



Corporate Laws

Final Examination
Module E – Summer 2011

Reading time – 15 minutes

June 8, 2011
100 marks – 3 hours

- Q.1 As on April 1, 2010 Mr. Faisal owned one million shares in Delton Chemicals Limited (DCL), a listed company. He has made the following transactions in the shares of DCL during the year ended March 31, 2011:

S. No.	Date	Addition/(Deletion) No. of shares (in million)	Remarks
1.	31.05.2010	45	Purchased from the market
2.	15.07.2010	15	Purchased from the market
3.	30.08.2010	(5)	Sold in the market at a profit
4.	15.09.2010	(1)*	Sold in the market at a profit
5.	20.11.2010	5	Bonus shares

**These shares were acquired on March 15, 2010 in good faith from Mr. Yaseen in satisfaction of a debt.*

The paid-up capital of DCL is 500 million shares.

Required:

- (a) Discuss Mr. Faisal's responsibilities under the Companies Ordinance, 1984 in respect of the above transactions. (08 marks)
- (b) Briefly discuss the powers of the SECP in case Mr. Faisal fails to carry out his responsibilities as referred to in (a) above. (04 marks)
- Q.2 Substantial operating losses sustained by Legend Ceramics Limited (LCL) have forced its directors to proceed for company's voluntary winding up. Accordingly, a general meeting of LCL was held on July 1, 2010 and Mr. Ateeq was appointed as the Liquidator.
- In the context of the provisions contained in the Companies Ordinance, 1984 you are required to explain the following:
- (a) The steps that Mr. Ateeq should take if the winding up is not completed till June 30, 2011. (05 marks)
- (b) Mr. Ateeq's responsibilities as regards final meeting and dissolution of the company. (05 marks)
- Q.3 On January 1, 2011 Landmark Limited (LML), a company incorporated in Mauritius, established a branch office in Pakistan and commenced its business with the permission of the Board of Investment, Pakistan.
- On February 10, 2011 LML received a notice from the registrar's office for non-filing of certain documents.
- In the light of the provisions contained in the Companies Ordinance 1984, you are required to:
- (a) give a list of the documents that LML was required to submit to the Registrar before completion of 30 days from the date of establishment of the branch. (05 marks)
- (b) explain the effect of non-filing of these documents on the validity of the agreements or contracts entered into by LML during the above period and on the rights of the respective parties to initiate legal proceedings against each other. (04 marks)
- Q.4 Briefly explain the term 'dominant position' and list the practices which constitute an abuse of dominant position, under the provisions of the Competition Act, 2010. (09 marks)

- Q.5** RK Limited (RKL), a listed company, holds 6.3 million ordinary shares of TK (Private) Limited (TKPL) whose paid-up capital consists of 10 million ordinary shares of Rs. 10 each. The remaining shares are held by Mr. Adnan and his family. The Board of TKPL consists of eight directors of which five directors represent RKL while the remaining three directors, including the chief executive, are representatives of Mr. Adnan and his family.

RKL is presently considering the following proposals:

- (a) to appoint one of the directors representing RKL, as the chief executive of TKPL, in place of the existing chief executive. (05 marks)
- (b) to appoint BL & Co., Chartered Accountants, as auditors of TKPL in the forthcoming annual general meeting. The spouse of one of the partners of BL Associates holds one hundred thousand shares in TKPL. (03 marks)
- (c) to pledge TKPL's inventories as security against a loan to be obtained by an associated company of TKPL. (03 marks)

Comment on the above proposals in the light of provisions contained in the Companies Ordinance, 1984.

- Q.6** The board of directors of EFI Textile Mills Limited, a listed company, plans to buy-back 10% shares of the company. In the light of the provisions contained in the Companies (Buy-back of Shares) Rules, 1999, specify the conditions that the company should be in compliance with, before it proceeds to buy-back the shares. (04 marks)

- Q.7** The Directors of SQL Limited, a listed company, has decided to issue 50% right shares.

You are required to explain the conditions that SQL will have to comply with, in each of the following situations if:

- (a) the shares are to be issued at a premium of Rs. 6 per share. (08 marks)
- (b) the employees of SQL Limited are also holding shares on account of preferential allocation. (04 marks)

- Q.8** (a) XYZ Limited, an NBFC, is in the process of classification and provisioning of its non-performing assets. You are required to advise the company about the criteria for determining the realizable value of mortgaged, pledged, leased or collaterally held assets in the light of provisions contained in Non-Banking Finance Companies and Notified Entities Regulations, 2008. (07 marks)
- (b) Explain the terms Open-end Scheme and Close-end Scheme as included in the NBFC Rules, 2003. (05 marks)

- Q.9** On May 21, 2011, Mr. Salman made a public announcement of his offer to acquire 45% voting shares of Imtiaz Industries Limited (IIL) from Mr. Kalam. On May 31, 2011 Mr. Sadiq also made a public announcement of his offer to Mr. Kalam for the acquisition of the same number of shares at a higher price. Both, Mr. Salman as well as Mr. Sadiq already own more than 10% shares in IIL.

In the light of the provisions of the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2008 you are required to advise Mr. Salman about the course of action which he would have to follow if he still wants to acquire the shares owned by Mr. Kalam. (05 marks)

- Q.10** State the conditions specified under the listing regulations in respect of each of the following:

- (a) Declaration of financial results and announcement of dividend. (06 marks)
- (b) Issuance and despatch of dividend warrants and payment of dividend. (06 marks)

- Q.11** Under the Code of Corporate Governance, what are the conditions under which a person becomes ineligible to be appointed as the director of a listed company? (04 marks)

(THE END)