



# Securities and Exchange Commission of Pakistan

## BEFORE THE APPELLATE BENCH

In the matter of

Appeal No. 74 of 2024

Crescent Star Insurance Limited

...Appellant

Versus

Director/HOD, Adjudication -I, SECP

.... Respondent

Date of hearing:

August 28, 2025

Present:

For the Appellant:

1. Mr. Saadat Ali Saeed, Legal Counsel
2. Mr. Tanveer Ahmed, Resident Director

For the Respondent:

1. Mr. Sohail Qadri, HOD/Director, Adjudication-I Department, SECP
2. Mr. Shafiq -ur-Rehman, Additional Joint Director, Adjudication-I Department, SECP

## ORDER

1. This Order shall dispose of the Appeal filed by Crescent Star Insurance Limited (the "Appellant") against the Order dated September 30, 2024 (the "Impugned Order") passed by the Director/HOD (Adjudication-I Department), Adjudication Division, Securities and Exchange Commission of Pakistan (the "Respondent") issued under Section 135(2)(a) of the Companies Act, 2017 (the "Act").
2. The brief facts of the case are that the Appellant, a public limited company incorporated in Pakistan in 1957 under the repealed Companies Act, 1913 (now the Companies Act, 2017), is listed on the Pakistan Stock Exchange and registered under the Insurance Ordinance, 2000 to undertake non-life insurance business. As per the record of the Securities and Exchange Commission of Pakistan (the "Commission"), it was observed that the Annual General Meeting ("AGM") for the financial year ended December 31, 2022, held on April 28, 2023, was convened apparently in violation of



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the quorum requirement prescribed under Section 135(1)(a) of the Act. The meeting was attended by members representing only 0.6% of the total voting power, falling significantly short of the mandatory 25% threshold. Additionally, lapses in recording the attendance of two corporate shareholders, namely; Elahi Noor Enterprises Limited and Weavers Pakistan Limited, were noted, reflecting deficient governance practices. Consequently, the Respondent issued a Show Cause Notice ("SCN") dated April 22, 2024, under Section 135(1) read with Section 135(2)(a) of the Act, and fixed the matter for hearing on September 4, 2024. The Appellant thereafter also filed written submissions vide email dated September 6, 2024. Upon consideration, the Respondent concluded that the Appellant had failed to meet the quorum requirement under Section 135(1)(a) of the Act, as only 0.6% of the total voting power was represented at the AGM. The contention of the Appellant that the 25% condition applied exclusively to video-link meetings was rejected, and it was held that the statutory quorum requirement is applicable to all AGMs of public listed companies, regardless of the mode of attendance. Accordingly, the Appellant was found to have contravened Section 135(1)(a) of the Act, and a penalty of Rs. 200,000/= was imposed under Section 135(2)(a) of the Act.

3. The Appellant has preferred the instant appeal, *inter alia*, on the grounds that the Impugned Order is liable to be set aside as it reflects a pre-determined outcome rather than a reasoned adjudication. It was contended that the Respondent failed to objectively evaluate the Appellant's written submissions and supporting documentation, and instead merely reiterated the contents of the SCN without undertaking a cogent analysis of the facts or addressing the specific explanations advanced by the Appellant. The Appellant further argued that the Impugned Order constitutes a violation of Section 24-A of the General Clauses Act, 1867, which obligates the Adjudication Division, SECP to decide matters strictly in accordance with law, upon reasonable consideration, and by way of a well-reasoned and speaking order. It was alleged that the adjudicating authority failed to appreciate, or even address, the preliminary objections raised in the Appellant's reply to the SCN.
4. The Appellant further submitted that the Impugned Order rests on an erroneous interpretation of Section 135 of the Act. It was argued that a plain reading of the provision demonstrates that the insertion of the conjunctive 'or' preceding the condition of 25% of the total voting power was deliberately introduced by the legislature so as to prescribe two independent conditions for quorum, depending on whether the meeting is attended physically or through video link. The Appellant emphasized that such insertion was absent in the predecessor law, i.e the Companies Ordinance, 1984, wherein the requirement of 25% voting power applied uniformly to all meetings



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irrespective of the mode of attendance. By contrast, the post-enactment bifurcation under Section 135 of the Act clearly distinguishes the quorum requirements, in the case of meetings attended via video link, representation of not less than 25% of the total voting power is mandated, whereas in the case of physical meetings, the attendance of not less than ten shareholders suffices. It was further submitted that this construction accords with the legislative intent, as evident from the preamble of the Act, which underscores the promotion of digital transformation in business operations.

5. The Appellant further argued that the Impugned Order failed to consider the settled principle of statutory interpretation laid down by the Hon'ble Supreme Court, that the use of a comma preceding a conjunction indicates the commencement of a new or distinct category, with the condition following thereafter being applicable only to that subsequent category. Applying this principle to Section 135 of the Act, it was contended that the requirement of 25% representation of the total voting power attaches exclusively to meetings attended through video link, and not to those attended physically.
6. In response to the Appellant's submissions, the Respondent, *inter alia*, contended that the grounds urged in the instant appeal are misconceived and devoid of merit, and each contention was vehemently denied. It was submitted that the Impugned Order reflects a proper exercise of statutory authority, undertaken in a reasonable, fair, and just manner, and in furtherance of the objectives of the enactment. The Respondent further pointed out that detailed reasoning has been provided in paragraphs 10 and 11 of the Impugned Order, thereby demonstrating due application of mind. Accordingly, the Appellant's allegation of violation of Section 24-A of the General Clauses Act, 1867, is wholly untenable in law and fact.
7. The Respondent further argued that the Appellant's construction of Section 135(1)(a) of the Act, premised on the placement of a comma before the word 'or' to suggest that the requirement of 25% representation of the total voting power applies only to general meetings conducted through video link, is untenable and contrary to the principle of harmonious interpretation. It was contended that a harmonious and purposive reading of Section 135(1)(a) of the Act requires the conjunctive satisfaction of both conditions, i.e. the presence of a minimum of ten members and representation of not less than 25% of the total voting power, so as to ensure reasonable and meaningful shareholder participation. The Respondent also placed reliance on Circular No. 4 dated February 15, 2021, which clarifies that the facility of video link is merely a prescribed mode of



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attendance and does not alter the statutory requirement relating to the minimum number of shareholders or the minimum voting power for purposes of quorum.

8. The Respondent referred to the repealed provisions of Section 160(2)(a) of the Companies Ordinance, 1984, (the "Ordinance") which provide that:

*"The quorum of a general meeting shall be-*

*(a) in the case of a public listed company, unless the articles provide for a larger number, not less than ten members present personally, who represent not less than twenty-five per cent of the total voting power, either of their own account or as proxies;"*

The applicable provisions of Section 135(1)(a) of the Act are reproduced as under:

**135. Quorum of general meeting.** - (1) *The quorum of a general meeting shall be-*

*(a) in the case of a public listed company, unless the articles provide for a larger number, not less than ten members present personally, or through video-link who represent not less than twenty-five percent of the total voting power, either of their own account or as proxies;*

Comparison of the prevailing provisions with those repealed reveals that Section 135(1)(a) of the Act does not alter the criteria for quorum of a general meeting as earlier stipulated in Section 160(2)(a) of the repealed Ordinance. Rather, Section 135(1)(a) of the Act retains the quorum requirements for physical meetings and extends their applicability to meetings held through video-link facilities. The legislative intent underlying both Section 135(1)(a) of the Act and the repealed Section 160(2)(a) of the Ordinance is to ensure not only a minimum numerical presence of members but also adequate representation of voting power. These dual criteria have been embedded in the law to attach credibility and legitimacy to the proceedings of general meetings of public listed companies, where the interests of both minority shareholders and the investing public are at stake. To construe that the mere presence of ten members, irrespective of their voting power, is sufficient to constitute quorum would be a misinterpretation of the statute.

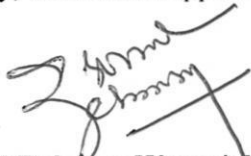
9. The Appellate Bench (the "Bench") has carefully considered the submissions advanced by both the Appellant and the Respondent and meticulously examined the record. This Bench is of the firm and considered view that the grounds urged by the Appellant are not tenable. The interpretation of Section 135(1)(a) of the Act, as sought to be advanced by the Appellant, runs contrary to the plain language of the statute, the legislative intent, and the settled principles of statutory construction, besides being inconsistent with the overarching spirit of corporate governance embodied in the Act. We are persuaded by the Respondent's contention that a harmonious and purposive reading of the provision mandates the fulfillment of both conditions i.e. the minimum numerical strength



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of members as well as the minimum representation of voting power, in order to ensure fair, credible, and meaningful shareholder participation in the general meeting of a public listed company. The manner and mode of the meeting, whether in person or by video-link does not alter the quorum requirements in terms of minimum number of shareholders or the minimum voting power. To adopt the Appellant's interpretation would be to undermine the very safeguards put in place by the legislature to protect shareholder democracy, corporate transparency, and the interests of minority shareholders and the investing public at large.

10. The Bench finds that the Act has expressly recognized attendance through video-link, thereby promoting the use of modern technology for shareholder participation. Unlike the repealed Ordinance, which reflected a traditional approach, the Act embodies legislative intent to enhance transparency and efficiency in corporate governance, as highlighted in its preamble. The requirement of 25% voting power applies equally to both physical and virtual participation, ensuring clarity and consistency. Thus, Section 135 of the Act modernizes corporate governance, broadens shareholder engagement, and ensures transparency and accountability by integrating technology into corporate operations. The Bench therefore holds that the evolution of the law reflects a modern and adaptive approach, aligned with global best practices in corporate governance.
11. Upon perusal, the Bench is satisfied that the Impugned Order demonstrates due application of mind, records cogent reasons, and is free from legal or procedural infirmities. The allegations of predetermined outcome or violation of Section 24-A of the General Clauses Act, 1867, are also unfounded and unsustainable. Accordingly, this Bench finds no justifiable basis to interfere with the well-reasoned findings of the adjudicating authority.
12. Consequently, the instant Appeal is disposed of, with no order as to costs.

  
(Abdul Rehman Warraich)  
Commissioner

  
(Zeeshan Rehman Khattak)  
Commissioner

Announced on:

**18 SEP 2025**