



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Securities Market Division
Market Supervision and Registration Department (MSRD)

Before the Director/HOD (MSRD)

In the matter of Show Cause Notice issued under Section 224(4) of the Companies Ordinance, 1984 to Amer Tex (Pvt.) Limited, a beneficial owner of more than ten percent equity securities of Sapphire Fibres Limited

Date of Hearing:

January 27, 2015

Present at Hearing:

Representing the Respondent:

- (i) Mr. Imtiaz Majeed,
Chief Executive,
Hameed Majeed Associates (Pvt.) Limited

Assisting the Director/HOD (MSRD):

- (i) Mr. Muhammad Farooq,
Joint Director, SECP
- (ii) Mr. Muhammad Javaid,
Management Executive

Order

This Order will dispose of the proceedings initiated under Section 224(4) of the Companies Ordinance, 1984 ("**Ordinance**") by the Securities and Exchange Commission of Pakistan ("**Commission**") vide Show Cause Notice No. SMD/BOW/CO.222/4(506)/14 dated 19/12/2014 ("**Notice**") issued to Amer Tex (Pvt.) Limited ("**Respondent**"), a beneficial owner of more than ten percent equity securities of Sapphire Fibres Limited ("**Issuer Company**").

2. The facts of the matter leading up to aforesaid Notice are that the Issuer Company is a public listed company and the Respondent being a beneficial owner of more than ten percent of its ordinary shares was required to file return of beneficial ownership on Form 31, within the period stipulated under Section 222 of the Ordinance. However, it failed to discharge the said obligation which attracts penal provision contained in Section 224(4) of the Ordinance.

3. Section 222(2)(b) of the Ordinance stipulates the period within which Form 31 is required to be submitted as under:-

"in any other case, including a case where the company is listed on the stock exchange after the commencement of this Ordinance or after the person has occupied the position or office specified in sub-section (1) or has acquired interest as beneficial owner of securities as aforesaid, within thirty days of occupying the office in the company or acquisition of interest as beneficial owner requiring submission of the return aforesaid or listing of the company on the stock exchange, as the case may be";





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4. In May-June 2014, the Respondent filed eleven returns of beneficial ownership on Form 32 for purchase of 15,400 shares of the Issuer Company. On scrutiny of the record, it was transpired that the Respondent has not yet filed its first disclosure of beneficial ownership on Form 31. The Respondent was, therefore, asked vide letter dated 17/07/2014 to file its first disclosure of beneficial ownership on Form 31. The Respondent, in response to said letter filed Form 31 with the Commission on 28/07/2014, which showed that the Respondent acquired beneficial ownership in the Issuer Company on 01/04/2013 and 2,396,687 ordinary shares were beneficially owned by it. Thus, the Respondent was required to file the said return with this Commission latest by 30/04/2013, but the same was filed on 28/07/2014, with delay of 453 days, in contravention of Section 222 of the Ordinance. The said contravention *prima facie* attracts penal provision of Section 224(4) of the Ordinance, which states as under:-

"Whoever knowingly and willfully contravenes or otherwise fails to comply with any provision of section 222, section 223 or section 224 shall be liable to a fine which may extend to thirty thousand rupees and in the case of a continuing contravention, non-compliance or default to a further fine which may extend to one thousand rupees for every day after the first during which such contravention, non-compliance or default continues".

5. The Commission took cognizance of the aforesaid default and issued Notice to the Respondent under Section 224(4) of the Ordinance, calling upon it to explain through written reply alongwith documentary evidence, if any, as to why action may not be taken against it pursuant to Section 224(4) of the Ordinance, for aforesaid contravention of Section 222 of the Ordinance. The Chief Executive of the Respondent vide letter dated 26/12/2014 responded the Notice and *inter alia* showed intention to be heard in person to clarify the matter.

6. Furthermore, in order to provide an opportunity of being heard in person, hearing in the matter was fixed on 06/01/2015 at the Commission's Head Office, Islamabad, which on the request of Mr. Imtiaz Majeed, Chief Executive of Hameed Majeed Associates (Pvt.) Limited, (**Authorized Representative**) was adjourned and rescheduled for 27/01/2015. The Authorized Representative appeared on behalf of the Respondent on the said date. The submissions made by the Authorized Representative on behalf of the Respondent, in writing as well as verbally during the course of hearing, be summarized as under:-

- a) *The Respondent received the aforesaid shares by virtue of merger of Diamond Limited with and into it.*
- b) *The Respondent was under the impression that the phrase "acquired interest as beneficial owner of securities" appears in Section 222 of the Ordinance means to purchase of shares. So the Respondent conceived that as this was not an acquisition of shares but was receipt of shares as inheritance, therefore, Form 31 was not filed with the Commission at that time.*
- c) *The Respondent filed Form 32, for subsequent changes in its beneficial ownership within the prescribed time limit,*





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- d) *The Respondent filed Form 31 promptly upon receipt of letter dated 17/07/2014, from the Commission.*
- e) *The default was unintentional, which took place due to misconception of the word "acquisition" appear in Section 222 of the Ordinance. Furthermore necessary steps were taken to abide by the law once the non-compliance/misconception was brought to the knowledge of the Respondent's management.*
- f) *The default has not been committed knowingly and willfully, therefore, the same may be condoned.*

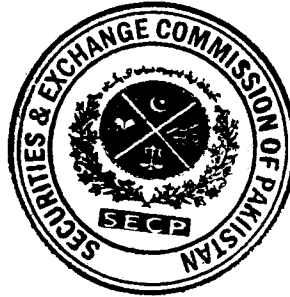
7. I have considered the aforesaid submissions made on behalf of the Respondent. The Respondent has admitted the default with the plea that the legal position of the matter was elucidated upon receipt of letter dated 17/07/2014 from the Commission. The Authorized Representative pleaded that the Respondent has neither knowingly nor willfully contravened the provisions of Section 222 of the Ordinance, which may be assessed from the following events:-

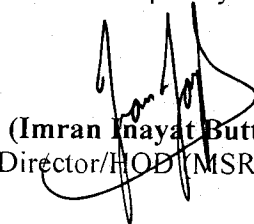
- i. The Respondent after becoming more than ten percent beneficial owner of the Issuer Company purchased 1,600 shares from the market and returns of beneficial ownership on Form 32 in this regard were filed by own, within the stipulated time limit.
- ii. The Respondent once realized that it has misconceived the provisions of Section 222 of the Ordinance, filed Form-31 promptly upon receipt of aforesaid letter from the Commission.

8. In order to arrive at decision, I have also reviewed the record of this office, which endorses the claim that the Respondent has filed Form 32 by own, within the prescribed time limit, for the changes in beneficial ownership which took place during May-June 2014. The record of this office also reveals that the Respondent, after receipt of aforesaid Forms 32, was asked for filing of Form 31, which was filed within eleven days of the issue of aforesaid letter. Considering the submissions made by the Respondent, as well as timely reporting of subsequent changes in beneficial ownership, I intend to agree with the contention of the Respondent and of the view that late filing of Form-31 may not be willful. Therefore, a lenient view of the matter has been taken and the Respondent is hereby strictly warned to ensure timely compliance of Section 222 of the Ordinance in future.

9. This Order is issued without prejudice to any other action that the Commission/Registrar may initiate against the Respondent in accordance with the law on matter subsequently investigated or brought to the Notice of the Commission.

Islamabad.
Announced on February 10, 2015.




(Imran Inayat Butt)
Director/HOD (MSRD)