



Corporate Supervision Department
Company Law Division

Before Ms. Amina Aziz – Director (CSD)

In the matter of

Shadman Cotton Mills Limited

Number and date of SCN: CSD/ARN/264/2016- 2587 dated January 18, 2016
Date of Hearing: February 11, 2016
Present for Respondent: Mr. Nasir Ali Khan, Authorized Representative

ORDER

UNDER SECTION 495 READ WITH SECTION 476 OF THE COMPANIES ORDINANCE, 1984

This order shall dispose of the proceedings against Chief Executive (the “respondent”) of Shadman Cotton Mills Limited (the “Company”). The proceedings were initiated through show cause notice (the “SCN”) dated January 18, 2016, issued under the provisions of section 495 read with section 476 of the Companies Ordinance, 1984 (the “Ordinance”).

2. The brief facts of the case are that the Commission through the SRO 634 (I)/2014 dated July 10, 2014 (the “SRO-I”) directed every public listed and public unlisted company to maintain a functional website with effect from August 30, 2014 and place stipulated mandatory information thereon. Furthermore, the Commission through SRO 684 (I)/2015 dated July 15, 2016 (the “SRO-II”), also directed all public companies to place website link of SECP investor education portal “JamaPunji” (www.jampunji.pk) along with its logo at a prominent place on the homepage of their websites.

3. It was noticed that the Company had, prima facie, contravened the directions of the Commission given in the SRO-I & II by not maintaining a functional website. Consequently, SCN was issued to the respondent whereof he was called upon to show cause in writing as to why penal action may not be taken against him under sub-section (1) of section 495 of the Ordinance for not complying with the Commission’s direction given vide the SRO-I & II along with fixing hearing for February 2, 2016. The respondent and Company’s CFO vide their letter dated January 20, 2016 replied to the SCN as under:

We have uploaded the financial statements and the other relevant information in sequential order as required in your notice and in circular No. 43 of 2015 on our website www.shadman.com.pk.

We regret to write that due to electricity jerk, our main server was severely damaged in the mid of September 2015 and we lost our 9 months financial data and crashed our website. This caused us



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department
Company Law Division

Continuation Sheet - 1 -

delay in the preparation of financial statements and we had to apply for extension in time limit for submitting statutory data to your good office. We have now designed and developed new website and are pleased to inform you that we have uploaded the financial statements and the other relevant information in sequential order as required in your notice and in circular No. 43 of 2015 on our website www.shadman.com.pk. The Compliance Certificate duly signed by the Chief Executive is attached along with".

4. The Company even though confirming the attendance of hearing on February 2, 2016 via video link from Company Registration office of the Commission, no one appeared on the said date for the hearing. However, the hearing was re-fixed for February 11, 2016. Mr. Nasir Ali Khan (the Authorized Representative") appeared before the undersigned along with authority letter from the respondent. He stated that all information required under SRO-I & II has been placed on the Company's website. Upon indication that complete information was not placed on website of the Company. He pledged and assured that complete information in accordance with SRO-I & II will be placed within a week time. As requested this office vide email dated February 11, 2016 provided website link of SECP's investor complaint section to the Authorized Representative for placing on the Company's website under heading "Investor Relation" of SRO-I.

5. Before proceeding further, it is necessary to advert to the following relevant provisions of Ordinance:

In terms of the Commission's SRO-I issued in pursuance of powers conferred by section 506B of the Ordinance, listed companies have been directed to maintain a functional website and provide mandatory information including placement of quarterly and annual accounts and specific information relating to: (A) profile of the company, (B) governance, (C) investors relations, (D) media, (E) election of directors, (F) investors information. The aforesaid notification, inter alia, requires listed companies to place on their website:

- Latest annual accounts at least twenty one days before holding of the annual general meeting ("AGM") and annual accounts and reports adopted by shareholders within seven days after the AGM; and
- Interim accounts i.e. latest available quarterly accounts as well as accounts for the last three quarters.

The SRO-I further provides that where a company does not comply or makes default in compliance with the requirements of the notification, every officer of the company and every other person responsible for non-compliance shall be punished in accordance with provisions of section 495 of the Ordinance.



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department
Company Law Division

Continuation Sheet - 2 -

Sub-section (1) of section 495 of the Ordinance states that where any directive is given or order is issued by the Court, the officer, the Commission, the registrar or the Federal Government under any provision of this Ordinance, non-compliance thereof within the period specified in such direction or order shall render every officer of the company or other person responsible for non-compliance hereof punishable, in addition to any other liability, with fine not exceeding fifty thousand rupees and, in the case of a continuing non-compliance, to a further fine not exceeding two thousand rupees for every day after the first during which such non-compliance continues.

In terms of the Commission's notification SRO 1003 (I)/2015 dated October 15, 2015, the powers to adjudicate cases under SRO 634(I)/2014 dated July 10, 2014 read with section 495 of the Ordinance have been delegated to the Director (Corporate Supervision Department).

The review of website of the Company has revealed that the Company has not placed the following mandatory information:

S. No.	Heading of SRO-I	Deficient Information
1	B) Governance	i) Profile of Board of Directors; and ii) Shareholding pattern.
2	C) Investor Relations	i) Online form / contact details of person designated for assisting and handling investor grievances (including website link of SECP's investor complaint section: http://www.secp.gov.pk/ComplaintFormI.asp); ii) Corporate Social Responsibility Reports, if any; iii) Notice of general meetings, dividend/bonus declarations and right issue; iv) Site map; and v) Search facility
3	F) Investor Information	i) Financial highlights for previous five years; ii) Interim accounts i.e. latest available accounts as well as for the last three quarters i.e. for the quarter ended 30.09.2015, 31.03.2015, 31.12.2014; iii) As per the latest available yearly financial statement: Earnings per share, P/E ratio and breakup value; iv) Free float of the shares of Company; and v) Rating of Company and instruments.
4	Compliance Certificate	Scanned copy of compliance certificate has not been placed on the website and has not been submitted to the Commission.

I have gone through the facts of the case, provisions of the Ordinance, requirements of the SRO-I & II and written reply of the Company. I am of the view that the respondent has maintained its website and has provided most of the information as per requirement of SRO-I & II even though some



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department
Company Law Division

Continuation Sheet - 3 -

Information as highlighted in the preceding paragraph is still not placed on website. Therefore, in exercise of the powers conferred by the SRO-I and section 495 of the Ordinance, instead of imposing penalty, I hereby conclude the proceedings with a warning to the respondent to be careful and ensure meticulous compliance with applicable laws and directions of the Commission.

Before parting with the order, I invoke the provision of section 473 of the Ordinance and direct the respondent to place all the mandatory information on the Company's website to fulfill the requirements of SRO-I and submit a compliance certificate within 15 days from the date of receipt of this order. The Company is also expected keep the website updated in future as well.

It may be noted that continued non-compliance with the Commission's direction may render the respondent liable for action under sub-section (2) of section 495 of the Ordinance.

Amina Aziz
Director (CSD)

Announced:
February 18, 2016
Islamabad