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## Enforcement News

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### First director disqualification over timely disclosure of information

The Securities and Futures Commission (SFC) has today obtained orders in the High Court to disqualify two former executive directors of Warderly International Holdings Ltd (Warderly) for failing to ensure timely disclosure of material information to the company's shareholders (Note 1).

This is the first time directors have been disqualified for this type of misconduct.

The orders, made by the Honourable Mr Justice Harris, disqualify Ms Ellen Yeung Ying Fong and Mr John Lai Wing Chuen, from being directors or being involved in the management of any corporation, without leave of the court, for five years, effective 7 April 2010. (Note 2).

Both Yeung and Lai accepted they had breached their duties to Warderly by failing to manage the company with appropriate care. In particular, they agreed they 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.

The SFC is also taking similar action against four other former directors of the company (Note 3).

"Directors have an obligation to ensure the company reports material information to the investing public on a timely basis. Failure to do so destroys trust and confidence in the market," said Mr Mark Steward, the SFC's Executive Director of Enforcement.

"In this case, the investing public continued to invest its hard-earned savings in Warderly shares, believing the company was financially healthy and viable when, in fact, this was not the true position. This case is not the only one of its kind and more actions are in train to ensure this message is heard clearly," Mr Steward added.

The SFC directed trading to be suspended in the company's shares in May 2007 and consequently, the SFC's investigation focussed on events between July 2006 and April 2007. The SFC alleged that the company should have disclosed its substantially depleted financial position to the market (Note 4):

- there were legal proceedings underway in Hong Kong and the Mainland against Warderly and its subsidiaries by banks and creditors to recover overdue loans;
- Warderly's operations were substantially disrupted by labour strikes in its Mainland factory;
- the company had appointed a financial adviser in respect of a proposed debt restructuring and re-organisation;
- a management committee had been appointed to solve Warderly's financial problems;
- an external firm of accountants had been appointed at the request of a bank loan syndicate and had reported on the company's deteriorating financial position; and
- the company was forced to raise money by way of loans at penalty interest rates to stay afloat.

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). The hearing date of the SFC's Petition in relation to the other four former directors of the Company has not yet been fixed.

4. In its audited financial statements as at 30 April 2007 (shortly before the suspension of trading), the company disclosed a deficiency of assets over liabilities in the sum of \$367,380,000 and a loss of over \$700 million. Warderly has now been put into the third stage of the delisting procedure. If the company does not submit a viable resumption proposal, the Stock Exchange has indicated it will cancel the listing of the company in May 2010.

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