



THIRD
QUARTERLY
REPORT
2011



名 家 國 際

FAVA INTERNATIONAL HOLDINGS LIMITED

名家國際控股有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code : 08108



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This report, for which the directors of the Company (the "Directors") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.



THIRD QUARTERLY RESULTS (UNAUDITED)

The board of directors (the "Board") of FAVA International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and nine months ended 30 September 2011 together with the comparative figures.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months and nine months ended 30 September 2011

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Turnover	2	49,561	51,005	134,012	130,532
Cost of sales		(40,682)	(41,924)	(107,922)	(106,071)
Gross profit		8,879	9,081	26,090	24,461
Other revenue		43	146	167	1,111
Other income		132	2,125	1,407	5,189
Written down of inventories		–	(26,103)	–	(26,103)
Selling and distribution costs		(3,429)	(4,849)	(10,633)	(11,680)
Administrative expenses		(9,141)	(8,161)	(26,507)	(23,579)
Other operating expenses		–	(509)	(60)	(1,662)
Loss from operations		(3,516)	(28,270)	(9,536)	(32,263)
Finance costs		(1)	(1)	(3)	(3)
Loss before taxation		(3,517)	(28,271)	(9,539)	(32,266)
Taxation	3	–	–	–	–
Net loss for the period		(3,517)	(28,271)	(9,539)	(32,266)
Interim dividend	4	–	–	–	–
Other comprehensive income for the period, net of tax Exchange differences on translating foreign operations		3,637	1,258	9,383	5,597
Total comprehensive income/(loss) for the period		120	(27,013)	(156)	(26,669)
Loss per share		HK cents	HK cents	HK cents	HK cents
– basic and diluted	5	(0.2)	(2.0)	(0.5)	(2.3)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	(Accumulated losses) HK\$'000	Share options reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserves HK\$'000	Total equity HK\$'000
At 31 December 2009 and 1 January 2010	2,769	169,277	36,000	(945)	-	36,560	41,481	285,142
Loss for the period	-	-	-	(32,266)	-	-	-	(32,266)
Other comprehensive income for the period	-	-	-	-	-	5,597	-	5,597
Total comprehensive (expense)/ income for the period	-	-	-	(32,266)	-	5,597	-	(26,669)
Issue of new share upon exercise of share options	111	-	-	-	-	-	-	111
Premium arising from issue of new shares upon exercise of share options	-	7,474	-	-	-	-	-	7,474
At 30 September 2010	2,880	176,751	36,000	(33,211)	-	42,157	41,481	266,058
At 31 December 2010 and 1 January 2011	3,489	216,838	36,000	(32,562)	3,174	35,631	43,500	306,070
Loss for the period	-	-	-	(9,539)	-	-	-	(9,539)
Other comprehensive income for the period	-	-	-	-	-	9,383	-	9,383
Total comprehensive (expense)/ Income for the period	-	-	-	(9,539)	-	9,383	-	(156)
Issue of new shares upon exercise of share options	28	-	-	-	(828)	-	-	(800)
Premium arising from issue of shares upon exercise of share options	-	2,696	-	-	-	-	-	2,696
At 30 September 2011	3,517	219,534	36,000	(42,101)	2,346	45,014	43,500	307,810



Notes:

1. BASIS OF PREPARATION

The Group's unaudited third quarterly results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosures requirements required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GM Listing Rules") and the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

The measurement basis used in the preparation of the financial statements is historical cost convention.

The accounting policies adopted in preparing the unaudited condensed consolidated financial statements for the nine months ended 30 September 2011 are consistent with those adopted in the annual report of the Company for the year ended 31 December 2010.

2. TURNOVER

The Group's turnover represents the income received from the net invoiced value of household products manufactured and sold, after allowance for returns and trade discounts where applicable and the provision of funeral services and sales of funeral related products. An analysis of the Group's turnover is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Manufacture and sales of household products	41,988	51,005	126,439	130,532
Provision funeral services and sales of funeral related products	7,573	—	7,573	—
	<u>49,561</u>	<u>51,005</u>	<u>134,012</u>	<u>130,532</u>



3. TAXATION

No provision for Hong Kong profits tax has been made as the Group has no assessable profit in Hong Kong for the nine months ended 30 September 2011 (nine months ended 30 September 2010: Nil).

The PRC enterprise income tax ("EIT") represents tax charges on the assessable profit of the PRC subsidiary of the Group at the prevailing tax rates applicable. The PRC subsidiary of the Group, Langfang Huari Hengyu Home Co. Limited* (廊坊華日恒宇家居有限公司) is categorised as a foreign investment enterprise and is entitled to preferential tax treatments ("Preferential Tax treatments") including full exemption from EIT for two years starting from its first profit-making year following by a 50% reduction for the next consecutive three years, and 2007 is its first profit-making year.

No EIT was charged for the nine months ended 30 September 2011 as all the PRC subsidiary of the Group has recorded loss (nine months ended 30 September 2010: Nil).

There was no significant unprovided deferred taxation for the nine months ended 30 September 2011 (nine months ended 30 September 2010: Nil).

4. INTERIM DIVIDEND

No interim dividend has been paid or declared by the Company for the nine months ended 30 September 2011 (nine months ended 30 September 2010: Nil).

5. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK\$9,539,000 (2010: approximately HK\$32,266,000) and the weighted average of 1,752,896,629 (2010: 1,401,321,294) ordinary shares in issue during the period.

Diluted loss per share for the nine months ended 30 September 2011 has not been shown as the exercised or outstanding share options of the Company during the period and did not have an anti-diluted effect on the basic loss per share for the period.

There was no diluting event existed during the nine months ended 30 September 2011 and 2010.



MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

During the past three quarters of 2011, the European debt crisis continued to exert pressure on the financial market. The PRC Central Government implemented policies to improve the living standard of the labours, which led to the continuous increase in labour costs. Furthermore, as land and raw material costs in China kept rising and the PRC Central Government put forth macro-control policies over housing to cool down the housing market (especially in the first-and-second tier cities), potential home buyers put off their home purchase plans and their decisions on buying furniture. All these factors exerted great influence on the Group's profitability. Upon our disposal of all non-performing assets, the Group's performance results are still not satisfactory. However, the Group still managed to maintain the sales volume. We believed that our efforts will bring us returns.

Although the Group's funeral business, a new business started in the third quarter, recorded a net loss of approximately HK\$221,000, after excluding one-off expenses such as website design expenses and logo design expenses, the new business in fact has already generated profits. This reflected that it was an appropriate decision for the Group to enter into this new industry.

Household Products Business

For the nine months ended 30 September 2011, total sales revenue of household products amounted to approximately HK\$126,439,000 and was dropped by 3.12% as compared to approximately HK\$130,532,000 in the corresponding period last year. Direct and indirect retail sales accounted for 14.34% and 85.66% of the Group's sales respectively. Indirect retail sales derived from franchises amounted to approximately HK\$108,303,000 and was decreased by 8.54% over the corresponding period last year. Direct retail sales derived from self-owned direct sale shop business amounted to approximately HK\$18,136,000 and was increased by 49.64% over the corresponding period in 2010.

Gross profit increased by 4.7% from approximately HK\$24,461,000 in the corresponding period of 2010 to approximately HK\$25,610,000. Gross profit margin increased from approximately 18.74% in the corresponding period last year to 20.25% this year, mainly as a result of the continuous decrease in the various discounts offered by the Group and the sales subsidies provided to franchisees in the light of the continuous improvement in sales.



Operating expenses of the Group's household products business amounted to approximately HK\$36,499,000 and was decreased by approximately HK\$422,000 as compared to approximately HK\$36,921,000 in the corresponding period last year. The net loss arising from household products business went down from approximately HK\$32,266,000 in the corresponding period last year to approximately HK\$9,318,000 this year.

In 2010, the Group disposed of all the under-performed self-owned direct sale shops and indirect retail sales businesses related to the Jixiangniao brand, keeping only the business of Lang Fang Huari Furniture International Exhibition Center ("Hall A") for its self-owned direct sale shop business. Pursuant to the land transfer agreement between Huari and the government of Langfang Economic and Technology Development Zone as well as the notice from Huari requiring the Group to relocate Hall A located in the old factory area on or before 30 September 2011, the Group terminated all the businesses in Hall A on 30 September 2011 so as to minimize the operating risks of the Group. Meanwhile, the Group is negotiating with Huari to claim for losses such as relocation expenses arising from the relocation of Hall A.

Funeral Business

During the third quarter, the Group commenced its business in the funeral services industry, which mainly includes the development, management and operation of funeral consultation and agency services as well as the trading of funeral-related products.

Up to 30 September 2011, the Group's total revenue generated from the provision of funeral-related services and the trading of funeral-related products amounted to approximately HK\$7,573,000, thus generating a net loss of approximately HK\$221,000.

Prospects

The furniture industry in China still presents promising prospects under the macro-economic environment created by the "12th Five-year Plan" of the PRC Central Government with the goal to achieve an annual growth of 7% in the gross domestic product which focuses on expanding domestic consumption and continued urbanization policy.



In 2011, the Group will focus on the domestic furniture retail business and actively explore new sales channels so as to facilitate its market expansion. The Group will also adopt active measures to raise its market share and enhance its brand recognition in China. In terms of product design, the Group will strive to improve its product portfolios and introduce luxury products.

The Group is integrating the production capacities of its household products business in order to reduce the production costs and expenses. Entering the funeral services industry has also broadened the earning base of the Group. Furthermore, the Group will also strive to bring new growing points by acquiring assets similar to or related to our current businesses, which in turn will contribute to the diversification of the Group's business.

MEMORANDUM OF UNDERSTANDING

On 20 September 2010, EMAX Venture Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, entered into the memorandum of understanding ("MOU") with an individual (the "Vendor") who is the controlling shareholder of the target company (the "Target Company") under the proposed acquisition, pursuant to which the Purchaser intended to acquire and the Vendor intended to sell 80% interest of the Target Company (the "Proposed Acquisition"). The Target Company and its subsidiaries are principally engaged in the retail business of fashionable products and accessories in Hong Kong and the PRC.

The consideration of the Proposed Acquisition is expected to be in the range from HK\$600,000,000 to HK\$800,000,000.

As no formal agreement and other legal documentation relating to the subject matter of the MOU has been entered into on or before the ending of the exclusivity period of the MOU (i.e. on or before 19 March 2011), thus the MOU shall lapse accordingly. As at the date of this report, the earnest money in the amount of HK\$40,000,000 paid by the Purchaser to the Vendor had been refunded to the Purchaser by the Vendor in full.

For details, please refer to the announcements of the Company dated 21 September 2010, 18 November 2010 and 19 March 2011.



LIQUIDITY AND FINANCIAL RESOURCES

All the Group's funding and treasury activities are currently managed and controlled by the senior management. There is no significant change in respect of treasury and financing policies from the information disclosed in the Group's latest annual report.

As at 30 September 2011, cash and bank balances of the Group was approximately HK\$68,848,000.

As at 30 September 2011, total borrowing of the Group amounted to approximately HK\$15,180 (as at 30 September 2010: approximately HK\$32,000), representing the obligation under a finance lease with an average interest rate of approximately 5% per annum and average lease term of approximately five years.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the new share option scheme adopted on 9 December 2010, during the period, Company or any of its subsidiaries was not a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

As at 30 September 2011, none of the Directors or chief executives of the Company held any share options.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the nine months ended 30 September 2011, the Company had adopted the code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiries to all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.



DISCLOSURE OF INTEREST AS PER REGISTERS KEPT PURSUANT TO THE SECURITIES FUTURES ORDINANCE (“THE SFO”)

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

As at 30 September 2011, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rules 5.46 of the GEM Listing Rules were as follows:

Long positions in ordinary shares of HK\$0.002 each of the Company

Name of director	Number of shares held, capacity and nature of interest				Approximate percentage of the Company's total issued share capital (Note 1)	
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation (Note 2)	Beneficiary of a trust		
Mr. Li Ge	64,548,000	-	351,598,000	-	416,146,000	23.66%

Note:

- (1) The percentage is calculated by dividing the number of shares interested or deemed to be interested by the existing 1,758,355,970 issued shares as at 30 September 2011.
- (2) Mr. Li Ge beneficially owns the entire issued share capital of True Allied Assets Limited. Therefore, Mr. Li Ge is deemed, or taken to be, interested in all the shares held by True Allied Assets Limited for the purpose of SFO.



Save as disclosed above, as at 30 September 2011, none of the Directors and chief executive of the Company was, under Divisions 7 & 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) that were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the GEM Listing Rules.

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

So far as were known to the Directors or chief executive of the Company, as at 30 September 2011, the following persons (other than the Directors and chief executive of the Company as disclosed above) had interests and/or short positions of 5% or more of the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the ordinary shares of HK\$0.002 each of the Company

Name	Nature and capacity of interest	Number of shares held	Approximate percentage of interest <i>(Note 1)</i>
Substantial Shareholders			
True Allied Assets Limited	Beneficial owner	351,598,000	19.99%

Note:

- (1) The percentage is calculated by dividing the number of shares interested or deemed to be interested by the existing 1,758,355,970 issued shares as at 30 September 2011.

Save as disclosed above, as at 30 September 2011, the Directors are not aware of any other persons, other than the Directors and chief executives of the Company, whose interests are set out in the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, had interests or short positions in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 to the SFO.

CHARGE ON GROUP'S ASSETS

Save as the finance lease contract for the Group's office equipment, the Group did not have any other charge on its assets as at 30 September 2011 (2010: Nil).





FOREIGN CURRENCY RISK

As most of the Group's monetary assets and liabilities were denominated in Renminbi and Hong Kong dollars, the exchange rate risks of the Group were considered to be minimal. As at 30 September 2011, no related hedges were made by the Group.

CONTINGENT LIABILITIES

The Group had no contingent liabilities at the balance sheet date.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") on 7 July 2000 with its written terms of reference pursuant to Rules 5.28 to 5.33 of the GEM Listing Rules. Approved by the then directors attending the Board meeting held on 7 December 2006, the terms of reference set out in "A Guide for Effective Audit Committees", published by HKICPA in February 2002, were adopted as written terms of reference for the Audit Committee of the Company. As at 30 September 2011, the Audit Committee comprised three members, namely Mr. LEE Yuen Kwong, Mr. YANG Dongli and Mr. YANG Jie, being independent non-executive Directors of the Company.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group and to provide advice and comments to the Board. The Audit Committee has reviewed the Group's third quarterly results announcement and report for the nine months ended 30 September 2011 and provided advice and recommendations to the Board. After the review of the financial statements, the members of the Audit Committee were of the opinion that such statements comply with the applicable accounting standards, the GEM Listing Rules and other applicable laws and regulations and that adequate disclosure had been made.

CORPORATE GOVERNANCE PRACTICES

Mr. Li Ge ("Mr. Li") assumes the roles of both the chairman and the chief executive officer of the Company. While serving as the chairman of the Group, Mr. Li leads the Board and is responsible for the proceedings and workings of the Board. He ensures that:

- the Board acts in the best interests of the Group; and
- the Board functions effectively, and that all key and appropriate issues are properly briefed to and discussed by the Board.



The Group deviates from Code Provision A.2.1 in the Code on Corporate Governance Practices (the “Code”) set out in Appendix 15 to the GEM Listing Rules. The roles of chairman and chief executive officer of the Group rests on the same individual without having a clear division of responsibilities. However, the Board is of the view that, such non-compliance does not compromise accountability and independent decision making for the following reasons:

- the three independent non-executive Directors and one non-executive Director form the majority of the six member Board;
- the Audit Committee is composed exclusively of independent non-executive Directors; and
- the independent non-executive Directors and non-executive Director could have free and direct access to the Company’s external auditors and independent professional advice whenever necessary.

Mr. Li has considerable experience in the industry. He is dedicated to contribute to the growth and profitability of the Group. The Board is of the view that it is in the best interests of the Group to have an executive chairman, so that the Board can have the benefit of a chairman who is knowledgeable about the business of the Group and is most capable to guide discussions and brief the Board in a timely manner on pertinent issues and their progress, for the purpose of facilitating open dialogue between the Board and the management.

Save as disclosed above, for the nine months ended 30 September 2011, the Company complied with the code provisions of the Code.

OLD SHARE OPTION SCHEME

Pursuant to the share option scheme adopted by the shareholders of the Company on 24 May 2002 (the “Old Share Option Scheme”), the Board could for a consideration of HK\$1.00 offer to selected eligible persons (as defined in the circular of the Company dated 6 May 2002) to subscribe for shares of the Company as incentive or rewards for their contribution to the Group. The Old Share Option Scheme became effective on 24 May 2002 (the date on which the Share Option Scheme was adopted) and was terminated on 9 December 2010. The subscription price under the Old Share Option Scheme was determined by the Board in its absolute discretion, in any event, not less than the higher of the nominal value for the time being of each share of the Company, the average closing price of the shares of the Company as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date on which the relevant option was granted and the closing price of the shares of the Company as stated in the Stock Exchange’s daily quotation sheet on the date on which the relevant option was granted.





The maximum number of shares in respect of which options may be granted under the Old Share Option Scheme and other schemes of the Company may not, in aggregate, exceed 30% of the issued share capital of the Company from time to time which have been duly allotted and issued. The total number of shares issued and to be issued upon exercise of the options granted (including both exercised and outstanding options) in any 12-month period to each eligible person shall not exceed 1% of the shares in issue. An option may be exercised in whole or in part at any time during the Option Period (as defined in the circular of the Company dated 6 May 2002).

The details and major provisions of the Old Share Option Scheme were set out in the circular of the Company dated 6 May 2002. The details of the termination of the Old Share Option Scheme were set out in the circular of the Company dated 24 November 2010.

On 22 January 2010 and 28 September 2010 (the "Date of Grant"), the Company has granted 110,400,000 and 27,600,000 share options to certain Eligible Persons (as defined in the Old Share Option Scheme) (the "Offerees") respectively, pursuant to the Old Share Option Scheme, representing approximately 7.972% and 1.9166% of the issued share capital of the Company as at 22 January 2010 and 28 September 2010 respectively. The share options entitle the offerees to subscribe for a total of 138,000,000 ordinary shares of HK\$0.002 each in the capital of the Company upon exercise in full. The exercise prices of the share options granted were HK\$0.1374 and HK\$0.157 respectively, and the validity and exercise periods were two years and one year respectively, both commencing from the date of grant.



For the nine months ended 30 September 2011, the details of the share option being granted, exercised, outstanding and lapsed under the Old Share Option Scheme are as follow:

Name and category of participants	Position held with the Group and the Company	Date of grant of share options*	Exercise period of share options	Number of unlisted share options			Share price of the Company			
				Outstanding at 1 January 2011	Exercised during the period	Cancelled/ lapsed during the period	Outstanding as at 30 September 2011	Exercise price of share options	As at the date of grant of share options	As at the date of exercise of share options
								HK\$	HK\$	HK\$
Other Participants										
Fung Chan Man	Financial Advisor	22 January 2010	22 January 2010 to 21 January 2012	13,800,000	(13,800,000)	-	-	0.1374 per share	0.1310 per share	0.1240 per share
Libon Fung	Accounting Advisor	22 January 2010	22 January 2010 to 21 January 2012	13,800,000	-	-	13,800,000	0.1374 per share	0.1310 per share	N/A
Zhou Xu En	Sales Consultant	22 January 2010	22 January 2010 to 21 January 2012	13,800,000	-	-	13,800,000	0.1374 per share	0.1310 per share	N/A
Zhao Hua Jie	Finance Consultant	28 September 2010	28 September 2010 to 27 September 2011	13,800,000	-	(13,800,000)	-	0.1570 per share	0.1550 per share	N/A
				<u>55,200,000</u>	<u>(13,800,000)</u>	<u>(13,800,000)</u>	<u>27,600,000</u>			

* There is no vesting period of the share options.

Up to the date of this report, except for the above-mentioned share options that have been granted, no options was granted under the Old Share Option Scheme.

NEW SHARE OPTION SCHEME

On 9 December 2010, the company adopted the new share option scheme (the "New Share Option Scheme"). Pursuant to the New Share Option Scheme, the Board may for a consideration of HK\$1.00 offer to selected eligible persons (as defined in the circular of the Company dated 23 November 2010) to subscribe for shares of the Company as incentive or rewards for their contribution to the Group. The subscription price will be determined by the Board in its absolute discretion, in any event, shall not be less than the higher of the nominal value for the time being of each share of the Company, the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which the relevant option is granted and the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date on which the relevant option is granted.



The maximum number of shares in respect of which options may be granted under the New Share Option Scheme and other schemes of the Company may not, in aggregate, exceed 30% of the issued share capital of the Company from time to time which have been duly allotted and issued. The total number of shares issued and to be issued upon exercise of the options granted (including both exercised and outstanding options) in any 12-month period to each eligible person shall not exceed 1% of the shares in issue. If any further grant of options to such eligible person which would result in the shares issued or to be issued upon exercise of all options granted or to be granted to such eligible person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of further grant would exceed 1% of the shares in issue, such grant must be separately approved by shareholders in general meeting, with such eligible person and its associates abstaining from voting. A shareholders' circular containing the information required by the GEM Listing Rules shall be despatched to the shareholders. An option may be exercised in whole or in part at any time during the Option Period (as defined in the circular of the Company dated 23 November 2010).

The New Share Option Scheme became effective for a period of 10 years commencing on 9 December 2010 (the date on which the New Share Option Scheme was adopted).

The details and major provisions of the New Share Option Scheme were set out in the circular of the Company dated 23 November 2010.

The Company has not grant any options under the New Share Option Scheme for the nine months ended 30 September 2011.

PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the nine months ended 30 September 2011, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

COMPETING INTEREST

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) or their respective associates had any interest in any business which competed or might compete with the business of the Group for the nine months ended 30 September 2011.

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

Hong Kong, 8 November 2011

As at the date of this report, the Board comprises of Mr. LI Ge and Mr. ZHAO Guo Wei as executive Directors, Mr. LIU Qing Chen as non-executive Director, and Mr. LEE Yuen Kwong, Mr. YANG Dongli and Mr. YANG Jie as independent non-executive Directors.