THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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, 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.

FAVA INTERNATIONAL HOLDINGS LIMITED
名家國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 08108)

MAJOR TRANSACTION
INVOLVING ACQUISITION OF
THE SALE SHARE AND THE SALE LOAN

Capitalised terms used on this cover shall have the same meanings as those defined in the section headed "Definitions" in this circular, unless the context requires otherwise. A letter from the Board is set out on pages 4 to 14 of this circular.

A notice convening the SGM to be held at Room 1005, C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong on 12 March 2012, Monday at 11:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular. Whether or not you are able to attend the SGM, 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 SGM 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.

24 February 2012

* *For identification purpose only*

CHARACTERISTICS OF GEM

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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In this circular, unless the context requires otherwise, the following terms have the meanings set out below:

"Acquisition"	the proposed acquisition of the Sale Share and the Sale Loan for a total consideration of HK$80 million pursuant to terms and conditions of the SP Agreement
"Board"	board of Directors
"Business Day"	a day (excluding Saturday and any day on which a tropical cyclone warning no. 8 or above or a "black" rainstorm warning is hoisted or remains hoisted between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are open for business
"BVI"	British Virgin Islands
"Cemetery"	惠東縣華僑墓園 (Huidong County Huaqiao Cemetery*), a licensed commercial cemetery located at Huidong County, Huizhou City, Guangdong Province with a site area of approximately 266,668 sq.m and accommodating burial vaults and columbaria
"Company"	FAVA International Holdings Limited, a company incorporated in Bermuda with limited liability, and shares of which are listed on GEM (stock code: 08108)
"Completion"	completion of the SP Agreement
"Completion Date"	date of Completion
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Consideration"	the aggregate consideration for the Sale Share and the Sale Loan of HK$80 million payable by the Purchaser to the Vendor under the SP Agreement
"Director(s)"	director(s) of the Company
"Enlarged Group"	the Group as enlarged by the Acquisition upon Completion
"GEM"	the Growth Enterprise Market operated by the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries

* *For identification purpose only*

"HK Company"	The Shrine Of Nansha Limited (明德山有限公司), a wholly-owned subsidiary of the Target incorporated in Hong Kong on 21 October 2010 with limited liability
"HK Group"	HK Company and the WFOE
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party/ies"	independent third party/ies who is/are not connected person(s) of the Company and is/are independent of the Company and connected persons of the Company
"Land"	a piece of land located in Huidong County, Huizhou City, Guangdong Province with a site area of approximately 266,668 sq.m, on which the Cemetery is located
"Latest Practicable Date"	21 February 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"PRC"	the People's Republic of China excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purpose of this circular
"PRC Cemetery Company"	惠東縣華僑墓園管理公司 (Huidong County Huaqiao Cemetery Management Company*), a collectively owned (集體所有制) company established in the PRC
"Purchaser"	EMAX Venture Limited, a company incorporated in the BVI with limited liability and is indirectly wholly owned by the Company
"Quarterly Report"	the quarterly report of the Group for the nine months ended 30 September 2011
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Loan"	the entire amount of the shareholder's loan owing by the Target to the Vendor as at the Completion Date
"Sale Share"	1 share of US$1.00 in the capital of the Target, representing the entire issued share capital of the Target and is legally and beneficially held by the Vendor

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened and held to vote and approve, if thought fit, the ordinary resolution on the SP Agreement and the transactions contemplated thereunder
"Share(s)"	ordinary share(s) of HK$0.002 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"SP Agreement"	the sale and purchase agreement dated 15 December 2011 entered into between the Purchaser and the Vendor in relation to the Acquisition
"sq.m"	square meter
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subcontracting Agreement"	the agreement dated 15 December 2011 entered into between the WFOE and the PRC Cemetery Company in respect of the provision of all the funeral-related services and products, and assistance necessary for the operation of the Cemetery
"Target"	Profit Value Group Limited, a company incorporated in the BVI with limited liability
"Target Group"	the Target and its subsidiaries
"Vendor"	Mr. Lau Chi Yan, Pierre
"WFOE"	明德堂貿易（深圳）有限公司 (Ming De Tang Trading (Shenzhen) Limited Company*), a wholly foreign owned enterprise established in the PRC and is wholly owned by the HK Company
"%"	per cent.

* *The English translations of the Chinese names in this circular are for identification purpose only. If there is any inconsistency between the English translations and the Chinese names, the Chinese version shall prevail.*

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. Liu Qing Chen
Mr. Yang Jie
Mr. Yang Dongli

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
Room 1005
C.C. Wu Building
302-8 Hennessy Road
Wanchai
Hong Kong

24 February 2012

To the Shareholders,

Dear Sir or Madam,

MAJOR TRANSACTION INVOLVING ACQUISITION OF THE SALE SHARE AND THE SALE LOAN

INTRODUCTION

Reference is made to the announcement of the Company dated 15 December 2011, in which the Board announced that after trading hours on 15 December 2011, the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the SP Agreement pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Share and the Sale Loan at a consideration of HK$80 million in cash. The Sale Share represents 100% equity interest in the Target whilst the Sale Loan represents the entire amount of shareholder's loan owing by the Target to the Vendor as at the Completion Date.

The Acquisition constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and thus the SP Agreement and the transactions contemplated thereunder require Shareholders' approval by way of poll at the SGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting to approve the ordinary resolution in respect of the SP Agreement and the transactions contemplated thereunder at the SGM.

* *For identification purpose only*

The purpose of this circular is to provide you with, among other things, (i) details of the SP Agreement and the Subcontracting Agreement; (ii) financial information of the Group; (iii) financial information of the Target Group; (iv) unaudited pro forma financial information of the Enlarged Group; (v) valuation report on the Target Group; (vi) reports on forecast underlying the valuation of the Target Group; and (vii) the notice convening the SGM.

THE SP AGREEMENT

Date

15 December 2011

Parties

(i) EMAX Venture Limited, an indirect wholly-owned subsidiary of the Company, being the Purchaser; and

(ii) Mr. Lau Chi Yan, Pierre, the legal and beneficial owner of the entire issued share capital of the Target, being the Vendor.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is an Independent Third Party.

Assets to be acquired

The assets to be acquired under the SP Agreement comprise (i) the Sale Share, being the entire issued share capital of the Target as at the date of the SP Agreement; and (ii) the Sale Loan, being the entire amount of the shareholder's loan owing by the Target to the Vendor as at the Completion Date.

As at the Latest Practicable Date, the shareholder's loan owing by the Target to the Vendor amounted to approximately HK$1,005,000. The Vendor has warranted under the SP Agreement that the Sale Loan will be not less than HK$1,000,000 upon Completion.

Consideration

The aggregate consideration for the Sale Share and the Sale Loan of HK$80 million shall be paid in cash 12 months after the Completion Date and shall be apportioned as follows:

(i) the portion of the Consideration attributable to the Sale Loan shall be equal to the face value of the Sale Loan; and

(ii) the balance of the Consideration shall be attributable to the Sale Share.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to, among other things, (i) the expected number of the burial vaults for urns and coffins and columbaria in the Cemetery; (ii) the service fee to be charged by WFOE to the PRC Cemetery Company pursuant to the Subcontracting Agreement; (iii) the death rate in Guangdong Province and Hong Kong in recent years; (iv) the prospects of the burial industry in Guangdong Province taking into account the demand for the coffin burials and the relevant funeral-related services and products in the Guangdong Province from overseas Chinese; (v) the geographical advantage arising from the proximity of the Cemetery to the transportation hub in Luohu, Shenzhen; and (vi) the business potential and growth prospect of the Target Group.

Subject to the circumstances approaching the due date of the payment of the Consideration, the Company will consider different alternatives to the sources of funding which may include internal resources and/or borrowings and/or equity financing.

Compensation

In view of the risk arising from the land title of the Cemetery (details of which are set out in the section headed "Information on the Target Group and the Cemetery" below), the Vendor has agreed to compensate the Purchaser in the event that:

(i) the PRC Cemetery Company terminates or is required to terminate (i) all or any part of its business; and/or (ii) its direct or indirect operation on the Land and/or management of the Cemetery and relevant business (including provision of all funeral-related services and products necessary for the operation of the Cemetery);

(ii) the PRC Cemetery Company terminates the Subcontracting Agreement; or

(iii) the PRC Cemetery Company breaches any of the material terms of the Subcontracting Agreement (collectively, the "Compensation Events").

Pursuant to the SP Agreement, (a) if any of the Compensation Events occurs prior to the payment of the Consideration by the Purchaser, the Purchaser shall not be required to pay the Consideration; (b) if any of the Compensation Events occurs after the payment of the Consideration by the Purchaser, the Vendor shall pay the Purchaser compensation equivalent to the difference between (i) the Consideration; and (ii) the aggregate amount of audited consolidated net profits after taxation net of the aggregate audited consolidated net loss after taxation (the "Aggregate Profits") for the period from the Completion Date to the month immediately preceding the occurrence of any of the Compensation Events.

Pursuant to the SP Agreement, the compensation shall not exceed the Consideration (i.e. HK$80 million) and the obligation to compensate shall be discharged where (i) the PRC Cemetery Company has obtained the land title of the Cemetery; or (ii) the Aggregate Profits are equal to or higher than the Consideration.

Taking into account (i) the elimination of risks arising from the land title of the Cemetery once the PRC Cemetery Company has obtained the land title of the Cemetery; (ii) the recoupment of investment in the Target and significant mitigation of risks arising from the land title issue once the Aggregate Profits are equal to or higher than the Consideration; and (iii) other terms of the Subcontracting Agreement for the protection of the Company's interests as disclosed in the section headed "Information on the Target Group and the Cemetery – the Target Group" below, the Directors consider that the terms of the SP Agreement and the Subcontracting Agreement can protect the interests of the Company and are fair and reasonable, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion shall be conditional upon the fulfillment or waiver (as the case may be) of the following conditions:

(i) the Company, the Purchaser and the Vendor having obtained all necessary approvals and consents for the Acquisition;

(ii) there is no event, fact or circumstance which constitutes, or may constitute a material breach of the warranties or terms of the SP Agreement and the Vendor has fully complied with all its obligations under the SP Agreement;

(iii) the Company having obtained the approval of the SP Agreement and the transactions contemplated thereunder from the Shareholders at the SGM as required under the GEM Listing Rules;

(iv) the legal advisers as to the PRC laws as designated by the Purchaser having issued the legal opinion, in such form and substance to the satisfaction of the Purchaser, covering matters on the SP Agreement and the WFOE (including but not limited to (i) WFOE's due incorporation and subsistence; (ii) WFOE's registered capital and investment amount being HK$1 million respectively; (iii) the legality of WFOE's provision of services, products and assistance to the PRC Cemetery Company under the Subcontracting Agreement; and (iv) the legal validity and enforceability of the Subcontracting Agreement);

(v) the Purchaser, at its absolute discretion, having been satisfied with the results of a due diligence review (with the assistance and support from the Vendor) on the assets, liabilities, operation and other affairs of the Target, HK Company and the WFOE, and all relevant information and documents relating to the Subcontracting Agreement;

(vi) the valuers designated by the Purchaser having issued a valuation report, in such form and substance to the satisfaction to the Purchaser, on the Target Group with a value of not less than HK$80 million;

(vii) the firm of accountants designated by the Vendor having issued a capital verification report confirming that the registered capital of the WFOE in an amount of HK$1 million having been fully paid;

(viii) the WFOE having completed the relevant company registration procedures and obtained the business license in respect of the business scope set out in the paragraph headed "Information on the Target Group and the Cemetery – The Target Group" in this circular; and

(ix) the Vendor having given written confirmation and consent to waive all liabilities (save for the Sale Loan) owing from the Target, the HK Company or/and the WFOE.

The Purchaser may waive all or any of the conditions precedent (save for conditions (iii)) by notice in writing to the Vendor. If the conditions precedent have not been fulfilled or waived (as the case may be) on or before 30 June 2012 or such other date as the Purchaser and the Vendor may mutually agree in writing, the SP Agreement shall lapse and neither party shall have any claims or proceedings against the other in connection with the SP Agreement save for any antecedent breach.

Completion

Completion shall take place on the third Business Day after fulfillment or waiver (as the case may be) of the last of the above conditions or such other date as the Purchaser and the Vendor may mutually agree in writing. Upon Completion, the Target, the HK Company and the WFOE will become indirect wholly-owned subsidiaries of the Company and their results will be consolidated into the accounts of the Group.

INFORMATION ON THE TARGET GROUP AND THE CEMETERY

The Target Group

The Target is an investment holding company incorporated in the BVI with limited liability on 11 October 2011. Its principal asset is its holding of the entire issued share capital of the HK Company, which was incorporated in Hong Kong on 21 October 2010 with limited liability and holds 100% equity interest in the WFOE. As advised by the Vendor, the Target and the HK Company have not carried out any business since its incorporation.

The WFOE was incorporated in the PRC on 29 September 2011 with a business scope involving, among other things, wholesales of stone, construction materials and funeral-related products and other relevant ancillary businesses (excluding provision of products which are under state supervision and requiring approval of the relevant government authorities), and provision of funeral consultancy services. As at the Latest Practicable Date, the WFOE has obtained the relevant business license in respect of the aforesaid business scope. It has not carried out any business since its incorporation save for the entering into of the Subcontracting Agreement.

On 15 December 2011, the WFOE and the PRC Cemetery Company entered into the Subcontracting Agreement pursuant to which the WFOE is the sole subcontractor of the PRC Cemetery Company responsible for the provision of all funeral-related services and products, and assistance necessary for the operation of the Cemetery (the "Services") to the PRC Cemetery Company. Pursuant to the

Subcontracting Agreement, the PRC Cemetery Company (i) shall not, without the authorization of the WFOE, procure any services from any other third party; and (ii) shall compensate the WFOE for any loss arising from the unauthorized procurement by the PRC Cemetery Company of the Services from any other third parties. Principal terms of the Subcontracting Agreement are set out as follows:

Outsourcing company	:	The PRC Cemetery Company, a company wholly owned by the Independent Third Parties, established in the PRC with limited liability, and principally engaged in, among other things, funeral services, stone carvings and crafts, flower horticulture and construction materials
Sole subcontractor	:	the WFOE
Services provided	:	Pursuant to the Subcontracting Agreement, the WFOE is responsible for the provision of all funeral-related services and products and assistance necessary for the operation of the Cemetery to the PRC Cemetery Company including but not limited to: (i) supplying and building all tombstones, tombs and clan mausoleum necessary for the Cemetery; (ii) supplying and building all vases, marble floorslab, animal statues, thuribles and furnaces; (iii) supplying and planting pines, cypress and other plants and carrying out all landscaping of the Cemetery; (iv) supplying all products relating to interment and sacrifice rituals; (v) supplying all other relevant services and products necessary for the operation of the Cemetery; and (vi) assisting the PRC Cemetery Company in providing funeral and burial ritual products and services including but not limited to handling application procedures for burial and execution of ritual procedures as agreed by the PRC Cemetery Company and its clients.
Fees	:	The aggregate fees for the provision of the funeral-related services and products are to be specified in the sale orders and determined before the performance of the sale orders and by reference to the market prices of the services and products on a case by case basis after arm's length negotiations between the parties. In particular, the service fees in respect of item

(vi) above shall be equivalent to 50% of the selling price of each burial vault (for either coffin or urn) or columbarium in the Cemetery sold to the client by the PRC Cemetery Company and in any event not less than:

(i) RMB20,000 as to each burial vault for coffin;

(ii) RMB10,000 as to each burial vault for urn; and

(iii) RMB1,000 as to each columbarium.

The aggregate fees shall be settled once a month within three Business Days from the date of receipt of the relevant invoices by the PRC Cemetery Company.

Term	:	30 years from 1 December 2011 to 30 November 2041
Other terms	:	The WFOE is entitled to seek compensation directly from the PRC Cemetery Company for all economic loss arising from: (a) early termination of the Subcontracting Agreement by the PRC Cemetery Company; and (b) any material breach under the Subcontracting Agreement, revocation or termination of permit or authorization to the operations of the PRC Cemetery Company which results in the inability of WFOE to exercise its subcontracting rights thereunder and the subsequent termination of the Subcontracting Agreement by WFOE. In the event that the breach(es) of the PRC Cemetery Company has/have caused it impossible for the WFOE to exercise (in a normal way) its subcontracting rights under the Subcontracting Agreement for a certain period of time, the WFOE is entitled to request an extension of the term of the Subcontracting Agreement.

The Cemetery

The Cemetery is located at Huidong County, Huizhou City, Guangdong Province with a site area of approximately 266,668 sq.m. The PRC Cemetery Company has been operating the Cemetery since 1993 and approximately 9,333 sq.m. has been utilized for burial purpose. A newly planned area of approximately 160,000 sq.m. out of the remaining 257,335 sq.m. is expected to be developed into three regions including office region, landscaping region, burial region and seven burial zones comprising Yongan Park, Changfu Park, Yongfu Park, Changqing Park, Yongle Park, Changle Park and Yongtai Park. According to the development plan, the Cemetery will be renovated with newly built monuments, pavilions, memorials, furnaces, etc. and upon completion of the development, it is expected that it would accommodate (i) over 17,000 units of burial vaults in five burial zones for urns of Chinese citizens; (ii) over 2,700 units of burial vaults in another two burial zones for coffins of overseas Chinese and other Chinese citizens as permitted; and (iii) over 21,000 units of columbaria along the roads or in landscaping area of the Cemetery for both overseas Chinese and Chinese citizens.

According to the preliminary design plan of the Cemetery as prepared by professional designers engaged by the Company, the development of the Cemetery will be divided into three phases. The first phase of the development is to construct the pavements and canals in the Cemetery, which is expected to complete in approximately three months. The second phase is to renovate and construct the burial zones that can accommodate approximately 25% of the total burial vaults in the Cemetery and to construct 25% of the total columbaria along the roads or landscaping area. This phase is expected to complete in approximately four months. The last phase of the development of the Cemetery is to construct the rest of the burial vaults and columbaria. It is expected that the entire development will be completed in approximately 16 to 24 months.

As advised by the Vendor, the PRC Cemetery Company has not obtained the land title of the Cemetery as at the Latest Practicable Date and thus the operation of the Cemetery may be considered as illegal under the PRC laws. However, as advised by the legal advisers of the Company as to the PRC laws, such risk is very low as (i) Bureau of Land and Resources of Huidong County has granted their consent to the PRC Cemetery Company to complete the procedures for acquiring the land title of the Cemetery and the PRC Cemetery Company is in process of obtaining it; (ii) the PRC Cemetery Company has obtained the business license for operating the Cemetery annually; (iii) it has passed the annual inspection by relevant government authorities throughout the years of operation. In view of such risk, the Vendor has agreed to pay the compensation to the Purchaser under the SP Agreement in the event that, among others, the Subcontracting Agreement was terminated, details of which are set out in the section headed “Compensation” above.

Financial information of the Target Group

Set out below is the audited financial information of the Target Group for the period from 11 October 2011 (i.e. date of incorporation of the Target) to 30 November 2011 as prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the period from 11 October 2011 (date of incorporation) to 30 November 2011 *(Audited)* *HK$*
Turnover	0
Loss before taxation	184,658
Loss after taxation	184,658

	As at 30 November 2011 *(Audited)* *HK$*
Net liabilities	184,428

Set out below is the audited consolidated financial information of the HK Group for the period from 21 October 2010 (i.e. date of incorporation of the HK Company) to 30 November 2011 as prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the period from 21 October 2010 (date of incorporation) to 30 November 2011 *(Audited)* *HK$*
Turnover	0
Loss before taxation	184,658
Loss after taxation	184,658

	As at 30 November 2011 *(Audited)* *HK$*
Net liabilities	184,435

REASONS FOR THE ACQUISITION

The Group is principally engaged in manufacturing and sales of household products.

As stated in the Quarterly Report, the Group's financial performance was not satisfactory for the nine months ended 30 September 2011 mainly due to the macro-austerity policies over housing market in the PRC and the downward pressure on the financial market arising from the European debt crisis. To broaden its income stream so as to reduce its dependence on the under-performed household products division, the Group commenced its funeral business including development, management and operation of funeral consultation and agency services as well as trading of funeral-related products in the third quarter of 2011. For the three months ended 30 September 2011, revenue generated from the funeral business amounted to approximately HK$7.6 million, representing approximately 15.3% of the total revenue of the Group. In view of such satisfactory performance of the funeral business, the Group strives to acquire assets similar to its existing business as stated in the Quarterly Report and thus the Acquisition is in line with the business strategy of the Group and will provide a prime opportunity for the Group to further develop its funeral business.

To facilitate development of the funeral business of the Group, in October 2011, South China Memorial Park & Funeral Service Limited ("South China"), an indirectly owned subsidiary of the Company, has obtained the Undertaker's Licence (殯葬商牌照) under the Hong Kong Public Health and Municipal Services Ordinance pursuant to which South China is allowed to act as an undertaker and conduct undertakers' business in Hong Kong. As set out in the announcement of the Company dated 13 February 2012, South China has been granted by the government of Hong Kong a right for a period of 60 months with effect from 1 April 2012 to 31 March 2017 (both dates inclusive) to provide funeral services to members of the public under a valid funeral parlour licence, and operate, manage and maintain a public funeral parlour of about 10,365 square metres situated in Hung Hom, Hong Kong. The Group is also equipped with adequate management expertise and resources in running the funeral business. For example, a director of South China has over 20 years of experience in funeral business and there are four experienced employees in another indirect wholly-owned subsidiary with 1 to 36 years of experience in operating and managing funeral business.

Upon Completion, the WFOE will be indirectly wholly owned by the Group and the Group will, through the WFOE and pursuant to the Subcontracting Agreement, provide all funeral-related services and products, and assistance necessary for the operation of the Cemetery for 30 years from 1 December 2011 to 30 November 2041. As mentioned in the section headed "Information on the Target Group and the Cemetery" above, upon completion of its development, the Cemetery is able to accommodate (i) over 17,000 units of burial vaults in five burial zones for urns of Chinese citizens; (ii) over 2,700 units of burial vaults in another two burial zones for coffins of overseas Chinese and other Chinese citizens as permitted; and (iii) over 21,000 units of columbaria along the roads or in landscaping area of the Cemetery for both overseas Chinese and Chinese citizens. The Target Group will assist in carrying out promotion campaigns through different channels in Hong Kong and the PRC and arranging field visits to the Cemetery so as to boost the sales of the burial vaults and columbaria of the Cemetery. The Directors believe that the results of the WFOE and the Group would benefit from the management expertise and resources of the Group in the funeral industry, the development and renovation of the Cemetery, and the promotion campaigns to be held in Hong Kong and the PRC. The Target Group would solely focus on the provision of the Services under the Subcontracting Agreement and thus did not intend to develop other potential businesses as at the Latest Practicable Date.

According to the Statistics Yearbook for Guangdong Province 2010 issued by National Bureau of Statistics of China, the death rate of Guangdong Province in 2010 was 4.21 per 1,000 persons. Based on the population of Guangdong Province in 2010, the estimated death toll in Guangdong Province was approximately 440,000, which is expected to provide steady demand for urn burials and columbaria in Guangdong Province.

According to statistics released by Census and Statistics Department, the death toll in Hong Kong in 2009 and 2010 reached over 40,000 respectively, while the number of coffin burials of overseas Chinese was over 700 per annum as from 2006 to 2010 according to the statistics announced by Department of Civil Affairs of Guangdong Province. Given (i) the steady demand for coffin burials from Hong Kong citizens and overseas Chinese; (ii) the limited number (i.e. nine) of licensed cemeteries in Guangdong Province which offer coffin burials for overseas Chinese; and (iii) the geographical advantage of the Cemetery arising from the proximity of the Cemetery to the transportation hub in Luohu, Shenzhen, the Directors are optimistic about the sales of the Cemetery and the results of the WFOE.

In view of the above, the Directors (including the independent non-executive Directors) consider that the terms of the SP Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Target, HK Company and the WFOE will become indirect wholly-owned subsidiaries of the Company and the results of the Target, HK Company, and the WFOE will be consolidated into the accounts of the Group.

Set out in Appendix III to this circular is the unaudited pro forma financial information of the Enlarged Group which illustrates the financial effects of the Acquisition on the assets and liabilities of the Group assuming Completion had taken place on 30 June 2011.

Based on the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group in Appendix III to this circular, the total assets of the Group would increase by approximately 24.1% from approximately HK$419.8 million to approximately HK$521.0 million; its total liabilities would increase by approximately 90.3% from approximately HK$112.1 million to approximately HK$213.3 million; and the net assets of the Group would remain unchanged as a result of the Acquisition.

The Directors consider that the Acquisition will contribute to the revenue and earning base of the Enlarged Group but the quantification of such contribution will depend on the future performance of the Target Group.

SGM

The Acquisition constitutes a major transaction for the Company under the GEM Listing Rules which requires approval by the Shareholders at the SGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition which is different from the interests of other Shareholders and therefore no Shareholder is required to abstain from voting in respect of the proposed ordinary resolution at the SGM.

The SGM will be held at Room 1005, C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong on 12 March 2012, Monday at 11:00 a.m. to consider and, if thought fit, pass, with or without modification, the resolution to approve the SP Agreement and the transactions contemplated thereunder. A form of proxy for use by the Shareholders at the SGM is enclosed with this circular. Whether or not you intend to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrar 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 appointed time for holding the SGM 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 and any adjournment thereof (as the case may be) should you so wish.

RECOMMENDATION

The Directors (including independent non-executive Directors) are of the opinion that the terms of the SP Agreement are fair and reasonable and that the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution as set out in the notice of SGM to approve, among other things, the SP Agreement and the transactions contemplated thereunder at the SGM.

GENERAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular and the notice of SGM.

Yours faithfully,
On behalf of the Board
FAVA INTERNATIONAL HOLDINGS LIMITED
Li Ge
Chairman

1. FINANCIAL SUMMARY

Set out below is a summary of the audited financial information of the Group for the three years ended 31 December 2008, 2009 and 2010 extracted from the Company's relevant annual reports and the unaudited financial information of the Group for the six months ended 30 June 2010 and 2011 extracted from the Company's relevant interim reports.

	For the year ended 31 December			For the six months ended 30 June	
	2010	**2009**	**2008**	**2011**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
RESULTS					
Turnover	200,287	297,460	477,827	84,451	79,527
Profit/(loss) for the year/period	(29,598)	(120,484)	66,138	(6,022)	(3,995)

	As at 31 December			As at 30 June	
	2010	**2009**	**2008**	**2011**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
ASSETS AND LIABILITIES					
Total assets	390,230	425,921	495,665	419,772	434,239
Total liabilities	(84,160)	(140,779)	(108,014)	(112,082)	(146,857)
	306,070	285,142	387,651	307,690	287,382
Represented by:					
Share capital	3,489	2,769	2,405	3,517	2,797
Reserves	302,581	282,373	385,246	304,173	284,585
Total equity attributable to owners of the Company	306,070	285,142	387,651	307,690	287,382

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial information of the Group (i) for the year ended 31 December 2010 is set out on pages 26 to 95 of the annual report of the Company for the year ended 31 December 2010 published on 24 March 2011; (ii) for the year ended 31 December 2009 is set out on pages 21 to 79 of the annual report of the Company for the year ended 31 December 2009 published on 30 March 2010; and (iii) for the year ended 31 December 2008 is set out on pages 35 to 98 of the annual report of the Company for the year ended 31 December 2008 published on 25 March 2009. All of the above have been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (http://www.fava.com.hk).

3. UNAUDITED INTERIM FINANCIAL INFORMATION OF THE GROUP

The unaudited interim financial information of the Group (i) for the six months ended 30 June 2011 is set out on pages 2 to 11 of the interim report of the Company published on 9 August 2011; (ii) for the six months ended 30 June 2010 is set out on page 2 to 11 of the interim report of the Company published on 10 August 2010. The aforesaid interim report of the Company has been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (http://www.fava.com.hk).

4. INDEBTEDNESS

As at the close of business on 31 December 2011, being the latest practicable date for the purpose of ascertaining the indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding obligations under finance lease of approximately HK$11,000, amounts due to shareholders of approximately HK$5,205,000 and amount due to a director of approximately HK$20,000.

Save as aforesaid, and apart from intra-group liabilities and normal accounts payable in the ordinary course of business, as at the close of business on 31 December 2011, the Enlarged Group did not have any other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits (other than normal trade bills), guarantees or other material contingent liabilities.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the rates of exchange prevailing at the close of business on 31 December 2011.

5. WORKING CAPITAL

The Directors are of the view that, after taking into account of the present internal financial resources together with the banking and other facilities presently available, the Enlarged Group will have sufficient working capital for its business for at least the next twelve months from the date of this circular.

6. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The financial performance of the Group's existing household product business was not satisfactory due to the macro-austerity policies over housing market in the PRC and the downward pressure on the financial market arising from the European debt crisis. To broaden its income stream so as to reduce its dependence on the under-performed household products division, the Group commenced its attempt on the funeral business including development, management and operation of funeral consultation and agency services as well as trading of funeral-related products in the third quarter of 2011. Though the Group has only carried out the funeral related business for a short period of time, the Group has recorded satisfactory performance, which has assured the Group's determination to enter into this new industry. In view of such satisfactory performance of the funeral business, the Group strives to acquire assets similar to its existing business and thus the Acquisition is in line with the business strategy of the Group and will provide a prime opportunity for the Group to further develop its funeral business.

Upon Completion, the Group would become the sole subcontractor of the PRC Cemetery Company to provide all funeral-related services and products, and assistance necessary for the operation of the Cemetery for 30 years from 1 December 2011 to 30 November 2041. The Group will assist in carrying out promotion campaigns through different channels in Hong Kong and PRC and arranging field visits to the Cemetery so as to boost the sales of the burial vaults or columbaria of the Cemetery. The Directors believe that the results of Group would benefit from the management expertise and resources of the Group in the funeral industry, the development and renovation of the Cemetery and the promotion campaigns to be held in Hong Kong and the PRC.

According to latest statistics released by the National Bureau of Statistics of China, Guangdong Province and Hong Kong Government, and after the consideration of (i) the steady demand for coffin burial from Hong Kong citizens and overseas Chinese; (ii) the limited number (i.e. nine) of licensed cemeteries in Guangdong Province which offer coffin burial for overseas Chinese; and (iii) the geographical advantage of the Cemetery arising from the proximity of the Cemetery to the transportation hub in Luohu, Shenzhen, the Directors are optimistic about the sales of the Cemetery and the results of the Enlarged Group in the future and thus broadening the earning base of the Enlarged Group.

In view of the promising prospects under the relatively favourable macro-economic environment fostered by the "12th Five-year Plan" promulgated by the Chinese Central Government with the goal to achieve an annual growth of 7% in the gross domestic product through expanding domestic consumption and continued urbanization policy, in 2012, the Enlarged Group will focus on the domestic household products business. It will also actively explore new sales channels and enhance its product portfolios so as to facilitate its market expansion, increase its market share and enhance its brand recognition in the PRC.

The Enlarged Group will also integrate the production capacities of its household products business in order to reduce the production costs and expenses, and acquire assets to facilitate diversification of the Group's business.

1. ACCOUNTANTS' REPORT ON THE TARGET GROUP

The following is the text of an accountants' report on the Target Group, which is prepared for the sole purpose of incorporation in this circular and received from the independent reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所
Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

24 February 2012

The Board of Directors
FAVA International Holdings Limited
Room 1005,
C.C. Wu Building,
302-8 Hennessy Road,
Wanchai,
Hong Kong

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information regarding Profit Value Group Limited (the "Target") and its subsidiaries (hereinafter collectively referred to as the "Target Group"), which comprises the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows from 11 October 2011 (date of incorporation of the Target) to 30 November 2011 (the "Relevant Period") and the combined statement of financial position as at 30 November 2011 and a summary of significant accounting policies and other explanatory notes (the "Financial Information"), for inclusion in the circular of FAVA International Holdings Limited (the "Company") dated 24 February 2012 (the "Circular") in connection with the sale and purchase agreement dated 15 December 2011 (the "Acquisition Agreement") entered into between an indirect wholly-owned subsidiary of the Company, EMAX Venture Limited (the "Purchaser") and Mr. Lau Chi Yan, Pierre (the "Vendor") pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the entire issued share capital and the amount of shareholder's loan of the Target to the Vendor at the date of completion at a total consideration of HK$80,000,000 in cash (the "consideration") (collectively refer as the "Acquisition").

The Target was incorporated in the British Virgin Islands with limited liability on 11 October 2011. The principal activity of the Target is investment holding. The Company has not carried on any business since the date of its incorporation.

The Shrine of Nansha Limited (明德山有限公司) (the "HK Company") was incorporated in Hong Kong with limited liability on 21 October 2010. The principal activity of HK Company is investment holding. HK Company has not carried on any business since the date of its incorporation.

明德堂貿易(深圳)有限公司 (Ming De Tang Trading (Shenzhen) Limited Company) ("WFOE") was established in the People's Republic of China with limited liability on 29 September 2011. WFOE is a wholly owned subsidiary of HK Company. The principal activity of WFOE is the wholesale of stone, construction materials and funeral-related products and other relevant ancillary business. WFOE has not carried on any business since the date of its incorporation except the entering into of the subcontracting agreement dated 15 December 2011.

All companies comprising the Target Group have adopted 31 December as their financial year end date. No audited financial statements of the Target Group have been prepared since their incorporation.

BASIS OF PREPARATION

The Financial Information has been prepared by the director of the Target based on the unaudited combined financial statements for the Relevant Period, on the basis as set out in Note 3a of Section B below. The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards which also include Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The director of the Target is responsible for the preparation of the Financial Information that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the GEM Listing Rules, and for such internal controls as the director of the Target is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information based on our audit. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Information is free from material misstatement. We have also carried out additional procedures as necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of the risks of material misstatement of the Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Financial Information that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Financial Information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of the Target Group as at 30 November 2011 and of the results of the Target Group for the Relevant Period then ended in accordance with Hong Kong Financial Reporting Standards.

MATERIAL UNCERTAINTY CONCERNING GOING CONCERN BASIS OF ACCOUNTING

Without qualifying our opinion, we draw attention to Note 3(a) of Section B to the Financial Information of the Target Group which indicates that the Target Group incurred accumulated losses of HK$184,658 and had net liabilities of approximately HK$184,428 as at 30 November 2011. These conditions, along with other matters as set forth in Note 3(a) of Section B to the Financial Information of the Target Group, indicate that existence of a material uncertainty which may cast significant doubt about the Target Group's ability to continue as a going concern.

A. FINANCIAL INFORMATION

Combined statement of comprehensive income

	Notes	For the period from 11 October 2011 to 30 November 2011 HK$
Turnover	6	–
Administrative expenses		184,658
Loss before taxation	7	(184,658)
Taxation	8	–
Loss for the period		(184,658)
Other comprehensive income for the period, net of tax		222
Total comprehensive loss for the period		(184,436)
Loss for the period attributable to owner of the Target		(184,658)
Total comprehensive loss for the period attributable to owner of the Target		(184,436)

The accompanying notes form an integral part of the Financial Information.

Combined statement of financial position

	Notes	**As at 30 November 2011** *HK$*
Current assets		
Cash and bank balances		16,464
Current liabilities		
Amount due to a shareholder	*11*	200,892
Net current liabilities		(184,428)
Total assets less current liabilities		(184,428)
Net liabilities		(184,428)
Capital and reserves		
Share capital	*12*	8
Reserves		(184,436)
Equity attributable to owner of the Target		(184,428)

The accompanying notes form an integral part of the Financial Information.

Statement of financial position

	Notes	As at 30 November 2011 HK$
Non-current assets		
Investment in a subsidiary		1
Current assets		
Amount due from a subsidiary	*10*	200,899
Current liabilities		
Amount due to a shareholder	*11*	200,892
Net current assets		7
Total assets less current liabilities		8
Net assets		8
Capital and reserves		
Share capital	*12*	8
Equity attributable to owner of the Target		8

The accompanying notes form an integral part of the Financial Information.

Combined statement of changes in equity

	Share capital *HK$*	Exchange reserve *HK$*	Accumulated losses *HK$*	Total *HK$*
Issue of share capital	8	–	–	8
Loss for the period	–	–	(184,658)	(184,658)
Other comprehensive income for the period		222	–	222
At 30 November 2011	8	222	(184,658)	(184,428)

The accompanying notes form an integral part of the Financial Information.

Combined statement of cash flows

	For the period from 11 October 2011 to 30 November 2011
	HK$
Cash flows from operating activities	
Loss before taxation	(184,658)
Operating loss before working capital changes	(184,658)
Increase in amount due to a shareholder	200,892
Net cash generated from operating activities	16,234
Cash flows from investing activities	
Issue of share capital	8
Net cash generated from investing activities	8
Net cash increase in cash and cash equivalents	16,242
Exchange difference on foreign operation	222
Cash and cash equivalents at the end of the period	16,464
Analysis of the balances of cash and cash equivalents	
Cash and bank balances	16,464

The accompanying notes form an integral part of the Financial Information.

B. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Target was incorporated in the British Virgin Islands with limited liability. The registered office of the Target is at Akara Bldg., 24 De Casto Street, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands. The Target is principally engaged in investment holding. The principal activity of its subsidiary, the WFOE, is wholesale of stone, construction materials and funeral-related products and other relevant ancillary business.

The Financial Information is presented in Hong Kong Dollars ("HK$"), which is the functional currency of the Target Group.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Financial Information has been prepared in accordance with HKFRSs (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs"), and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the GEM Listing Rules as applicable to Accountants' Report including in the listing documents of circulars.

The Target Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 7 (Amendments)	Disclosure – Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 (Revised)	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income[2]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
HKAS 19 (Revised 2011)	Employee Benefits[4]
HKAS 27 (Revised 2011)	Separate Financial Statements[4]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[4]
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities[5]
HK (IFRIC) – Int 20	Stripping costs in the Production Phase of a Surface Mine[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 July 2012
3 Effective for annual periods beginning on or after 1 January 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

The director of the Target anticipates that the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Target Group.

The accounting policies set out below have been applied consistently to the Relevant Period presented in this Financial Information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

The accounting policies of the Target Group are materially consistent with the Company's accounting policies. The measurement basis used in the preparation of the Financial Information is historical cost convention except for certain financial assets and financial liabilities which have been carried at fair value.

The presentation of the Financial Information in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Basis of preparation

During the Relevant Period and prior to the restructuring of the Target Group (the "Restructuring"), the operations now comprising the Target Group were conducted through various companies, all of which were ultimately managed and controlled by the Vendor.

After the Restructuring, the equity interests in HK Company have been transferred to the Target an investment holding company incorporated in British Virgin Islands which is also controlled by the Vendor.

For the purpose of this report, the Financial Information has been prepared to reflect the Restructuring of companies under common control. All the companies now comprising the Target Group were ultimately controlled by the Vendor during the Relevant Period, before and after the Restructuring. The control is not transitory and, consequently, there was a continuation of the risks and benefits to the controlling parties, and therefore, this is considered to be a combination of entities under common control and Accounting Guideline 5 "Merger Accounting for Common Control Combinations" has been applied in accounting for the Restructuring. The Financial Information has been prepared using the merger basis of accounting as if the Target Group had always been in existence. The net assets of the combining companies are combined using the existing book values from the controlling parties' perspective.

The combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows of the Target Group for the Relevant Period as set out in Section A have been prepared on a combined basis and include the results of operations of the companies now comprising the Target Group for the Relevant Period as if the current group structure had been in existence throughout the entire Relevant Period. The combined statements of financial position of the Target Group as at 30 November 2011 as set out in Section A have been prepared to present the state of affairs of the companies comprising the Target Group as at those dates as if the current group structure had been in existence as at those dates.

At 30 November 2011, the Target Group incurred accumulated losses of HK$184,658 and net liabilities of HK$184,428. The Vendor, the shareholder of the Target, has confirmed to provide continuing financial support to the Target Group, subject to the condition that the relationship between the Vendor and the Target Group does not change, so as to enable it to meet its liabilities as and when they fall due to continue its business for the foreseeable future. The director of the Target believes that the Target Group will continue as going concern. Consequently, the Financial Information of the Target Group has been prepared on a going concern basis.

(b) Basis of combination

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs if they had been combined from the date when the combing entities or businesses are first came under the control of the controlling party. The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or excess of acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The combined statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

All material intra-group balances and transactions resulting from intra-group transactions are eliminated on combination in full.

(c) Financial instruments

Financial assets and financial liabilities are recognised on the combined statement of financial position when an entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair through profit or loss are recognised immediately in the combined statements of comprehensive income.

Financial assets

The Target Group's financial assets are classified into loans and receivables (including cash and cash equivalents). All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments.

Income is recognised on an effective interest basis for debt instruments other than financial assets classified as at FVTPL.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including cash and bank balances) are carried at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been impacted.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for the financial assets because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets carried at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Target's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Target's own equity instruments.

Other financial liabilities

Other financial liabilities (including amount due to a shareholder) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

Derecognition

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Target Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Target Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Target Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Target Group retains control), the Target Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that hand been recognised in the other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Target Group derecognises financial liabilities when, and only when, the Target Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(d) Related party

A party is considered to be related to the Target Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Target Group; (ii) has an interest in the Target Group that gives it significant influence over the Target Group; or (iii) has joint control over the Target Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Target Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Target Group, or of any entity that is a related party of the Target Group.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(e) Foreign currency

These combined financial statements are presented in Hong Kong dollars, which is the Target's functional and presentation currency. In preparing the financial statement of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The functional currency of overseas subsidiary is currency other than the Hong Kong dollar. At the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Target at the exchange rates ruling at that date, and their statement of comprehensive incomes are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

4. CAPITAL RISK MANAGEMENT

The director of the Target manages its capital to ensure that entities in the Target Group will be able to continue as a going concern while maximizing the return to owners through the optimisation of the debt and equity balance.

The capital structure of the Target Group comprising issued share capital and reserve.

The director of the Target reviews the capital structure periodically. As part of this review, the director of the Target considers the cost of capital and the risks associates with each class of capital. Based on recommendations of the director, the Target Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instrument

The Target Group

	As at 30 November 2011 *HK$*
Financial assets	
Loans and receivables (including cash and bank balances)	16,464
Financial liabilities	
Amortised cost	200,892

The Target

	As at 30 November 2011
	HK$
Financial assets	
Loans and receivables (including cash and bank balances)	200,899
Financial liabilities	
Amortised cost	200,892

(b) Financial risk management objectives and policies

The Target Group's major financial instruments include cash and bank balances and amount due to a shareholder. The details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from the Target Group's financial instruments are market risk, credit risk and liquidity risk. The director reviews and agrees policies for managing each of these risks and they are summarised below.

During the Relevant Period, there has been no change to the types of the Target Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Market risk

The Target Group's activities expose it primarily to the financial risks of changes in interest rates and foreign currency exchange risks.

Market risk exposures are measured by sensitivity analysis.

There has been no change to the Target Group's exposure to market risk or the manner in which it manages and measures the risk during the Relevant Period.

Interest rate risk management

The Target Group has no borrowings at variable interest rate and at fixed rate that expose the Target Group to cash flow interest-rate risk and fair value interest-rate risk respectively.

Foreign exchange risk management

The Target Group operates in Hong Kong and mainland China and is exposed to foreign exchange risk, primarily with respect to Renminbi. Foreign exchange risk arises from the foreign currency denomination of commercial transactions, assets and liabilities. The Target Group has no significant direct exposure to foreign currency as most of the commercial transactions, assets and liabilities are denominated in the functional currency of the operating units.

The Target Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Credit risk

The Target Group's maximum exposure to credit risk which will cause a financial loss to the Target Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statement of financial position.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Target Group does not have any other significant concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities. The Target Group will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements.

The following tables detail the Target Group's remaining contractual maturity for its non-derivative financial liabilities which are included in the maturity analysis provided internally to the key management personnel for the purpose of managing liquidity risk. For non-derivative financial liabilities, the table reflects the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay. The tables include both interest and principal cash flows.

The Target Group and Target

At 30 November 2011

	Weighted average effective interest rate	On demand	Within one year	Total undiscounted cash flow	Total carrying amount
	%	*HK$*	*HK$*	*HK$*	*HK$*
Non-derivative financial liabilities					
Amount due to a shareholder	–	200,892	–	200,892	200,892

(c) Fair value

The fair value of the Target Group's financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

The director of the Target considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

The Target Group's financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

No analysis is disclosed since the Target Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the reporting period.

6. TURNOVER

The Target Group did not generate any turnover during the Relevant Period.

7. LOSS BEFORE TAXATION

No director's emoluments were paid by the Target Group during the Relevant Period.

No auditors' remuneration and employees' emoluments were paid by the Target Group during the Relevant Period.

8. TAXATION

No provision for profits tax has been made during the Relevant Period as the Target Group has no assessable profits arising in Hong Kong and the Mainland China.

9. DIVIDEND

No dividend was paid or proposed during the Relevant Period nor has any dividend been proposed since the end of the reporting period.

10. AMOUNT DUE FROM A SUBSIDIARY

	Maximum amount outstanding	**As at 30 November 2011**
	HK$	*HK$*
Amount due from a subsidiary	200,899	200,899

The amount due from a subsidiary is interest-free, unsecured and recoverable on demand.

11. AMOUNT DUE TO A SHAREHOLDER

The amount due to a shareholder is interest-free, unsecured and repayable on demand.

12. SHARE CAPITAL

	Number of shares	*HK$*
Authorised:		
Ordinary shares at USD1 each	50,000	390,000
Issued and fully paid:		
Ordinary share at USD1 each	1	8

13. CONTINGENT LIABILITIES

The Target Group did not have any contingent liabilities at the end of each reporting period.

14. CAPITAL COMMITMENT

The Target Group did not have any significant capital commitment at the end of each reporting period.

15. EVENTS AFTER THE END OF REPORTING PERIOD

On 15 December 2010, an indirect wholly owned subsidiary, WFOE and惠東縣華僑墓園管理公司 (the "PRC Cemetery Company") entered into a subcontracting agreement pursuant to which WFOE is the sole subcontractor of the PRC Cemetery Company and is responsible for the provision of all funeral-related services and products, and assistance necessary for the operation of the Cemetery to the PRC Cemetery Company. The contract term is 30 years from 1 December 2011 to 30 November 2041.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Target Group in respect of any period subsequent to 30 November 2011 and no dividends or other distributions have been declared by the Target Group in respect of any period subsequent to 30 November 2011.

Yours faithfully,
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

For the period from 11 October 2011 (date of incorporation) to 30 November 2011

(a) Business Review

The Target was incorporated in the BVI on 11 October 2011 and the principal activity of which is investment holding. Since its date of incorporation, the Target has not carried out any business operations. No revenue was generated for the period ended 30 November 2011.

(b) Financial result, financial position and capital structure

The net liabilities of the Target Group were approximately HK$184,000 as at 30 November 2011, and its net loss (both before and after taxation) for the period ended 30 November 2011 was approximately HK$185,000. Cash and bank balances amounted to approximately HK$16,000 as at 30 November 2011. Amount due to a shareholder amounted to approximately HK$201,000 as at 30 November 2011.

The Target Group funded its operations mainly by its internal resources and paid-up capital.

No financial instrument was used for hedging purpose during the year.

(c) Employment and remuneration policy

As at 30 November 2011, the Target Group did not have any employees.

(d) Material investments, capital assets or commitment and contingent liabilities

As at 30 November 2011, the Target Group did not have any plan for material investments or capital assets. There were also no capital commitment and contingent liability as at 30 November 2011.

(e) Details of charges on assets

As at 30 November 2011, the Target Group had no charge on its assets.

(f) Borrowings and gearing ratio

As at 30 November 2011, the Target Group did not have any borrowings and thus its gearing ratio was zero.

(g) Foreign exchange exposure

Since the Target Group did not carry out any business operation during the period ended 30 November 2011, it did not have any foreign exchange exposure and foreign currency hedging policy as at 30 November 2011.

(h) Acquisition/disposal of subsidiary

On 21 October 2011, the Target acquired 100% equity interest in the HK Company for a cash consideration of HK$1.

Except for the above, there was no acquisition and disposal of subsidiaries and associated companies during the period ended 30 November 2011.

3. ACCOUNTANTS' REPORT ON THE HK GROUP

The following is the text of an accountants' report on HK Group, which is prepared for the sole purpose of incorporation in this circular and received from the independent reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

24 February 2012

The Board of Directors
FAVA International Holdings Limited
Room 1005,
C.C. Wu Building,
302-8 Hennessy Road,
Wanchai,
Hong Kong

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information regarding The Shrine of Nansha Limited (明德山有限公司) (the "HK Company") and its subsidiary (hereinafter collectively referred to as the "HK Group"), which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows from 21 October 2010 (date of incorporation of HK Company) to 30 November 2011 (the "Relevant Periods") and the consolidated statement of financial position as at 30 November 2011 and a summary of significant accounting policies and other explanatory notes (the "Financial Information"), for inclusion in the circular of FAVA International Holdings Limited (the "Company") dated 24 February 2012 (the "Circular") in connection with the sale and purchase agreement dated 15 December 2011 (the "Acquisition Agreement") entered into between an indirect wholly-owned subsidiary of the Company, EMAX Venture Limited (the "Purchaser") and Mr. Lau Chi Yan, Pierre (the "Vendor") pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the entire issued share capital and amount of shareholder's loan of Profit Value Group Limited (the "Target") to the Vender at the date of completion at a total consideration of HK$80,000,000 in cash (the "consideration") (collectively refer as the "Acquisition").

HK Company was incorporated in Hong Kong with limited liability on 21 October 2010. The principal activity of HK Company is investment holding. HK Company has not carried on any business since the date of its incorporation.

明德堂貿易(深圳)有限公司 (Ming De Tang Trading (Shenzhen) Limited Company) ("WFOE") was established in the People's Republic of China with limited liability on 29 September 2011. The principal activity of WFOE is wholesale of stone, construction materials and funeral-related products and other relevant ancillary business. WFOE has not carried on any business since the date of its incorporation except the entering into of the subcontracting agreement dated 15 December 2011.

All companies comprising HK Group have adopted 31 December as their financial year end date. No audited financial statements of the HK Group have been prepared since their incorporation.

BASIS OF PREPARATION

The Financial Information has been prepared by the director of HK Company based on the unaudited consolidated financial statements for the Relevant Periods, on the basis as set out in Note 3a of Section B below. The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards which also include Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The director of HK Company is responsible for the preparation of the Financial Information that gives a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the Hong Kong Companies Ordinance and the applicable disclosure provisions of the GEM Listing Rules, and for such internal controls as the director of HK Company is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Financial Information based on our audit. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Information is free from material misstatement. We have also carried out additional procedures as necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of the risks of material misstatement of the Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Financial Information that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director, as well as evaluating the overall presentation of the Financial Information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of HK Group as at 30 November 2011 and of the results of HK Group for the Relevant Periods then ended in accordance with Hong Kong Financial Reporting Standards.

MATERIAL UNCERTAINTY CONCERNING GOING CONCERN BASIS OF ACCOUNTING

Without qualifying our opinion, we draw attention to Note 3(a) of Section B to the Financial Information of HK Group which indicates that HK Group incurred accumulated losses of HK$184,658 and had net liabilities of approximately HK$184,435 as at 30 November 2011. These conditions, along with other matters as set forth in Note 3(a) of Section B to the Financial Information of HK Group, indicate that existence of a material uncertainty which may cast significant doubt about HK Group's ability to continue as a going concern.

A. FINANCIAL INFORMATION

Consolidated statement of comprehensive income

	Notes	**For the period from 21 October 2010 to 30 November 2011** *HK$*
Turnover	*6*	–
Administrative expenses		(184,658)
Loss before taxation	*7*	(184,658)
Taxation	*8*	–
Loss for the period		(184,658)
Other comprehensive income for the period, net of tax		222
Total comprehensive loss for the period		(184,436)
Loss for the period attributable to owner of HK Company		(184,658)
Total comprehensive loss for the period attributable to owner of HK Company		(184,436)

The accompanying notes form an integral part of the Financial Information.

Consolidated statement of financial position

	Notes	**As at 30 November 2011** *HK$*
Current assets		
Cash and bank balances		16,464
Current liabilities		
Amount due to an immediate holding company	*10*	200,899
Net current liabilities		(184,435)
Total assets less current liabilities		(184,435)
Net liabilities		(184,435)
Capital and reserves		
Share capital	*11*	1
Reserves		(184,436)
Equity attributable to owners of HK Company		(184,435)

The accompanying notes form an integral part of the Financial Information.

Statement of financial position

	Notes	**As at 30 November 2011** *HK$*
Non-current assets		
Investment in a subsidiary		200,000
Current liabilities		
Amount due to an immediate holding company	*10*	200,899
Net current liabilities		(200,899)
Total assets less current liabilities		(899)
Net liabilities		(899)
Capital and reserves		
Share capital	*11*	1
Accumulated losses		(900)
Equity attributable to owners of HK Company		(899)

The accompanying notes form an integral part of the Financial Information.

Consolidated statement of changes in equity

	Share capital *HK$*	**Exchange reserves** *HK$*	**Accumulated losses** *HK$*	**Total** *HK$*
Issue of share capital	1	–	–	1
Loss for the period	–	–	(184,658)	(184,658)
Other comprehensive income for the period	–	222	–	222
At 30 November 2011	1	222	(184,658)	(184,435)

The accompanying notes form an integral part of the Financial Information.

Consolidated statement of cash flows

	For the period from 21 October 2010 to 30 November 2011
	HK$
Cash flows from operating activities	
Loss before taxation	(184,658)
Operating loss before working capital changes	(184,658)
Increase in amount due to an immediate holding company	200,899
Net cash generated from operating activities	16,241
Cash flows from investing activities	
Issue of share capital	1
Net cash generated from investing activities	1
Net cash increase in cash and cash equivalents	16,242
Exchange difference on foreign operation	222
Cash and cash equivalents at the end of the period	16,464
Analysis of the balances of cash and cash equivalents	
Cash and bank balances	16,464

The accompanying notes form an integral part of the Financial Information.

B. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The registered office of HK Company is at Room 501, 5/F., 113 Argyle Street, Mongkok, Kowloon, Hong Kong. HK Company was incorporated in Hong Kong with limited liability. HK Company is principally engaged in investment holding. The principal activity of its subsidiary is wholesale of stone, construction materials and funeral-related products and other relevant ancillary business.

The Financial Information is presented in Hong Kong Dollars (HK$), which is the functional currency of HK Group.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Financial Information has been prepared in accordance with HKFRSs (which include all HKFRSs, Hong Kong Accounting Standards ("HKASs"), and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the GEM Listing Rules as applicable to Accountants' Report including in the listing documents of circulars.

The HK Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
HKFRS 7 (Amendments)	Disclosure – Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 (Revised)	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income[2]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
HKAS 19 (Revised 2011)	Employee Benefits[4]
HKAS 27 (Revised 2011)	Separate Financial Statements[4]
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[4]
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities[5]
HK (IFRIC) – Int 20	Stripping costs in the Production Phase of a Surface Mine[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 July 2012
3 Effective for annual periods beginning on or after 1 January 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

The director of HK Company anticipates that the application of the new and revised HKFRSs will have no material impact on the results and the financial position of HK Group.

The accounting policies set out below have been applied consistently to the Relevant Periods presented in this Financial Information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

The accounting policies of HK Group are materially consistent with the Company's accounting policies. The measurement basis used in the preparation of the Financial Information is historical cost convention except for certain financial assets and financial liabilities which have been carried at fair value.

The presentation of the Financial Information in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Basis of preparation

At 30 November 2011, HK Group incurred accumulated losses of HK$184,658 and net liabilities of HK$184,435. The Vendor, the ultimate shareholder of HK Group, has confirmed to provide continuing financial support to HK Group, so as to enable it to meet its liabilities as and when they fall due to continue its business for the foreseeable future. The director of HK Company believes that HK Group will continue as going concern. Consequently, the Financial Information of HK Group has been prepared on a going concern basis.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of HK Company and its subsidiary for the period from 29 September 2011 to 30 November 2011. Control is achieved where HK Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiary acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with those used by other members of HK Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(c) Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statements of financial position when an entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair through profit or loss are recognised immediately in the consolidated statements of comprehensive income.

Financial assets

HK Group's financial assets are classified into loans and receivables (including cash and cash equivalents). All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments.

Income is recognised on an effective interest basis for debt instruments other than financial assets classified as at FVTPL.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including amount due from an immediate holding company and cash and bank balances) are carried at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been impacted.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for the financial assets because of financial difficulties.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets carried at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by HK Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of HK Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the HK Company's own equity instruments.

Other financial liabilities

Other financial liabilities (including amount due to an immediate holding company) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

Derecognition

HK Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If HK Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, HK Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If HK Group retains substantially all the risks and rewards of ownership of a transferred financial asset, HK Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when HK Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and HK Group retains control), HK Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that hand been recognised in the other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

HK Group derecognises financial liabilities when, and only when, HK Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(d) Related party

A party is considered to be related to HK Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, HK Group; (ii) has an interest in HK Group that gives it significant influence over HK Group; or (iii) has joint control over HK Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of HK Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of HK Group, or of any entity that is a related party of HK Group.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(e) Foreign currency

These consolidated financial statements are presented in Hong Kong dollars, which is HK Company's functional and presentation currency. In preparing the financial statement of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The functional currency of overseas subsidiary is currency other than the Hong Kong dollar. At the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of HK Company at the exchange rates ruling at that date, and their statement of comprehensive incomes are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

4. CAPITAL RISK MANAGEMENT

The director of HK Company manages its capital to ensure that entities in HK Group will be able to continue as a going concern while maximizing the return to owners through the optimisation of the debt and equity balance.

The capital structure of HK Group comprising issued share capital and reserve.

The director of HK Company reviews the capital structure periodically. As part of this review, the director of HK Company considers the cost of capital and the risks associates with each class of capital. Based on recommendations of the director, HK Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debts.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instrument

HK Group

	As at 30 November 2011
	HK$
Financial assets	
Loans and receivables (including cash and bank balances)	16,464
Financial liabilities	
Amortised cost	200,899

HK Company

	As at 30 November 2011
	HK$
Financial liabilities	
Amortised cost	200,899

(b) Financial risk management objectives and policies

HK Group's major financial instruments include amount due to an immediate holding company and cash and bank balances. The details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The main risks arising from HK Group's financial instruments are market risk, credit risk and liquidity risk. The director reviews and agrees policies for managing each of these risks and they are summarised below.

During the Relevant Periods, there has been no change to the types of HK Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Market risk

HK Group's activities expose it primarily to the financial risks of changes in interest rates and foreign currency exchange risks.

Market risk exposures are measured by sensitivity analysis.

There has been no change to HK Group's exposure to market risk or the manner in which it manages and measures the risk during the Relevant Periods.

Interest rate risk management

HK Group has no borrowings at variable interest rate and at fixed rate that expose HK Group to cash flow interest-rate risk and fair value interest-rate risk respectively.

Foreign exchange risk management

HK Group operates in Hong Kong and mainland China and is exposed to foreign exchange risk, primarily with respect to Renminbi. Foreign exchange risk arises from the foreign currency denomination of commercial transactions, assets and liabilities. HK Group has no significant direct exposure to foreign currency as most of the commercial transactions, assets and liabilities are denominated in the functional currency of the operating units.

HK Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Credit risk

HK Group's maximum exposure to credit risk which will cause a financial loss to HK Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, HK Group does not have any other significant concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities. HK Group will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements.

The following tables detail HK Group's remaining contractual maturity for its non-derivative financial liabilities which are included in the maturity analysis provided internally to the key management personnel for the purpose of managing liquidity risk. For non-derivative financial liabilities, the table reflects the undiscounted cash flows of financial liabilities based on the earliest date on which HK Group can be required to pay. The tables include both interest and principal cash flows.

HK Group and HK Company

At 30 November 2011

	Weighted average effective interest rate	On demand	Within one year	Total undiscounted cash flow	Total carrying amount
	%	*HK$*	*HK$*	*HK$*	*HK$*
Non-derivative financial liabilities					
Amount due to an immediate holding company	–	200,899	–	200,899	200,899

(c) Fair value

The fair value of HK Group's financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

The director of HK Company considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

HK Group's financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

No analysis is disclosed since HK Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the reporting period.

6. TURNOVER

HK Group did not generate any turnover during the Relevant Periods.

7. LOSS BEFORE TAXATION

No director's emoluments were paid by HK Group during the Relevant Periods.

No auditors' remuneration and employees' emoluments were paid by HK Group during the Relevant Periods.

8. TAXATION

No provision for profits tax has been made during the Relevant Periods as HK Group has no assessable profits arising in Hong Kong and the Mainland China.

9. DIVIDEND

No dividend was paid or proposed during the Relevant Periods nor has any dividend been proposed since the end of the reporting period.

10. AMOUNT DUE TO AN IMMEDIATE HOLDING COMPANY

The amount due to an immediate holding company is interest-free, unsecured and repayable on demand.

11. SHARE CAPITAL

	Number of shares	*HK$*
Authorised:		
Ordinary shares at HK$1 each	10,000	10,000
Issued and fully paid:		
Ordinary share at HK$1 each	1	1

12. CONTINGENT LIABILITIES

HK Group did not have any contingent liabilities at the end of each reporting period.

13. CAPITAL COMMITMENT

HK Group did not have any significant capital commitment at the end of each reporting period.

14. EVENTS AFTER THE END OF REPORTING PERIOD

On 15 December 2010, a direct wholly owned subsidiary, WFOE and 惠東縣華僑墓園管理公司 (the "PRC Cemetery Company") entered into a subcontracting agreement pursuant to which WFOE is the sole subcontractor of the PRC Cemetery Company and is responsible for the provision of all funeral-related services and products, and assistance necessary for the operation of the Cemetery to the PRC Cemetery Company. The contract term is 30 years from 1 December 2011 to 30 November 2041.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for HK Group in respect of any period subsequent to 30 November 2011 and no dividends or other distributions have been declared by HK Group in respect of any period subsequent to 30 November 2011.

Yours faithfully,
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

4. MANAGEMENT DISCUSSION AND ANALYSIS OF THE HK GROUP

For the period from 21 October 2010 (date of incorporation) to 30 November 2011

(a) Business Review

The HK Company was incorporated in Hong Kong on 21 October 2010 and the principal activity of which is investment holding. Since its date of incorporation, the HK Company did not carry out any business operations for the period ended 30 November 2011. No revenue was generated for the period ended 30 November 2011. On 29 September 2011, the HK Company incorporated its wholly-owned subsidiary, WFOE, in the PRC. The principal activity of WFOE is wholesale of stone, construction materials and funeral-related products and other relevant ancillary business. WFOE did not carry out any business operations for the period from 29 September 2011 to 30 November 2011.

(b) Financial result, financial position and capital structure

The net liabilities of HK Group were approximately HK$184,000 as at 30 November 2011, and its net loss (both before and after taxation) for the period ended 30 November 2011 was approximately HK$185,000. Cash and bank balances amounted to approximately HK$16,000 as at 30 November 2011. Amount due to the Target amounted to approximately HK$201,000 as at 30 November 2011.

The HK Group funded its operations mainly by its internal resources and paid-up capital.

No financial instrument was used for hedging purpose during the period.

(c) Employment and remuneration policy

As at 30 November 2011, the HK Group did not have any employees.

(d) Material investments, capital assets or commitment and contingent liabilities

As at 30 November 2011, the HK Group did not have any plan for material investments or capital assets. There were also no capital commitment and contingent liability as at 30 November 2011.

(e) Details of charges on assets

As at 30 November 2011, the HK Group had no charge on its assets.

(f) Borrowings and gearing ratio

As at 30 November 2011, the HK Group did not have any borrowings and thus its gearing ratio was zero.

(g) Foreign exchange exposure

Since the HK Group did not carry out any business operation during the period ended 30 November 2011, it did not have any foreign exchange exposure and foreign currency hedging policy as at 30 November 2011.

(h) Acquisition/disposal of subsidiary

Except for the incorporation of the WFOE in September 2011, there was no acquisition and disposal of subsidiaries and associated companies during the period ended 30 November 2011.

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The Unaudited Pro Forma Financial Information on the Enlarged Group has been prepared to illustrate the effect of the Acquisition.

The Unaudited Pro Forma Financial Information on the Enlarged Group has been prepared in accordance with rule 7.31 and rule 19.67(6)(a)(ii) of the GEM Listing Rules for the purpose of illustrating the effect of the Acquisition as if the Acquisition took place on 30 June 2011.

The Unaudited Pro Forma Financial Information on the Enlarged Group is prepared based on the consolidated financial information of the Group as at 30 June 2011 as set out in Appendix I to the Circular, audited financial information of the Target Group as set out in Appendix II to the Circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable.

The accompanying Unaudited Pro Forma Financial Information on the Enlarged Group has been prepared by the directors of the Company for illustrative purpose only and is based on a number of assumptions, estimates, and uncertainties. Accordingly, the Unaudited Pro Forma Financial Information on the Enlarged Group does not purport to describe the actual financial position of the Enlarged Group that would have been attained has the Acquisition been completed on 30 June 2011, nor purport to predict the Enlarged Group's future financial position.

The Unaudited Pro Forma Financial Information on the Enlarged Group should be read in conjunction with the historical financial information on the Group as set out in Appendix I to the Circular, historical financial information of the Target Group as set out in Appendix II to the Circular, historical and other financial information included elsewhere in the Circular.

The Unaudited Pro Forma Financial Information on the Enlarged Group has been prepared by the directors of the Company for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group following completion of the Acquisition.

	The Group as at 30 June 2011	The Target Group as at 30 November 2011	Sub-total		Pro forma adjustments for the Acquisition	Unaudited pro forma statement of assets and liabilities of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*
ASSETS						
Non-current assets						
Property, plant and equipment	84,507	–	84,507			84,507
Intangible asset	1,204	–	1,204	*4*	85,000	86,204
Goodwill	–	–	–	*3*	15,435	15,435
	85,711	–	85,711			186,146
Current assets						
Inventories	117,180	–	117,180			117,180
Trade receivables	56,635	–	56,635			56,635
Prepayments, deposits and other receivables	91,624	–	91,624			91,624
Cash and bank balances	68,622	16	68,638	*2*	799	69,437
	334,061	16	334,077			334,876
Total assets	419,772	16	419,788			521,022

	The Group as at 30 June 2011	The Target Group as at 30 November 2011	Sub-total	Notes	Pro forma adjustments for the Acquisition	Unaudited pro forma statement of assets and liabilities of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*	*HK$'000*
LIABILITIES						
Current liabilities						
Trade payables	41,440	–	41,440			41,440
Other payables and accruals	13,815	–	13,815			13,815
Receipts in advance	40,137	–	40,137			40,137
Amount due to a director	5	–	5			5
				2	799	
Amount due to a shareholder	10,000	201	10,201	*3*	(1,000)	10,000
Obligations under finance lease – due within one year	15	–	15			15
Income tax payable	6,666	–	6,666			6,666
	112,078	201	112,279			112,078
Non-current liabilities						
Long term payables	–	–	–	*1*	80,000	80,000
Obligations under finance lease – due after one year	4	–	4			4
Deferred taxation	–	–	–	*5*	21,250	21,250
	4	–	4			101,254
Total liabilities	112,082	201	112,283			213,332
Net current assets/(liabilities)	221,983	(185)	221,798			222,798
Total assets less current liabilities	307,694	(185)	307,509			408,944
Net assets/(liabilities)	307,690	(185)	307,505			307,690

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The balances for assets and liabilities of the Group are extracted from the consolidated statement of financial position of the Group as at 30 June 2011 as per the published interim report of the Company for the six months ended 30 June 2011.

Under HKFRS 3 *Business Combinations,* the Company will apply the purchase method to account for the Acquisition. In applying the purchase method, the identifiable assets, liabilities and contingent liabilities of the Target Group will be recorded at their fair values at the date of completion. Any goodwill arising on acquisition will be determined as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

The adjustments reflect the following:

1. The assumed consideration of the Acquisition amounted to approximately HK$80,000,000 is to be satisfied by:

	HK$'000
Cash consideration *(Note)*	80,000

Note:

The cash consideration payable twelve months after the completion of Acquisition shall be funded by different alternatives which include internal resources and/or borrowings and/or equity financing.

2. The adjustment of approximately HK$799,000 represents the shareholder's loan to be provided to the Target Group, as the shareholder has warranted under the sale and purchase agreement that the shareholder's loan will not be less than HK$1,000,000.

3. The adjustment of approximately HK$15,435,000 represented goodwill arising from the Acquisition. It is calculated as follows:

	HK$'000
Consideration transferred	80,000
Add: Net assets acquired as at 30 November 2011 on pro forma basis *(Note)*	(64,565)
Goodwill	15,435

Note:

Breakdown of net assets acquired

	HK$'000
Net liabilities of Target Group	(185)
Add: Shareholder's loan acquired	1,000
Add: Fair value of intangible assets *(Note 4)*	85,000
Less: Deferred tax on intangible assets *(Note 5)*	(21,250)
	64,565

After completion of the Acquisition, the Target Group will become a cash-generating unit ("CGU") to the Group. The directors of the Company have determined that the expected cash flows in accordance with Hong Kong Accounting Standard 36 Impairment of Assets to arrive the value in use of this CGU to assess the impairment of assets in this CGU including the goodwill. The directors of the Company considered that there is no impairment loss for the CGU and the same impairment assessment will also be carried out in the future accounting periods.

4. The pro forma adjustment of approximately HK$85,000,000 represents the fair value of the intangible asset. The fair value of intangible asset is assumed to be the same as the value of business valuation of the Target Group as at 31 December 2011. The fair value of the intangible asset as at 31 December 2011 was assumed to be the fair value of intangible asset as at 30 June 2011, as if the Acquisition was completed on 30 June 2011.

5. The pro forma adjustment represented the deferred taxation arising from the change in fair value on the intangible asset under the Acquisition is calculated at the tax rate of 25%.

6. For the purpose of preparing the Unaudited Pro Forma Financial Information, the consideration for the Acquisition and the carrying values of the net assets of the Target Group as per the accountant's report are taken to be their assumed fair values as at 30 June 2011.

The following is the text of a report, which is prepared for the sole purpose of incorporation in this circular and received from the independent reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

24 February 2012

The Board of Directors
FAVA International Holdings Limited
Room 1005,
C.C. Wu Building
302-8 Hennessy Road
Wanchai
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of FAVA International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") and Profit Value Group Limited (the "Target") and its subsidiaries (collectively referred to as the "Target Group") (combining the Group, the Target Group hereinafter referred to as the "Enlarged Group") which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed acquisition of the entire issued share capital and shareholder's loan of the Target (the "Acquisition") might have affected the financial information on the Group presented for inclusion in the circular of the Company dated 24 February 2012 (the "Circular"). The basis of preparation for the unaudited pro forma financial information on the Enlarged Group (the "Unaudited Pro Forma Financial Information on the Enlarged Group") is set out on page III-1 to the Circular.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information on the Enlarged Group in accordance with rule 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("the GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by rule 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information on the Enlarged Group and to report our opinion to you. We do not accept any responsibilities for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information on the Enlarged Group beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information on Enlarged Group in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information on the Enlarged Group with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information on the Enlarged Group has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information on the Enlarged Group as disclosed pursuant to rule 7.31(1) of the GEM Listing Rules.

The Unaudited Pro Forma Financial Information on the Enlarged Group is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Enlarged Group as at 30 June 2011 or any future date.

OPINION

In our opinion:

- the Unaudited Pro Forma Financial Information on the Enlarged Group has been properly compiled by the directors of the Company on the basis stated;
- such basis is consistent with the accounting policies of the Group; and
- the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information on the Enlarged Group as disclosed pursuant to rule 7.31(1) of the GEM Listing Rules.

Yours faithfully,
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

The following is the text of a valuation report received from Castores Magi Asia Limited, which is prepared for the purpose of inclusion in this circular in connection with its valuation as at 31 December 2011 on the Target Group.

嘉漫亞洲有限公司
CASTORES MAGI ASIA LIMITED
BUSINESS, INTELLECTUAL PROPERTY AND ASSET APPRAISAL
INVESTMENT PROJECT ADVISORY SERVICES

CASTORES MAGI

Suite 211
China Insurance Group Building
141 Des Voeux Road Centre
Hong Kong

24 February 2012

The Directors
FAVA International Holdings Limited
Room 1005
C.C. Wu Building
302-8 Hennessy Road
Wanchai
Hong Kong

Dear Sirs,

In accordance with the instructions from FAVA International Holdings Limited ("your Company"), we have made an appraisal of the Market Value of 100% equity interest of Profit Value Group Limited ("the Company") and its subsidiaries (altogether known as "the Group") as at 31 December 2011 (the "Relevant Date") for possible acquisition purposes.

The purpose of this appraisal is to formulate and express an independent opinion on the Market Value of 100% equity interest of the Company as at the Relevant Date on the premise of a going concern. The term "Market Value" as used herein is defined as "the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion". We understand that the use of our work product will not supplant other due diligence which you should conduct in reaching business decisions for the Company. No other purposes are intended or should be inferred other than possible acquisition purpose.

INTRODUCTION

The Company is an investment holding company incorporated in the British Virgin Islands on 11 October 2011, which owns 100% equity interest of the Shrine of Nansha Limited (明德山有限公司). The Shrine of Nansha Limited (明德山有限公司) was incorporated in Hong Kong on 21 October 2010 and owns 100% equity interest of 明德堂(深圳)貿易有限公司 (hereinafter known as "WHKIE").

WHKIE is a wholly Hong Kong-invested enterprise incorporated in the People's Republic of China (hereinafter known as "the PRC") on 27 September 2011 and is principally engaged in the wholesales, import and export trading of electronic components, computer equipment, handset components, apparels and communication equipment. After obtaining the approval from the government authority, the scope of business of the Company has been extended to the wholesale of stone materials, building construction materials and necessities and accessories of funeral and the provision of relevant services including consultancy services.

Huidong County Hua Qiao Cemetery Management Company (惠東縣華僑墓園管理公司) (hereinafter known as "Hua Qiao") is a collective enterprise incorporated in the PRC on 24 March 1993 and was granted a Public Cemetery Operation Permit (公墓經營許可証) by Department of Civil Affairs of Guangdong Province (廣東省民政廳) for a period commencing from July, 2011 to June, 2012. Hua Qiao currently runs a cemetery known as Huidong County Overseas Chinese Cemetery (惠東縣華僑墓園) in Shichaodong, Huangpai District, Huidong County, Huizhou, Guangdong Province, the PRC (hereinafter known as the "Cemetery").

THE CEMETERY

The Cemetery occupies a site area of approximately 266,668 sq.m. (or 400 Chinese acres) of which approximately 9,333 sq.m. (or 14 Chinese acres) was already utilized for burial purpose. For the residual site area of approximately 257,335 sq.m. (or 386 Chinese acres), a newly planned area of approximately 159,633 sq.m. would be developed into three regions and seven zones. Three regions include office region, landscaping region and burial region, whilst seven zones comprise Yongan Park (永安園) (Zone A), Changfu Park (長富園) (Zone B), Yongfu Park (永富園) (Zone C), Changqing Park (長青園) (Zone D), Yongle Park (永樂園) (Zone E), Changle Park (長樂園) (Zone F) and Yongtai Park (永泰園) (Zone G).

In accordance with the development plan of the Cemetery, Zones A – E would provide 17,265 units of non-coffin grave (having a grave area of 3 sq.m. per unit) whilst Zones F and G would accommodate 2,708 units of coffin grave (having a grave area of 6 sq.m. per unit). Generally speaking, the non-coffin graves, where the cremated ash is buried, will be mainly sold to the PRC citizens. On the other hand, the coffin-graves would be sold to overseas Chinese including Hong Kong, Macau and Taiwan citizens. Besides, there would be 21,600 memorial tablets in the Cemetery, which would be sold to anyone without any restrictions.

SERVICE AGREEMENT

On 15 December 2011, WHKIE made a service agreement with Hua Qiao (hereinafter known as "the Agreement"). Pursuant to the Agreement, WHKIE would provide the following exclusive services to Hua Qiao in the Cemetery as from 1 December 2011 to 30 November 2041:

(a) construction and provision of all tombstones, tomb rooms and family graves;

(b) construction and provision of all vases, marble platforms, mythological animals guarding the tombs, earth, censers and furnaces;

(c) plantation of trees such as cypress and pines and provision of landscaping within the Cemetery;

(d) provision of all necessities needed in funeral and sacrifice;

(e) provision of all necessities in relation to the services of the Cemetery; and

(f) assisting Hua Qiao in offering the funeral commodities and services.

Hua Qiao has disclosed to WHKIE that the site where the Cemetery occupies belongs to collective farmland. The State Land Resources Bureau of Huidong County (惠東縣國土資源局) has given its consent in resuming the collective farmland and granting the site to Hua Qiao subsequently. Hua Qiao promised that the aforesaid land grant procedure would be completed and the land use rights would be obtained within two years from the date of the Agreement.

WHKIE could exercise the right of first refusal when Hua Qiao intends to dispose part or whole of the land use rights of the Cemetery.

When part or whole of the land use rights of the Cemetery is conveyed to any third party, WHKIE is entitled to sign a new service agreement with the buyer under the same terms and conditions of the Agreement.

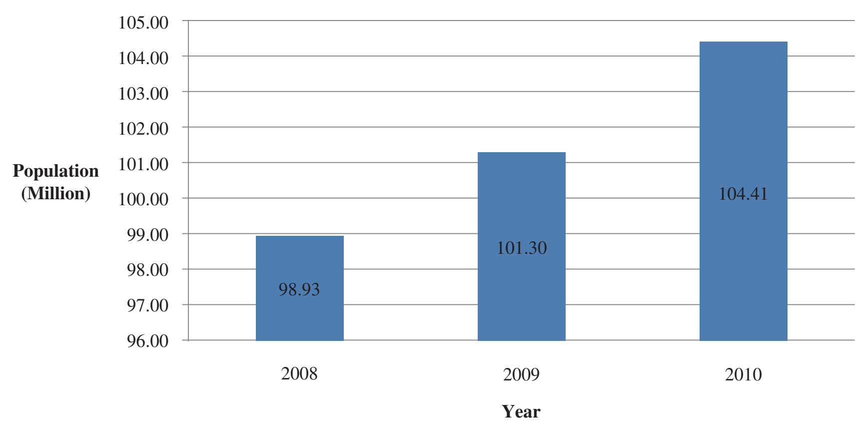
BUSINESS PLAN

In accordance with the business plan provided by your Company, the Cemetery would have three sources of income, namely, (i) service fee and income from sale of memorial tablets; (ii) service fee and income from sale of non-coffin tombstones; and (iii) service fee and income from sale of coffin tombstone. The financial forecast of the Company reveals that 21,200 units of memorial tablet, 15,300 units of non-coffin grave and 2,430 units of coffin grave would be sold as from 2012 to 2023.

MARKET OVERVIEW

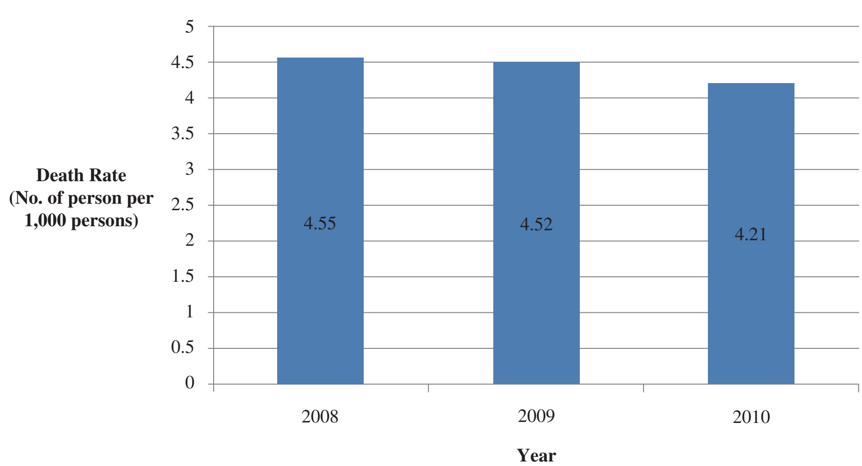
In 2010, the population of Guangdong Province was 104,409,400 and the death rate was 4.21 persons per 1,000 persons. It is inferred that the market size for local cemetery industry in 2010 was approximately 439,564 clients. In accordance with the PRC laws, except some few areas, coffin burial is unlawful for the PRC citizens and thus the cremated ash would either be accommodated in the columbarium or non-coffin graves, which are operated by the government and private enterprises. In 2010, the population of Huizhou Shi was 4,597,002 and the estimated no. of deaths was approximately 19,353 assuming the death rate of Huizhou Shi was similar to Guangdong Province. In Huizhou Shi, there are currently seven licensed cemeteries in operation which are able to provide the spaces for accommodating the cremated ash.

Population of Guangdong Province (2008-2010)



Source: Statistics Yearbook for Guangdong Province 2010

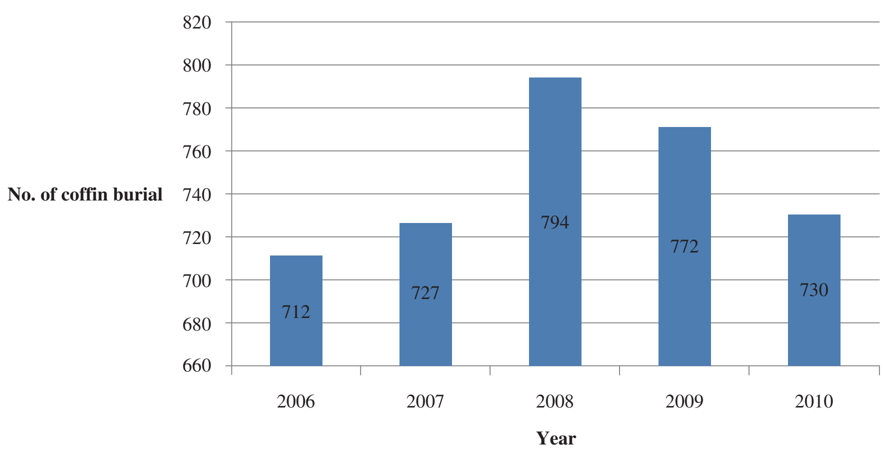
Death Rate for Guangdong Province (2008-2010)



Source: Statistics Yearbook for Guangdong Province 2010

The statistics from Department of Civil Affairs of Guangdong Province (廣東省民政廳) revealed that the no. of coffin burial of overseas Chinese was over 700 per annum as from 2006 to 2010. In 2010, there were nine licensed cemeteries in Guangdong Province which could provide coffin burial for the overseas Chinese. They are Guangzhou Xintang Overseas Chinese Public Cemetery (廣州市新塘華僑公墓), Shenzhen Da Peng Wan Overseas Chinese Cemetery (深圳大鵬灣華僑墓園), Shantou Bao Feng Shan Overseas Chinese Cemetery (汕頭寶峰山華僑墓園), Shantou Shi Qiaoyang Overseas Chinese Cemetery (汕頭市潮陽華僑墓園), Foshan Shi Nanhai Overseas Chinese Cemetery (佛山市南海華僑墓園), Huidong County Overseas Chinese Cemetery (惠東縣華僑墓園), Taishan Shi Overseas Chinese Cemetery (台山市華僑墓園), Xihui Ju Fu Bao Overseas Chinese Cemetery (四會聚福寶華僑陵園) and Jieyang Shi De Ze Yuan Overseas Chinese Public Cemetery (揭陽市德澤園華僑公墓).

Statistics for Coffin Burial of Overseas Chinese in Guangdong Province (2006-2010)

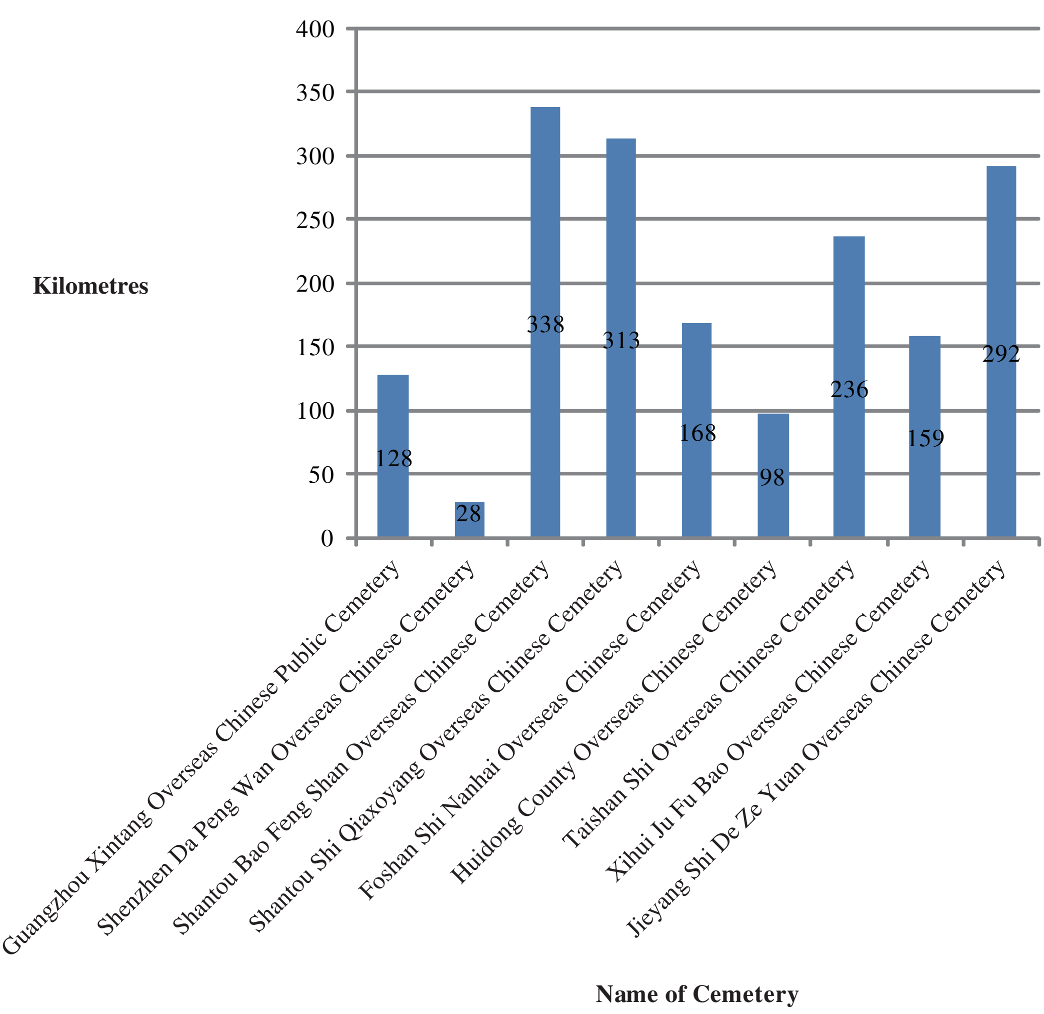


Source: Department of Civil Affairs of Guangdong Province

Location Map of Overseas Chinese Cemeteries in Guangdong Province
Source: Google Maps

Among these nine licensed cemeteries, only Shenzhen Da Peng Wan Overseas Chinese Cemetery (深圳大鵬灣華僑墓園) and Huidong County Overseas Chinese Cemetery (惠東縣華僑墓園) (i.e. the Cemetery) are within 100 kilometres' land travel distance from Shenzhen Luohu Transportation Hub (深圳羅湖交通樓). The former, which was opened in 1990s, is the most popular cemetery in Guangdong Province by virtue of its close proximity to Hong Kong. This cemetery occupies a site area of about 498,669 sq.m. (or 748 Chinese acres) and provides approximately 50,000 graves. Nevertheless, according to the information available to us, the graves available for sale are limited.

Land Travel Distance from Shenzhen Luohu Transportation Hub



Source: Google Maps

In accordance with the figures from the Census and Statistics Department of Hong Kong SAR Government, the no. of deaths in Hong Kong in 2009 and 2010 was 41,200 and 42,200, respectively. Since the short-term supply of both coffin graves and spaces of columbarium in Hong Kong cannot meet the keen persistent demand, Hong Kong becomes a potential market for those cemeteries located nearby the border.

On 28 March 2011, Department of Civil Affairs of Guangdong Province (廣東省民政廳) published a notice of "Guangdong Province Public Cemetery Master Development Plan (2011-2020)" (廣東省公墓建設總體規劃(2011-2020年)). It is planned that there will be 42 new cemeteries to be established before 2020. Nonetheless, the site area of each cemetery will be limited to not larger than 200,000 sq.m. (or 20 hectares) and the size of each grave will be reduced whilst the plot ratio will be increased so that the cemeteries could accommodate more cremated ash. As such, it is anticipated that the supply of sizable graves will be limited in the foreseeable future.

LEGAL OPINION

It is stated in the legal opinion given by your Company's PRC legal advisers – Dacheng Law Offices, *inter alia*, that:

(a) Hua Qiao is a lawful company to run the businesses of funeral, sculpture, flowers, building materials and landscaping;

(b) the existence of the Cemetery is lawful;

(c) Hua Qiao is entitled to sign any agreements pertaining to the operation and management of the Cemetery;

(d) the Agreement made between Hua Qiao and WHKIE pertaining to the provision of funeral services does not contravene the relevant PRC regulations prohibiting the operation of cemeteries by foreign investors;

(e) in view of the fact that the operation of the Cemetery was approved by Department of Civil Affairs of Guangdong Province (廣東省民政廳), the incomplete procedure in obtaining the land use rights of the Cemetery could not be interpreted as the existence of the Cemetery is illegal. In addition, the State Land Resources Bureau of Huidong County (惠東縣國土局) has accepted the land use application made by the Cemetery.

BASIS OF VALUATION AND ASSUMPTIONS

We have appraised 100% equity interest of the Company on the basis of "Market Value" on a going concern basis. The going concern premise assumes that the Company is normally viewed as continuing in operation in the foreseeable future with neither the intention nor necessity of liquidation or of curtailing materially the scale of its operation. Implicit in this definition is the fact that the willing buyer would not pay more to acquire the Company appraised than he could reasonably expect to earn in the future from an investment in the Company.

The valuation of the Company requires consideration of all pertinent factors affecting the operations of the business and its ability to generate future investment returns. The factors considered in the appraisal including, but were not limited to, the following factors:

– the history of the Group;

– the economic and industry's outlooks affecting the Group's business;

– the past and projected future results of the Group;

– market-derived investment returns of entities in similar line of business; and

– the risks facing by the Group.

In view of the ever-changing business environment in which the Group is operating, we have made a number of reasonable assumptions in the course of our appraisal, which are set out as follows:

– the continuous operation of the Company and the Group;

– the financial forecast of the Company is achievable;

– there will be no material changes from political, legal, economic or financial aspects in the jurisdictions in which the Company currently runs or intends to run its business which will materially affect its operation;

– there will be no substantial market fluctuation in the industry and jurisdictions or states in which the Company currently runs or intends to run its business which will materially affect its operations and the revenues attributed to shareholders;

– there will be no substantial fluctuation in current interest rates and foreign currency exchange rates in the jurisdictions or states in which the Company currently runs or intends to run its business which will materially affect its operations and the revenues attributed to shareholders;

– the management of the Group will not make any decision which is harmful to the revenue generation ability of its business;

– the Group will allocate sufficient resources to keep abreast of its future expansion;

– Hua Qiao will have no obstacle to obtain the State-owned Land Use Rights Certificate of the Cemetery; and

– Hua Qiao will have no obstacle to renew the Public Cemetery Operation Permit (公墓經營許可証).

In the process of valuing the Company, we considered various classical appraisal approaches to value, namely the Market Approach, Cost Approach and Income Approach. The Market Approach is basically a comparison method which estimates market value from analyzing sales and financial data and ratios of comparable public and, whenever possible, private companies. To the best of our understanding, there are no public purchase and sale of similar business transactions that completed in Hong Kong. Under such circumstances, we have not relied on the Market Approach in our estimate of the market value of the Company due to insufficient supporting data.

The Cost Approach seeks to estimate the market value of the company by quantifying the amount of money that would be required to replace the manufacturing capabilities of the firm. In other words, this approach assumes that the company's value is indicated by the cost of reproducing or replacing its manufacturing assets less an allowance for physical deterioration and obsolescence. We considered this approach is not an appropriate valuation for valuing the Company given that it is not a manufacturing entity.

The Income Approach focuses on the income-producing capability of a company. This approach's underlying theory is that the value of the company can be measured by the present worth of the net economic benefit to be received. In our opinion, this approach is the most appropriate in valuing the Group since a rational buyer normally will purchase a company only if the present value of the expected economic benefits is at least equal to the purchase price. Likewise, a rational seller normally will not sell if the present value of the expected economic benefits is more than the selling price. Thus, a sale generally will occur only at an amount equal to the economic benefits of ownership. Based on this valuation principle, we use the Income Approach to estimate the future economic benefits of the Company and discount these benefits to its present value using a discount rate that is appropriate for the expected risks associated with realizing those benefits.

VALUATION METHODOLOGY

In choosing the Income Approach as the most appropriate method, we have used the Discounted Cash Flow (hereinafter known as "DCF") Method, which estimates the market value of the Company by discounting the future cash flows to the present value. This would necessitate the subtraction, from the net income, the capital expenditures and changes in working capital and the addition of depreciation in the computation of cash flow. DCF analysis reflects investment criteria and requires the appraiser to make empirical and subjective assumptions.

In using the DCF Method, we adopted the Free Cash Flows to Equity (hereinafter known as "FCFE") Technique. The FCFE Technique values the enterprise by estimating the market value of the ownership interests (equity) of the enterprise. This technique requires that the company's interest expenses, if any, be excluded from the free cash flows and the resulting cash flow to be discounted at the relevant rate of return required by equity. This technique then equates the value of the ownership interests as the value of the enterprise.

We derived the discount rate by using the Capital Asset Pricing Model (hereinafter known as "CAPM"). The CAPM derives the required rate of return of an asset by adding the risk-free rate to the risk premium of the asset. The CAPM is built on the premise that the variance in returns is the appropriate measure of risk but only that portion of the variance of the returns of an asset that is not reduced by diversification has to be compensated, therefore the appropriate return required of an asset is determined by the volatility of the asset's returns relative to the returns that can be achieved by a broad market portfolio. This measured non-diversifiable risk is represented by the beta of the asset and the risk premium of the asset is its beta multiplied to the risk premium of a broad market portfolio.

In estimating the equity return in the representative industry, we have referred to 7 listed companies in Hong Kong and the US and most of them are engaged in cemetery and funeral businesses as part of or major business. These companies include China Boon Holdings Limited (Stock Code: 0922), Midas International Holdings Limited (Stock Code: 1172), Sage International Group Limited (Stock Code: 8082), ZMAY Holdings Limited (Stock Code: 8085), Sino-Life Group Limited (Stock Code: 8296), Service Corp. International (Ticker: SCI) and Stewart Enterprises Inc. (Ticker: STEI). Although these companies do not solely or primarily derive revenues from the cemetery and funeral businesses and might have more diversified revenue bases from the other businesses, which might not be identical to the Group's business, these listed companies represents the most reliable objective market rate of return of the representative industry to be used in valuing the Company's equity, since it captures investors' expectations, prevailing market conditions and the accompanying risks associated with them. As such, it is our opinion that the adoption of average equity return of these companies is fair and reasonable in our valuation.

In valuing the Company, we determined an unlevered Ordinary Least Squares (OLS) beta for the Company by deriving a representative industry beta from the guideline companies that approximate the Group's services as mentioned above. An unlevered beta is the beta a company would have if it had no debt. It removes a company's financial decision from the beta calculation and reflects a company's business risks. The OLS betas are estimated by the traditional method of running a simple regression in which excess monthly returns on a company or composite is the dependent variable and the excess return on the market is the independent variable. Four listed companies in Hong Kong and the US, namely, China Boon Holdings Limited (Stock Code: 0922), Sino-Life Group Limited (Stock Code: 8296), Service Corp. International (Ticker: SCI) and Stewart Enterprises Inc. (Ticker: STEI), which participated in the cemetery and funeral businesses in the PRC and the US, have been selected as the guideline companies in our valuation.

The equity risk premium of the Company is reached by multiplying the beta to the difference between the average equity return of the representative industry and the risk free rate, which is the yield of the 10 years' Hong Kong Exchange Fund Notes. The cost of equity is thus derived by the summation of the risk free rate and the equity risk premium.

The discount rate adopted in this valuation is 10.99%, which is generated by applying the risk free rate of 1.47%, beta of 0.6399, average equity return of 5.419%, country risk of 2%, business risk of 3% reflecting the risk of cemetery business and land title risk of 2%. On the other hand, no long-term growth rate is considered in our valuation after the forecast period.

By definition, ownership interests in closely held companies are typically not readily marketable, and, by definition not as liquid and as easily converted to cash compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. Numerous studies have been made showing that the Lack of Marketability (hereinafter known as "LOM") discount for a closely held stocks compared with a publicly traded counterpart averages between 10% and 50%, and many different researchers have obtained these averages over a wide span of years. We have opted to apply a 25% LOM discount to the Company.

GENERAL COMMENTS

We understand that your Company will use our appraisal as part of your business due diligence and we have not been engaged to make specific purchase or sale recommendations. We further understand that the use of our work product will not supplant other due diligence, which you should conduct in reaching business decisions regarding the Company.

For the purpose of this appraisal and in arriving at our opinion of value, we have relied to a very considerable extent on the information, statements, opinion and representations provided to us by your Company. We were furnished with the financial statement and the management accounts of the Group, a projection of revenue & expense and balance sheet. These data have been utilized without further verification as correctly representing the results and future prospects of the operation and the financial condition of the Group.

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made nor liability assumed for the accuracy of any data, opinions, or estimates identified as being furnished by others, which have been used in formulating this analysis.

We are unable to accept any responsibilities for the operation and financial information that have not been supplied to us by your Company and the Group. We have had no reason to doubt the authenticity and accuracy of the information provided or the reasonableness of the opinions expressed by the Group and the directors of your Company, which have been provided to us. We also sought and received confirmation that no material factors have been omitted from the information provided.

In the course of our valuation, we relied on the Company's pro forma financial projections during the 12 years' forecast period. We have tested this estimate against relevant data pertaining to the various economies and the replication industry, and find it is fair and reasonable.

In arriving at our opinion, we have assumed that the Company has adopted necessary security measures and has considered several contingency plans to protect and maintain the reliability of its business.

We have assumed that the appraised business of the Company is freely disposable and transferable for its existing or alternative uses in the open market without payment of any tax to the government upon disposal.

In the course of our valuation, we have adopted the basis of valuation and made the valuation assumptions in accordance with the International Valuation Standards 2011 published by The International Valuation Standards Council and The HKIS Valuation Standards on Trade-Related Business Assets and Business Enterprises (First Edition, 2004) published by the Hong Kong Institute of Surveyors.

We have made no investigation of the legal title or any liabilities attached to the Group. All legal documents disclosed (if any) are for reference only and no responsibility is assumed for any legal matters concerning the legal title and the rights (if any) to the Group. We have not verified the original documents furnished to us, any responsibility for our misinterpretation of the legal documents, therefore, cannot be accepted. Besides, we are not in a position to advise and comment on the title and encumbrances to the Group.

No allowance has been made in our valuation for any charges or amounts owing neither on the Group nor for any expenses or taxation, which may be incurred in effecting a sale. It is assumed that the Group will be rendered free from encumbrances, minority interest, restrictions and outgoings of any onerous nature, which could affect its value.

Unless otherwise stated, the base currency of this report is Hong Kong Dollar. The adopted exchange rate for the valuation of the Group is the prevailing rate as at the Relevant Date being HK$1 to RMB0.8176 and no significant fluctuation in exchange rate has been found between that date and the date of this report.

OPINION OF VALUE

Based on the analysis, reasoning and data outlined as above, and on the appraisal method employed, it is our opinion that as at the Relevant Date, the Market Value of 100% equity interest of the Company is reasonably stated by the amount of **HK$85,000,000 (HONG KONG DOLLARS EIGHTY-FIVE MILLION ONLY)**.

A sensitivity analysis has been made on the assumption that the discount rate has a fluctuation of ±1%. The result of the sensitivity analysis is set out as follows:

Discount Rate	**Valuation Result (HK$)**
9.99%	91,000,000
10.99%	**85,000,000**
11.99%	80,000,000

The conclusion of value is based on generally accepted appraisal procedures and practices that rely extensively on assumptions and considerations, not all of which can be easily quantified or ascertained exactly. While we have exercised our professional judgment in arriving at the appraisal, you are urged to consider carefully the nature of such assumptions which are disclosed in this report and should exercise caution when interpreting this report.

We hereby certify that we have neither present nor prospective interest in the Group nor your Company or the value reported.

Yours faithfully,
For and on behalf of
Castores Magi Asia Limited
Deret Au Chi Chung
Member of China Institute of Real Estate Appraisers and Agents
Registered Business Valuer of Hong Kong Business Valuation Forum
B.Sc. MRICS MHKIS RPS MCIArb AHKIArb MCIM
Director

Set out below are the texts of reports from HLB Hodgson Impey Cheng and Optima Capital Limited in connection with the cash flow forecasts underlying the valuation of the Target Group as at 31 December 2011 prepared by Castores Magi Asia Limited for the purpose of inclusion in this circular.

(A) REPORT FROM HLB HODGSON IMPEY CHENG

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

24 February 2012

The Board of Directors
FAVA International Holdings Limited
Room 1005,
C.C. Wu Building
302-8 Hennessy Road
Wanchai
Hong Kong

Dear Sirs

We report on the calculations of the discounted future estimated cash flows on which the business valuation (the "Valuation") dated 24 February 2012 prepared by Castores Magi Asia Limited (the "Valuer") in respect of the Valuation on the Target Group as at 31 December 2011 as set out in Appendix IV of the Circular of the Company in connection with the Acquisition. The Valuation which is determined based on the discounted cash flows is regarded as a profit forecast under rule 19.61 of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("the GEM Listing Rules").

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS OF THE COMPANY AND THE REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows for the valuation which is regarded as a profit forecast under Rule 19.62 of the GEM Listing Rules.

It is our responsibility to report, as required by rule 19.62(2) of the GEM Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based. The discounted future estimated cash flows do not involve the adoption of accounting policies.

The discounted future estimated cash flows depend on future events and on a number of bases and assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Consequently, we have not reviewed, considered or conducted any works on the appropriateness and validity of the bases and assumptions and express no opinion on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows, and thus the Valuation, are based.

BASIS OF OPINION

We conducted our work in accordance with Hong Kong Standards on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to the procedures under Auditing Guideline 3.341 "Accountants' report on profit forecasts" issued by the Hong Kong Institute of Certified Public Accountants. We examined the arithmetical accuracy of the Valuation. Our work has been undertaken solely to assist the directors of the Company in evaluating whether the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled and for no other purpose. We accept no responsibility to any other persons in respect of, arising out of in connection with our work. Our work does not constitute any valuation of the entire equity interest in Profit Value Group Limited.

OPINION

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions made by the directors of the Company as set out in Appendix IV of the Circular.

Yours faithfully,
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

(B) REPORT FROM OPTIMA CAPITAL LIMITED

Suite 1501, 15th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

24 February 2012

The Directors
FAVA International Holdings Limited
Room 1005, C.C. Wu Building
302-8 Hennessy Road
Wanchai
Hong Kong

Dear Sirs,

We refer to the valuation prepared by Castores Magi Asia Limited ("Castores") in relation to the market value of the 100% equity interest of Profit Value Group Limited and its subsidiaries (the "Market Value") as at 31 December 2011. The report of Castores is included in Appendix IV to a circular dated 24 February 2012 (the "Circular") issued by the Company. Capitalised terms used herein shall have the same meanings as those defined in the Circular unless the context herein requires otherwise.

We note that the Market Value, which has been developed based on discounted cash flow analysis, is regarded as profit forecast under Chapter 19 of the GEM Listing Rules. We note that the Market Value is developed based on, among other things, the cash flow forecast in relation to the Target Group and the estimated discount rate which is based on the estimated weighted average cost of equity after taking consideration of relevant risk free rate and certain risk premium.

We have discussed with the management of the Company and Castores regarding the bases and assumptions of the valuation, and have reviewed the letter issued by HLB Hodgson Impey Cheng dated 24 February 2012 as set out in Appendix V (A) to the Circular regarding whether the cash flow forecast, so far as the calculations are concerned, has been properly compiled in accordance with the bases and assumptions made by the Directors.

On the basis of the foregoing and the calculations reviewed by HLB Hodgson Impey Cheng, we are of the opinion that the cash flow forecast underlying the Market Value, for which the management of the Company is solely responsible, has been made after due care and consideration.

Yours faithfully,
For and on behalf of
Optima Capital Limited
Benny Ng
Director

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

As at Latest Practicable Date, 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 Rule 5.46 of the GEM Listing Rules were as follows:

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

	Number of shares held, capacity and nature of interest					
Name of director	**Directly beneficially owned**	**Through spouse or minor children**	**Through controlled corporation**	**Beneficiary of a trust**	**Total**	**Approximate percentage of the Company's total issued capital** *(Note 1)*
Mr. Li Ge *(Note 2)*	64,548,000	–	351,518,000	–	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 Latest Practicable Date.

(2) Mr. Li Ge is interested by virtue of his 100% beneficial interest in True Allied Assets Limited. Mr. Li Ge is the sole director of True Allied Assets Limited.

Save as disclosed above, as at Latest Practicable Date, 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 of the Company

So far as were known to the Directors or chief executive of the Company, as at Latest Practicable Date, 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 Company's total issued capital** *(Note 1)*
Substantial Shareholders			
True Allied Assets Limited	Beneficial owner	351,518,000	19.99%
Mr. Li Ge *(Note 2)*	Interest of controlled corporation	351,518,000	19.99%
	Beneficial owner	64,548,000	3.67%

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 Latest Practicable Date.

(2) Mr. Li Ge is interested by virtue of his 100% beneficial interest in True Allied Assets Limited. Mr. Li Ge is the sole director of True Allied Assets Limited.

Save as disclosed above, as at Latest Practicable Date, the Directors are not aware of any other persons, other than the Directors and chief executives of the Company, that was required to be recorded pursuant to Section 336 to the SFO.

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

3. DISCLOSURE OF OTHER INTERESTS

(a) Interests in contract or arrangement

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Enlarged Group.

(b) Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group since 31 December 2010, being the date to which the latest published audited accounts of the Group were made up.

(c) Interests in competing business

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Enlarged Group (excluding contracts expiring or determinable by relevant member of the Enlarged Group within one year without payment of compensation, other than statutory compensation).

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, none of the Directors was aware of any material adverse change in the financial or trading position of the Group since 31 December 2010, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. MATERIAL CONTRACTS

Set out below are the material contracts (not being contracts entered into in the ordinary course of business) entered into by any member of the Enlarged Group within the two years immediately preceding the Latest Practicable Date:

(a) the SP Agreement;

(b) the Subcontracting Agreement;

(c) the placing agreement dated 21 September 2010 between the Company and Quam Securities Company Limited (as the placing agent) in relation to the placing on a best effort basis, of up to 276,956,000 shares at the placing price of HK$0.116 per share;

(d) the non-legally binding memorandum of understanding ("MOU") dated 20 September 2010 entered into between EMAX Venture Limited (as purchaser) (a wholly-owned subsidiary of the Company) and an individual in respect of the proposed acquisition of 80% interest in a target company incorporated in Hong Kong, which MOU has lapsed on 19 March 2011;

(e) the share transfer contract (the "Share Transfer Contract") dated 17 September 2010 entered into between Trader Group International Limited ("Trader Group"), a then direct wholly-owned subsidiary and currently an indirect wholly-owned subsidiary of the Company and Lucky Sky Enterprise Limited ("Lucky Sky"). Pursuant to the Share Transfer Contract, Trader Group agreed to dispose of and Lucky Sky agreed to acquire the 100% equity interests of Lang Fang Tian Feng Home Co., Ltd* (廊坊天豐家居有限公司). The consideration for the share transfer was RMB5,557,355.18 (approximately HK$6,346,999.78);

(f) the disposal agreement (the "Dalian Disposal Agreement") dated 14 June 2010 entered into between Langfang Huari Hengyu Homes Co., Limited* (廊坊華日恒宇家居有限公司) ("Hengyu"), an indirectly wholly-owned subsidiary of the Company, and Mr. Huang Bing Xiu ("Mr. Huang"). Pursuant to the Dalian Disposal Agreement, Hengyu agreed to dispose of and Mr. Huang agreed to acquire, the furniture retail outlet in Dalian and its business owned by Hengyu as at 31 May 2010 (the "Dalian Business") (the "Dalian Disposal"). The consideration for the Dalian Disposal was RMB1.00 (approximately HK$1.1375);

(g) the disposal agreement (the "Shanghai Disposal Agreement") dated 14 June 2010 entered into between Hengyu and Mr. Zhang Ming Liang ("Mr. Zhang"). Pursuant to the Shanghai Disposal Agreement, Hengyu agreed to dispose of and Mr. Zhang agreed to acquire, the furniture retail outlet in Shanghai and its business owned by Hengyu as at 31 May 2010 (the "Shanghai Business") (the "Shanghai Disposal"). The consideration for the Shanghai Disposal was RMB209,319.33 (approximately HK$238,100.74);

* *For identification purpose only*

(h) the disposal agreement (the "Beijing Disposal Agreement") dated 14 June 2010 entered into between Hengyu and Mr. Zhou Xu En ("Mr. Zhou"). Pursuant to the Beijing Disposal Agreement, Hengyu agreed to dispose of and Mr. Zhou agreed to acquire, the furniture retail outlet in Beijing and its business owned by Hengyu as at 31 May 2010 (the "Beijing Business") (the "Beijing Disposal"). The consideration for the Beijing Disposal was RMB49,683.53 (approximately HK$56,515.02); and

(i) the disposal agreement entered into between Hengyu and Mr. Liu Qian Jin (柳前進先生) ("Mr. Liu") on 19 May 2010. Pursuant to the disposal agreement, Hengyu agreed to dispose of and Mr. Liu agreed to acquire, the Jixiangniao Furniture Factory* (吉祥鳥家具廠), a factory engaging in the business of manufacturing and wholesale of sofa, tea tables and living room furniture, and the business of Jixiangniao Furniture Factory* (吉祥鳥家具廠) wholly owned by Hengyu. The consideration for the disposal was RMB3,400,366.97 (approximately HK$3,867,781.41).

7. LITIGATION

So far as the Directors were aware, no member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group as at the Latest Practicable Date.

8. EXPERTS AND CONSENTS

The following sets out the qualifications of the experts who have given opinions or advice in this circular:

Name	**Qualifications**
Castores Magi	Independent professional valuers
Dacheng Law Offices	PRC legal advisers
HLB Hodgson Impey Cheng	Chartered Accountants Certified Public Accountants
Optima Capital Limited	a licensed corporation to carry on business in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

* *For identification purpose only*

As at the Latest Practicable Date, each of the experts:

(a) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(b) did not have any direct or indirect interest in any assets which had been acquired or disposed of by, or leased to, any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2010, being the date to which the latest published audited accounts of the Group were made up; and

(c) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and references to its name, letter and/or report in the form and context in which they respectively appear.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's head office and principal place of business in Hong Kong at Room 1005, C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong during normal business hours on any week day (except public holidays) from the date of this circular up to and including 12 March 2012 and will also be available for inspection at the SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the annual reports of the Company for each of the two financial years ended 31 December 2009 and 2010;

(c) the interim report of the Company for the six months ended 30 June 2011;

(d) the accountants' reports from HLB Hodgson Impey Cheng in respect of the Target Group, the text of which is set out in Appendix II to this circular;

(e) the accountants' report from HLB Hodgson Impey Cheng in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(f) the valuation report from Castores Magi Asia Limited in respect of the Target Group, the text of which is set out in Appendix IV to this circular;

(g) the reports from each of HLB Hodgson Impey Cheng and Optima Capital Limited on the forecast underlying the valuation of the Target Group, the texts of which are set out in Appendix V to this circular;

(h) the legal opinion from Dacheng Law Offices dated the date of this circular in respect of certain aspects of the Target Group;

(i) the material contracts referred to in the section headed "Material contracts" in this appendix;

(j) the written consents referred to in the section headed "Experts and consents" in this appendix;

(k) this circular.

10. GENERAL

(a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company in Hong Kong is situated at Room 1005, C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong while the Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(b) The company secretary of the Company is Mr. Chan Yuk Hiu Taylor (陳玉曉先生), who is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants; and the compliance officer of the Company is Mr. Li Ge (李革先生) who is also an executive Director.

(c) As at the Latest Practicable Date, the audit committee comprised three independent non executive Directors, namely Mr. Liu Qing Chen ("Mr. Liu") (as Chairman), Mr. Yang Jie and Mr. Yang Dongli.

Mr. Liu, aged 43, holds a Bachelor of Economics in Accounting from the Central University of Finance and Economics (formerly known as Central Institute of Finance and Banking). He also holds a Master of Economics from the Capital University of Economics and Business majoring in Banking. Mr. Liu is a member of The Chinese Institute of Certified Public Accountants, and is currently a CPA in Xingtai Jinzheng Certified Public Accounts Co., Limited. He has over 21 years of experience in auditing, accounting and financial management. Except for his position in the Company as a non-executive Director since 16 May 2011, and his re-designation from a non-executive Director to an independent non-executive Director on 18 November 2011, Mr. Liu did not hold any directorships in any other listed public companies, nor does he have any relationships with other Directors, senior management, chief executive or substantial shareholders of the Company.

Mr. Yang Jie, aged 30, was appointed as an independent non-executive Director on 30 June 2006. He is now working in the Government and Medical Section of the Business Development Department of Epson (China) Co., Limited. Mr. Yang graduated from Beijing Petrochemistry Institute majoring in Process Equipment and Control Engineering. He has over seven years of working experience. In addition, Mr. Yang has taken the training course on Human Resources Management and Listed Company Regulations held by Ren Ming University, and has also taken the training course on Business Administration held by Qing Hua University.

Mr. Yang Dongli, aged 39, was appointed as an independent non-executive Director on 1 September 2005. He is formerly a Production Department Manager and Senior Engineer in Beijing D&G Machinery Co., Limited. Mr. Yang graduated in Air Industrial University North of China majoring in Management Engineering. Mr. Yang has over fifteen years working experience.

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, and had held meeting for four times during the year 2011.

(d) The English text of this circular and accompanying form of proxy shall prevail over the Chinese text.

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 (the "Company") will be held at Room 1005, C.C. Wu Building, 302-8 Hennessy Road, Wanchai, Hong Kong on Monday, 12 March 2012 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution:

ORDINARY RESOLUTION

"**THAT**:–

(a) the transactions contemplated under the sale and purchase agreement dated 15 December 2011 entered into between EMAX Venture Limited (as purchaser), an indirect wholly-owned subsidiary of the Company and Mr. Lau Chi Yan, Pierre (as vendor) (the "SP Agreement", a copy of which having been produced to the meeting marked "A" and signed by the Chairman of the meeting for the purpose of identification) in respect of the sale and purchase of the 1 share of US$1.00 in the capital of Profit Value Group Limited (the "Target") (representing the entire issued share capital of the Target) and the entire amount of the shareholder's loan owing by the Target to Mr. Lau Chi Yan, Pierre as at the date of completion of the SP Agreement for a total consideration of HK$80,000,000 be and are hereby approved; and

(b) the Directors be and are hereby authorised to do all such acts and things, to sign and execute all documents and to take such steps as they consider necessary, desirable or expedient to give effect to or in connection with the SP Agreement (including but not limited to entering into any supplemental or variation agreement thereto) or any of the transactions contemplated thereunder."

By Order of the Board
FAVA INTERNATIONAL HOLDINGS LIMITED
Li Ge
Chairman

Hong Kong, 24 February 2012

* *For identification purpose only*

Notes:

(1) Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the meeting. A proxy need not be a member of the Company.

(2) In order to be valid, the form of proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the said meeting or any adjournment thereof.

(3) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

(4) As at the date hereof, the Board comprises five Directors. The executive Directors are Mr. Li Ge and Mr. Zhao Guo Wei. The independent non-executive Directors are Mr. Liu Qing Chen, Mr. Yang Jie and Mr. Yang Dongli.