

SEC/Enforcement/458/2006/896
Messenger
August 8, 2006

By Special

Miracle Industries Ltd. (Issuer)
138, Shantinagar (1st Floor), Dhaka-1000

Directors
Miracle Industries Ltd., 138, Shantinagar (1st Floor), Dhaka-1000

Managing Director
Miracle Industries Ltd., 138, Shantinagar (1st Floor), Dhaka-1000

Company Secretary
Miracle Industries Ltd., 138, Shantinagar (1st Floor), Dhaka-1000

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

As per section 2(g) of the Securities and Exchange Ordinance, 1969 (ORDINANCE No. XVII Of 1969) Miracle Industries 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/paid up 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 from the records that Miracle Industries Ltd. has retained its auditor M/s. Shafiq Basak & Co., Chartered Accountants, as statutory auditor for a consecutive period exceeding three years (i.e. for the years ended June 30, 2001 to 2005) without having the clearance of the Commission. It is also appeared from the issuer's letter No.MIL/SEC/2006-49 dated February 15, 2006 that it has further appointed the same auditor for the year ended June 30, 2006 without obtaining clearance of the Commission and sought the Commission's clearance in respect of the retention of auditor.

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

Therefore, the issuer has violated/contravened the clause (b) of the Commission's Order No. SEC/CFD-71/2001/Admin/02/05 dated January 03, 2002, gazetted on January 30, 2002, by appointing M/s. Shafiq Basak & Co., Chartered Accountants, as statutory auditor for the financial years 2003-2004, 2004-2005 and 2005-2006 without prior clearance of the Commission.

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The Issuer's aforesaid activities tantamount to non-compliance of the securities related laws which appeared deliberate and clear contravention 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/458/2006/687 dated June 27, 2006 was issued to you for explaining the said non-compliance. The hearing was conducted on June 29, 2006.

The officials appeared at the hearing submitted a letter No.MIL/CA/5.00/78 dated June 29, 2006 mentioning, among others, that the issuer through another letter No.MIL/SEC/2006-49 dated February 15, 2006 sought Commission's clearance for continuing the same auditor on the ground that the company was paying more than 10% dividend. It is also mentioned in the above submission that since the company is paying more than 10% dividend so it is legally entitled to continue with the existing statutory auditor subject to the clearance of the Commission which has not been taken due to oversight and inadvertence. The issuer has requested the Commission to exonerate the company for the said inadvertent omission and to accord necessary clearance.

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, and has accorded post-facto approval to the issuer for retention of its statutory auditor for the financial year 2005-2006.

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