



Corporate Supervision Department
Company Law Division

Before Abid Hussain – Executive Director

In the matter of

Mr. Muhammad Haris, Director
Ahmad Hassan Textile Mills Limited

Number and date of notice: No. CSD/ARN/23/2015-507 dated September 15, 2017

Date of hearing: February 21, 2018

Present: Mr. Adil Shabbir, Advocate
(Authorized Representatives)

ORDER

Under Section 214 and 216 read with Section 476 of the Companies Ordinance, 1984

This order shall dispose of the proceedings initiated against Mr. Muhammad Haris, (*the "Respondent"*) director of Ahmad Hassan Textile Mills Limited (*the "Company"*) through show cause notice dated September 15, 2017 (*the "SCN"*) issued under the provisions of Section 214 and 216 read with Section 476 of the Companies Ordinance 1984 (*the "Ordinance"*).

2. Brief facts of the case are that examination of the annual audited accounts of the Company for the year ended June 30, 2016 (*the "Accounts"*) and subsequent information provided by the Company revealed that the Company paid Rs.3 million as rentals of head office building of the Company situated at 46, Hassan Parwana Colony, Multan. The Company was inquired about the rent paid to the Director of the Company. The Company in reply dated July 15, 2017 submitted the copy of minutes of the Board of Directors (*the "BOD"*) meeting held on April 28, 2015 and also provided the copy of the rental agreement which revealed that the Respondent was the owner of the relevant property in which the Head Office of the Company is situated. The Respondent was *prima facie* interested in the rental agreement which was approved in the BOD meeting held on April 28, 2015. It was observed that the Respondent had not disclosed his interest and had participated in the proceedings to approve the rental agreement as evident from the minutes and attendance sheet of the BOD meeting. The act *prima facie* stood in violation of section 214 and 216 of the Ordinance. Accordingly, the SCN was issued to the Respondent wherein the Respondent was called upon to



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department
Company Law Division

Continuation Sheet - 1 -

show cause in writing as to why penal action may not be taken against him for default under of section 214 and 216 of the Ordinance.

3. The Respondent through his authorized representative; Mr. Adil Shabbir (*the "Authorized Representative"*) submitted a written response dated October 10, 2017. The relevant part of the reply stated that *"the Company enter into transactions with related party on an arm's length basis. Price for transaction with related parties determined using admissible valuation method."*

4. In order to provide opportunity of personal hearing, the case was fixed on February 21, 2018, the authorized representative appeared on the date of the hearing and reiterated the earlier submissions made in the written reply. The authorized representative further stated that the Company entered in to rent agreement at market rate. However, he failed to provide any cogent reason regarding the participation of the Respondent in the board of directors meeting dated April 28, 2015 where the rental agreement was approved.

5. In terms of the Commission's notification SRO 1003 (I)/2015 dated October 15, 2015, the powers to adjudicate cases under sections 214 and 216 have been delegated to the Executive Director (Corporate Supervision Department).

6. I have analyzed the facts of the case, provisions of Sections 214 and 216 of the Ordinance, arguments put forth in writing and during the hearing by the authorized representative. I am of the view that the Respondent has contravened the provisions of Sections 214 and 216 of the Ordinance by not disclosing his interest and not abstaining from the relevant BOD meeting wherein the matter of hiring his property on rent for head office building of the Company was discussed and approved. The default is therefore established as the Respondent had direct and monetary interest in the rental agreement of the building owned by him. Mr. Muhammad Haris, director of the Company is liable for the penalty as defined in the aforesaid provisions of the Ordinance. I, therefore, impose an aggregate penalty of Rs.6,000 (Rupees six thousand only) on Mr. Muhammad Haris, director of the Company for contravening the provisions of section 214 and section 216 (Rs.3,000 each under section 214 and section 216 of the Ordinance).



SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Corporate Supervision Department
Company Law Division

Continuation Sheet - 2 -

The aforesaid fine must be deposited in the designated bank account maintained with MCB Bank Limited in the name of the "Securities and Exchange Commission of Pakistan" within thirty days from the receipt of this order and furnish receipted bank vouchers to the Commission. In case of non-deposit of the penalties, proceedings for recovery of the fines as arrears of land revenue will be initiated. It may also be noted that the said fine is imposed on the Respondent in his personal capacity; therefore, he is required to pay the said amount from his personal resources.

Abid Hussain
Executive Director

Announced:
March 8, 2018
Islamabad