

Securities and Exchange Commission of Pakistan  
*Enforcement and Monitoring Division*  
7<sup>th</sup> Floor, NIC Building, Jinnah Avenue, Blue Area, Islamabad

*Before Rashid Sadiq, Executive Director*

*In the matter of*  
**SYED MATCH COMPANY LIMITED**

Number and date of show cause notice	EMD/CO.233/610/2002 dated June 17, 2002
Date of hearing	June 24, 2002
Present	Mr. Musawar Mahmood General Manager

**ORDER**

This order will dispose of the proceedings initiated against M/S Syed Match Company Limited (hereinafter called the “Company”), for failure to hold Annual General Meeting for the calendar year 2001 and to lay therein a balance sheet and profit and loss account for the year ended June 30, 2001.

2. The relevant facts for the disposal of this case are that the Company was required to hold its Annual General Meeting (the “AGM”) for the calendar year 2001 and to lay therein its balance sheet and profit and loss account for the year ended June 30, 2001 on or before December 31, 2001 as required under Sub-section (1) of Section 158 and Sub-section (1) of Section 233 of the Companies Ordinance, 1984 (the “Ordinance”). The failure of the Company to comply with the aforesaid mandatory requirements necessitated action against the Company, its directors and Chief Executive.

3. Consequently, a notice dated June 17, 2002 was issued to the Company, its Chief Executive and directors calling upon them to show cause as to why penalties as provided under Clause (a) of Sub-section (4) of Section 158 read with Section 476 of the Ordinance may not be imposed and prosecution proceedings may not be initiated under Sub-section (6) of Section 233 read with Sub-section (7) of Section 230 of the Ordinance.

4. No response was received to the aforesaid show cause notices. In order to give an opportunity of personal hearing, the case was fixed on June 24, 2002 on which date, Mr.

Musawar Mahmood, General Manager of the Company attended the hearing. At the time of hearing, it was averred that due to closure of factory since June 2000, services of all the staff and workers were terminated resultantly the annual accounts could not be prepared, therefore, AGMs for the calendar years 2000 and 2001 could not be held. Mr. Musawar Mahmood also argued that the factory, for sometime, remained in the custody of a creditor on the Order of High Court. He, however, could not produce documentary evidence to substantiate his contention. He also stated that as soon as the factory is restarted, all the actions as required by law would be adhered to. He also requested for a lenient view of the default.

5. After hearing the arguments of the Company and having considered the past record of the Company, I am of the view that none of the reasons advanced by Mr. Musawar Mahmood justify the delay in holding of AGM and presentation of balance sheet and profit and loss account therein. The past history of compliance by the Company is also not satisfactory. The Company had failed to hold the AGM for the financial year 2000 and, taking a lenient view a fine of Rs. 20,000 was imposed on the Chief Executive of the Company on the assurance that he would make immediate arrangements to hold Annual General Meeting. In disregard to the provisions of the Ordinance and assurance given by the Chief Executive, the Company has neither held the over due AGMs for the calendar year 2000 and 2001 nor any notice has been issued for convening of these meetings till the writing of this Order.

6. Before proceeding to decide this case, I consider it necessary to highlight the importance of the strict observance of the aforesaid mandatory provisions by the Companies. The protection of the investors is one of the primary objectives of the Ordinance. If the interest of the investors is protected they will save and invest more. Their interest is protected by transmission of timely and adequate information to them. Annual and half yearly accounts provide information to the investors about the affairs of the companies. Annual General Meeting is a forum where the investors can freely discuss, speak and vote on important matters concerning approval of accounts, appointment of auditors, election of directors etc. It has unfortunately been noted that some companies are not observing these compulsory requirements of law.

7. In the aforesaid circumstances, Mr. Musawar Mahmood was asked to explain as to why directors had failed to hold AGMs for the last two calendar years and present balance sheets and profit and loss accounts therein of the relevant years. He was not able to give any satisfactory explanation for the default. The shareholders of the Company are not aware of the affairs of the Company for the last two years due to non-holding of Annual General Meetings for the calendar years 2000 and 2001 and non-presentation of accounts therein for the years ended June 30, 2000 and 2001. The directors have disregarded their commitments, the direction of the Commission and the mandatory provisions of Section 158 and 233 of the Ordinance. This is a serious violation, which may lead to winding up of the Company in terms of Section 305 of the Ordinance.

8. From the aforesaid discussion, it is quite obvious that the Chief Executive and directors of the Company have failed to take necessary steps to carry their statutory obligations. As they had knowledge of legal provisions and consequences of the violations and further they were also penalized for similar violation during previous year, therefore, it could be legitimately inferred

that the default was committed willfully and deliberately. An action, therefore, is necessary for the aforesaid default.

9. In view of the foregoing, the default under Sub-section (1) of Section 158 of the Ordinance is established for which the Company, its directors and Chief Executive have made themselves liable under Clause (a) of Sub-section (4) of Section 158 of the Ordinance. I, therefore, impose a fine of Rs. 20,000 (Rupees twenty thousand) on the Company and on each director including its Chief Executive for default in complying with the provisions of Sub-section (1) of Section 158 of the Ordinance. As regards to further fine, I take a lenient view to give another opportunity to the Company to ensure compliance in future. I, therefore, impose further fine amounting to Rs. 89,000/- (Rupees eighty nine thousand) on the Company, its Chief Executive and all the directors calculated @ Rs. 500 per day from January 01, 2002 to June 27, 2002 (178 days) for continuous default in holding of Annual General Meeting under Sub-section (1) of Section 158 of the Companies Ordinance, 1984. In case they fail to hold AGMs within three months of the date of this Order, the Company, its directors and Chief Executive shall also be liable to further fine @ 2,000 per day from June 28, 2002 till the date the Annual General Meetings are held. I give an opportunity to the Company, its Chief Executive and directors to rectify the irregularity by holding overdue Annual General Meeting immediately and hope that they would act reasonably

10. The Company, its Chief Executive namely, Syed Abid Jawad and directors namely, Syed Abdul Jawwad, Haji Adam Khan, Mr. Shaheen Abid, Haji Madar Khan, Syed Musarat Raza and Syed Hashim Jawad are hereby directed to deposit the fine amounting to Rs. 109,000 each (aggregating Rs. 0.872 million) in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with Habib Bank Limited within thirty days from the date of this Order and furnish receipted challan to the Securities and Exchange Commission of Pakistan.

***RASHID SADIQ***

Executive Director (Enforcement and Monitoring)

**Announced**  
**June 27, 2002**  
**ISLAMABAD**