

CHAPTER 181

GOVERNMENT-SPONSORED CORPORATIONS

Acts
Nos.19 of 1955,
55 of 1957.

AN ACT TO ENABLE THE ESTABLISHMENT OF CORPORATIONS WITH CAPITAL PROVIDED BY THE GOVERNMENT FOR TAKING OVER AND CARRYING OUT THE PURPOSES OF MANUFACTORIES MAINTAINED OR WHOLLY OR PARTLY CONSTRUCTED BY THE GOVERNMENT, TO REGULATE THE POWERS AND DUTIES OF SUCH CORPORATIONS, TO PROVIDE FOR THE SALE TO THE PUBLIC OF THE SHARES OF THE GOVERNMENT IN THE CAPITAL OF SUCH CORPORATIONS AND FOR THE CONVERSION OF SUCH CORPORATIONS INTO INCORPORATED PUBLIC COMPANIES WITH LIMITED LIABILITY WHEN THE GOVERNMENT CEASES TO HOLD MORE THAN TWENTY PER CENT OF THE CAPITAL OF SUCH CORPORATIONS, AND TO MAKE PROVISION FOR PURPOSES CONSEQUENTIAL TO THE AFORESAID MATTERS.

[14th April. 1955.]

Short title.

1. This Act may be 'cited as the Government-Sponsored Corporations Act.

PART I

ESTABLISHMENT OF GOVERNMENT-SPONSORED CORPORATIONS

Incorporation Order for establishment of a Government-sponsored corporation.

2. (1) Where the Government considers it necessary that a corporation should be established in order to take over and carry out the purposes of a manufactory maintained or wholly or partly constructed by the Government, the Minister, with the approval of the Government, may by order (hereinafter referred to as the "Incorporation Order ") published in the Gazette—

(a) specify the manufactory (hereinafter referred to as the "specified manufactory ") to which the Order relates.

(b) declare that a corporation shall be established to lake over and carry out the purposes of the specified manufactory,

(c) assign a corporate name to the corporation,

(d) specify the objects of the corporation,

(e) determine the initial capital of the corporation, the division of the capital into shares, the classes of the shares, the amount of each share, and the rights attached to each class of shares,

(b) state the principal place of business of the corporation,

(g) fix the number of members of the board of directors of the corporation when the Government holds the entire capital of the corporation,

(h) appoint as the first members of such board any persons who, under Part II of this Act, are not disqualified for being such members, and

(i) appoint one of the members of such board as the chairman of such board.

(2) Upon the publication of the Incorporation Order in the Gazette, a corporation (hereinafter referred to as the " Corporation ") consisting of the persons who are for the time being members thereof by virtue of section 10 or section 39, as the case may be, with the corporate name specified in such Order, and with perpetual succession shall be deemed to have been established.

(3) The Corporation may sue and be sued in its corporate name.

Objects of the Corporation,

3. The objects of the Corporation shall be those specified in the Incorporation Order.

Principal place of business of the Corporation.

4. The principal place of business of the Corporation shall be that specified in the Incorporation Order.

Powers of the Corporation.

5. (1) The Corporation shall have the power to acquire and hold and to take on hire or lease any movable or immovable property and to give on hire or lease or to sell or otherwise dispose of any of its properties :

Provided, however, that no immovable property of the Corporation shall be sold without the prior approval of the Minister.

(2) The Corporation shall have the power to do anything necessary for, or conducive or incidental to, the carrying out of its objects, including the power to borrow money for carrying out its objects and to secure the payment of any sum of money by the mortgage of any of its properties :

Provided, however, that, so long as the Government holds more than twenty *per centum* of the capital of the Corporation, the Corporation shall not borrow or secure the payment of any sum of money exceeding such amount as may be determined from time to time by the Minister with the concurrence of the Minister in charge of the subject of Finance.

Liability of the shareholders of the Corporation

6. The liability of any person holding any shares in the capital of the Corporation shall be limited to the amount, if any, unpaid on such shares.

Seal of the Corporation,

7. (1) The Corporation shall have a common seal which shall be in the custody of the board of directors.

(2) The seal of the Corporation may be altered in such manner as may be determined by the board of directors.

(3) The seal of the Corporation shall not be affixed to any instrument or document except in the presence of two members of the board of directors both of whom shall sign the instrument or document in token of their presence-

(4) The board of directors shall maintain a register of the instruments or documents to which the seal of the Corporation is affixed.

8. Subject to the other provisions of this Act—

(a) the general control of the affairs of the Corporation shall be vested in a board of directors constituted as hereinafter provided, and

(b) the board of directors may exercise the powers of the Corporation for the purpose of carrying out the objects of the Corporation.

General control of the affairs, and the exercise of the powers, of the Corporation.

PART II

PROVISIONS APPLICABLE WHEN THE GOVERNMENT HOLDS THE ENTIRE CAPITAL OF THE CORPORATION

9. Save as otherwise provided in this Act, Part II of this Act shall apply to the Corporation so long as Part III of this Act does not apply to the Corporation.

Application of part II

10. The persons holding office for the time being as members of the board of directors shall be the members of the Corporation.

Members of the corporation

11. The board of directors shall consist of such number of directors as is fixed by the Incorporation Order.

Number of directors

12. A Member of Parliament shall not be qualified to be a director,

Disqualification for being a director.

13. (1) The Minister shall appoint the directors.

Appointment of directors and chairman of the board of directors.

(2) The Minister shall appoint one of the directors as the chairman of the board of directors.

14. Every director shall hold office for a period of three years, unless he is earlier removed from office or vacates his office.

Term of office of directors.

15. If any director is temporarily unable to discharge the duties of his office on account of ill health, or absence from Sri Lanka, or any other cause, the Minister may

Appointment of acting directors.

appoint some other person to act as a director in his place.

Resignation of directors, **16.** A director may resign his office by letter addressed to the Minister.

Removal of directors from office. **17.** The Minister may, if he thinks it expedient to do so, remove a director from office.

Eligibility of directors for re-appointment. **18.** A director who vacates office by resignation or effluxion of time shall be eligible for reappointment.

Remuneration of directors **19.** The directors may be remunerated out of the funds of the Corporation in such manner and at such rates as the Minister, with the concurrence of the Minister in charge of the subject of Finance, may determine.

The first directors and the first chairman of the board of directors. **20.** (1) The first directors shall be the persons appointed as such directors by the Incorporation Order, and their term of office shall commence on the date of publication of such Order in the Gazette.

(2) The first chairman of the board of directors shall be the person appointed as such chairman by the Incorporation Order.

Capital of the Corporation. **21.** (1) The initial capital of the Corporation shall be that specified in the Incorporation Order.

(2) The capital of the Corporation may, so long as Part HI of this Act does not apply to the Corporation, be increased from time to time by such amount as may be authorized by resolution of Parliament to be paid to the Corporation out of the Consolidated Fund for the purpose of increasing such capital.

Division of the capital into shares. **22.** (1) The initial capital of the Corporation shall be divided into such shares as are specified in the Incorporation Order, and each share shall be of such amount as is so specified. The rights attached to the shares shall be those specified in the Incorporation Order.

(2) Any amount by which the capital of the Corporation is increased in accordance with subsection (2) of section 21 shall be divided into such shares as the board of

directors may, with the approval of the Minister determine. The rights attached to those shares shall, with like approval, be determined by the board of directors.

23. (1) The board of directors shall issue to the Government, in the official designation of the Secretary to the Treasury, fully paid-up shares the total par value of which is equal to the amount of the initial capital of the Corporation.

(2) Where the capital of the Corporation is increased in accordance with subsection (2) of section 21, the board of directors shall issue to the Government, in the official designation of the Secretary to the Treasury, fully paid-up shares the total par value of which is equal to the amount by which the capital of the Corporation is increased as aforesaid.

(3) The board of directors shall cause the Secretary to the Treasury to be registered as the holder of the shares issued in his official designation.

24. (1) The Minister shall transfer the specified manufactory to the Corporation by Order published in the Gazette, and may, subject to the provisions of subsection (2) of this section, transfer by such Order or by a later Order so published—

(a) any movable or immovable property of the State required for the purposes of such manufactory, and

(b) any contracts and liabilities connected with such manufactory.

(2) No order affecting any immovable property of the State shall be made by the Minister under subsection (1) of this section without the concurrence of the Minister to whom the subject of State lands is for the time being assigned.

(3) Upon the publication of an Order under subsection (1) of this section in the Gazette—

(a) the manufactory and other properties specified in that Order shall vest in and be the properties of the Corporation,

Allotment of shares to the Government,

Transfer of the specified manufactory and other State property and certain contracts and liabilities to the Corporation.

(b) the contracts specified in that Order shall be deemed to be the contracts of the Corporation and all subsisting rights and obligations of the Government under such contracts shall be deemed to be the rights and obligations of the Corporation, and

(c) the liabilities specified in that Order shall be deemed to be the liabilities of the Corporation.

Transfer of certain non-pensionable employees of the Government to the Corporation.

25. The non-pensionable employees of the Government whose emoluments are, on the day immediately preceding the date of publication of the Incorporation Order in the Gazette, paid out of the funds granted by Parliament for the purposes of the specified manufactory shall, with effect from a date determined by the Minister, be transferred to the service of the Corporation, and upon such transfer, they shall cease to be employees of the Government and shall, for the purposes of the Public Service Provident Fund Ordinance, be deemed to have left the service of the Government on the abolition of office.

Appointment of public officers to the staff of the Corporation.

26. (1) At the request of the board of directors, any officer in the public service may, with the consent of that officer and of the Secretary to the Ministry charged with the subject of Public Administration be temporarily appointed to the staff of the Corporation for such period as may be determined by the board of directors with like consent or be permanently appointed to such staff.

(2) Where an officer in the public service is temporarily appointed to the staff of the Corporation—

(a) he shall be subject to the same disciplinary control as any other member of such staff ;

(b) if, at the time of his temporary appointment to the staff of the Corporation, his substantive post in the public service was a post declared to be pensionable under

the Minutes on Pensions—

(i) he shall, while in the employ of the Corporation, be deemed to have been seconded to an office to which pension rights are not attached, and accordingly section 24 of those Minutes shall apply to him, and

(ii) in respect of him the board of directors shall pay out of the funds of the Corporation to the Deputy Secretary to the Treasury to be credited to the Consolidated Fund for every complete month during which he is in the employ of the Corporation such sum not exceeding twenty-five *per centum* of the salary payable to him in his substantive post in the public service as may be determined by the Minister in charge of the subject of Finance ; and

(c) if, at the time of his temporary appointment to the staff of the Corporation, he was a contributor to the Public Service Provident Fund established under the Public Service Provident Fund Ordinance, his service to the Corporation shall, for the purposes of that Ordinance, be deemed to be service to the Government, and accordingly he shall, while he is in the employ of the Corporation, continue to pay to the Public Service Provident Fund such contributions as he was liable under that Ordinance to pay, and in respect of him the board of directors shall pay at the close of each financial year out of the funds of the Corporation to the Deputy Secretary to the Treasury to be credited to the officer's account in the Public Service Provident Fund a sum equivalent to such contribution as the Government is liable to pay to the Public Service Provident Fund in respect of him.

(3) Where an officer in the public service

is permanently appointed to the staff of the Corporation—

(a) he shall be deemed to have left the public service ;

(b) if, at the time of his permanent appointment to the staff of the Corporation, his substantive post in the public service was a post declared to be pensionable under the Minutes on Pensions—

(1) he shall be eligible for such an award under those Minutes as might have been made to him if he had been retired from the public service on the ground of ill health on the date of his permanent appointment to the staff of the Corporation,

(ii) the amount of any such award made under those Minutes shall not be paid to him unless his employment in the Corporation is terminated by retirement on account of age or ill health or by the abolition of the post held by him in the Corporation or on any other ground approved by the Minister in charge of the subject of Finance, and

(iii) in the event of his death while in the employ of the Corporation, such an award as might have been made in respect of him under those Minutes if he had died immediately before his permanent appointment to the staff of the Corporation may be made in respect of him ; and

(c) if, at the time of his permanent appointment to the staff of the Corporation, he was a contributor to the Public Service Provident Fund established under the Public Service Provident Fund Ordinance, he shall, for the purposes of that Ordinance, be deemed to have left the service of the Government upon the determination of contract with the consent of the Government otherwise than by dismissal.

(4) Where the Corporation employs any person who has entered into a contract with the Government by which he has agreed to serve the Government for a specified period, any period of service to the Corporation by that person shall be regarded as service to the Government for the purpose of discharging the obligations of such contract.

27. Every person who, on or before the date of publication of the Incorporation Order in the Gazette, was in training or had completed training for work in the specified manufactory and who had entered into a contract (hereinafter referred to as the " contract of training ") to serve the Government for a period specified in the contract shall, with effect from such date, be deemed to have contracted to serve the Corporation for the unexpired portion of such period, and—

(a) if such person is in the service of the Government on such date, he shall, with effect from such date, be transferred to the service of the Corporation for the unexpired portion of such period, without prejudice to the right of the Corporation to retransfer him, within twelve months from such date, to the service of the Government if he is found unsuitable for service in the Corporation, and

(b) if such person is not in the service of the Government on such date, he shall, on being called upon to do so by the Director of Industries, be bound to serve the Corporation for the unexpired portion of such period, without prejudice to the right of the Corporation to terminate the contract of training if he is found unsuitable for service in the Corporation.

28. Out of the profits of the Corporation in each year the board of directors shall, with the approval of the Minister, pay to general or specific reserves of the Corporation such sums of money as may be determined by such board with such approval, and the balance, if any, of such profits shall, with the approval of the Minister in charge of the subject of Finance, Reserves and dividends.

be declared and paid as a dividend on the shares of the Government. The dividends paid on such shares shall be credited to the Consolidated Fund by the Secretary to the Treasury.

Accounts of the Corporation.

29. (1) The board of directors shall cause the accounts of the Corporation to be kept in such form and in such manner as may be approved by the Minister with the concurrence of the Minister in charge of the subject of Finance.

(2) The books of accounts of the Corporation shall be kept at the principal place of business of the Corporation.

(3) The board of directors shall cause the books of accounts of the Corporation to be balanced as on the thirty-first day of December in each year and shall, as soon as may be thereafter but not later than the thirtieth day of June following, cause to be prepared a profit and loss account and a balance sheet containing a summary of the assets and liabilities of the Corporation made up to the first-mentioned day. The profit and loss account and the balance sheet shall be signed by the officer responsible for the preparation of such account and balance sheet and countersigned by two of the directors.

Audit.

39. (I) The accounts of the Corporation shall be audited annually by an auditor approved by the Minister. The auditor shall receive such remuneration from the funds of the Corporation as the Minister may determine with the concurrence of the Minister in charge of the subject of Finance.

(2) The auditor shall examine the accounts of the Corporation and ascertain the correctness of the balance sheet and furnish a report stating—

- (a) whether he has or has not obtained all the information and explanations required by him, and
- (b) whether the accounts referred to in the report are properly drawn up so as to exhibit a true and correct view of the affairs of the Corporation.

(3) The auditor shall transmit his report to the board of directors.

31. (I) The board of directors shall, on receipt of the auditor's report in each year, transmit to the Minister—

- (a) a copy of such report,
- (b) a copy of the profit and loss account,
- (c) a copy of the balance sheet, and
- (d) a report by such board on the work of the Corporation for the period for which the profit and loss account and the balance sheet have been made up.

(2) The Minister shall cause copies of such profit and loss account, balance sheet and reports as are referred to in subsection (1) of this section to be laid before Parliament.

32. (1) Subject to the provisions of section 62, the Minister may, after consultation with the board of directors, from time to time give such board general or special directions as to the exercise of the powers and the discharge of the duties of such board, and such directions shall be carried out by such board.

(2) Subject to the provisions of section 62, the Minister may, when he considers it necessary to do so, direct any person to hold an inquiry into the work and financial position of the Corporation.

(3) When such inquiry as is referred to in subsection (2) of this section is held, any director or any member of the staff of the Corporation shall, upon being requested to do so by the person holding the inquiry, furnish such information within his knowledge with regard to the affairs of the Corporation and produce such books of accounts or documents in his custody as that person may require.

33. The Corporation shall be liable to pay tax on its income or profits, but the Corporation shall not be liable to pay tax on the income or profits from the specified manufactory prior to the date of the transfer of such manufactory to the Corporation.

34. If the Minister approves of the proposed acquisition for any purpose of the Corporation of any land, or any interest in

Copies of auditor's report, profit and loss account, balance sheet, and report of board of directors to be sent to the Minister and laid before Parliament.

Directions by, and inquiries at, the instance of, the Minister.

Payment of tax on income or profits of the Corporation.

Acquisition of

any land, other than State land, such land or interest shall be deemed to be required for a public purpose and may be acquired by the Government under the Land Acquisition Act, and, when so acquired, shall be transferred to the Corporation under the State Lands Ordinance.

(b) all contracts of the Corporation shall be deemed to be contracts of the State and all the subsisting rights and liabilities of the Corporation under these contracts shall be deemed to be the rights and liabilities of the State ;

Sale of shares of the Government.

35. (1) The Minister may, with the concurrence of the Minister in charge of the subject of Finance, from time to time decide that any shares of the Government shall be sold to the public.

(c) all sums due to the Corporation shall be deemed to be due to the State and may accordingly be recovered by the State ; and

(2) The Secretary to the Treasury shall take all such steps as may be necessary for the sale of such shares of the Government as are to be sold.

(d) all sums due from the Corporation shall be deemed to be due from the State and may accordingly be recovered from the State.

Supplementary Order.

36. Upon the completion of the first sale of shares of the Government, the Minister shall, with the approval of the Government and in consultation with the board of directors, by Order (hereinafter referred to as the " Supplementary Order ") published in the Gazette determine—

PART III

PROVISIONS APPLICABLE WHEN THE GOVERNMENT HOLDS ONLY A PART OF THE CAPITAL OF THE CORPORATION

(a) the authorized capital of the Corporation,

37. This Part of this Act shall apply to the Corporation after the date specified in that behalf in the Supplementary Order. Application of this part.

(b) the date after which Part III of this Act shall apply to the Corporation, and

38. (1) When this Part of this Act applies to the Corporation, the provisions of Part II of this Act shall, save as otherwise provided in this Part of this Act, cease to apply to the Corporation. Cessation of application of certain provisions of Part II

(c) the number of directors when Part III of this Act applies to the Corporation.

(2) The cessation of the application to the Corporation of such provisions of Part II of this Act as relate to shares shall not affect the shares issued under those provisions before such cessation.

Dissolution of the Corporation. [§ 2, 55 of 1957.]

36A. (1) Notwithstanding anything in any other provision of this Act, the Minister, with the approval of the Government, may, at any time before any shares of the Government in the capital of the Corporation are sold to the public, by Order published in the Gazette dissolve the Corporation with effect from such date as shall be specified in the Order.

39. The members of the Corporation shall be- Members of the Corporation.

(2) Where the Corporation is dissolved by Order made and published under subsection (1) of this section—

(a) the Secretary to the Treasury as the holder of the shares of the Government, and

(b) the holders for the time being of the shares other than the shares of the Government.

(a) all the movable and immovable properties of the Corporation shall vest in and be the properties of the State;

40. (1) Subject to the provisions of subsection (2) of this section, the authorized capital of the Corporation "shall be that specified in the Supplementary Order. Authorized capital of the Corporation.

(2) The amount of the authorized capital of the Corporation may, with the approval of the Minister, be altered from time to time by resolution passed at a meeting of the shareholders.

(3) Where it is decided to increase the capital of the Corporation, the board of directors may, for the purpose of effecting such increase, issue new shares of such amount, and with such rights attached thereto, as the board may, with the approval of the Minister, determine.

(4) Where it is decided to reduce the capital of the Corporation, the board of directors may, for the purpose of effecting such reduction, do all such acts as the board may, with the approval of the Minister, consider expedient.

41. Until such time as a board of directors is constituted in accordance with the provisions of this Part of this Act, the board of directors as constituted under Part II of this Act shall continue in office.

42. The number of directors shall be that specified in the Supplementary Order.

43. The directors shall consist of—
 (a) directors (hereinafter referred to as "appointed directors") appointed by the Minister, and
 (b) directors (hereinafter referred to as "elected directors") elected as hereafter provided.

44. The total number of directors shall be divided into the two classes of appointed directors and elected directors in such manner that the number of appointed directors bears to the number of elected directors the same proportion as the total par value of the shares of the Government bears to the total par value of the other issued shares. Where the result of such division is that either an integer and a fraction represent each class of directors or only a fraction represents one class of directors and an integer and a fraction represent the other class of directors, the fractions shall be omitted and—

(a) where there is no integer left representing one class of directors

after the omission of the fractions, the number representing that class of directors shall be deemed to be one, and

(b) in any other case the number representing appointed directors after the omission of the fractions shall be increased by one in order that the total number of directors of both classes may be equal to that specified in the Supplementary Order.

45. The directors shall elect one of their number to be the chairman of the board of directors.

46. (1) A Member of Parliament shall not be qualified to be an appointed director,

(2) Subject to the provisions of section 48, an appointed director shall, unless he is earlier removed from office or vacates his office, hold office until the conclusion of the next annual general meeting of the shareholders.

(3) If an appointed director is temporarily unable to discharge the duties of his office on account of illness or absence from Sri Lanka, or for any other cause, the Minister may appoint any other person to act in his place as director.

(4) An appointed director may resign his office by letter addressed to the Minister.

(5) The Minister may, if he thinks it expedient to do so, remove an appointed director from office.

(6) An appointed director who vacates office by resignation or effluxion of time shall be eligible for reappointment.

47. (1) Subject to the provisions of subsection (3) of this section, a person shall not be qualified to be an elected director unless he is the holder of shares which are of the par value of not less than five thousand rupees, on which all calls due have been paid, and in respect of which there is a right to vote at any meeting of the shareholders.

(2) The Secretary to the Treasury shall not be qualified to be an elected director.

Board of directors constituted under Part II to continue in office until a board of directors is constituted under Part III.
 Number of directors.

Two classes of directors.

Determination of number of appointed directors and number of elected directors.

Chairman of the board of directors.

Appointed directors

Elected directors

(3) If the requisite number of elected directors is not elected at a meeting of the shareholders held for the purpose of electing such directors, the persons who will hold office as appointed directors and elected directors at the conclusion of that meeting shall be entitled to elect the remaining number of elected directors from the shareholders (other than the Secretary to the Treasury) willing to serve as elected directors, notwithstanding that such shareholders have not the qualification specified in subsection (1) of this section.

(4) Subject to the provisions of section 48, an elected director shall, unless he is earlier removed from office or resigns his office, hold office until the conclusion of the next annual general meeting of the shareholders.

(5) The shareholders may, by passing a special resolution in that behalf at a meeting held for that purpose, remove an elected director from office before the expiration of his term of office, and may at that meeting or at any subsequent meeting elect another person in his place. The person so elected shall hold office during the unexpired portion of the term of office of the director in whose place he is elected.

(6) An elected director may resign his office by letter addressed to the board of directors.

(7) An elected director who vacates his office by resignation or effluxion of time shall be eligible for re-election.

48. (1) Whenever the proportion of the total par value of the shares of the Government to the total par value of the other issued shares so changes that such proportion ceases to be the same as that which the number of appointed directors bears to the number of elected directors, the board of directors shall convene a meeting of the shareholders for the purpose of electing persons to hold office as elected directors on the board of directors to be constituted thereafter.

(2) Before a meeting is held under

subsection (1) of this section—

(a) the registration of the transfer of shares shall be suspended by the board of directors for a period of fourteen days immediately preceding the date of that meeting, and

(b) the board of directors shall, not less than ten days before the date of that meeting, inform the Minister of the proportion of the total par value of the shares of the Government to the total par value of the other issued shares on the date of the commencement of the period of fourteen days referred to in paragraph (a) of this subsection.

(3) The Minister shall, at any time before the conclusion of a meeting held under subsection (1) of this section, inform the chairman of that meeting, either in writing or in any other manner as he may determine, of the names of the persons whom the Minister has appointed to hold office as appointed directors on the board of directors to be constituted thereafter.

(4) All persons holding office as appointed directors or elected directors at the commencement of a meeting held under subsection (1) of this section shall cease to hold office at the conclusion of that meeting unless they have been reappointed or re-elected.

49. No vote in respect of the shares of the Government shall be exercised in relation to the election of any director or the removal of any elected director from office.

50. Without prejudice to the payment of remuneration to a director for special services, the shareholders shall in general meeting determine the total amount of the remuneration of the directors. Such amount shall be divided among the directors in such proportions as they may unanimously fix and, failing unanimity, in equal proportions.

51. (I) The board of directors shall cause the accounts of the Corporation to be kept in such form and in such manner as such board may determine.

No vote in respect of Government shares at election or removal of directors. Remuneration of directors.

Accounts of the Corporation.

Fresh appointment and election of directors.

(2) The board of directors shall comply with the provisions of subsections 2 and 3 of section 29.

(3) The accounts of the Corporation shall be audited annually by an auditor who is appointed by the shareholders at a general meeting and who is a registered auditor within the meaning of subsection (7) of section 130 of the Companies Ordinance*. The auditor so appointed shall comply with the provisions of subsections (2) and (3) of section 30.

(4) The board of directors shall lay before every annual general meeting of the shareholders a profit and loss account and a balance sheet prepared in accordance with the provisions of subsection (3) of section 29. Such profit and loss account and balance sheet shall be accompanied by a report by the board of directors on the work of the Corporation for the period for which such profit and loss account and balance sheet have been made up. The board of directors shall state in such report the amount, if any, which such board recommends to be paid out of the profits of the Corporation by way of dividend to the shareholders, and the amount, if any, which such board recommends to be transferred to reserve.

(5) A copy of—

(a) the report of the board of directors referred to in subsection (4) of this section,

(b) the audited profit and loss account and balance sheet, and

(c) the auditor's report,

shall be sent to every director and shareholder at his registered address.

(6) The board of directors shall comply with the provisions of subsection (1) of section 31.

(7) The Minister shall comply with the provisions of subsection (2) of section 31.

52. The provisions of sections 26, 32, 33, 34 and 35 shall apply to the Corporation, Application of sections 26 32, 33, 34 and 35.

PART IV

PROVISIONS APPLICABLE WHEN THE GOVERNMENT CEASES TO HOLD MORE THAN TWENTY PER CENT OF THE CAPITAL OF THE CORPORATION

53. When the Government ceases to hold more than twenty per centum of the capital of the Corporation— Constitution of new board of directors when the Government ceases to hold more than twenty per centum of the capital of the Corporation.

(a) the board of directors as then constituted shall continue in office until such time as a board of directors is constituted in accordance with the provisions of this section,

(b) a meeting of the shareholders shall be held for the purpose of electing such number of directors from the shareholders willing to be directors as is equal to the number of directors specified in the Supplementary Order, and

(c) the board of directors in office when the meeting under paragraph (b) of this section is held shall be replaced by a new board of directors consisting of the directors elected at such meeting.

54. The new board of directors constituted under section 53 shall forthwith cause an incorporated public company with limited liability to be formed under the Companies Ordinance*, for the purpose of carrying out the objects of the Corporation. Formation of company to carry out the objects of the Corporation.

55. Upon the formation of the company referred to in section 54— Dissolution of the Corporation.

(a) the Corporation shall be deemed to be dissolved,

(b) all the movable and immovable properties of the Corporation shall vest in and be the properties of such company,

* Later repealed and replaced by the Companies Act, No. 17 of 1982- See the 1985 Supplement to the Revised Edition.

- (c) the capital of the Corporation shall be deemed to be the capital of such company,
- (d) the shares in the capital of the Corporation shall be deemed to be the shares in the capital of such company,
- (e) the shareholders of the Corporation shall be deemed to be the shareholders of such company,
- (f) all contracts of the Corporation shall be deemed to be contracts of such company and all the subsisting rights and liabilities of the Corporation under those contracts shall be deemed to be the rights and liabilities of such company,
- (g) all sums due to the Corporation shall be deemed to be due to such company and may accordingly be recovered by such company,
- (h) all sums due from the Corporation shall be deemed to be due from such company and may accordingly be recovered from such company, and
- (i) all the officers and servants of the Corporation shall be transferred to, and be the officers and servants of, such company.

to the Corporation by or under this Act, shall not apply to the Corporation.

(2) Notwithstanding anything in subsection (1) of this section, the Minister may, whenever he thinks it necessary to do so, by regulation made under this Act provide for the application to the Corporation, with or without any modification, of any such provision of the Companies Ordinance* as is not for the time being applicable to the Corporation.

58. The board of directors shall keep in one or more books a register of shareholders and shall enter therein the following particulars:—

- (a) the names and addresses, and the occupations, if any, of the shareholders, and a statement of the shares held by each shareholder, distinguishing each share by its number;
- (b) the date on which the name of each shareholder was entered in the register of shareholders; and
- (c) the date on which any shareholder ceased to be a shareholder.

59. (1) The shares shall be movable property and may be transferred in such manner as may be provided in the regulations of the Corporation.

(2) Where shares are issued when Part III of this Act applies to the Corporation, those shares shall be of such class and of such par value, and have such rights attached thereto, as may be determined by the board of directors with the approval of the Minister.

60. (1) The board of directors shall have power to appoint such officers and servants as may be necessary for the purposes of the Corporation, and to exercise disciplinary control over and dismiss any officer or servant of the Corporation:

Provided, however, that, subject to the provisions of section 62, the appointment, and the termination of the services, of the chief executive officer of the Corporation shall not be made without the approval of the Minister.

PART V

GENERAL PROVISIONS

56. (1) The regulations in the Schedule to this Act shall be the regulations of the Corporation in regard to the matters to which they relate.

(2) By resolution passed at a meeting of the shareholders any regulation in the Schedule to this Act may be amended or rescinded or any new regulation may be added to the regulations in that Schedule or those regulations may be replaced by new regulations.

57. (1) The provisions of the Companies Ordinance*, other than the provisions of that Ordinance which are made applicable

Regulations of the Corporation.

Application of company law to the Corporation.

• See footnote to section 51.

(2) Subject to the provisions of section 62, the remuneration of the chief executive officer of the Corporation shall be determined by the Minister with the concurrence of the Minister in charge of the subject of Finance and the remuneration of the other officers and servants of the Corporation shall be determined by the board of directors with the approval of the Minister.

(3) In this section, the expression " chief executive officer " shall not be construed or deemed to include the managing director appointed under section 63.

Pension scheme, &c., for staff.

61. The board of directors may establish and regulate a pension scheme or provident fund for the payment of pensions, gratuities or retiring allowances to members of the staff of the Corporation and a widows' and orphans' pension fund or scheme for providing pensions to the widows and orphans of deceased members of the staff, and may require contributions to be made to any such scheme or fund by members of the staff of the Corporation and may deduct such contributions from the salaries or wages of such members and may make contributions to any such scheme or fund from the revenues of the Corporation.

When certain powers of the Minister are not to be exercised.

62. The powers of the Minister under section 32 shall not be exercised, and the approval of the Minister under section 60 shall not be required, so long as the total par value of the shares of the Government is not more than forty-nine *per centum* of the total par value of the issued shares.

Managing director.

63. When the total par value of the shares of the Government is not more than forty-nine *per centum* of the issued shares, the board of directors may appoint a fit and proper person to be the managing director of the Corporation, and, if the person so appointed is not a director, his appointment

shall not take effect until he becomes a director. The terms and conditions of the appointment of the managing director shall be determined by the board of directors with the approval of the Minister.

64. Every director shall, whether or not he is a shareholder, be entitled to be present at any meeting of the shareholders and to speak on any matter discussed at that meeting.

A director, whether shareholder or not, may attend meeting of shareholders.

65. No act or proceeding of the board of directors shall be invalidated by reason only of the existence of any vacancy among its members or any defect in the appointment or election of a member thereof.

Validity of acts and proceedings of the board of directors.

66. (1) The Minister may make regulations for the purpose of carrying out or giving effect to the principles and provisions of this Act and in respect of all matters for which regulations are authorized or required by this Act to be made.

Regulations.

(2) No regulation made by the Minister under subsection (1) of this section shall take effect unless it is approved by Parliament and is published in the Gazette together with a notice of such approval.

67. In this Act, unless the context otherwise requires—

" board of directors " means the board of directors of the Corporation ;

" director " means a member of the board of directors;

"shares " means shares in the capital of the Corporation; and

"shareholder " means a person registered as a shareholder in the Corporation's register of shareholders.

SCHEDULE

REGULATIONS OF THE CORPORATION

[Section 56.]

GENERAL MODIFICATIONS IS SUCH OF THE REGULATIONS IN TABLE A IN THE FIRST SCHEDULE TO THE COMPANIES ORDINANCE* AS ARE APPLICABLE TO THE CORPORATION

1. Any such regulations in Table A in the First Schedule to the Companies Ordinance* as are made by or under this Act to apply to the Corporation shall, in their application to the Corporation, have effect as if—

- (a) every reference therein to the " company " were a reference to the Corporation,
- (b) every reference therein to a " member " were a reference to a shareholder, and
- (c) every reference therein to the " register of members " were a reference to the register of shareholders.

SHARES

2. (1) Regulations 4 and 5 and regulations 7 to 29 (both inclusive) of the regulations in Table A in the First Schedule to the Companies Ordinance* shall, subject to the other provisions of this regulation, apply to the Corporation.

(2) Regulation 18 of the regulations specified in paragraph (1) of this regulation shall, in its application to the Corporation, have effect as if the words " Company, Limited " occurring therein were omitted.

(3) Regulation 22 of the regulations specified in paragraph (1) of this regulation shall, in its application to the Corporation, have effect as if for the words " conferred by membership " occurring therein there were substituted the words " attached thereto ".

(4) Regulation 28 of the regulations specified in paragraph (1) of this regulation shall, in its application to the Corporation, have effect as if the word " statutory " occurring therein were omitted.

MEETINGS

3. An annual general meeting of the shareholders shall be held at such time (not being more than fifteen months after the holding of the last preceding annual general meeting) and at such place as the board of directors may determine.

4. The business of an annual general meeting of the shareholders shall be—

- (a) to receive and consider, and either in whole or in part adopt, confirm or reject the accounts and balance sheets,
- (b) to receive the report of the board of directors and the report of the auditor,
- (c) to decide on any recommendation of the board of directors with respect to dividend, and
- (d) subject to the provisions of the regulations of the Corporation, generally to discuss any affairs of, or relating to, the Corporation.

5. The board of directors may, whenever such board thinks proper, call an extraordinary general meeting of the shareholders, and shall call an extraordinary general meeting of the shareholders upon receiving a requisition in writing signed—

- (a) by the Secretary to the Treasury, or
- (b) by the shareholders (other than the Secretary to the Treasury) holding, on the date of the receipt of such requisition by such board, shares of which the total par value is not less than one-tenth of such of the paid-up capital of the Corporation as at that date carries the right of voting at general meetings of the shareholders.

6. No business shall be transacted at an extraordinary general meeting of the shareholders other than the business specified in the notice of the meeting.

* See footnote to section 51.

7. Not less than seven days' notice of every general meeting of the shareholders specifying the place, time, and business of the meeting shall be given to the shareholders.

8. The quorum for any general meeting of (he shareholder shall be three shareholders entitled to vote.

9. (1) Regulation' 46 to 63 (both inclusive) of the regulations in Table A in the First Schedule to the Companies Ordinance* shall, subject to the provisions of paragraph (2) of this regulation, apply to the Corporation.

(2) Regulation 61 of the regulations specified in paragraph (1) of this regulation shall, in its application to the Corporation, have effect as if the words " Company, Limited " wherever occurring therein were omitted.

10. The board of directors shall, whenever necessary, summon meetings of the shareholders for the purpose of the election of directors.

11. The board of directors may make rules fixing the quorum for the meetings of such board and generally for the purpose of regulating such meetings and the transaction of business thereat.

DIVIDENDS AND RESERVE

12. Regulations 99 to 96 (both inclusive) of the regulations in Table A of the First Schedule to the Companies Ordinance* shall apply to the Corporation.

13. Regulations 103 to 106 (both inclusive) of the regulations in Table A of the First Schedule to the Companies Ordinance* shall apply to the Corporation.

* See footnote to section 51.