

PRESS RELEASE

SEC Imposes Penalties on Chief Executives of Al-Jadeed Textile Mills Limited and Climax Engineering Company Limited

ISLAMABAD- 23 April 2004: The Securities and Exchange Commission of Pakistan (SEC) has imposed penalties amounting to Rs. 40,000 on the Chief Executives of two listed companies – Al-Jadeed Textile Mills Limited and Climax Engineering Company Limited for failure to annex the statement of material facts to the notice of their Annual General Meeting (AGM)/Extraordinary General Meeting (EOGM) as required under the Companies Ordinance, 1984.

The Companies Ordinance makes it mandatory for companies to annex a statement of material facts to the notice of AGM/EOGM where any special business, i.e. business other than the consideration of accounts, the declaration of dividend, the appointment and fixation of remuneration of auditors, and the election or appointment of directors, is to be transacted at a general meeting. The objective is to apprise the members of the company about the exact nature of the business to be transacted at the meeting so that they can consider the nature of business and make a conscious decision by using their rights effectively.

Al-Jadeed Textile Mills Limited issued a notice on 23 August 2003 for its EOGM which was held on 15 September 2003 for consideration and approval of a special resolution regarding "different options available for the settlement of outstanding liabilities towards bank loans". On examination it was observed that the proposed business was a "special business" in terms of Section 160 of the Companies Ordinance and hence statement of material facts was required to be annexed to the aforesaid notice. As the company failed to annex an explanatory statement to the notice of EOGM, the notice of meeting, prima facie, was defective and suffered from legal infirmities. Moreover, the proposal was discussed and approved by the shareholders present in the said meeting; yet the shareholders who were not present in the meeting were not aware of the special business.

Upon issuance of a notice to show cause from the SEC, the default was established and admitted by the chief executive of the company. Therefore, taking a lenient view of the default, a fine of Rs. 20,000 was imposed on the chief executive with a warning to other directors to be careful in future.

Climax Engineering Company Limited issued notice of its AGM on 6 October 2003, which was held on 31 October 2003 for consideration and approval of special resolution for disposal of surplus land, building, plant and machinery of the company for repayment of banks' liabilities as well as to fetch funds for smooth working of the company. The SEC examined the resolution and observed that the sale of assets was a "special business" in terms of Section 160 of the Ordinance and therefore a statement of material facts was required to be annexed to the notice of AGM but the company failed to comply with the provisions of aforesaid Section.

Upon issuance of a show cause notice the chief executive of the company admitted the default, and, therefore, a fine of Rs. 20,000 was imposed on him.