

Former directors of Warderly disqualified for failure in making timely disclosure

8 Oct 2010

The Securities and Futures Commission (SFC) has today obtained orders in the High Court to disqualify Mr Yeung Kui Wong and Mr Yu Hung Wong, former executive directors of Warderly International Holdings Ltd (Warderly), as company directors for failing to make timely disclosure of material information to the market (Note 1).

The Honourable Mr Justice Harris granted the order to disqualify Yeung from being a director or being involved in the management of any corporation (except for a private company through which Yeung is allowed to continue to be a director to conduct his business), without leave of the court, for five years. Yu was disqualified for two years. The disqualification orders take effect from 29 October 2010 (Note 2).

Both Yeung and Yu accepted they:

- failed to manage the company with the necessary degree of skill, care, diligence and competence as reasonably expected of persons of their knowledge and experience holding their offices and functions within Warderly; and
- failed on a number of occasions to ensure Warderly complied with the disclosure requirements under the Listing Rules and to give shareholders all the information they might reasonably expect.

In March 2010, the court made disqualification orders against two other former executive directors of Warderly as a result of their misconduct. The SFC is also taking similar action against two other former directors of the company (Note 3).

“Listed company directors have an obligation to ensure the market for the company’s shares is properly informed. Directors who keep bad news to themselves when it should be disclosed cause real damage to the company, to their shareholders and to the market generally,” said Mr Mark Steward, the SFC’s Executive Director of Enforcement.

“The SFC will continue to take action against listed company directors who fail to ensure timely disclosure of material information to the company’s shareholders,” he added.

The SFC alleged that Yeung and Yu should have disclosed a number of material events concerning the substantially depleted financial position of Warderly to the market, including:

- the commencement of legal proceedings in Hong Kong and the Mainland against Warderly and its subsidiaries by banks and creditors to recover overdue loans;
- the disruption of Warderly’s operations by labour strikes in its Mainland factory;
- the appointment of a financial adviser in respect of a proposed debt restructuring and re-organisation;
- the appointment of a management committee to solve Warderly’s financial problems;
- the appointment of an external firm of accountants at the request of a bank loan syndicate and had reported on the company’s deteriorating financial position; and
- the company had been forced to raise money at high penalty interest rates.

End

Notes:

1. Warderly was listed on the main board of The Stock Exchange of Hong Kong (Stock Exchange) in December 2002. The company is principally engaged in the design, manufacture and sale of household electrical appliances such as electric fans, convector heaters, etc with Europe being its major market. On the SFC’s order, trading in the shares of Warderly has been suspended since 14 May 2007.
2. Under section 214 of the Securities and Futures Ordinance, the court may make orders disqualifying a person from being a company director or being involved, directly or indirectly, in the management of any corporation for up to 15 years, if the person is found to be wholly or partly responsible for the company’s affairs having been conducted in a manner involving defalcation, fraud or other misconduct.

3. The SFC commenced proceedings against six former directors of the company in 2009 (see SFC Press Release dated [16 September 2009](#)). On 17 March 2010 Ms Ellen Yeung Ying Fong and Mr John Lai Wing Chuen were disqualified from being directors or being involved in the management of any corporation for a period of five years (see SFC Press Release dated [17 March 2010](#)). The hearing date of the SFC's petition in relation to the other two former directors of the Company has been fixed on 1 March 2011.

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