



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

Before

Shahzad Afzal Khan, Director/Head of Department

In the matter of

Tri Star Power Limited

Show Cause Notice No. & Date CSD/ARN/160/2015-45 dated January 12, 2024

Date of Hearing: February 22, 2024 and March 06, 2024

Hearing Attended By: Mr. Jawed Hussain

ORDER

Under Sections 205 (1) and 207 (1) of the Companies Act, 2017 read with Section 205 (6) and Section 207 (4) thereof

This Order shall dispose of proceedings initiated through the Show Cause Notice dated January 12, 2024 (the SCN) issued under Sections 205 (1) and 207 (1) of the Companies Act, 2017 (the Act) read with Section 205 (6) and 207 (4) thereof to the following directors of Tri Star Power Limited (the Company), hereinafter collectively referred to as the Respondents, namely:

Sr. #	Name of Directors
1.	Mr. Asad Ahmad, Chief Executive
2.	Mr. Jawed Ahmed Siddiqui, Director

2. Facts of the case are that review of the financial statements of the Company for the year ended June 30, 2022 (Accounts 2022) transpires that the Company entered into a contract/lease arrangement with its associated company, Image Pakistan Limited (the Associate). Note 25 of the Accounts mentions as follows:

<i>Rs. in thousands</i>	
Nature of Transaction	Amount
Lease Rental Charged	13,740

3. The Securities and Exchange Commission of Pakistan (the Commission) vide its letter dated January 27, 2023 sought explanation to which the Company vide letter dated July 24, 2023 provided extracts of board meetings dated October 6, 2022 and attendance sheets wherein the



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transactions for the year ended June 30, 2022 were approved. Furthermore, the Company vide letter dated September 4, 2023 mentioned the directors namely; Mr. Asad Ahmed and Mr. Jawed Ahmed Siddiqui as directors in common with the Associate.

4. 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 must disclose the nature of concern or interest at a meeting of the board under Section 205 of the Act. Directors who are directly or indirectly concerned with the matter in which they are interested are mandated not to take part in the board meeting. Therefore, the interested directors were liable for disclosure under Section 205 of the Act and thereby should have abstained from the meeting wherein the related party transactions were approved as required under Section 207 of the Act.

5. The examination of the Company's response vide letter dated September 4, 2023 along with minutes of the board of directors' meeting held on October 6, 2022, revealed that *prima facie*, the common / interested directors with the associated company did not disclose nor abstain or recuse from voting on the related parties' transactions as appearing in Note 25 of the Accounts which is contrary to the requirements of Section 205(1) and Section 207(1) of the Act punishable under Section 205(6) and 207(4) thereof:

6. In order to take cognizance of the aforesaid non-compliance, SCN was served on the Respondents for the aforesaid contraventions of Sections 205 and 207 of the Act, requiring them to explain the reasons as to why action should not be taken against them for the aforesaid contraventions.

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

8. 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:

i. That it is not established from the Minutes of board meeting held on October 6, 2022 that Mr. Asad Ahmad and Mr. Jawed Ahmed Siddiqui have voted in favor of the any agenda item pertaining to the related party transaction or have not disclosed their interest in that particular agenda item.



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- ii. That the Supervision Department has not provided any evidence in support of the allegation which may be admissible beyond a reasonable doubt, that the defendant did what he is accused of having done.
- iii. That the SCN u/ s.205 and 207 is illegal, defective and misconceived.
- iv. That the company has not entered into any new transaction with the related party in the board meeting held on 6.10.2022 pertaining to lease transaction with Image Pakistan Ltd.
- v. That it is very well known that Image Pakistan Ltd is the group company of TriStar Group of companies comprising of the 16 entities as per details given above.
- vi. That it is mentioned in almost every financial statements of the company that as well as other group companies that Image Pakistan Ltd is its related party/ Associated company. Even in the financial statements for the year ended on 30.6.2022 (being the subject matter of the SCN) it is mentioned at 3 places.
- vii. That similarly this fact is mentioned in financial statements for the year ended on 30.6.2023 at 3 places.
- viii. That it is not a secret that Mr. Asad Ahmad and Mr. Jawed Ahmed Siddiqui are common director in the company and Image Pakistan Ltd.
- ix. That it is denied that Mr. Asad Ahmad and Mr. Jawed Ahmed Siddiqui have voted in the board meeting held on 6.10.2022 pertaining to lease transaction with Image Pakistan Ltd or violated the provisions of section 205 or 207 of the Act or any other provision of the Act.
9. 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.
10. Relevant legal provisions are reproduced as under:

Section 205 of the Companies Act, 2017 provides:

205. 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 board:



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(6) Any contravention or default in complying with requirements of sub-sections (1) or (2), shall be an offence liable to a penalty of level 1 on the standard scale.

Section 207 of the Companies Act, 2017 provides:

207. Interested director not to participate or vote in proceedings of board. – (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:

Provided that a director of a listed company who has a material personal interest in a matter that is being considered at a board meeting shall not be present while that matter is being considered.

(4) Any contravention or default in complying with requirements under this section shall be an offence liable to a penalty of level 1 on the standard scale."

11. I have gone through the facts of the case, and considered the written submissions made by the Company through its letter by the Respondents, their Representatives and the arguments made during the hearing, in light of the aforesaid legal provisions and the record placed before me and state as under:

- (i) **Interested director not to participate or vote in terms of Section 207 of the Act:**
By not abstaining from the agenda item in question despite being interested due to their common directorship in both the entities, the Respondents in Para 1 above have contravened the provisions of Section 207 (1) of the Act.
- (ii) **Disclosure of interest by Director in terms of Section 205 of the Act:**
By not disclosing the nature of their concern despite being interested due to their common directorship in both the entities, the Respondents in Para 1 above have contravened the provisions of Section 205 (1) of the Act.

12. In view of the foregoing, I hereby conclude that with respect to the transaction executed by the Company with the Associate the Respondents have contravened the provisions of Section 205 and 207 of the Act and, therefore, are liable to be penalized. Therefore, taking cognizance of the aforesaid contraventions/ non-compliances, I, in exercise of the powers conferred under



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Section 205 and 207 of the Act, hereby impose aggregate penalty of **Rs. 100,000/- (Rupees Hundred Thousand Only)** on the Respondents in the following manner:

Sr. #	Name of the Respondents	Penalty (Rs)	
		Section 205	Section 207
1.	Mr. Asad Ahmad	25,000	25,000
2.	Mr. Jawed Ahmed Siddiqui	25,000	25,000
	Total:	50,000	50,000

13. The Respondents are hereby, directed to deposit the aforesaid penalty in the designated bank account maintained in the name of the *Securities and Exchange Commission of Pakistan* with MCB Bank Limited/United Bank Limited within thirty (30) days from the date of this Order and furnish a receipted bank challan to the Commission forthwith. In case of failure to deposit the penalty, the proceedings under Section 485 of the Act will be initiated for recovery of the penalty.

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

(Shahzad Afzal Khan)
Director/ HOD
Adjudication Department-I

Announced:
Dated: April 25, 2024
Islamabad