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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

Interim Report  
**2014**

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\* For identification purpose only

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## INTERIM RESULTS (UNAUDITED)

The board of directors (the “**Board**”) of FAVA International Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim financial statements of the Company and its subsidiaries (the “**Group**”) for the three months and six months ended 30 June 2014 together with the comparative figures.

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

For the three months and six months ended 30 June 2014

	Notes	Three months ended 30 June		Six months ended 30 June	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>Continuing operations</b>					
Turnover	2	19,537	16,232	40,320	33,898
Cost of sales		(16,541)	(17,523)	(34,792)	(35,480)
Gross profit/(loss)		2,996	(1,291)	5,528	(1,582)
Other revenue		730	56	736	96
Other income		–	54	1,097	60
Gain on disposal of subsidiaries		–	31,273	–	31,273
Selling and distribution costs		(1,385)	(1,105)	(2,704)	(2,312)
Administrative expenses		(7,045)	(8,028)	(18,703)	(12,502)
Change in fair value of conversion options embedded in convertible notes		–	(5,589)	–	(5,589)
(Loss)/profit from operations	3	(4,704)	15,370	(14,046)	9,444
Finance costs		(930)	(3,911)	(1,653)	(7,852)
(Loss)/profit before taxation		(5,634)	11,459	(15,699)	1,592
Taxation	4	–	–	7	–
(Loss)/profit for the period from continuing operations		(5,634)	11,459	(15,692)	1,592
<b>Discontinued operations</b>					
Loss for the period from discontinued operations		–	(142)	–	(1,899)
(Loss)/profit for the period		(5,634)	11,317	(15,692)	(307)
Attributable to:					
Shareholders of the Company		(5,262)	14,232	(14,982)	4,535
Non-controlling interests		(372)	(2,915)	(710)	(4,842)
		(5,634)	11,317	(15,692)	(307)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
(Loss)/profit for the period		(5,634)	11,317	(15,692)	(307)
Other comprehensive income/(loss) for the period, net of tax Item that may be reclassified subsequently to profit or loss:					
Change in fair value of available-for-sale financial assets		234	–	234	–
Exchange differences on translating foreign operations					
– Exchange differences arising during the period		–	3,705	–	4,963
– Reclassified adjustments relating to foreign operations disposed of during the period		–	(3,770)	–	(3,770)
		–	(65)	–	1,193
		234	(65)	234	1,193
Total comprehensive (loss)/income for the period		(5,400)	11,252	(15,458)	886
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(5,028)	13,505	(14,748)	4,761
Non-controlling interests		(372)	(2,253)	(710)	(3,875)
		(5,400)	11,252	(15,458)	886
		HK cents	HK cents (Restated)	HK cents	HK cents (Restated)
(Loss)/profit per share					
From continuing and discontinued operations					
– basic and diluted	6	(1.80)	37.72	(5.62)	12.41
From continuing operations					
– basic and diluted	6	(1.80)	38.00	(5.62)	16.31

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		3,071	3,276
Available-for-sale financial assets		1,404	–
Goodwill	14	5,262	–
Intangible assets		86,813	86,813
		<b>96,550</b>	<b>90,089</b>
<b>CURRENT ASSETS</b>			
Inventories	8	555	367
Derivative financial assets		–	243
Trade receivables	9	677	677
Loan receivables		2,161	–
Prepayments, deposits and other receivables		113,324	80,724
Cash and bank balances	10	15,121	3,843
Pledged bank deposits		28,950	28,240
		<b>160,788</b>	<b>114,094</b>
<b>LESS: CURRENT LIABILITIES</b>			
Trade payables	11	109	81
Other payables and accruals		2,304	4,279
Receipts in advance		517	607
Amounts due to directors		21	1,793
Convertible notes		–	4,132
		<b>2,951</b>	<b>10,892</b>
<b>NET CURRENT ASSETS</b>		<b>157,837</b>	<b>103,202</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>254,387</b>	<b>193,291</b>

	Notes	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
<b>LESS: NON-CURRENT LIABILITIES</b>			
Bond liabilities		53,000	13,000
Deferred tax liabilities		–	968
		53,000	13,968
<b>NET ASSETS</b>		<b>201,387</b>	<b>179,323</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	12	35,489	22,741
Reserves		176,954	166,928
<b>Total equity attributable to owners of the Company</b>		<b>212,443</b>	<b>189,669</b>
Non-controlling interests		(11,056)	(10,346)
<b>Total equity</b>		<b>201,387</b>	<b>179,323</b>

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

	Share capital	Share premium	Contributed surplus	Convertible notes reserve	Available-for-sale financial assets revaluation reserve	Exchange reserve	Accumulated (losses)	Discontinued operations	Subtotal	Non-controlling interest	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2012 and 1 January 2013	3,517	219,534	36,000	429	-	-	(171,123)	89,383	177,740	37,195	214,935
Profit/(loss) for the period	-	-	-	-	-	-	4,535	-	4,535	(4,842)	(307)
Other comprehensive income/(loss) for the period											
- Exchange differences arising during the period	-	-	-	-	-	226	-	3,770	3,996	967	4,963
- Reclassified adjustments relating to foreign operations disposed of during the period	-	-	-	-	-	-	-	(3,770)	(3,770)	-	(3,770)
Total comprehensive income/(loss) for the period	-	-	-	-	-	226	4,535	-	4,761	(3,875)	886
Disposal of subsidiaries	-	-	-	-	-	-	-	(89,383)	(89,383)	(43,523)	(132,906)
Derecognition upon modification of convertible notes	-	-	-	(472)	-	-	472	-	-	-	-
Recognition upon modification of convertible notes	-	-	-	2,228	-	-	-	-	2,228	-	2,228
Early redemption of convertible notes	-	-	-	(437)	-	-	437	-	-	-	-
Recognition of the equity component of convertible notes	-	-	-	42,006	-	-	-	-	42,006	-	42,006
Deferred taxation of convertible notes	-	-	-	(5,346)	-	-	-	-	(5,346)	-	(5,346)
Issue of shares upon conversion of convertible notes	891	33,985	-	(18,330)	-	-	-	-	16,546	-	16,546
At 30 June 2013	4,408	253,519	36,000	20,078	-	226	(165,679)	-	148,552	(10,203)	138,349
At 31 December 2013 and 1 January 2014	22,741	317,275	36,000	6,798	-	3,507	(196,652)	-	189,669	(10,246)	179,323
Loss for the period	-	-	-	-	-	-	(14,982)	-	(14,982)	(710)	(15,692)
Other comprehensive income for the period											
Change in fair value of available-for-sale financial assets	-	-	-	-	234	-	-	-	234	-	234
Total comprehensive loss for the period	-	-	-	-	234	-	(14,982)	-	(14,748)	(710)	(15,458)
Early redemption of convertible notes	-	-	-	(6,798)	-	-	606	-	(6,192)	-	(6,192)
Issue of shares by placing	12,748	30,966	-	-	-	-	-	-	43,714	-	43,714
At 30 June 2014	35,489	348,241	36,000	-	234	3,507	(211,028)	-	212,443	(11,056)	201,387

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (UNAUDITED)

For the six months ended 30 June

	2014 HK\$'000	2013 HK\$'000
<b>NET CASH OUTFLOWS FROM OPERATING ACTIVITIES</b>	(54,438)	(50,003)
<b>NET CASH OUTFLOWS FROM INVESTING ACTIVITIES</b>	(6,949)	(15,342)
<b>NET CASH INFLOWS FROM FINANCING ACTIVITIES</b>	72,665	47,642
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	11,278	(17,703)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	3,843	19,258
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	15,121	1,555
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	15,121	1,555



Notes:

## 1. BASIS OF PREPARATION

The Group's unaudited interim results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), including compliance with Hong Kong Accounting Standard 34 "Interim financial reporting", accounting principles generally accepted in Hong Kong and the applicable disclosures 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 by the Hong Kong Companies Ordinance.

These unaudited condensed consolidated financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities.

The accounting policies adopted in preparing the unaudited condensed consolidated financial statements for the six months ended 30 June 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 allowance for returns and trade discounts, during the period.

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

	Three months ended 30 June		Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>Continuing operations</b>				
Provision of funeral services and sale of funeral related products	19,537	16,232	40,320	33,898
<b>Discontinued operations</b>				
Indirect retail of household products and others	–	26,106	–	55,340
	19,537	42,338	40,320	89,238

### 3. (LOSS)/PROFIT FROM OPERATIONS

The Group's (loss)/profit from operations is arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Cost of sales	16,541	39,791	34,792	82,545
Depreciation on property, plant and equipment	259	664	518	1,585
Amortisation of intangible assets	-	831	-	2,065

### 4. TAXATION

No provision for Hong Kong profits tax has been made as the Group has no assessable profit in Hong Kong for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

No PRC enterprise income tax was charged for the six months ended 30 June 2014 as the PRC subsidiary of the Group have recorded loss (six months ended 30 June 2013: Nil).

Deferred tax is provided in full, using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts.

There was no significant unprovided deferred taxation for the six months ended 30 June 2014.

Deferred tax had not been provided as there were no significant temporary differences at 30 June 2014 (at 30 June 2013: HK\$2,639,000)

### 5. INTERIM DIVIDEND

No interim dividend has been paid or declared by the Company for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

## 6. (LOSS)/PROFIT PER SHARE

The calculation of basic (loss)/profit per share from continuing and discontinued operations is based on the loss for the period attributable to owners of the Company of approximately HK\$14,982,000 (2013: profit approximately HK\$4,535,000) and the weighted average 266,526,374 (2013: 36,546,282 (Restated) (Note)) ordinary shares in issue during the period.

The calculation of basic (loss)/profit per share from continuing operations is based on the loss for the period attributable to owners of the Company of approximately HK\$14,982,000 (2013: loss approximately HK\$5,959,000) and the weighted average 266,526,374 (2013: 36,546,282 (Restated) (Note)) ordinary shares in issue during the period.

Diluted loss per share for both continuing and discontinued operations for the three months ended 30 June 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 30 June 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 six months ended 30 June 2014 and 2013.

Note:

On 29 August 2013, the Company implemented share consolidation on the basis that every 10 issued and unissued shares to be consolidated into 1 consolidated share. The weighted average number of ordinary shares in issue used in basic loss per share calculation for the six months ended 30 June 2013 was adjusted retrospectively.

On 10 June 2014, the Company implemented share consolidation on the basis that every 5 issued and unissued shares to be consolidated into 1 consolidated share. The weighted average number of ordinary shares in issue used in basic loss per share calculation for the six months ended 30 June 2013 was adjusted retrospectively.

## 7. SEGMENT INFORMATION

The Group's reportable segments under HKFRS 8 are as follows:

- Provision of funeral services and sales of funeral related products

The following table presents revenue and results by the Group's operating segment for the six months ended 30 June 2014 and 2013 under review.

	<b>Continuing operations</b>	
	<b>Provision of funeral services and sales of funeral related products</b>	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Segment revenue		
Sales to external customers	40,320	33,898
Segment results	5,528	(1,582)
Interest income	710	84
Unallocated corporate revenue	1,123	31,345
Corporate and other unallocated expenses	(21,407)	(20,403)
Finance costs	(1,653)	(7,852)
(Loss)/profit before taxation	(15,699)	1,592
Taxation	7	–
Net (loss)/profit for the period	(15,692)	1,592

## 8. INVENTORIES

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Finished goods	555	367

## 9. TRADE RECEIVABLES

The average credit period on sales of goods is 30 days. In view of the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

An aging analysis of the trade receivables as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
0 – 30 days	–	–
31 – 60 days	–	–
61 – 90 days	–	–
91 – 180 days	–	101
Over 180 days	677	576
	<b>677</b>	<b>677</b>

The Directors considered that the carrying values of trade receivables approximate their fair values.

## 10. CASH AND BANK BALANCES

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Cash and bank balances	15,121	3,843

## 11. TRADE PAYABLES

An aging analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
0 – 30 days	–	37
31 – 60 days	41	39
61 – 90 days	63	–
91 – 180 days	–	–
Over 180 days	5	5
	109	81

Trade payables are non-interest bearing and the Directors considered that the carrying values of trade payables approximate their fair values.

## 12. SHARE CAPITAL

### ORDINARY SHARES

	Par value HK\$	Number of shares '000	Shares capital HK\$'000
Authorised:			
At 31 December 2013	0.02	25,000,000	500,000
At 1 January 2014	0.02	25,000,000	500,000
Share consolidation (Note(i))		(20,000,000)	–
At 30 June 2014 (Unaudited)	<b>0.1</b>	<b>5,000,000</b>	<b>500,000</b>
Issued and fully paid:			
At 31 December 2013	0.02	1,137,060	22,741
At 1 January 2014	0.02	1,137,060	22,741
Issue of shares by placing (Note(ii))	0.02	227,400	4,548
Issue of shares by placing (Note(iii))	0.02	410,000	8,200
Share consolidation (Note(i))		(1,419,568)	–
At 30 June 2014 (Unaudited)	<b>0.1</b>	<b>354,892</b>	<b>35,489</b>

#### Notes:

- (i) On 10 June 2014, the Company implemented a share consolidation on the basis that every 5 issued and unissued shares of HK\$0.02 each to be consolidated into 1 consolidated share of HK\$0.1 each.
- (ii) On 7 March 2014, CNI Securities Group Limited (the “**Placing Agent**”) and the Company entered into the placing agreement pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, of 227,400,000 placing shares to not fewer than six placees at a placing price of HK\$0.078 who and whose ultimate beneficial owners will not be connected persons of the Company and its connected persons.
- (iii) On 9 June 2014, CNI Securities Group Limited (the “**Placing Agent**”) and the Company entered into the placing agreement pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, of 410,000,000 placing shares to not fewer than six placees at a placing price of HK\$0.067 who and whose ultimate beneficial owners will not be connected persons of the Company and its connected persons.

### 13. FAIR VALUE MEASUREMENT

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

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

	At 30 June 2014 (Unaudited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>Financial assets</b>				
<b>Available-for-sale financial assets</b>	1,404	–	–	1,404

	At 31 December 2013 (Audited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets				
Derivative financial assets	–	243	–	243

The fair values of the financial assets included in the level 2 above have been determined in accordance with generally accepted pricing models based on a Binominal Model, with the most significant inputs being the share price, volatility, time to maturity, conversion price and dividend yield.

There were no transfers between Level 1 and 2 in both periods.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in condensed consolidated financial statements approximately their fair values.



#### 14. ACQUISITION OF SUBSIDIARY

During the six months ended 30 June 2014, the Group had acquired the entire issued share capital of Join Wealth Finance (Hong Kong) Limited, for cash of approximately HK\$6,000,000.

The fair value of the assets and liabilities acquired in the transaction and the goodwill arising are as follows:

	<b>Fair value</b> HK\$'000
Loan receivable	<b>292</b>
Deposit	<b>36</b>
Cash and bank	<b>534</b>
Other payable	<b>(124)</b>
Net assets acquired	<b>738</b>
Goodwill	<b>5,262</b>
Total consideration	<b>6,000</b>
<b>Satisfied by:</b>	
Cash consideration	<b>6,000</b>
<b>Net cash outflow arising on acquisition:</b>	
Cash consideration	<b>(6,000)</b>
Cash and cash equivalents acquired	<b>534</b>
	<b>(5,466)</b>

#### 15. CONTINGENT LIABILITIES

The Group had no contingent liabilities at 30 June 2014.

#### 16. MATERIAL RELATED PARTY TRANSACTIONS

The Group had no material related party transactions during the six months ended 30 June 2014 and 2013.

#### 17. EVENTS AFTER THE REPORTING PERIOD

The Company will engage an information technology company to construct an online platform for the business development of the Company. For detail, please refer to the Company's announcement dated 15 July 2014.

The Board proposes to change the name of the Company from "FAVA International Holdings Limited" to "Grand Peace Group Holdings Limited". For detail, please refer to the Company's announcement dated 24 July 2014 and the circular dated 7 August 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS AND FINANCIAL REVIEW

The reportable businesses of the Group for the six months ended 30 June 2014 (the “**Period**”) are funeral business, loan financing business and elderly home business. The Group’s total operating revenue during the Period amounted to approximately HK\$40,320,000, representing a decrease of 54.82% 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\$14,982,000.

### 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\$40,320,000, representing an increase of 18.95% as compared to the same period of last year of approximately HK\$33,898,000. It is the first time to report a gross profit of approximately HK\$5,528,000, the net loss amounted to approximately HK\$2,111,000, representing a decrease of 69.89% as compared to the same period of last year of approximately HK\$7,010,000. 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. There were several consecutive extraordinary rainstorms between April and May in Guangdong Province which significantly affected the project progress. As at the date of this report, the infrastructure work of Huidong cemetery is still in progress. It is expected that this project will be completed in the third quarter of this year, and there will be income generated from Huidong cemetery during this year.

## LOAN FINANCING BUSINESS

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% equity interests of a finance company (the “**Finance Company**”) whose principal business activity was loan financing. The Finance Company holds a valid Money Lender Licence under Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) qualifying for providing loan financing service to clients.

The Group has assigned a suitable person who possesses intensive experiences in bank loan and credit business to the Finance Company to develop its finance business 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 the early stage of development, as such, the Company will not prioritise any specific type of borrowers but will exercise extreme prudence and caution when granting any loans and will consider, among other things, the pledged assets to be offered by the borrowers 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.

As the first loan totaling HK\$2,000,000 at 12% per annum was granted on 30 June, accordingly there was no revenue generated from the loan financing business during the Period.

## ELDERLY HOME BUSINESS

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 in the PRC (the “**JV Company**”). Upon incorporation, the JV Company plans to principally engage 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 Group in Huidong. The transaction has been completed on 22 May 2014.

The Company has incorporated a joint venture company (namely 惠州市福澤頤養服務有限公司) for operation of the home for the elderly at 12 May 2014. There was no income generated from elderly home business during the Period.

## PROSPECTS

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

The Company will appoint an IT company to construct an online platform (“**Online Platform**”) for its business development.

The Company expects that, upon the launch of the Online Platform, the Company will be offering global online related services in respect of the memorial tablets of its Cemetery. Upon the launch of the Online Platform, the Company also intends to develop the business of online worshipping services which allows clients to overcome geographical limitations to worship their ancestors. In addition, the Company intends to make use of the Online Platform to provide online elderly meeting services for clients to keep them informed of the living conditions of the elderlies living in the Elderly Home. It is expected that the Company could expand the scope of its elderly care and funeral services provided that the above plan is materialised.

On 22 July 2014, EMAX Venture Limited, a direct wholly-owned subsidiary of the Company, entered into an agreement with an independent third party in relation to the acquisition of 25% of the issued shares of Miracle Power Limited (“**Miracle**”). The Group wishes to cooperate with Miracle to develop pet funeral business.

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.

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 a 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 a 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 (the “**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 was completed on 22 May 2014.

For details, please refer to the announcements of the Company dated 29 January 2014, 11 February 2014 and 22 May 2014 respectively.

## PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 25 February 2014 (after trading hours), the CNI Securities Group Limited (the “**Placing Agent**”) and the Company entered into a placing agreement (the “**Placing Agreement**”) pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, aggregate maximum of 227,400,000 new shares of the Company (the “**Placing Shares**”) at the placing price of HK\$0.078 per share to not fewer than six placees (the “**Placees**”).

The Placing Shares were issued under the general mandate (the “**General Mandate**”) to allot, issue and deal with shares granted to the Directors by resolution of the shareholders of the Company passed at the special general meeting of the Company held on 24 January 2014 (the “**SGM**”) subject to the limit up to 20% of the then issued share capital of the Company as at the date of the SGM. Under the General Mandate, the Company is authorized to issue up to 227,412,120 shares.

The Company entered into the Placing Agreement with the Placing Agent with the reason being the Directors considered that the placing represented a good opportunity for the Company to raise additional capital to enhance its capital base and broaden its shareholders’ base.

The completion of the placing took place on 7 March 2014. An aggregate of 227,400,000 Placing Shares have been successfully placed by the Placing Agent to seven individual investors and two institutional investors at HK\$0.078 per Placing Share. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Placees and their ultimate beneficial owners (if applicable) were third parties independent of and not connected

with the Company and its connected persons. The closing price of the shares of the Company was HK\$0.09 on 25 February 2014, being the date of the Placing Agreement. The net proceeds of approximately HK\$17.10 million from the placing were used (i) as to approximately HK\$10 million for partial payment of deposit under the Cooperation Agreement; and (ii) as to as to approximately HK\$7.1 million for working capital of the Group.

For details, please refer to the announcements of the Company dated 25 February 2014 and 7 March 2014 respectively.

## PLACING OF SHARES UNDER SPECIFIC MANDATE

On 1 April 2014 (after trading hours), the Company and the CNI Securities Group Limited (the “**Placing Agent**”) entered into a placing agreement (the “**Placing Agreement**”) pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, up to 410,000,000 new shares of the Company (the “**Placing Shares**”), to not less than six placees (the “**Placees**”) at a price of HK\$0.067 per share.

The Placing Shares will be allotted and issued under the specific mandate to be obtained at the special general meeting of the Company held on 26 May 2014.

The Company entered into the Placing Agreement with the Placing Agent with the reason being the Directors were of the view that the placing can strengthen the financial position of the Group, provide working capital and additional resources to the Group for future development. The placing also represents a good opportunity to broaden the capital base of the Company.

The completion of the placing took place on 9 June 2014. An aggregate of 410,000,000 Placing Shares have been successfully placed by the Placing Agent to five individual investors and two institutional investors at HK\$0.067 per Placing Share. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Placees and their ultimate beneficial owners (if applicable) were third parties independent of and not connected with the Company and its connected persons. The closing price of the shares of the Company was HK\$0.078 on 1 April 2014, being the date of the Placing Agreement. The net proceeds from the placing was approximately HK\$26.06 million, which was intended to be used (i) as to HK\$8 million for the settlement of the remaining deposit balance under the Cooperation Agreement; (ii) as to approximately HK\$3 million for the development of the business of finance company; (iii) as to approximately HK\$7 million for the outstanding rental prepayment of the funeral parlour (the actual rental repayment of which being HK\$13.95 million per quarter); and (iv) as to approximately HK\$8.06 million as general working capital of the Group or, if attractive investment opportunities are identified, may be used for possible acquisition.



For details, please refer to the announcements of the Company dated 1 April 2014 and 9 June 2014 respectively and the circular of the Company dated 8 May 2014.

## SHARE CONSOLIDATION

The Company implemented a share consolidation on the basis of every five (5) issued and unissued shares of the Company of HK\$0.02 each being consolidated into one (1) consolidated share of the Company of HK\$0.1 each (the “**Share Consolidation**”) during the Period.

An ordinary resolution of the Company has been passed by the shareholders of the Company by way of poll to approve the Share Consolidation at the special general meeting held on 9 June 2014. The Share Consolidation became effective on 10 June 2014.

For details, please refer to the announcements of the Company dated 2 May 2014 and 9 June 2014 respectively and the circular of the Company dated 22 May 2014.

## PROPOSED CHANGE OF COMPANY NAME

On 24 July 2014, the Board proposed to change the name of the Company from “FAVA International Holdings Limited” to “Grand Peace Group Holdings Limited” and, upon the change of name becoming effective, to adopt “福澤集團控股有限公司” as the new Chinese name in place of “名家國際控股有限公司” for identification purposes only.

The proposed change of Company name is subject to the satisfaction of the following conditions:

1. the passing of a special resolution by the shareholders of the Company approving the proposed change of company name at the special general meeting of the Company to be held on 1 September 2014; and
2. the Registrar of Companies in Bermuda approving the use of the proposed new name by the Company.

For details, please refer to the announcement of the Company dated 24 July 2014 and the circular of the Company dated 8 August 2014.

## LIQUIDITY AND FINANCIAL RESOURCES

All the Group's funding and treasury activities are basically 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 30 June 2014, cash and bank balances of the Group was approximately HK\$15,121,000 (as at 30 June 2013: approximately HK\$1,555,000).

As at 30 June 2014, the total borrowings of the Group amounted to approximately HK\$53,000,000 (2013: approximately HK\$45,013,000), representing unsecured bonds of HK\$53,000,000 at the effective interest rates ranged from 2% per annum to 8.5% per annum.

## EMPLOYEES INFORMATION

As at 30 June 2014, the Group had employed 57 staffs in Hong Kong (as at 30 June 2013: 54 staffs in Hong Kong and 1 staff in PRC), they were remunerated in accordance with their performance and market condition. Other benefits available to eligible employees include retirement benefits and medical insurance schemes.

Total staff costs for the six months ended 30 June 2014 amounted to approximately HK\$5,345,000 (2013: approximately HK\$10,496,000).

The Group did not experience any significant labour dispute or substantial change in the number of its employees that led to any disruption of normal business operations. The Directors consider the Group's relationship with its employees to be good.

## GEARING RATIO

As at 30 June 2014, the Group's gearing ratio was approximately 24.95% representing a percentage of the total borrowings over total equity attributable to the owners of the company (as at 30 June 2013: approximately 30.3%).

## 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 30 June 2014, none of the Directors or chief executives of the Company held any share options of the Company.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 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 to 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 30 June 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\$0.1 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	16,054,800	–	36,618,483	–	52,673,283	14.84%

Note:

- (1) The percentage is calculated by dividing the number of shares interested or deemed to be interested by the existing 354,892,120 issued shares as at 30 June 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 30 June 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 30 June 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\$0.1 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</b> (Note 1)
<b>Substantial Shareholder</b>			
True Allied Assets Limited (Note 2)	Beneficial owner	36,618,483	10.32%

Note:

- (1) The percentage is calculated by dividing the number of shares interested or deemed to be interested by the existing 354,892,120 issued shares as at 30 June 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 30 June 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.

## CHARGE ON GROUP'S ASSETS

Save as the finance lease contract for the Group's office equipment and pledged bank deposits, the Group did not have any other charge on its assets as at 30 June 2014 (as at 30 June 2013: Save as the finance lease contract for the Group's office equipment and pledged bank deposits, the Group did not have any other charge on its assets).

## FOREIGN CURRENCY RISK

As most of the Group's transactions are denominated in Renminbi and Hong Kong dollars, the Directors believe that the Group's exposure to exchange fluctuation was immaterial and the Group has not implemented any formal hedging or other alternative policies to deal with such exposure.

## 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 30 June 2014, the Audit Committee comprised three members, namely Mr. LIU Qing Chen, Mr. ZHANG Chun Qiang and Ms. TAN Xiao Yan, 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, audit plan and relationship with external auditors, the internal control systems of the Group and to provide advice and recommendations to the Board for review and follow-up. The Audit Committee has reviewed the Group's interim results announcement and report for the six months ended 30 June 2014 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 of the CG Code. The roles of chairman and chief executive officer of the Group rest 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, the 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 is continuously dedicated 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 provide 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, facilitate open dialogue between the Board and the management, thus it is in the best interests of the Group.

Save as disclosed above, for the six months ended 30 June 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 for issue upon the exercise of the options under the Share Option Scheme is 3,433,911 shares, representing 10% of 34,339,119 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 consolidations becoming effective on 29 August 2013 and 10 June 2014 respectively).

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 six months ended 30 June 2014.

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

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

For the six months ended 30 June 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 six months ended 30 June 2014.

## **RE-ELECTION OF DIRECTORS**

At the annual general meeting of the Company held on 7 May 2014, all the incumbent Directors were re-elected as Directors by the shareholders of the Company.

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

Hong Kong, 11 August 2014

*As at the date of this report, the Board comprises of Mr. Li Ge, Mr. SUN, Miguel and Mr. CHENG Wai Keung as executive Directors, Mr. LIU Qing Chen, Ms. TAN Xiao Yan and Mr. ZHANG Chun Qiang as independent non-executive Directors.*