

May 12, 1999 Securities and Exchange Commission of Pakistan initiates proceedings against M/s. Reliance Weaving Mills, Limited with regard to making investment in a business not authorized by its Memorandum of Association.

Enforcement and Monitoring Division of Securities and Exchange Commission of Pakistan has issued a notice to the management of Reliance Weaving Mills Limited with regard to making an investment in a business not covered in objects of the company. Memorandum of Association of the company authorizes it to undertake the sole business of weaving whereas the company has agreed to purchase a unit engaged in spinning business at a cost of Rs. 283 million. Reportedly, the company has already paid Rs. 60 million to acquire the unit. The notice also says that the investment does not appear to be beneficial for the shareholders since the newly brought unit is not earning any profits.

The notice, issued under section 496 and 305 (f)(ii) of the Companies Ordinance, 1984, requires the Chief Executive and all other directors of the company to explain as to why penalty for carrying out unauthorized business may not be imposed and as to why directors may also not be held responsible for liabilities and obligations arising out of the unauthorized transaction, personally. The notice also inquires as to why proceedings for winding up the company may not be initiated.