

An appeal

- by -

YuNing Wang, a Director or Officer of CathayOnline (Canada) Inc.,  
CathayOnline Inc., CathayOnline (HK) Technologies Ltd., CathayOnline  
(BVI), Beijing CathayOnline Technologies Co. Ltd, Lothian Bancorp Ltd.,  
Sichuan CathayOnline Technologies Co., Ltd., Torchmail.com Inc. and Via  
Technology Inc. Associated Corporations under Section 95 of the ES Act  
(“Wang”)

- of a Determination issued by -

The Director of Employment Standards  
(the "Director")

pursuant to Section 112 of the  
*Employment Standards Act* R.S.B.C. 1996, C.113

**ADJUDICATOR:** Norma Edelman, Vice-Chair

**FILE No.:** 2002/043

**DATE OF DECISION:** May 30, 2002

## DECISION

### OVERVIEW

This is an appeal by YuNing Wang ("Wang") under Section 112 of the *Employment Standards Act* (the "Act") of a Determination, which was issued against him as a director or officer of CathayOnline (Canada) Inc., CathayOnline Inc., CathayOnline(HK) Technologies Ltd., CathayOnline (BVI), Beijing CathayOnline Technologies Co. Ltd., Lothian Bancorp Ltd., Sichuan CathayOnline Technologies Co. Ltd., Torchmail.com Inc. and Via Technology Inc., Associated corporations under Section 95 of the *Act* (collectively, the "Associated Corporations") by a delegate of the Director of Employment Standards on January 11, 2002. The Determination requires Wang to pay \$53,149.15 as a result of a finding that he is personally liable for wages owing to 7 individuals (collectively, the "Respondents"). That liability arises from Section 96 of the *Act*. Wang says the Determination should be cancelled because there is an error in the facts and in interpreting the law and the Determination should be changed or cancelled or referred back for further investigation.

### ISSUE TO BE DECIDED

Did the Delegate err in determining that Wang is liable to pay wages in the amount of \$53,149.15 to the Respondents?

### FACTS AND ARGUMENTS

On September 25, 2001, the Delegate issued a Determination against the Associated Corporations. I shall refer to this Determination as the corporate Determination. The Delegate found the Associated Corporations owed the Respondents \$66,252.47.

CathayOnline (Canada) Inc. appealed the corporate Determination. On December 20, 2001 the Tribunal issued a Decision ( BC EST # D682/01) which confirmed the corporate Determination in all respects, including the Section 95 declaration, except for the calculation of wages, where it was varied to show an amount owing of \$64,367.06, plus interest.

On January 11, 2002, as a result of not receiving full payment of the corporate Determination, the Delegate issued Determinations against 8 persons identified as officers/directors, including Wang.

In the Determination issued against Wang, the Delegate says as follows:

Based on the evidence available from yourself, you were a Director or Officer of this company at the time these wages were earned or should have been paid. You advise that your position was President, Torchmail.com Inc. one of the Associated Corporations in the CathayOnline group. The evidence confirmed that you participated in the activities of the company during the time wages were earned.

The 2000 Annual Report of CathayOnline Inc. shows on page 6 that you were Vice President of China Operations and President of Torchmail. No evidence was produced to show any change in your status as a director/officer of these corporations. The various employee's (sic) unpaid wages were earned between June 1999 to July 15, 2001. YuNing Wang was a Director/Officer of the

(Associated Corporations) and was so appointed at the time the wages were earned and became payable.

As a result, the Delegate found Wang liable for wages in the amount of \$53,149.15.

The Tribunal received appeals against 5 of the "officer/director" Determinations, including this appeal. I am issuing, concurrent with this Decision, separate Decisions with respect to the other 4 appeals.

Wang says the Respondents' employer was CathayOnline (Canada) Inc. The sole director of CathayOnline (Canada) Inc. is Brian Ransom. Wang says he was the President and sole director of Torchmail.com Inc. which had no employees. He was not a director or officer of any of the other associated corporations including CathayOnline (Canada) Inc. Wang further says he was an employee of CathayOnline (Canada) Inc. and he is also owed wages. He is of the view that Sichuan CathayOnline Technologies Co. Ltd. has enough assets to cover the salaries and expenses that CathayOnline (Canada) Inc. owes to its employees and other creditors. Wang says he is not liable under Section 96 of the Act for unpaid wages because the employer, CathayOnline (Canada) Inc. has to pay its employees and he was not a director or officer of the employer corporation.

The Delegate and the Respondents were invited to respond to the appeal. Only the Delegate responded and the totality of his response is as follows:

I believe that my determinations stand and that the Employment Standards Tribunal should deny these appeals.

## ANALYSIS

Under Section 96 of the *Act*, corporate officers and directors can be held personally liable for up to 2 months unpaid wages for each employee. Under Section 95 of the *Act*, the Director of Employment Standards can treat several separate entities as one person in which case each entity is jointly and separately liable for any unpaid wages that are owed to an employee of any of the entities.

In *ICON Laser Eye Centers Inc. et al* BC EST # D649/01 (which was recently upheld on reconsideration in Decision BC EST # RD201/02) the Tribunal addressed the interrelationship between Section 96 and Section 95 of the Act. In that Decision the Adjudicator stated:

(D)irectors and officers of associated firms are not liable for employees' unpaid wages absent their being personally designated in the section 95 declaration itself.

The personal liability imposed on directors and officers under section 96(1) is predicated on there being an employment relationship between the employee and the corporation of which the individual is a director or officer...As I have previously observed, a section 95 declaration does not make an associated firm an "employer" of the employees in question. Section 95 is unlike, say, section 38 of the Labour Relations Code which specifically states that several entities may be treated as one "employer" for purposes of the Code. Indeed, as I have also noted, if the associated firm is an "employer", there is no need for a section 95 declaration -- liability for unpaid wages can be imposed directly without having to resort to section 95. The personal liability imposed on directors and officers under section 96(1) flows from their having been a director or officer of the corporate employer when the employees' unpaid wage claims crystallized.

Given that section 96 must be construed narrowly, I fail to see how directors or officers of an associated corporation can be held personally liable for unpaid wages owed by another employer even if that other employer was "associated" with the firm of which the individual is a director or officer.

I agree with the Adjudicator's analysis and conclusions in the above decision concerning the issue of whether directors and officers of "associated corporations" are personally liable for the unpaid wages owed by the employer firm. In my view, unless the associated corporation can be characterized as the "employer" of the employees in question, the directors and officers of the associated corporation are not personally liable for the employees' unpaid wages, unless they were personally designated in a Section 95 declaration.

In this case, Wang was not personally designated as being "associated" in the corporate Determination.

Further, I accept that the Respondents' sole employer was CathayOnline (Canada) Inc. There is absolutely no information before me to show otherwise. As noted above, none of the Respondents replied to the appeal and the delegate's response contains no rebuttal to the Appellant's argument. As well, in the corporate Determination the delegate appears to single out CathayOnline (Canada) Inc. as the employer insofar as he makes the point that it issued the Respondents' paycheques and, in his calculation sheets, he lists the employer as CathayOnline (Canada) Inc.

In addition, although there is no question that Wang was a director of Torchmail.com Inc., there is no evidence to support the position that he was appointed, elected or functioned as a director or officer of any of the other Associated Corporations, including the employer corporation, CathayOnline (Canada) Inc.

In light of the above, I am satisfied Wang is not liable for the wages set out in the Determination.

## **ORDER**

I order under Section 115 of the *Act* that the Determination dated January 11, 2002 be cancelled.

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**Norma Edelman, Vice-Chair  
Adjudicator  
Employment Standards Tribunal**