



Part One - Chartered Governance Qualifying Programme

Company Secretarial Practice

Time allowed: 3 hours (plus 15 minutes reading time)

You must not take this paper out of the examination workspace.

The examination paper contains **9** questions of which you must attempt **8**. You must attempt **all questions** in Section A and **3 questions** in Section B.

Section A contains 25 marks and Section B contains 75 marks. There are **100 marks** available in total for the paper.

Note:

Unless otherwise specified, you should assume that an Act or an organisation referred to in the questions is a Malaysian Act or organisation.

Section A

Answer **all** the questions in this section.

1. In respect of listed companies, explain the purpose and impact of a shareholder abstaining (or withholding their vote) from a resolution at a general meeting.

(5 marks)

Pilot Paper

2. Explain the principles of board composition as provided in the Malaysian Code of Corporate Governance 2021.

(5 marks)

Pilot Paper

3. Explain the key responsibilities of the company secretary during a Board meeting.

(5 marks)

Pilot Paper

4. Explain why a company might outsource maintenance of its register of members to a share registrar. Provide **four** examples of the services provided by a share registrar.

(5 marks)

Pilot Paper

5. Explain the procedure for a public limited company to convert into a private limited company. What action may members of a public company take if they object to a proposed conversion?

(5 marks)

Pilot Paper

TOTAL FOR SECTION A = 25 MARKS

Section B

Answer **three** questions only.

Question 6

You are the Secretary of Goodison Footwear Bhd (Goodison) which has a total of 25 shareholders. Highbury Fashions Bhd (Highbury), owns 10% of Goodison, for which Highbury paid RM60 a share. Neither Goodison nor Highbury are listed on any stock exchange. Jane Hough, the Chief Executive Officer of Goodison, tells you that she recently met with the Chair of Highbury who told her that they want to increase their holding in Goodison:

- firstly to 20%.
- then to 40%.
- and finally, to 80%. Once Highbury owns 80% of Goodison, Jane is concerned as Highbury want to force the remaining shareholders of Goodison to sell their shares to Highbury for RM42 for each remaining share, as Highbury think that would be a fair price.

Jane also informs you that Highbury has requested a copy of Goodison's statutory registers, including:

- the register of directors (with each director's full date of birth and residential addresses).
- minute books for board and general meetings.
- a fully updated register of charges; and
- the register of members in printed copy and electronically in a spreadsheet, sorted by size of holder. Highbury have not explained why they want the register.

Jane tells you she thinks Goodison should refuse Highbury's requests for the registers.

REQUIRED:

Provide advice to Jane on:

(a) The statutory considerations in respect of Highbury's proposals for the acquisition of Goodison's shares, including:

- any duties of disclosure and statutory registers which must be updated; and
- whether Highbury's intention for the compulsory acquisition of Goodison's shares are viable and if not, how Highbury could complete a compulsory acquisition.

(15 marks)

Pilot Paper

(b) Highbury's requests for a copy of Goodison's statutory registers.

(10 marks)

Pilot Paper

Question 7

You are the Company Secretary of Brent Deliveries Bhd (Brent), which is not listed on any stock exchange. Brent is a successful business with a net asset value of RM120m. Brent has four directors, and you are going to attend a board meeting. Abigail Smithers is one of the directors. She is unwell and it is not clear whether she will be able to participate in the board meeting. Proposals are on the board agenda to sell a plot of land owned by Brent and to dispose of the company's car fleet. Sean Moyles, the Sales Director, proposes that he purchases one of the cars for RM21,000 for his personal use. Melody West, the Finance Director, proposes that she acquires the plot of land for RM1.5m as she wishes to build her new home on it. Both Sean and Melody are directors of Brent. The car and land have already been assessed by independent valuers, who have confirmed the proposed value of each as the fair market price.

Subject to the proposal to dispose of the car fleet, the board is also considering a proposal in future to lease cars from Dana Leasing Sdn Bhd (Dana). Sean and Melody tell you that they own 0.5% and 21% respectively of Dana, information of which the board was not previously aware.

Mandy Linton, Brent's chair, supports all of the above proposals and asks you if each proposal can proceed immediately and whether any disclosures need to be made. Mandy Linton is also concerned as to whether the quorum for the board meeting can be met if Abigail Smithers could not attend this meeting.

Advise Mandy on whether each of the above proposals can proceed and if so, the required authority. Include in your advice any procedures, relevant considerations, and disclosures to ensure statutory compliance and good governance.

[Total for Question 7 = 25 marks]

Question 8

You are the Company Secretary of Ashfield Media Bhd (Ashfield) and there is a board meeting tomorrow. Ashfield is not listed on any stock exchange.

Lee Gates, one of the directors, proposes that Megan Green (who is not a director) or one of the existing directors attends as his alternate director, as Lee cannot attend. Bill Maddison, the Chair, argues that alternates are not permitted as they are not recognised directors and it is not fair to have both Lee and his alternate attending together at all future board meetings, particularly as this would give them an unfair advantage when voting. Bill also argues that any proposal for an alternate is invalid as the board has not given approval.

There is a proposal tomorrow to appoint Henry Jensen to the board. However, Bill has just discovered that Henry was a director of a company which was liquidated three years ago. Bill thinks this factor will prevent Henry from being appointed as a director again.

Ashfield has made substantial losses recently, so the board has been reviewing its strategy. It has been receiving advice from Aston Technology Bhd (Aston) which owns 30% of Ashfield and regularly attend board meetings via its representatives. Aston claim that the size of their holding entitles them to attend. Janet Dawson, a well-known social media expert, has also been attending board meetings to provide advice. Neither Aston nor Jane are directors of Ashfield and Bill thinks their attendance is not a problem. Lee has suggested that Aston be appointed as a corporate director but Bill comments that he believes corporate directors are illegal.

REQUIRED:

Advise Bill on:

- (a) The proposals and his comments regarding the alternate director and the appointment of Henry. Provide advice on any required procedures.

(14 marks)

Pilot Paper

- (b) Any issues which may be relevant in respect of the attendance at board meetings of non-directors and the proposed appointment of a corporate director.

(11 marks)

[Total for Question 8 = 25 marks]

Pilot Paper

Question 9

You are the Company Secretary of Stamford Fuels Bhd (Stamford), which is listed on the Bursa Malaysia. The share capital of Stamford consists of:

- Ordinary shares.
- Preference shares; and
- Cumulative preference shares.

Stamford also has debentures which carry a fixed rate of interest.

Stamford has a profitable history and has previously paid a high level of dividends. However, as the use of fossil fuels has decreased, Stamford's profits have declined. Some of the directors say all of Stamford's shareholders are entitled to dividends every year regardless of the company's performance and are keen to maintain the level of previous dividend payments. Other directors say the company must reduce or stop paying dividends and stop paying the interest on the debentures for the next few years. Liz Mitchell is the Chair and she said that after reviewing the latest annual accounts it would not be possible for shareholders to approve payment of an interim dividend when the half year results are announced in two weeks' time. However, Jamil Singh, the Chief Financial Officer, said that the annual accounts are out of date and the board should declare an interim dividend on each class of share immediately.

In order to modernise the business, Stamford is currently negotiating two projects to enter the renewable energy market. One project is minor but the other is major and is likely to transform the business substantially. Jamil thinks that Stamford's share price will increase significantly when the projects are announced and asks if he could buy shares (or if he could ask his wife to buy shares) in Stamford today or in one month.

REQUIRED:

- (a) Advise the board on their discussions to pay an interim dividend on each class of share and whether they should stop paying interest on the debentures. Your advice should include any actions prior to approving any dividend payment and the rights of each type of shareholders in receiving dividends.

(14 marks)

Pilot Paper

- (b) Evaluate Jamil's request for him or his wife to purchase shares in Stamford, providing commentary on relevant regulatory matters and good governance.

(11 marks)

[Total for Question 9 = 25 marks]

Pilot Paper

TOTAL FOR SECTION B = 75 MARKS

TOTAL FOR PAPER = 100 MARKS

The scenarios included here are entirely fictional. Any resemblance of the information in the scenarios to real persons or organisations, actual or perceived, is purely coincidental.

END