

JUDGMENT SHEET

ISLAMABAD HIGH COURT, ISLAMABAD, **JUDICIAL DEPARTMENT**

Company Original No. 03 - 2007

Joint Registrar, Company Registration Office, SECP
Vs.

EYZ Private Limited, and others.

Petitioner by: Mr. Waseem A. Rana, SPP, SECP.

Respondents by: Ex-parte.

Date of Decision: 09.09.2025.

MOHSIN AKHTAR KAYANI, J: Through this petition, the Joint Registrar, Company Registration Office, SECP has prayed for the winding up of Respondent No. 1 / M/s EYZ Pvt. Ltd. in terms of Section 305 read with Section 309 of the Companies Ordinance, 1984.

2. As per the claim of the petitioner / SECP, they are fully conversant with the facts of the case and duly authorized in terms of Section 309 of the Companies Ordinance, 1984 to file this petition, whereby Respondent No.1 / EYZ Pvt. Ltd., a company having its liability limited by shares, has been incorporated under Certificate of Incorporation issued by the Additional Registrar of Companies, Islamabad on 12.05.2004. As per record, the authorized capital is Rs.500,000 divided into 50,000 shares of Rs.10 each and the paid-up capital is Rs.1,000 divided into 100 shares of Rs.10 each. Respondent No. 1 was authorized under its Memorandum of Association, as a private limited company, to enter into any of the objects mentioned in

the Memorandum of the Company. The main objects as set out in the Memorandum of Association of the Company are to carry on all or any of the businesses as manufacturers, buyers, sellers, indentures, exporters, distributors, agents, stockiest, commission agents, general order suppliers including but not limited to electronic goods, equipment, computer hardware, software, security equipment, security vehicles, communications, provision of equipment to industrial, commercial, and technological institutions in the public, private, and corporate sectors and similar positions. All kinds of fabrics, textiles including decorative hand and machine-made garments, leather garments, etc., engineering goods, machine tools, hand tools, small tools, metal alloys, iron pipes, fittings, nuts, bolts, bicycle accessories, oils, textile fibre, crystal chemicals, chemical preparations, plastics, jewellery, medical and surgical instruments, electrical and electronic products, processed food, etc.

3. The Registrar of the Company Registration Office, Islamabad reported on information that Respondent No. 1 company is dealing in multi-level marketing services and offering incentives to prospective buyers of their products, wherein Mr. Amir Shahzad, Assistant of the Registrar Office, was appointed to visit the registered office of the company, who after his visit informed and submitted a report that he met Mr. Khizr-ur- Rahman, Marketing Coordinator of the company, as a customer and showed keen interest in the investment and received from him a brochure containing all information regarding the business of the company which is attached to this petition. While examining the

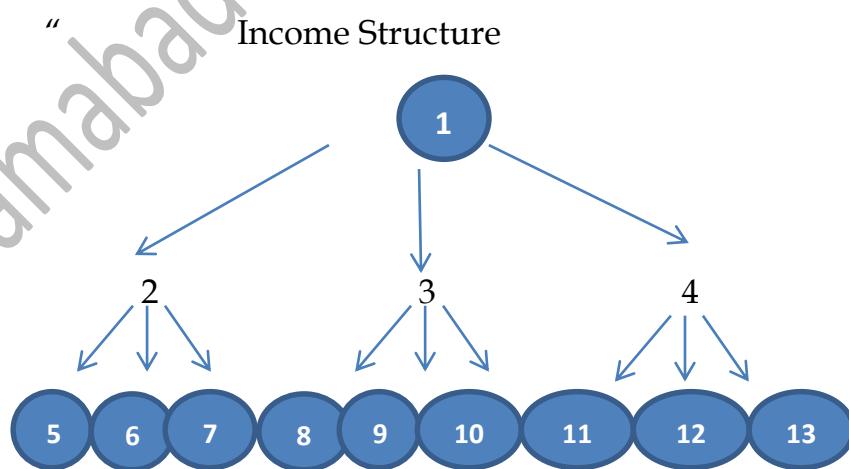
brochure of the company, it has been observed by the Registrar that Respondent No. 1 / company is involved in the following illegal and unauthorized business activities:

- "i. Dealing in Multilevel Marketing Services whereby the incentives are offered to the prospective buyers of their products and for referring fresh clients to the company to buy its products.*
 - ii. Collecting money from the innocent public by way of MLM Schemes.*
 - iii. Officering referral commission to attract and defraud innocent peoples.*
 - iv. Defrauding the general public by offering incentives through different schemes; and*
 - V. The business, the company is carrying on is not authorized by its Memorandum of Association."*
4. The Registrar of the Company Registration Office, after perusal of the entire records and brochure, came to the conclusion that Respondent No. 1 is not authorized as per its Memorandum of Association to conduct the multi-level marketing schemes, which itself is a clear violation of the objective clause of the Memorandum of Association of the company. Resultantly, information under Section 261 of the Companies Ordinance, 1984 has been called as to determine the scope and nature of the business activities of the company and to get information about the deposits collected by Respondent No. 1 from the general public in the name of different schemes. Consequently, Respondent No. 2, Syed Mukhtar Hussain Shah, Director/CEO of the company, in response replied to the notice and claimed that he was not involved in any illegal business activities and is not doing ultra vires

business, and that the business carried out is covered under the Memorandum of Association of the company. Though, the Registrar of the Company did not agree to this aspect and reply, and further referred the matter to the Commission for grant of sanction under clause (b) of Section 309 whereby a petition for winding up in terms of Section 305 of the Ordinance, has been filed against Respondent No.1. He further contends that a show-cause notice was also issued to the Respondent No. 1, but the same was not adhered to or replied. Hence, the fraudulent working of Respondent No. 1 / company is to be considered against the general interest of the public, and the company be wound up.

5. I have heard learned counsel representing the Joint Registrar, Company Registration Office, and confronted him with the Certificate of Incorporation issued by SECP under Section 32 of the Companies Ordinance, 1984 to Respondent No. 1 / EYZ Private Limited, which was issued on 12.05.2004 along with the Memorandum of Association which gives the complete outline of the objects including but not limited to businesses as manufacturers, buyers, sellers, indentures, importers, exporters, distributors with the details of multiple businesses, whereby the counsel for the petitioner contends that the objectives of the company are very clear and not a single objective allows Respondent No. 1 to carry out any multi-level marketing services whereby incentives are offered to prospective buyers of the products and referring fresh clients to the company or collecting money from innocent public through this scheme or offering referral commissions or defrauding the general public by offering incentives

through different schemes and businesses. And as such, on a minute scanning of the Memorandum of Association, it has clearly been established that the primary allegations of the SECP are seen from the record where Respondent No.1 was not allowed for any MLM marketing schemes. The Registrar has further appointed an office assistant, Mr.Amir Shahzad, who visited the office of M/s EYZ Private Limited at Office No. 3, First Floor, Grace Plaza, Commercial Market, Satellite Town, Rawalpindi on 14.05.2004 and met as a customer with Mr. Khizr-ur-Rahman, Marketing Coordinator of the said company, whereby he gave complete details of the business of the company and submitted a brochure containing all information about the business plan of the company. I have also attended to the brochure which outrightly reflects that it is a commission-based company in Pakistan as referred in the details of the company under the head "About Company" and the income structure has been given in the following manner:



Levels	Reff	Total Reff	Earning	Total Earning
1	3	3	900	900
2	9	12	900	1800
3	27	39	2700	4500
4	81	120	8100	12600
5	243	363	2430	36900

			0	
6	729	1092	7290 0	109800
7	2187	3279	2187 00	328500
8	6561	9840	6561 00	984600
+Bonus:				428000
Total:				14,12,600

Per level Commission

- a) On the First Level Completion you will get Rs.300/- for each person.
- b) 2nd Level to 8th Level you will get Rs.100/- for each person.

Level	Payable Amount	Incentive
4 th	9000	20000
6 th	18000	58000
8 th	36000	350000

6. While considering these income structures, it outrightly reflects the criminal intent of Respondent No.1 to attract the general public with such kinds of fraud and MLM techniques which were not permissible. In this regard, this type of evidence was also taken up against Respondent No.1 and a notice/letter dated 17.05.2004 was issued by the Deputy Registrar of Companies on behalf of SECP to the Chief Executive of EYZ Private Limited, whereby they have been referred with the objective to carry out business in network marketing, sale, purchase, etc. on their website, in which it was alleged by the SECP that Respondent No.1 is indulged in certain dubious activities by launching schemes inviting customers to

become members of the company and the company is collecting money through sale of different products whereby members are given incentives to make other people its members. The company is running an investment scheme in which returns are paid to earlier investors entirely out of money paid into the scheme by newer investors. Such schemes induce the general public to join on the promise that they will make profit by participation. Therefore, all such business styles are considered to be violations of Sections 66 and 88 of the Companies Ordinance, 1984, whereby a penalty for fraudulently inducing a person to invest money is provided. In Section 66, where false, deceptive, or misleading assurances and dishonest concealment of material facts through an agreement, subscribing or underwriting shares or debentures, or a scheme has been announced with the purpose to secure a profit, is considered to be punishable with imprisonment which may extend to three years or fine or with both. Similarly, in terms of Section 88, no company shall invite or allow any other person to invite or cause to be invited on its behalf any deposit unless said deposit is invited or is caused to be invited in accordance with the rules made under sub-section (1) of Section 88, where the Federal Government may prescribe the limits up to which, the manner in which, and the conditions subject to which deposits may be invited. Similarly, under clause (b) of sub-section (2) of Section 88, any advertisement including therein a statement showing the financial position of the company has to be issued by the company in such a form and such a manner as may be

prescribed. All such invites, inducements, and contraventions are declared to be illegal, but surprisingly, the respondent submitted a reply to the letter on 02.06.2004 in which the following has been explained by Syed Mukhtar Hussain Shah, Chief Executive:

".....

We will also update our website soon and remove objectionable thing. We also give an undertaking that we would be bound to do only those business which was mentioned in our Memorandum of Association. We hope you will find the above in order and helps you to clarify our position that our business not attracts the provisions of section 66 and 82 of the Companies Ordinance, 1984. We would be please to clarify any other thing if you so require."

7. Thereafter, the SECP through the Registrar comes to the conclusion that Respondent No. 1 / company is engaged in a multi-level marketing/investment scheme while relating to the provisions of the Companies Ordinance, 1984, and circumstances suggest that the company is liable to be wound up in terms of clause (f)(i)(ii) of Section 305 of the Companies Ordinance, 1984. As the company has launched a scheme in the name and style of "Income Structure Scheme" whereby an 8-level income plan has been introduced and the company has also launched a multi-level marketing scheme in this manner where returns are paid to earlier investors entirely out of money paid into the scheme by newer investors. Such view has been considered at length by the Registrar of Companies, and therefore pursuant to letter dated 17.08.2004, the Registrar of Companies, considering all these aspects, proposed that before filing the winding

up petition under Section 305 of the Companies Ordinance, 1984, sanction may kindly be obtained from the Commission under Section 309 for filing the petition.

8. Resultantly, a show-cause notice was also issued on 10.09.2004 with complete details highlighting the illegalities and fraudulent unlawful business activities of Respondent No. 1, and the Chief Executive of Respondent No. 1 was directed to appear in person and submit a written reply and fixed date for extending due right of hearing. But the show-cause notices were not replied to in a proper manner. The record reflects that multiple dates have been fixed through different letters of show-cause dated 08.12.2004, 02.03.2005, 31.05.2005, 14.06.2005, 25.07.2005 and finally on 22.07.2005, sanction has been imposed by the SECP to the following effect:

".....

8. *I have no option except deciding the case on its merit and available record. There is no doubt that the brochures inviting public to invest the money in various schemes have been issued by the company which clearly depicts that the company is engaged in business which is ultra vires to the Memorandum of Association of the company3*
 9. *I, therefore, hereby grant a sanction under clause (b) of section 309 of the Ordinance and authorize the Additional Registrar of Companies, Company Registration Office, Islamabad to present a petition before the High Court for winding up of the respondent company in terms of section 305 of the Ordinance"*
9. After filing of the winding up petition in this Court, notices have been issued including but not limited to publication of notice through substituted mode of service in Daily Jang and Dawn. But

despite notices, no one turned up, therefore vide order dated 22.10.2015, the respondents were proceeded against ex-parte, and this Court vide judgment dated 07.04.2016 allowed the winding up application filed by the petitioner against Respondent No. 1, and therefore an order has been passed for winding up of Respondent No. 1, and an Official Liquidator has been appointed to initiate winding up proceedings. The Official Liquidator, M. Yusuf Khan, FCMA, filed a preliminary report in the Court pursuant to Section 321 of the Companies Act, 2017 highlighting the affairs of the company where non-availability of statement of affairs under Section 320 of the Companies Act, 2017 has been highlighted, in which the authorized capital of the company has been explained.

10. It was further asserted in the report that there were no known assets of the company as no books of accounts were available. The same is the case with the known-liability of the company, and the company was formed by two persons namely Syed Mukhtar Hussain Shah son of Syed Feroz Shah, who owns 90 percent or 90 shares, and Ramna Ali, wife of Mukhtar Hussain Shah, who owns 10 percent or 10 shares, and both these shareholders are also Directors of the company. The report further highlighted that the company was involved in unauthorized business activities, including MLM activities spanning over the period of 15 months. These unlawful activities caused the failure of business.

11. It was also highlighted in the report that multiple opportunities had been offered to the respondents to defend

themselves apart from proclamation in newspapers, but they failed to justify and clarify their position and remained non-responsive. The Official Liquidator has also provided complete details of all the letters including show-cause notices and other correspondence in the report. And finally, he has suggested that the company be dissolved due to present circumstances.

12. In view of the above circumstances, I have attended the entire proposition with the able assistance of the petitioner's counsel and come to the conclusion that there is no bar in passing the order for dissolution of the company. However, before going into that legal debate, it is important to refer that the instant company original petition was filed in terms of the Companies Ordinance, 1984. However, during the pendency of the matter, the Companies Ordinance, 1984 stood repealed by virtue of Section 509 of the Companies Act, 2017. Therefore, all the actions and orders which were earlier passed stand protected including but not limited to rules, regulations, notifications, guidelines, circulars and directives. Resultantly, all the earlier reports, actions, and orders of the Registrar of Companies including but not limited to the enquiry/investigation conducted by the Registrar of Companies stand protected. Even the evidence collected by the Registrar of Companies confirms that the respondent is conducting their business in an unlawful manner in order to deprive the citizens of Pakistan of their hard-earned money through MLM schemes in which their invested amounts were allegedly multiplied, though such practices

and business concerns are not permissible under the law. I have also attended the provision of carrying on or promoting "unlawful activity" described under section 301 of the Companies Act, 2017, the said section enlists the circumstances / instances where company can be wound up by the order of the court. The instant matter falls under explanation-I of the section 301 which says:

"301. Circumstances in which a company may be wound up by the court.-A Company may be wound up by the court-

Explanation I-

(a)

(b) *Raising an unauthorized deposits from the general public, indulging in referral marketing, multi-level marketing (MLM), Pyramid and Ponzi schemes, locally or internationally, directly or indirectly; or*

(c)

Shall be deemed to be unlawful activity."

As Such fair opportunity has been extended to Respondent No. 1 to represent their perspective but except one reply, no one contested the matter. Even otherwise, it has been argued before this Court that Respondent No.1 / company is not presently working or doing any business but after the winding up order passed by this Court, their name still exists on the roll of the Joint Registrar, Company Registration, SECP Department. Therefore, in such circumstances, while exercising powers under Section 342 of the Companies Act, 2017, it has been established that the affairs of the company have completely been wound up, and this Court is of the view, based upon the opinion rendered by the Official Liquidator,

that such company cannot proceed as there were no assets available on record, and the circumstances highlighted from the reports and record reasonably persuaded this Court that dissolution of the company has already been made, and post-dissolution order passed by this Court, the order is required for dissolution of the company once and for all.

13. As such, Section 387 of the Companies Act, 2017 explains that the status of a company being wound up would continue existing until it stands dissolved. When an order for winding up is passed it does not stand dissolved automatically, the Directors of the company have the option to file an appeal and defend the winding up, as held in PLD 2024 [SC] 830 (Tanveer Cotton Mills (Pvt.) Ltd. Vs. Summit Bank Ltd.). Since, no one appeared and defended the winding up proceedings, therefore, this Court comes to an irreversible conclusion that such company stands dissolved for the betterment of the general public so that no citizen could be further lured or deceived by any fraudulent practice or multi-level marketing strategies in business highlighted by Respondent No. 1. Therefore, the company / Respondent No. 1 namely EYZ Private Limited **STANDS DISSOLVED** and the Joint Registrar, Company Registration Office shall effect this judgment under the law accordingly and submit its report within a period of 15 days.

14. A copy of this order may also be forwarded to the Official Liquidator through the Registrar, Companies Branch who shall make in his books a minute of dissolution of the company and shall publish

a notice in the Official Gazette that the company is dissolved. A report to that effect may also be submitted through the Registrar of the Company Bench after its compliance accordingly and a report to that effect be placed before this Court for perusal in chamber.

(MOHSIN AKHTAR KAYANI)
JUDGE

A.Waheed/-