



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

[Islamabad]

Before Tahir Mahmood, Executive Director (Enforcement)

In the matter of

M/S. CONTINENTAL INSURANCE COMPANY LIMITED

Under Clause (b) of Section 309 Read with Section 305
of the Companies Ordinance, 1984

Show Cause Notice No. and Date	No. EMD/233/724/08-558-567 dated August 26, 2008
Date of final hearing	March 2, 2009
Attendance at the Meeting	No one appeared on behalf of the Company
Date of Order	March 12, 2009

ORDER

This order shall dispose of proceedings initiated through show cause notice No. EMD/233/724/08-558-567 dated August 26, 2008 under Clause (b) of Section 309 read with Section 305 of the Companies Ordinance, 1984 ("Ordinance") issued to M/s. Continental Insurance Company Limited (hereinafter referred to as the "the Company"), its directors including Chief Executive of the Company, namely:-

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|-------|------------------------|-----------------|
| i. | Mr. Basit Hassan Syed | Chief Executive |
| ii. | Mr. Tariq Mahmood Khan | Director |
| iii. | Mr. Ghulam Sarwar | Director |
| iv. | Mrs. Mehwish Fozia | Director |
| v. | Mr. Zahid Hussain | Director |
| vi. | Mr. Sarfarz Khan | Director |
| vii. | Mr. Mohammad Ahmed | Director |
| viii. | Mr. Ziaullah Khan Raja | Director |
| ix. | Mrs. Riffat Zia | Director |

2. The Additional Registrar of Companies, Company Registration Office, Karachi ("Registrar") vide his letter dated August 6, 2008 sought previous sanction of the Commission in terms of Clause (b) of Section 309 of the Ordinance to present a petition before the Honourable High Court of Sindh for winding up of the Company in public interest on the following grounds:

- The Company has failed to hold its annual general meeting since the year 2003.
- The Company has not submitted its annual audited accounts since the year 2003.

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3. Upon receiving the aforesaid request from the Registrar, before granting the previous sanction of the Commission, a show cause notice dated August 26, 2008 was served on the Company as well as on its directors under Section 309(b) read with section 305 of the Ordinance, highlighting the aforesaid grounds on which the Registrar has approached this Commission for grant of sanction to present a petition for winding up of the Company. The Company, its Chief Executive and other directors were given an opportunity to explain in writing as to why sanction in terms of Clause (b) of Section 309 of the Ordinance may not be granted to the Registrar.
4. The copies of aforesaid show cause notice were sent at the registered office address of the Company and also on the personal addresses of Chief Executive, Mr. Basit Hassan Syed and other directors of the Company but the mails sent to them were received back undelivered except those sent to directors, namely, Mr. Mohammad Ahmed, Mr. Ziaullah Khan Raja and Mrs. Riffat Zia. However, none of them responded to show cause notice at all.
5. In order to provide an opportunity of making a representation and being heard personally, hearing of the case was fixed for February 16, 2009 and accordingly, the Chief Executive, directors and the Company were served with the notices vide the Commission letter dated January 23, 2009. This time again letters were received back undelivered except in the case of director, Mr. Mohammad Ahmed and none of them appeared before the Commission on scheduled date of hearing.
6. The Commission giving another opportunity, sent notice dated February 17, 2009 whereby the Company, its Chief Executive and other directors were advised to appear in final hearing in the subject case on March 2, 2009 but again mails were not received by them except Mr. Zahid Hussain and Mr. Muhammad Ahmed. None of them appeared before the Commission on final hearing date.
7. To appreciate the facts of the case, it is important to look at profile of the Company. As per annual audited accounts for year ended December 31, 2002, last accounts filed by the Company, it was incorporated as a public unlisted company on September 5, 1984 under the Ordinance and it received business commencement certificate on July 25, 1996. The Company got registered on June 26, 1997 with the Controller of Insurance to transact general insurance business. The management of the Company was changed in November 2002. The business operations of the Company have continuously been suspended since 2002. Its authorized capital and paid up capital are Rs. 100 million and Rs. 90.50 million respectively. As per record of the Company Registration Office, Karachi, latest registered office address of the Company is situated at 15/B, 15th Floor, Kashif Centre, Opposite Mehran Hotel, Shahrah-e-Faisal, Karachi.
8. Further, as per record of the Commission, the Company has not submitted its annual audited accounts since the year 2003 and the Company has failed to hold its annual general meetings since the year 2003. Consequently, the Company has also failed to file its quarterly accounts since year 2003. Due to continued default of section 11 of the Insurance Ordinance, 2000 (IO.2000), the Commission in exercise of powers conferred under section 63 ibid has issued direction dated June 25, 2008 to the Company to cease entering into new contracts of



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insurance unless it ensures compliance with provisions of section 11 ibid within one month of direction. This direction was also published as a public notice in leading Urdu and English newspapers dated October 15, 2008 and January 25, 2009. However, the Company has absolutely failed to comply with this direction of the Commission due to which its new business stand ceased w.e.f. July 26, 2008. It was mentioned in the public notices that the said direction has already been sent to the Company on its registered office address via registered post, therefore, in terms of Section 48 of the Ordinance and Section 164 of the IO.2000, these notices are deemed to have been served upon the Company.

9. In view of status of compliance of the Company as described in foregoing para 8, it may be concluded that the Company has failed to hold its five consecutive annual general meetings (AGMs for years 2003 to 2007). The Company has not submitted its annual audited accounts for last five years (Accounts for years 2003 to 2007) and also failed to submit the quarterly accounts for said five years. Moreover, the business operations of the Company are terminated since year 2002. The aforesaid facts together with the failure of the management to make any effort to revive the Company indicate that the management has no intention of carrying on business of the Company. Section 305 of the Ordinance specifies the circumstances in which the Court may wind up a company. The clause (b) of Section 305 of the Ordinance states that a company may be wound up by Court if it makes default in holding any two consecutive annual general meetings; Clause (c) calls for winding up of a company if suspends its business for more than one year. Based on the facts of the case, the Commission is satisfied that the Company fulfills both conditions prescribed under Clause (b) and Clause (c) of Section 305 of the Ordinance.

10. Further, the undersigned is of the opinion that there are no reasonable prospects for the Company to restore its operations and to meet the statutory requirements of Companies Ordinance, 1984 as well those of Insurance Ordinance, 2000 as specified in foregoing paras which renders the Company liable to be wound up by Court under Section 305 of the Companies Ordinance, 1984.

11. The undersigned, therefore, in exercise of the powers conferred under Section 309 of the Companies Ordinance, 1984 hereby authorizes the Additional Registrar, Company Registration Office, Karachi to present a petition for winding up of M/s. Continental Insurance Company Limited in Honourable High Court of Sindh.

Tahir Mahmood
Executive Director (Enforcement)