

Securities and Exchange Commission of Pakistan
Enforcement and Monitoring Division
NIC Building, Jinnah Avenue, Islamabad

IN THE MATTER OF
M/S HAFIZ TEXTILE MILLS LIMITED
*(IN RESPECT OF SHOW CAUSE NOTICE UNDER SUB-SECTION (1) OF SECTION 158
READ WITH SECTION 476 OF THE COMPANIES ORDINANCE, 1984)*

No. and date of show cause notice	No.19 (68) CF/ISS/71/2001 dated May 02, 2001
Date of hearing	June 12, 2001
Present	Mr. Qamar-ud-din Usmani, Director Mr. Shahid Siddiqui, Chief Accountant

ORDER

The facts of this case are that M/S Hafiz Textile Mills Limited (the “Company”) was required to hold its annual general meeting (AGM) for the years ended June 30, 1999 and 2000 latest by December 31, 1999 and 2000 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 AGM within the prescribed period. A show cause notice dated May 02, 2001, therefore, 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 afore-said show cause notice, the Company vide its letter dated May 17, 2001 stated that delay in holding of AGM was due to following reasons:

- Non-finalization of the accounts.
- Closure of factory since 1998.
- Entire staff of the Company has been laid off.
- No supply of Electricity, gas and water.

3. In order to give an opportunity of being heard, the case was fixed for hearing on May 21, 2001, which at the request of the company was adjourned, to June 12, 2001. On the date of hearing, Mr. Qamar-ud-din, Director and Mr. Shahid Siddiqui, Chief Accountant of the Company appeared and argued the case. They reiterated the same reasons for delay in holding AGM as were stated in the company’s reply to the show

cause notice. They also contended that the default was not willful and the delay in holding of AGMs was beyond the control of the management.

4. The directors of the Company are responsible for the timely holding of AGM and they should make serious attempt to ensure the compliance of the relevant provisions of the Ordinance. The arguments that the management was unable to hold the AGM due to non-finalization of audit of the accounts, closure of factory, staff laid off and disconnection of power supply, etc. are not justifiable reasons for delaying the holding of AGM. There was sufficient time available to the directors after the close of financial year to prepare accounts and to hold AGM within the prescribed time. Had there been serious effort on their part to manage the aforesaid constraints, there would have been no delay in the holding of AGM. The circumstances and facts placed before me could not prove that the delay in holding of the AGM was beyond the control of the directors.

5. In view of the above discussion and after careful consideration of the arguments given by the company's Chief Executive and Chief Accountant, the default is considered willful which attracts the provisions of Clause (a) of Sub-section (4) of Section 158 of the Ordinance. However, on the assurance that the company will ensure timely holding of AGM in future, I take a lenient view of the default and impose a fine of **Rs. 40,000** (Rupees forty thousand only) on the chief executive of the Company for the aforesaid defaults under Sub Section (1) of Section 158 read with Section 476 of the Ordinance.

6. Mr. Fakhruddin, Chief Executive of the Company is directed to deposit the fine amounting to Rs.40,000 (Rupees forty thousand) 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 (Enforcement & Monitoring)

Announced
September 21, 2001
ISLAMABAD