



Before Abid Hussain – Executive Director

In the matter of

Hallmark Company Limited
(Formerly Hallmark Insurance Company Limited)

Number and date of Show Cause Notice: CSD/ARN/412/2016-1931-32 dated December 22, 2016
Date of Hearing: January 18, 2017, August 21, 2017, February 14, 2018
Authorized Representative: Mr. S. M. Sohail & Mr. Kashif Siddiqui
of M/s S.M. Sohail and Company, Chartered Accountants.

ORDER

Under Section 309 read with Section 305 of the Companies Ordinance, 1984

This Order shall dispose of proceedings initiated in the matter of Show Cause Notice dated December 22, 2016 (*the "SCN"*) under Section 309 read with Section 305 of the Companies Ordinance, 1984 (*the "Ordinance"*) issued to board of directors and Hallmark Insurance Company Limited (now Hallmark Company Limited) hereinafter referred to as the "Company".

2. The facts leading to this case, briefly stated, are that the Company suspended its business since 2003. Note 1.2 to the annual accounts for the year ended June 30, 2015 (*the "Accounts"*) states that the Company is no longer a going concern. In this regard, Company Registration Office, Karachi approached this office for grant of sanction to present a petition before the Honorable High Court for winding up of the Company on the ground that the Company had suspended its business since 2003.

3. Keeping in view the above-mentioned circumstance, SCN was served to the Company under Section 309 read with Section 305 of the Ordinance. M/s S.M. Sohail and Co. vide email dated December 30, 2016 responded on behalf of the Company and submitted that the Company has changed its name and nature of business. The default of no business activity for the whole year was due to noncompliance with



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Insurance Ordinance, 2000 with respect to minimum paid-up capital shortage. Now the Company has amended its name and object clause after obtaining permission from its shareholders in a general meeting. The management has concrete plan to do business in near future.

4. Hearing in the matter was fixed for January 18, 2017, which was attended by Mr. S. M. Suhail and Mr. Kashif Siddiqi of M/s S. M Sohail and Co. (the "Authorized Representatives"). The Authorized Representatives reiterated the facts as stated earlier in the email received in reply to the SCN and submitted written submissions brief of which is stated hereunder:

- a. The Company was incorporated in the year 1981 as a public limited company, to provide non-life insurance business comprising fire, marine, motor, engineering etc.
- b. However, it could not do business as an insurance company due to the increase in the minimum paid up capital requirement to Rs.400 million from Rs.5.00 million. The Company's operations have been suspended since 2003. It reiterated in the reply that the suspension in business was not willful but inevitable due various reasons along with increase in paid up capital amount. No new investor was willing to invest capital in it. In addition to it, it had a limited number of shareholders due to which it was not possible for the Company to invest such a huge amount.
- c. It further stated that the directors of the Company are making dire efforts to revive the Company and stated that the option of winding up is unjustified. It was prayed to drop the winding up proceedings against the Company.
- d. The proposed business plan was also shared according to which, the Company shall revoke its insurance license and will be engaging in general trading including sale and purchase of IT equipment, software and provide allied services. The Company's gross revenue during the first year of operations was projected to be approximately Rs.4.35 million and expected to grow to approximately Rs.24.35 million in the next five years.
- e. The Company is expected to absorb its current accumulated loss of Rs.3.5 million and at the end of five years of operations have accumulated profit of Rs.2.563 million.

5. The Authorized Representatives informed that the company business operations are being restarted. It was observed that the amended memorandum and articles of association of the Company had not been accepted by the Registrar. The authorized representative was advised to take necessary action in that regard and six months time period was allowed to the Company for implementation of the revival plan and to submit monthly report for implementation of the revival plan to the Commission.



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6. The Company vide letter dated April 29, 2017 informed that the Commission that due to delay on part of few departmental procedures, the Company is facing difficulty in starting up the new project on time. It also updated on the revival plan.

- a. The Company had obtained a certificate of incorporation on name change.
- b. The object clause of the memorandum of association was also modified.
- c. The Company had paid its annual listing fee for the year 2016 however; it was not paid for the year 2017 yet.
- d. The Company also provided annual report for the year ended December 31, 2016 and interim financial report for first quarter March 31, 2017 which reflected a profitable revenue generation.
- e. The Company further shared the details it had given to PSX updating it on the Company's revival status so that it could be removed from the defaulter counter and placed on the normal counter for share trading.

7. The hearing in the matter was re-fixed for August 21, 2017, wherein the Authorized Representative again appeared on behalf of the Company. He also submitted the written response dated August 21, 2017 on the summary of the facts along with the updated position of the Company. The Authorized Representative reiterated the facts stated therein the brief of which is stated below:

- a. It was submitted that the Company is doing its best to protect the stake of minority shareholders.
- b. Furthermore, he informed that the Company has got its insurance license revoked (in November, 2016) and formally ventured into a different business related to I.T services by changing the object clause in the memorandum of association (in April 8, 2017).
- c. It has got its name changed from "Hallmark Insurance Company Limited" to "Hallmark Company Limited" (in April 4, 2017).
- d. The financial statements report total business of Rs.5.334 million (Rs.4.169 million from sales and Rs.1.165 million from other income) which exceeds the projected amount of Rs.4.350 million estimated in the business plan.
- e. The Company has also applied for NOC from PSX and SECP for reactivation of the Company's account in CDC.
- f. It has also prepared a presentation regarding the future plan of the Company to be shared with PSX so that it is placed in the normal counter of the stock exchange.
- g. The only shortcoming that the Company was facing was shortage of funds.



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8. The Company was provided with another three months' time for providing evidence regarding injecting of funds by the directors and sponsors in the Company and to resolve shortage of funds faced by the Company necessary for revival of business operations.

9. The Company vide letter dated September 7, 2017 updated the Commission about the position of the Company stating that the directors' have provided a loan of Rs.1,500,000 and also committed to further provide subordinated loan to the Company as and when required. It was once again requested to conclude the winding up proceedings based on the compliances made by the Company.

10. The Company vide letter dated December 6, 2017 updated and informed that the Company has got approval of the Scheme of Merger with Lakhwani Securities (SMC Private) Limited in the AGM held in October 2017 and the paid-up capital of the Company will also be enhanced.

11. The Company submitted a written update vide letter dated January 16, 2018 wherein it was stated that the Company has done a business of Rs.10.893 million from January 1, 2017 to December 31, 2017. It has not only achieved its targets but also exceeded the proposed estimated amount in the business plan. The loan provided by the directors is repayable at the discretion of the Company. Furthermore, it has got clearance from PSX for waiver of surcharge applicable on late payment of annual listing fee and has also been advised to comply with the requirements of CDC for induction of its ordinary shares in CDS. The follow up process with PSX and CDC are contingent upon the decision of SECP. Lastly, it was prayed for a favourable decision based on the efforts made by the Company.

12. Hearing in the matter was fixed for February 14, 2018 wherein the authorized representative appeared before the undersigned. He reiterated the facts of the written submission and briefed about the merger scheme. He updated about the Company's financial health, which had greatly improved. It was stated that the Company has revived its business and directors have provided additional funds to support the Company. The paid-up capital will be enhanced to Rs.40 million on completion of the approval process by the High Court of Sindh. The Company has made all the applicable compliances including PSX, SECP, Taxation, Accounts, Audit, AGM etc. except only for the CDC resumption for which the SECP



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approval is awaited. It was prayed that in view of the above the proceedings against the Company may be dropped.

13. In terms of notification S.R.O 751(I)/2017 dated August 2, 2017 the power to adjudicated cases under Section 309 of the Ordinance has been delegated to Executive Director (Corporate Supervision Department).

14. From the facts asserted above and after careful consideration, I have noticed that the Company has made substantial effort for revival and successfully brought it back on track. The financials also indicate its growth. The profit and loss account for the six months period ended June 30, 2017 shows a profit after tax of Rs.1,827,511 and earning per share of Rs.3.66. Based on the successful revival of the business operations the proceeding initiated against the Company are hereby dropped with no further action at present.

Abid Hussain
Executive Director

Announced:
April 4, 2018
Islamabad

