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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)

PROPOSED PLACING OF CONVERTIBLE NOTES

PLACING AGENT



太陽證券有限公司
SUN SECURITIES LIMITED

PROPOSED PLACING OF CONVERTIBLE NOTES

On 17 October 2012 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent agreed to procure, on a best efforts basis, independent Placees to subscribe in cash for the Convertible Notes of up to an aggregate principal amount of HK\$100,000,000. Assuming the Convertible Notes are placed in full, the maximum gross proceeds from the placing of the Convertible Notes is HK\$100,000,000 and the maximum net proceeds from the placing of the Convertible Notes (after deducting related expenses) are estimated to be approximately HK\$98.45 million. The net proceeds from the Convertible Notes will be used (i) as to approximately HK\$36.3 million for repayment of Existing Convertible Notes and interest accrued thereon; and (ii) the remaining amount for the general working capital of the Group and investment in any potential business opportunity, if any.

The initial Conversion Price is HK\$0.0673 per Conversion Share (subject to adjustment in accordance with the terms and conditions of the Convertible Notes). Assuming the Convertible Notes in an aggregate principal amount of HK\$100,000,000 are placed in full, and upon full conversion of the Convertible Notes, a maximum of 1,485,884,101 Conversion Shares will be issued, representing (i) approximately 84.5% of the existing issued share capital of the Company of 1,758,355,970 Shares; and (ii) approximately 45.8% of the Company's issued share capital as enlarged by the issue of the Conversion Shares.

Completion of the Placing is conditional upon fulfillment of the conditions precedent in the Placing Agreement.

GENERAL

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Placing Agreement and the transactions contemplated thereunder. A circular containing, among other things, (i) further details about the Placing Agreement and the transactions contemplated thereunder; and (ii) the notice convening the SGM, will be despatched by the Company to the Shareholders as soon as practicable.

Completion of the Placing is subject to, among others, the satisfaction of the conditions precedent in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE PLACING AGREEMENT

Date: 17 October 2012 (after trading hours)

Issuer: The Company

Placing Agent: Sun Securities Limited

To the best of the information and knowledge of the Directors having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are not connected persons of the Company and are independent of and not connected with the Company and its connected persons.

Pursuant to the Placing Agreement, the Company agreed to issue and the Placing Agent agreed to place, on a best effort basis, the Convertible Notes of an aggregate principal amount of up to HK\$100,000,000 at the issue price of 100% of the principal amount of the Convertible Notes. It is expected that the Convertible Notes will be placed to not fewer than six independent Placees who are not connected with the Company and its connected persons procured by the Placing Agent and the principal amount of the Convertible Notes to be subscribed by each Placee will not be more than HK\$20 million.

Placing commission

The Placing Agent will receive a placing commission of 1.25% on the total subscription price of the Convertible Notes actually placed by the Placing Agent, which was determined after arm's length negotiation between the Company and the Placing Agent with reference to the size of the Placing and the current market conditions. The Directors are of the view that the placing commission payable for the Placing is fair and reasonable.

Conditions precedent of the Placing

Completion of the Placing is conditional upon fulfillment of the following conditions:

- (A) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject to conditions to which neither the Company nor the Placing Agent shall reasonably object) the listing of, and permission to deal in, the Conversion Shares;
- (B) all relevant regulatory requirements (including but not limited to those under the GEM Listing Rules and all relevant regulatory requirements in Hong Kong) shall have been complied with and satisfied;
- (C) the Shareholders shall have approved at the SGM the Placing Agreement and the transactions contemplated thereunder;
- (D) if necessary, all approvals and consents for the transactions contemplated under the Placing Agreement being obtained; and
- (E) if applicable, the Bermuda Monetary Authority shall have approved the issue of the Convertible Notes and the Conversion Shares.

If any of the above conditions precedent are not fulfilled on or before 31 March 2013 (or such other date as the Placing Agent and the Company may agree in writing), the Placing Agreement shall have no effect and no Party shall have any liability to the other party in respect of the Placing Agreement save for any rights or obligations which may have accrued under the Placing Agreement prior to such termination.

Completion of the Placing

Subject to the fulfillment of the above conditions precedent and the Placing Agent's right to terminate the Placing Agreement as described under paragraph headed "Termination" below, completion of the Placing shall take place within five (5) Business Days after all the conditions precedent are satisfied in accordance with the Placing Agreement, or such other date as the Placing Agent and the Company may agree in writing.

Termination

If at any time on or prior to 10:00 a.m. on the date of completion of the Placing:

- (A) there develops, occurs or comes into force:
 - (I) any new law or regulation or any change in existing laws or regulations which in the reasonable opinion of the Placing Agent has or is likely to have a material adverse effect on the business or financial condition or prospects of the Group; or

- (II) any significant change (whether or not permanent) in local, national or international economic, financial, political or military conditions which in the reasonable opinion of the Placing Agent is or may be materially adverse in the context of the Placing; or
 - (III) any significant change (whether or not permanent) in local, national or international market conditions which in the reasonable opinion of the Placing Agent is or may be materially adverse in the context of the Placing or makes it inadvisable or inexpedient to proceed therewith; or
 - (IV) any material litigation or claim being instigated against any member of the Group; or
- (B) any breach (which is material in the reasonable opinion of the Placing Agent) of any of the warranties and undertakings of the Company set out in the Placing Agreement comes to the knowledge of the Placing Agent or there has been a breach (which is material in the reasonable opinion of the Placing Agent) of any other provision of the Placing Agreement; or
- (C) there is any adverse change in the business or in the financial or trading position of the Company, or the Group which in the reasonable opinion of the Placing Agent is material in the context of the Placing,

then and in any such case, the Placing Agent may terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company, which notice may be given at any time prior to 10:00 a.m. on the date of completion of the Placing.

In the event that the Placing Agent terminates the Placing Agreement due to the occurrence of any of the aforesaid event, all obligations of each of the Company and the Placing Agent under the Placing Agreement shall cease and determine and none of the Company and the Placing Agent shall have any claim against each other in respect of any matter arising out of or in connection with the Placing Agreement save for any rights or obligations which may have accrued under the Placing Agreement prior to such termination.

PRINCIPAL TERMS OF THE CONVERTIBLE NOTES

The principal terms of the Convertible Notes are summarised below:

Principal amounts	:	Up to an aggregate principal amount of HK\$100,000,000.
Conversion Price	:	HK\$0.0673 per Conversion Share, which is subject to adjustments for consolidation or subdivision of Shares.
Interest	:	Non interest bearing

- Maturity date : The seven anniversary of the date of issue of the Convertible Notes. Any unredeemed and unconverted Convertible Notes shall be redeemed at 100% of the outstanding principal amount of the Convertible Notes on the maturity date.
- Status : The Convertible Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Company, ranking pari passu and rateably without any preference among themselves, and with other direct, unconditional, unsubordinated and unsecured obligations of the Company.
- Voting : The Noteholders will not be entitled to attend or vote at any meetings of the Company by reason only of being Noteholders.
- Transferability : The Convertible Notes may be transferred or assigned to any third party provided that no Convertible Note may be transferred to any person who is a connected person of the Company unless with: (i) prior notification to the Company; (ii) the consent of the Company; and (iii) in compliance of the GEM Listing Rules and the requirements (if any) that the Stock Exchange may impose from time to time.
- Early redemption : The Company shall have the right to redeem the Convertible Notes (in whole or in part) at any time after the date falling on the second anniversary of the date of issue of the Convertible Notes and prior to the maturity date.
- The Noteholder(s) shall not have the right to request the Company to redeem the Convertible Notes prior to the maturity date.
- Conversion : The Noteholders shall have the right at any time from the date of issue of the Convertible Notes to the date falling on the 14th day immediately prior to the date of maturity of the Convertible Notes to convert any outstanding amount of the Convertible Notes into the Conversion Shares at the then Conversion Price, provided that the conversion right attached to the Convertible Notes shall only be exercisable by the Noteholder:
- (i) so long as and to the extent that immediately after such exercise, there will be sufficient public float of the Shares as required under the GEM Listing Rules; and

- (ii) so long as such Noteholder and parties acting in concert (as defined in the Takeovers Code) with it immediately after such exercise shall not be required to make a general offer under Rule 26 of the Takeovers Code (unless waiver from making a general offer has been obtained from the Securities and Futures Commission of Hong Kong).

The Conversion Price of HK\$0.0673 per Conversion Share represents:

- (i) a premium of approximately 20.18% to the closing price of HK\$0.056 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 5.82% to the average of the closing prices of approximately HK\$0.0636 per Share for the 5 trading days of the Shares prior to the Last Trading Day; and
- (iii) a premium of approximately 11.06% to the average of the closing prices of approximately HK\$0.0606 per Share for the 10 trading days of the Shares prior to the Last Trading Day.

The Conversion Price was determined after arm's length negotiations between the Company and the Placing Agent, with reference to the recent performance of the Shares, the Group's existing financial position and current market conditions.

Conversion Shares

Based on the Conversion Price of HK\$0.0673, a maximum number of 1,485,884,101 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Notes in full, which represent:

- (i) approximately 84.5% of the existing issued share capital of the Company; and
- (ii) approximately 45.8% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

Based on the above and the reasons as set out in the section headed "Reasons for the Placing of the Convertible Notes and Use of Proceeds" below, the Directors (including the independent non-executive Directors) are of the view that the terms of the Convertible Notes are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Conversion Shares, when allotted and issued, will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Conversion Shares. Holders of the Conversion Shares will be entitled to receive all future dividends and distributions on or after the date of allotment and issue of the Conversion Shares.

Specific mandate

The Conversion Shares will be issued under a specific mandate proposed to be sought from the Shareholders at the SGM.

Application for listing

Application will be made to the Stock Exchange for the granting of the listing of, and permission to deal in, the Conversion Shares. No application will be made for the listing of the Convertible Notes.

REASONS FOR THE PLACING OF THE CONVERTIBLE NOTES AND USE OF PROCEEDS

The Company is an investment holding company. The Group is principally engaged in the manufacturing and sales of household products. During the third quarter of year 2011, the Group commenced its business in the funeral services industry, which mainly includes the development, management and operation of funeral consultation and agency services as well as the trading of funeral-related products. Since April 2012, the Group has started operating a public funeral parlour in Hunghom.

The Directors consider that the issue of the Convertible Notes will provide the Company with immediate funding without immediate dilution of the shareholding of the existing Shareholders and, if the conversion rights attached to the Convertible Notes are exercised, the capital base of the Company will be enlarged.

Assuming the Convertible Notes are placed in full, the maximum gross proceeds from the placing of the Convertible Notes is HK\$100,000,000 and maximum net proceeds from the placing of the Convertible Notes (after deducting related expenses) is estimated to be approximately HK\$98.45 million. Assuming the Convertible Notes are placed in full and converted into the Conversion Shares at the initial Conversion Price of HK\$0.0673, the net proceeds raised per Conversion Share will be approximately HK\$98.45 million. The net proceeds from the Convertible Notes will be used (i) as to approximately HK\$36.3 million for repayment of Existing Convertible Notes and interest accrued thereon; and (ii) the remaining amount for the general working capital of the Group and investment in any potential business opportunity, if any.

The Directors (including the independent non-executive Directors) consider that the terms of the Placing Agreement, which were arrived at after arm's length negotiations between the Company and the Placing Agent, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company has conducted the following fund raising activities in the past twelve months from the date of this announcement:

Date of announcement	Fund raising activities	Net Proceeds	Intended use of proceeds as announced	Actual use of proceeds
3 September 2012	Issue of convertible notes in the principal amount of HK\$35 million	Approximately HK\$34.5 million	Approximately HK\$20 million for repayment of loan and the remaining balance for the general working capital of the Group.	HK\$20 million was utilised as intended for repayment of loan and the remaining balance was retained as general working capital of the Group.

Save as disclosed above, the Company has not conducted any fund raising activities in the past twelve months before the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE

The table below sets out the Company's shareholding structure before and after completion of the Placing Agreement assuming there is no change in the existing shareholding of the Company except for the Placing.

Shareholders	As at the date this announcement		Immediately after issue and allotment of the Conversion Shares upon full conversion of the Convertible Notes	
	Number of Shares	Approximate % of shareholding	Number of Shares	Approximate % of shareholding
True Allied Assets Limited (Note 1)	351,598,000	19.99	351,598,000	10.84
Mr. Li Ge (Note 1)	<u>160,548,000</u>	<u>9.13</u>	<u>160,548,000</u>	<u>4.95</u>
	512,146,000	29.12	512,146,000	15.79
Public				
– the Placees	–	–	1,485,884,101	45.80
Other public Shareholders	<u>1,246,209,970</u>	<u>70.88</u>	<u>1,246,209,970</u>	<u>38.41</u>
Total	<u><u>1,758,355,970</u></u>	<u><u>100.00</u></u>	<u><u>3,244,240,071</u></u>	<u><u>100.00</u></u>

Note 1:

- The entire issued shares of True Allied Assets Limited are beneficially owned by Mr. Li Ge, an executive Director.

GENERAL

A special general meeting of the Company will be convened and held for the Shareholders to consider and, if thought fit, approve the Placing Agreement and the transactions contemplated thereunder. A circular containing, among other things, (i) further details about the Placing Agreement and the transactions contemplated thereunder; and (ii) the notice convening the SGM, will be despatched to the Shareholders as soon as practicable. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Director or Shareholder has a material interest in the placing of the Convertible Notes and no Shareholder is required to abstain from voting at the SGM.

Completion of the Placing is subject, among others, to the satisfaction of the conditions precedent in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday and public holiday), on which licensed banks in Hong Kong are generally open for business in Hong Kong
“Company”	FAVA International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the GEM
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Conversion Price”	initially HK\$0.0673 per Conversion Share (subject to adjustment in accordance with the terms and conditions of the Convertible Notes)
“Conversion Share(s)”	the new Share(s) to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Notes
“Convertible Note(s)”	the zero coupon convertible note(s) in an aggregate principal amount of up to HK\$100 million to be issued by the Company to the Placées pursuant to the Placing Agreement
“Director(s)”	the director(s) of the Company
“Existing Convertible Notes”	the convertible notes due 2013 in the aggregate principal amount of HK\$35,000,000 issued by the Company in September 2012, details of which were set out in the announcement of the Company dated 3 September 2012
“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

“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	17 October 2012, being the last full trading day for the Shares on the Stock Exchange prior to the issue of this announcement
“Noteholder(s)”	the holder(s) of the Convertible Notes(s)
“Placee(s)”	any institutional, professional or private investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Convertible Notes pursuant to the Placing Agreement
“Placing”	the placing of the Convertible Notes by the Placing Agent on a best effort basis pursuant to the terms of the Placing Agreement
“Placing Agent”	Sun Securities Limited, a licensed corporation to carry out type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	a conditional placing agreement entered into between the Company and the Placing Agent dated 17 October 2012 in relation to the Placing
“Placing Period”	the period commencing from the date of the Placing Agreement and terminating on 31 March 2013 (or such other date as the Placing Agent and the Company may agree in writing)
“SGM”	the special general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Placing 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)
“Specific Mandate”	a specific mandate to allot and issue the Conversion Shares to be sought from the Shareholders at the SGM

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers and Share Repurchases
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
FAVA INTERNATIONAL HOLDINGS LIMITED
LI Ge
Executive Director

Hong Kong, 17 October 2012

As at the date of this announcement, the Board comprises Mr. Li Ge, 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, 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 enquires, 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.

This announcement will remain on the GEM website at 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 www.fava.com.hk

* *For identification purpose only*