



SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Adjudication Department- I

Adjudication Division

ORDER	
Name of Company:	M/s Tri-Star Power Limited
Show Cause Notice No. & Date:	No. CSD/ARN/160/2015-290 dated May 14, 2024
Respondents:	(i) Mr. Asad Ahmad, Chief Executive Officer; (ii) Ms. Shamima Begum, Chairperson; (iii) Mr. Jawed Ahmed Siddiquie, Director; (iv) Mr. Mohammad Zameer, Director; (v) Mr. Haroon Saeed, Director; (vi) Mr. Tanvir Hasan, Director; (vii) Syed Imran; Director; and (viii) M/s Tri-Star Power Limited.
Date of Hearing:	(i) June 10, 2024; (ii) April 22, 2025; and (iii) May 05, 2025.
Case represented by:	Mr. Jawed Hussain Advocate High Court (As the Authorized Representative)
Provision of law involved:	Section 227 read with Section 479 of the Companies Act, 2017
Date of Order:	May 14, 2025

This Order shall dispose of the proceedings initiated by the Securities and Exchange Commission of Pakistan (the "Commission") through the Show Cause Notice No. CSD/ARN/160/2015-290 dated May 14, 2024 ("SCN") against M/s. Tri-Star Power Limited (the "Company") and its Board of Directors (the "BoD") including the Chief Executive Officer (the "CEO"), hereinafter collectively referred to as (the "Respondents"), issued under Sections 227 and 479 of the Companies Act, 2017 (the "Act").

2. The provisions of sub-section (2) of Section 227 of the Act mandates the public companies or private companies that are subsidiaries of public companies to prepare and attach to the financial statements a director's report with respect to the state of Company's affairs, business review, dividend, etc. stating, amongst others, a description of the principal activities; performance of the business; an outline of principal risks and uncertainties; details of any changes in the nature of the company's business; an information/ and explanation regarding any modifications in the Auditor's Report; disclosure of any material changes and commitments affecting the financial position of the company between the end of the financial year to which the financial statements relate and the date of the report; and disclosure with respect to remuneration package of each director.

3. Moreover, the provisions of sub-section (3) of Section 227 of the Act require for a listed company that the business review must, to the extent necessary for understanding the development, performance or position of the company's business, include a description of the main trends and factors likely to affect future development, performance and position of the Company's business; an outline of the impact of the company's business on the environment; details of the corporate social responsibility activities undertaken during the year; and an explanation of the directors' responsibility regarding the adequacy of internal financial controls.

4. The non-compliance of the aforementioned provisions of Section 227(2) and (3) of the Act, attracts a penal provision under Section 227(6)(a) read with Section 479 of Act as whoever contravenes or fails to comply with any provisions of Section 227 of the Act shall be liable to a penalty of level 2 on the standard scale.

5. Brief facts of the case are that the review of the annual report of the Company for the fiscal year ended June 30, 2023 (the "Annual Report") revealed that the director's report, as appended to the Annual Report, was deficient in following essential disclosures as required under Section 227 (2) and (3) of the Act:

Sr. #	Requirements of Section 227	Relevant Section
1.	Fair review of business	227(3)
2.	Principal activities carried	227(2)(b)
3.	Performance of Company's business	227(3)(a)
4.	Principal risk and uncertainties	227(2)(c)

5.	Changes concerning the nature of business	227(2)(d)
6.	Explanation for modification in auditors' report	227(2)(e)
7.	Material changes effecting financial position	227(2)(l)
8.	Disclosure with respect to remuneration package of each director	227(2)(la)
9.	Main trends likely to affect the future development & performance	227(3)(a)
10.	Impact of Company's business on the environment	227(3)(b)
11.	Activities undertaken by the Company with regard to CSR	227(3)(c)
12.	Director's responsibility for adequacy of internal financial controls	227(3)(d)

6. In order to probe the matter, the Commission, vide letter dated January 26, 2024, sought an explanation from the Company regarding its failure to provide the required disclosures in the directors' report. The Company vide reply dated March 25, 2024, *inter alia*, submitted that the observation is noted for strict future compliance.

7. Having being not satisfied with the aforesaid response, SCN was served upon the Respondents, requiring them to show the cause as to why a penal action as provided under sub-section (6) of the Section 227 of the Act, may not be taken against them for the aforementioned contravention of the Sections 227(2) and 227(3) of the Act. In response Mr. Jawed Hussain, Advocate High Court, on behalf of the Respondents as the Authorized Representative (the "Authorized Representative"), vide letter dated May 27, 2024 requested an extension to submit the response to SCN which was duly granted. Later, the Authorized Representative, vide letter dated June 03, 2024, submitted reply to SCN, *inter alia*, stating that:

- i. Section 227 of the Act, quantifies 21 items/ Explanations/Disclosures as the constituents of the Director's Report out of which 12 items are alleged in the SCN. It is stated that out of these 12 items, no information was required in respect of following 7 items, being not applicable, due to the reasons narrated below;

Sr.# per SCN	Items as per Section 227	Allegation as per SCN	Response on alleged non-compliance
5	Changes concerning the nature of business	Non-Compliant	There is no change concerning the nature of business.
6	Explanation for modifications of auditor's report	Non-Compliant	It is not applicable since the auditor has not modified his report
7	Material changes affecting financial position	Non-Compliant	There is no material change affecting financial position-
8	Disclosure with respect to remuneration package of each director	Non-Compliant	There is no remuneration package for any director- It is mentioned in Note 24.
9	Main trends likely to affect the future development & performance	Non-Compliant	There are no main trends likely to affect the future development & performance.
10	Impact of the Company's business on the environment	Non-Compliant	There is no impact of the Company's business on the environment.
11	Activities undertaken by the company with regard to CSR	Non-Compliant	No activity undertaken by the company with regard to CSR.

- ii. The position in respect of remaining 5 items is as under;

Sr # per SCN	Item as per Section 227	Alleged non-compliance as per SCN	Response on alleged non-Compliance
1	Fair review of Business	Non-Compliant	Mentioned in item 2 of the Directors Report
2	Principle activities carried	Non-Compliant	Mentioned in the Note no 1 in the Notes to the Financial Statements (the Notes)
3	Performance of Company's business	Non-Compliant	Mentioned in the Note 1.1 of the Notes read with item 1 & 2 of the Director's Report
4	Principal risk and uncertainties	Non-Compliant	Mentioned with the Note 29 read with 5.13 & 5.16.5 of the Notes
12	Directors responsibility for adequacy	Non-Compliant	Mentioned at item 6(e) of the Directors report

Handwritten signature and date:
14-05-2025

- iii. *All significant transactions and events that have affected the Company's statement of financial position and performance during the year have been adequately disclosed either in the notes to these financial statements or in the Director's report.*
- iv. *That no notification delegating the powers of the Commission under Section 227(6) of the Companies Act, 2017 to the Head of Department, Adjudication – I has been published in the Gazette of Pakistan. Hence, he has no jurisdiction to try an offence w/s. 227 and the SCN has been issued without any lawful authority.*

8. In order to provide an opportunity of personal representation, hearing in the matter was fixed for June, 10 2024, where Authorized Representative appeared and reiterated the response to the SCN furnished vide letter dated June 03, 2024 and, *inter alia*, stated that *items required to be explained in Director's report are mentioned at one place or other place [in the annual report] and nothing has been concealed, which shows there was no mens-rea on part of the Company.* He further reiterated that the scheme of delegation in case of the instant provision of law is not valid as the same has not been published through official gazette notification.

9. In order to provide another opportunity of personal representation to the Respondents, hearing in the matter was fixed for April 22, 2025; where the Authorized Representative preferred not to appear. However, he, vide letter dated April 14, 2025, submitted that the reply to SCN was already submitted and hearing was held, accordingly the matter is reserved for judgement and we are waiting for the order. In order to meet the ends of justice and to conclude the matter in a bona-fide manner, yet another hearing opportunity was provided to the Respondent by fixing hearing on May 05, 2025. In response, the Authorized Representative, vide letter dated May 3, 2025, *requested that the order be passed based on the written and verbal submissions previously made.*

10. I have gone through the relevant provisions of Section 227 of the Act, and considered the facts of the case along with the available record of the Company as well as written and verbal submissions of the Respondents/ Authorized Representative. I have also perused Section 227(6) of the Act which stipulates penal provisions for contravention of the afore-referred provision of law. The requirements set forth under Section 227 of the Act are unequivocal and must be adhered to in both form and substance without any exception. It is noted that the Respondents, despite being obligated to provide necessary disclosures in the director's report as required under Section 227 of the Act, failed to do so and the same was admitted through an assurance of strict future compliance in the response dated March 25, 2024.

11. It is also pertinent to observe that the partial compliance achieved on the basis of certain misplaced understanding does not absolve the Respondents from complying with the prescribed format of the directors' report clearly given in the Act in any manner whatsoever. The directors' report must, therefore, comprehensively cover all requisite disclosures, regardless of their presumed applicability of lack of it thereof.

12. It is important to observe that the contention of the Authorized Representative that there is no modification in the Auditor's Report for the Year ended June 30, 2023 is factually incorrect as the auditors of the Company i.e. M/s. Feroze Sharif Tariq & Co., Chartered Accountants, have given a qualified opinion on the financial statements of the Company for the year ended June 30, 2023 in their report annexed to the published Annual Report; thereby constituting a modified auditor's report. ISA 705 (Revised) – '*Modifications to the Opinion in the Independent Auditor's Report,*' requires a modified opinion where the auditor identifies a material misstatement in the financial statements or encounters a limitation in the scope of the audit. Depending on the severity and pervasiveness of the issue, the opinion may be classified as qualified, adverse, or a disclaimer of opinion. Additionally, the auditor may include further explanatory paragraphs in accordance with ISA 706 (Revised), such as emphasis of matter or other matter paragraphs. It is noted that in the instant matter, the auditor's modification arose from both a material misstatement and a limitation in audit scope which mandatorily required that the information and explanation with regards to any contents of modification in the auditor's report is required to be disclosed in the directors' report and failure of which constitutes a contravention of Section 227 of the Act.

13. It is further observed that the assertion of the Respondents that fair review of the business of the Company is provided at serial No. 2 of the Directors' Report is not plausible. The said disclosure by the Company, merely stating that *the plant was rented to an associated concern, rendered inoperative due to a stoppage of gas supply from SSGC, and that renewable energy alternatives are being explored*, failed to comply

Handwritten signature and date:
14-05-2025

with the requirement of a fair and comprehensive review of the business where, in terms of sub-section (1) and (3) of Section 227 of the Act, business review for a listed company must, to the extent necessary for understanding the company's development, performance, or position, include: (a) main trends and factors likely to influence the future development, performance, and position of Company's business; (b) impact of the Company's business on the environmental; (c) corporate social responsibility ("CSR") activities undertaken by the Company during the year; and (d) the directors' responsibility in respect of the adequacy of internal financial controls.

14. The contention of the Respondents that almost all the required disclosures have been provided either in the directors' report or in other part of the annual report, such as the Notes to the Financial Statements, is not tenable as such information disclosed in other related documents of the Company cannot be considered as a substitute of disclosure of information explicitly required to be disclosed in directors' report by the law/Act. It is noted that the statutory obligation to provide a comprehensive directors' report is distinct and independent, and it cannot be satisfied merely by referencing or relying upon disclosures made elsewhere in the financial statements/ annual report and also does not absolve the Board of Directors from their responsibility for ensuring that all required information is explicitly disclosed within the directors' report itself in the format and manner prescribed by law. Guidance can be sought from a settled law that *where a thing is required to be done in a particular manner, it must be done in that manner or not at all.*

15. It is also observed that generic statement in the directors' report that *"the system of internal control is sound and designed and have been effectively implemented and monitored"* does not fulfill the want of law which requires the Board of Directors to provide a detailed statement on the adequacy and effectiveness of the internal control system. Such disclosure mainly include reference to control framework adopted, scope of internal control coverage, process adopted for monitoring the same, outcomes of any audit or risk assessment, etc. A generic statement, as in the instant matter, which lacks required details undermines the intention of the law of ensuring transparency and to provide stakeholders with a reliable understanding of how internal controls safeguard the assets of the Company and ensures integrity of financial reporting.

16. It is important to observe that the Company was also penalized for deficiencies in the disclosure of directors' report for the year ended June 30, 2022 through an Adjudication Order dated April 25, 2024 where during the proceedings the Board of Directors not only acknowledged the lapse in the directors' report but also assured that appropriate measures would be taken to ensure full compliance in future reporting periods. However, despite this prior regulatory action and the Board's commitment, the subsequent directors' report for the year ended June 30, 2023 again failed to comply with the disclosure requirements prescribed under Section 227 of the Act; thereby raising serious concerns about the effectiveness of governance mechanisms and casting a doubt on the efficacy of BOD' previous assurances offered during the adjudication proceedings.

17. Moreover, the cruciality of the role of board of directors in ensuring accurate and timely provision of information to the concerned stakeholders as their agents cannot be overemphasized. In 2013 CLD 706, the fundamental duty of directors was held as *"...The directors in addition to the day to day running of the company and the management of its business, also have 'fiduciary duties' i.e. duties held in trust and some wider duties imposed by statute...hence the directors are gauged against a higher standard of accountability which requires them to be vigilant and perform their duties with due care. In the instant case, the directors have failed to perform their duties with due care and prudence. As the directors are supposed to be well aware of their legal obligations..."*. Similarly, in 2014 CLD 263 [Appeal No. 02 of 2012 decided on September 11, 2013] it was held that *no excuse can absolve the Respondents from their fiduciary duty to ensure that stakeholders are adequately informed.*

18. It is pertinent to note that the directors' report is a key communication tool that provides shareholders with a comprehensive overview of the company's financial performance, strategic direction, and governance practices in a coherent and objective manner and also serves as a transparent disclosure of the company's activities, financial health, and future plans, allowing shareholders to make informed decisions about their investments. The directors' report provides an opportunity for the company to highlight its achievements and challenges and is a tool to ensure that the company's leadership is aligned with the interests of its shareholders and other stakeholders, including employees, creditors, and regulators. while also. It is also observed that the directors' report plays a vital role in enhancing corporate transparency, strengthening stakeholder confidence,

Handwritten signature and date: 14-05-2025

and promoting good governance practices and while offering stakeholders insight into how the directors adheres to their fiduciary responsibilities and complies with legal requirements, fosters accountability and trust.

19. It is imperative to note that the arguments of the Authorized Representative relating to jurisdiction to adjudicate offences under Section 227 of the Act does not hold ground given the facts that the relevant notification of the delegation of powers (S.R.O. 737(I)/2023 dated June 12, 2023) had been published in the official gazette and the same is also available on the website of the Commission; which duly covers the actual spirit of publication and dissemination to public at large.

20. In view of the above, the aforesaid contraventions of sub-section (2) and (3) of the Section 227 of the Act have been established beyond doubt, which attract penal action as provided under Section 227(6) of the Act. I, therefore, in exercise of the powers conferred upon me under sub-section (6) of Section 227 of the Act read with Section 479 thereof and S.R.O. 737(I)/2023 dated June 12, 2023, hereby impose an aggregate penalty of **Rs. 140,000 (Rupees one Hundred and Forty Thousand)** on the Respondents in the following manner:

Sr. #	Name of Respondent(s)	Penalty (Rs.)
1.	Mr. Asad Ahmad, Chief Executive Officer	20,000
2.	Ms. Shamima Begum, Chairperson/ Director	20,000
3.	Mr. Jawed Ahmed Siddiqui, Director	20,000
4.	Mr. Mohammad Zameer, Director	20,000
5.	Mr. M. Haroon Saeed, Director	20,000
6.	Mr. Tanvir Hasan, Director	20,000
7.	Syed Imran, Director	20,000
Total		140,000/-

Moreover, the proceedings in the instant matter, as initiated against the Company vide SCN, are hereby dropped on account of not being a person of interest. The Respondents are also advised to ensure meticulous compliance of applicable legal and regulatory requirements in future.

21. The Respondents are, hereby, directed to deposit the aforesaid amount of penalty in the designated bank account maintained in the name of the Commission with MCB Bank Limited or United Bank Limited within thirty (30) days from the date of this Order and to 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/fines as arrears of land revenue pursuant to provision of Section 42B of the Securities and Exchange Commission of Pakistan Act, 1997.


14-05-2025

Sohail Qadri
Director/ HOD
Adjudication Department-I

Announced:
May 14, 2025
Islamabad.

