

[Islamabad]

Before Tahir Mahmood, Executive Director Enforcement

In the matter of

M/s. PAKISTAN PAPER PRODUCTS LIMITED

(Under Section 492 Read With Section 476 of the Companies Ordinance, 1984)

Number and date of notice	EMD/233/528/2002 dated: October 09, 2009
Date of hearing	December 04, 2009
Present	Mr. Abid Sayeed, Chief Executive
Date of Order	December 08, 2009

ORDER

This order shall dispose of the proceedings initiated against the directors of M/s. Pakistan Paper Products Limited thereafter referred to as the (“the Company”) pertaining to contravention of the provisions of Section 492 of the Companies Ordinance, 1984 (“the Ordinance”).

“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 rupees.”

2. The Company was incorporated in Pakistan as a private limited company in July 1962. It was converted into public company and listed on the Karachi Stock Exchange in July 1964. Paid up capital of the Company is Rs. 37.500 million comprising of 3.750 million ordinary shares of Rs. 10 each and the main business activity of the Company is the production and sale of sensitized papers, pro-labels and exercise books as per the latest annual audited accounts for the year ended June 30, 2009.

3. The brief facts leading to this case are that the examination of the annual audited accounts for the year ended June 30, 2009 that it has been stated in the Directors’ Report under Pattern of Shareholding that *the Directors’, CFO, Company Secretary and their spouse and minor children have made no transactions of company’s shares during the year.* Furthermore, Pattern of Shareholding appended with



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the aforesaid accounts revealed that the numbers of shares held by two spouses of director were in contradiction to the actual number of shares held by them. The details are tabulated below:

Spouses of Directors	No. Of Shares As Per Annual Accounts 30-6-08	No. Of Bonus shares Issued during the year.	Actual no. of shares held	No. Of Shares As Per Annual Accounts 30-6-09	NO. Of Shares increased/(Decreased)
	(A)	(B)	T=A+B	C	C-T
Mrs. Nadia Sayeed	12,679	6,340	19,019	76,074	57,056
Mrs. Nusser Abbas Sayeed	93,112	46,556	139,668	69,668	(70,000)

4. As aforesaid, the Company on query of the Commission has submitted vide its letter dated October 2, 2009 that *we have in our record as on June 30, 2009 the total number of Shares held by Mrs. Nadia Sayeed as 19,018 and not 76,074. According to the correction in the figures of the shares held by Chief Executive Officer and their spouses and minor children now comes to 1,387,964 (37.01%) and the figure of shares held by Individuals come to 1,013,179 (27.02%). A copy of Annual Report duly corrected, signed and stamped is enclosed for your record. As regards the shares held by Mrs. Nusser Abbas, a copy of CDC leafs regarding the holding of shares is enclosed which confirms that the figure comes to 139,668 but by distributing in the name of Mrs. Nusser Abbas Sayeed and her sons (69,668 + 35000 + 35000) as shown by CDC in the list provided to us.*

5. In this connection, a show cause notice (SCN) dated October 09, 2009 was issued to the Directors of the Company calling upon them to show cause as to why penal action may not be taken against them as provided in Section 492 of the Ordinance for violating the statutory requirements of the law. A period of 14 days was given to respond to the aforesaid notice.

6. The aforesaid notice was responded by the Mr. Abid Sayeed (Chief Executive) through letter dated October 10, 2009 wherein submitted that *the total number of shares on June 30, 2009 shown against Mrs. Nadia Sayeed as 76, 974/- instead of 19,018/- in the Annual Report 2008-2009 due to calculation mistake as mentioned in our letter No.667/Secy dated Oct 2, 2009. The total number of Mrs. Nusser Abbas shown as 69,668/- (actually held after distributing the 70,000 shares amongst her sons equally) as on June 30, 2009 are correct but not mentioned by mistake in the pattern of shareholding in the Annual Report. It is requested that this time we may be exonerated as a very special case, as it was not done intentionally. We assure you that this will not occur in future.*



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7. In order to provide an opportunity of personal hearing, the case was fixed on December 04, 2009 on which date Mr. Abid Sayeed, Chief Executive, appeared before me as Counsel on behalf of all the directors of the Company. He reiterated the earlier stance as was given through written submissions in response to the show cause notice. However, he admitted violation of Section 492 of the Ordinance by giving the false information as aforesaid. Further, he stated that the 70,000 shares are transferred as a gift which was not informed to us by Mr. Abbas Sayeed (Director of Company).

8. In view of the foregoing, the default is established and admitted, however, keeping in view that the Company has corrected the Pattern of shareholding in the Directors' Report of the Annual Report June 30, 2009 and the assurance given that the requirements of law shall be complied with in future, I am inclined to take a lenient view of the default. Therefore, instead of imposing a maximum penalty as stated in Section 492 of the Ordinance, I take a lenient view and impose a penalty of Rs.100,000/- (Rupees One Hundred Thousand only) only on the Mr. Abbas Sayeed (Director) of the Company.

9. The Mr. Abbas Sayeed (Director) of the Company is hereby directed to deposit the aforesaid fine 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.

10. It may also be noted that the said penalty is imposed on the Mr. Abbas Sayeed (Director) of the Company in his personal capacity; therefore, he is required to pay the said amount from his personal resources.

Tahir Mahmood
Executive Director (Enf)