



## Corporate Laws

Final Examination  
Winter 2012  
Module E

5 December 2012  
100 marks - 3 hours  
Additional reading time - 15 minutes

- Q.1 The Secretary of ABC Limited is in the process of preparing the prospectus for public issue. The company has obtained loans from two financial institutions and has granted option to these institutions to convert up to 20% of the outstanding balance of the loans into ordinary shares.

State the information required to be disclosed in the prospectus under the Companies Ordinance, 1984 regarding the option given to the financial institutions.

(05)

- Q.2 (a) In the first meeting of Board of Directors of Hamid Textile Mills Limited (HTML), a listed company, the name of Mr. Imran was proposed for appointment as chief executive of the Company. Mr. Jamal opposed the proposal on the following grounds:

- (i) Mrs. Imran is the Chief Executive Officer of Fahad Textile Mills (Private) Limited.
- (ii) Mr. Imran is involved in the business of stock brokerage.
- (iii) Mr. Imran is not a member of HTML.

Comment on the objections raised by Mr. Jamal in the light of the provisions of the Companies Ordinance, 1984.

(05)

- (b) XY Limited (XYL) has recently commenced business. The company has appointed various distributors for the supply of its products. The distributors have placed amounts ranging between Rs. 2 - 5 million with XYL as security deposits.

Briefly describe the relevant provisions of the Companies Ordinance 1984, which XYL would have to comply with.

(03)

- Q.3 Mr. Bilal is the chief executive of Power Shipping Limited (PSL), a listed company. He has agreed to provide a personal loan of Rs. 5 million to his cousin for purchase of PSL's shares. The loan will be repaid after two years and would carry a mark-up of 5% per annum.

Suggest the actions which Mr. Bilal should take to ensure that the provisions of the Companies Ordinance, 1984 and the Code of Corporate Governance, 2012 are complied with.

(07)

- Q.4 The members of Tajamul Private Limited (TPL) have decided to go into voluntary winding-up.

Advise TPL about the provisions of the Companies Ordinance, 1984 pertaining to:

- (a) Fixation of the remuneration to be paid to the liquidator.
- (b) Filling of vacancy in the event of resignation of the liquidator.

(04)

(04)

- Q.5 (a) Nihal Limited (NL) is a listed company. Narrate the conditions which a director of NL would be required to comply with under the Companies Ordinance, 1984 in case he/she makes a gain on the sale of company's shares.

(03)

- (b) Identify the persons other than the directors, to whom the above provisions are also applicable.

(03)

- Q.6 New Chemicals Limited (NCL) is a listed company. The company is in the process of finalization of a financing facility with a bank. The bank requires a copy of the board resolution for approval of the terms of the financing. Since five out of seven directors of the company are currently out of the country, it is not possible for the secretary to convene the meeting of the board of directors.
- (a) In the light of the provisions of the Companies Ordinance, 1984 explain what alternative course of action is available to the company. (03)
  - (b) List the steps that NCL would be required to take, if nothing in this regard is stated in the Articles of Association of the Company. (03)
- Q.7 The Annual General Meeting of Trade Limited was held at 9:15 a.m on 31 October 2012. Certain shareholders of the company have lodged following complaints with the company's secretary.
- (i) Since the meeting could not commence at the scheduled time i.e. 9:00 a.m; it became invalid and should be called again.
  - (ii) A resolution passed in the meeting was approved by a show of hands. However, a poll should have been carried out.
  - (iii) Mr. A who voted for a resolution was represented through a proxy which was deposited at 5:01 p.m. i.e. after office hours on 29 October 2012. Further, since 30 October 2012 was a public holiday, the condition of depositing the proxy at least 48 hours before the commencement of the meeting, was not met.
  - (iv) Mr. G who holds 50,000 shares was represented by two proxies i.e. Mr. C (30,000 shares) & Mr. D (20,000 shares). Only proxy with 30,000 shares was counted for the purpose of voting.
  - (v) JKM Limited holding 20,000 shares of the company was represented by Mr Waheed, who is neither a director nor an employee of JKM Limited.
- (a) Comment on the validity of each of the above complaints in the light of Companies Ordinance, 1984. (07)
  - (b) Describe the circumstances under which a court may declare the resolution passed in the above meeting or the entire proceedings of the meeting as invalid under the Companies Ordinance, 1984. (04)
- Q.8 (a) Describe the requirements to be fulfilled by a company under the Companies (Appointment of Legal Advisers) Act, 1974 as regards the appointment of legal advisers. (03)
- (b) On 01 December 2012, Delta Cotton Mills Limited (DCML) appointed Mehtab & Co. as legal adviser of the company in place of Dilawer & Co. Explain the legal formalities which DCML would be required to comply with under the Companies (Appointment of Legal Advisers) Rules, 1975. (04)
- Q.9 Global Industries Limited (GIL) is a listed company which has a paid-up share capital consisting of 100 million shares of Rs. 10 each.

GIL is planning to purchase heavy equipment costing Rs. 250 million from World Machineries Limited (WML) for its new project. In a meeting of GIL's Board of Directors, it was proposed to finance the cost of the equipment by issuing 20 million shares to WML at a premium of Rs. 2.50 per share. However, since a number of directors were of the opinion that the issuance of shares would enable WML to exercise significant influence on GIL's policies, the Board advised the CEO to look into the possibility of issuing non-voting ordinary shares.

**Required:**

In your capacity as Corporate Consultant of the company, advise the Board of Directors of GIL as regards the requirements of the Companies' Share Capital (Variation in Rights and Privileges) Rules, 2000 and Companies (Issue of Capital) Rules, 1996 which GIL needs to comply with, in relation to the issuance of non-voting ordinary shares to WML. (10)

Q.10 Al-Rehman group comprises of the following companies:

- (i) Al-Rehman Leasing Company Limited
- (ii) Al-Rehman Investment Finance Services Limited
- (iii) Al-Rehman Housing Finance Services Limited

The majority shareholders/directors of the group have decided to merge all the above companies and bring them under the umbrella of a single corporate entity. It is envisaged that the decision to merge the individual companies into a single entity would help to achieve synergies, cost efficiencies and better utilization of the resources.

You are required to list the steps that would be required to merge all the companies into a single entity. (09)

Q.11 Under the provisions of the Central Depository Act, 1997 no director or officer of a central depository shall disclose any information or document relating to the affairs of any of the account-holders to any other person.

List the exceptions to the above provision of the Central Depository Act, 1997. (09)

Q.12 The meeting of the Board of Directors of AMZ Limited would be held on 25 January 2013 to consider declaration of final cash dividend. The Annual General Meeting in which the cash dividend is to be approved would be held on 04 March 2013.

List the information which AMZ would be required to provide to the concerned stock exchange(s) in Pakistan as regards the above meetings, and the timings thereof, according to the Listing Regulations. (06)

Q.13 Discuss the provisions of the Code of Corporate Governance, 2012 in respect of:

- Frequency of meetings of the audit committee (04)
- Attendance in the above meetings (04)

**(THE END)**