders.

(a) Background of the Company

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

(b) History of fund raised and use of proceeds

We have considered the Group's history of fund raised using the Company's general mandate and the use of such proceeds in the past twelve months. During this period, funds raised by using the Company's general mandate were used for general working capital. The following paragraphs summarise the details of these fund raising activities.

- In July 2006, the Company issued convertible notes ("Convertible Notes") in the principal amount of HK\$18 million to third parties. The net proceeds from the convertible notes were used as general working capital. As at the Latest Practicable Date, all of the convertible notes had been converted.

- On 3 March 2006, the Company announced a placement of 28,420,000 new Shares to independent places. The Shares placed were issued under the refreshed general mandate granted to the Board at the Company's special general meeting convened on 7 December 2005. The net proceeds were intended to be applied for general working capital purposes.

Since the Company's annual general meeting on 17 May 2006, the Company had not refreshed its general mandate. The Board proposes to refresh the existing general mandate for the Directors to allot, issue and deal with securities of the Company not exceeding 20% of the issued share capital of the Company as at the date of the SGM.

(c) Financial flexibility

The existing general mandate granted to the Board at the annual general meeting of the Company on 17 May 2006 (which allowed the Company to issue up to 17,056,000 new Shares) has been substantially utilised in the placing of the Convertible Notes as announced by the Company on 7 July 2006. The existing general mandate only allows the Company to issue up to an additional 2,056,003 new Shares, representing about 2.05% of the Company's existing issued share capital.

If there is no refreshment to the existing general mandate between now to May 2007 (the expected time to convene the Company's next annual general meeting) when a new general mandate may be granted to the Directors, the Company's ability to raise new equity financing will be limited to approximately 2.05% of its existing issued share capital unless the Company seeks Shareholders' approval.

According to the unaudited interim report of the Company, the cash and cash balances of the Company as at 30 June 2006 was approximately HK\$9,299,000. Of the fund raising exercise conducted by the Company since 30 June 2006 (as set out in the paragraph headed "History of fund raised and use of proceeds" of this section), we noted that the net proceeds of approximately HK\$17 million raised from the placing of the Convertible Notes in July 2006 was retained as general working capital of the Company for the time being.

As announced on 30 November 2006, the Group entered into a conditional S&P agreement with independent third parties to acquire certain machineries and equipment for the manufacturing of solid wood home furniture at a cash consideration of approximately RMB75,398,100. We note that the above acquisition will be financed through a combination of net proceed from the issue of the Convertible Notes, debt financing and internal resource.

Save for the above, we are informed that the Company does not have any definite equity fund raising plan as at the Latest Practicable Date. However, as advised by the Directors, there is no certainty that such cash resources will be adequate for potential investments and/or acquisition that may be identified by the Company in future in particular as and when the possible further investment in furniture business materialize. The Directors consider that if investment or acquisition opportunities arise, decisions may have to be made within a short period of time. The New General Mandate would provide the maximum flexibility as allowed under the GEM Listing Rules to allot and issue new Shares as consideration to acquire, or to raise capital through placing of Shares and/or convertibles to fund, such potential investments and/or acquisitions in the future as and when such opportunities arise.

Given that (i) the existing general mandate granted to the Board at the annual general meeting of the Company on 17 May 2006 has been substantially utilised as at the Latest Practicable Date; (ii) the increased amount of capital which may be raised under the New General Mandate provides more options of financing to the Group when assessing and negotiating potential acquisitions and/or investments in a timely manner; and (iii) the recent buoyant market condition of the Hong Kong stock market may allow the Group to carry out fund raising exercise at attractive valuation, we concur with the Directors' view that the granting of New General Mandate will provide greater flexibility to the Company in raising additional capital and/or capture any business opportunities that may arise before the general mandate to be renewed in the Company's next annual general meeting.

(d) Other financing alternatives

Other than raising fund by way of equity capital issuance, the Directors will also consider other means of financing such as debt financing or internal cash resources to meet the financial requirements for its future business development. As debt financing may incur interest expenses to the Group, the Directors consider it commercially sensible to explore other financing source including capital fund raising having taken into account of the Group's financial position, capital structure and funding cost as well as the market condition. In such regard, the Directors consider that the New General Mandate provides an alternative way of financing to the Group without incurring any additional debt for the Group and in turn allows the Directors higher flexibility to choose the financing method which serves the best interest of the Group. We are of the view that it is a sensible consideration to make reference to the then financial position of the Company and the prevailing market condition in order to decide on the source of financing for the Group's future development.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(e) Potential dilution to shareholding of the Independent Shareholders

We set out below a table showing the potential dilution effect on the shareholding structure of the Company in the event that the New General Mandate is fully utilised:

Name of Shareholders	No. of issued Shares as at the Latest Practicable Date		No. of issued Shares upon full utilization of the New General Mandate		
	No. of Shares	%	No. of Shares	No. of Subdivided Shares	
					%
True Allied Assets Limited (<i>Note</i>)	25,784,500	25.71	25,784,500	128,922,500	21.43
Sino Hope Investments Limited	6,243,333	6.23	6,243,333	31,216,665	5.19
Integrated Asset Management (Asia) Limited	5,670,666	5.65	5,670,666	28,353,330	4.71
Other existing public Shareholders	62,581,498	62.41	62,581,498	312,907,490	52.00
Shares to be issued under the New General Mandate	0	0	20,055,999	100,279,995	16.67
Total	100,279,997	100.00	120,335,996	601,679,980	100.00

Notes:

1. True Allied Assets Limited is wholly owned by Ms. Huang Ye Hua. Ms. Huang is also the sole director of True Allied Assets Limited.

Upon full utilisation of the New General Mandate, 20,055,999 new Shares will be issued, representing 20% of the existing share capital and approximately 16.67% of the enlarged share capital (as increased by the New General Mandate) of the Company respectively. The aggregate shareholding of the other existing public Shareholders will be reduced from approximately 62.41% to approximately 52.00%, resulting in a potential maximum dilution of approximately 10.41% upon the full utilisation of the New General Mandate. The aggregate shareholding of True Allied will also be diluted by approximately 4.28% in maximum upon the full utilisation of the New General Mandate. As such, the dilution effect on the shareholdings to be arisen from utilisation of the New General Mandate would be applicable to all Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that albeit the dilution effect to be brought about by utilisation of the New General Mandate, the Company and the Shareholders as a whole may benefit from (i) the additional amount of capital which may be raised under the New General Mandate; (ii) the higher flexibility available to the Group to conduct equity financing in a timely manner; and (iii) the alternative financing option offered by the New General Mandate. We have also considered that upon any utilisation of the New General Mandate, the shareholding of all existing Shareholders will be diluted in proportion to their respective shareholdings. Based on the foregoing, we are of the view that such dilution or potential dilution to the shareholding of the Independent Shareholders is acceptable and justifiable.

(IV) RECOMMENDATION

Having considered the factors and reasons as stated above, we are of the opinion that the granting of the New General Mandate is in the interest of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the granting of the New General Mandate to be proposed at the SGM.

Yours faithfully,
For and on behalf of
China Everbright Capital Limited
Jacky Ho
Managing Director

EXPLANATORY STATEMENT

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 100,279,997 Shares are in issue as at the Latest Practicable Date (501,399,985 Subdivided Shares will be in issue pursuant to the Share Subdivision) and no further Shares are issued or repurchased prior to the SGM, exercise in full of the Repurchase Mandate could result in up to 10,027,999 Shares (50,139,995 Subdivided Shares (if the Share Subdivision becomes unconditional and effective)) being repurchased by the Company during the period from the passing of Resolution 2(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 2005 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.

EXPLANATORY STATEMENT

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. TAKEOVER 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 Takeover 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 Takeover 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	25,784,500	25.71%
SINO HOPE INVESTMENTS LIMITED	6,243,333	6.23%
INTEGRATED ASSET MANAGEMENT (ASIA) LIMITED	5,670,666	5.65%

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 28.57%, 6.92% and 6.28% respectively and such increases will not be obliged to make a mandatory offer under Rules 26 and 32 of the Takeover Code in this respect.

As at the Latest Practicable Date, save as Mr. Li Ge beneficially owned 3,606,000 Shares of the Company, none of the Directors nor their respective associates were beneficially interested in the issued share capital of the Company.

EXPLANATORY STATEMENT

The Directors are not aware of any consequences which may arise under the Takeover 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) 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:

	HK\$ per Share	
	Highest	Lowest
2005		
December	0.084	0.064
2006		
January	0.064	0.064
February	0.158	0.066
March	0.158	0.110
April	0.760	0.162
May	1.350	0.760
June	1.550	1.200
July	1.360	1.160
August	1.420	1.190
September	2.100	1.500
October	2.020	1.900
November	3.850	2.000
December (up to the Latest Practicable Date)	4.330	3.900

FAVA INTERNATIONAL HOLDINGS LIMITED

名家國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8108)

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 26 January 2007 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. **“THAT:**

subject to and conditional upon the listing sub-committee of The Stock Exchange of Hong Kong Limited with responsibility for the Growth Enterprise Market granting the listing of, and permission to deal in, the Subdivided Shares (as hereinafter defined) to be resulted from the Share Subdivision (as hereinafter defined), each of the existing issued and unissued shares of HK\$0.02 each in the share capital of the Company be and is hereby subdivided into five shares of HK\$0.004 each (the “Subdivided Shares”) with effect from the business day immediately following the day on which this resolution is passed (the “Share Subdivision”) and the directors of the Company be authorised to issue new share certificates in respect of the Subdivided Shares to holders of existing shares of the Company pursuant to the Share Subdivision and to do all things and execute all documents as they shall, in their absolute discretion, deem appropriate to effect and implement the Share Subdivision and any transactions contemplated thereunder.”

2(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;

* *For identification purpose only*

NOTICE OF SPECIAL GENERAL MEETING

- (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 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

NOTICE OF SPECIAL GENERAL MEETING

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).”

2(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 of the Company by this Resolution.”

NOTICE OF SPECIAL GENERAL MEETING

2(C) “**THAT:**

conditional upon Resolutions 2(A) and 2(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 2(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 2(A) above.”

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

Hong Kong, 5 January 2007

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 the 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.