

SEC/Enforcement/539/2006/344

April 4, 2007

1. Hakkani Pulp & Paper Mills Limited, 2/10, Dhaka Trunk Road, North Pahartali, Chittagong.
2. Directors, Hakkani Pulp & Paper Mills Limited, 2/10, Dhaka Trunk Road, North Pahartali, Chittagong.
3. Managing Director, Hakkani Pulp & Paper Mills Limited, 2/10, Dhaka Trunk Road, North Pahartali, Chittagong.
4. Company Secretary, Hakkani Pulp & Paper Mills Limited, 2/10, Dhaka Trunk Road, North Pahartali, Chittagong.

Sub: Non-compliance of the SEC Notification: In connection with the audited financial statements for the year ended on June 30, 2006-Warning.

As per section 2(g) of the Securities and Exchange Ordinance, 1969 (ORDINANCE No. XVII OF 1969) Hakkani Pulp & Paper Mills Limited is an issuer (herein after referred to as issuer).

As per the Commission's Notification No.SEC/CMRRCD/2001-14/24/Admin/03-03 dated November 26, 2001, gazetted on December 10, 2001, issued under section 2CC of the Securities and Exchange Ordinance, 1969 (XVII of 1969), imposed the following conditions upon the issuers of securities, namely:-

1. "The Board of Directors of the issuer Company of a listed security, while considering/adopting any audited financial statement, shall, in the same board meeting, also fix the date of relevant annual general meetings and take specific decisions with regard to:

a) Recommending or not recommending dividend for the shareholders on the basis of said financial statements; and

b) The shareholders who shall be entitled for such dividend, if recommended.

2. The decision about recommending or not recommending dividend and entitlement for such dividend, if recommended can not be changed prior to holding of the annual general meeting in terms of condition 1 above";

The issuer violated the above-mentioned Notification by recommending 25% dividend for the financial year 2005-2006 in its Board of Directors Meeting held on November 12, 2006 at 2:00 PM without adopting the audited financial statements for the year ended on June 30, 2006.

A show-cause cum hearing notice dated December 21, 2006 was issued to the issuer and its directors as well as to the company secretary to explain the default and to appear at the hearing on January 29, 2007. Mr. Md. Golam Mostafa, managing director and Mr. Md. Amirul Islam, director appeared at the hearing. In course of hearing, the issuer submitted an explanation vide letter dated January 29, 2007 stating, among others, that the auditor submitted draft audited financial statements and their reports on October 29, 2006.

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The draft audited financial statements and the auditors report placed in the Board of Directors meeting held on November 11, 2006 and the BOD approved the same subject to giving accounting effect of appropriation of divisible profit including dividend for the shareholders by the auditor in the final version of the audited financial statements. The Board also took other corporate decision viz book closure date and venue of AGM, authorization for signing the audited financial statements etc. After the end of the BOD meeting on the same day i.e. on November 11, 2006 the issuer requested M/S Shafique Basak & Co. Chartered Accountants to submit the final audited financial statements giving effect to the appropriation of divisible profit as per Board decision immediately. The Board of Directors considered the final draft of the said audited financial statements and auditors report and also fixed the date, time and venue of AGM and recommended the dividend for the shareholders in the same Board meeting i.e. November 11, 2006. There had not been any other changes except appropriation of profit including dividend for the shareholders to be incorporated in the final version of the said audited financial statements. Since recommendation of dividend by the Board of Directors was a price sensitive information the final draft audited financial statements was considered/adopted by the BOD subject to giving effect of appropriation of profit.

The Commission, considering their submissions, has decided to dispose of the proceedings against Hakkani Pulp & Paper Mills Limited and others concerned by placing on record the Commission's dissatisfaction on the default/contravention made by you/issuer, with a warning to ensure compliance of all securities related laws in future.

Please note that this disposal does not absolve the issuer or any of its directors or officers concerned from their lawful responsibilities/obligations to the persons, if any, affected as a result of the issuer's above said default.

For and on behalf of the Securities and Exchange Commission

Mansur Alam
Executive Director

Copy for information:

Chief Executive Officer, Dhaka Stock Exchange Ltd.
Chief Executive Officer, Chittagong Stock Exchange Ltd.
Executive Director (R&D), SEC
Executive Director (SRMID), SEC
Director (MIS), SEC
Chairman's Office, SEC