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## Corporate Laws

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Q.1 Salam Holdings Limited (SHL) is a listed company which has shareholdings in a number of companies. The board has referred the following matters to SHL's Corporate & Legal Affairs Department (CLAD):

- (a) SHL had obtained a loan of Rs. 150 million from a financial institution which was secured by way of mortgage on company's fixed assets. The loan has been re-paid in full but SHL has been unable to have the charge vacated because confirmation of repayment has not been received from the financial institution. (2.5)
- (b) Mr. Shaikh Abid, a director of SHL has informed the board that he is planning to move to UK for one year due to his daughter's higher education. He is interested in assigning his office to his brother Shaikh Javed. The Board wants to know what options are available in the given situation. (2.5)
- (c) A group of shareholders of one of SHL's subsidiaries, Haleem Limited (HL) holding 13% of the voting power in HL has filed an appeal with the Securities & Exchange Commission of Pakistan in which they have alleged that HL is being mismanaged by the directors. Consequently, HL is incurring losses and had never declared any dividend even when the profits were available in the past years.

The directors have asked CLAD to explain the possible consequences of this appeal on HL and its management. (06)

**Required:**

As the head of Corporate & Legal Affairs Department (CLAD) advise the Board about each of the above matters, in the light of the provisions of Companies Act, 2017.

Q.2 (a) The shareholders of Moon Limited approved through special resolution in the annual general meeting for the year ended 31 October 2017, an investment of Rs. 500 million in a project of its associated undertaking, Stars Limited.

Rs. 400 million have so far been invested on the project. The project has been delayed and is not expected to be completed before the next annual general meeting which would be held on 28 December 2018.

**Required:**

Under the provisions of Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 discuss the responsibilities of Moon Limited regarding disclosure of information to the members in respect of the above. (04)

(b) Under the provisions of Companies Act, 2017 who may be considered as non-executive director of a listed company and under what circumstances he would be held liable? (05)

Q.3 Khas Limited (KL), a listed company, plans to hold an extra-ordinary general meeting for the election of directors. Ms. Mehwish, the Company Secretary of KL has asked you to advise on the following matters in the light of Companies (Postal Ballot) Regulations, 2018:

- (a) KL's responsibilities for publication of ballot paper. (03)  
 (b) Procedure for voting through ballot paper and responsibilities of chairman of the meeting in this regard. (06)

Q.4 Hamza Limited is a listed company and has three subsidiaries. The company is presently considering to offer its shares to all its employees as well as employees of its subsidiaries. It has recently constituted a Compensation Committee for administration and superintendence of the Scheme.

**Required:**

Under the Public Companies (Employees Stock Option Scheme) Rules, 2001, discuss:

- (a) the requirements of shareholders' approval including information to be disclosed in the notice to the shareholders, in the above situation. (05)  
 (b) the terms and conditions of the Scheme which shall be formulated by the Compensation Committee. (06)

Q.5 (a) Institutional Leasing (IL) intends to invest in the shares of an unlisted company, Minnow Limited (ML) for a period of two years. A shareholder of ML is interested in selling its entire shareholding to IL at Rs. 25 per share. The paid up capital of ML consists of 25 million shares of Rs. 10 each.

Following information has been extracted from IL's latest financial statements:

	Rs. in '000
Ordinary share capital	500,000
Preference share capital	20,000
Reserves	75,000
Accumulated profits	100,000
Revaluation reserves	50,000
Investments in unlisted shares	70,000
Investments in listed shares	40,000

Investments in unlisted shares include 800,000 shares of ML which were purchased at Rs. 20 per share.

**Required:**

Under the provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 determine the maximum number of shares of ML which IL can purchase. Clearly state your assumptions, if any. (07)

- (b) The directors of Accurate Investment Advisory Services Limited (AIASL) have recently identified a strategic investment under which it would acquire 15% shareholdings in Mazboot Housing Finance Limited (MHFL) for Rs. 85 million.

**Required:**

Under the provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, advise the board of directors of AIASL about making strategic investments in MHFL. (03)

- Q.6 (a) Zulfi Garments (Pvt) Limited has two wholly owned subsidiaries Abid Textiles Limited, an unlisted public company and Zahid Textile (Pvt) Limited.

Under the provisions of Companies Act, 2017 advise the management as to how these companies can amalgamate and operate as one company without going through the normal amalgamation process. (05)

- (b) On 1 October 2018, Asif Publishers Limited (APL), an unlisted public company, appointed liquidator for members' voluntary winding up in the general meeting.

All the APL's liabilities have been settled. The liquidator has now received an offer from Kashif Publishers Limited (KPL) for purchase of some of APL's remaining assets in consideration of KPL's shares, at fair value determined by an independent auditor. Mr. Shahrukh who holds 10% shareholding in APL has objected to this proposal.

**Required:**

Under the provisions of Companies Act, 2017 discuss the liquidator's responsibilities in the above situation. (05)

- Q.7 (a) Rawalpindi (Pvt) Limited (RPL) holds 20% voting shares in Bolan Limited (BL), a listed company whose shares are frequently traded at Pakistan Stock Exchange. The management of RPL intends to acquire additional 15% shares in BL and have been advised by their legal counsel to appoint a 'manager to the offer' for this purpose.

**Required:**

(i) Under the provisions of Securities Act, 2015 briefly describe whether it is necessary for RPL to appoint 'manager to the offer' and who may be eligible for appointment as 'manager to the offer'. (04)

(ii) Under the provisions of Listed Companies (Substantial Acquisition of Voting Shares & Takeovers) Regulations, 2017, advise RPL regarding minimum price to be offered to acquire the additional shares of BL. (06)

- (b) Assume that RPL made public announcement to acquire 15% additional shares in BL on 30 November 2018 and another shareholder, Khyber Limited (KL), which holds 12% shares in BL, also desires to make a bid to acquire further shares in BL.

**Required:**

(i) Briefly discuss the provisions of Securities Act, 2015 that KL should comply with while making competitive bid to acquire shares in BL. (03)

(ii) Suggest the course of action available to RPL under the Securities Act, 2015 if KL makes an offer on 20 December 2018. (04)

- Q.8 Under the Anti-Money Laundering Act, 2010 Financial Monitoring Unit (FMU) is empowered to receive Suspicious Transaction Reports (STRs) from the reporting entities.

**Required:**

Under the provisions of Anti-Money Laundering Act, 2010:

(a) specify the transactions which are required to be reported in STRs. (07)

(b) briefly discuss the requirements related to reporting of STRs to FMU and the retention of records. (03)

- Q.9 (a) Under the Pakistan Stock Exchange Limited Regulations, briefly state the circumstances under which a listed company may be placed in the Defaulters' Segment. (05)
- (b) The share capital of Unique Limited (UL), a listed company, comprises of 16 million ordinary shares of Rs. 10 each. The existing free float of the company is 4.5 million shares.

**Required:**

In the light of Pakistan Stock Exchange Limited Regulations, discuss the following:

- (i) Free float requirements for UL and what should UL do if the number of free float shares falls below the minimum requirement. (02)
- (ii) Different modes through which UL may enhance the number of its free float shares. (03)
- (c) Titan Limited (TL) intends to make a right issue at par i.e. Rs. 10 per share. The sponsors hold 35% of the share capital. Mr. Hanif a director of the company informed the Board that since the market value of TL's shares during the preceding six months remained between Rs. 9.25 to Rs. 9.65, TL needs to comply with some additional conditions for issuing right shares under the Companies (Issue of Capital) Rules, 1996.

**Required:**

Specify the additional conditions which Mr. Hanif may be referring to. (03)

**(THE END)**