



**UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL**

**FINAL EXAMINATION
MARCH 2024 SEMESTER**

COURSE CODE	: EIB20803
COURSE NAME	: COMPANY LAW
PROGRAMME NAME	: BACHELOR OF BUSINESS ADMINISTRATION (HONS) IN MANAGEMENT AND ENTREPRENEURSHIP
DATE	: 3 JULY 2024
TIME	: 2.00 PM – 5.00 PM
DURATION	: 3 HOURS

INSTRUCTIONS TO CANDIDATES

1. Please **CAREFULLY** read the instructions given in the question paper.
2. This question paper has information printed on both sides of the paper.
3. This question paper consists of **THREE (3)** questions.
4. Answer **ALL** questions.
5. Please write your answers on the answer booklet provided.
6. All questions must be answered in **English** (any other language is not allowed).
7. **This question paper must not be removed from the examination hall.**
8. Students are allowed to refer to the unannotated **Companies Act 2016** and when answering their papers during the examination.

THERE ARE THREE (3) PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

SECTION A (Total: 100 Marks)**INSTRUCTIONS: Answer ALL questions.****Please use the answer booklet provided.****Students are allowed to refer to the unannotated Companies Act 2016 when answering their papers during the examination.****Question 1**

One of the articles of Cili Boh Sdn. Bhd. provided that contracts to buy or sell property could be entered into only with the consent of Ali who held 30% of the share capital in the company. Ali is also the director of the company. A majority of directors of the company wished to sell a piece of land in Bandar Tasek, Puchong, owned by the company in order to profit from a rise in land value. Ali voted against the proposal as he was of the opinion that land prices would rise still higher as there are indications that a new LRT system will be implemented in five years. The majority of the directors are now proposing to put a resolution to the company in the general meeting to authorize the sale of the land. They are confident that Ali will not get any support to vote against the resolution.

Cili Boh Sdn. Bhd. would also like to venture into the business of online food deliveries which is not within the object of the company. Cili Boh Sdn. Bhd. has only one main object namely to be involved in the business of buying and selling houses and other landed property in the company's constitution.

With reference to the Companies Act 2016 and decided cases you are required to advise the board of directors of the followings:

- a) The legal effect of the constitution of the company.

(25 marks)

- b) The legal effect of the directors wanting to sell the land without Ali's consent.

(10 marks)

- c) Whether there is an alternative way by which they may sell the land without requiring Ali's consent.

(10 marks)

d) The legal effect of entering into the online food delivery business.

(5 marks)

Question 2

Bigfour Bhd. (the company) is a property company. Its principal activity is buying of land, building private houses and selling those houses directly to the public. The board of directors of the company is made up of five persons, namely three executive directors and two non-executive directors.

The three executive directors are Bihan, a solicitor who is in charge of the legal department. Kenny, a quantity surveyor, responsible for land acquisition for the company and Christ, who is in charge of advertising, marketing and sales. The two non-executive directors are Sahak (who founded the company 20 years ago with his brother Salleh) and Melur. Melur holds ten percent of the company's share. Sahak is the chairman of the board of directors.

The three executive directors are also shareholders of the company holding 25% each of the company's shares. The rest of the company's shares are held by Jabar and the non-executive directors.

The following situations have arisen:

- i. The company recently purchased a small rectangular piece of land for RM3.5 million. Although the land was surrounded on three sides by existing development, it appeared on visual inspection to have access to the highway on the fourth side. Bihan dealt with the legal work necessary to complete the purchase but had failed to do a thorough inspection of the title deeds. It now appears that a routine inspection of the title deeds would have revealed that a three-metre strip of land runs the length of the fourth side preventing access to the highway and making development impossible. The owner of this strip of land is willing to sell the land to the company at a price of RM1 million and thus adding more unnecessary cost to the company's project.
- ii. The company developed and sold a small site of town houses. The houses were marketed and quickly sold at RM250,000 per unit. It is now clear that the houses were undervalued and would have been easily sold at RM410,000. While the company did not make a loss on the development, its profit was marginal rather than substantial. All three executive directors have bought two units each of the houses at RM250,000 each. None of the other non-executive directors and other shareholders was informed of these contracts.

- iii. Christ had obtained a loan of RM400,000 from the company to send his daughter to Australia to further her studies in music.

All the above transactions were approved by the executive directors only. Jabar had confronted them on all those issues a number of times but he was told politely that matters are under control and there is nothing to worry. Jabar is now seeking your advice as to whether he has any rights as a shareholder to take legal

action against the executive directors of the company for any breach of the directors duties provided under the Companies Act 2016 and under the Common Law.

Advice Jabar and support your answer with decided cases.

(25 marks)

Question 3

Briefly explain the followings:

- a) The meaning of Winding up.

(5 marks)

- b) The modes of Winding up.

(10 marks)

- c) The definition of the words "inability to pay debt" stated in Section 465(1)(e) as one of the circumstances in which company may be wound up by Court.

(10 marks)

END OF EXAMINATION PAPER