

No. 19(72)CF/ISS/71-2001-I
Securities and Exchange Commission of Pakistan
Enforcement and Monitoring Division
NIC Building, Jinnah Avenue, Islamabad

Order

IN THE MATTER OF M/S. KARIM COTTON MILLS LIMITED
(IN RESPECT OF SHOW CAUSE NOTICE UNDER SUB-SECTION (1) OF SECTION 158
OF THE COMPANIES ORDINANCE, 1984)

| | |
|-----------------------------------|---|
| No. and date of show cause notice | 19(72)CF/ISS/71-2001-I dated April 25, 2001 |
| Date of hearing | May 22, 2001 |
| Present | Mr. M. Idrees H.E Karim, Chief Executive |
| Date of Order | June 29, 2001 |

The facts of this case are that M/s. Karim Cotton Mills Limited (the "Company") was required to hold its annual general meeting (AGM) for the year ended September 30, 1999 and September 30, 2000 latest by March 31, 2000 and March 31, 2001 respectively under Sub-section (1) of Section 158 of the Companies Ordinance, 1984 (the 'Ordinance'). The Company, its Chief Executive and directors, however, failed to hold the said AGMs. Therefore, a show cause notice dated April 25, 2001 was served on the directors including Chief Executive of the Company for the violation of Sub-section (1) of Section 158 of the Ordinance.

2. In response to the aforesaid show cause notice, Mr. M. Idrees H.E Karim, Chief Executive of the Company intimated through his letter dated May 19, 2001 that annual report and accounts of the Company for the period ended 30th September 1999, and 30th September 2000, were not available for consideration in the meeting. This was so because of the fact that Company Secretary/Chief Accountant of the Company was seriously ill and suffering from heart trouble and also under went by pass surgery. In the absence of the responsible official of the Company, it was not possible to complete the fiduciary responsibilities of the Company. Further, the management of the Company has disposed off total assets of the Company and agreed to buy back the shares of the Company from the minority shareholders of the Company at Rs.16/- per share as agreed by SECP and KSE. Since the reply of the Company was not found to be cogent hearing in this case was fixed on May 22, 2001.

3. On the date of hearing, Mr. M. Idrees H.E Karim, Chief Executive of the Company appeared on his behalf and on behalf of directors of the Company and repeated the same arguments as were intimated in the Company's written reply dated May 09, 2001 and also requested for a lenient view. He admitted the default and said that being the Chief Executive, it was his responsibility to ensure timely holding of AGM. He also requested that no penalty may be imposed on other directors.

4. In view of the above discussion and after careful consideration of the arguments given by the Chief Executive, the default is considered willful which attracts the provisions of Clause (a) of Sub-section (4) of Section 158 of the Ordinance. However, I take a lenient view of the default and, instead of imposing the fine on every director of the Company, impose a fine of Rs. 15,000/- (Rupees fifteen thousand only) for each default for the period ended September 30, 1999 and September 30, 2000 total Rs. 30,000/- (Rupees thirty thousand only) on the Chief Executive of the Company for the default under Sub-section (1) of Section 158 read with Section 476 of the Ordinance.

5. Mr. M. Idrees H.E Karim, Chief Executive of the Company is directed to deposit the fine amounting to Rs. 30,000/- (Rupees thirty thousand only) in the designated bank account of Securities and Exchange Commission of Pakistan, maintained with Habib Bank Limited within 30 days of the date of this Order and furnish a receipted challan to the Securities and Exchange Commission of Pakistan.

RASHID SADIQ
(Executive Director)

Announced
June 29, 2001
ISLAMABAD

