

Before Ali Azeem Ikram, Director (Enforcement)

In the matter of

M/s. Quice Food Industries Limited

(Under Sub-section (4) of Section 158 of the Companies Ordinance, 1984)

No. & date of show cause notice	EMD/Enf-II/578/2004 dated December 26, 2005
Date of hearing	January 27, 2006
Present	No one appeared
Date of Order	February 14, 2006

Order

This Order shall dispose of the proceedings initiated against M/s. Quice Food Industries Limited (hereinafter referred to as the “Company”) and its directors for default made in complying with the provisions of Sub-section (1) of Section 158 of the Companies Ordinance, 1984 (the “Ordinance”).

2. The facts leading to this case, briefly stated, are that in terms of the provisions of Sub-section (1) of Section 158 of the Ordinance, the Company was required to hold its Annual General Meeting (the “AGM”) for the year ended June 30, 2005 on or before October 31, 2005. The Company failed to hold the AGM within the prescribed time. The failure of the Company to comply with the aforesaid mandatory requirement necessitated action against the Company and its directors in terms of Sub-section (4) of Section 158 of the Ordinance. Consequently, a show cause notice dated December 26, 2005 was served on the Company and its directors including the Chief Executive calling upon them to show cause as to why penalties as provided under Sub-section (4) of Section 158 read with Section 476 of the Ordinance may not be imposed on them.



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement Department

Continuation Sheet -3-

3. In response to the show cause notice, Mr. Iqbal Shahid, Company Secretary contended on behalf of the directors of the Company vide his letter dated January 07, 2006 that due to huge losses, the Company was compelled to restrict its business activities some five years ago. The Company's factory remained in the custody of ABL. These circumstances affected the corporate matters and, therefore, the annual accounts could not be completed for the years ended June 30, 2001 and onward. He informed that a couple of years ago, the Company restarted its activities and due to a strong will to derail the business and corporate matters, they have been able to hold the AGMs for the years 2001 to 2003 on May 09, 2005. Mr. Iqbal stated that in the year 2005, the case filed by ABL in the NAB came to an end but the amounts of installments paid and to be paid were depended on the completion of annual accounts. He added that they are trying their best to get the accounts audited as soon as possible so that AGMs for the years ended June 30, 2004 and 2005 could be conducted.

4. The explanation furnished has been considered but not found satisfactory. In order to afford an opportunity of personal hearing, the matter was fixed for January 27, 2006. However, neither anybody appeared on the date of hearing nor any written explanation was received. This leads me to believe that the Chief Executive and directors have nothing in their defence, and they are deliberately avoiding appearance in the hearing.

5. From the aforesaid discussion, it is clear that the directors and Chief Executive have intentionally avoided appearance before me. The default is, therefore, considered willful and deliberate. In the circumstances, it can be legitimately inferred that the Chief Executive and directors have failed to protect the interest of the shareholders. The aforesaid state of affairs is a cause of great concern for the Commission. The management of the Company should have made necessary arrangements to provide financial information in time to the shareholders. It is the responsibility of the directors of the Company to timely hold the AGM as this is the only forum available to the shareholders where they can discuss, speak and vote on the significant matters like approval of accounts, appointment of auditors, election of directors and other important issues relating to the performance of the Company. A perusal of



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement Department

Continuation Sheet -2-

the track record reveals that in the past also, the management had committed defaults for which penalties were imposed on the Chief Executive and directors of the Company. It has been noticed that the directors have also failed to deposit the amount of most of the penalties imposed for the previous defaults. This led me to believe that the directors have no respect for the law and they have again deprived the shareholders of their statutory right to receive the annual accounts of the Company within the prescribed time limit. The responsibility for holding AGMs and preparation/circulation of annual accounts rests with the directors of the Company and they have to take appropriate action at appropriate time. The repetition of default clearly shows that the Company is not making any serious efforts to comply with the provisions of the law. For the foregoing reasons, the default under Sub-section (1) of Section 158 of the Ordinance regarding non-holding of AGM for the year ended on June 30, 2005 stands established.

6. However, instead of imposing the maximum fine of Rs.50,000 on the Company and every director and a further fine of Rs.2,000 per day for the continuous default, I impose the following penalties on the Chief Executive and the directors of the Company under Sub-section (4) of Section 158 of the Ordinance:-

S. No.	Name	Penalty (in Rs.)
1.	Mr. Muhammad Afaq Shamsi, Chief Executive	30,000
2.	Mr. Muhammad Ahmed, Director	20,000
3.	Mr. Muhammad Farooq, Director	20,000
4.	Mr. Akhtar Rasheed, Director	20,000
5.	Mr. Muhammad Asim, Director	20,000
6.	Mr. Jawed Yamin, Director	20,000
7.	Mr. Shakeel Ahmed, Director	20,000
	Total	150,000

7. The Chief Executive and directors of M/s. Quice Food Industries Limited are hereby directed to deposit the aforesaid fines aggregating to Rs. 150,000/- (Rupees One hundred and



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Enforcement Department

Continuation Sheet -3-

fifty thousand only) in the designated bank account maintained in the name of Securities and Exchange Commission of Pakistan with Habib Bank Limited within thirty days from the receipt of this Order and furnish receipted vouchers or pay by a DD/pay order issued in the name of Commission for information and record, failing which proceedings under the Land Revenue Act,1967 will be initiated which may result in the attachment and sale of movable and immovable property. It may also be noted that the said penalties are imposed on the Chief Executive and other directors in their personal capacity who are required to pay the said amount from their personal resources.

Ali Azeem Ikram
Director (Enforcement)