



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

Before

Shahzad Afzal Khan - Director/Head of Department
Adjudication Department-I

In the matter of

Quice Food Industries Limited

Show Cause Notice No. & Date: CSD/ARN/165/2015-186 dated August 29, 2023
Date of hearing: September 27, 2023 and October 16, 2023
Hearing attended by: Mr. Adeel Habib, Authorized Representative

ORDER

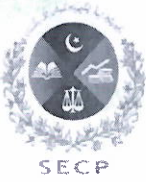
Under Section 227 and 479 of the Companies Act, 2017

This order shall dispose of the proceedings initiated through Show Cause Notice No. CSD/ARN/165/2015-186 dated August 29, 2023 (the SCN) issued Under Section 227 and 479 of the Companies Act, 2017 (the Act) thereof against Quice Food Industries Limited (the Company) and its Board of Directors, hereinafter collectively referred to as the Respondents.

2. The brief facts of the case are that review of annual accounts for year ended June 30, 2022 (the Accounts) transpired that the directors' report annexed with the Accounts did not incorporate the required details as specified in Section 227(2) of the Act. The Securities and Exchange Commission of Pakistan (the Commission) through its letter dated June 22, 2023 sought an explanation for the aforesaid non-compliances of Section 227(2) of the Act. In this regard, the Company through reply dated July 12, 2023, *inter alia*, submitted that: "As for non-conformity with section 227(2) & (3) & 227(5) of Act, is primarily an oversight on our part without any malice intent. In future, we would be ensuring adherence to the aforesaid sections."

3. From the aforesaid it appears that the Company, *prima facie*, has failed to comply with the requirements of Section 227 of the Act. Therefore, taking cognizance of the alleged non-compliance proceedings under Section 227 and 479 of the Act were initiated against the Respondents through the SCN requiring them to show cause in writing within ten (10) days, as to why penalty, as provided, should not be imposed on them.

4. In this regard, the Company through its letter dated September 09, 2023, *inter alia*, submitted that non-compliance of Section 227 of the Act was primarily due to an oversight without any malice intent. It was assured that in future aforementioned Section of the Act would be adhered. It was further submitted that: "the deficient disclosures in the director's report annexed with the accounts of 2022, were due to very tight and hard deadline of conducting Annual General Meeting along with fulfilling other regulators requirement with in the stipulated time and matter got aggravated when some members of our key staff responsible for the assigned task fell ill during this tight Calendar. You are requested to, in light of the above, we would be obliged and gratitude to you, if penalty any if imposed would be exonerated/waived."



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5. In order to provide opportunity of personal representation, hearing in this matter was fixed for September 27, 2023. However, the hearing was adjourned on request of the Respondents due to the reason that the Company was under the process to finalize its arrangements for the holding of annual general meeting. Subsequently, the hearing was scheduled for October 16, 2023, wherein Mr. Adeel Habib, Authorized Representative on behalf of the Respondents appeared before me. He was authorized in terms of the board of directors' resolution. He admitted the default in terms of Section 227 of the Act and assured that compliance in this regard would be made in future. He requested to take a lenient view.

6. Before proceeding further, it is necessary to refer to relevant legal provisions, which are reproduced as under:

Section 227(2) and 227(6) of the Act provide that:

227. Contents of Directors' Report and Statement of Compliance. —

(2) In the case of a public company or a private company which is a subsidiary of a public company, the directors report, in addition to the matters specified in sub-section (1) must state —

(a) the names of the persons who, at any time during the financial year, were directors of the company;

(b) the principal activities and the development and performance of the company's business during the financial year;

(c) a description of the principal risks and uncertainties facing the company;

(d) any changes that have occurred during the financial year concerning the nature of the business of the company or of its subsidiaries, or any other company in which the company has interest;

(e) the information and explanation in regard to any contents of modification in the auditor's report;

(f) information about the pattern of holding of the shares in the form specified;

(g) the name and country of origin of the holding company, if such company is a foreign company;

(h) the earning per share;

(i) the reasons for loss if incurred during the year and future prospects of profit, if any;

(j) information about defaults in payment of any debts and reasons thereof;

(k) comments in respect of adequacy [of] internal financial controls; (l) any material changes and commitments affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statement relates and the date of the report;

[(la) disclosure with respect to remuneration package of each of the directors and chief executive including but not limited to salary, benefits, bonuses, stock options, pension and other incentives;

and] (m) any other information as may be specified.

(6) Whoever contravenes any of the provisions of this section shall— (a) in respect of a listed company, be punishable with a penalty of level 2 on the standard scale.

7. I have gone through the facts of the case and considered both the written and verbal submission of the Representatives in light of the relevant provisions of law. In this regard, it is observed that:

(i) Deficiencies in directors' report:

The review of directors' report annexed with the Accounts of 2022 transpired deficient disclosures with regard to the following matters:



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S. No.	Requirements as per the Section 227(2)	Relevant provision
1	Fair review of business	227(2)
2	Principal activities carried	227(2)(b)
3	Principal risk and uncertainties	227(2)(c)
4	Changes concerning the nature of business	227(2)(d)
5	EPS	227(2)(h)
6	Reasons for loss	227(2)(i)
7	Comments on internal controls	227(2)(k)
8	Material changes affecting financial position	227(2)(l)
9	Disclosure with respect to remuneration package of each of director	227(2)(la)
10	Main trends likely to affect the future development & performance	227(3)
11	Impact of the Company's business on the environment	
12	Activities undertaken by the company with regard to CSR	
13	Directors' responsibility for adequacy of internal financial controls	

(ii) **The information in terms of Section 227 of the Act is mandatorily to be disclosed in the director's report:**

It is stated that the requirements of Section 227(2) of the Act, as stated above, are explicit and unambiguous. The aforesaid information is mandatorily to be disclosed in the directors' report. I am of the view that the purpose of the disclosure of information in the directors' report, as envisaged in aforesaid provisions of the Act, is to provide updated information to the shareholders and stakeholders of the Company. The directors' report has an important function in provision to shareholders with information about the Company's business and performance which is not completely ascertainable from the financial information given in the accounts.

(iii) **Non-compliance is evident and admitted:**

The relevant information as per the provisions of Section 227(2) of the Act, as stated in para 7(i) above, however, was not disclosed in the directors' report annexed with the Accounts of 2022. In given case, as admitted by the Respondents the non-compliance was mainly due to oversight. It was noticed that the similar deficiencies were also there in the director's report annexed with the Accounts of previous year i.e. 2021.

I am of the view that in absence of non-disclosure of relevant information in the directors' report annexed with the Accounts of 2022, violation of the given provisions of Section 227(2) of the Act is attracted.



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8. Keeping in view, I, in terms of the powers conferred under Section 227(6)(a) of the Act, hereby, impose an aggregate penalty of Rs. 100,000/- (Rupees One Hundred Thousand only) on the Respondents as follows:

S. No.	Names of the Respondents	Amount of Penalty (Rs.)
1	Mr. Muhammad Atif, Chief Executive	50,000/-
2	Quice Food Industries Limited	50,000/-
Total		100,000/-

The other Respondents are hereby warned and they are advised to ensure compliance of the given provisions of the legal provisions in letter and spirit.

9. The aforesaid fines must be deposited in the designated bank account maintained with MCB Bank Limited/United Bank Limited in the name of the Securities and Exchange Commission of Pakistan within thirty days of the date of this order and furnish receipted bank vouchers to the Commission. In case of non-deposit of the said penalty, proceedings under Section 485 of the Act will be initiated for recovery of the same as arrears of land revenue.

10. Nothing in this Order may be deemed to prejudice the operation of any provision of the Act providing for imposition of penalties in respect of any default, omission or violation of the Act.

Shahzad Afzal Khan
Head of Department
Adjudication Department-I

Announced:

Dated: November 16, 2023

Islamabad