

Former directors of Warderly disqualified for failure in making timely disclosure

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The Securities and Futures Commission (SFC) has obtained orders in the High Court today to disqualify Mr Godfrey Hung Kwok Wa and Mr Hermann Leung Ping Chung, former executive director and former alternate non-executive director respectively of Warderly International Holdings Ltd (Warderly) as company directors for failing to make timely disclosure of material information to the market (Note1).

This is the first time an alternate non-executive director is disqualified for this type of misconduct.

The Honourable Mr Justice Reyes made an order disqualifying Hung from being a director or being involved in the management of any corporation, without leave of the court, for five years. Leung was disqualified for two years from being a director or being involved in the management of any listed company in Hong Kong (Note 2).

Both Hung and Leung 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.

The court had earlier made disqualification orders against four other former executive directors of Warderly as a result of their misconduct. Today's decision brings to an end the SFC's proceedings against the directors of Warderly (Note 3).

"Shareholders are entitled to expect competent and honest governance from listed company directors. Warderly was in a dire financial position, as the board of directors knew, yet shareholders were kept in the dark," said Mr Mark Steward, the SFC's Executive Director of Enforcement.

"The SFC will continue to enforce these obligations that are important to maintaining investor confidence in our markets," Mr Steward added.

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

- legal proceedings had been commenced in Hong Kong and the Mainland against Warderly and its subsidiaries by banks and creditors to recover overdue loans;
- Warderly's operations had been substantially disrupted by labour strikes in its Mainland factory;
- a financial adviser had been appointed 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 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 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). On 8 October 2010 Mr Yeung Kui Wong and Mr Yu Hung Wong were disqualified from being directors or being involved in the management of any corporation for five years and two years respectively (see SFC [Press Release](#) dated 8 October 2010).

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