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Court Rules in Favour of SC's Claim Against Former Deputy MD for Wrongful Loss

After a full trial, the High Court yesterday rendered its decision in favour of the Securities Commission Malaysia (**SC**) against a former Deputy Managing Director (**MD**) of Stone Master Corporation Berhad (**Stone Master**) for causing wrongful loss to Stone Master.

SC was represented by our partner, SM Shanmugam [together with associates, CK Lung and Hooi Chung Wai, as well as Hashley Tajudin and Aina Syazwani of SC].

Brief facts

During the tenure of the former Deputy MD, Stone Master entered into "exclusive agency agreements" with 23 foreign companies worth RM3.05 billion. Pursuant to the said agreements, Stone Master paid a non-refundable deposit of RM11.59 million to "local representative companies" of the 23 foreign companies.

SC filed a claim against the former Deputy MD for contravention of sections 179, 317A and 370 of the Capital Markets and Services Act 2007 (**CMSA**). SC's investigations revealed that RM11.54 million out of the non-refundable deposit was transferred by the "local representative companies" into the former Deputy MD's personal bank accounts. Pending disposal of the trial, SC had obtained an *interim* injunction to restrain the former Deputy MD from dealing with monies in her personal bank accounts up to the value of RM11.54 million.

Decision

The High Court, in its grounds of judgment, agreed with SC that, among other things, the conduct of the former Deputy MD amounted to causing a wrongful loss to Stone Master, in breach of Section 317A of the CMSA.

The High Court ordered, *inter alia*, that the former Deputy MD:

- (a) Pay RM11.54 million to SC, to be held on trust for Stone Master;
- (b) Pay a civil penalty of RM1 million to SC;

(c) Be barred from being a director of a public-listed company for five years.

The decision was also reported in [SC's website](#), [The Star Online](#) and [The Edge Markets](#) yesterday.

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If you have any queries, please contact the author or his team partner [SM Shanmugam](#) (ssm@lh-ag.com).

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