



# SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

*Before Tahir Mahmood Executive Director (Enforcement)*

*In the matter of*

## Hamid Textile Mills Limited

Number and date of notice                      EMD/233/255/2002-1364 dated December 01, 2008  
Date of hearing                                      July 30, 2009  
Present:    Mr. Khawar Almas Khawaja –Chief Executive

### ORDER

#### UNDER THE PROVISIONS OF SECTION 492 READ WITH SECTION 476 OF THE COMPANIES ORDINANCE, 1984

This order will dispose of the proceedings initiated against the directors of Hamid Textile Mills Limited (the "Company") pertaining to contravention of the provisions of Section 492 of the Companies Ordinance, 1984 (the "Ordinance").

2. The Company is incorporated in Pakistan as public limited company and is listed on Karachi and Lahore stock exchanges in Pakistan. Issued, Subscribed and Paid up capital of the Company is Rs. 132,716,000 comprising of 13,271,600 ordinary shares of Rs. 10 each as on June 30, 2008. The principal business of the Company is to manufacture yarn and grey cloth.

3. The facts leading to this case, briefly stated are that the Company made an application to Securities and Exchange Commission of Pakistan ("Commission") for extension in time for holding of Annual General Meeting under Section 158 of the Ordinance ("Application") in its letters dated September 23, 2008 and October 06, 2008, signed by Mr Zahid Latif as Company Secretary. Whereas, Mr Zahid Latif in his letter dated November 27, 2008 to this Commission informed that he had resigned from Company since April 30, 2008 and confirmed that he has not signed any document after April 30, 2008.

4. In view of the information provided by Mr. Zahid Latif, the Company has, *prima facie*, made false statements regarding Company Secretary in the Application; furthermore



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
Enforcement Department

Continuation Sheet - 1 -

signatures of Mr Zahid Latif were also forged. Consequently a Show Cause Notice dated December 01, 2008 under Section 492 read with Section 476 of the Ordinance ("SCN") was issued to directors and Chief Executive, calling upon them to show cause in writing as to why the penalty as provided under Section 492 of the Ordinance may not be imposed on them for making false statements in the Application.

5. The reply of SCN was submitted by Mr. Abdul Qadeer partner of BDO Ebrahim & Co. ("Authorized representative") on behalf of all the directors vide his letter dated December 17, 2008, in which it was narrated that the statement and facts submitted by the Company in their said Application were correct and nothing was misstated by the Company. Therefore, in our opinion there is no misstatement in the Application under the provision of the Ordinance and signing of letter is a separate matter and do not fall under Section 492 of the Ordinance.

6. In order to give an opportunity to the management of the Company to clarify their position, a hearing was fixed on July 30, 2009. On the date of hearing, Mr. Khawar Almas Khawaja -Chief Executive appeared on behalf of all the directors of the Company. During the course of hearing, submissions made in the written reply were reiterated, after viewing the evidence provided by Mr. Zahid Latif, chief executive of the Company admitted the default and asked for a lenient view.

7. I feel it appropriate to quote here the relevant provisions of the Ordinance. Section 492 of the Ordinance provides that;

*"Whoever in any return, report, certificate, balance sheet, profit and loss account, income and expenditure account, prospectus, offer of shares, books of accounts, application, information or explanation required by or for the purposes of any of the provisions of this Ordinance or pursuant to an order or direction given under this Ordinance makes a statement which is false or incorrect in any material particular, or omits any material fact knowing it to be material, shall be punishable with fine not exceeding five hundred thousand rupee".*

8. I have analyzed the written representation made by the Company; verbal submissions of the Chief Executive and from written confirmation by Mr. Zahid Latif that he resigned from Company on April 30, 2008, it is clear that the Company made false statement regarding Company Secretary in the Application and have hence contravened the provisions of Section 492 of the Ordinance for making false statements in the Application.



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN  
*Enforcement Department*

*Communication Sheet - 2 -*

9. In view of the above discussion the default is established. However, I am inclined to take a lenient view in the matter and instead of imposing maximum fine of Rs. 500,000 on every Director, I hereby impose a fine of Rs. 200,000 (Rupees two hundred thousand only) on Mr. Khawar Almas Khawaja the Chief Executive of the Company only under Section 492 of the Ordinance, other directors are strictly warned to be careful in future. I hope that directors of the Company will react positively to this lenient view and ensure compliance with mandatory provisions of the Ordinance in future.

The Chief Executive of the Company is hereby directed to deposit the aforesaid fine of Rs.200,000 (Rupees two hundred thousand only) in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with MCB 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 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 in his personal capacity and he is required to pay the said amount from his personal resources.

**Tahir Mahmood**  
Executive Director (Enforcement)

**Announced**  
August 17, 2009  
Islamabad