



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

*Enforcement Department  
Islamabad*

*Before Tariq Bakhtawar, Director Enforcement*

*In the matter of Hala Enterprises Limited*

*For non-compliance with provisions of Section 158 of the Companies Ordinance, 1984*

No. and date of show cause notice	EMD/Enf-II/254/2004 dated January 31, 2005
Date of hearing	March 1, 2005
Present	Mr. M. Tanvir Akhtar, Company Secretary

## ORDER

This Order shall dispose off the proceedings initiated against Hala Enterprises Limited (hereinafter referred to as the “Company”) and its directors for defaults 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, 2004 on or before October 31, 2004. The failure of the Company to comply with the aforesaid mandatory requirement necessitated action against the Company and its directors in terms of Sub-section (4) of Section 158 of the Ordinance. Accordingly, a show cause notice dated January 31, 2004 was served on the Company and its directors including the Chief Executive calling upon them to show cause as to why penal action may not be taken against them under Sub-section (4) of Section 158 read with Section 476 of the Ordinance for the aforesaid contravention.



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**  
**Enforcement Department**

Continuation Sheet - 1 -

3. In response to the show cause notice, the Company Secretary contended vide his written reply dated February 14, 2005 that they may be given time upto February 25, 2005 to furnish explanation to the notice as their Corporate Consultant had gone to perform "Hajj" who was expected to return Pakistan on February 24, 2005. Accordingly, to provide an opportunity of personal hearing, the matter was fixed for March 01, 2005. On the date of hearing, Mr. M. Tanvir Akhtar, Company Secretary, appeared before me to present the case on behalf of the Company and its directors. During the course of hearing, Mr. Tanvir admitted the default. He further stated that he joined the Company in December 2003 and tried to hold AGM for the year ended June 30, 2004 within prescribed time but it could not be held in time because the last AGM for the year ended June 30, 2003 had already been delayed. Moreover, during this period he fell ill and was hospitalized. He added that the persons who were dealing with the accounts left the Company in December 2004. The Company applied for grant of an extension of time for the holding of AGM but their request was turned down by the Commission. The audit of accounts was therefore, delayed which resulted delay in the holding of AGM. He requested to condone the default and assured timely compliance of the statutory provisions of law in future.

4. I have given careful consideration to the arguments advanced for failure to hold the AGM and circulate annual accounts within the mandatory time period. However, none of them justify the default in the holding of AGM and transmission of annual accounts. As regards the request of the Company for grant of extension in time for holding AGM, the same was rejected because no cogent reason was furnished by the Company for grant of extension and their application was also received late. This indicates that the directors have failed to discharge their statutory duties in this respect and have deprived the shareholders of their statutory right to receive the annual accounts of the Company within the statutory time frame. I am, therefore, constrained to believe that the Company and its directors including the Chief Executive have willfully and deliberately committed the default by not holding the AGM for the year ended June 30, 2004 within the prescribed time limit.

5. Considering the circumstances of the case and the submissions of the respondents, I am of the view that the contentions of the directors do not carry any merit. It is the responsibility of the directors of the Company to timely hold the AGM as this is the only forum available to the shareholders where they can discuss, deliberate and approve the significant matters like approval of accounts, appointment of auditors, election of directors, performance of the company and other important issues relating to the Company. A perusal of the record reveals that in the past also, the management had committed



**SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**  
**Enforcement Department**

Continuation Sheet - 2 -

default for which penalty was imposed on the Chief Executive of the Company. The repetition of default shows that the management of the Company does not take the provisions of law seriously. Accordingly, the default under Section 158 is considered willful and deliberate, which attracts the penal provisions of Sub-section (4) of Section 158 of the Ordinance.

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

S. No	Name	Penalty Rs.
1.	Mr. Tahir Jahangir, Chief Executive	30,000
2.	Hala Enterprises Limited	20,000
	<b>Total</b>	<b>50,000</b>

7. The Chief Executive and directors of the Company are hereby directed to deposit the aforesaid fines in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with Habib Bank Limited or pay through a demand draft in the name of Securities and Exchange Commission of Pakistan within thirty days from the receipt of this order and furnish receipted challans to the Commission failing which proceedings for recovery of the fines as arrear of land revenue will be initiated. It should also be noted that the abovementioned penalty amounting to Rs. 30,000 on the Chief Executive is imposed in his personal capacity; therefore, he is required to pay the said amount from his personal resources.

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**Tariq Bakhtawar**  
Director Enforcement

**Announced:**  
May 3, 2005, Islamabad