

SEC/Enforcement/457/2006/782
July 9, 2006

By Special Messenger

Bengal Fine Ceramics Ltd. (Issuer)
H. H. Bhaban (2nd & 3rd Floor), 52/1, New Eskaton Road, Dhaka-1000

Directors
Bengal Fine Ceramics Ltd.
H. H. Bhaban (2nd & 3rd Floor), 52/1, New Eskaton Road, Dhaka-1000

Managing Director
Bengal Fine Ceramics Ltd.
H. H. Bhaban (2nd & 3rd Floor), 52/1, New Eskaton Road, Dhaka-1000

Company Secretary
Bengal Fine Ceramics Ltd.
H. H. Bhaban (2nd & 3rd Floor), 52/1, New Eskaton Road, Dhaka-1000

Sub: **Non compliance of securities law concerning retention of auditor for a consecutive period exceeding three years -Warning**

As per section 2(g) of the Securities and Exchange Ordinance, 1969 (ORDINANCE No. XVII Of 1969) Bengal Fine Ceramics Ltd. is an issuer (herein after referred to as issuer).

Clause (b) of the Commission's Order No.SEC/CFD-71/2001/Admin/02/05 dated January 3, 2002, gazetted on January 30, 2002, reads as follows:

“The issuer company shall not appoint any firm of chartered accountants as its statutory auditor for a consecutive period exceeding three years:

Provided that this provision shall not apply in the case of auditors who will have audited consecutively for three years upon completion of their current assignment:

Provided further that the issuer may continue with the existing statutory auditor subject to the clearance of the Commission if it recommends at least 10% dividend on the face value/paidup capital or 7.5% on the net worth, whichever is higher, for the year immediately preceding the year for which the statutory auditor is appointed.”

It is appeared that Bengal Fine Ceramics Ltd.'s Annual Accounts for the financial years 2001-2002, 2002-2003, 2003-2004 and 2004-2005 were audited by M/s. Chowdhury Hossain Rashid & Co., Chartered Accountants which means that the issuer appointed M/s. Chowdhury Hossain Rashid & Co., Chartered Accountants as its statutory auditor for the year 2005 i.e. for further period of consecutive three years.

The above appointment without Commission's clearance falls under the purview of the aforesaid order issued under section 2CC of the Securities and Exchange Ordinance, 1969.

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Therefore, the issuer has violated/contravened the provisions of clause (b) of the Commission's Order No. SEC/CFD-71/2001/Admin/02/05 dated January 3, 2002 gazetted on January 30, 2002 by appointing M/s. Chowdhury Hossain Rashid & Co., Chartered Accountants, as statutory auditor of the company for the financial year 2004-2005.

The issuer's aforesaid activity tantamount to non-compliance of the securities law which appeared to be deliberate and clear violation of the provisions of the Order mentioned above attracting penal provisions of the Securities and Exchange Ordinance, 1969.

A show cause cum hearing notice No.SEC/Enforcement/457/2006/666 dated June 20, 2006 was issued to the issuer for explaining the said non-compliance. The hearing was conducted on June 28, 2006.

The officials appeared at the hearing submitted a letter No.BFCL/SEC/06/2006 dated June 27, 2006 mentioning, among others, that the appointment of same auditor for the year 2004-2005 was done inadvertently. They apologized for the mistake and assured that such mistake would not take place in future.

The Commission, considering the submissions, has decided to dispose of the proceedings against the issuer and others concerned by placing on record the Commission's dissatisfaction on the default/contravention made by them, 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 officials concerned from their lawful responsibilities/obligations to the persons, if any, affected as a result of the issuer's above said defaults.

For 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 (CFD), SEC
Director (MIS), SEC
Chairman's Office, SEC