



THE STOCK EXCHANGE OF HONG KONG LIMITED

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)
(the "Exchange")

22 November 2007

The GEM Listing Committee of The Stock Exchange of Hong Kong Limited (the "GEM Listing Committee") criticises the following parties for breaching the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"):

- 1. Mr Tse Wai Kwok, Raymond ("Mr Tse"), a former executive director of Fava International Holdings Limited (formerly known as Co-winner Enterprise Limited) (the "Company") (Stock code: 8108) resigned effective 6 July 2006; and**
- 2. Mr Tai Chi Ching ("Mr Tai"), a former executive director of the Company resigned effective 31 August 2006.**

On 18 September 2007, the GEM Listing Committee conducted a hearing into the conduct of, among others, Mr Tse and Mr Tai (collectively, the "Relevant Directors") in relation to their obligations under the GEM Listing Rules and the Director's Declaration, Undertaking and Acknowledgement given by each of them to the Exchange in the form set out in Appendix 6A of the GEM Listing Rules (the "Director's Undertaking").

Facts

Share Disposal

On 15 May 2006, the Company's first quarterly results for the three months ended 31 March 2006 were approved by the Board and published by the Company. Pursuant to Rule 5.56 of the GEM Listing Rules, the black-out period prohibiting the Company's directors from dealing in the Company's shares commenced one month immediately preceding 15 May 2006 and ended on 15 May 2006.

Mr Tse, who owned 600,000 shares of the Company immediately prior to 28 April 2006, disposed of his shares of the Company during the said one month black-out period as follows in breach of Rule 5.56: (i) 250,000 shares on 28 April 2006; (ii) 200,000 shares on 2 May 2006; and (iii) 150,000 shares on 4 May 2006 (collectively, the "Share Disposal"). Further, Mr Tse failed to give prior notice in writing to the chairman or a director designated by the Board for the specific purpose and did not obtain a dated written acknowledgement before the Share Disposal thereby in contravention of Rule 5.61.

The Listing Division also alleged that, by reason of Mr Tse's breach of Rules 5.56 and 5.61, he breached the Director's Undertaking for failing to comply with the GEM Listing Rules to the best of his ability. Further, by reason of his failure to take any step to ensure the Company had effective internal controls for compliance with the GEM Listing Rules, Mr Tse breached the Director's Undertaking for failing to use his best endeavours to procure the Company's compliance with the GEM Listing Rules.

The April Announcement and the May 3 Announcement

Between 28 April 2006 and 4 May 2006, there was unusual trading of the Company's shares. On 28 April 2006 and 3 May 2006, in response to the Listing Division's enquiries following unusual movements in the trading of the Company's shares on those two days, the Company issued two announcements on 28 April 2006 (the "April Announcement") and 3 May 2006 (the "May 3 Announcement") respectively. Both announcements contained a confirmation that the Board was not aware of any reasons for the unusual share trading and were stated to be "*Made by the order of the Board, the directors of the Company collectively and individually accept responsibility for the accuracy of the announcement*".

In fact on both days, the Company did not receive confirmation or information from Mr Tse or any of the three Independent Non-Executive Directors (the "INEDs") in office at the time regarding the unusual share trading and both announcements were made without their prior notice or approval. The Listing Division submitted that both announcements conveyed the impression that all Directors of the Company had been consulted and that each had confirmed he was not aware of any reason which might be relevant to the unusual share trading on either day. By reason of the lack of confirmation from Mr Tse and the three INEDs and the failure to exclude them from the announcements and state expressly therein the reasons for such exclusion, the two announcements as published were inaccurate in a material respect and were otherwise misleading in breach of Rule 17.56.

There was unusual share trading on 4 May 2006. The Company published a further announcement dated 4 May 2006 disclosing Mr Tse's Share Disposal.

Mr Tai was appointed executive director and Compliance Officer during the period from 16 February 2005 to 31 August 2006. The Listing Division alleged that Mr Tai did not perform his duties as the Compliance Officer to advise on and assist the Board in implementing procedures to ensure that the Company complied with the GEM Listing Rules and was therefore in breach of Rule 5.20.

By reason of his failure to take any step to ensure the Company had effective internal controls for compliance with the GEM Listing Rules, Mr Tai also breached the Director's Undertaking for failing to use his best endeavours to procure the Company's compliance with the GEM Listing Rules. Further, the Company's breach of Rule 17.56 was directly attributable to Mr Tai's failure to consult Mr Tse and the three INEDs and Mr Tai's decision to cause the Company to publish the April Announcement and May 3 Announcement in the terms as published.

Decision

The GEM Listing Committee concluded, among other things, as follows:

- (i) there was a breach of Rule 17.56 of the GEM Listing Rules in respect of the April Announcement and the May 3 Announcement;
- (ii) Mr Tse breached Rules 5.56 and 5.61 of the GEM Listing Rules for non-compliance with the directors' share trading restrictions and non-compliance with the procedures for director's share dealing respectively;
- (iii) Mr Tse breached the Director's Undertaking for failing to comply to the best of his ability with the GEM Listing Rules and to use his best endeavours to procure the Company's compliance with the GEM Listing Rules;

- (iv) Mr Tai breached Rule 5.20 of the GEM Listing Rules for failing to discharge his duties as the Compliance Officer of the Company; and
- (v) Mr Tai breached the Director's Undertaking for failing to use his best endeavours to procure the Company's compliance with the GEM Listing Rules.

The GEM Listing Committee decided to impose a public statement which involved criticism on Mr Tse and Mr Tai for their respective breaches mentioned in (ii) to (v) above.

When Mr Tai first became aware of Mr Tse's share dealings on 4 May 2006, he reported the information to the Exchange and instructed the Company to publish an announcement dated 4 May 2006 (the "May 4 Announcement") in compliance with Rule 17.11. In view of Mr Tai taking steps to rectify the matter and his co-operative attitude towards the Listing Division's investigation, the GEM Listing Committee directed that credit should be given to Mr Tai for causing the May 4 Announcement to be published disclosing Mr Tse's share dealings.

For the avoidance of doubt, the Exchange confirms that the public statement which involved criticism only applies to Mr Tse and Mr Tai and not to the Company or any other past or present member of the Board of the Company.

Richard Williams, Head of Listing, said, "This decision again illustrates the importance the Exchange attaches to strict compliance with the GEM Listing Rule requirements governing directors' securities dealings including in particular, the prohibition on dealings by directors in the securities of the issuer in which they hold office during the "black-out period" prior to the results announcement. The requirement is clear in its terms and breach of this obligation renders the defaulting director exposed to the imposition of public sanctions.

Both of the announcements at the root of this disciplinary action conveyed the impression that all directors of the Company have been consulted before publication and that none of them was aware of any matter requiring disclosure as may be relevant to the unusual share trading. In fact four out of the five directors in office at the time were not consulted and both announcements were published without consent or knowledge of any of the four directors. Rule 17.56 requires that announcements and any other documents published by issuers pursuant to the GEM Listing Rules must be accurate, complete in all material respects and not misleading. The failure to consult the directors gave rise to the publication of announcements which omitted relevant material information. It is consequently important that listed issuers have in place effective and efficient internal procedures to deal with enquiries made by the Exchange to ensure that announcements published leading from those enquiries are accurate, complete and not misleading and are published in a timely manner.

Further, compliance officers of GEM listed companies have specific responsibilities and should be left in no doubt that any investigation of breach of the GEM Listing Rules by the issuer will entail an examination of whether and to what extent they have complied with their duties to assist issuers to set up effective and adequate internal controls to ensure compliance with the GEM Listing Rules. In appropriate cases, disciplinary sanctions will be imposed on those who have failed in their duties."