



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

Tri Star Power Limited

Show Cause Notice No. & Date: CSD/ARN/160 /2015-42 dated January 12, 2024
Date of hearings: February 22, 2024 and March 06, 2024
Hearing attended by: Mr. Jawed Hussain

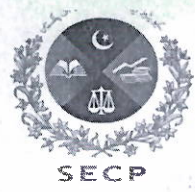
ORDER

Under Section 227 of the Companies Act, 2017 read with Section 227(6) and 479 thereof

This order shall dispose of the proceedings initiated through Show Cause Notice No. CSD/ARN/160 /2015-42 dated January 12, 2024 (the SCN) issued Under Section 227 of the Companies Act, 2017 (the Act) read with Section 227(6) and 479 thereof against the board of directors of Tri-Star Power Limited (the Company), 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) of Tri Star Power Limited (the Company) revealed that the Company has not incorporated required details in the Director's Report as specified in Section 227 of the Companies Act, 2017 (the Act). The Compliance status of various provisions of the aforesaid section is tabulated below:

Sr. #	Requirements as per Section 227 (2)	Compliance Status
1.	State of company affairs	Compliant
2.	Fair review of business	Non-compliant
3.	Amount for dividend	Not applicable
4.	Amount carried to Reserve and General Fund	Not applicable
5.	Names of Directors	Compliant
6.	Principal activities carried	Non-Compliant
7.	Performance of Company's business	Non-Compliant
8.	Principal risk and uncertainties	Non-compliant
9.	Changes concerning the nature of business	Non-Compliant
10.	Explanation for modifications of auditor	Non-Compliant



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11.	Pattern of shareholding	Compliant
12.	Name and country of holding	Not applicable
13.	EPS	Compliant
14.	Reasons for loss	Not applicable
15.	Info about defaults in debts	Not applicable
16.	Comments on internal controls	Compliant
17.	Material changes affecting financial position	Non-compliant
18.	Disclosure with respect to remuneration package of each of director	Non-compliant
19.	Main trends likely to affect the future development & performance	Non-compliant
20.	Impact of the Company's business on the environment	Non-Compliant
21.	Activities undertaken by the company with regard to CSR	Non-compliant
22.	Directors' responsibility for adequacy of internal financial controls	Non-compliant

3. The Securities and Exchange Commission of Pakistan (the **Commission**) vide letter dated January 27, 2023 asked the Company to comment on the aforesaid non-compliances. However, the Company vide its letter dated July 24, 2023 stated that the observation is noted for future compliance. Therefore, the Company *prima facie* failed to comply with the requirements of Section 227 of the Act.

4. Therefore, taking cognizance of the alleged non-compliance proceedings under Section 227 of the Act read with sections 227(6) and 479 thereof were initiated against the Respondents through serving the SCN requiring them to show cause in writing within ten (14) days, as to why penalty, as provided, should not be imposed on them.

5. To provide opportunity of personal representation, hearing in this matter was fixed for February 22, 2024, however, no one appeared.

6. Subsequently, Mr. Jawed Hussain, on behalf of the Respondents as their Authorized Representative, (the **Representative**) submitted written response through letter dated March 03, 2024, which *inter alia* submitted as follows:

"It is evident from the above facts that almost all the items are mentioned at one place or other place and nothing has been concealed, which shows the intention of the company.

In legal terms there is no mens-rea on the part of the company.

That the powers under section 227(6) of the Companies Act, 2017 have not been delegated to the Head of Department, Adjudication-I."



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7. Subsequently, hearing was then scheduled for March 06, 2024, wherein, the Representative appeared before the undersigned and reiterated the submissions made vide the aforementioned written response dated March 3, 2024.

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

Section 227 of the Act provide:

"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 –

...

(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;

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

(k) comments in respect of adequacy internal financial controls;

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

(3) In the case of a listed company, the business review must, to the extent necessary for understanding the development, performance or position of the company's business, include –

(d) directors' responsibility in respect of adequacy of internal financial controls 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; and"

9. To summarize the aforementioned, compliance status of various provisions of Section 227 of the Act is tabulated as follows:

Sr. #	Requirements as per Section 227 (2)	Compliance Status
1.	State of company affairs	Compliant
2.	Fair review of business	Non-compliant
3.	Amount for dividend	Not applicable



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4.	Amount carried to Reserve and General Fund	Not applicable
5.	Names of Directors	Compliant
6.	Principal activities carried	Non-Compliant
7.	Performance of Company's business	Non-Compliant
8.	Principal risk and uncertainties	Non-compliant
9.	Changes concerning the nature of business	Non-Compliant
10.	Explanation for modifications of auditor	Non-Compliant
11.	Pattern of shareholding	Compliant
12.	Name and country of holding	Not applicable
13.	EPS	Compliant
14.	Reasons for loss	Not applicable
15.	Info about defaults in debts	Not applicable
16.	Comments on internal controls	Compliant
17.	Material changes affecting financial position	Non-compliant
18.	Disclosure with respect to remuneration package of each of director	Non-compliant
19.	Main trends likely to affect the future development & performance	Non-compliant
20.	Impact of the Company's business on the environment	Non-Compliant
21.	Activities undertaken by the company with regard to CSR	Non-compliant
22.	Directors' responsibility for adequacy of internal financial controls	Non-compliant

10. I have gone through the facts of the case and considered both written and verbal submission of the Representative in light of the relevant provisions of law and available record before me and accordingly, address the following aforementioned issues:

- a. **Whether non-disclosure of the requirements of Section 227(2) of the Act can be considered as compliance for disclosures made in other documents of the Company.**

No. The requirements of Section 227 are explicit. The contravention of the provisions of Section 227 of the Act, at the relevant point of time, has been established. Disclosures of information required explicitly under Section 227 of the Act cannot be considered as a substitute of information disclosed in other related documents of the Company.

- b. **Whether the element of mens-rea can be considered here.**



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No. The elements of men-rea cannot be considered in the instant case as the disclosure requirements under Section 227 have been explicitly defined under the law and therefore require utmost compliance. The disclosures promote transparency by providing shareholders and stakeholders with a comprehensive understanding of the company's financial performance, operations, and risks. This transparency fosters trust and confidence in the organization's management.

c. Whether powers under Section 227(6) of the Act have been delegated to the Head of Department, Adjudication-I.

Yes. The powers under Section 227(6) of the Act have been delegated of the Head of the Department, Adjudication-I, Adjudication Division. The notification was shared with the Representative via email dated March 7, 2024.

11. Keeping in view the above, the contravention of the provisions of Section 227 of the Act, at the relevant point of time, has been established. However, keeping in view the assurance of compliance in future by the Representative, I hereby conclude the proceeding initiated through the SCN by imposing penalty of Rs. 50,000/- (Rupee Fifty Thousand Only) on Mr. Asad Ahmad, Chief Executive. I also Warn the other Respondents to be careful and ensure compliance with the relevant provisions in letter and spirit in future.

12. The aforesaid fine must be deposited in the designated bank account maintained with MCB Bank Limited or United Bank Limited in the name of the *Securities and Exchange Commission of Pakistan* within thirty (30) 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.

13. 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
Director / Head of Department
Adjudication Department-I

Announced:
Dated: April 25, 2024
Islamabad