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## **FAVA INTERNATIONAL HOLDINGS LIMITED**

**名家國際控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 08108)

### **DISCLOSEABLE TRANSACTION – DISPOSAL OF 25% SHARES OF AN INDIRECT WHOLLY-OWNED SUBSIDIARY**

#### **THE SALE AND PURCHASE AGREEMENT**

On 21 May 2012 (after trading hours), the Vendor entered into the Sale and Purchase Agreement with the Purchaser and the Guarantor pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Shares for the Consideration of HK\$45,000,000.

#### **GEM LISTING RULES IMPLICATIONS**

As the relevant percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposal are greater than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules.

#### **THE SALE AND PURCHASE AGREEMENT**

**Date:** 21 May 2012 (after trading hours)

**Parties:** (1) Vendor : General Asia Holdings Limited, a wholly-owned subsidiary of the Company

(2) Purchaser : Fancy Collection Inc.

(3) Guarantor : Ms. Ren Cui Fang

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

## **Assets to be disposed**

Pursuant to the Sale and Purchase Agreement, the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Shares, representing 25% of the entire issued share capital of the Target as at the date of this announcement.

## **Consideration**

The Consideration for the Sale Shares shall be the sum of HK\$45,000,000 which can be paid to the Vendor in HK dollar or in such amount of Renminbi equivalent to HK\$45,000,000 (as determined by the exchange rate of HKD and RMB as announced by Bank of China on the relevant payment date) and is payable in the following manners:

- (i) HK\$15,000,000 will be paid within 30 days from the date of the Sale and Purchase Agreement; and
- (ii) the remaining balance will be paid within 6 months from the date of the Sale and Purchase Agreement.

The Consideration for the Sale Shares was agreed between the Vendor and the Purchaser after arm's length negotiations with reference to the unaudited net asset value of the Target Group as at the Reference Date, which was approximately HK\$234,124,000. To secure punctual payment of the Purchaser, the Purchase shall deliver an undated instrument of transfer and sold note in respect of the transfer of the Sale Shares duly executed by the Purchaser in favour of the Vendor or its nominee(s) together with the share charge set out in (iv) under the Conditions Precedent below. The Directors consider that the terms and conditions of the Disposal to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **Conditions Precedent**

Completion is conditional upon:—

- (i) all necessary consents, approvals and authorizations (if any) in relation to the Disposal the having been obtained by the Vendor;
- (ii) the Purchaser and Vendor have, and shall have, performed or complied, in all material aspects, with their respective undertakings, covenants and agreements contained in the Sale and Purchase Agreement;
- (iii) all necessary consents, approvals and authorizations (if any) in relation to the Disposal the having been obtained by the Purchaser; and
- (iv) a share charge in relation to the Sale Shares in favour to the Vendor having been executed by the Purchaser.

**Guarantee**

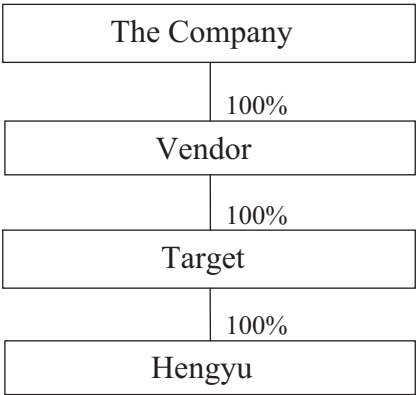
The Guarantor has guaranteed to the Vendor the due and punctual performance and observance by the Purchaser of all obligations, undertakings or commitments subject to and upon the terms and conditions of the Sale and Purchase Agreement.

**Completion**

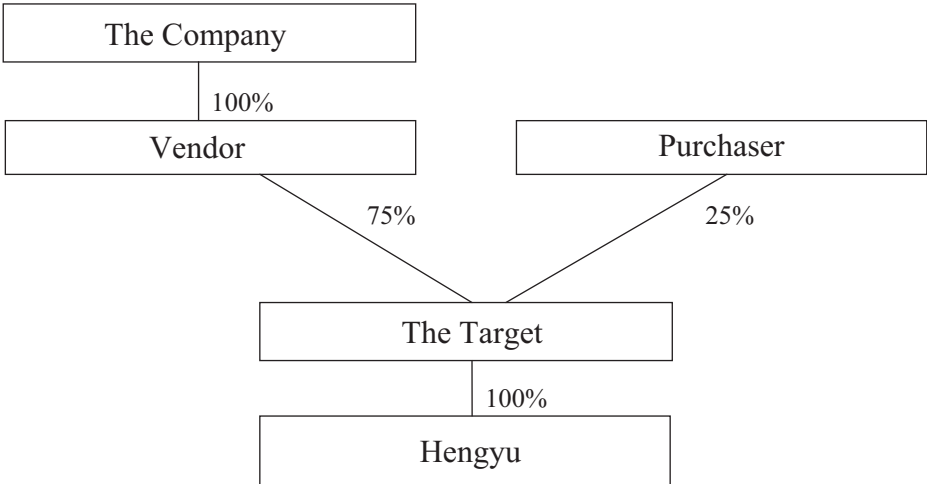
Completion will take place on the third business day after all conditions precedents are fulfilled.

The following charts show the simplified shareholding structures of the Target Group immediately before and after the Completion:

Immediately before the Completion:



Immediately after the Completion:



## **INFORMATION ON THE TARGET AND THE TARGET GROUP**

The Target is an indirectly wholly-owned subsidiary of the Company, which directly holds 100% issued share capital of Hengyu. The principle business activity of the Target is investment holding. Hengyu is mainly engaged in the manufacturing and sales of household products.

The net loss of the Target Group before and after taxation and extraordinary items for the year ended 31 December 2011 were approximately minus HK\$18,306,000 and approximately minus HK\$44,426,000.

The net loss of the Target Group before and after taxation and extraordinary items for the year ended 31 December 2010 were approximately minus HK\$16,666,000 and approximately minus HK\$15,312,000.

## **FINANCIAL EFFECT OF THE DISPOSAL**

Based on the unaudited net asset value of the Sale Shares as at the Reference Date which amounted to approximately HK\$58,531,000, the Group expects that approximately HK\$13,531,000 will be recorded as the loss on the Disposal which is difference between the unaudited net asset value of the Sale Shares as at the Reference Date and the Consideration.

The Group intends to utilize all the net proceeds from the Disposal for general working capital and for future business development of the Group.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF SALE PROCEEDS**

The Group is principally engaged in the manufacturing and sales of household products, and the provision of funeral services and sale of funeral related products.

Despite of the continuous adoption of the active measures by the Directors to raise the market share and to enhance its brand recognition and to reduce production costs and expenses, the Target Group still recorded net loss of approximately minus HK\$130,799,000 for the year ended 31 December 2009, net loss of approximately minus HK\$15,312,000 for the year ended 31 December 2010 and net loss of approximately minus HK\$44,426,000 for the year ended 31 December 2011, the huge amounts of operating losses have brought adverse impacts on the Group's overall results.

The operating loss of the Target Group during the first quarterly of year 2012 amounted to HK\$5,275,000, in viewing of the keen competition in the household product market and the continuous increasing in production and labour costs in PRC, as well as the uncertainty in the global financial market arising from the European debt crisis, the Directors expect that the performance of Target Group will not be improved in the short run, and the Directors also expected that the Disposal will provide the Group with a good opportunity to reduce its operation costs and risks, and generate additional capital for the daily operations of the Group.

The terms of the Sale and Purchase Agreement were negotiated on an arm's length basis and were made on normal commercial terms. The Directors consider that the terms and conditions of the Disposal to be fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The gross proceeds of HK\$45,000,000 (before deducting all expenses) from the Disposal will be used as the Group's general working capital and for future business development of the Group.

## **GENERAL**

As the relevant percentage ratios (as defined under the GEM Listing Rules) in respect of the Disposal are greater than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

|                     |   |
|---------------------|---|
| “Board”             | the board of Directors  |
| “Company”           | FAVA International Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the GEM                          |
| “Completion”        | completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Sale and Purchase Agreement                                       |
| “Completion Date”   | date of Completion  |
| “Consideration”     | the aggregate consideration of HK\$45,000,000, which is payable by the Purchaser to the Vendor for the Disposal in the manner as described in this announcement             |
| “Directors”         | the directors of the Company  |
| “Disposal”          | the Disposal of the Sale Shares by the Vendor as contemplated under the Sale and Purchase Agreement   |
| “GEM”               | The Growth Enterprise Market of the Stock Exchange  |
| “GEM Listing Rules” | The Rules Governing the Listing of Securities on GEM  |
| “Group”             | the Company and its subsidiaries  |
| “Guarantor”         | Ms. Ren Cui Fang  |
| “Hengyu”            | Langfang Huari Hengyu Home Company Limited * (廊坊華日恒宇家居有限公司), a company incorporated in PRC with limited liability and is an indirect wholly-owned subsidiary of the Company |

|                               |   |
|-------------------------------|---|
| “Hong Kong”                   | the Hong Kong Special Administrative Region of the PRC  |
| “Independent Third Party”     | any person or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined in the Listing Rules) |
| “PRC”                         | the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan   |
| “Purchaser”                   | Fancy Collection Inc., a company incorporated in the British Virgin Islands with limited liability  |
| “Reference Date”              | 2 May 2012  |
| “Sale and Purchase Agreement” | the sale and purchase agreement dated 21 May 2012 entered into between the Purchaser, the Vendor and the Guarantor in relation to the sale and purchase of the Sale Shares  |
| “Sale Shares”                 | 2,500 ordinary shares of US\$1 in the issued share capital of the Target, representing 25% of the entire issued share capital of the Target   |
| “Share(s)”                    | ordinary share(s) of HK\$0.002 each in the capital of the Company   |
| “Shareholder(s)”              | holder(s) of the issued Share(s)  |
| “Stock Exchange”              | The Stock Exchange of Hong Kong Limited   |
| “Target”                      | Trader Group International Limited, a company incorporated in the British Virgin Islands with limited liability   |
| “Target Group”                | collectively, the Target and its subsidiaries   |
| “Vendor”                      | General Asia Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company   |
| “HK\$”                        | Hong Kong dollars, the lawful currency of Hong Kong   |
| “RMB”                         | Renminbi, the lawful currency of the PRC  |

“US\$” United States dollars, the lawful currency of United States of America

“%” per cent.

By order of the Board  
**FAVA International Holdings Limited**  
**Li Ge**  
Chairman

Hong Kong, 21 May 2012

*As at the date of this announcement, the Board comprises Mr. Li Ge, Mr. Zhao Guo Wai and Mr. Sun, Miguel as executive Directors, and Mr. Liu Qing Chen, Mr. Zhang Chun Qiang and Mr. Yang Dongli as independent non-executive Directors.*

*This announcement, 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 the 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 state herein or this announcement misleading.*

*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>.*

\* For identification purpose only