KOH JUI HIONG & ORS v. KI TAK SANG & ORS [2009] 10 CLJ 205
HIGH COURT MALAYA, MELAKA
LOW HOP BING J
[PETITION NO: MT1-26-5-2003]
27 APRIL 2009

JUDGMENT

Low Hop Bing J:

Cause Of Action

[1] The petitioners' cause of action alleges oppression and/or disregard by the majority shareholders of the minority shareholders' interest under s. 181(1)(a) of the Companies Act 1965; and sought:

(i) a declaration that:

(a) Form 49 dated 13 August 2003 (the Return Giving Particulars in Register of Directors, Managers and Secretaries and Changes of Particulars) of Cin Holdings Sdn Bhd ("Cin Holdings") (petitioner 9) executed by Ki Tak Sang (respondent 1), and all the statutory documents lodged with the Companies Commission of Malaysia ("CCM") by one Tee Geok Hoon of Key Consult Sdn. Bhd. on 21 August 2003 are null and void;

(b) The directors' meetings held pursuant to the composition of the directors and secretaries set out in Form 49 are null and void;

(c) The said Tee Geok Hoon has not been legally appointed as the company secretary of Cin Holdings;

(ii) An injunction restraining the respondents and/or their proxies and/or otherwise howsoever from proposing and/or voting for any resolution:

(a) for the removal of petitioners 1, 3, 4 and 6 as directors of Cin Holdings; or

(b) to discontinue civil suit No. MT2-22-77-2003 filed in the Melaka High Court by Cin Holdings ("the civil suit") against respondent 1 and Messrs O.L. Yeo & Co.; and

(iii) An injunction restraining the respondents and/or their proxies and/or otherwise howsoever from purportedly acting on behalf of Cin Holdings in enforcing any resolution passed at the directors' meetings as set out in para. (1)(b) above.

Further and/or in the alternative, the petitioners pray that:

(iv) the respondents be ordered, in proportion to their respective shareholdings, to purchase the 21.6875% shareholding owned by petitioners 1 to 8 (equivalent to 867,500 ordinary shares of RM1

each in Cin Holdings) ("the petitioners' shares") based on the net tangible asset of RM4.2353 per share as set out in the Special Audit Report dated 18 October 2002 prepared by Messrs. Lim Wuay Chern & Co., ("the special audit report") amounting to RM3,674,122.75;

(v) damages to be assessed;

(vi) interest at 8% per annum from 19 October 2002 to the date of realization; and

(vii) costs.

(A reference hereinafter to a section is a reference to that section in the Companies Act 1965, unless otherwise stated).

Agreed Facts

[2] Cin Holdings was incorporated on 10 September 1983 under the Companies Act 1965, as a private company limited by shares, to undertake investments. Its registered office is at 82B, Jalan Kampung Hulu, 75200 Melaka. Its authorised capital is RM10,000,000 divided into 10,000,000 shares of RM1 each. The paid-up capital is RM4,000,000.

[3] Its initial shareholders are Koh Jui Hiong (petitioner 1), Tan Kim Chua (petitioner 4) and Ki Tak Sang (respondent 1).

[4] Subsequently, the membership of Cin Holdings was extended and, as at the date of this petition, the particulars are as follows:

	Shareholders	Shareholding At RM1 per share	Percentage %
1.	Kosian Holdings Sdn. Bhd. (petitioner 2)	262,500	6.5625
2.	Sim Sai Boy (petitioner 3)	250,000	6.2500
3.	Tonisons Jaya Holdings Sdn Bhd (petitioner 5)	75,000	1.8750
4.	Yam Wai Hong (petitioner 6)	55,000	1.3750
5.	Ki Tak Sang @ Kee Tak Sang (respondent 1)	570,000	14.2500
6.	Teoh Choon Neo @ Ivy Teoh Choon Neo (respondent 2)	400,000	10.0000
7.	Kivy Holdings Sdn Bhd (respondent 3)	1,000,000	25.0000
8.	Goh Koon Eng (respondent 4)	175,000	4.3750
9.	Ng Thiam Chua (respondent 6)	87,500	2.1875
10.	Ng Kwee Siang (respondent 9)	112,500	2.8125
11.	Tan Hee Ming @ Tan Hi Mian (respondent 10)	100,000	2.5000
12	Tan Lai Chon (respondent 5)	200,000	5.0000
13.	Ng Tiam Mok (respondent 7)	87,500	2.1875

14.	Yeap Kai Lang (petitioner 7)	100,000	2.50000
15.	Tio Sian Pah @ Teo Siam Pah (Dato)	150,000	3.7500
16.	Goh Kian Heng (petitioner 8)	125,000	3.1250
17.	Ng Ah Moy @ Ng Gek Hiok (respondent 8)	250,000	6.2500
	Total	4,000,000	100.0000

[5] Petitioner 2, Kosian Holdings Sdn Bhd, is a nominee company which is related to and controlled by petitioner 1.

[6] Petitioner 5 is a nominee company which is related to and controlled by petitioner 4, Tan Kim Chua.

[7] Respondent 1 is the majority shareholder of Kivy Holdings (respondent 3), while Teo Choon Neo @ Ivy Teoh Choon Neo (respondent 2) is respondent 1's wife.

[8] Petitioners 2 to 8 jointly have 21.6875% shareholding in Cin Holdings, while the respondents jointly have 74.5625% thereof. The balance of 3.75% was held by one Dato Tio Sian Pah (SD5) who is not a party to this petition.

[9] Pursuant to the mandate of Cin Holdings' board of directors dated 31 October 2001, vide circular resolution signed by respondent 1, an ad hoc committee was formed to investigate Cin Holdings' accounts. Mr. Yam Wai Hong (petitioner 6) was appointed the chairman thereof.

[10] The ad hoc committee completed its investigations and prepared its report on 27 June 2002 ("the ad hoc report").

[11] Thereafter, petitioner 6 was appointed a director of Cin Holdings. As at 21 May 2003, Cin Holdings' directors were respondent 1, and petitioners 1, 3, 4 and 6.

[12] Cin Holdings' board of directors had on or about 2 October 2002 appointed a firm of external auditors, Messrs Lim Wuay Chern & Co ("the external auditors") to conduct a special audit of Cin Holdings' accounts for the years ended 31 December 1997 to 2001, and for the nine-month-period ended 30 September 2002, and to independently review the ad hoc report. Thereafter, the auditors prepared the special audit report for Cin Holdings.

[13] Cin Holdings' assets comprised investments in the shares of, inter alia, public listed companies including Polymate Holdings Bhd ("PHB") listed on the second board of the Kuala Lumpur Stock Exchange on 29 April 1997. As of 2 May 1997, Cin Holdings owned 1,346,100 PHB shares.

[14] Respondent 1 was Cin Holdings' managing director from 7 October 1983 to 2 May 2002, primarily responsible for Cin Holdings' financial management.

[15] Other facts established by way of evidence will be set out later in this judgment.

Locus Standi

[16] Respondent 1 through learned counsel Mr. Moi Teik Seng raised a preliminary issue ie, petitioner 1 is not a shareholder of Cin Holdings and so has no locus standi to present the petition under s. 181. To buttress the submission, reference was made to:

(i) Verghese Mathai v. Telok Plantations Sdn Bhd & Ors [1988] 1 LNS 80 HC; and

(ii) Ng Kok Pooi v. Brundswood ID Sdn Bhd & Ors [2006] 3 CLJ 566 HC.

[17] Mr. C.T. Siew, learned counsel for respondents 2 to 10, submitted that petitioners 1 and 9 are not the shareholders of Cin Holdings and so cannot be the proper petitioners under s. 181.

[18] Petitioners' learned counsel Mr. Wong Rhen Yen (Mr. R Rajasingam and Mr. Mohd Faizul Nasir with him) contended inter alia that:

(i) Petitioner 1 is the alter ego of petitioner 2, Kosian Holdings Sdn Bhd ("Kosian Holdings"), as he is related to and indeed controls petitioner 2 which in turn holds 262,500 ordinary shares in Cin Holdings, relying on Datuk Sahar Arpan v. PP [2007] 1 CLJ 326 CA; and

(ii) This petition seeks an injunction to restrain the removal of petitioner 1 as the director of Cin Holdings and so petitioner 1 has the legitimate interest and expectation to present this petition.

[19] It is my specific finding that petitioner 1 controls petitioner 2 and so is in law petitioner 2's directing mind and will. He is indeed petitioner 2's alter ego. A similar situation surfaced in Datuk Sahar bin Arpan, supra. In delivering the judgment of the Court of Appeal at p. 340, I held:

[47] There can be no doubt that on the facts the accused was at all material time the directing mind and will of Ivory Heights, and controlled what it did, thereby making him the alter ego of Ivory Heights (see HL Bolton Engineering Co Ltd v. TJ Graham & Sons Ltd [1957] 1 QB 157, p 172 per Lord Denning MR, cited with approval in E v. Comptroller General of Inland Revenue [1970] 1 LNS 25; [1970] 2 MLJ 117, p 128 (FC)).

[48] The accused was at all material time an embodiment of Ivory Heights and his mind is that of Ivory Heights (see Tesco Supermarkets Ltd v. Nattrass [1972] AC 153, p 170 per Lord Reid, followed in Yue Sang Cheong Sdn Bhd v. Public Prosecutor [1973] 1 LNS 182; [1973] 2 MLJ 77 (FC)).

[49] The accused was indeed the puppeteer who pulled the strings of his puppetsviz SP52 and the said Luwe Sang Kau who were directors-cum-shareholders of Ivory Heights and who danced to the tune of the accused.

[20] Quite apart from that, petitioners 1 and 9 are also seeking declaratory orders and injunctions against the respondents to restrain them from removing petitioner 1 as a director of Cin Holdings. In this connection, petitioner 1 qua director obviously has the capacity and locus standi to present this petition.

[21] Verghese Mathai, supra and Ng Kok Pool, supra, cited for respondent 1, concern striking out applications made by the respondents in those cases. However, the petition before me does not involve such applications.

[22] In the circumstances, I hold that the objection raised for the respondents is misconceived. The petition deserves consideration and determination on its merits.

Burden Of Proof

[23] The petitioners who desire this court to give judgment as to the legal right or liability, dependent on the existence of facts which they assert in relation to the petition under s. 181(1)(a), bear the burden of proving their case. Section 101(1) and (2) of the Evidence Act 1950 merit reproduction as follows.

101. Burden of proof

(1) Whoever desires any court to give judgment as to any legal right or liability, dependent on the existence of facts which he asserts, must prove that those facts exist.

(2) When a person is bound to prove the existence of any fact, it is said that the burden of proof lies on that person.

(See eg, MBf Finance Bhd v. Sim Peng Bee & Anor [2003] 1 CLJ 690; Tenaga Nasional Bhd (formerly Lembaga Letrik Negara Tanah Melayu) v. Perwaja Steel Sdn Bhd (Formerly Perwaja Terengganu Sdn. Bhd.) [1995] 4 CLJ 670; and Nuri Asia Sdn Bhd v. Fosis Corporation Sdn Bhd & Anor [2006] 5 CLJ 307).

Principles Governing s. 181 Petition

[24]Section 181(1)(a) on which the petition is founded, where relevant, reads:

(1) Any member ..., may apply to the Court for an order under this section on the ground:

(a) that the affairs of the company are being conducted or the powers of the directors are being exercised in a manner oppressive to one or more of the members including himself or in disregard of his or their interests as members, shareholders ... of the company; or

(b) ...

[25] A very useful source of reference is to be found in Loh Siew Cheang's "Corporate Powers" MLJ 1996 at p 130 et seq. The learned author has commendably carried out extensive research into this area of the law. Authorities abound to show that s. 181 (the equipollent provisions viz s. 210 of the UK Companies Act 1948 or s. 186 of the (Australian) Uniform Companies Act 1962) deserves to receive a liberal and purposive construction: see Scottish Co-operative Wholesale Society Ltd v. Meyer & Anor [1959] AC 324 CA per Lord Denning MR (in relation to s. 210); and Re Associated Tools Industries Ltd [1963] 5 FLR 55 per Joske J (in relation to s. 186). Section 17A of our Interpretation Acts 1948 and 1967 gives expression to the rule of purposive interpretation in the following words:

Regard to be had to the purpose of Act

17A. In the interpretation of a provision of an Act, a construction that would promote the purpose or object underlying the Act (whether that purpose or object is expressly stated in the Act or not) shall be preferred to a construction that would not promote that purpose or object.

[26]Section 181(1) (a) sets out three essential elements which the petitioners have to establish, viz:

(i) oppressive conduct or conduct in disregard of interests;

(ii) the conduct must relate to the affairs of the company, or the exercise of powers by the director(s); and

(iii) the conduct affects one or more of the members of the company including the petitioner(s).

[27] The word 'oppressive' was defined in Re HR Harmer Ltd, [1959] 1 WLR 62 to mean 'burdensome, harsh and wrongful'.

[28] In Re Kong Thai Sawmill (Miri) Sdn Bhd; Kong Thai Sawmill (Miri) Sdn Bhd & Ors v. Ling Beng Sung [1978] 1 LNS 170; [1978] 2 MLJ 227 Lord Wilberforce, in delivering the advice of the Privy Council, applied the broader definition of oppression in Elder v. Elder & Watson Ltd [1952] SC 49, involving an appeal from Scotland to the House of Lords, where Lord Cooper explained:

... the essence of the matter seems to be that the conduct complained of should at the lowest involve a visible departure from the standards of fair dealing, and a violation of the conditions of fair play on which every shareholder who entrusts his money to a company is entitled to rely ...

[29] Within our shores, the broader definition of oppression was applied by Siti Norma J (later CJ (M)) in Jaya Medical Consultants Sdn Bhd v. Island and Peninsular Bhd & 13 Ors [1993] 1 LNS 32 HC as follows:

... oppression does not necessarily mean illegal or fraudulent nor does it require fraud. For there to be oppression, there must be a visible departure from the standard of fair dealing or fair play and where the oppressed is constrained to submit to some overbearing act or attitude on the part of the oppressor.

[30] The statutory concept of "conduct in disregard of interests" was illuminated in Re Kong Thai Sawmill (Miri) Sdn Bhd, supra where at p. 229, the Privy Council held that conduct in disregard of interests is not the same as oppressive conduct though it is implicit in oppressive conduct. It involves something more than a failure to take account of the minority's interest; there must be awareness of that interest and an evident intention to override it or brush it aside or set at naught the proper company procedure: p. 229.

[31] Although our Companies Act 1965 does not define the expression "affairs of the company", I am inspired by the position in Australia where this expression is defined in s. 53 of the Australian Corporation Law to include, inter alia, matters relating to trading activities, and profits and loss, its internal management and proceedings, voting rights, or "securities" in and made available by the company. In Re Cumberland Holdings Ltd [1976] 1 ACLR 361, Bowen CJ construed this expression widely, as it is not limited to business or trade matters but encompasses all matters which may come before the board for consideration: pp. 374-375.

[32] Illustrations of this expression are:

(i) The conduct of a director removing all the furniture, equipment and the company's books and records from the office where the company carried out its business: Re East West Promotions Pty Ltd [1986] 4 ACLC 84;

(ii) Failure to pay money due to a subsidiary: Nicholas v. Soundcraft Electronics Ltd & Anor [1993] BCLC 360; and

(iii) Where a person who is nominated by a joint venture company to act as a director of another company acts in a manner which is detrimental to the joint venture company: Kumagai Gumi Co Ltd v. Zenecon Pte Ltd & Ors and Other Appeals [1995] 2 SLR 297; and Re Kenari Resorts Pte Ltd [1995] 3 SLR 685.

[33] Having set out the above principles, I shall now consider whether the petitioners have discharged their burden of proving the elements under s. 181(1)(a). In this regard, the three essential elements, which are indeed intertwined, may be considered conjunctively by reference to the complexity of the facts and circumstances in this petition, which revolve around financial irregularities predominantly perpetrated by respondent 1.

Financial Irregularities

[34] Everything began with Ki Tak Sang, respondent 1. He was the managing director of Cin Holdings from 7 October 1983 to 2 May 2002.

[35] The ad hoc report signed by the chairman Yam Wai Hong (petitioner 6), and other members viz Koh Jui Hiong (petitioner 1), Sim Sai Boy (petitioner 3), Tan Kim Chua (petitioner 4), Goh Koon Eng (respondent 4) and Ng Kwee Siang (respondent 9), concluded that respondent 1 had, during his tenure as the managing director, committed irregular financial transactions which were the subject matters of various police reports lodged by petitioners 1, 3 and 4 and which may be enumerated below.

(i) Respondent 1's unauthorized disposal of Cin Holdings' PHB shares, in the absence of any directors' or shareholders' resolution, resulting in the loss of Cin Holdings' 446,100 PHB shares;

(ii) By way of irregular journal entries, respondent 1 had caused the payment to himself of a total amount of RM164,300 from the funds of Cin Holdings without any resolution, resulting in Cin Holdings assuming the debts due to Cintah Marketing Sdn. Bhd. (RM75,000); and Gim Hing Realty Sdn. Bhd. (RM89,300); and

(iii) The purported purchase of 200,000 PHB shares at RM8 per share from one Tuan Syed Izhar Al-ldrus bin Syed Salleh ("Syed Izhar") (SP5), although Syed Izhar had affirmed a witness' statement in encl. (94) refuting the purchase.

[36] The ad hoc report had been confirmed by the special audit report which arrived at the following conclusions:

(i) Cin Holdings' 46,100 PHB shares vide certificate No. 115 were transferred to Dato Tio Sian Pah (SD5) by respondent 1 on behalf of Cin Holdings at zero consideration.

(ii) There was no resolution to support the averment by Dato Tio and respondent 1 that Cin Holdings' PHB shares were pledged to Malpac Securities which had subsequently disposed of the pledged shares by way of forced sale;

(iii) On 25 November 1998, Cin Holdings repurchased Cin Holdings' 900,000 PHB shares from respondent 1;

(iv) Cin Holdings suffered losses as a result of respondent 1's dealings in Cin Holdings' PHB shares;

(v) Cin Holdings paid to respondent 1 a total amount of RM164,300 out of its funds, without any resolution, as repayment of the debt owed by Cintah Marketing Sdn. Bhd. and Gim Hing Realty Sdn. Bhd. to respondent 1;

(vi) The statutory audited accounts for the financial years ended 1997 to 2001 could not be properly drawn up;

(viii) At the directors' meeting on 18 October 2002, one Mr. Chua Seak Peng of Messrs. O.L. Yeo & Co., Cin Holdings' statutory auditor who was present by invitation, did not object to SP2's (the external auditor's) opinion expressed in the special audit report; and

(ix) Cin Holdings' net tangible asset, as at 30 September 2002, was RM4.2353 per share.

[37] Syed Izhar (SP5) was the bumiputra investor approved by the Ministry of International Trade and Industries (MITI) to subscribe to 3,000,000 PHB shares. These shares could not be disposed of or transferred without MITI's prior approval. Although SP5 had never subscribed to these shares, there was an undated and unsigned agreement whereby, instead of Cin Holdings, respondent 1 had purchased 400,000 PHB shares from SP5 at RM8 per share. Cin Holdings had disbursed RM200,000 to respondent 1 and a further sum of RM100,000 to Dato Tio, allegedly as refund for advances allegedly given by respondent 1 and Dato Tio respectively for the purchase. No money was paid by respondent 1, nor was approval ever obtained from MITI for the purchase. The share transactions were and are never reflected in the CDS periodical statement, or in PHB's register or other registers. There was also no resolution either by Cin Holdings' board of directors or shareholders to authorise the transactions.

[38] Respondents' witnesses have contradicted their own affidavits and contemporaneous documents. They have been evasive and even refused to answer questions.

[39] Illustrations abound. Paragraph 8(d) of respondent 1's affidavit in encl. (26) refers to the purchase of 46,100 PHB shares by Dato Tio at the initial public offer ("IPO") price of RM5 per share. When cross-examined, respondent 1 testified that these shares were given to the IPO listing committee through Dato Tio as "unofficial listing expenses". This is sharply contradictory to the prospectus which already shows the astronomical listing expenses of RM11 million. Respondent 1 then reversed his evidence and said that the 46,100 PHB shares were sold to him personally at RM5 per share. He then said that there was no sale of the 46,100 PHB shares to Dato Tio. Apart from the 46,100 shares, respondent 1 had purportedly, on behalf of Cin Holdings, made a further advance of RM389,364 to Dato Tio. There was no directors' or shareholders' resolution to authorise these transactions.

[40] Respondent 1 insisted that Cin Holdings' had purchased 200,000 PHB shares as part of the total purchase of the 2,000,000 PHB shares from Syed Izhar at RM8 per share, notwithstanding the absence of a director's or shareholders' resolution.

[41] Respondent 1, inter alia, affirmed a statutory declaration seeking to rebut the special audit report. However, he did not produce the relevant minutes of directors' meeting or annual general meeting. I note that the statutory declaration was affirmed by respondent 1 some seven years after the transactions. The statutory declaration is a recent invention. It is completely inconsistent with s. 156 which requires all minutes of meetings of directors to be entered in books kept for the purpose within 14 days of the date of which the relevant meeting was held and such minutes must be signed by the chairman of the meeting. The statutory declaration cannot replace minutes of meetings of directors or shareholders.

[42] Dato Tio claimed to be in charge of Cin Holdings' payment of the listing expenses of PHB and the subsequent ill-fated investment in the acquisition of 2,000,000 PHB shares from Syed Izhar. Dato Tio was the chairman and a substantial shareholder of PHB. He had 150,000 ordinary shares in Cin Holdings. He received a sum of RM389,364 and 46,100 PHB shares for the "listing expenses" from

Cin Holdings without any directors' or shareholders' resolution.

[43] Respondent 1 had caused Cin Holdings to transfer the 46,100 PHB shares to Dato Tio who could not recollect the amount of contribution by the other shareholders towards the 'listing expenses' of PHB. He claimed that "ini perkara rahsia. Saya tidak boleh beritahu". ("This matter is secret. I cannot tell").

[44] Dato Tio could not produce any CDS statement to show the purchase of 2,000,000 PHB shares from Syed Izhar, but shifted the responsibility to one Dato' Ng Kim Weng who was alleged to have been in charge of the negotiation and arrangement of the purchase and who would then inform him (Dato Tio) of the outcome. The said Dato Ng did not appear as a witness.

[45] Although Dato Tio had allegedly advanced a sum of RM1.4 million to Cin Holdings towards the purchase of 200,000 PHB shares from Syed Izhar, he could not produce any proof of such enormous advance. There was no directors' or shareholders' resolution to approve the "listing expenses" and purchase of shares from Syed Izhar. There was also no such resolution to pledge Cin Holdings' 200,000 PHB shares to Malpac Securities in order to secure a loan of RM10 million.

[46] Dato Tio could not remember whether he had informed KLSE (now Bursa Malaysia) of the acquisition of 2,000,000 PHB shares from Syed Izhar, nor sought MITI's approval therefor.

[47] Dato Tio did not have a copy of the share margin agreement with Malpac Securities, although he claimed to be a party thereto. Cin Holdings and Dato Tio were parties ie, borrowers in the share margin account with Malpac Securities. This is contrary to respondent 1's evidence that Cin Holdings was not a party to the share margin account.

[48] Although Cin Holdings made two payments of RM50,000 each to Dato Tio as reimbursements for the interest imposed by Malpac Securities in the share margin account, he was unable to provide any documentary evidence to substantiate the interest imposed by Malpac Securities.

[49] He had never seen journal vouchers 33 and 38 which respectively recorded that he had purchased 400,000 and 200,000 PHB shares from Cin Holdings. He agreed with the suggestion by petitioners' counsel that the findings by Wong Soon Fong (SD3) in SD3's report on this transaction was untrue.

[50] Dato Tio was handling Cin Holdings' Malpac Securities account for respondent 1 in relation to the transactions of Cin Holdings. These transactions were not reflected in Cin Holdings' accounts. In my judgment, that runs counter to s. 167 which provides for accounts to be kept. The relevant provisions are reproduced below:

Section 167. Accounts to be kept.

(1) Every company and the directors and managers thereof shall cause to be kept such accounting and other records as will sufficiently explain the transactions and financial position of the company and enable true and fair profit and loss accounts and balance sheets and any documents required to

be attached thereto to be prepared from time to time, and shall cause those records to be kept in such manner as to enable them to be conveniently and properly audited.

(1A) Every company and the directors and managers there of shall cause appropriate entries to be made in the accounting and other records within sixty days of the completion of the transactions to which they relate.

(2) The company shall retain the records referred to in subsection (1) for seven years after the completion of the transactions or operations to which they respectively relate.

(3) ...

(4) ...

(5) ...

(6) The Court may in any particular case order that the accounting and other records of a company be open to inspection by an approved company auditor acting for a director, but only upon an undertaking in writing given to the Court that information acquired by the auditor during his inspection shall not be disclosed by him except to that director.

(7) If default is made in complying with this section the company and every officer of the company who is in default shall be guilty of an offence against this Act. Penalty : Imprisonment of "six months or five thousand ringgit or both..

[51] Respondent 4 Goh Koon Eng (SD2) assisted in administering Cin Holdings' affairs since 1985. He was to keep the share scripts (including PHB shares) in the safe deposit box in Visia Finance and later, when a new safe deposit box was opened, in Southern Bank in March 1998. However, after the safe deposit box in Southern Bank was opened in March 1998, respondent 4 destroyed the records of the share scripts kept in Visia Finance without informing Cin Holdings' board of directors. Share certificate No. 114 for 933,408 PHB shares was given by respondent 4 to respondent 1 to be split. However, subsequently, respondent 1 returned only 600,000 PHB shares to respondent 4. Respondent 4 was aware that 300,000 PHB shares in certificates No. 141, 142 and 143 were pledged by respondent 1 to Malpac Securities, without any directors' or shareholders' resolution. Respondent 4 did not know the fate of certificate No. 151 for 33,408 PHB shares given to respondent 1. On 7 August 1998, respondent 4 handed over another 100,000 PHB shares to respondent 1 to be pledged. Respondents 1 and 4 were signatories to Cin Holdings' share trading account with Malacca Securities Sdn. Bhd. Respondent 4 was merely taking instructions from respondent 1 without enquiring into the legality thereof. There was no directors' or shareholders' resolution to approve the above transactions of Cin Holdings.

[52] Wong Soon Fong (SD3), from the firm of accountants SFW & Associates, was appointed by the respondents to rebut the ad hoc report and the special audit report. Even though there was no directors' or shareholders' resolution, SD3 supported the payment o the sum of RM389,364 and the transfer of 46,100 PHB shares to Dato Tio, purportedly to meet Cin Holdings' contributions towards

the "listing expenses" of PHB in 1997. SD3 was not aware of the details of the listing expenses which Cin Holdings was supposed to bear. SD3 had not seen any document to prove that the sum of RM389,364 was used for the "listing expenses" of PHB which, for some unexplained reason, had to be borne by Cin Holdings. SD3 has no knowledge of the identity of those consultants to whom fees had been paid. The expression 'consultants fees' was not mentioned in any part of his report in encl. (89). Instead of producing minutes of directors' meetings or annual general meetings, SD3 relied on statutory declarations affirmed by about 75% of the shareholders purporting to give restrospective approval for such payments, seven years after the transactions. In the absence of a written resolution, SD3 thought of an "oral" resolution to approve the transfer of shares to Dato Tio. There was no evidence of Cin Holdings' acquisition of 200,000 PHB shares at RM8 per share from Syed Izhar and SD3 had not verified this transaction. There was no evidence to prove that an additional 2,000,000 PHB shares were acquired from Malpac Securities through a third party. A margin loan of RM12 million was obtained from Malpac Securities to finance the acquisition of the 2,000,000 PHB shares but Cin Holdings had not passed any resolution to authorise this loan. As alluded to above, the statutory declarations, affirmed seven years after the transactions, run counter to s. 156.

[53] Respondent 5, Tan Lai Chon (SD4), disputed the ad hoc report, and preferred to rely on "oral" approvals for the transactions relating to PHB shares handled by respondent 1 for Cin Holdings. SD4 could not remember the details thereof. He did not know the recipient of the "listing expenses" allegedly paid by Cin Holdings through Dato Tio. He also did not know of any record showing that Cin Holdings had bought 200,000 PHB shares from Syed Izhar. Although he agreed to Cin Holdings' payment of "listing expenses", he did not know Cin Holdings' contributions, as "certain doings cannot be in black and white" and "not every transaction can be recorded." SD4's testimony shows that respondent 1's transactions and dealings carried out for Cin Holdings were unrecorded and unsupported by any directors' or shareholders' resolution, and that respondent 1 had acted as though these transactions and dealings were his own.

[54] The evidence adduced respectively for the petitioners and the respondents apparently show two conflicting versions. Given this situation, it is my duty to accept one version and reject the other. I follow the safer approach set out by Chang Min Tat FJ (as he then was) for the Federal Court in Tindok Besar Estate Sdn Bhd v. Tinjar Co [1979] 1 LNS 119, ie to refer to and rely on the witness' acts and deeds which were contemporaneous with the event and to draw reasonable inferences from them, adding that judicial reception of evidence requires that the oral evidence be critically tested against the whole of the other evidence and circumstances of the case, and that plausibility should never be mistaken for veracity. This approach was also applied by James Foong J (now FCJ) in Industrial Concrete Products Bhd v. Concrete Engineering Products Bhd & Other Suits [2001] 8 CLJ 262 and by me in Nuri Asia Sdn Bhd v. Fossis Corporation Sdn Bhd & Anor, supra.

[55] I therefore accept the petitioners' version as the reasonable, credible and probable version, on the ground that it is cogently supported by documentary evidence. The evidence adduced for the respondents is self-destructive and clearly contradicts their own contemporaneous documents.

[56] In Eric Lau Man Hing v. Eramara Jaya Sdn Bhd & Ors [1998] 3 CLJ Supp 126, the court found for the petitioners in a s. 181 petition as there were irregular financial transactions by the respondents

who are majority shareholders. The factual matrix there is similar to the situation before me (see also Re Coliseum Stand Car Service Ltd Abdul Khalik v. Mohamed Jee & Ors [1971] 1 LNS 121; The Companies Act of Malaysia - An Annotation by Walter Woon & Andrew Hicks p. 89; and Tan Kian Hua v. Colour Image Scan Sdn Bhd & Ors [2004] 6 CLJ 174 p 188-189).

Removal Of Directors

[57] The respondents initially attempted to remove petitioners 1, 4 and 6 as directors of Cin Holdings and to appoint the respondents 4, 5 and 9 as replacements via an extraordinary general meeting (EGM) which was to be held on 28 May 2003. Petitioners 1, 4 and 6 had foiled that attempt and, pursuant to s. 128, prepared a representation which was circulated to all the members. On 28 May 2003, before the EGM could be held, respondents 4, 9 and 10 withdrew their requisition for the EGM.

[58] The respondents' second attempt was to remove petitioners 1, 3 and 4 as Cin Holdings' directors and to appoint respondents 4, 5 and 6 in their place via an EGM to be held on 13 August 2003. Petitioners 1, 3 and 4 had also foiled that attempt and, pursuant to s. 128, prepared a representation which was circulated to all the members. At the EGM on 13 August 2003, a request was made for a poll to be taken. Due to a dispute on the admission of votes, petitioner 1, in his capacity as Cin Holdings' chairman, rejected the votes of respondents 1, 2, 3, 4, 5, 9 and 10 pursuant to article 61 of Cin Holdings' articles of association. The respondents have given no ground for the removal of petitioners 1, 3 and 4 as directors nor responded to the representations circulated pursuant to s. 128. The majority voted against the proposed ordinary resolution to remove petitioners 1, 3 and 4 as directors.

[59] Notwithstanding the rejection of the resolution to remove petitioners 1, 3 and 4 as directors at the EGM on 13 August 2003, respondent 1 had purportedly signed Form 49 stating inter alia that petitioners 1, 3 and 4 had been removed and three new directors respondents 4, 5 and 6 were appointed at that EGM and that one Tee Geok Hoon of Key Consult Sdn. Bhd. had been appointed as the joint-secretary for Cin Holdings ("the purported secretary").

[60] On or about 21 August 2003, the purported secretary lodged Form 49, Form 48A, and other statutory documents with the Companies Commission of Malaysia ("CCM").

[61] Cin Holdings had vide solicitors' letter dated 25 August 2003 notified CCM of the illegality and falsification of Form 49. Pursuant to the letter, CCM struck out respondents 4, 5 and 6 from the list of directors and the purported secretary and reinstated petitioners 1, 3 and 4 as directors.

[62] The purported secretary had vide notice dated 22 August 2003 notified that a directors' meeting was to be held on 30 August 2003. One agenda was to instruct Cin Holdings' solicitors to discontinue the civil suit against respondent 1 and Messrs. O.L. Yeo & Co, Cin Holdings' statutory auditor. Cin Holdings and the petitioners had notified the purported secretary and respondent 1 of the illegality, warning that further legal proceedings would ensue if the said parties persisted with their wrongful actions. Further, the petitioners' solicitors had on 18 December 2003 received a letter from CCM confirming the list of Cin Holdings' directors. Respondents 4, 5 and 6 were not included as such

directors.

[63] In my judgment, the respondents' ulterior motive or mala fides to remove the petitioners as directors was clearly to stifle or discontinue the civil suit. Petitioners 1, 3, 4 and 6 have sufficient proprietary interest to remain as Cin Holdings' directors (see The Companies Act of Malaysia - An Annotation by Walter Woon & Andrew Hicks p. 85; and Hayes v. Bristol Plant Hire Ltd & Ors [1957] 1 All ER 685), where it was held, inter alia, that a director has sufficient proprietary interest to pursue an action for declaration and injunction to restrain removal from the board.

[64] Respondent 1's attempt to stifle the civil suit by Cin Holdings against him and his irregular transactions have caused the depletion in Cin Holdings' assets, especially its cash reserves, to the benefit of the respondents but to the detriment of the petitioners who are the minority shareholders.

[65] The petitioners have established all the three essential elements under s. 181(1)(a), for which the remedies are available under s. 181(2).

Orders

[66] The facts clearly demonstrate the predominant role played by respondent 1 in the irregular transactions and episodes unfolded above, while the other respondents were trivial and subservient players who have indeed danced to the tune and music of respondent 1. In the circumstances, I make the following orders:

(i) Against all respondents, prayers (1)(a), (b) and (c); (2)(a) and (b); and (3).

(ii) Against respondent 1, prayers (4), (5), (6) in favour of petitioner 9 ie, Cin Holdings only;

and (7) ie, costs to be borne and paid by respondent 1 to all the petitioners.

[67] The above judgment was delivered on 12 February 2009.

Assessment Of Damages

[68] On 26 March 2009, assessment of damages, pursuant to prayer (5) above, was proceeded with. Evidence was adduced for Cin Holdings through SP2.

[69] The measure of damages suffered by Cin Holdings is based on the valuation of Cin Holdings' investments in quoted shares at market value as at 30 September 2002 ie, RM3,029,851 and 20 March 2009 ie, RM209,518.03. The diminution in value is therefore RM3,029,851-RM209,518.03 = RM2,820,332.97. This valuation of Cin Holdings' investments in quoted shares was arrived at by reference to the public record of share prices at Bursa Malaysia.

[70] There was no evidence in rebuttal. Respondent 1 did not testify at all. He also did not call any other witness in the same proceedings.

[71] In the circumstances, I am unable to sustain the submission presented for respondent 1 that Cin Holdings had not suffered any actual loss occasioned by the loss of opportunity; and that the diminution in value of RM2,820,332.97 is too remote.

[72] I hold that Cin Holdings had discharged the onus of proving that it has sustained the said damage, on a balance of probabilities. I therefore award a sum of RM2,820,332.97 by way of damages, with interest at 8% p.a. from 19 October 2002 to the date of realisation, and costs to be paid by respondent 1 to Cin Holdings.

[2009] 1 LNS 549