

CORPORATE LAWS

(MARKS 100)

(3 hours)

Q.1 (a) You are Company Secretary of a public limited company. In the following month the company's annual general meeting has to be held, for which purpose the Board of Directors meeting needs to be convened. Following items are included on the agenda:

- investment in an associated company;
- approval of the annual financial statements;
- issuance of shares to new foreign shareholders;
- approval of new company logo;
- remuneration of the recently appointed Chief Financial Officer & Chief Executive Officer; and
- recommendation of final dividend.

Some of the directors representing the foreign shareholders with 30% shareholding/representation on the Board, might be traveling and therefore may not be able to attend the meeting. You have been asked by these non-resident directors to get their approval on the decisions through circular resolution or any other means. Discuss this suggestion in the light of the provisions of the Companies Ordinance, 1984 and corporate practices, including any other alternatives. (12)

(b) The Code of Corporate Governance is a set of recommendations for monitoring and supervision of companies incorporated under the Companies Ordinance, 1984 by the Securities and Exchange Commission of Pakistan. Is this statement true? Discuss in the light of the underlying legislation / Code. (05)

(c) The Code of Corporate Governance also contains some eligibility criteria for the directors. Describe these criteria. (05)

Q.2 (a) Two companies have a common set of shareholders. The controlling shareholders have decided to merge the two companies to achieve synergies and have applied to the court for sanctioning a compromise or arrangement. What are the typical matters which should be included in the Court's order, for facilitating the amalgamation of the companies under the provision of the Companies Ordinance, 1984? (10)

(b) What is the effect of appointment of liquidator, on the powers of directors and chief executive? (03)

Q.3 (a) A company's share capital comprises ordinary shares and 8% cumulative preference shares with no voting rights. It now proposes to increase the preference shares by another 25% to fund acquisition of long-term strategic assets. Describe the key legal requirements that will have to be complied with

(2)

- (b) What do you understand by the term Central Depository System? Explain the rights of the shareholders registered as account holders in the system, to attend and vote at the general meetings of the company.
- (c) What do you understand by the term pre-emptive right of a shareholder? (06)
- Q.4 Certain transactions have been carried out through a stock exchange, in securities not listed on the exchange at the time the transactions took place. Under what circumstances are such transactions valid? (03)
- Q.5 A director of a profitable public company wishes to offload his 15% shareholding by means of an offer for sale to the general public at a premium. Briefly discuss the requirements for such an offer under the Company (Issue of Capital Rules), 1996. (07)
- Q.6 Discuss the provisions of Non Banking Finance Company Rules 2003, in respect of the following:
- (a) Difference between the securities issued by an asset management company and an investment company. (04)
- (b) Exposure limits on an NBFC undertaking investment finance services to a single issuer and the exposure limit if the NBFC is engaged in housing finance services? (03)
- Q.7 You are the legal advisor of Target Limited, a listed company with large number of shareholders, spread though out the country. The company is finding it difficult to circulate its quarterly accounts to the shareholders. Discuss the other options available to the company and the legal requirements in respect of those options, to be compliant with the law. (08)
- Q.8 Briefly discuss the following with reference to the registration of mortgages and charges under the Companies Ordinance, 1984:
- (a) The consequences if the charge is not registered on time? (03)
- (b) Steps to be undertaken on acquiring a property that is already charged? (05)
- Q.9 The Board of Directors of a public company is desirous to establish an association for promotion of charity and other useful objects on a non profit basis. Describe the conditions for grant of licence under the Companies Ordinance, 1984. (07)
- Q.10 What information is required to be included in the tender notice for purchase of own shares under the Companies (Buy-back of shares) Rules, 1999? (05)
- Q.11 What constitutes unpublished price sensitive information under the Listed Companies (Prohibition of Insiders Trading) Guidelines issued by SECP? (07)

(THE END)