

SEC/Enforcement/523/2006/1148
October 31, 2006

By Courier Service
By Fax: 02-8921587

Lotus-Kamal Spinning Mills Ltd. (Issuer)
Lotus-Kamal Tower ONE, 57 Zoar Shahara C/A, Nikunja-2 (North), Airport Road, Dhaka-1229

Directors
Lotus-Kamal Spinning Mills Ltd.
Lotus-Kamal Tower ONE, 57 Zoar Shahara C/A, Nikunja-2 (North), Airport Road, Dhaka-1229

Managing Director
Lotus-Kamal Spinning Mills Ltd.
Lotus-Kamal Tower ONE, 57 Zoar Shahara C/A, Nikunja-2 (North), Airport Road, Dhaka-1229

Company Secretary
Lotus-Kamal Spinning Mills Ltd.
Lotus-Kamal Tower ONE, 57 Zoar Shahara C/A, Nikunja-2 (North), Airport Road, Dhaka-1229

Sub: Non-compliance with securities laws in connection with raising of paid up capital:
Warning

As per section 2(g) of the Securities and Exchange Ordinance, 1969 (ORDINANCE No. XVII Of 1969) Lotus-Kamal Spinning Mills Ltd. is an issuer (herein after referred to as “issuer”).

As per section 2A (2)(a) of the said Ordinance, no company shall make an issue of capital in Bangladesh without prior consent of the Commission.

Rule 3 (1) of the Securities and Exchange Commission (Issue of Capital) Rules, 2001, as amended, reads as under:

“A company (hereinafter referred to as the applicant) intending to issue capital in Bangladesh shall make an application to the Securities and Exchange Commission for consent.”.

It appeared from the letter dated June 28, 2006 of Lotus-Kamal Spinning Mills Ltd. that it issued 5,00,000 ordinary shares of Tk.100.00 each on June 30, 2004, i.e. it increased its paid up capital by Tk.5,00,00,000.00 without prior consent of SEC.

The Commission, vide letter No.SEC/CI/CPLC-114/2006/525 dated July 5, 2006 requested the issuer to explain the reason for not taking the Commission’s prior consent/approval at the time of raising paid up capital. In reply, the issuer submitted a letter dated August 3, 2006 mentioning, among others, that the person who was dealing with such kind of matters left the company without notice and for that reason it could not take the Commission’s prior consent/approval.

The issuer’s above explanation is not considered acceptable since it was previously accorded consent twice by the Commission vide letters No.SEC/CFD/CPLC-28/2002/437 dated September

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28, 2002 and No.SEC/CFD/CPLC-28/2002/476 dated November 9, 2002 for issuance of ordinary shares and preference shares respectively, where it was clearly stated that any further issue of capital should require Commission's prior consent.

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

A show cause cum hearing notice No.SEC/Enforcement/523/2006/962 dated September 5, 2006 was issued to yourselves to appear at hearing and to explain the default. The hearing was conducted on October 22, 2006.

The persons appeared at hearing submitted a letter dated October 22, 2006 mentioning the above reason for the default and apologized for the mistake.

The Commission, considering the all above, has decided to dispose of the proceedings against yourselves by placing on record the Commission's dissatisfaction on the default/contravention made by you, with a warning to ensure compliance of all securities related laws in future.

Please note that this disposal does not absolve you from your lawful responsibilities/obligations to any person, if affected as a result of your above said defaults.

For Securities and Exchange Commission

Mansur Alam
Executive Director

Copy for information:

Registrar of Joint Stock Companies and Firms, 24-25, Dilkusha C/A, Dhaka-1000
Executive Director (R &D), SEC
Director (CID), SEC
Director (MIS), SEC
Chairman's Office, SEC