

IN THE SUPREME COURT OF BRITISH COLUMBIA

Citation: *Li v. Frost*,
2025 BCSC 1514

Date: 20250807
Docket: S241621
Registry: Vancouver

Hang Li also known as Elsie Li

Petitioner

And

Darryll Frost and Alna Packaging Co. Ltd.

Respondents

- and -

Docket: S240426
Registry: Vancouver

Between:

Darryll Frost

Plaintiff

And

**Hang Li also known as Elsie Li, Xing Li, Meiping Hang,
Meilleur Group Distribution Ltd., Montecito Group Co. Limited,
Bernina Trading Jiangsu Co., Ltd. and Nantong Zhensu Trade Co., Ltd.**

Defendants

Before: The Honourable Mr. Justice Coval

Reasons for Judgment Re Receivership Application

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Place and Dates of Hearing:

Vancouver, B.C.
July 28-30, 2025

Place and Date of Judgment:

Vancouver, B.C.
August 7, 2025

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Introduction

[1] Ms. Li applies to appoint an interim receiver-manager over the affairs of ALNA, pending the hearing of her petition to wind up ALNA under the oppression provisions of the *Business Corporations Act*, S.B.C. 2002, c. 57 [BCA].

[2] Mr. Frost opposes the application.

[3] The parties managed ALNA successfully from 2018-2023. Beginning around the summer of 2023, however, their business relationship quickly deteriorated to the point of losing all trust and confidence in each other. They are now embroiled in three lawsuits in this court.

[4] Mr. Frost has taken over sole control of ALNA’s day-to-day management. Ms. Li remains a director, with a high degree of visibility into ALNA’s affairs. By a consent order in April 2024, Alvarez & Marsal Canada Inc. was appointed as monitor over ALNA, and the firm has agreed to act as the receiver-manager if appointed.

[5] Ms. Li brought this application on an urgent basis. She submits that the receiver’s immediate appointment is necessary because of: (i) Mr. Frost’s attempts to sell ALNA products to Russian businesses, contrary to Canada’s sanctions; and (ii) ALNA’s Canada Revenue Agency debt of approximately \$3 million which was due on July 29, 2025.

[6] In my view, the appointment of a receiver-manager is not justified, and so Ms. Li’s application is dismissed. I grant Mr. Frost’s cross-application for an order that Ms. Li cooperate with him to cause Montecito Group Co. Ltd. to repay its undisputed debt to ALNA so that ALNA can pay its debt to the CRA.

Background

ALNA

[7] ALNA was incorporated as a BC company in May 2018. It is in the business of selling aluminum can bodies and ends, mainly to customers in North America. It is

owned 55% by Mr. Frost and 45% by Ms. Li, through their respective family trusts. They are its only two directors.

[8] ALNA has (in round numbers) \$2.3 million in cash, US\$6-7 million in annual revenue, and a monthly payroll of \$80,000 for seven employees.

Related and Disputed Companies

[9] Because ALNA’s suppliers were mainly in China, in 2021-2022 it opened its own operations there and began pursuing customers. ALNA hired several employees and opened an office. Ms. Li performed the day-to-day management of ALNA’s Canadian and China offices.

[10] Three Chinese companies were formed to operate as part of ALNA’s business. Mr. Frost’s evidence is that, when these three companies were incorporated, Ms. Li advised him that, for various reasons (tax issues, trade restrictions, etc.), ALNA itself should not own the companies. His evidence is that, at that stage, he fully trusted Ms. Li and so agreed with her proposals.

[11] The three Chinese companies are:

Bernina Trading Jiangsu Co. Ltd. (“Bernina”), a PRC company;

Nantong Zhensu Trade Co. Ltd. (“Zhensu”), a PRC company; and

Montecito Group Co. Ltd. (“Montecito”), a Hong Kong Company.

[12] When Ms. Li incorporated Bernina in June 2022, she registered the majority of its shares in the name of her father, Xing Li. ALNA’s employees in the PRC were then transferred to Bernina, though they continued to work closely with the ALNA employees in Canada until the summer of 2023.

[13] Zhensu’s shares are owned by Ms. Li’s mother. Montecito’s shares were originally owned by Mr. Frost and Ms. Li, but she later transferred her shares to her mother.

[14] Mr. Frost's uncontested evidence of Bernina's initial relationship with ALNA includes this:

- i. In August and September 2022, Bernina received payments indirectly from ALNA totalling US\$4,500,000 to fund its operations.
- ii. By the summer of 2023, Bernina had (in round numbers) cash of \$10,000,000 and monthly net cash flow of \$500,000. Mr. Frost does not know what has happened to that money or the business of Bernina.
- iii. Initially, these offshore companies were run as part of ALNA's business, as Mr. Frost expected. Ms. Li managed them as part of managing ALNA. Until the summer of 2023, ALNA prepared financial statements which included the transactions of all these companies, and correspondence referred to the BC and China employees as the "Canada Team" and the "China Team". All the companies kept their accounting records using the same software, and Mr. Frost received all their banking and accounting information.

[15] In April 2024, Mr. Frost swore a detailed affidavit alleging that, in the summer of 2023, Ms. Li began to speak of Bernina as separate from ALNA's overall business, and as a company belonging only to her father. Shortly thereafter, she ceased providing ALNA and Mr. Frost with Bernina and Zhensu's financial information and denied them access to the Shanghai server. He alleges that, in this way, Ms. Li misappropriated from ALNA funds, employees, good will, and business opportunities – in effect, a complete and profitable business funded and established by ALNA – for the benefit of herself and her family.

[16] Ms. Li has sworn numerous affidavits in the subsequent litigation between the parties, including eight in these proceedings, but has not responded to these allegations. Mr. Frost submits that, for purposes of this application, she should therefore be treated as a wrongdoer.

Litigation

[17] In January 2024, Mr. Frost sued Ms. Li and others, alleging she diverted significant funds and other assets from ALNA to herself and her parents (Vancouver Action S240426). Having initially included ALNA as a plaintiff, Mr. Frost discontinued ALNA's claims because there was no director's resolution authorizing the litigation.

He has recently filed an application for leave to bring a derivative action on ALNA's behalf against Ms. Li, Bernina, Zhensu and others.

[18] In March 2024, Ms. Li commenced these oppression proceedings, alleging Mr. Frost improperly excluded her from day-to-day management of ALNA. Mr. Frost acknowledges having done so, though he claims it was justified and points out that she remains a director with substantial visibility into ALNA's operations and financial information and has the protection of the monitor.

[19] In May 2024, Ms. Li sued Mr. Frost in defamation (Vancouver Action S242415).

[20] In previous applications I have heard as the case management judge of these various proceedings, Mr. Frost argued that Ms. Li's ultimate objective was to put ALNA out of business before he could establish what happened with Bernina and Zhensu. He submits this application serves that same strategy by seeking to impose on ALNA the intrusiveness, expense and reputational harm of a receiver-manager for no good reason.

[21] Mr. Frost has also argued in detail in numerous conferences and applications, including this one, that Ms. Li is avoiding proper document production, particularly regarding her dealings and communications with her parents about Bernina. Having reviewed this evidence and submissions numerous times, including in an application where I ordered cross-examination of Ms. Li, my current view is that there appears to be merit to Mr. Frost's document production concerns.

Ms. Li's Reasons for a Receiver

[22] In seeking this appointment on an urgent basis, Ms. Li relies on two issues: (i) Mr. Frost's negotiation with potential Russian customers, contrary to Canada's legal sanctions; and (ii) his resistance to paying CRA more than \$800,000 from ALNA's \$2.3 million in cash.

[23] In oral argument, her counsel submitted that these issues resemble other alleged misconduct by Mr. Frost, such as providing special credit terms to a business he owns, selling product at reduced prices to businesses owned by his friends, and trying to deny Ms. Li access to ALNA's banking information.

Russian Negotiations

[24] For purposes of this application, Mr. Frost acknowledges that, from May 30-June 4, 2025, he solicited two Russian companies as potential customers for ALNA's aluminum cans and lids. By June 4, negotiations with one of the companies reached the stage of ALNA providing pricing and volume information.

[25] Mr. Frost also acknowledges that "aluminum and articles thereof", and specifically aluminum cans, are included as goods not to be sold by Canadians, or persons in Canada, to any person in Russia, under the *Special Economic Measures (Russia) Regulations*, SOR/2014-58. Mr. Frost's evidence is that he is awaiting a response from federal government officials to his inquiry of whether selling aluminum beverage cans to an entity in Russia would violate the sanctions.

[26] When these negotiations commenced, Ms. Li immediately discovered them from her access to ALNA's employee email accounts. Through counsel, she took the position that they would involve ALNA in unlawful conduct with potentially serious consequences and be a breach of Mr. Frost's fiduciary duties to the company.

[27] In response, Mr. Frost quickly terminated the negotiations, which had not reached the stage of draft agreements or any sales. With one of the Russian companies, communications ended on June 5, 2025. With the other, the final email of June 19, 2025, advised that ALNA could not proceed because of concerns about the sanctions. Ms. Li had access to these emails at the time.

[28] When Ms. Li advised that, because of these Russian negotiations, she intended to bring this urgent receivership application, Mr. Frost immediately offered a consent injunction restraining such transactions in the following terms:

[Mr. Frost] will consent to an interlocutory injunction to the effect that ALNA will not sell any product in Russia, or enter into any contract to so, without the consent of Ms. Li without leave of the court, so long as the injunction order is made on a without prejudice basis, so that it cannot be interpreted as any acknowledgment of wrongdoing.

[29] Ms. Li submits that this consent injunction is insufficient because she has no visibility into Mr. Frost's day-to-day management, he pursued these opportunities despite knowing of their illegality, and his emails suggest he may still be doing business in Russia.

[30] She submitted evidence from ALNA's records of Mr. Frost receiving advice, in 2022 from Hong Kong counsel, that the sanctions did apply to aluminum cans and parts. She also pointed to Mr. Frost's statement in his recent emails to the Russian companies that "we do supply Russia now so completely understand the complexity of trade".

Tax Liability

[31] As part of its factual basis for alleging oppression, Ms. Li's Amended Petition relies on Mr. Frost's "continued refusal to pay the outstanding amount of the CRA liability on the basis that ALNA requires the remainder of its funds for operating capital".

[32] After the parties' disputes arose, substantial deficiencies emerged in ALNA's income tax returns for 2020-2022. Both parties hired professional advisors. Negotiations and discussions ensued about how to proceed, and both sides concluded a voluntary disclosure application was required.

[33] On March 6, 2024, Ms. Li unilaterally filed her preferred form of voluntary disclosure on behalf of ALNA. On July 9, 2025, the CRA issued ALNA notices of reassessment for approximately \$50 million of understated taxable income and \$14 million of unreported tax payable. The unreported tax has been paid, but \$3,050,637.79 of interest on the principal liability remains outstanding and was due on July 29, 2025 ("Tax Debt").

[34] Ms. Li's application says this issue further justifies this urgent appointment of the receiver because:

16. The risk of irreparable harm – and the need for a steady, neutral hand in the form of a receiver manager – is heightened by the Total Tax Assessment (due July 29, 2025) and the risk to ALNA's solvency it poses.
- ...
56. The Total Tax Assessment must be paid no later than July 29, 2025. ALNA's total cash on hand is approximately \$2.3 million.
57. Mr. Frost rebuffed [Ms. Li]'s efforts to have the estimated Interest paid to CRA in January 2025. Thus, the Total Tax Assessment continues to accrue interest on interest, which is compounding daily. It is currently unclear how ALNA will extinguish this liability by the due date of July 29, 2025. If it fails to do so, the CRA will be at liberty to engage collection efforts.

Governing Law

[35] The oppression provisions of the *BCA* provide for appointment of an interim receiver-manager (s. 227(3)). Further jurisdiction for such an appointment is found in s. 39(1) of the *Law and Equity Act*, R.S.B.C. 1996, c. 253, and Rule 10-2(1) of the *Supreme Court Civil Rules*.

[36] The test for an interim order under the oppression remedy is generally the three-part test for an interlocutory injunction (*Petersen v. Hawley*, 2021 BCSC 44, para. 49).

[37] The parties agree that a receivership order is extraordinary relief to be granted only cautiously and sparingly. It is an intrusive interference with the affairs of a company, reputationally harmful, and expensive (*Mirage Trading Corporation v. Ghahroud*, 2025 BCSC 588, para. 95).

[38] The parties disagree about the merits test for such an appointment in an oppression case. Mr. Frost says the appointment amounts to a mandatory injunction, and so the applicant must show a "strong *prima facie* case" (*Petersen*, paras. 50-56).

[39] Ms. Li says the better approach is to apply the just and convenient standard to the circumstances as a whole, informed by the factors identified in *Maple Trade Finance Inc. v. CY Oriental Holdings Ltd.*, 2009 BCSC 1527. *Maple Trade* was not an oppression case, but rather the common situation of a secured creditor seeking a receiver over the affairs of its debtor. In *Mirage Trading*, which was an oppression case, Justice Matthews held that the balance of convenience analysis should be informed by the *Maple Trade* factors, but she applied the strong *prima facie* case test to the merits (paras. 94-103).

[40] In my view, the appropriate merits test for an interim receiver in an oppression proceeding is strong *prima facie* case. This was the conclusion of Chief Justice Hinkson in *Petersen*, the case which most squarely addressed the issue, and I see myself as bound by that decision. I also respectfully agree with *Petersen* that the imposition of a receiver is a form of mandatory injunction, in that it requires a defendant to take costly and burdensome positive action, as opposed to refraining from doing something (*R. v. Canadian Broadcasting Corp.*, 2018 SCC 5, paras. 15-16).

Analysis

Should the Receiver Be Appointed?

[41] In my view, the circumstances do not come close to justifying the appointment of a receiver. There is no strong *prima facie* case of oppression that requires such an appointment, no apparent risk of irreparable harm without it, and the balance of convenience weighs heavily against it. Also, in my view, there was no urgency to this application except as caused by Ms. Li's refusal to have Montecito repay its debt to ALNA so ALNA could retire the Tax Debt.

[42] Regarding the Russian negotiations, I accept that Mr. Frost was soliciting business that, if brought to fruition, would have breached the Canadian sanctions. I also accept that he has not explained why he pursued these sales in 2025 given his advice in 2022 that the sanctions applied. I also accept Ms. Li's position that the

Russian negotiations posed a serious risk to ALNA which justified her insistence that they be terminated immediately.

[43] Nevertheless, the intrusive and prejudicial appointment of a receiver is not justified. I say this for the following reasons:

- i. Mr. Frost has terminated the negotiations and offered his consent injunction to restrain ALNA from pursuing any future sales to Russia.
- ii. I see no reasonable basis to fear that Mr. Frost will breach his proposed consent injunction. Among other things, doing so would be highly prejudicial to him in these high-stake proceedings against Ms. Li.
- iii. Ms. Li has extensive, real-time visibility into ALNA's business communication and operations, and the evidence indicates she would quickly spot any activity by ALNA contrary to the consent injunction. She has full access to ALNA's bank accounts and its accounting server. She receives notice of all proposed payments and is entitled to ask the monitor to refuse them. She has access to all of ALNA email databases and can read incoming and outgoing emails of all ALNA employees (except Mr. Frost, who similarly has no access to her email). The evidence shows she is surveilling all this information closely.
- iv. There is no evidence that Mr. Frost has pursued Russian business since June 19, 2025, when he advised he would not proceed further because of the sanctions. Regarding Mr. Frost's email statements that ALNA does supply Russia now and is versed in the complexities, there is no evidence in this application that this is truly the case. On the evidence, it appears to be marketing puffery. Mr. Frost denies any such activity, both in his July 23, 2025 affidavit ("There are currently no sales discussions ongoing with any Russian entity"), and by virtue of the proposed consent injunction. Also, if this were occurring, it is very likely Ms. Li would have found it, as she did the 2022 advice and the 2025 negotiations.

[44] In my view, the appointment is also unnecessary to address the Tax Debt:

- i. Ms. Li provided no reason why a receiver would be better suited to deal with this tax situation than Mr. Frost, who is clearly motivated to retire this Tax Debt.
- ii. I accept Mr. Frost's uncontradicted evidence that ALNA cannot currently pay more than \$800,000 without putting its operations and solvency into jeopardy.

- iii. I see no reason at this stage to reject Mr. Frost's uncontradicted evidence, supported by the evidence of ALNA's controller, Yan Qin, that this tax liability was caused by Ms. Li herself, as she was responsible for the incorrect tax returns in question and at least some of the problematic aspects of those returns. Some of this evidence is summarized below. As Mr. Frost's submissions put it, Ms. Li is "seeking the appointment of a receiver to solve a problem for which she was responsible".
- iv. Ms. Li's reasons for refusing to allow ALNA to pay the Tax Debt by causing Montecito to repay its uncontested debts to ALNA are unconvincing. At least on the current evidence, her refusal appears to lend some support to Mr. Frost's allegation of ulterior motives. I address this in the next section.

[45] Regarding (iii), there is uncontested evidence from Mr. Frost and Mr. Qin that Ms. Li was responsible for the false income tax returns and that some of the improper tax treatment was for money paid to her and her father. Ms. Li has not responded to these allegations in any of her affidavits.

[46] The evidence is that Ms. Li oversaw ALNA's accounting and tax matters at the material times, and she certified and filed the tax returns that resulted in the unreported tax liability of almost \$14,000,000.

[47] The evidence further suggests that, as part of this, she paid US\$1.5 million to herself, which was then paid on to her father who has acknowledged receiving the money. At the time, she caused the payment to be recorded as a "storage fee" and so deducted it as an expense in ALNA's tax returns. In Ms. Li's voluntary disclosure, she eliminated the deduction, causing ALNA a taxable liability of approximately \$550,000.00 (plus around \$240,000 in interest).

[48] Mr. Frost's submissions summarized the situation this way:

Ms. Li got the money – though she reversed it as a deductible business expense, she still kept the money.

Now ALNA is stuck with the tax bill on money it does not have, but Ms. Li has.

[49] Ms. Li followed a similar pattern with three other payments, in 2022-23, from ALNA to her father. Totaling approximately US\$840,000.00, which were also

recorded as “storage charges” but reversed in her voluntary disclosure. The resulting tax liability was approximately \$400,000.

[50] The interim receiver-manager application is dismissed.

Should Montecito Repay ALNA?

[51] Mr. Frost applies for an order that Ms. Li cooperate in causing Montecito to repay its debts to ALNA, so ALNA can pay the Tax Debt.

[52] Mr. Frost and Ms. Li are Montecito’s only directors and bank signatories. The evidence is that Montecito has no employees and carries on no business.

[53] In 2022, the parties owned the company 50/50. On July 20, 2022, Ms. Li transferred her shares to her mother, who is shown as sharing her home address in Richmond, BC.

[54] In this hearing, the undisputed evidence was that Montecito received the following funds from ALNA:

- i. In July 2022, Ms. Li caused ALNA to pay Montecito US\$3,026.411 and instructed ALNA's accounting staff to record the payment as a cost for processing/disposal of scrap.

This is another of the transactions which led to ALNA’s voluntary disclosure.

- ii. In April 2023, Ms. Li instructed an ALNA supplier in the PRC to direct to Montecito a payment of US\$3,000,000 owed to ALNA. The evidence is that Ms. Li did so for potential working capital for the businesses in China, with Mr. Frost’s knowledge.

[55] Mr. Frost has sought repayment from Montecito for the Tax Debt since at least his June 27, 2024 amended response in these proceedings. Since at least April 2, 2025, he has asked Ms. Li, both personally and through counsel, to cooperate in that regard. When Mr. Frost followed up on this issue on May 3, 2024, Ms. Li’s response was simply that “There is no merit to the suggestion that funds should be 'returned' to ALNA from Montecito”.

[56] Ms. Li gave no reason for her objection to returning the Montecito money until her affidavit filed just before this hearing. Her affidavit #7 does not deny the debts but suggest that payment to ALNA might invite legal problems:

22. I understand that Frost wishes to remove funds from Montecito's Hong Kong bank accounts to ALNA's Canadian bank account. In Hong Kong, banks typically require disclosure of a transaction's purpose and supporting documents to fulfill anti-money laundering and regulatory compliance obligations. It is also prudent for companies to ensure that all relevant tax obligations have been addressed prior to executing significant cross-border fund movements.

23. Montecito has not filed its audited financial statements for the years ending 2023 and 2024, nor has it submitted its Profits Tax Return or tax computation to the Hong Kong Inland Revenue Department ("IRD") for those years. To the best of my understanding, any transfer of funds from Montecito to ALNA at this stage, without first fulfilling Montecito's compliance obligations, may:

- trigger an IRD investigation;
- result in financial penalties, estimated assessments, and/or or prosecution; and/or
- constitute a misappropriation of corporate assets under Hong Kong law.

[57] I give this evidence no weight. Much of it appears to be unattributed hearsay. Ms. Li provided no indication of the basis or source for any of these statements about the Hong Kong banking and legal system, or any information or experience which she has to support them. Also, based on the record in this hearing, I have some concern about her good faith regarding this issue. While taking the position that the Tax Debt threatens irreparable harm to ALNA and justifies a receiver, she provides no evidence of actually investigating whether there is good reason not to have solved the problem long ago by repayment of Montecito's undisputed indebtedness.

[58] In the hearing, Ms. Li also objected to Montecito repaying the funds in para. 54(i) above on the basis that they were held as an initial deposit under a written supply agreement between Montecito and ALNA, which includes an arbitration clause. Although there is nothing in the record to contradict Mr. Frost's evidence that Montecito never performed any services for ALNA, nor any evidence

of a dispute between ALNA and Montecito regarding those funds, I will deal only with the funds in para. 54(ii) since they are sufficient to pay the Tax Debt in full. During the hearing, counsel for Ms. Li acknowledged that the supply agreement did not apply to them.

[59] Having reached the conclusion that ALNA will face serious financial prejudice if it cannot pay the Tax Debt with these funds, in my view the only question is whether there is jurisdiction to order repayment in this interlocutory application.

[60] Mr. Frost relies on s. 227(3) of the *BCA*, which gives the court broad power to make interim orders with a view to remedying the matters complained of in an oppression proceeding:

(3) On an application under this section, the court may, with a view to remedying or bringing to an end the matters complained of and subject to subsection (4) of this section, make any interim or final order it considers appropriate, including an order

(a) directing or prohibiting any act,

...

(j) varying or setting aside a transaction to which the company is a party and directing any party to the transaction to compensate any other party to the transaction,

...

(r) authorizing or directing that legal proceedings be commenced in the name of the company against any person on the terms the court directs.

[61] In my view, it is very much in the interests of justice for Montecito to repay the funds so that ALNA can pay the Tax Debt, and there is jurisdiction to make this interim order under s. 227(3) given the following circumstances:

- i. The order repays in full, and therefore remedies, the Tax Debt, which is one of the matters complained of by Ms. Li in this oppression proceeding.
- ii. The order can be made against only the parties to this proceeding, as Ms. Li and Mr. Frost have full legal authority to cause the repayment.
- iii. On the evidence, this appears to be the only feasible way for ALNA to pay the Tax Debt and so avoid serious financial prejudice as the interest

compounds daily and the CRA becomes entitled to exercise enforcement rights.

- iv. Ms. Li's Amended Notice of Application acknowledges that the Tax Debt risks irreparable harm to ALNA. It also says that "It is currently unclear how ALNA will extinguish this liability by the due date of July 29, 2025. If it fails to do so, the CRA will be at liberty to engage collection efforts". It also says that the risk of irreparable harm is "heightened" by the Tax Debt and the "risk to ALNA's solvency it poses".
- v. It is undisputed that Montecito owes this debt to ALNA. This is confirmed by Ms. Li's voluntary disclosure, which says that the supplier owed the funds to ALNA not Montecito, and that Montecito is indebted to ALNA for this amount. It is also confirmed as indebtedness owed by Montecito to ALNA in ALNA's revised 2022 tax return.
- vi. It is undisputed that Montecito has the funds readily available. The evidence is that Montecito has approximately \$9 million in its bank accounts, which is idle except for gathering interest.
- vii. There is no evidence of prejudice to Montecito from repayment, apart from Ms. Li's general statements which I have not accepted. The evidence is that Montecito has no employees and no active business.
- viii. The evidence and submissions in this application lend support to Mr. Frost's submission that Ms. Li's refusal to repay the Montecito money, and her application for a receiver, reflect an overall objective of putting ALNA out of business, thereby making it more difficult for Mr. Frost to pursue his claim that she has misappropriated money, assets and opportunities from ALNA, thereby harming his interests as its majority shareholder.

[62] It is perhaps irregular for Mr. Frost to apply in Ms. Li's oppression proceedings for an such an order against Ms. Li. He has however claimed that her payments to Montecito were oppressive in his Action S240426. The various proceedings between the parties are integrated in that they are being case managed together, the parties have produced one master list of documents for all proceedings, and the affidavits in one proceeding are being used in others.

[63] In my view, this order is very much in the interests of justice. The Tax Debt threatens irreparable harm to ALNA's financial viability as an ongoing business, and to Mr. Frost's substantial financial interest in ALNA. As pointed out above, Ms. Li's own application characterizes the Tax Debt as posing irreparable harm to ALNA's

solvency. The balance of convenience overwhelmingly favours paying off the Tax Debt in this way, given the lack of prejudice to Montecito or Ms. Li compared with the serious harm threatened to ALNA and Mr. Frost.

[64] I do not see this as a mandatory injunction against Ms. Li because, in a sense, the order simply restrains her from refusing to cooperate with the repayment of funds indisputably owed to ALNA, which ALNA needs and Montecito does not. In an important sense, this is restoring the *status quo*, by having Montecito pay funds which have always been owed to ALNA and for which Montecito has no apparent use. Having said that, for the reasons stated in para. 61, I see Mr. Frost as having a strong *prima facie* case on the current record that Ms. Li's refusal to cooperate in this repayment is oppressive and unfairly prejudicial to him as a shareholder of ALNA.

[65] Finally, during the hearing the parties advised of a new oppression claim just filed by third parties against Mr. Frost, Ms. Li, ALNA, Montecito and others. The petitioners were directors and shareholders in a company previously known as Central City Brewing and Distribution Ltd. Their central claim appears to be that, in 2017-18, Mr. Frost and Ms. Li conspired to appropriate corporate opportunities belonging to CCBBD into ALNA, and used CCBBD's assets to do so, contrary to their fiduciary and other legal obligations to CCBBD. They seek an accounting and return of funds allegedly misappropriated by Mr. Frost and Ms. Li into ALNA and flowing into the other respondents such as Montecito. They say these funds are subject to a trust in their favour.

[66] I do not see this claim as a reason to prevent ALNA from paying a genuine arm's-length debt to the CRA by using funds indisputably owed to it from Montecito.

[67] For all these reasons, in my view Ms. Li is ordered to cooperate with Mr. Frost in causing Montecito to forthwith pay to ALNA the US\$3 million so that ALNA can pay the Tax Debt.

[68] In my view, and subject to hearing from counsel on this in a moment, it makes the most commercial sense to pay over the entire US\$3 million, as this will be simpler for both companies from an accounting perspective. On the evidence, there is no prejudice to Montecito, and Ms. Li has the protection of the monitor that all payments out by ALNA are in the reasonable course of business.

Conclusion

[69] Ms. Li's application for a receiver-manager is dismissed.

[70] With the consent of Mr. Frost, it is ordered that ALNA is restrained from selling any products in Russia, or entering into any contracts to do so, without leave of the court. This interlocutory injunction is granted without prejudice to the parties' respective positions and arguments on this issue.

[71] Ms. Li is ordered to forthwith cooperate with Mr. Frost in causing Montecito to repay ALNA the US\$3,000,000 paid to Montecito by ALNA's supplier in April 2023, plus any accrued interest on those funds, including by executing and delivering any documents required by the HSBC Hong Kong Bank or otherwise, so that these funds can be used to pay ALNA's Tax Debt. The parties may apply for any further orders or directions from the court on this issue as needed.

[72] As a final point, as mentioned during the hearing, I have a concern that the most recent account issued by the monitor to ALNA included fees for various discussions with Ms. Li's counsel about the potential receivership application and order. My initial reaction, not having heard from the monitor on this issue, is that these fees do not fall within the monitor's authorized powers under the appointment order and so should be charged to Ms. Li rather than ALNA. I would ask the monitor to kindly consider whether those charges should be reversed as against ALNA. The monitor may of course speak to this issue if it wishes.

[73] As I will be delivering these reasons to the parties in court on Thursday, August 7, 2025, I will hear from counsel then regarding any concerns about the specific terms of the orders and costs.

“Coval J.”