



Corporate Laws

- Q.1 Pioneer Limited (PL) holds 55% shareholding in Abid Limited (AL). Due to financial difficulties AL has not been able to repay three consecutive quarterly instalments of a bank loan amounting to Rs. 100 million. AL has requested PL to repay the entire amount of bank loan and in return AL would issue 1 million term finance certificates of Rs. 100 each at the prevailing market interest rate.

AL had also taken a loan from PL in 2015. The principal amount of the loan has been repaid but PL had agreed to recover the interest thereon in 2017.

In the light of provisions of Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012 you are required to list the conditions to be complied with if PL agrees to provide the required financing. (05)

- Q.2 To acknowledge the contribution of its executives, Tulip Works Limited is planning to offer them shares under the Employees Stock Option Scheme.

In the light of the provisions of the Public Companies (Employees Stock Option Scheme) Rules, 2001, you are required to:

- (a) explain the term 'Employees' and identify the persons who are eligible to participate in the scheme. (03)
- (b) specify the pre-requisites/pre-conditions for launching such a scheme. (03)
- (c) specify matters to be considered while drafting the scheme relating to the following:
 - (i) Lock-in period and variation of terms of the scheme. (03)
 - (ii) The rights of option holders (employees) in respect of the following: (03)
 - Dividends and voting rights
 - Transferability of options
 - Pledge of options
 - Death or permanent incapacity of the employee
 - Resignation or termination of the employee

- Q.3 Rapid Constructions Limited (RCL) is a listed company. Advise the Board of Directors of RCL on the following matters, in the light of the provisions of the Companies Ordinance, 1984:

- (a) A request has been made by an independent director for increase in remuneration of directors from Rs. 25,000 to Rs. 40,000 for attending the Board and sub-committee meetings and performing extra services. (02)
- (b) Mr. Dawood, who is a director, wants to appoint his brother in his place as he is going abroad on vacations. (02)
- (c) On 5 December 2016 an urgent request has been received from Farid, a member, for inspection and supply of minutes of the company's fifteenth extraordinary general meeting held on 2 December 2016. (04)
- (d) Mr. Asad is a director but is not a member of the company. (03)

Q.4 Jahangir (SMC-Private) Limited was formed by Jahangir in 2006 in accordance with Single Member Companies Rules, 2003. His close family includes his wife and two daughters.

He has sought your advice with regard to the following:

- (a) How would the company operate in case of Jahangir's death? **(05)**
- (b) What procedure would have to be followed if Jahangir transfers 10% of the shares to each of his two daughters? **(03)**

Q.5 (a) Specify the forms of business which may be carried on by a Fund Management NBFC as provided under the NBFC Rules, 2003. **(03)**

(b) On 15 June 2016 SECP has issued permission to Asif Asset Management Limited (AAML) to establish a "Fund Management NBFC". In the light of the NBFC Rules, 2003 you are required to advise the directors of AAML in respect of the following matters:

- (i) Incorporation of NBFC has been delayed because it is not possible to commence business by 1 July 2017. **(05)**
- (ii) The directors of AAML intend to nominate Dilawar as the chief executive of the NBFC. Dilawar is currently working as chief executive officer of Salman Management Services Limited. **(03)**
- (iii) Arif, who is also a major shareholder in AAML, has recommended the name of his son Nadir for appointment as Chief Investment Officer of the NBFC. **(03)**

Q.6 Narrate the conditions required to be complied with by the following for filing a petition for winding up of a company as specified under the Companies Ordinance, 1984:

- (a) A contributory **(03)**
- (b) The Registrar and the Commission **(03)**
- (c) A contingent or prospective creditor **(02)**

Q.7 (a) Solar Power Limited (SPL), an unlisted company, is the subsidiary of Zest Limited (ZL), a listed company. On 1 November, 2016 ZL has declared an interim dividend. According to the announcement, ZL will issue shares if SPL in the form of specie dividend.

Describe the responsibilities of ZL in the above situation, in view of the Pakistan Stock Exchange Regulations and the consequences if ZL fails to fulfill its obligations. **(06)**

(b) Alpha Limited (AL) is listed on Pakistan Stock Exchange Limited. Its shares are traded on ready as well as future counter. Its board of directors has approved annual accounts in their meeting held on 25 November 2016 and have decided to hold the Annual General Meeting on 31 December 2016.

State the requirements of Pakistan Stock Exchange Regulations to be complied with by AL with regard to issuance of notice to the stock exchange for closure of share transfer books. **(03)**

(c) Narrate the provisions related to notice of general meeting as specified in the Companies E-Voting Regulations, 2016. **(04)**

Q.8 No person shall make a public offer of securities unless the issuer or offeror of the securities has submitted a copy of the prospectus to the Commission for approval and the Commission has approved the prospectus.

List the exceptions to the above rule, under the provisions of the Securities Act, 2015. **(05)**

Q.9 Star Fertilizers Limited (SFL) holds 20% shareholding in Mars Limited (ML) and intends to acquire further 20% shareholding in ML. Before making a public announcement of its intention, SFL seeks your advice regarding the following in the light of the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2008:

(a) The steps to be taken by SFL before making the public announcement. **(02)**

(b) The requirements that ML has to comply with after the public announcement of intention by SFL and prior to the withdrawal of the public announcement or commencement of the offer period, as the case may be. **(04)**

(c) The possible consequences if SFL makes the public announcement but wants to withdraw it, under each of the following circumstances:

▪ If the public announcement was made with the intention to deceive the public **(02)**

▪ If the public announcement is withdrawn because of any other reason. **(02)**

Q.10 (a) Discuss the composition of the Board of Directors under the Code of Corporate Governance, 2012. **(05)**

(b) Sedan Limited (SL) has recently been converted into a listed company. Mr. Shah, representing minority shareholders, has submitted his papers for contesting the election of the directors.

Based on the regulations of the Code of Corporate Governance, 2012 you are required to state the steps that SL should take with regard to the request submitted by Mr. Shah. **(03)**

(c) Briefly state the conditions which are required to be fulfilled by a listed company while offering shares through book building under the Book Building Regulations, 2015. **(06)**

(THE END)