



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Before the Director/HOD (MSCID)

In the matter of Show Cause Notice issued under Section 224(4) of the Companies Ordinance, 1984 to Mr. Rashid Ahmed, Director of Kohinoor Mills Limited

Date of Hearing:

June 26, 2012

Present at Hearing:

Representing the Respondent:

*Mr. M. Javed Panni,
Chief Executive,
MJ Panni & Associates*

Assisting the Director/HOD (MSCID): (i) *Mr. Muhammad Farooq,
Joint Director*

(ii) *Mr. Muhammad Sadiq Shah
Deputy Director*

Order

This order will dispose of the proceedings initiated under Section 224(4) of the Companies Ordinance, 1984 (“**Ordinance**”) by the Securities and Exchange Commission of Pakistan (“**Commission**”) through Show Cause Notice No. S.M(B.O)C.O.222/4 (974)2006 dated 14/05/2012 (“**Notice**”) issued to Mr. Rashid Ahmed (“**Respondent**”), Director of Kohinoor Mills Limited (“**Issuer Company**”).

2. The facts of the matter leading up to aforesaid Notice are that the Issuer Company is a public listed company and the Respondent being its Director was required to file return of change in his beneficial ownership on Form 32, within the period stipulated under Section 222 of the Ordinance. However, he failed to discharge the said obligation which attracts penal provisions contained in Section 224(4) of the Ordinance.

3. Section 222(2)(c) of the Ordinance stipulates the period within which the Form 32 is required to be submitted. For convenience, the provisions of the said Section are reproduced hereunder:-

“where there is any change in the position or interest as aforesaid including a change in the beneficial ownership of any equity, security, within fifteen days of such change”

4. It is worth mentioning that in order to provide an opportunity to directors/beneficial owners of listed companies to file their over due returns of beneficial ownership without facing penal action, the Commission through Notices dated 07/09/2009 and 21/09/2010 asked them to



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file their returns of beneficial ownership with Head Office of the Commission by 31/10/2009 and 31/10/2010 respectively and to ensure timely compliance of Section 222 of the Ordinance in future. The aforesaid Notices were sent to all listed companies and were also disseminated through stock exchanges and print media.

5. On account of scrutiny of record of this office, it was observed that the Respondent has failed to file returns of changes in beneficial ownership on Form 32. The Respondent was, therefore, asked vide letter dated 13/03/2012 to file returns of beneficial ownership on Form 32 alongwith reasons for non-filing of the same, within the period stipulated in Section 222 of the Ordinance.

6. In response to the aforementioned letter, the Respondent filed Form 32 with this Commission on 19/03/2012 showing therein purchase of 77,000 ordinary shares of the Company on 07/03/2011. The Respondent was required to file the said return with this Commission latest by 22/03/2011, but the same has been filed on 19/03/2012, with delay of 362 days, in contravention of Section 222(2)(c) of the Ordinance. The said contravention attracts penal provisions of Section 224(4) of the Ordinance, which provides as under:-

"Whoever knowingly and wilfully contravenes or otherwise fails to comply with any provision of section 222, section 223 or section 224 shall be liable to a fine which may extend to thirty thousand rupees and in the case of a continuing contravention, non-compliance or default to a further fine which may extend to one thousand rupees for every day after the first during which such contravention, non-compliance or default continues"

7. The Commission took cognizance of the aforesaid default and issued Notice to the Respondent under Section 224(4) of the Ordinance, calling upon him to explain through written reply alongwith documentary evidence, if any as to why action may not be taken against him pursuant to Section 224(4) of the Ordinance, for aforesaid contravention of Section 222(2)(c) of the Ordinance.

8. In order to provide an opportunity of being heard in person, hearing in the matter was fixed for 28/05/2012 at the Commission's Head Office, Islamabad. In response, Mr. M. Javed Panni, Chief Executive, MJ Panni & Associates ("**Authorized Representative**") vide letter dated 22/05/2012 requested on behalf of the Respondent to adjourn the hearing and extend the time for filing of reply up to 11/06/2012. The request was accepted. The authorized Representative vide letter dated 11/06/2012 filed written submissions on behalf of the Respondent. The hearing in the matter was rescheduled for 26/06/2012. On the given date, the Authorized Representative appeared before me on behalf of the Respondent. The submissions made on behalf of the Respondent by the Authorized Representative in writing as well as verbally during the course of hearing be summarized as under:-

a) *The Respondent believes in timely filing of the statutory returns with the*



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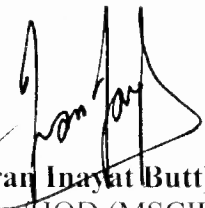
Commission as per requirement of Ordinance. He remained under the impression that Form-32 in respect of 800,000 ordinary shares purchased by him on 12/07/2011 had been filed with the Company Registration Office as well the Commission (Headquarters) in accordance with the legal requirement. However, the omission with respect to non filing with the Commission (Headquarters) was realized on receipt of Commission's letter dated 13.03.2012. The matter was immediately attended to and Form-32 in respect of 77,000 ordinary shares purchased on 12/7/2011 was filed with the Commission, within six days of the intimation.

- b) The default was inadvertent and was neither willful nor it was willingly authorizes or permitted. It was only a human error from which no undue benefit has been derived.*
- c) The Authorized Representative ensured that the Respondent will comply with the requirement of Section 222 of the Ordinance within the prescribed time period in future.*

9. I have considered the submissions made on behalf of the Respondent. The Respondent has admitted the default of late filing of the return of beneficial ownership with the contention that said default was not committed willfully and knowingly. The Respondent has assured for timely filing of the returns of beneficial ownership in future and requested to condone the default in question. In order to arrive at conclusion, I have also reviewed the available record which reveals that the Respondent has filed the return on receipt of letter from the Commission. The record of this office further reflects that before purchasing the under shares, the Respondent was holding only 3,850 ordinary shares of the Company. Considering the arguments advanced on behalf of the Respondent, I intend to agree with the contention of the Respondent and of the view that the late filing of the under reference return of beneficial ownership may not be willful. Therefore, a lenient view of the matter has been taken and the Respondent is hereby strictly warned to ensure timely compliance of Section 222 of the Ordinance in future

10. This order is issued without prejudice to any other action that the Commission/Registrar may initiate against the Respondent in accordance with the law on matter subsequently investigated or brought to the Notice of the Commission.




(Imran Inayat Butt)
Director/HOD (MSCID)

Islamabad.

Announced on June 28, 2012