



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- II

Adjudication Division

Before

**HAMMAD JAVED, ADDITIONAL DIRECTOR / HEAD OF DEPARTMENT
(ADJUDICATION 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

Show Cause Notices	No. Adj-II/84/32/IAN-117/Onsite/2023-24 – 238 dated February 20, 2024	
Date on which hearing opportunity provided	Date	Attended by
	March 6, 2024	No one appeared to attend the hearing
	March 19, 2024	
April 29, 2024		

ORDER UNDER SECTIONS 84(2), 172 AND 500 FOR VIOLATION OF SECTIONS 84(1) AND 26(2) 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 following Show Cause Notice (the '*SCN*') to **M/s Sichuan Trading (SMC-Private) Limited** (the '*Company*') and its Chief Executive Officer/Director, namely Mr. Kuang Lihong holding passport no. EF2095438, ('Mr. Kuang') (collectively referred to as the '*Respondents*') under sections 84(2) and 172 and 500 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 sponsor and director of the Company is as under:

Name	CNIC/Passport	Designation	No. of share /%age
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, 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.”



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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 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) of the Act, read with clause 3 of the MoA of the Company and Mr. Kuang was, *prima facie*, found to have violated 26(2) of the Act.

7. Accordingly, the SCN was issued on February 20, 2024 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:

- (i) Penalty may not be imposed on the Company under section 84(2) of the Act, for alleged violation of section 84(1) of the Act.
- (ii) Penalty may not be imposed on Mr. Kuang, under section 500 of the Act, for alleged violation of section 26(2) of the Act, and
- (iii) Disqualification order for a period of up to five years under section 172 of the Act may not be passed against Mr. Kuang.

8. 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 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.



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10. With regard to delivery status of the SCN/reminders it is stated that the SCNs dated February 20, 2024 as well as reminders dated 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 SCN dated February 20, 2024 as well as reminder dated March 8, 2024 along with copies of SCNs were also delivered at email addresses as provided in the latest Forms filed by the Company i.e. Paul.ht1682@gmail.com; klhong004@gmail.com. Moreover, the SCN was also dispatched at the Chinese postal address of Mr. Kuang, 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 (1) 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(1) 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.*

- (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.



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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
Soneri 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

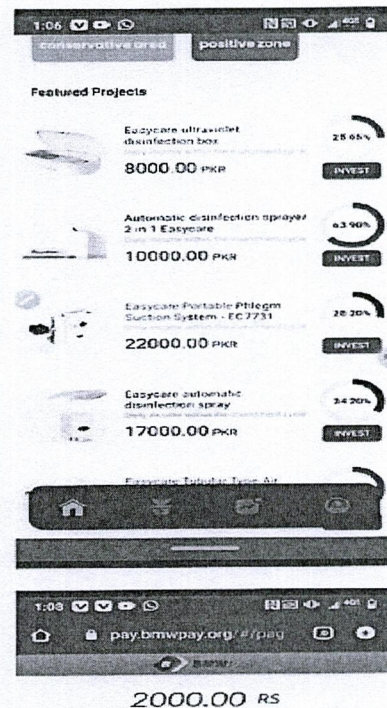
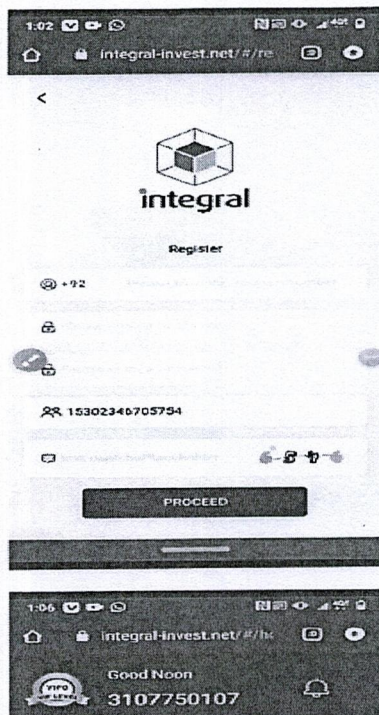
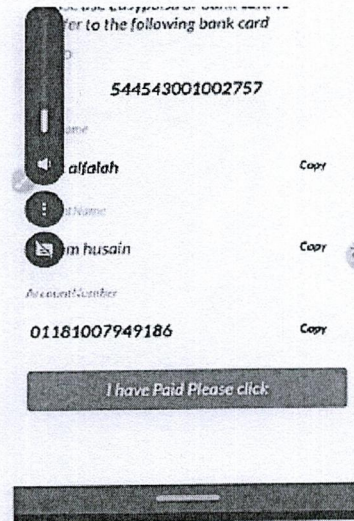
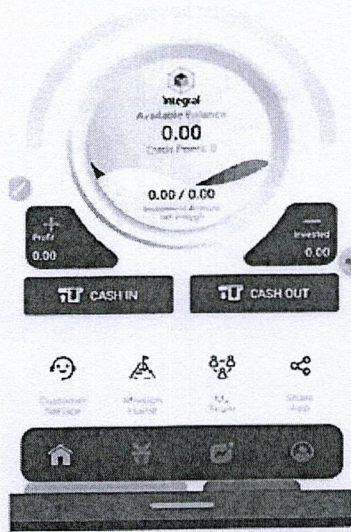


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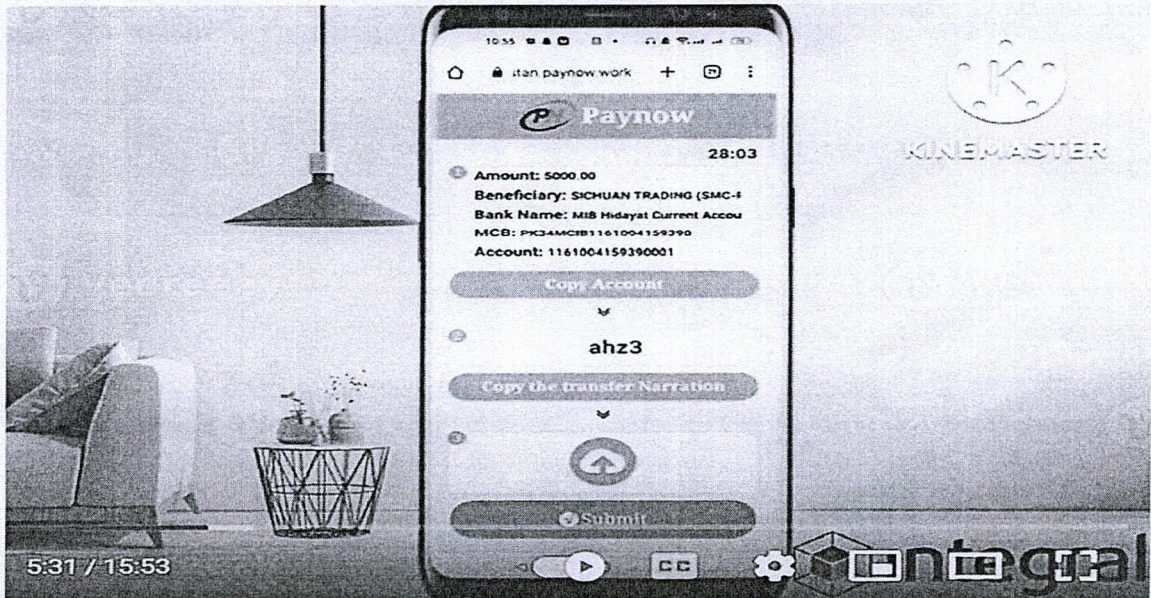
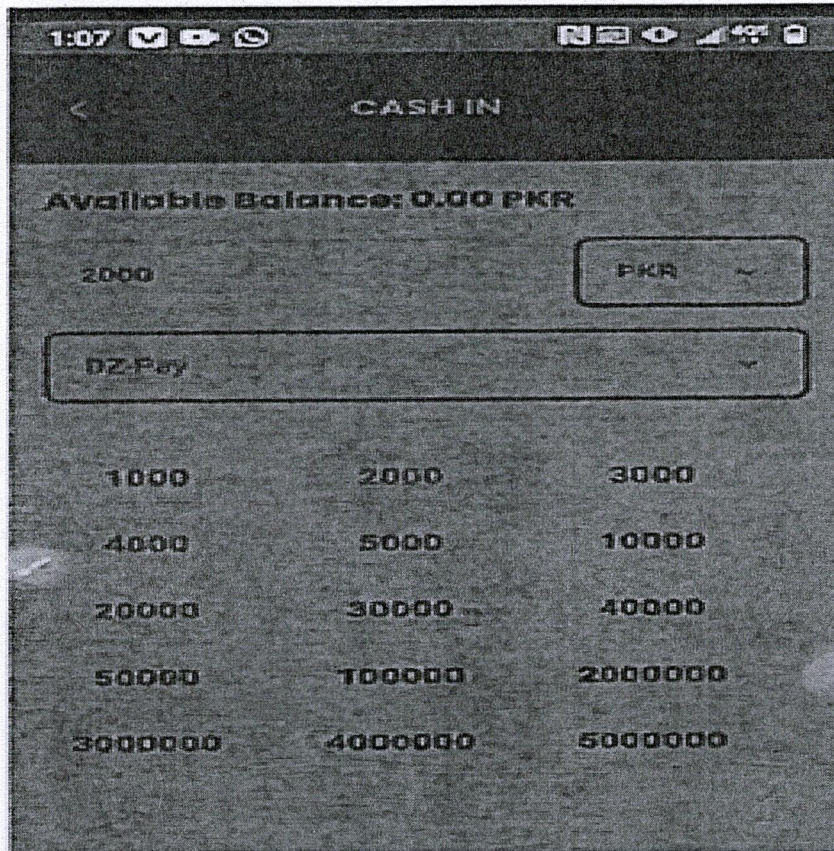
- (vii) The Company invited deposit from public through internet and social media (using youtubers and social media influencers) towards the Integral app. One such detailed demo was available on YouTube (link to the video: <https://youtu.be/sX1u2yXJYyM>) which explained the process of depositing money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





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proof / real earning application / complete detail in urdu

- i. Different investment packages including minimum of Rs. 1,000 to Rs. 5,000,000, were being offered to public for investment through this application.



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- ii. 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.
- iii. The Investigation Team noted that mobile application namely “Integral” was not present/ available on the Google Play Store as on August 1, 2023.
- iv. 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*
				14,358,248	5,447,000

* 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.

- 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
		4,272,000



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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
		1,175,000

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”

The facts leading to the issuance of the SCN are based on social media monitoring activity and 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 that (a) the social media activity was monitored (b) findings of the investigation team (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 accepted deposits from general public.

16. As established in preceding paragraphs, the Respondents have committed violations of sections 26(2) and 84(1) of the Act by inviting and accepting deposits from public. The violation of section 84(1) and 26(2) of the Act attract penal provisions of sections 84(2)(a)(b) and 500 of the Act against the Company and its director namely Mr. Kuang respectively as well as disqualification of Mr. Kuang under section 172 of the Act, which provide as under:



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84. Prohibition on acceptance of deposits from public. - (2) Where a company accepts or invites, or allows or causes any other person to accept or invite on its behalf, any deposit, the company shall be punishable-

(a) where such contravention relates to the acceptance of any deposit, with penalty which shall not be less than the amount of the deposit so accepted; and

(b) where such contravention relates to the invitation for any deposit, shall be liable to a penalty of level 3 on the standard scale.

500. Penalty for carrying on ultra vires business.—If any business or part of business carried on or any transaction made, by a company is ultra vires of the company shall be an offence and every person who acted as a director or officer of the company and is responsible for carrying on such business shall be liable to a penalty of level 3 on the standard scale, and shall also be personally liable for the liabilities and obligations arising out of such business or transaction.

172. Disqualification Orders. - (1) In any of the circumstances stated hereunder, the Commission may pass a disqualification order against a person to hold the office of a director of a company for a period up to five years beginning from the date of order-

(h) the person is involved in illegal deposit taking; or

(o) that it is expedient in the public interest so to do.

17. I, therefore, in exercise of the powers under sections 84(2) and 500 of the Act, delegated to the undersigned vide S.R.O No. 1546(I)/2019, hereby impose the following penalties on the Company and its Chief Executive/Director namely Mr. Kuang for carrying on with unlawful/prohibited business of inviting and accepting unauthorized deposits from the public in violation of section 84(1) and 26(2) of the Act:

Imposed on	Penalty		Description
	Amount (Rs.)	Imposed under section	
M/s Sichuan Trading (SMC-Private) Limited	5,447,000/-	84(2)(a) of the Act.	For acceptance of deposit in violation of section 84(1) of the Act.
M/s Sichuan Trading (SMC-Private) Limited	2,000,000/-	84(2)(b) of the Act.	For invitation of deposit in violation of section 84(1) of the Act.
Mr. Kuang Lihong Passport No. EF2095438 Chief Executive and Director, M/s Sichuan Trading (SMC-Private) Limited	2,000,000/-	500 of the Act.	For invitation of deposit in violation of section 26(2) of the Act.

18. Further I, in exercise of the powers under section 172 of the Act, delegated to the undersigned vide S.R.O. 129 (I)/2020 dated 24th February, 2020 hereby disqualify **Mr. Kuang Lihong**, holding



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Passport No. EF2095438, from becoming a director/chief executive of any company for a **period of 5 years from the date of this Order** under clause (h) and (o) of Section 172(1) of the Act for inviting and accepting deposits in violation of sections 84(1) and 26(2) of the Act:

19. **M/s Sichuan Trading (SMC-Private) Limited and its above-named Chief Executive/director** are directed to deposit the aforesaid penalty in the account of the Commission being maintained in the designated branches of MCB Bank Limited or United Bank Limited within 30 days of the receipt of this Order and furnish Original Deposit Challan to this office.

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

(Hammad Javed)

Additional Director / Head of Department
Adjudication Department-II

Announced: May 27, 2024