



Corporate Supervision Department
Company Law Division

Before Tahir Mahmood – Commissioner (Company Law Division)

In the matter of

Hum Network Limited

Number and date of notice: EMD/233/676/2006-1503-1510, dated April 22, 2013
Date of hearings: September 18, 2015
Present: Mr. Ijaz Ahmed, Advocate, Authorized Representative

ORDER

**UNDER SECTIONS 196, 214 AND 216 READ WITH SECTION 476 OF THE COMPANIES
ORDINANCE, 1984**

This order shall dispose of the proceedings initiated against the following directors including the chief executive (the “respondents”) of **Hum Network Limited** (the “Company”):

- | | |
|-------------------------------|----------------------------------|
| 1. Mr. Mazhar Ul Haq Siddiqui | 5. Mr. Mahtab Akbar Rashidi |
| 2. Ms. Sultana Siddiqui | 6. Mr. Abdul Hamid Dagia |
| 3. Mr. Munawar Alam Siddiqui | 7. Mr. Muhammad Ayub Younus Adhi |
| 4. Mr. Shunaid Qureshi | 8. Mr. Duraid Qureshi |

These proceedings against the respondents were initiated through show cause notice (the “SCN”) dated April 22, 2013 under sections 196, 214 and 216 read with section 476 of the Companies Ordinance, 1984 (the “Ordinance”).

2. The brief facts of the case are that the Company entered into an ‘Agency Agreement’ dated October 25, 2012 with HUMTV Inc. (“HTI”), whereof HTI was appointed as an agent representing the Company in providing services in the United States of America and Canada. As per record, Ms. Malika Junaid, Mr. Shunaid Qureshi and Mr. Duraid Qureshi were the directors of the HTI. The Company in the meeting of its board of directors (“BOD”) held on October 25, 2012 approved the said Agency Agreement that was signed by Mr. Duraid Qureshi and Ms. Malika Junaid being authorized representative of the Company and HTI, respectively. The BOD meeting dated October 25, 2012 was attended by following directors of the Company namely: (1) Mr. Mazhar Ul Haq Siddiqui, (2) Ms. Sultana Siddiqui, (3) Mr. Munawar Alam Siddiqui; and (4) Mr. Duraid Qureshi, the chief executive officer of the Company. It appeared that these four directors were interested directors, however, they did not disclose their interest and also participated and voted to approve the agreement with HTI during the BOD meeting. Moreover, it also appeared that due to



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operation of section 216 of the Ordinance, the interested directors were ineligible to participate and vote in the meeting to approve the agreement with HTI, therefore, the quorum of the BOD meeting was not formed, hence transaction with the HTI was required to be approved by the Company in a general meeting. However, the Company did not seek approval of shareholders in the general meeting as required by section 196 of the Ordinance. Consequently, the SCN was issued to the respondents advising them to explain their position as to why penal action may not be taken against them for the alleged contraventions of the Ordinance.

3. In response to the SCN, six of the respondents namely Mr. Mazhar Ul Haq Siddiqui, Ms. Sultana Siddiqui, Mr. Shunaid Qureshi, Mr. Mahtab Akbar Rashidi, Mr. Muhammad Ayub Younus Adhi and Mr. Duraid Qureshi submitted reply vide letter dated May 6, 2013. A brief of the reply relevant to the contents of the SCN is given below:

- Mr. Duraid Qureshi and Mr. Shunaid Qureshi were common directors between the Company and HTI. Ms. Malika Junaid is not a director of the Company. Mr. Shunaid Qureshi resigned as director of HTI with effect from July 1, 2012. Therefore, Mr. Duraid Qureshi is now the only common director.
- Following six directors attended the BOD meeting on October 25, 2012:
 1. Mr. Mazhar ul Haq Siddiqui
 2. Ms. Sultana Siddiqui
 3. Mr. Munawar Alam Siddiqui
 4. Ms. Mahtab Akbar Rashdi
 5. Mr. M Ayub Younus
 6. Mr. Duraid Qureshi.
- Mr. Shunaid Qureshi and Mr. Abdul Hamid Dagia did not attend the BOD meeting. (*BOD Minutes provided along with the reply*).
- Mr. Duraid Qureshi, attended the said meeting and as the CEO and only presented the factual information to the BOD. However, he neither cast his vote nor participated in proceedings for approving the Agency Agreement.
- HTI is a wholly owned subsidiary of the Company. Mr. Duraid Quershi and Mr. Shunaid Qureshi were nominated by the Company on the Board of HTI by way of a BOD's resolution previously, and they do not hold share or have any personal interest of any nature in HTI.

In view of the above, the respondent stated that none of the directors were having any interest in Agency Agreement with HTI, the quorum of director was duly formed and none of the provisions of the Ordinance were violated. They requested to withdraw the proceedings.



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4. Mr. Munawar Alam Siddiqui ("Mr. Siddiqui") submitted reply through letter dated May 20, 2013 of Bawany and Partners as his representative. A brief of the reply relevant to the contents of the SCN is given below:

- Mr. Siddiqui is only holding 500 qualification shares of the Company and has no direct or indirect personal interest in HTI. Hence, there is no violation of Section 214 or Section 216 of the Ordinance.
- The appointment of HTI as an Agent to represent HUM TV in United States and Canada is not a case of any contract or arrangement contemplated in sections 214 and 216 of the Ordinance. The BOD was competent to approved Agency Agreement with HTI and, therefore, provisions of section 196 have not been contravened.
- Agency Agreement was for the first time presented in draft form at BOD meeting held on October 2, 2012, but the same was not provided to Mr. Siddiqui despite request. Mr. Siddiqui had certain reservations on the draft agreement. Final Agreement was never presented at any subsequent BOD meeting.
- Neither Mr. Siddiqui nor his spouse or minor children had any interest, direct or indirect in the appointment of HTI as an Agent or the Agency Agreement. Moreover, HTI is a wholly owned subsidiary of the Company and all the directors were fully aware of the interest, if any.

In view of the above, Mr. Siddiqui requested to drop the proceedings.

Mr. Adbul Hamid Dagia submitted reply through his letter dated May 6, 2013. With reference to the contents of the SCN he stated that he had not attended the BOD meeting held on October 25, 2012, in which the Company entered into an Agency Agreement with HTI. He further submitted that in the past, when he felt requirements of the law were not being complied with, he had recorded his objections in the minutes of the BOD meetings.

5. The hearing in the matter was held on September 18, 2015 and Mr. Ijaz Ahmed, Advocate, represented the six respondents mentioned at para 3 above. He mainly reiterated the earlier stance taken by the respondents in their written replies. He further argued that HTI was a wholly owned subsidiary of the Company and none of the Company's directors held any shares in HTI. Moreover, during the relevant time Mr. Duraid Qureshi was the only common director and he too was nominated by the Company as HTI's director through a resolution of Company's BOD. He stated that the US based HTI collects revenues on behalf of the Company and no commission is



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paid to HTI by the Company. Based on the submissions he reiterated that there was no violation of provisions of sections 214, 216 and 196 of the Ordinance.

6. Before proceeding further, it is necessary to advert to section 492 of the Ordinance, which states as under:

“Section 196. Powers of directors.- (1) The business of a company shall be managed by the directors, who may pay all expenses incurred in promoting and registering the company, and may exercise all such powers of the company as are not by this Ordinance, or by the articles, or by a special resolution, required to be exercised by the company in general meeting.”

“Section 214: Disclosure of interest by director. - (1) Every director of a company who is in any way, whether directly or indirectly, concerned or interested in any contract or arrangement entered into, or to be entered into, by or on behalf of the company shall disclose the nature of his concern or interest at a meeting of the directors:.....”

“Section 216. Interested director not to participate or vote in proceedings of directors. - (1) No director of a company shall, as a director, take any part in the discussion of, or vote on, any contract or arrangement entered into, or to be entered into, by or on behalf of the company, if he is in any way, whether directly or indirectly, concerned or interested in the contract or arrangement, nor shall his presence count for the purpose of forming a quorum at the time of any such discussion or vote; and if he does vote, his vote shall be void.”

In terms of the Commission's notification SRO 154 (I)/2015 dated February 19, 2015, the powers to adjudicate cases under sections 196, 214 and 216 have been delegated to the Commissioner (Company Law Division).

7. I have analyzed the facts of the case, relevant provisions of the Ordinance and the arguments put forth by the respondents and my observations are as under:

- a) As submitted by the respondents, the HTI is a wholly owned subsidiary of the Company and none of the directors of the Company hold any shares in the HTI. Moreover, Mr. Duraid Qureshi is the only common director who is nominated by the Company on HTI's board.

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- b) As per copy of minutes of the BOD meeting held on October 25, 2012 and the attendance sheet provided by the respondents, it transpires that the meeting was attended by six directors of the Company including Mr. Duraind Qureshi. It has been stated by the respondents that Mr. Duraid Qureshi in his capacity as the Company's CEO, only informed the BOD about factual position regarding Agency Agreement with HTI and he abstained from participating or voting for approval of the Agency Agreement.
- c) There is no evidence on record to establish that other directors of the Company were having any interest in the Agency Agreement with the HTI. Therefore, even if Mr. Duraind Qureshi is excluded, the quorum of the BOD meeting held on October 25, 2015 was formed in terms of section 193 of the Ordinance. Hence, the BOD was authorized to approve the Agency Agreement with the HTI.

8. For the foregoing reasons, I have concluded that the provisions of sections 196, 214 and 216 of the Ordinance have not been contravened by the respondents. Therefore, I hereby concluded the proceedings without any adverse inference against the respondents.

Tahir Mahmood
Commissioner (Company Law Division)

Announced:
October 5, 2015
Islamabad