



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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BEFORE DIRECTOR-ENFORCEMENT - MR. ABID HUSSAIN

IN THE MATTER OF DAWOOD EQUITIES LIMITED

Number & Date of the Show Cause Notice	EMD/233/734/2008-1186-87 Dated December 11, 2008
Date of Hearing	May 25, 2009
Present	Mr. Munir Issani, Chief Executive Syed Nazeer Haider, Company Secretary

O R D E R

This order shall dispose of the proceedings initiated against Chief Executive and Company Secretary namely Muhammad Munir Issani and Syed Nazeer Haider respectively of Dawood Equities Limited ("the Company") through show cause notice dated December 11, 2008 under the provisions of Section 218 read with Section 476 of the Companies Ordinance, 1984 ("the Ordinance")

2. The Company was incorporated as a public limited on May 3, 2006 under the Ordinance and listed on the Karachi Stock Exchange (Guarantee) Limited on April 14, 2008. As stated in the Company's annual accounts for the year ended June 30, 2008, its authorized share capital is Rs.300,000,000/- divided into 30,000,000 ordinary shares of Rs.10/- each whereas its paid up capital is Rs.250,000,000/- divided into 25,000,000 ordinary shares of Rs.10/- each.

3. Brief facts of the case are that while examining the annual accounts for the year ended June 30, 2008 of the Company, following were observed:

- consequent to resignation of Muhammad Rizwan-ul-Haq, former Chief Executive, Company's Board of Directors ("BOD") had appointed Muhammad Munir Issani as Chief Executive on April 9, 2008; and
- directors' report annexed to the Company's annual accounts for the year ended June 30, 2008 circulated among its shareholders subsequent to appointment of Muhammad Munir Issani as Chief Executive of the Company, did not include an abstract of the terms of his appointment as required under Sub-section (1) of Section 218 of the Ordinance.



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4. Further correspondence in the matter revealed that the Company had also failed to circulate an abstract of the terms of appointment or contract with Muhammad Munir Issani as its Chief Executive within twenty one days from the date of his appointment or entering into the contract to every shareholders of the Company.

5. In view of the foregoing, it was observed that the Company had violated the provisions of Sub-sections (1) & (2) of Section 218 of the Ordinance, therefore, a show cause notice under the aforesaid Section of the Ordinance was issued to the following officers of the Company so as to explain why penalty in terms of Sub-section (6) of Section 218 of the Ordinance may not be imposed on them:

(i) Muhammad Munir Issani, Chief Executive; and

(ii) Syed Nazir Haider Zaidi, Company Secretary

6. In response to the show cause notice, the Chief Executive and Company Secretary submitted the following:

- we are aware of the requirement of providing an abstract of the terms of the appointment of Muhammad Munir Issani as Chief Executive of the Company as required under Sub-section (2) of Section 218 of the Ordinance. We confirm that we have complied with this requirement by circulating a letter to all the shareholders of the Company; and
- we like to further apprise you that, "there was and there is no direct or indirect interest of any of the director in the appointment of the Chief Executive." Therefore, Sub-section (1) of Section 218 of the Ordinance was not applicable for the appointment of Company's Chief Executive.

7. In order to provide an opportunity of hearing, the case was fixed for May 25, 2009 on which date both the above officers appeared before me. They reiterated their earlier stance as was given through written submissions in response to the show cause notice. Further, they stated that the Company's annual accounts for the year ended June 30, 2008 was the first one after Company's listing on April 14, 2008, therefore, a lenient view may be taken and default may be condoned.

8. I have analyzed the facts of the case along with relevant provisions of the Ordinance, submissions made by the Chief Executive and Company Secretary during the proceedings of the hearing and written reply in response to the show cause notice. However, before proceeding further, it is necessary to advert the following relevant provisions of law:



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- Sub-section (1) of Section 218 of the Ordinance provides that:

“Where a company:

(a). appoints, or enters into a contract for the appointment of, a chief executive, managing agent, whole time director or secretary of the company, in which appointment or contract any director of the company is in any way, whether directly or indirectly, concerned or interested ; or

(b). varies any such contract already in existence;

the company shall make out and attach to the report referred to in section 236 an abstract of the terms of the appointment or contract or variation, together with a memorandum clearly specifying the nature of the concern or interest of the director in such appointment or contract or variation.”

- Sub-section (2) of Section 218 of the Ordinance provides that:

“Where a company appoints or enters into a contract for the appointment of a chief executive of the company, or varies any such contract already in existence, the company shall send an abstract of the terms of the appointment or contract or variation to every member of the company within twenty one days from the date of the appointment or of entering into the contract or varying of the contract, as the case may be, and if any other director of the company is concerned or interested in the appointment or contract or variation, a memorandum clearly specifying the nature of the concern or interest of such other director in the appointment of contract or variation shall also be sent to every member of the company with the abstract.”

9. Considering the circumstances of the case, I am of the view that abovementioned officers of the Company had failed to comply with the provisions of Section 218 of the Ordinance as directors' report annexed to the Company's annual accounts for the year ended June 30, 2008 circulated among its shareholders subsequent to appointment of Muhammad Munir Issani as Chief Executive of the Company, did not include an abstract of the terms of his appointment. Whereas Company's proof of sending an abstract to the shareholders within twenty one days from the date of appointment of its Chief Executive cannot be considered a valid one since the Company failed to provide copies of dispatch receipts showing the abstract was duly dispatched to all the shareholders of the Company. Accordingly, an action is necessary under Sub-section (6) of Section 218 of the Ordinance which provides that if default is made in complying with any of the provisions of this section, the company and every officer of the company who is knowingly and willfully in default shall be liable to a fine which may extend to five thousands rupees. However, considering the fact that the Company is newly listed on the stock exchange and non-circulation of the abstract has caused no financial loss to the



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shareholders, I, instead of imposing penalty on the aforementioned officers of the Company, hereby warn them to observe the compliance of law in letter and spirit, in future.

Abid Hussain

Director-Enforcement

Announced:

Islamabad, June 18, 2009