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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

First Quarterly Report  
**2014**

Large, stylized, 3D-rendered Chinese characters "名家" (Ming Jia) in white, set against a green background with light rays and bokeh effects. The characters are highly detailed with shadows and highlights, giving them a three-dimensional appearance.

\* For identification purpose only

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

## FIRST QUARTERLY RESULTS (UNAUDITED)

The board (the “**Board**”) of directors (the “**Directors**”) of FAVA International Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) is pleased to announce the unaudited first quarterly results for the three months ended 31 March 2014.

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 31 March 2014

	Notes	Three months ended 31 March	
		2014 HK\$'000	2013 HK\$'000
<b>Continuing operations</b>			
Turnover	2	20,783	17,666
Cost of sales		(18,251)	(17,957)
Gross profit/(loss)		2,532	(291)
Other revenue		6	40
Other income		1,097	6
Selling and distribution costs		(1,319)	(1,207)
Administrative expenses		(11,658)	(4,474)
Loss from operations		(9,342)	(5,926)
Finance costs		(723)	(3,941)
Loss before taxation		(10,065)	(9,867)
Taxation	3	7	–
<b>Loss for the period from continuing operations</b>		<b>(10,058)</b>	<b>(9,867)</b>
<b>Discontinued operations</b>			
Loss for the period from discontinued operations		–	(1,757)
<b>Loss for the period</b>		<b>(10,058)</b>	<b>(11,624)</b>
Attributable to:			
Owners of the Company		(9,720)	(9,697)
Non-controlling interests		(338)	(1,927)
		<b>(10,058)</b>	<b>(11,624)</b>

	Notes	Three months ended 31 March	
		2014 HK\$'000	2013 HK\$'000
Loss for the period		(10,058)	(11,624)
Interim dividend	4	–	–
Other comprehensive income for the period, net of tax			
Exchange differences on translating foreign operations		–	1,258
<b>Total comprehensive loss for the period</b>		<b>(10,058)</b>	<b>(10,366)</b>
Total comprehensive loss attributable to:			
Owners of the Company		(9,720)	(8,744)
Non-controlling interests		(338)	(1,622)
		<b>(10,058)</b>	<b>(10,366)</b>
		<b>HK cents</b>	<b>HK cents</b>
Loss per share			(Restated)
From continuing and discontinued operations			
– Basic and diluted	5	(0.81)	(5.51)
From continuing operations			
– Basic and diluted	5	(0.81)	(4.77)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share Capital HK\$'000	Share Premium HK\$'000	Contributed Surplus HK\$'000	Convertible notes reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Discontinued operations HK\$'000	Subtotal HK\$'000	Non- controlling interest HK\$'000	Total equity HK\$'000
For the three months ended										
31 March 2013										
At 1 January 2013	3,517	219,534	36,000	429	-	(171,123)	89,383	177,740	37,195	214,935
Loss for the period	-	-	-	-	-	(9,697)	-	(9,697)	(1,927)	(11,624)
Other comprehensive income for the period	-	-	-	-	953	-	-	953	305	1,258
Total comprehensive (loss)/income for the period	-	-	-	-	953	(9,697)	-	(8,744)	(1,622)	(10,366)
Expiry of convertible notes	-	-	-	(429)	-	429	-	-	-	-
Transfer to discontinued operations	-	-	-	-	(820)	-	820	-	-	-
Recognition of the equity component of convertible notes	-	-	-	43	-	-	-	43	-	43
At 31 March 2013	3,517	219,534	36,000	43	133	(180,391)	90,203	169,039	35,573	204,612
For the three months ended										
31 March 2014										
At 1 January 2014	22,741	317,275	36,000	6,798	3,507	(196,652)	-	189,669	(10,346)	179,323
Loss for the period	-	-	-	-	-	(9,720)	-	(9,720)	(338)	(10,058)
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	(9,720)	-	(9,720)	(338)	(10,058)
Early redemption of convertible notes	-	-	-	(6,798)	-	606	-	(6,192)	-	(6,192)
Issue of shares by placing	4,548	12,657	-	-	-	-	-	17,205	-	17,205
At 31 March 2014	27,289	329,932	36,000	-	3,507	(205,766)	-	190,962	(10,684)	180,278

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 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 2014 are consistent with those adopted in the annual report of the Company for the year ended 31 December 2013.

## 2. TURNOVER

The Group's turnover represents the net invoiced value of funeral products sold and services provided for, after allowances for returns and trade discounts, during the period.

An analysis of the Group's turnover and other revenue is as follows:

	Three months ended 31 March	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
<b>Continuing operations</b>		
Provision of funeral services and sale of funeral related products	20,783	17,666
<b>Discontinued operations</b>		
Indirect retail of household products and others	–	29,234
	<b>20,783</b>	<b>46,900</b>

### 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 2014 (three months ended 31 March 2013: Nil).

No PRC enterprise income tax was charged for the three months ended 31 March 2014 as the PRC subsidiary of the Group have recorded loss (three months ended 31 March 2013: Nil).

There was no significant unprovided deferred taxation for the three months ended 31 March 2014 (three months ended 31 March 2013: Nil).

Deferred tax had not been provided as there were no significant temporary differences as at 31 March 2014 (as at 31 March 2013: Nil).

### 4. INTERIM DIVIDEND

No interim dividend has been paid or declared by the Company for the three months ended 31 March 2014 (three months ended 31 March 2013: Nil).

### 5. LOSS PER SHARE

The calculation of basic loss per share from continuing and discontinued operations is based on the loss for the period attributable to owners of the Company of approximately HK\$9,720,000 (2013: approximately HK\$9,697,000) and the weighted average 1,197,700,600 (2013: 175,835,597 (Restated) (Note)) ordinary shares in issue during the period.

The calculation of basic loss per share from continuing operations is based on the loss for the period attributable to owners of the Company of approximately HK\$9,720,000 (2013: approximately HK\$8,379,000) and the weighted average 1,197,700,600 (2013: 175,835,597 (Restated) (Note)) ordinary shares in issue during the period.

Diluted loss per share for both continuing and discontinued operations for the three months ended 31 March 2014 was the same as the basic loss per share.

Diluted loss per share for both continuing and discontinued operations for the three months ended 31 March 2013 was the same as the basic loss per share. The Company's outstanding share options and convertible notes were not included in the calculation of diluted loss per share because the effect of the Company's outstanding share options and convertible notes were anti-dilutive.

There was no diluting event existing during the three months ended 31 March 2014 and 2013.

Note:

On 29 August 2013, the Company implemented share consolidation on the basis that every 10 issued and unissued share will be consolidated into 1 consolidated shares. The weighted average number of ordinary shares in issue used in basic loss per share calculation for the three months ended 31 March 2014 was adjusted retrospectively.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS AND FINANCIAL REVIEW

The reportable business of the Group for the three months ended 31 March 2014 (the “**Period**”) is funeral business.

The Group’s total operating revenue during the Period amounted to approximately HK\$20,783,000, representing a decrease of 55.69% as compared to the same period of last year, which was mainly due to the fact that the Group ceased to operate the household products business from 1 June 2013, as such, there was no operating revenue from the household products business during the Period as compared to the same period of last year. The total losses of the Group during the Period were about HK\$10,058,000.

### FUNERAL BUSINESS

With the development of operation and reputation accumulated in the operation over the past two years, the performance of Grand Peace Funeral Parlour in Hung Hom, Hong Kong improved. The Group’s total revenue during the Period from the provision of funeral services and sale of funeral-related products amounted to approximately HK\$20,783,000. It is the first time to report a gross profit of approximately HK\$ 2,532,000, the net loss amounted to approximately HK\$1,611,000. The Group will strengthen promotion and advertising investment as well as personnel training to increase the utilization ratio of Grand Peace Funeral Parlour, and try to control costs and expenses.

For the funeral business in Mainland China, the Group has commenced to successively input resources in Huidong County Huaqiao Cemetery, the preliminary design of the infrastructure work (including the road landscape and greening in the cemetery area) has been completed, and the construction work has begun. As at the date of this report, the infrastructure work of Huidong cemetery is still in progress. The Group believes that this will be completed in the middle of this year, and there will be income generated from Huidong cemetery in the middle of this year.



## PROSPECTS

The Group will remain focusing on its funeral business in Hung Hom of Hong Kong and Huidong of China.

The Group will also continue to seek and identify other businesses that are conducive to bringing more robust profits, and forming growth points through acquiring and developing different businesses.

On 29 January 2014, Most Fame (China) Limited (“**Most Fame**”), an indirect wholly-owned subsidiary of the Company, entered into a cooperation agreement with an independent third party in relation to the establishment of a joint venture company (“**JV Company**”) in the PRC. The JV Company will be principally engaged in the construction, management and operation of a home for the elderly in Huidong County, Huizhou, Guangdong Province, the PRC. Most Fame will own 65% of the share capital of the JV Company. The establishment of the JV Company will enable the JV parties to develop the business of operation of homes for the elderly in Guangdong Province, which will attract elderly from Hong Kong as residents. We believe that the home for the elderly to be constructed will bring synergistic effect to the cemetery operated by the Company in Huidong. The transaction has not yet been completed as at the date of this report. The Company is handling the procedures for the establishment of the JV Company in respect of the operation of the home for the elderly. As at the date of this report, the local governmental authority of the PRC did not refuse or indicated to refuse the application for the registration of the JV Company. We believe that the transaction will be completed on or before the long stop date of the cooperation agreement (being the 180th day from the date of the cooperation agreement, i.e. 28 July 2014).

The Company has recently been exploring business opportunities in the loan financing industry. On 25 March 2014, Elite Finance Global Limited, a direct wholly-owned subsidiary of the Company, entered into an acquisition agreement with an independent third party to acquire 100% shareholding of a finance company (the “**Finance Company**”) whose principal business activity is loan financing. The Finance Company holds a valid Money Lender Licence under Money Lenders Ordinance (Cap.163) of the laws of Hong Kong qualifying for providing loan financing service to clients. The transaction has been completed as at the date of this report.

The Group has appointed a suitable personnel who has solid bank loan and credit business experience to the Finance Company for the development of the finance business of the Finance Company in Hong Kong. The target borrowers of the Finance Company will be local individuals and corporations, and the loan size will depend on the repayment ability of the borrowers. The loan business of the Company is at an early development stage and only HK\$2 million to HK\$2.5 million will be used for loan arrangement of the Finance Company. As such, the Company will not prioritise any borrower's type but will exercise due vigilance when granting any loans and will consider, among other things, the assets to be offered by borrowers as securities and/or the income stream of the borrowers. As at the date of this report, the Group is in the progress of finalising the lending policy of the Finance Company to minimize credit risk.

We believe that the strategy of diversification will increase the value of the owners' equity and spread business risks.

## VERY SUBSTANTIAL DISPOSAL

On 4 February 2013, General Asia Holdings Limited ("**General Asia**"), a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "**SPA**") with Future Step Development Limited ("**Future Step**"), an independent third party, and Ms. Zhang Zongying ("**Ms. Zhang**") pursuant to which Future Step has agreed to acquire and General Asia has agreed to sell 7,500 ordinary shares of Trader Group International Limited (the "**Sale Shares**"), a non-wholly-owned subsidiary of General Asia, of US\$1.00 each, representing 75% of the entire issued share capital of Trader Group International Limited, for a total consideration of HK\$70,000,000. In order to secure Future Step's payment obligations under the SPA, Future Step agreed to enter into a deed of share mortgage ("**Share Mortgage**") in favour of General Asia on completion. Pursuant to the Share Mortgage, Future Step agreed to mortgage the Sale Shares to General Asia until after all obligations under the SPA on the part of Future Step have been fulfilled by the Purchaser. Pursuant to the terms of the SPA, the consideration should be fully settled on or before 23 December 2013.

The transaction constitutes a very substantial disposal for the Company under the GEM Listing Rules.

The transaction has been approved by shareholders of the Company at the special general meeting of the Company held on 27 May 2013. The transaction was completed on 31 May 2013.

In light of the financial difficulties of Future Step and Ms. Zhang, after consultations, on 27 August 2013, General Asia, Future Step and Ms. Zhang entered into first supplemental agreement to reschedule the timetable of the consideration settlement. Pursuant to this supplemental agreement, the timetable of the consideration settlement was revised as follows:

1. HK\$21 million will be paid on or before 31 December 2013;
2. HK\$21 million will be paid on or before 31 March 2014; and
3. The balance of HK\$28 million will be paid on or before 30 June 2014.

As at the date of this report, Future Step has already paid RMB3 million (approximately HK\$3,792,100). On the premise that all the parties to the SPA are willing to perform their responsibilities under the SPA, on 8 May 2014, the parties to the SPA entered into second supplemental agreement regarding the further revised consideration settlement timetable. Pursuant to this supplemental agreement, the timetable of the consideration settlement was further revised as follows:

1. HK\$10 million will be paid on or before 30 September 2014;
2. HK\$20 million will be paid on or before 31 December 2014; and
3. The balance of HK\$36,207,900 will be paid on or before 31 March 2015.

Details of the transaction were set out in the Company's announcements dated 6 March 2013, 27 May 2013, 31 May 2013 respectively, the circular dated 8 May 2013 and the third quarterly report dated 25 October 2013.

## PLACING OF CONVERTIBLE BONDS

On 17 October 2012, the Company and Sun Securities Limited (the “**Placing Agent**”) entered into a placing agreement (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 bonds of (“**Convertible Bonds**”) up to an aggregate principal amount of HK\$100,000,000. Assuming the Convertible Bonds are placed in full, the maximum gross proceeds from the placing of the Convertible Bonds is HK\$100,000,000 and the maximum net proceeds from the placing of the Convertible Bonds (after deducting related expenses) are estimated to be approximately HK\$98.45 million. The net proceeds from the Convertible Bonds 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 transaction was approved by shareholders of the Company at the special general meeting of the Company held on 23 November 2012.

The completion of the Placing took place on 14 May 2013. The Convertible Bonds in an aggregate amount of HK\$60 million were actually placed by the Placing Agent and issued to not fewer than six Placees who are independent third parties. The net proceeds from the issue of the Convertible Bonds, after deduction of expenses, were approximately HK\$59.2 million. The net proceeds from the Convertible Bonds have been used (i) as to approximately HK\$15.6 million for repayment of loan; and (ii) as to approximately HK\$43.6 million for the general working capital of the Group.

On 23 May 2013 and 25 June 2013, 297,176,820 and 148,588,410 conversion shares were allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in the principal amounts of HK\$20 million and HK\$10 million respectively.

On 6 December 2013, the Company redeemed HK\$20 million of the Convertible Bonds. Upon redemption of the Convertible Notes in the principal amounts of HK\$20 million, the total outstanding amount of the Convertible Bonds was HK\$10 million, which were redeemed by the Company on 27 January 2014. Thus, there was no outstanding amount of the Convertible Bonds from 27 January 2014.

For details, please refer to the announcements of the Company dated 17 October 2012, 23 November 2012, 9 April 2013, 22 April 2013 and 14 May 2013 respectively, the circular dated 8 November 2012 and the next day disclosure returns dated 23 May 2013 and 25 June 2013 respectively.

## FORMATION OF JOINT VENTURE

On 29 January 2014, Most Fame (China) Limited (“**Most Fame**”), an indirect wholly-owned subsidiary of the Company, and an independent third party entered into a cooperation agreement in relation to the establishment of a joint venture company (“**JV Company**”) in the PRC, which will be principally engaged in the construction, management and operation of a home for the elderly in Huidong County, Huizhou, Guangdong Province, the PRC. The share capital of the JV Company will be owned as to 65% by Most Fame and 35% by the independent third party. The transaction has not yet been completed as at the date of this report.

For details, please refer to the announcements of the Company dated 29 January 2014 and 11 February 2014 respectively.

## DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the 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 2014, 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 2014, 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 2014, 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\$0.02 each of the Company***

Name of director	Number of shares held, capacity and nature of interest				Total	Approximate percentage of the Company's total issued share capital (Note 1)
	Directly beneficially owned	Through spouse or minor children	Through controlled corporation (Note 2)	Beneficiary of a trust		
Mr. Li Ge	80,274,000	–	183,092,417	–	263,366,417	19.30%

Note:

- (1) The percentage is calculated by dividing the number of shares interested or deemed to be interested by the existing 1,364,460,600 issued shares as at 31 March 2014.
- (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.

Save as disclosed above, as at 31 March 2014, 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 31 March 2014, 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\$0.02 each of the Company***

<b>Name</b>	<b>Nature and capacity of interest</b>	<b>Number of ordinary shares held</b>	<b>Approximate percentage of the Company's total issued capital (Note 1)</b>
<b>Substantial Shareholder</b>			
True Allied Assets Limited (Note 2)	Beneficial owner	183,092,417	13.42%

Note:

- (1) The percentage is calculated by dividing the number of shares interested or deemed to be interested by the existing 1,364,460,600 issued shares as at 31 March 2014.
- (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.

Save as disclosed above, as at 31 March 2014, 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.

## CORPORATE GOVERNANCE PRACTICES

The Group deviates from Code Provision A.2.1 of the CG Code. The roles of chairman of the Board and chief executive of the Company rests on the same individual without having a clear division of responsibilities. Mr. Li Ge (“**Mr. Li**”) takes the roles of both chairman of the Board and chief executive of the Company. While serving as the chairman of the Board, 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.

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, Remuneration Committee and the Nomination Committee are 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 continuously dedicates to contribute to the growth and profitability of the Group. The Board considered it to be more efficient for the Group to have an executive chairman which provides the Board with a strong and consistent leadership to guide discussions and brief the Board in a timely manner on pertinent issues and their progress and facilitates open dialogue between the Board and the management. Therefore, it is in the best interests of the Company and its shareholders as a whole.

Save as disclosed above, for the three months ended 31 March 2014, the Company complied with the code provisions of the Code.



## SHARE OPTION SCHEME

On 9 December 2010, the Company adopted a share option scheme (the “**Share Option Scheme**”). Pursuant to the 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 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 maximum number of shares available issue upon the exercise of the options under the Share Option Scheme is 17,169,559 shares, representing 10% of 171,695,597 shares, the total issued shares of the Company at the date on which the Share Option Scheme was adopted (as adjusted to reflect the share consolidation effective on 29 August 2013).

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

The details and major provisions of the 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 Share Option Scheme for the three months ended 31 March 2014.

As at the date of this report, none of the Directors or chief executives of the Company held any share options.

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

For the three months ended 31 March 2014, 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 2014.

## AUDIT COMMITTEE

The Audit Committee has reviewed the Group's first quarterly results announcement and report for the three months ended 31 March 2014 and provided advice and recommendations to the Board accordingly. 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.

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

Hong Kong, 12 May 2014

*As at the date of this report, the Board comprises Mr. Li Ge, Mr. Sun, Miguel and Mr. Cheng Wai Keung as executive Directors, and Mr. Liu Qing Chen, Mr. Zhang Chun Qiang and Ms. Tan Xiao Yan as independent non-executive Directors.*