

FAVA INTERNATIONAL HOLDINGS LIMITED

名家國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 08108)

ANNOUNCEMENT OF FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2012

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

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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This announcement, for which the directors of the Company (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading.

* For identification purpose only

FIRST QUARTERLY RESULTS (UNAUDITED)

The board of Directors (the “Board”) of FAVA International Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2012 together with the comparative figures.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 31 March 2012

		Three months ended 31 March	
	<i>Notes</i>	2012 HK\$'000	2011 HK\$'000
Turnover	2	36,099	33,074
Cost of sales		(30,474)	(26,655)
Gross profit		5,625	6,419
Other revenue		72	64
Other income		56	349
Selling and distribution costs		(2,097)	(3,597)
Administrative expenses		(13,206)	(7,747)
Other operating expenses		–	(59)
Loss from operations		(9,550)	(4,571)
Finance costs		(1)	(1)
Loss before taxation		(9,551)	(4,572)
Taxation	3	–	–
Loss for the period		(9,551)	(4,572)
Attributable to:			
Shareholders of the Company		(9,378)	(4,572)
Non-controlling interests		(173)	–
		(9,551)	(4,572)
Loss for the period		(9,551)	(4,572)
Interim dividend	4	–	–
Other comprehensive income for the period, net of tax			
Exchange differences on translating foreign operations		1,929	2,225
Total comprehensive loss for the period		(7,622)	(2,347)
Total comprehensive loss attributable to:			
Shareholders of the Company		(7,449)	(2,347)
Non-controlling interests		(173)	–
		(7,622)	(2,347)
		HK cents	HK cents
Loss per share			
– Basic and diluted	5	(0.53)	(0.26)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share Capital HK\$'000	Share Premium HK\$'000	Contributed Surplus HK\$'000	Accumulated (losses) HK\$'000	Share options reserve HK\$'000	Exchange reserve HK\$'000	Statutory reserves HK\$'000	Subtotal HK\$'000	Non- controlling interest HK\$'000	Total equity HK\$'000
For the three months ended 31 March 2011										
At 1 January 2011	3,489	216,838	36,000	(32,562)	3,174	35,631	43,500	306,070	–	306,070
Loss for the period	–	–	–	(4,572)	–	–	–	(4,572)	–	(4,572)
Other comprehensive income for the period	–	–	–	–	–	2,225	–	2,225	–	2,225
Total comprehensive (loss)/income for the period	–	–	–	(4,572)	–	2,225	–	(2,347)	–	(2,347)
At 31 March 2011	<u>3,489</u>	<u>216,838</u>	<u>36,000</u>	<u>(37,134)</u>	<u>3,174</u>	<u>37,856</u>	<u>43,500</u>	<u>303,723</u>	<u>–</u>	<u>303,723</u>
For the three months ended 31 March 2012										
At 1 January 2012	3,517	219,534	36,000	(84,392)	1,656	44,587	43,500	264,402	(8)	264,394
Loss for the period	–	–	–	(9,378)	–	–	–	(9,378)	(173)	(9,551)
Other comprehensive income for the period	–	–	–	–	–	1,929	–	1,929	–	1,929
Total comprehensive (loss)/income for the period	–	–	–	(9,378)	–	1,929	–	(7,449)	(173)	(7,622)
Expiry of share options	–	–	–	1,656	(1,656)	–	–	–	–	–
At 31 March 2012	<u>3,517</u>	<u>219,534</u>	<u>36,000</u>	<u>(92,114)</u>	<u>–</u>	<u>46,516</u>	<u>43,500</u>	<u>256,953</u>	<u>(181)</u>	<u>256,772</u>

Notes:

1. BASIS OF PREPARATION

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

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

The accounting policies adopted in preparing the unaudited condensed consolidated financial statements for the three months ended 31 March 2012 are consistent with those adopted in the annual report of the Company for the year ended 31 December 2011.

2. TURNOVER

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

	Three months ended	
	31 March	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Manufacture and sales of household products	35,850	33,074
Provision of funeral services and sales of funeral related products	249	—
	<u>36,099</u>	<u>33,074</u>

3. TAXATION

No provision for Hong Kong profits tax has been made as the Group has no assessable profit in Hong Kong for the three months ended 31 March 2012 (three months ended 31 March 2011: Nil).

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

No EIT was charged for the three months ended 31 March 2012 as the PRC subsidiary of the Group has recorded loss (three months ended 31 March 2011: Nil).

There was no significant unprovided deferred taxation for the three months ended 31 March 2012 (three months ended 31 March 2011: Nil).

Deferred tax had not been provided as there were no significant temporary differences at the period-end date (three months ended 31 March 2011: Nil).

4. INTERIM DIVIDEND

No interim dividend has been paid or declared by the Company for the three months ended 31 March 2012 (three months ended 31 March 2011: Nil).

5. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to shareholders of the Company of approximately HK\$9,378,000 (2011: approximately HK\$4,572,000) and the weighted average 1,758,355,970 (2011: 1,744,555,970) ordinary shares in issue during the period.

Diluted loss per share for three months ended 31 March 2012 had not been shown as the exercise or outstanding share options of the Company during the period had an anti-diluted effect on the basic loss per share for the period.

There was no diluting event existing during the three months ended 31 March 2012 and 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

During the period under review, the Group recorded revenue of approximately HK\$36,099,000 in aggregation, generating total loss of approximately HK\$9,551,000.

Household Products Business

During the period under review, the European debt crisis continued to weigh on the global financial market, whilst the PRC saw the continuous increase in labour costs as well as the hiking land and raw material costs. Furthermore, as the PRC central government put forth macro-control policies over housing to cool down the real estate market (especially in the first- and second-tier cities), potential home buyers put off their home purchase plans and decisions on buying furniture. All these factors overshadowed the Group's household products business, despite its focus on the second- and third-tier cities, and in turn the Group's profitability. To cope with the pressure from increasing costs, the Group made adjustments to the selling prices of certain household products and disposed of the remaining non-performing assets in the second half of 2011. However, the performance results were still not satisfactory.

For the three months ended 31 March 2012, the total sales revenue of household products amounted to approximately HK\$35,850,000, up by 8.39% as compared to approximately HK\$33,074,000 for the corresponding period last year.

Gross profit decreased by 14.52% from approximately HK\$6,419,000 for the corresponding period of 2011 to approximately HK\$5,487,000 for the period under review. Gross profit margin dropped from approximately 19.4% for the corresponding period last year to 15.3% for the period under review, mainly as a result of the increasing production costs which were not entirely passed onto consumers by the Group in view of their affordability and the requirement for securing market share.

Operating expenses of the Group's household products business amounted to approximately HK\$10,880,000, increasing by approximately HK\$1,232,000 as compared to approximately HK\$9,648,000 for the corresponding period last year. The net loss arising from household products business went up from approximately HK\$2,843,000 for the corresponding period last year to approximately HK\$5,389,000 for the period under review.

The Group terminated all its direct retail businesses on 30 September 2011.

Some of the factory buildings and offices rented from Lang Fang Huari Furniture Joint Stock Co., Ltd.* (廊坊華日傢俱股份有限公司) ("Huari") in the old factory area may have to be relocated in phases in the future, thus to a certain extent exerting influence to the future production of the Company. As at the date of this announcement, no assessment was made on the impacts on the Group that may arise from the relocation as Huari was not able to provide an exact relocation timetable. The Group will claim compensation from Huari for the losses incurred in the relocation.

On 8 March 2012, an indirect wholly-owned subsidiary of the Company, Langfang Huari Hengyu Home Co., Ltd.* (廊坊華日恒宇家居有限公司) ("Hengyu"), entered into a sale agreement with Huari, pursuant to which Hengyu agreed to sell and Huari agreed to purchase a plant situated in Langfang City, the PRC which was 100% owned by Hengyu for a consideration of RMB19,600,000. As at the date of this announcement, the transaction has not been completed. Details of the above transaction were set out in the Company's announcement dated 8 March 2012.

Funeral Business

For the three months ended 31 March 2012, the Group's total revenue generated from the provision of funeral-related services and the trading of funeral-related products amounted to approximately HK\$249,000, generating a net loss of approximately HK\$806,000.

On 15 December 2011, the Group entered into an agreement to acquire 100% equity interest in Profit Value Group Limited at a cash consideration of HK\$80,000,000. The acquisition will enable the Group to be granted a sub-contracting agreement concerning the provision of all funeral-related services, products and assistance required by the operation of Huidong County Huaqiao Cemetery entered into by Ming De Tang Trading (Shenzhen) Limited Company (a subsidiary 100% indirectly owned by Profit Value Group Limited in the PRC) and Huidong County Huaqiao Cemetery Management Company. The transaction was formally approved by shareholders at the special general meeting of the Company held on 12 March 2012. The transaction was completed on 10 April 2012. Details of the above transactions were set out in the Company's announcements dated 15 December 2011, 10 January 2012, 20 January 2012 and 12 March 2012 respectively and circular dated 24 February 2012.

In addition, on 10 February 2012, South China Memorial Park & Funeral Service Limited, an indirect non-wholly-owned subsidiary of the Company, was granted by the government of the Hong Kong Special Administrative Region 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 the public under a valid funeral parlour licence, and operate, manage and maintain a public funeral parlour situated in Cheong Hang Road, Hung Hom, Hong Kong which has been renamed as Grand Peace Funeral Parlour. The Grand Peace Funeral Parlour has commenced operation upon completion of its interior decoration on 27 April 2012. Details of the above transaction were set out in the Company's announcement dated 13 February 2012.

It is believed that such acquisition and business activity will contribute to the diversification of the Group's funeral business.

Prospects

The Group expected that the central government of the PRC will not ease its regulations on the real estate market in 2012 which will exert certain knock-on effect on the household products markets.

The Group will continue to actively explore new sales channels so as to facilitate its market expansion. The Group will also adopt active measures to raise its market share and enhance its brand recognition in the PRC. In terms of product design, the Group will strive to improve its product portfolios and introduce luxury products. The Group is taking initiatives to integrate the production capacities of its household products business in order to reduce production costs and expenses.

Entering the funeral services industry has broadened the earning base of the Group. Furthermore, the Group will strive to build up new growth drivers by acquiring assets and businesses similar to or related to our current businesses. We believe such diversification strategy is to uplift our shareholder value.

MATERIAL ACQUISITION

On 15 December 2011, a direct wholly-owned subsidiary of the Company, EMAX Venture Limited ("EMAX") entered into a sale and purchase agreement with Mr. Lau Chi Yan, Pierre ("Mr. Lau") pursuant to which EMAX conditionally agreed to acquire and Mr. Lau conditionally agreed to sell the entire issued share capital of Profit Value Group Limited ("Profit Value") and the entire amount of shareholder's loan owing by Profit Value to Mr. Lau as at the date of completion of the transaction at a consideration of HK\$80 million in cash.

The principal asset of Profit Value is its holding of, through The Shrine of Nansha Limited, 100% equity interest in the Ming De Tang Trading (Shenzhen) Limited Company* (明德堂貿易(深圳)有限公司) ("Ming De Tang"), which is the sole subcontractor of Huidong County Huaqiao Cemetery Management Company* (惠東縣華僑墓園管理公司) (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 Huidong County Huaqiao Cemetery* (惠東縣華僑墓園) under the subcontracting agreement dated 15 December 2011 entered into between Ming De Tang and the PRC Cemetery Company.

The transaction has been approved by shareholders of the Company at the special general meeting of the Company held on 12 March 2012. The transaction has been completed on 10 April 2012.

For details, please refer to the announcements of the Company dated 15 December 2011, 10 January 2012, 20 January 2012 and 12 March 2012 respectively and the circular dated 24 February 2012.

LIQUIDITY AND FINANCIAL RESOURCE

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

As at 31 March 2012, cash and bank balances of the Group was approximately HK\$39,463,000.

As at 31 March 2012, total borrowing of the Group amounted to approximately HK\$93,000 (as at 31 March 2011 approximately HK\$23,000), representing the obligation under a finance lease with an average interest rate of approximately 3.8% (2011: approximately 5%) per annum and average lease term of approximately five years.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

As at 31 March 2012, none of the Directors or chief executives of the Company held any share options.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the three months ended 31 March 2012, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiries of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

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

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

As at 31 March 2012, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of

the SFO) or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rules 5.46 of the GEM Listing Rules were as follows:

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

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

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 31 March 2012.
- (2) Mr. Li Ge beneficially owns the entire issued share capital of True Allied Assets Limited. Therefore, Mr. Li Ge is deemed, or taken to be, interested in all the shares held by True Allied Assets Limited for the purpose of SFO.

Save as disclosed above, as at 31 March 2012, none of the Directors and chief executive of the Company was, under Divisions 7 & 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) that were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the GEM Listing Rules.

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

So far as were known to the Directors or chief executive of the Company, as at 31 March 2012, the following persons (other than the Directors and chief executive of the Company as disclosed above) had interests and/or short positions of 5% or more of the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

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

Name	Nature and capacity of interest	Number of shares held	Approximate percentage of interest <i>(Note 1)</i>
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Substantial Shareholders

True Allied Assets Limited	Beneficial owner	351,598,000	19.99%
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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 31 March 2012.

Save as disclosed above, as at 31 March 2012, the Directors are not aware of any other persons, other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" above, had interests or short positions in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 to the SFO.

CHARGE ON GROUP'S ASSETS

Save as the finance lease contract for the Group's office equipment, the Group did not have any other charge on its assets as at 31 March 2012 (2011: Nil).

FOREIGN CURRENCY RISK

As most of the Group's monetary assets and liabilities were denominated in Renminbi and Hong Kong dollars, the exchange rate risks of the Group were considered to be minimal. As at 31 March 2012, no related hedges were made by the Group.

CONTINGENT LIABILITIES

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

AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) on 7 July 2000 with its written terms of reference pursuant to Rules 5.28 to 5.33 of the GEM Listing Rules. Approved by the Directors attending the Board meeting held on 1 March 2012, a new terms of reference were adopted by the Audit Committee, please refer to the announcement of the Company dated 12 March 2012 under the heading “Audit Committee Terms of Reference” for details. As at 31 March 2012, the audit committee comprised three members, namely Mr. LIU Qing Chen, Mr. YANG Dongli and Mr. ZHANG Chun Qiang, all being independent non-executive Directors of the Company.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group and to provide advice and comments to the Board. The Audit Committee has reviewed the Group’s first quarterly results announcement and report for the three months ended 31 March 2012 and provided advice and recommendations to the Board. After the review of the financial statements, the members of the Audit Committee were of the opinion that such statements comply with the applicable accounting standards, the GEM Listing Rules and other applicable laws and regulations and that adequate disclosure had been made.

CORPORATE GOVERNANCE PRACTICES

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

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

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

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

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

Save as disclosed above, for the three months ended 31 March 2012, the Company complied with the code provisions of the Code.

OLD SHARE OPTION SCHEME

Pursuant to the share option scheme adopted by the shareholders of the Company on 24 May 2002 (the “Old Share Option Scheme”), the Board could for a consideration of HK\$1.00 offer to selected eligible persons (as defined in the circular of the Company dated 6 May 2002) to subscribe for shares of the Company as incentive or rewards for their contribution to the Group. The Old Share Option Scheme became effective on 24 May 2002 (the date on which the Old Share Option Scheme was adopted) and terminated on 9 December 2010.

As at 1 January 2012, the number of share options outstanding under the Old Share Option Scheme were 27,600,000, all of which lapsed during the period under review.

NEW SHARE OPTION SCHEME

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

The maximum number of shares in respect of which options may be granted under the New Share Option Scheme and other schemes of the Company may not, in aggregate, exceed 30% of the issued share capital of the Company from time to time which have been duly allotted and issued. The total number of shares issued and to be issued upon exercise of the options granted (including both exercised and outstanding options) in any 12-month period to each eligible person shall not exceed 1% of the shares in issue. If any further grant of options to such eligible person which would result in the shares issued or to be issued upon exercise of all options granted or to be granted to such eligible person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of further grant would exceed 1% of the shares in issue, such grant must be separately approved

by shareholders in general meeting, with such eligible person and its associates abstaining from voting. A shareholders' circular containing the information required by the GEM Listing Rules shall be despatched to the shareholders. An option may be exercised in whole or in part at any time during the Option Period (as defined in the circular of the Company dated 23 November 2010).

The total number of securities available for issue under the New Share Option Scheme is 527,506,791, representing 30% of the issued shares of the Company as at the date of this announcement.

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

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

The Company has not grant any options under the New Share Option Scheme for the three months ended 31 March 2012.

As at the date of this announcement, none of the Directors or chief executives of the Company held any share options under the New Share Option Scheme.

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

For the three months ended 31 March 2012, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

COMPETING INTEREST

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) or their respective associates had any interest in any business which competed or might compete with the business of the Group for the three months ended 31 March 2012.

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

Hong Kong, 10 May 2012

As at the date of this announcement, the Board comprises of Mr. LI Ge and Mr. ZHAO Guo Wei and Mr. SUN, Miguel as executive Directors, and Mr. LIU Qing Chen, Mr. YANG Dongli and Mr. ZHANG Chun Qiang as independent non-executive Directors.

This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for at least seven days from the day of its posting and on the website of the Company at <http://www.fava.com.hk>.