



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

## Adjudication Department-I

### Adjudication Division

Before

**HAMMAD JAVED, ADDITIONAL DIRECTOR / HEAD OF DEPARTMENT  
(AD JUDICATION DEPARTMENT – II)**

**In the matter of**

1. M/S. SICHUAN TRADING (SMC-PRIVATE) LIMITED THROUGH ITS CHIEF EXECUTIVE;
2. MR. KUANG LIHONG, PASSPORT NO. EF2095438, CHIEF EXECUTIVE AND DIRECTOR OF M/S. SICHUAN TRADING (SMC-PRIVATE) LIMITED.

<b>Show Cause Notices</b>	No. Adj-II/301/26/IAN-110/CRO-ISB/2023-24 – 154 dated January 29, 2024	
<b>Date on which hearing opportunity provided</b>	<b>Date</b>	<b>Attended by</b>
	February 14, 2024	No one appeared to attend the hearing
	March 6, 2024	
	March 19, 2024	
April 29, 2024		

**SANCTION FOR FILING OF WINDING-UP PETITION UNDER CLAUSE (b) OF PROVISO TO SECTION 304 READ WITH SECTION 301 OF THE COMPANIES ACT, 2017**

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the '**Commission**') vide the Show Cause Notice (the '**SCN**') No. Adj-II/301/26/IAN-110/CRO-ISB/2023-24 – 154 dated January 29, 2024 to **M/s Sichuan Trading (SMC-Private) Limited** (the '**Company**') having registered office as Shop 0, Lower Ground Floor, Alpha Tower, E-11, Islamabad and its Chief Executive Officer/Director, namely Mr. Kuang Lihong holding passport no. EF2095438, ('**Mr. Kuang**') (collectively referred to as the '**Respondents**') under clause (b) of proviso to section 304 read with section 301 of the Companies Act, 2017 (the '**Act**') for carrying on unlawful/prohibited business of inviting and accepting unauthorized deposits from the public, *prima facie*, in violation of sections 84(1) and 26(2) of the Act.

2. The Company was incorporated with the Commission on June 30, 2022 under the Act. The paid-up capital of the Company is Rs.100,000 divided into 1,000 shares of Rs.100 each. The sponsors and directors of the Company are as under:

<b>Name</b>	<b>CNIC/Passport</b>	<b>Designation</b>	<b>No. of share /%age</b>
Kuang Lihong	EF2095438	CEO/Director	1,000 (100%)

3. The principal line of business of the Company as mentioned in clause 3(i) of the Memorandum of Association ('**MoA**') is as under:

*““The principle line of business of the Company shall be to carry on the business of services legally permissible, sale, purchase, import, export and to act as general traders, general order suppliers of product commodities, material legally permissible in any form or shape, manufactured, semi manufactured, raw materials and supplied by any company, firm,*

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*association of persons, body, whether incorporated or not, individuals, governments, semi government or any local authority, as permissible under law but will not undertake MLM business or akin to that."*

4. The Respondents in clause 3(iv) of MoA of the Company have undertaken not to engage in the following businesses:

- (a) *engage in any business in subclause (iii) of the above or any unlawful operation*
- (b) *launch multi-level marketing (MLM), Pyramid and Ponzi schemes, or other related activities/business or any lottery business*
- (c) *engage in any permissible business unless the requisite approval, permission, consent or license is obtained from competent authority as may be required under any law for the time being in force."*

5. The facts leading to the issuance of the SCN are that based on social media monitoring activity conducted by Offsite Department of the Commission, it was observed that the Company was *prima facie* involved in unauthorized activities including illegal deposit taking. The Company was appearing as a beneficiary for a mobile investment application named 'Integral'. The Company was *prima facie* facilitating the app offering investments in various products/projects for fixed profits and accepting deposits from investors/ general public through local bank transfers without obtaining requisite license/permission under relevant provisions of law.

6. In order to ascertain factual position, a Show Cause Notice dated January 11, 2023 was served on to the Company in order to investigate into the affairs of the Company. Hearing in the matter was fixed for January 24, 2023. On the date of hearing, no one appeared to represent the Company nor was any request for adjournment received; after which Investigation Order under Section 256 of the Companies Act, 2017 (the "Act") was passed on February 01, 2023. Accordingly, the investigation team conducted the investigation and issued an Investigation Report dated August 16, 2023 wherein the investigation team concluded that the Company was engaged in deposit invitation and acceptance from the public in the guise of investments in various products/projects for fixed profits without requisite license through its mobile application, *prima facie*, in violation of sections 84(1) and 26(2) of the Act, read with clause 3 of the MoA of the Company.

7. Considering the findings contained in the Investigation Report, the Registrar of the concerned Company Registration Office sought sanction of the Commission to present a petition for winding up of the Company under clause (b) of proviso to section 304 read with sub-clause (i) and (ii) of clause (g) of section 301 of the Act on the grounds that the Respondents were engaged in unlawful and prohibited business of inviting and accepting unauthorized deposits from the public, *prima facie*, in violation of sections 84 (1) and 26(2) of the Act.

8. Accordingly, the SCN dated January 29, 2024 was issued to the Respondents calling upon them to furnish submissions in writing to explain within ten (10) days of the date of the SCN, as to why the sanction of the Commission to present a petition for winding up of **M/s / Sichuan Trading (SMC-Private) Limited** as required by the concerned Registrar may not be granted. Further, the Respondents were advised to inform if they wanted to avail an opportunity of being heard in person or through authorized representative(s).

9. The Respondents neither furnished any written response to the SCN nor submitted any request for availing opportunity of being heard. The Respondents were again advised vide reminders dated



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February 20, 2024, March 8, 2024 and April 5, 2024 to submit written response to the SCNs and avail opportunity of being heard. Hearing in the matter was scheduled on March 6, 2024, March 19, 2024 and April 29, 2024. The Respondents neither submitted any written reply to the SCN till date nor attended the hearings as scheduled above.

10. With regard to delivery status of the SCN/reminders it is stated that the SCN dated January 29, 2024 as well as reminders dated February 20, 2024, March 8, 2024 and April 5, 2024 were sent at the registered office of the Company and residential addresses of Mr. Kuang, however, the letters remained undelivered and returned. Further, the reminders dated February 20, 2024 as well as dated March 8, 2024 along with copies of SCNs were also delivered at email addresses as provided in the available Statutory Forms filed by the Company i.e. at [Paul.ht1682@gmail.com](mailto:Paul.ht1682@gmail.com); [klhong004@gmail.com](mailto:klhong004@gmail.com). Moreover, the SCN was also dispatched at the Chinese postal address of the CEO/Director, however, the same also remained undelivered.

11. With regard to service of SCN and reminders, section 53 of the Act provides “*a document or information may be served on the company or any of its officers at the registered office of the company against an acknowledgement or by post or courier service or through electronic means or in any other manner as may be specified.*”

12. It is evident from the foregoing that the Respondents were provided multiple opportunities to explain their position with regard to allegedly carrying on prohibited and unlawful business of inviting and accepting unauthorized deposits from the public. The Respondents opted not to explain/defend their position despite service/delivery of SCN and reminders. Accordingly, the proceedings are being concluded, considering the material available on record.

13. I have gone through the facts of the case, record of the Company, documents available with the Commission including findings of the investigation team and relevant provisions of law and have observed as under:

- (i) In terms of section 84 of the Act, all companies, excluding banking companies and such other companies or class of companies as the Commission may notify in this behalf, are prohibited from inviting, accepting or renewing deposits from the public. Further, the term deposit has also been defined in section 84 of the Act as any amount accepted or borrowed by a company other than a loan raised by issue of debentures or a loan obtained from a banking company or financial institution or an advance against sale of goods or provision of services in the ordinary course of business. Section 84 of the Act is reproduced below for ease of reference:

**84. Prohibition on acceptance of deposits from public.** — (1) *On and after the commencement of this Act, no company shall invite, accept or renew deposits from the public:*

*Provided that nothing in this sub-section shall apply to a banking company and such other company or class of companies or such deposits as the Commission may, notify in this behalf.*

**Explanation.** — *For the purposes of this section, “deposit” means any deposit of money with, and includes any amount borrowed by, a company, but shall not include a loan raised by issue of debentures or a loan obtained from a banking company or financial institution or an advance against sale of goods or provision of services in the ordinary course of business.*



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- (ii) In terms of section 26(2) of the Act, a company shall not engage in a business which is (a) prohibited by any law for the time being in force in Pakistan; or (b) restricted by any law, rules or regulations, unless necessary license, registration, permission or approval has been obtained or compliance with any other condition has been made. Deposit taking by companies is not only prohibited under the Act but also under the Banking Companies Ordinance, 1962. Accordingly, any company engaged in deposit invitation/taking commits violation of section 26(2) of the Act. Section 26(2) of the Act is reproduced below for ease of reference:

**26. Business and objects of a company.** — (2) *A company shall not engage in a business which is—*

*(a) prohibited by any law for the time being in force in Pakistan; or*

*(b) restricted by any law, rules or regulations, unless necessary licence, registration, permission or approval has been obtained or compliance with any other condition has been made.”*

- (iii) In terms of clause 3 of MoA, the Respondents have undertaken that they shall not engage in any unlawful/prohibited business activities. Inviting and accepting deposits is unlawful/prohibited in terms of sections 84(1) and 26(2) of the Act.
- (iv) Information seeking letter dated February 07, 2023 was issued to the Company at its registered office by the investigation team and copies were endorsed at the personal address of Mr. Kuang. No response to the aforesaid letter was received from the Company and Mr. Kuang despite reminders dated March 28, 2023 and April 05, 2023 issued by the investigation team as all of which were returned undelivered.
- (v) The investigation team issued call up notices dated March 8, 2023, March 15, 2023 and March 28, 2023 at the residential address of Mr. Kuang for recording of statement. However, no one appeared. The Investigation Team also attempted to deliver the notices via WeChat through the Chinese Help Desk of SECP Business Centre but was not successful. Chinese phone numbers of Mr. Kuang (China: 008615680813013 Pakistan: 0319-3635521) and his nominee (Brother: Zhao Jiejun Phone: 008613684 347765) were also called but were found non-responsive.
- (vi) The investigation team sought information from banks. As per information received from banks, the following four (04) bank accounts were maintained in name of the Company:-

Bank Name and Account Number	Account Title	Aggregate Credit Turnover (Rs.)	Aggregate Debit Turnover (Rs.)	Statement Period
Habib Bank Limited 08747901421103	Sichuan Trading (SMC-Pvt) Limited	114,380,402	111,332,300	July 25, 2022 to March 5, 2023
MCB Islamic Bank Limited 1161004159390001	Sichuan Trading (SMC-Pvt) Limited	43,507,706	3,998,1839	April 01, 2021 to April 05, 2023



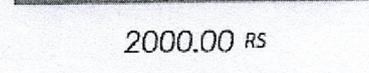
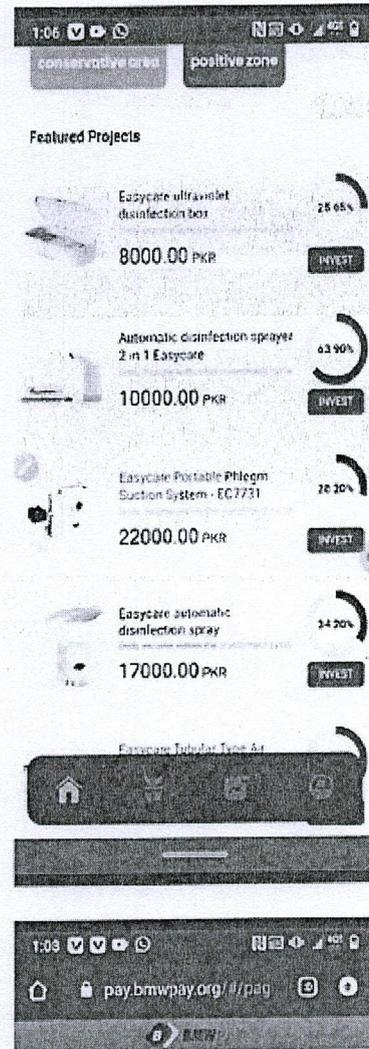
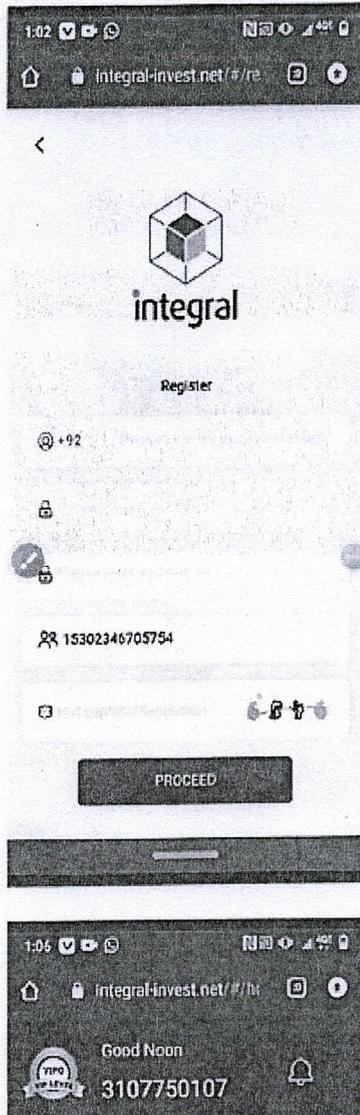
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Sonermi Bank Limited 30000528858	Sichuan Trading (SMC-Pvt) Limited	6,001	870	July 01, 2022 to April 11, 2023
United Bank Limited 000286452542	Sichuan Trading (SMC-Pvt) Limited	6,804,139	6,760,000	August 02, 2022 to March 29, 2023

- (vii) The Company invited deposit from public through internet and social media (using youtubers and social media influencers) towards the Integral app. One such detailed demo was available on YouTube (link to the video: <https://youtu.be/sX1u2yXJYyM>) which explained the process of depositing money with the Company against pre-committed profit.
- (viii) In terms of another such video available at [https://youtu.be/xMEsOIM\\_aMs](https://youtu.be/xMEsOIM_aMs) it is confirmed that the Company is beneficiary behind the Integral app which received public deposits in its bank account. Relevant screenshots are pasted hereunder:-

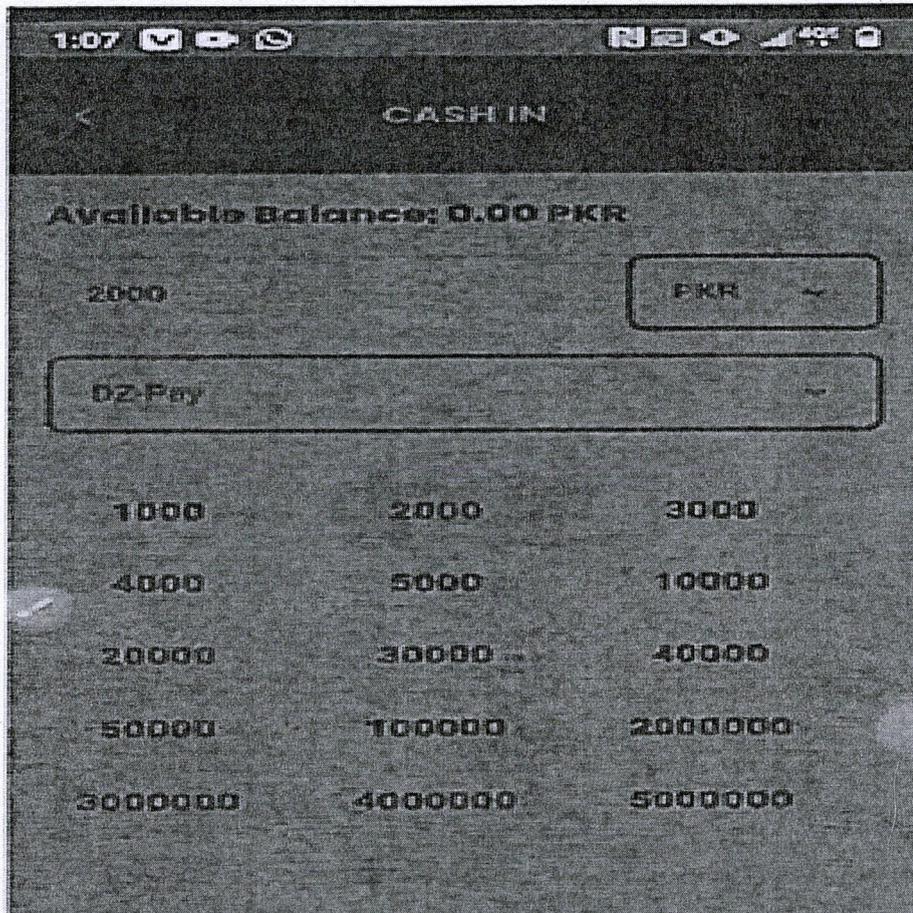
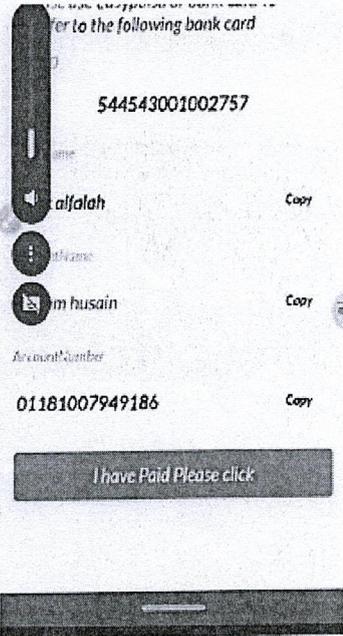
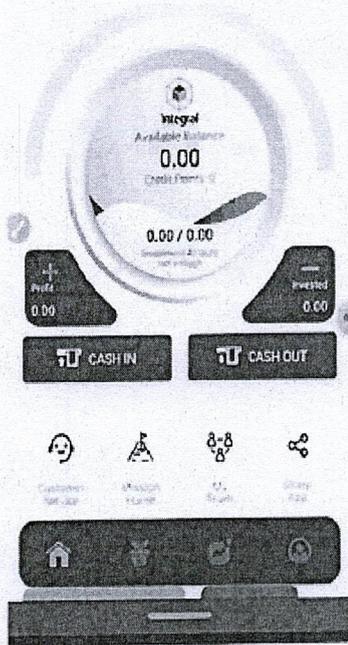


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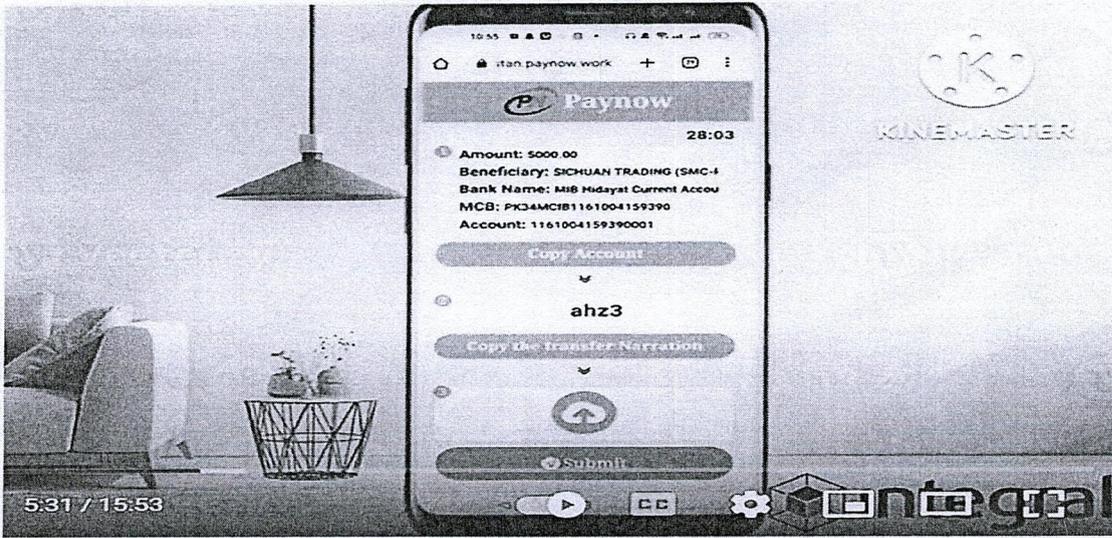
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proof / real earning application / complete detail in urdu

- Different investment packages including minimum of Rs. 1,000 to Rs. 5,000,000, were being offered to public for investment through the application.
- Further, Beneficiary Account Title as “Sichuan Trading (SMC-Private) Limited” was also appearing at the “application” having details of the Company’s bank account being maintained in MCB Islamic Bank as well as rate of return on different investment packages.
- The Investigation Team noted that mobile application namely “Integral” was not present/available on the Google Play Store as on August 1, 2023.
- The investigation team concluded that the Respondents apparently raised deposits from public as under:-

Bank Name and Account Number	Account Title	Aggregate Credit Turnover (Rs.)	Less amount received from Sarmaya Microfinance Pvt. Ltd	Remaining unexplained Credits (Rs.)	Deposit from public
Habib Bank Limited 08747901421103	Sichuan Trading (SMC-Pvt) Limited	114,380,402	114,340,000	40,402	-
MCB Islamic Bank Limited 1161004159390001	Sichuan Trading (SMC-Pvt) Limited	43,507,706	36,000,000	7,507,706	4,272,000*
Soneri Bank Limited 30000528858	Sichuan Trading (SMC-Pvt) Limited	6,001	-	6001	-
United Bank Limited 000286452542	Sichuan Trading (SMC-Pvt) Limited	6,804,139	-	6,804,139	1,175,000*
				<b>14,358,248</b>	<b>5,447,000</b>

\* This is verified amount of deposits per denomination of transactions corroborating with the investment/deposit plan (specifically of Rs. 1000, Rs. 2000, Rs. 3000, Rs. 5000 etc.) as per Integral, mobile Application is provided below for ready reference.



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- v. Analysis of the bank statements of MCB Islamic and UBL bank accounts of the Company reflected that a large number of credits therein are of same amount as was shown in the investment plans/ packages in the mobile application. A summary of quantum of such transactions is tabulated below:

### Data Analysis MCB Islamic Bank:

Amount Deposited	Count of Transaction(s)/ Credit(s)	Total (Rs.)
1,000	375	375,000
2,000	91	182,000
5,000	85	425,000
10,000	67	670,000
20,000	20	400,000
30,000	12	360,000
40,000	4	160,000
50,000	12	600,000
100,000	7	700,000
200,000	2	400,000
		<b>4,272,000</b>

### Data Analysis United Bank Limited:

Amount Deposited	Count of Transaction(s) / Credit(s)	Total (Rs.)
1,000	267	267,000
2,000	55	110,000
3,000	22	66,000
4,000	28	112,000
5,000	17	85,000
6,000	13	78,000
7,000	21	147,000
8,000	10	80,000
10,000	23	230,000
		<b>1,175,000</b>

14. **AND WHEREAS**, the Investigation Team in the Investigation Report dated August 16, 2023 concluded that:

*“the Company has accepted deposits from general public. This has been substantiated by the Investigation Team through the review of bank statements of the Company, content on the mobile application and YouTube and corroboration of repeating IBFT credits in bank with the investment ticket size in the mobile application, all of which is seconded by the banks’ internal fraud departments marking the Company’s bank accounts as blocked/no-debit on account of activity that is suspicious and not as per the declared business of the Company”*



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The facts leading to the issuance of the SCN are that based on social media monitoring activity conducted by Offsite Department of the Commission, it was observed that the Company was prima facie involved in unauthorized activities including illegal deposit taking. The Company was appearing as a beneficiary for a mobile investment application named 'Integral'. The Company was prima facie facilitating the app offering investments in various products/projects for fixed profits and accepting deposits from investors/ general public through local bank transfers without obtaining requisite license/permission under relevant provisions of law.

15. In view of the foregoing and considering (a) the social media monitoring activity conducted by Offsite Department of the Commission (b) investigation team's findings, (c) advertising/invitation material published by the Respondents on social media pages/website, and (d) non-submission of written response by the Respondents coupled with non-attendance of hearings, it is established that the Respondents were carrying on unlawful/prohibited business of inviting unauthorized deposits from the public in violation of sections 84(1) and 26(2) of the Act read with clause 3 of MoA of the Company. It is also established that the company has accepted deposits from general public.

16. In view of the foregoing, the proceedings initiated against the Company and its directors under sections 84 (2), 172 and 500 of the Act, were concluded vide order dated May 27, 2024, whereby aggregate penalty of Rs. 7,447,000/- has been imposed on the Company and a penalty of Rs 2,000,000 has also been imposed on the Chief Executive Officer/Director of the Company, namely Mr. Kuang holding Passport No. EF2095438. Further, Mr. Kuang has also been disqualified to become director/chief executive of any company for five years.

17. Considering that the Company and its Chief Executive/Director were found engaged in illegal activity of inviting deposits from public in violation of section 84(1) and 26(2) of the Act read with clause 3 of MOA of the Company, the Company is liable to be wound up in terms of sub-clauses (i) and (ii) of clause (g) of section 301 of the Act, for carrying on unlawful activity of raising unauthorized deposits from the public. Sub-clauses (i) and (ii) of clause (g) of section 301 of the Act are reproduced below:

**301. Circumstances in which a company may be wound up by Court.-** A company may be wound-up by the Court – ... ..

(g) if the company is-

(i) conceived or brought forth for, or is or has been carrying on, unlawful or fraudulent activities; or

(ii) carrying on business prohibited by any law for the time being in force in Pakistan; or restricted by law, rules or regulations for the time being in force in Pakistan; or

**Explanation 1.-** The promotion or the carrying on of any scheme or business, howsoever described-

(a) ....

(b) raising unauthorized deposits from the public, indulging in referral marketing, multi-level marketing (MLM), Pyramid and Ponzi Schemes, locally or internationally, directly or indirectly; or



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(c) ... ;

*shall be deemed to be an unlawful activity.*

18. I, therefore, in exercise of the powers under clause (b) of proviso to section 304 read with sub-clauses (i) and (ii) of section 301(g) of the Act delegated to the undersigned vide S.R.O 1546 (I) / 2019, sanction is hereby granted to Incharge, Company Registration Office, **Islamabad** to present a petition for winding up of **M/s Sichuan Trading (SMC-Private) Limited** before the concerned High Court. The said clause (b) of proviso to Section 304 of the Act is reproduced hereunder, for ease of reference:

*'304. Provisions as to applications for winding up. An application to the Court for the winding up of a company shall be by petition presented, subject to the provisions of this section, either by the company, or by any creditor or creditors (including any contingent or prospective creditor or creditors), or by any contributory or contributories, or by all or any of the aforesaid parties, together or separately or by the registrar, or by the Commission or by a person authorized by the Commission in that behalf:*

*Provided that –*

*(a) ... ..*

*(b) the registrar shall not be entitled to present a petition for the winding up of a company unless the previous sanction of the Commission has been obtained to the presentation of the petition: Provided that no such sanction shall be given unless the company has first been afforded an opportunity of making a representation and of being heard;*

19. This Sanction is being issued without prejudice to any other proceedings or action that the Commission or National Accountability Bureau or Federal Investigation Agency or any other authority, bureau, agency or institution may initiate, in accordance with relevant provisions of law, against the Respondents and any other officer of the Company in respect of unlawful/illegal deposit taking activities undertaken by them.

(Hammad Jayed)

Additional Director / Head of Department  
Adjudication Department-II

**Announced: May 29, 2024**