



Corporate Laws

Q.1 Waseem, a shareholder of Best Medicines (Pvt.) Limited (BMPL), gave a notice to the board of directors on 15 November 2017 regarding his intention to sell his shareholding in the company. In the notice, he has mentioned that one of his friends has agreed to buy his entire shareholding at Rs. 500 per share.

The board of directors in its meeting held on 20 November 2017 discussed this matter and were of the view that fair value of BMPL's share is approximately Rs. 275 and the price offered by Waseem's friend is too high.

- (a) In the light of provisions of the Companies Act, 2017 and Rules made thereunder, explain how the board of directors shall proceed to resolve the above situation. **(07)**
- (b) Discuss the steps which the directors would need to take if Waseem agrees to sell the shares for Rs. 275 per share. **(05)**

- Q.2
- (a) Explain the treatment of the surplus assets or property of a company registered under section 42 of the Companies Act, 2017, in case of dissolution of the company. **(03)**
 - (b) World Class Football Association (WCFA) was set up on 1 July 2017 under section 42 of the Companies Act, 2017 and has made its articles and memorandum of association in accordance with Table F.

In the light of the provisions of the Companies Act, 2017 advise WCFA with regard to the following:

- (i) WCFA intends to appoint Afzal, who is a member of the association and a lawyer by profession, as legal adviser of the association on a retainer ship fee of Rs. 10,000 per month. Afzal is willing to resign, if needed, from the membership of the association. **(03)**
- (ii) Waleed, a Saudi national, has offered to pay a cash donation for the purchase of a ground. **(02)**

Q.3 The paid-up share capital of Fast Limited (FL), a listed company, comprises of 50 million ordinary shares of Rs. 10 each. On 1 August 2017, FL acquired 3 million ordinary shares as treasury shares. FL also plans to buy-back further 4 million ordinary shares in December 2017 and dispose of the entire treasury shares on or before 31 March 2018. A foreign investor has shown interest in buying the treasury shares at 20% above the buy-back price whereas one of the directors is also interested in buying the shares.

In the light of the Listed Companies (Buy Back of Shares) Regulations, 2016:

- (a) advise whether FL can acquire and dispose of the treasury shares, as discussed above. **(05)**
- (b) discuss the procedure to be followed by FL for disposing of the treasury shares. **(07)**

- Q.4 Ryan Industries Limited (RIL) operates an employees' provident fund which has a size of Rs. 200 million which includes investments in equity securities amounting to Rs. 58 million. The trustees estimate that additional funds of Rs. 30 million would become available to the fund during the next six months. They plan to invest the available amount in upcoming initial public offerings (IPO) of five equity securities. The treasurer of the fund has gathered the following information in respect thereof:

Name of company	Share capital before offering	Size of IPO	Comments
First Energy Limited	Rs. 500 million	Rs. 200 million	– Fully underwritten – Profitable operations of two years
Medium Textiles Limited	Rs. 500 million	Rs. 100 million	– Fully underwritten – Profitable operations of three years
Home Appliances Limited	Rs. 400 million	Rs. 200 million	– Fully underwritten. One of the underwriters is an associated undertaking of Home Appliances Limited – Profitable operations of more than ten years
Mazboot Cement Limited	Rs. 300 million	Rs. 100 million	– Fully underwritten – Profitable operations of five years
Nice Pakistan Limited	Rs. 400 million	Rs. 100 million	– Fully underwritten – Profitable operations of more than ten years

In the light of the provisions of the Employees' Provident Fund (Investment in Listed Securities) Rules, 2016 advise the trustees in respect of the above. (08)

- Q.5 Salman holds 10% shares in Sehar Industries Limited (SIL). On 15 November 2017, he made public announcement of his offer to acquire further 10% shares in SIL. The directors of SIL are satisfied that all the other formalities regarding the acquisition have also been complied with. However, some of the members have filed an application for investigation with the Securities and Exchange Commission of Pakistan (SECP) pleading that all required formalities have not been followed with regard to the offer for acquisition of further shares and therefore SECP may restrict transfer of these shares till such time that the matter has been investigated.

In the light of the provisions of the Companies Act, 2017 explain whether SECP may impose restriction on transfer of shares in the above situation. Also describe the effect of such restrictions on SIL and Salman. (09)

- Q.6 Under the provisions of NBFCs and Notified Entities Regulations, 2008 explain:

- the term 'Exposure'. (05)
- the conditions relating to inclusion of revaluation reserves in the amount of equity. (03)
- the conditions which must be complied by an NBFC while dealing with its customers, in order to ensure prevention of money laundering and other illegal trades. (08)

- Q.7 You are the corporate consultant of Shahkar Limited (SL) which is planning to raise financing from public offering of the shares at Ready Board of Pakistan Stock Exchange and wishes to raise 80% of the amount through the book building process. Under the provisions of the Public Offering Regulations, 2017, advise SL about the following matters:
- (a) Can SL raise the requisite amount through the book building process? **(06)**
 - (b) How is strike price determined using the Dutch Auction Method? **(03)**
 - (c) What are the restrictions placed on the bidders during the book building process? **(03)**
- Q.8 (a) Javed Limited and Saleem Limited are the leading manufacturers of textile products in Pakistan. Both companies have recently signed an agreement under which they would restrict the supply of their products to particular geographical areas.
- Under the provisions of the Competition Act, 2010:
- (i) discuss the legality of the agreement signed by the two companies. **(02)**
 - (ii) state the criteria based on which the Commission may allow the companies to sign such an agreement. **(03)**
- (b) In the light of provisions of the Competition Act, 2010, state the conditions under which exemption granted by the Commission may be cancelled. **(03)**
- Q.9 Hakim (Pvt.) Limited (HL) holds 15% shares of Mehkoom Limited (ML), a listed company. HL has recently made public announcement of the offer, after completion of initial requirements, for the acquisition of 20% shares in ML. The offer is valid till 31 December 2017.
- Under the provisions of the Securities Act, 2015 discuss the obligations of the board of directors of ML during the offer period and on completion of the acquisition. **(06)**
- Q.10 Sukoon Investment Management Limited (SIML) manages a mutual fund, Sukoon Equity Fund. Based on the recommendations of its research team, SIML is presently considering to invest USD 5 million in the shares of two companies listed on Singapore Stock Exchange.
- State the conditions contained in the Foreign Exchange Regulations which SIML is required to comply, with regard to the above investment. **(04)**
- Q.11 Under the provisions of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 describe the circumstances in which an application may be filed for winding up a modaraba (other than voluntary winding up) and who may file such application. **(05)**

(THE END)