

SEC/Enforcement/460/2006/783
July 9, 2006

By Special Messenger

Eastern Housing Ltd. (Issuer)
Islam Chamber, 125/A Motijheel C/A, Dhaka-1000

Directors
Eastern Housing Ltd., Islam Chamber, 125/A Motijheel C/A, Dhaka-1000

Managing Director
Eastern Housing Ltd., Islam Chamber, 125/A Motijheel C/A, Dhaka-1000

Company Secretary
Eastern Housing Ltd., Islam Chamber, 125/A Motijheel C/A, 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) Eastern Housing 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.”

As per available records it is appeared that Eastern Housing Ltd.'s Annual Accounts for the years ended July 31, 2002 thru July 31, 2005 were audited by M/s. A. Qasem & Co., Chartered Accountants which means that the issuer appointed M/s. A. Qasem & Co., Chartered Accountants as its statutory auditor for the years 2001-2002, 2002-2003, 2003-2004 and 2004-2005 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.

It is further appeared that 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. A. Qasem & Co., Chartered Accountants, as statutory auditor of the company for the year 2004-2005.

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

A show cause cum hearing notice No.SEC/Enforcement/460/2006/686 dated June 27, 2006 was issued to yourselves for explaining the said non-compliance. The hearing was conducted on June 29, 2006.

The persons appeared at hearing submitted letter No. 03.001/2354/2006 dated June 29, 2006 mentioning, among others, that they have submitted a letter No. 03.001.2336/2006/236 dated February 19, 2006 in response to the Commission's letter No.SEC/CFD/10:4/99/2422 dated February 9, 2006. In the said reply they explained that they had no intention whatsoever to bypass SEC's rules and regulations. According to them, it was purely an error of omission and unfortunate lapse of the memory. They also gave an undertaking that, in future they would take utmost care against repetition of that sorts of omission and requested the Commission to forgive them for that inadvertent default.

The Commission, considering the all above, has decided to condone the non-compliance of the issuer and to dispose of the proceedings against it with warning for the stated violation.

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