



Corporate Supervision Department
Company Law Division

Before Amina Aziz –Director

In the matter of

Al-Azhar Textile Mills Limited

Number and date of notice: CSD/ARN/261/2015-2751-59 dated January 20, 2016
Date of hearing: March 9, 2016, March 18, 2016 and March 31, 2016
Present: No one appeared in hearings

ORDER

UNDER SECTION 158 READ WITH SECTION 476 OF THE COMPANIES ORDINANCE, 1984

This order shall dispose of the proceedings initiated against following directors including chief executive (together referred to as “respondents”) of **Al-Azhar Textile Mills Limited** (the “Company”).

S.#	Names of Directors
1	Dr. Mirza Muhammad Umar Baig
2	Mr. Farooq Ahmed Khan
3	Mrs. Rafiqan Begum
4	Sheikh Abdul Rashid Zahid
5	Mrs. Saug Hee Shin
6	Mirza Muhammad Asbar Baig
7	Mrs. Fehmida Begum
8	Mirza Muhmmad Auragzeb Baig
9	Mriza Muhmmad Jahanzeb Baig

The proceedings against the respondents were initiated through show cause notice (the “SCN”) dated January 20, 2016, issued under section 158 read with section 476 of the Companies Ordinance, 1984 (the “Ordinance”).

2. The brief facts of the case are that the Company was required to hold its annual general meeting (“AGM”) for the year ended June 30, 2015 on or before October 31, 2015, in terms of sub-section (1) of section 158 of the Ordinance. However, review of record revealed that the Company failed to convene the AGM as per requirement of the law. Consequently, the SCN was issued to the respondents whereof they were called upon to show cause in writing as to why penal action may not be taken against them under section 158 of the Ordinance for not holding the AGM. The respondent failed to reply the SCN.



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department
Company Law Division

Continuation Sheet - 1 -

3. In order to provide opportunity of personal hearing the case was fixed before the undersigned on March 9, 2016, March 18, 2016 and March 31, 2016 but respondents failed to appeared in the hearings.

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

Sub-section (1) of section 158 of the Ordinance, inter alia, provides as under:

Every company shall hold, in addition to any other meeting, a general meeting, as its annual general meeting, within eighteen months from the date of its incorporation and thereafter once at least in every calendar year within a period of four months following the close of its financial year and not more than fifteen months after the holding of its last preceding annual general meeting:

Sub-section (4) of section 158, inter alia, provides as under:

If default is made in complying with any provision of this section, the company and every officer of the company who is knowingly and willfully a party to the default shall be liable,--

(a) if the default relates to a listed company, to a fine not less than fifty thousand rupees and not exceeding five hundred thousand rupees and to a further fine not exceeding two thousand rupees for every day after the first during which the default continues;

5. In terms of the Commission's notification SRO 1003(I)/2015 dated October 15, 2015, the powers to adjudicate cases under section 158 of the Ordinance have been delegated to Director (Corporate Supervision Department).

6. I have analyzed the facts of the case, relevant provisions of the Ordinance, and submissions made by the respondents. The aforesaid provisions of the law are clear and explicit. A company is required to hold its AGM within four month from the close of its financial year. Holding of the AGM is a very important statutory event and provides an opportunity to the shareholders, including those in minority, to participate in discussion and voting on agenda items of the AGM that include consideration and approval of companies' financial statements, which not only show the financial position and performance of a company but also show the results of management's stewardship of resources entrusted to it. In order to ensure transparency and to protect the shareholders right, the company must meticulously follow the procedure prescribed by the Ordinance for holding the AGMs. In addition to their responsibilities of overseeing and managing affairs of the Company, directors also have fiduciary duties towards the Company and its shareholders. They are, therefore, liable to a higher level of accountability which requires them to be vigilant and perform their duties with care and prudence. It is directors' responsibility to oversee the functioning of the company, to keep it appropriately staffed and set up proper system to ensure due compliance of law. Directors of a listed company while filing their consent to act as a director, inter alia, give an undertaking that they are aware of their duties under the Ordinance



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department
Company Law Division

Continuation Sheet - 2 -

and that they have read the relevant provisions contained therein. In this context the respondents' cannot absolve themselves of their statutory duties regarding holding of AGMs and preparing and filing of annual and quarterly accounts. The annual audited accounts of the Company for the year ended June 30, 2015 and notice of AGM is not received by the Commission even today.

7. In view of the above stated facts, I have concluded that the provisions of the law have been violated and the respondents are liable to fine in terms of section 158 of the Ordinance, as they failed to hold the AGM of the Company for the year ended June 30, 2015 even after elapse of considerable time after the due date. In exercise of powers under sub-section (4) of section 158 of the Ordinance, I hereby impose an aggregate fine of Rs 450,000/- (Rupees four hundred and fifty thousand only) on the respondents, as per following details:

S.#	Names of Directors	Total
1	Dr. Mirza Muhammad Umar Baig	Rs 50,000
2	Mr. Farooq Ahmed Khan	Rs 50,000
3	Mrs. Rafiqan Begum	Rs 50,000
4	Sheikh Abdul Rashid Zahid	Rs 50,000
5	Mrs. Saug Hee Shin	Rs 50,000
6	Mirza Muhammad Asbar Baig	Rs 50,000
7	Mrs. Fehmida Begum	Rs 50,000
8	Mirza Muhammad Auragzeb Baig	Rs 50,000
9	Mriza Muhammad Jahanzeb Baig	Rs 50,000
	TOTAL	Rs 450,000

The aforesaid fines must be deposited in the designated bank account maintained with MCB Bank Limited in the name of the "Securities and Exchange Commission of Pakistan" within thirty days from the receipt of this order and receipted bank vouchers must be furnished to the Commission. In case of non-deposit of the fine, proceedings for recovery of the fines as arrears of land revenue will be initiated. It may also be noted that the aforesaid fines are imposed on the respondents in their personal capacity; therefore, they are required to pay the said amount from personal resources.

Amina Aziz

Director

Announced:

May 11, 2016

Islamabad

7th Floor, NIC Building, 63-Jinnah Avenue
Islamabad, Pakistan

PABX: + 92-51-9207091-4, Fax: +92-51-9100454, 9100471, Email: webmaster@secp.gov.pk, Website: www.secp.gov.pk