



Corporate Supervision Department  
Company Law Division

Before Abid Hussain – Executive Director

*In the matter of*

Khawaja Imtiaz Ahmad and Khawaja Ahmed Hasan, Directors – Leiner Pak Gelatine Limited

Number and date of notice: CSD/ARN/448/2017-07-08 dated July 4, 2017

Date of hearing: August 21, 2017, September 8, 2017 and February 6, 2018.

Present: Mr. Asad Ali, Director Finance, Leiner Pak Gelatine Limited  
(Authorized Representative)

**ORDER**

**UNDER SECTION 189 READ WITH SECTION 187 & 476 OF THE COMPANIES  
ORDINANCE, 1984**

This order shall dispose of the proceeding initiated against Khawaja Imtiaz Ahmed and Khawaja Ahmed Hasan (*"respondents"*) through show cause notice dated July 4, 2017 (*the "SCN"*) under the provisions of Section 189 read with Section 187 and Section 476 of the Companies Ordinance 1984 (*the "Ordinance"*).

2. The facts leading to this case, briefly stated, are that, it has been observed that respondents are directors of Leiner Pak Gelatine Limited (*the "Company"*) and INA Securities (Pvt) Limited. INA Securities (Pvt) Limited is a brokerage house engaged in business of brokerage and hold Trading Right Entitlement Certificate (*the "TREC"*). The respondents were not qualified to act as directors of the Company and of the brokerage house simultaneously, *prima facie*, they contravened the provision of Section 189 of the Ordinance. Therefore, SCN was issued to the respondents under the provisions of Section 189 of the Ordinance.

3. The respondents were provided hearing opportunity on August 21, 2017 wherein Mr. Asad Ali appeared as authorized representative. He referred to a Commission's directive of 2002, which stated that, *"anyone can become a Director of a listed company if he has minimum shareholding of 10% or above, in the company where he intends to become a Director/Nominee Director."* Mr. Asad relied on the said directive in response to which the authorized officer clarified that the directive has been amended in 2008. In reply to which the authorized representative requested fifteen days adjournment to submit a written reply. Hearing in the matter was re-fixed for September 18, 2017. Mr. Asad Ali appeared on behalf of the respondents wherein Mr. Asad assured that the directors would resign. The authorized representative once again requested for adjournment of four weeks



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for filing of additional documents which was granted. Final hearing was held on February 6, 2018. Mr. Asad Ali appeared before the undersigned. He submitted a written reply and informed that the directors have resigned. Kh. Ahmed Hasan had resigned from the directorship of Leiner Pak Gelatine Limited whereas, Kh. Imtiaz Ahmed had resigned from INA Securities (Pvt.) Limited. Written submission along with copies of respective resignations were also submitted in the hearing. It was stated therein that the respondents had not violated the provisions of law deliberately. It was further informed that INA Securities (Pvt.) Limited only maintained the investment portfolio of the family members and friends of directors which were only 69 in numbers. It was also stated that the brokerage business by INA Securities (Pvt.) Limited was very limited and a brokerage commission of only Rs.199,081 was earned during the years 2013 to 2017. The authorized representative requested for a lenient view. The authorized officer however asked to submit the relevant forms as supporting evidence.

4. Before proceeding further, it is necessary to advert to the relevant provisions of law which are stated hereunder:

Section 187 of the Ordinance provides that:

*"no person shall be appointed as a director of a company if he-*

*j) is engaged in the business of brokerage, or is a spouse of such person or is a sponsor, director or officer of a corporate brokerage house.*

*Provided that clauses (i) and (j) shall be applicable only in case of a listed company."*

Section 189 of the Ordinance provides that:

*"If a person who is not qualified to be a director or chief executive or who has otherwise vacated the office of director or chief executive describes or represents himself or acts as a director or chief executive, or allows or causes himself to be described as such, he shall be liable in respect of each day during which he so describes or represents or acts, or allows or causes himself to be described, as such, to fine which may extend to two hundred rupees."*

5. In terms of the Commission's notification SRO 1003 (I)/2015 dated October 15, 2015, the powers to adjudicate cases under section 189 of the Ordinance have been delegated to the Executive Director (Corporate Supervision Department).



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6. I have analyzed the facts of the case, relevant provisions of the Ordinance, arguments put forth in writing and during the course of hearings held and observed that a person who engages in brokerage business and at the same time actively engages as a director on the board of listed company increase the risk of market abuse. The provisions of Section 189 were introduced in the Ordinance to address this inherent risk. The respondents are directors in the Company and at the same time involved in brokerage business as directors of the brokerage house. The argument that the respondent was unaware of prohibition contained under Section 187(j) is not cogent, as ignorance of law excuses no one. Section 187 of the Ordinance bars ineligible persons to become director and clause (j) of Section 187 specifically bars a person, who is engaged in business of brokerage, or is a spouse of such person or is a sponsor, director or officer of a corporate brokerage house to become director of a listed Company. Section 189 of the Ordinance provides that if a person who is not qualified to be director acts as a director he shall be liable in respect of each day during which he acts, to fine, which may extend to two hundred rupees.

7. For the foregoing reasons, I am of the opinion that though the respondents violated the provisions of Section 187 of the Ordinance however, owing to the fact that the Company has provided relevant Form 29 filed with the Commission proving the resignation of directors. I, being satisfied by the respondents' compliance and corrective measures taken, take a lenient view of the matter and instead of imposing fine conclude the proceedings with a warning to the respondents to be careful in future.

**ABID HUSSAIN**  
Executive Director  
Corporate Supervision Department

**Announced:**  
February 22, 2018  
Islamabad

