

**Before Ali Azeem Ikram, Director (Enforcement)**

*In the matter of*

**M/s. Crescent Knitwear Limited**

(Under Sub-section (4) of Section 158 of the Companies Ordinance, 1984)

No. & date of show cause notice	EMD/Enf-II/246/2005 Dated January 26, 2006
Date of hearing	April 17, 2006
Present	No one appeared
Date of Order	June 05, 2006

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## **Order**

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This Order shall dispose of the proceedings initiated against M/s. Crescent Knitwear Limited (hereinafter referred to as the “Company”) and its directors for default made in complying with the provisions of Sub-section (1) of Section 158 of the Companies Ordinance, 1984 (the “Ordinance”).

2. The facts leading to this case, briefly stated, are that in terms of the provisions of Sub-section (1) of Section 158 of the Ordinance, the Company was required to hold its Annual General Meeting (the “AGM”) for the year ended June 30, 2005 on or before October 31, 2005. The Company failed to hold the aforesaid AGM within the prescribed time period. The failure of the Company to comply with the aforesaid mandatory requirements necessitated action against the Company and its directors in terms of Sub-section (4) of Section 158 of the Ordinance. Consequently, a show cause notice dated January 26, 2006 was served on the Company and its directors including the Chief Executive calling upon them to show cause as to why penalties as provided under Sub-section (4) of Section 158 read with Section 476 of the Ordinance may not be imposed on them. No response was received to the aforesaid notice.



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3. In order to provide an opportunity of personal hearing the matter was fixed for March 13, 2006. Due to unavoidable circumstances, the hearing was adjourned and re-fixed for March 21, 2006. However, no body appeared on the date of hearing, instead a written reply dated March 20, 2006 was received from Mr. Omar Aziz Khan, Advocate, Irfan & Irfan, Attorneys at Law on behalf of the directors, whereby it was informed that they have been engaged by the Company to represent the directors in the hearing. It was further stated that due to ill health of his father, he would not be able to appear for hearing on March 21, 2006. Request was made for adjournment of hearing for two weeks. To afford another opportunity the matter was finally fixed for April 17, 2006. Again neither anybody attended the hearing nor any written explanation was received. This leads me to believe that the Chief Executive and directors of the Company have nothing in their defence, and they are deliberately avoiding appearance in the hearing. Therefore, I proceed to adjudicate this case on its merits.

4. Before proceeding to decide this case, I consider it necessary to highlight the importance of the strict observance of the aforesaid mandatory provisions of the law. The protection of the investors/shareholders is one of the primary objectives of the Ordinance. It is investors/shareholders who provide seed for capital formation. If the interest of the investors is protected, they will save and invest more. Their interest is protected by transmission of timely, adequate and meaningful information to them. It is the annual and interim accounts, which provide information to the investors about the affairs of the companies. Annual General Meeting is a forum where the investors can freely speak, discuss and vote on important matters concerning approval of accounts, appointment of auditors, election of directors etc. It has unfortunately been noted that the directors of M/s. Crescent Knitwear Limited are not observing these compulsory requirements of law.

5. From the aforesaid discussion, it is clear that the directors and Chief Executive have intentionally avoided appearance before me inspite of the fact that they were provided two opportunities of hearings by the Commission which they failed to avail. It is also mentioned that the Company has failed to hold the aforesaid AGM till date even after issuance of show cause notice. The default, therefore, is considered willful and deliberate. In the



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circumstances, it can be legitimately inferred that the Chief Executive and directors have failed to protect the interest of the shareholders. The aforesaid state of affairs is a cause of great concern for the Commission. This led me to believe that the directors have no respect for the law and they have again deprived the shareholders of their statutory right to receive the annual accounts of the Company within the prescribed time limit. The responsibility for holding AGMs and preparation/circulation of annual accounts rests with the directors of the Company and they have to take appropriate action at appropriate time. The repetition of default clearly shows that the Company is not making any serious efforts to comply with the provisions of the law. For the foregoing reasons, the default under Sub-section (1) of Section 158 of the Ordinance regarding non-holding of AGM for the year ended on June 30, 2005 stands established.

6. However, instead of imposing the maximum fine of Rs.50,000 on the Company and every director and a further fine of Rs.2,000 per day for the continuous default, I impose the following penalties on the Chief Executive and the directors of the Company under Sub-section (4) of Section 158 of the Ordinance:-

<b>S. No.</b>	<b>Name</b>	<b>Penalty in Rs.</b>
1.	Mr. Khurram Mazhar Karim, Chief Executive	20,000
2.	Mr. Abdul Rauf, Director	20,000
3.	Mr. Shams Rafi, Director	20,000
4.	Mr. Muhammad Shahbaz, Director	20,000
5.	Mr. Zaheer A Sheikh, Director	20,000
6.	Mr. Imran-ur-Rahman, Director	20,000
7.	Mr. A.H. Zaidi, Director	20,000
	<b>Total</b>	<b>140,000</b>

7. The Chief Executive and directors of M/s. Crescent Knitwear Limited are hereby directed to deposit the aforesaid fines aggregating to Rs.140,000/- (Rupees One hundred and forty thousand only) in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with Habib Bank Limited within thirty days from the receipt of this Order and furnish receipted vouchers or pay by a DD/pay order issued in the



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name of Commission for information and record, failing which proceedings under the Land Revenue Act,1967 will be initiated which may result in the attachment and sale of movable and immovable property. It may also be noted that the said penalties are imposed on the Chief Executive and other directors in their personal capacity who are required to pay the said amount from their personal resources.

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**Ali Azeem Ikram**  
Director (Enforcement)