সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭।

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/১০

তারিখঃ েফেব্রুয়ারি, ২০১৮ ই

আদেশ

যেহেতু, Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969) এর section 2(g) মোতাবেক Dragon Sweater & Spinning Limited (DSSL), 'issuer' হিসাবে অভিহিত (অতঃপর ইস্যুয়ার বিশে উল্লেখিত);

যেহেতু, Commission's decision, for the interest of general investor/ public, M/s. MABS & J Partners, Chartered Accountants, was appointed as special auditors for auditing of utilization of initial public offering (IPO) proceeds of Dragon Sweater & Spinning Limited (DSSL).

As per instruction of the commission, M/s. MABS & J Partners, Chartered Accountant submitted special audit report;

Whereas, M/s. MABS & J Partners, Chartered Accountants, among others, made following observations/ violations in their special audit report on utilization of initial public offering (IPC) proceeds of Dragon Sweater & Spinning Limited:

#### 01. Significant amount of expenditure was made through cash and not charged as expense

As per Para 7 of Part C of the Consent Letter all the expenditures and transactions should have been made through certain banking channel. But DSSL made more than 53% of the total IPO Fund of Taka 400,000,000 in cash. In every cases i. e. purchase of machineries and spare parts, purchase of building materials, payment for IPO Expenses and payments for working capital, DSSL has made cash payments, violating the above mentioned condition laid in the Consent Letter in addition to common practice and notions. Followings are the details of cash payments in respect of separate heads of expenditure:

Sl. No.	Heads of expenditure	Purchased through cash	% of total proceeds	Remarks	
1	Imported Machinery and Spare parts & Cleaning Erection, Loading/Unloading, Transportation & Installation Cost	8,712,816	2.18%	and spare part	for ineries were trained
2	Building & other Civil Construction	178,943,389	44.74%		
3	Working Capital	25,587,024	6.40%		
4	IPO Expenses	1,242,021	0.31%		
	Total:	214,485,250	53.62%		

সিকিউরিটিজ কমিশন ভ্রবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭।

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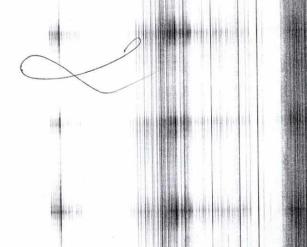
- Total of Tk. 8,712,816 (Tk. 1,546,850 for Machineries and Tk. 7,165,966 for Spare Parts) were paid against Machineries and Spare Parts without using any banking channel. Cash payments cover 5.17% of total expenditure of Tk. 168,628,089 of machineries and spare parts.
- ➤ Till November 2016, the company has utilized IPO Proceeds of Tk. 184,053,555 for the purpose of Building and Other Civil construction. Out of this amount, Tk. 178,943,389 has been spent through cash. Cash payment covers 97.22% of total expenditure incurred under the head of Building and Other Civil Construction.
- DSSL paid an amount of Tk. 25,587,024 in cash as salary and wages to employees for the months from December 2015 to March 2016, which was not included in the proposed utilization of Fund, as per published approved prospectus. Moreover, this amount has not been charged against profit rather retained in the working capital as deferred payment, resultant overstatement of profit.
- ➤ IPO expenses have been incurred through cash instead of cheque. During the period under abdit Tk. 1,242,021 out of Tk. 14,611,591 (Total IPO expense as per ledger) has been spent through cash. Cash payments cover 8.50% of total expenditure under this head of expenditure.

  CFD's Comments: The Company has transacted Tk. 214,485,250 as cash violating Para 7 of Part C of the Commission Consent Letter No.SEC/CI/IPO-181/2012/621 dated December 15, 2015. From the aforesaid activities it appears that the company has diverted its IPO fund of Tk. 214,485,250. Enforcement department may take necessary action regarding this.

#### 02. Books of accounts were not maintained properly:

During the audit work, we observed that DSSL did not maintain some books of accounts which were necessary to ensure accountability of utilization of IPO Proceeds. Details are as follows:

- Imported Machinery" and "Spare Parts & Clearing, Erection, Loading Uhloading, Transportation & Installation Cost" are separate head as per approved and published prospectus, but DSSL has maintained one ledger for these two heads representing total amount of Tk. 168,628,089. Moreover, DSSL has shown above mentioned two heads in the Fund Utilization Statement, Tk. 157,938,707 for Imported Machinery and Tk. 10,689,382 for Spare Parts & Clearing, Erection, Loading/Unloading, and Transportation & Installation Cost. The company has spent for State Parts & Clearing, Erection, Loading/Unloading, Transportation & Installation Cost in accordance with the ratio mentioned in the Material Management Policies of DSSL. Later, we were provided with two separate lists of Machinery and Spare Parts for the same amount as reported above.
- ➤ DSSL did not maintain ledger and other supporting documents in line with the breakdows of Building and Other Civil Constructions as mentioned in the published approved prospectus (Fg. # 20-21) which made it difficult to trace out that IPO proceeds have been utilized for the heads as specified in the prospectus (Pg. # 20-21) against Building and Other Civil Construction.



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#### CFD's Comments:

- 1. The audited financial statements for the year ended on June 30, 2016 have been prepared including transaction of IPO proceeds. So, the financial statements for the year ended on June 30, 2016 do not reflect true & fair view of the company affairs and result of its operation.
- 2. Director's declaration as to financial statements in the annual report (page# 23 of 56) for the period ended 30 June 2016 that:
  - The financial statements prepared by the management of the company present fairlits state of affairs, the result of its operation, cash flows and changes in equity.
  - b). Proper books of account of the company have been maintained etc.

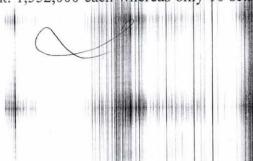
But, it appears form auditors' report that the company did not maintain some books of accounts which were necessary to ensure accountability of utilization of IPO Proceeds. The directors have provided false and misleading information to the Commission and investors. From the aforesa activities the directors have violated the provision of Section 18 of the Securities and Exchange Ordinance, 1969.

- Implementation schedule has not been followed as per approved/published prospectus.

  Full amount of the IPO Proceeds has not been utilized and implemented within the specified time as mentioned in page no. 21 of published approved prospectus. The case where implementation schedule has not been met:
  - As per published approved prospectus (Pg. # 21), Building and other Civil Construction show have been completed within six months after receiving the IPO Fund (i. e. August 2016). Bu construction of building has not yet been completed. Besides, no work completion certificate any other similar documents were provided to us to understand the present status of the construction work. Moreover, expenses in this regard have been exceeded by Tk. 936,055 that the amount of Tk. 183,117,500allocated for this head.
  - Implementation schedule as mentioned in the published approved prospectus has been violated by making delayed payment of Audit Fee on 23<sup>rd</sup> November 2016, whereas expenditure time line for this expense was specified as within 3-4 months after receiving IPO Fund, where the company received IPO Proceeds in February 2016.
    - <u>CFD's Comments:</u> From the aforesaid activities the Company has violated Para 8 of Part the Commission Consent Letter No.SEC/CI/IPO-181/2012/621 dated December 15, 2015.
  - 04. Machineries were not purchased in accordance with published Prospectus

Imported Machinery & Spare Parts including 12 sets of Air conditioner for Tk 1,285,000, 100 sets of UPS for Tk. 2,415,000, 6 sets of exhaust fan for Tk. 108,000, one Generator (mini) for Tk. 1,250,000 and 235 pcs of Plastic Box for Tk. 180,950 were purchased using IPO Fund. However, under the head of "Use of IPO Proceeds" in page no. 18 to 21 of the published approved Prospectus, does not include such items.

As per published approved prospectus, Generator of 1400KVAoriginated from America should have been procured for Tk. 24,200,000 but actually procured a generator of 1500 KVA originated from England for Tk. 23,712,000. Five pcs of Ring Spinning machine (Originated from Germany) should have been procured for Tk. 22,800,000 but no such machines were procured from IPO proceeds. Furthermore, 320 sets of Knitting machine (Originated from China) were purchased for Tk. 1,552,000 each whereas only 10 sets of



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such machines should have been procured for Tk. 2,000,000 each, as per published approved prospectus (Pg.# 19).

However, in accordance with Para 8 of Part C of the Consent Letter, no prior approval from the shareholders in the shareholders' meeting was found to have obtained and intimated to BSEC & Stock Exchanges for aforesaid cases. It is a serious violation of aforesaid Para of the Consent Letter.

<u>CFD's Comments:</u> From the aforesaid activities the Company has violated Para 8 of Part C of the Commission Consent Letter No.SEC/CI/IPO-181/2012/621 dated December 15, 2015.

05. Errors of omission/commission of accounting entries

In some cases, we observed accounting error in recording transactions. These we opine made due to error of omission/commission in making entries in the books of records. Some instances are as follows:

- Underwriting fee of Tk. 1,000,000 in relation to IPO Expense was paid in June 2016 bit recorded in the books of accounts.
- ➤ IPO Expenses of Tk. 914,484 was wrongly charged under the head of Salary and Wages in the Financial Statements for the year ended 30 June 2016.
- DSSL has paid total of Tk. 545,000 through the cheque no. 6237364 (NBL) to a travel agency namely, Destination Travel Services Limited against purchase of air tickets but wrongly charged to Working Capital which is contradictory to the Para 8 of Part C of the Consent Letter.

<u>CFD's Comments:</u> From the aforesaid activities the Company has violated Para 8 of Part C of the Commission Consent Letter No.SEC/CI/IPO-181/2012/621 dated December 15, 2015.

## CFD's more comments regarding the said special audit report:

- 01. It appears from the auditors' report that DSL has done following wrong activities:
- → Significant amount of expenditure was made through cash and not charged as expenses
- → Books of accounts was not maintained properly;
- → Machineries were not purchased in accordance with published Prospectus;
- Complete disclosure with regard to imported machineries have not been provided in the financial statements/books of accounts; and
- → Errors of omission/commission of accounting entries

যেহেতু, কমিশন উপরোল্লিখিত আইন পরিপালনে ব্যর্থতার দক্ষন Dragon Sweater & Spinning Limited (DSSL) হব বরাবরে একটি show-cause-cum-hearing notice সূত্র নং- BSEC/Enforcement/2407/2017/169 তরিখ ১৩ ঘূন ২০১৭ প্রেরণ করে এবং ২৬ জুলাই ২০১৭ তারিখে শুনানীর দিন ধার্য্য করে এবং ধার্য্যকৃত তারিখে Dragon Sweater & Spinning Limited (DSSL)এর ব্যবস্থাপনা পরিচারক, কোম্পানী সচিব এবং অন্যান্য পরিচালকদের পক্ষে প্রতিনিধি উপস্থিত হয়ে ২৬ জন ই ২০১৭ তারিখে চিঠির মাধ্যমে কোম্পানীর লিখিত বক্তব্য দাখিল করেন। যাতে অন্যান্যের মধ্যে, নিন্মোক্ত বিষয়গুলির উল্লেখ আছে:-

"We received your letter no. BSEC/Enforcement/2407/2017/169 dated June 13, 2017 and we appreciate Bangladesh Securities and Exchange Commission for its efforts and monitoring to protect interest of general investors and public.



সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭

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Observation 01. Significant amount of expenditure was made through cash and not charged as expenses:

Query: Total of Tk. 8,712,816 (Tk. 1,546,850 for Machineries and Tk. 7,165,966 for Space Parts) were paid against Machineries and Spare Parts without using any Banking channel. Cash payments cover 5.17% of total expenditure of tk. 168,628,089 of machineries and spare parts.

Explanation: These are the integral part of capital machineries in order to control and regulate power fluctuations and proper operation and maintenance of the machines. Without these peripherals, such as AC, UPS, Exhaust fan, Plastic box etc. purchase & operation of these machines will result in a total financial and operational loss. Some spare parts like weir, plastic box, Steel Box, Hole cutting, Tube light and Cable Tray Cover have to be purchased by cash because of they are small traders.

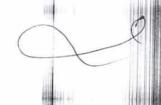
Query: Till November 2016, the company has utilized IPO Proceeds of Tk. 184,053,555 for the purpose of Building and Other Civil construction. Out of this amount Tk. 178,943,389 has been spent through cash. Cash payment covers 97.22% of total expenditure incurred under the head of Building and Other Civil Construction.

Explanation: The factory is located in a remote area, where there is no whole seller and dealer who accepts cheque. Some of those suppliers ask for 5-7% up charge for supplying the construction materials against cheques but instant delivery with 5-7% lower rate or price is available. The company has taken advantage of cheaper price by paying cash. This is the reason why majority of the expense was paid in cash.

Query: DSSL paid an amount of Tk. 25,587,024 in cash as Salary and wages to employees for the months from December 2015 to March 2016, which was not included in the proposed utilization of IPO fund, as per published approved prospectus. Moreover, this amount has not been charged against profit rater retained in the working capital as deferred payment, resultant overstatement of profit.

Explanation: Since its inception, Dragon Sweater & Spinning Limited had always paid all its salary & wages through cash. This is why it was all paid in cash. However, now that garments industries are moving towards other methods of disbursement, Dragon Sweater & Spinning Limited is currently in negotiations with Dutch-Bangla Bank Limited mobile banking division so that all salary & wages can be paid through mobile banking. Due to the company size, it will be implemented in phases. In accordance with prospectus page # 19, we had declared that working Capital Tk. 2.97 crore. From that fund, we have incurred salary and wages to the employees. DSSL has been maintaining accrual basis of accounting as per BFRS, so salary and wages has been provision in every month according to BAS-37.

Query: IPO expenses have been incurred through cash instead of cheque. During the period under audit, Tk. 1,242,021 out of Tk. 14,611,591 (Total IPO expense as per ledger) has been spent through cash. Cash payments cover 8.50% of total expenditure under this head of expenditure.



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Explanation: There were some technical and petty expenses that had to be incurred with a view to ensure smooth completion of the IPO. Lottery was organized by the post issue manager due to the fact that 23 times more application were received which had to be allotted by lottery. Mentioned petty cash of Tk. 12.43 lacks was spent in cash. As a matter of fact not all expenses were paid in cash Tk. 501,104 was paid to BUET authority by issuing pay order number-0081459 dated-14/02/16 from SBAC Bank. Balance Tk. 730,621 were paid in cash as there was no supplier available for supplying hanging banners, posters, decoration, stationary, sound systems, tonners, food packets, water, launch boxes, security forces, transportation and conveyance, flowers etc. Therefore cash purchase was allowed for those instant purchases to assure smooth and quick completion to the satisfaction of the post issue transgers after approvals of the management.

#### Obervation02. Books of accounts were not maintained properly:

Query: "Imported Machinery" and "Spare Parts & Clearing, Erection, Boatling/Unloading, Transportation & Installation Cost" are separate head as per approved and published prospectus but DSSL has maintained one ledger for these two heads representing total amount of Tk. 168,628,089. Moreover DSSL has shown above mentioned two heads in the Fund Utilization Statement, Tk. 157,938,707 for Imported Machinery and Tk. 10,689,382 for Spare Parts & Clearing, Erection, Loading/Unloading and Transportation & Installation Cost. The company has spent for Spare Parts & Clearing, Erection, Loading/Unloading, Transportation & Installation Cost in accordance with the ratio mentioned in the Material Management Policies of DSSL. Later, we were provided with two separate lists of Machinery and Spare Parts for the same amount as reported above.

Explanation: Dragon Sweater & Spinning Limited has been maintaining one head of accounts Plant & Machinery in the General Ledger since long. But the company did not maintain separate head of accounts in the General Ledger for Spare Parts and accordingly it has been reflected in the Financial Statement. However, it has been segregated in the Prospectus and IPO fund statement for a better and clearer understanding. In future DSSL will maintain two head of accounts for Plant & Machinery and Spare Parts if necessary.

Query: DSSL did not maintain ledger and other supporting documents in line with the breakdown of Building and Other Civil Constructions as mentioned in the published approved prospectus (Pg. # 20-21) which made it difficult to trace out that IPO proceeds have been utilized for the heads as specified in the prospectus (Pg. # 20-21) against Building and Other Civil Construction.

Explanation: Building constriction material detail have been given in prospectus page # 20-21 but accounting has been prepared according to **BAS** not as material name. There is no accounting head name in **BFRS** like RCC work, Rod, Brick work and Grill work. For that reason **DSSL** has maintained above expenses as Capital Works- In- progress.



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Observation03. Implementation schedule has not been followed as per approved/published prospectus.

Query: As per published approved prospectus (Pg. # 21), Building and Other Civil Construction should have been completed within six months after receiving the IPO Fund (i. e. August 2016). But construction of building has not yet been completed. Besides, no work completion certificate or any other similar documents were provided to us to understand the present status of the construction work. Moreover, expenses in this regard have been exceeded by Tk. 936,055 than the amount of Tk. 183,117,500 allocated for this head.

Explanation: Since this is a multi-storied building with a very heavy structure, group casting could not be made possible unless it is approved by the engineers. As you will agree, construction has various problems and issues which arise unpredictably. Since we are not experts, we can only go as per the expert's advice. Sufficient progress has been made in its implementation. Moreover, with added and unplanned work come added expenses. All materials such as bricks, rods, sand, cement and labour prices have increased since IPO application which is why there is an increase in expenditure when compared to the allotted amount as per the provided documents. The completion certificate or any other similar documents could not be produced by appropriate authority unless the entire construction is completed.

Query: Implementation schedule as mentioned in the published approved prospectus has been violated by making delayed payment of Audit Fee on 23<sup>rd</sup> November 2016, whereas expenditure time line for this expense was specified as within 3-4 months after receiving IPO Fund, where the company received IPO proceeds in February 2016.

Explanation: Previously DSSL maintained financial year was January to December. Now it has been changed as a result financial year January to June. For that reason audit has been conducted for the period 18<sup>th</sup> month accordingly accounting year completed 30<sup>th</sup> June 2016. For that reason audit fee has been paid on 23<sup>rd</sup> November 2016.

# Obervation04. Machineries were not purchased in accordance with published Prospectus

Query: Imported Machinery & spare parts including 12 sets of Air conditioner for La. 1,285,000, 100 set of UPS for Tk. 2,415,000, 6 set of exhaust fan for Tk. 108,000, one Generator (mini) for Tk. 1,250,000 and 235 pcs of Plastic Box for Tk. 180,950 were purchased using IPO Fund. However, under the head of "Use of IPO Proceeds" in page no. 18 to 21 of published approved Prospectus does not include such items.

As per published prospectus, Generator of 1400KVA originated from America should have been procured for Tk. 24,200,000 but actually procured a generator of 1500 KVA originated from England for Tk. 23,712,000. Five pcs of Ring Spinning machine (Originated from Germany) should have been procured for Tk. 22,800,000 but no such machines were procured through IPO fund. Furthermore, 320 set of Knitting machine (Originated from of China) were purchased for Tk. 1,552,000 each whereas only 10 set of such machines should have been procured for Ik. 2,000,000 each as per published approved prospectus (Pg# 19).

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However, in accordance with Para 8 of Part C of the Consent Letter, no prior approval from the shareholders in the shareholders' meeting was found to have obtained and intimation to BSEC & Stock Exchanges for aforesaid cases. It is a serious violation of aforesaid Para of the Consent Letter.

Explanation: These are the integral part of capital machineries in order to control and regulate power fluctuations and proper operation and maintenance of the machines. Without these peripherals, such as AC, UPS, Exhaust fan, Plastic box etc. purchase & operation of those machines will result in a total financial and operational loss. DSSL changed the decision for purchasing UK made Generator instead of American Generator because the competitive price is less and the performance and warranty period will be better as per market study. Moreover, AGM of DSSL was held in November 2016. Therefore separate specific approvals of each item were not possible. As per utilization schedule shown in the prospectus the DSSL was author and to spend Tk. 169,540,000 for purchasing Machinery & Spare Parts but the DSSL has kept the expenditure under Machinery & Spare Parts within the approved limit. DSSL spent loss, 628,628,089 for purchasing 320 sets of Knitting Machine, Generator, AC, UPS, Exhaust Pan, Plastic Box etc. As there was no scope to give more detail under Machinery & Spare Parts heads as shown in the Prospectus, the DSSL has shown all the above mentioned expenditures under the head of Plant & Machinery while submitting the IPO fund utilization certificate.

#### Observation 05. Errors of omission/commission of accounting entries

Query: Underwriting fee of tk. 1,000,000 in relation to IPO Expenses was paid in June 2016 but not recorded in the books of accounts.

Explanation: Underwriting fee of tk. 1,000,000 has been accounted for in July- 2016 subject to availability of supporting documents

Query: IPO Expenses of tk. 914,484 was wrongly charged under the head of Salary and Wages in the Financial Statement for the year ended 30 June 2016.

Explanation: It is a clerical mistake which is done by accounts clack and subsequently it corrected in proper head of accounts by Journal entry

Query: DSSL has paid total of Tk. 545,000 through the cheque no. 6237364 (NBL) to a trave agency namely, Destination Travel Service Limited against purchase of air tickets but wrongly charged to Working Capital which is contradictory to the Para 8 of Part C of the Consent Letter

Explanation: Working capital includes marketing activities as well in order to generate revenue and new orders for the company

It is worth mentioning that during the period the company made expenses out of IPO fund, when the Chief Accountant of the company who was responsible for recording the expenses subsequently left the company without handing over the book of accounts related with expenses. For that reason, we were faced problems."

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নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/ ১৭

তারিখঃ 🗸 ফেব্রুয়ারি, ২০১৮ ইং

যেহেতু, Dragon Sweater & Spinning Limited (DSSL)এর লিখিত বক্তব্য থেকে সুম্পন্ট প্রতীয়মান হয় যে, ধ্রেনীর নোটিশের অভিযোগসমূহ Dragon Sweater & Spinning Limited (DSSL)শ্বীকার করেছে, যা ইচ্ছাকৃত এবং সিকিউরিটিজ আইন পরিপালনে ব্যর্থতা বিধায় section 22 of the Securities and Exchange Ordinance, 1969 অনুষ্ঠী শাস্তিযোগ্য অপরাধ এবং যা ক্ষমার অযোগ্য;

যেহেতু, কমিশনের বিবেচনায়, সিকিউরিটিজ আইন পরিপালনে উল্লিখিত ব্যর্থতার জন্য, তথা প্রতিধাজারের উন্নয়নের পার্নাজ বাজারের শৃংখলা ও স্বচ্ছতা রক্ষার স্বার্থে উক্ত ইস্যুয়ার এবং উহার পরিচালকগনকে জরিমানা করা প্রয়োজন ও সমীচীন;

অতএব, সেহেতু, কমিশন, উল্লিখিত যাবতীয় বিষয় বিবেচনাপূর্বক, Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969) এর Section 22 [যা The Securities and Exchange (Amendment) Act, 200(বেছা সংশোধিত) এ প্রদত্ত ক্ষমতাবলে:

ড্রাগন সোয়েটার এন্ড স্পিনিং লিমিটেড এর চেয়ারম্যান জনাব মোস্তফা কামরুস সোবহান এর উপর ৫ (পাঁচ) লক্ষ টাকা জরিমান ধার্য্য করল যা অত্র আদেশের ১৫ (পনের) দিনের মধ্যে 'সিকিউরিটিজ ও এব্লচেঞ্জ কমিশন' এর সনকলে ইন্যুকৃত ব্যাংক ড্রাফেট্রপ্রি অর্ডারের মাধ্যমে কমিশনে জমা করতে হবে।

বাংলাদেশ সিকিউরিটিজ অ্যান্ড এক্সচেগু ক্র্মিশ্রের পক্ষে

মো: আমজাদ বে দেব কমিশনার

বিতর্নঃ

জনাব মোস্তফা কামরুস সোবহান, চেয়ারম্যান, ড্রাগন সোয়েটার এন্ড স্পিনিং লিমিটেড।

সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭।

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/-) ৮

তারিখঃ ২০ফেব্রুয়ারি, ২০১৮ ইং

#### আদেশ

যেহেতু, Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969) এর section 2 ছ মোতাবেক Dragon Sweater & Spinning Limited (DSSL), 'issuer' হিসাবে অভিহিত (অতঃপর ইস্যুয়ার সাজ উল্লেখিত);

Partners, Chartered Accountants, was appointed as special auditors for auditing of utilization of initial public offering (IPO) proceeds of Dragon Sweater & Spinning Limited (DSSL).

As per instruction of the commission, M/s. MABS & J Partners, Chartered Accountains, submitted special audit report;

Whereas, M/s. MABS & J Partners, Chartered Accountants, among others, made follow observations/ violations in their special audit report on utilization of initial public offering the proceeds of Dragon Sweater & Spinning Limited:

### 01. Significant amount of expenditure was made through cash and not charged as expense

As per Para 7 of Part C of the Consent Letter all the expenditures and transactions should have been made through certain banking channel. But DSSL made more than 53% of the total IPO Fund of Taka 400,000,000 in cash. In every cases i. e. purchase of machineries and spare parts, purchase of building materials, payment for IPO Expenses and payments for working capital, DSSL has made cash payments, violating the above mentioned condition laid in the Consent Letter in addition to comment practice and norms. Followings are the details of cash payments in respect of separate heads of expenditure:

SI. No.	Heads of expenditure	Purchased through cash	% of total proceeds	Remarks
1	Imported Machinery and Spare parts & Cleaning Erection, Loading/Unloading, Transportation			Since ledgers for imported machineries and spare parts were not maintained
	& Installation Cost	8,712,816	2.18%	separately.
2	Building & other Civil Construction	178,943,389	44.74%	
3	Working Capital	25,587,024	6.40%	146 9 (4 (1 ) 1
4	IPO Expenses	1,242,021	0.31%	1947
	Total:	214,485,250	55.62%	



সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭।

नং-विএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/১৮

তারিখঃ 🗵 ফেব্রুয়ারি. ২০১৮ ইং

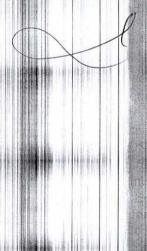
- Total of Tk. 8,712,816 (Tk. 1,546,850 for Machineries and Tk. 7,165,966 for Spare Parts) were paid against Machineries and Spare Parts without using any banking channel. Cash paying its cover 5.17% of total expenditure of Tk. 168,628,089 of machineries and spare parts.
- ➤ Till November 2016, the company has utilized IPO Proceeds of Tk. 184,053,555 for the purpose of Building and Other Civil construction. Out of this amount, Tk. 178,943,389 has been spent through cash. Cash payment covers 97.22% of total expenditure incurred under the head of Building and Other Civil Construction.
- DSSL paid an amount of Tk. 25,587,024 in cash as salary and wages to employees for the mounts from December 2015 to March 2016, which was not included in the proposed utilization of IPO Fund, as per published approved prospectus. Moreover, this amount has not been charged against profit rather retained in the working capital as deferred payment, resultant overstatement of profit.
- ➤ IPO expenses have been incurred through cash instead of cheque. During the period under aticit, Tk. 1,242,021 out of Tk. 14,611,591 (Total IPO expense as per ledger) has been spent through cash. Cash payments cover 8.50% of total expenditure under this head of expenditure.

  CFD's Comments: The Company has transacted Tk. 214,485,250 as 23sh violating Para 7 of Part C of the Commission Consent Letter No.SEC/CI/IPO-181/2012/621 dated December 15. 2015. From the aforesaid activities it appears that the company has diverted its IPO fund of Tk. 214,485,250. Enforcement department may take necessary action regarding this.

#### 02. Books of accounts were not maintained properly:

During the audit work, we observed that DSSL did not maintain some books of accounts which were necessary to ensure accountability of utilization of IPO Proceeds. Details are as follows:

- \* "Imported Machinery" and "Spare Parts & Clearing, Erection, Loading/Unloading, Transportation & Installation Cost" are separate head as per approved and published prospectus, but DSSL has maintained one ledger for these two heads representing total amount of Tk. 168,623,189. Moreover, DSSL has shown above mentioned two heads in the Fund Utilization Statement, Tk. 157,938,707 for Imported Machinery and Tk. 10,689,382 for Spare Parts & Clearing, Erection, Loading/Unloading, and Transportation & Installation Cost. The company has spent for Spare Parts & Clearing, Erection, Loading/Unloading, Transportation & Installation Cost in accordance with the ratio mentioned in the Material Management Policies of DSSLI Later, we were provided with two separate lists of Machinery and Spare Parts for the same amount as reported above.
- DSSL did not maintain ledger and other supporting documents in line with the breakdown of Building and Other Civil Constructions as mentioned in the published approved prospectus (Pg. # 20-21) which made it difficult to trace out that IPO proceeds have becautilized for the heads as specified in the prospectus (Pg. # 20-21) against Building and Other Civil Construction.



সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭।

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/ 🎝 🗁

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#### **CFD's Comments:**

- 3. The audited financial statements for the year ended on June 30, 2016 have been prepared including transaction of IPO proceeds. So, the financial statements for the year ended or June 30, 2016 do not reflect true & fair view of the company affairs and result of its operation.
- 4. Director's declaration as to financial statements in the annual report (page# 23 of 56) for the period ended 30 June 2016 that:
  - a). The financial statements prepared by the management of the company present fairly its state of affairs, the result of its operation, cash flows and changes in equity.
  - b). Proper books of account of the company have been maintained etc.

But, it appears form auditors' report that the company did not maintain some books of accounts which were necessary to ensure accountability of utilization of IPO Proceeds. The directors have provided false and misleading information to the Commission and investors. From the aforesaid activities the directors have violated the provision of Section 18 of the Securities and Exchange Ordinance, 1969.

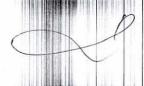
- of. Implementation schedule has not been followed as per approved/published prospectus.

  Full amount of the IPO Proceeds has not been utilized and implemented within the specified time as mentioned in page no. 21 of published approved prospectus. The cases where implementation schedule has not been met:
  - As per published approved prospectus (Pg. # 21), Building and other Civil Construction shall be have been completed within six months after receiving the IPO Fund (i. e. August 2016) But construction of building has not yet been completed. Besides, no work completion certificate of any other similar documents were provided to us to understand the present status of the construction work. Moreover, expenses in this regard have been exceeded by Tk. 936,055 that the amount of Tk. 183,117,500allocated for this head.
  - Implementation schedule as mentioned in the published approved prospectus has been violated by making delayed payment of Audit Fee on 23<sup>rd</sup> November 2016, whereas expenditure time line for this expense was specified as within 3-4 months after receiving IPO Fund, where the company received IPO Proceeds in February 2016.

CFD's Comments: From the aforesaid activities the Company has violated Para 8 of Part 11 of the Commission Consent Letter No.SEC/CI/IPO-181/2012/621 dated December 15, 2015.

07. Machineries were not purchased in accordance with published Prospectus

Imported Machinery & Spare Parts including 12 sets of Air conditioner for its 1,285,000, 100 sets of UPS for Tk. 2,415,000, 6 sets of exhaust can for Tk. 108,000 and 3,250,000 and 235 pcs of Plastic Box for Tk. 180,950 are purchased using IPO Fund. However, under the head of "Use of IPO Proceeds" in page no. 18 to 21 of the published approved Prospectus, does not include such items. As per published approved prospectus, Generator of 1400KVA originated from Anterica should have been procured for Tk. 24,200,000 but actually produced a generator of 1500 KVA originated from England for Tk. 23,712,000. Five pcs of Ring Spinning machine (Originated from Germany) should have been procured for Tk. 22,800,000 but no such machines were procured from IPO proceeds. Furthermore, 320 sets of Knitting machine (Originated from China) were purchased for Tk. 1,552,000 each whereas only 10 sets of



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### নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/৯/-

তারিখঃ ৴িফেব্রুয়ারি, ২০১৮ ইং

such machines should have been procured for Tk. 2,000,000 each, as per published approved prospectus (Pg.# 19).

However, in accordance with Para 8 of Part C of the Consent Letter, no prior approval from the shareholders in the shareholders' meeting was found to have obtained and intimated to BSEC & Stock Exchanges for aforesaid cases. It is a serious violation of aforesaid Para of the Consent Letter.

<u>CFD's Comments:</u> From the aforesaid activities the Company has violated Para 8 of Part C of the Commission Consent Letter No.SEC/CI/IPO-181/2012/621 dated December 15, 2015.

- 08. Errors of omission/commission of accounting entries
  - In some cases, we observed accounting error in recording transactions. These we opine made due to error of omission/commission in making entries in the books of records. Some instances are as follows:
  - Underwriting fee of Tk. 1,000,000 in relation to IPO Expense was paid in June 2016 but not recorded in the books of accounts.
  - ➤ IPO Expenses of Tk. 914,484 was wrongly charged under the head of Salary and Wages in the Financial Statements for the year ended 30 June 2016.
  - DSSL has paid total of Tk. 545,000 through the cheque no. 6237364 (NBL) to a travel agency namely, Destination Travel Services Limited against purchase of air tickets but wrongly charged to Working Capital which is contradictory to the Para 8 of Part C of the Consent Letter.

CFD's Comments: From the aforesaid activities the Company has biolated Para 8 of Part C of the Commission Consent Letter No.SEC/CI/IPO-181/2012/621 dated December 15, 2015.

#### CFD's more comments regarding the said special audit report:

- 02. It appears from the auditors' report that DSL has done following wrong activities:
- → Significant amount of expenditure was made through cash and not charged as expense.
- → Books of accounts was not maintained properly;
- → Machineries were not purchased in accordance with published Prospectus;
- Complete disclosure with regard to imported machineries have not been provided in the financial statements/books of accounts; and
- → Errors of omission/commission of accounting entries

যেহেতু, কমিশন উপরোল্লিখিত আইন পরিপালনে ব্যর্থতার দক্ষন Dragon Sweater & Spinning Limited (DSSL) এর বরাবরে একটি show-cause-cum-hearing notice সূত্র নং- BSEC/Enforcement/2407/2017/169 তারিখ ১০ জুন, ২০১৭ প্রেরণ করে এবং ২৬ জুলাই ২০১৭ তারিখে শুনানীর দিন ধার্য্য করে এবং ধার্য্যকৃত তারিখে Dragon Sweater & Spinning Limited (DSSL)এর ব্যবস্থাপনা পরিচারক, কোম্পানী সচিব এবং অন্যান্য পরিচালকদের প্রমোঞ্জাতিনিধি উপস্থিত হয়ে এই ভুলাই ২০১৭ তারিখে চিঠির মাধ্যমে কোম্পানীর লিখিত বক্তব্য দাখিল করেন। যাতে অন্যান্যের মধ্যে, নিন্মোক্ত বিষয়গুলির উল্লেখ আছে:-

"We received your letter no. BSEC/Enforcement/2407/2017/169 dated June 13, 2017 and we appreciate Bangladesh Securities and Exchange Commission for its efforts and monitoring to protect interest of general investors and public.

সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭।

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/৯

তারিখঃ ২৫ ফেব্রুয়ারি, ২০১৮ ই

Observation 01. Significant amount of expenditure was made through cash and n charged as expenses:

Query: Total of Tk. 8,712,816 (Tk. 1,546,850 for Machineries and Tk. 7,165,966 for Spars) were paid against Machineries and Spare Parts without using any Banking channel. Cast payments cover 5.17% of total expenditure of tk. 168,628,089 of machineries and spare parts.

Explanation: These are the integral part of capital machineries in order to control and regulate power fluctuations and proper operation and maintenance of the machines. Without these peripherals, such as AC, UPS, Exhaust fan, Plastic box etc. purchase & operation of these machines will result in a total financial and operational loss. Some spare parts like weir, plastic box, Steel Box, Hole cutting, Tube light and Cable Tray Cover have to be purchased by least because of they are small traders.

Query: Till November 2016, the company has utilized IPO Proceeds of Tk. 184,053,555 for the purpose of Building and Other Civil construction. Out of this amount Tk. 178,943,389 has been spent through cash. Cash payment covers 97.22% of total expenditure incurred under the head of Building and Other Civil Construction.

Explanation: The factory is located in a remote area, where there is no whole seller and dealer who accepts cheque. Some of those suppliers ask for 5-7% up charge for supplying the construction materials against cheques but instant delivery with 5-7% lower rate or page is available. The company has taken advantage of cheaper price by paying cash. This is the reason why majority of the expense was paid in cash.

Query: DSSL paid an amount of Tk. 25,587,024 in cash as Salary and wages to employees for the months from December 2015 to March 2016, which was not included in the proposed utilization of IPO fund, as per published approved prospectus. Moreover, this amount has not been charged against profit rater retained in the working capital as deferred payment, resultant overstatement of profit.

Explanation: Since its inception, Dragon Sweater & Spinning Limited had always paid a lists salary & wages through cash. This is why it was all paid in cash. However, now that garrients industries are moving towards other methods of disbursement, Dragon Sweater & Spinning Limited is currently in negotiations with Dutch-Bangla Bank Limited mobile banking division so that all salary & wages can be paid through mobile banking. Due to the company size, it will be implemented in phases. In accordance with prospectus page # 19, we had declared that working Capital Tk. 2.97 crore. From that fund, we have incurred salary and wages to the employees. DSSL has been maintaining accrual basis of accounting as per BFRS, so salary and wages has been provision in every month according to BAS-37.

Query: IPO expenses have been incurred through cash instead of cheque. During the period under built. Tk. 1,242,021 out of Tk. 14,611,591 (Total IPO expense as per ledger) has been spent through cash payments cover 8.50% of total expenditure under this head of expenditure.



সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭।

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Explanation: There were some technical and petty expenses that had to be incurred with a view to ensure smooth completion of the IPO. Lottery was organized by the post issue manager due to the fact that 23 times more application were received which had to be allotted by lettery Mentioned petty cash of Tk. 12.43 lacks was spent in dash. As a matter of fact not all expenses were paid in cash Tk. 501,104 was paid to BUET authority by issuing pay order number-0081459 dated-14/02/16 from SBAC Bank. Balance Tk. 730,621 were paid in cash as there was no supplier available for supplying hanging banners, posters, decoration, stationary, sound systems, tonners, food packets, water, launch boxes, security forces, transportation and conveyance, flowers etc. Therefore cash purchase was allowed for those instant purchases to assure smooth and quick completion to the satisfaction of the post issue managers after approvals of the management.

#### Obervation02. Books of accounts were not maintained properly:

Query: "Imported Machinery" and "Spare Parts & Clearing, Erection, Loading/Unloading, Transportation & Installation Cost" are separate head as per approved and published prospectus, but DSSL has maintained one ledger for these two heads representing total amount of Tk. 168,628,089. Moreover DSSL has shown above mentioned two heads in the Fund Utilization Statement, Tk. 157,938,707 for Imported Machinery and Tk. 10,689,382 for Spare Parts & Clearing, Erection, Loading/Unloading and Transportation & Installation Cost. The company has spent for Spare Parts & Clearing, Erection, Loading/Unloading, Transportation & Installation Cost in accordance with the ratio mentioned in the Material Management Policies of DSSL. Later, we were provided with two separate lists of Machinery and Spare Parts for the same amount as reported above.

Explanation: Dragon Sweater & Spinning Limited has been maintaining one head of accounts Plant & Machinery in the General Ledger since long. But the company did not maintain separate head of accounts in the General Ledger for Spare Parts and accordingly it has been reflected in the Financial Statement. However, it has been segregated in the Prospectus and IPO fund statement for a better and clearer understanding. In future DSSL will maintain two head of accounts for Plant & Machinery and Spare Parts if necessary.

Query: DSSL did not maintain ledger and other supporting documents in the with the breakdown be Building and Other Civil Constructions as mentioned in the published approved prospectus (Pg. # 20-21) which made it difficult to trace out that IPO proceeds have been utilized for the heads as specified in the prospectus (Pg. # 20-21) against Building and Other Civil Construction.

Explanation: Building constriction material detail have been given in prospectus page # 20-24 [pla accounting has been prepared according to BAS not as material name. There is no accounting head name in BFRS like RCC work, Rod, Brick work and Grill work. For that reason DSSL has maintained above expenses as Capital Works- In-progress.



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নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/৯ ৮-

তারিশঃ 🖟 ফেব্রুয়ারি, ২০১৮ ট

Observation03. Implementation schedule has not been followed as per approved/publishe prospectus.

Query: As per published approved prospectus (Pg. # 21), Building and Other Civil Construction should have been completed within six months after receiving the IPO Fund (i. e. August 2016). But construction of building has not yet been completed. Besides, no work completion certificat or any other similar documents were provided to us to understand the present status of the construction work. Moreover, expenses in this regard have been exceeded by Tk. 936,055 than the amount of Tk. 183,117,500 allocated for this head.

Explanation: Since this is a multi-storied building with a very heavy structure, group casting could not be made possible unless it is approved by the engineers. As you will agree construction has various problems and issues which arise unpredictably. Since we are no experts, we can only go as per the expert's advice. Sufficient progress has been made in its implementation. Moreover, with added and unplanned work come added expenses. All materials such as bricks, rods, sand, cement and labour prices have increased since IPO application which is why there is an increase in expenditure when compared to the allotted amount as per the provided documents. The completion certificate or any other similar documents could not be produced by appropriate authority unless the entire construction is completed.

Query: Implementation schedule as mentioned in the published approved prospectus has been violated by making delayed payment of Audit Fee on 23<sup>rd</sup> November 2016, whereas expenditure time line for this expense was specified as within 3-4 months after receiving IPO Fund, where the company received IPO proceeds in February 2016.

Explanation: Previously DSSL maintained financial year was January to December. Now it has been changed as a result financial year January to June. For that reason audit has been conducted for the period 18<sup>th</sup> month accordingly accounting year completed 30<sup>th</sup> June 2016. For that reason audit fee has been paid on 23<sup>rd</sup> November 2016.

## Obervation04. Machineries were not purchased in accordance with published Prospectus

Query: Imported Machinery & spare parts including 12 sets of Air conditioner for TR 1,285,000, 100 set of UPS for Tk. 2,415,000, 6 set of exhaust fan for Tk. 1,08,000, one Generale (mini) for Tk. 1,250,000 and 235 pcs of Plastic Box for Tk. 180,950 were purchased using IPC Fund. However, under the head of "Use of IPO Proceeds" in page no. 18 to 21 of published approved Prospectus does not include such items.

As per published prospectus, Generator of 1400KVA originated from America should have been procured for Tk. 24,200,000 but actually procured a generator of 1500 KVA originated from England for Tk. 23,712,000. Five pcs of Ring Spinning machine (Originated from Germany should have been procured for Tk. 22,800,000 but no such machines were procured through 170 fund. Furthermore, 320 set of Knitting machine (Originated from of China) were purchased to Tk. 1,552,000 each whereas only 10 set of such machines should have been procured for Tk. 2,000,000 each as per published approved prospectus (Pg# 19).

সিকিউরিটিজ কমিশন ভ্রন ই-৬/সি, শের-ই- বাংলা মগর আগারগাঁও, ঢাকা-১২০৭।

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/৯

তারিখঃ ২৫ ফেব্রুয়ারি, ২০১৮ ইং

However, in accordance with Para 8 of Part C of the Consent Letter, no prior approval from the shareholders in the shareholders' meeting was found to have obtained and intimation to BSEC & Stock Exchanges for aforesaid cases. It is a serious violation of aforesaid Para of the Consent Letter.

Explanation: These are the integral part of capital machineries in order to control and regulate power fluctuations and proper operation and maintenance of the machines. Without these peripherals, such as AC, UPS, Exhaust fan, Plastic box etc. purchase & operation of these machines will result in a total financial and operational loss. DSSL changed the decision for purchasing UK made Generator instead of American Generator because the competitive price is less and the performance and warranty period will be better as per market study. Moreover, AGM of DSSL was held in November 2016. Therefore separate specific approvals of cachetem were not possible. As per utilization schedule shown in the prospectus the DSSL was authorized to spend Tk. 169,540,000 for purchasing Machinery & Spare Parts but the DSSL has kept the expenditure under Machinery & Spare Parts within the approved limit. DSSL spent Tk. 168,628,089 for purchasing 320 sets of Knitting Machine, Generator, AC, UPS, Exhaust fan. Plastic Box etc. As there was no scope to give more detail under Machinery & Spare Parts peaks as shown in the Prospectus, the DSSL has shown all the above mentioned expenditures under the head of Plant & Machinery while submitting the IPO fund utilization certificate.

#### Observation 05. Errors of omission/commission of accounting entries

Query: Underwriting fee of tk. 1,000,000 in relation to IPO Expenses was paid in June 2016 but not recorded in the books of accounts.

Explanation: Underwriting fee of tk. 1,000,000 has been accounted for in July- 2016 subject to availability of supporting documents

Query: IPO Expenses of tk. 914,484 was wrongly charged under the head of Salary and Wages in the Financial Statement for the year ended 30 June 2016.

Explanation: It is a clerical mistake which is done by accounts clack and subsequently it is corrected in proper head of accounts by Journal entry

Query: DSSL has paid total of Tk. 545,000 through the cheque no. 6237364 (NBL) to a travel agency namely, Destination Travel Service Limited against purchase of air tickets but wrongly charged to Working Capital which is contradictory to the Para 8 of Part C of the Consent Light.

Explanation: Working capital includes marketing activities as well in order to generate revenue and new orders for the company

It is worth mentioning that during the period the company made expenses out of IPO fund, when the Chief Accountant of the company who was responsible for recording the expenses subsequently left the company without handing over the book of accounts related with expenses. For that reason, we were faced problems."

সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭।

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/ ो

তারিখঃ 🕜 ফেব্রুয়ারি, ২০১৮ ই

যেহেতু, Dragon Sweater & Spinning Limited (DSSL)এর লিখিত বক্তব্য থেকে সুস্পন্ত প্রতীয়মান হয় যে, জননি ব নোটিশের অভিযোগসমূহ Dragon Sweater & Spinning Limited (DSSL)স্বীকার করেছে, য়া ইচ্ছাকৃত এবং সিনিউটিউ আইন পরিপালনে ব্যর্থতা বিধায় section 22 of the Securities and Exchange Ordinance, 1969 আহারী শান্তিযোগ্য অপরাধ এবং যা ক্ষমার অযোগ্য;

যেহেতু, কমিশনের বিবেচনায়, সিকিউরিটিজ আইন পরিপালনে উল্লিখিত ব্যর্থতার জন্য, তথা পুঁজিবাজারের উন্নয়নের পাঞাজিক বাজারের শৃংখলা ও স্বচ্ছতা রক্ষার স্বার্থে উক্ত ইস্যুয়ার এবং উহার পরিচালকগনকে জরিমানা করা প্রয়োজন ও সমীচীন;

অতএব, সেহেতু, কমিশন, উল্লিখিত যাবতীয় বিষয় বিবেচনাপূর্বক, Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969) এর Section 22 [যা The Securities and Exchange (Amendment) Act, 2000 বার সংশোধিত] এ প্রদত্ত ক্ষমতাবলে:

ড্রাগন সোয়েটার এন্ড স্পিনিং লিমিটেড এর ব্যবস্থাপনা পরিচালক জনাব মোন্তফা গোলাম কুদুস এর উপর ৫ (পাঁচ) লক্ষ্ণ টীকা জরিমানা ধার্য্য করল যা অত্র আদেশের ১৫ (পনের) দিনের মধ্যে 'সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন' এর অনুকূলে ইস্যুক্ত ব্যাংক ড্রাফট/পে-অর্ডারের মাধ্যমে কমিশনে জমা করতে হবে।

বাংলাদেশ সিকিউরিটিজ অ্যান্ড এ ব্রচের ক্রিশনের পার

মো: আমজাদ হৈছিল কমিশ্লার

বিতরনঃ

জনাব মোস্তফা গোলাম কুদ্দুস, ব্যাবস্থাপনা পরিচালক, ড্রাগন সোয়েটার এন্ড স্পিনিং লিমিটেড

সিকিউরিটিজ কমিশন ভ্রন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭।

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/১১

তারিখঃ ্র ফেব্রুয়ারি, ২০১৮

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#### আদেশ

যেহেতু, Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969) এর sectio মোতাবেক Dragon Sweater & Spinning Limited (DSSL), 'issuer' হিসাবে অভিহিত (অতঃপর উল্লেখিত);

Partners, Chartered Accountants, was appointed as special auditors for auditing of utiliinitial public offering (IPO) proceeds of Dragon Sweater & Spinning Limited (DSSL). As per instruction of the commission, M/s. MABS & J Partners, Chartered Accosubmitted special audit report;

Whereas, M/s. MABS & J Partners, Chartered Accountants, among others, made for observations/ violations in their special audit report on utilization of initial public offering proceeds of Dragon Sweater & Spinning Limited:

O1. Significant amount of expenditure was made through cash and not charged as expensions. As per Para 7 of Part C of the Consent Letter all the expenditures and transactions have been made through certain banking channel. But DSSL made more than 53% total IPO Fund of Taka 400,000,000 in cash. In every cases i. e. purchase of mand spare parts, purchase of building materials, payment for IPO Expenses and payfor working capital, DSSL has made cash payments, violating the above condition laid in the Consent Letter in addition to common practice a Followings are the details of cash payments in respect of separate heads of expe

SI. No.	Heads of expenditure	Purchased through cash	% of total proceeds	Re
1	Imported Machinery and Spare parts & Cleaning Erection, Loading/Unloading, Transportation & Installation Cost	8,712,816	2.18%	Since I imported and spare not separately
2	Building & other Civil Construction	178,943,389	44.74%	
3	Working Capital	25,587,024	640%	
4	IPO Expenses	1,242,021	0.31%	a.
	Total:	214,485,250	53.62%	

সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১৯০৭।

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/৯৯

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- Total of Tk. 8,712,816 (Tk. 1,546,850 for Machineries and Tk. 7,165,966 for Spare Parts) were paid against Machineries and Spare Parts without using any banking channel. Cash payments cover 5.17% of total expenditure of Tk. 168,628,089 of machineries and spare parts.
- ➤ Till November 2016, the company has utilized IPO Proceeds of Tk. 184,053,555 for the purpose of Building and Other Civil construction. Out of this amount, Tk. 178,943,389 has been spent through cash. Cash payment covers 97.22% of total expenditure incurred under the head of Building and Other Civil Construction.
- ➤ DSSL paid an amount of Tk. 25,587,024 in cash as salary and wages to employees for the months from December 2015 to March 2016, which was not included in the proposed utilization of IPO Fund, as per published approved prospectus. Moreover, this amount has not been charged against profit rather retained in the working capital as deferred payment, resultant overstatement of interfit.
- ➤ IPO expenses have been incurred through cash instead of cheque. During the period under addit, Tk. 1,242,021 out of Tk. 14,611,591 (Total IPO expense as per ledger) has been spent through cash. Cash payments cover 8.50% of total expenditure under this head of expenditure.

  CFD's Comments: The Company has transacted Tk. 214,485,250 as cash violating Para 7 of Part C of the Commission Consent Letter No.SEC/CI/IPO-181/2012/621 chated December 154,2613. From the aforesaid activities it appears that the company has diverted its IPO fund of Tk. 214,485,250. Enforcement department may take necessary action regarding this.

#### 02. Books of accounts were not maintained properly:

During the audit work, we observed that DSSL did not maintain some books of accounts which were necessary to ensure accountability of utilization of IPO Proceeds. Details are as follows:

- "Imported Machinery" and "Spare Parts & Clearing, Erection, Loading/Unloading, Transportation & Installation Cost" are separate head as per approved and published prospectus, but DSSL has maintained one ledger for these two heads representing total arguint of Tk. 168,628,489. Moreover, DSSL has shown above mentioned two heads in the Fund Utilization Statement. 8, 157,938,707 for Imported Machinery and Tk. 10,689,382 for Spare Parts & Clearing, Erection, Loading/Unloading, and Transportation & Installation Cost. The company has spent for Spare Parts & Clearing, Erection, Loading/Unloading, Transportation & Installation Cost in accordance with the ratio mentioned in the Material Management Policies of DSSL. Later, we were provided with two separate lists of Machinery and Spare Parts for the same amount as reported above.
- DSSL did not maintain ledger and other supporting documents in line with the breakdows of Building and Other Civil Constructions as mentioned in the published approved prospectus (Pg. # 20-21) which made it difficult to trace out that IPO proceeds have been utilized for the heads as specified in the prospectus (Pg. # 20-21) against Building and Other (14) Construction.



সিকিউরিটিজ কমিশন ভরন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭।

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/নি

থেক্রয়ারি, ২০১৮

#### **CFD's Comments:**

- The audited financial statements for the year ended on June 30, 2016 have been prepared including transaction of IPO proceeds. So, the financial statements for the year ended June 30, 2016 do not reflect true & fair view of the company affairs and result operation.
- Director's declaration as to financial statements in the annual report (page# 23 of 56) for period ended 30 June 2016 that:
  - The financial statements prepared by the management of the company present to a). its state of affairs, the result of its operation, cash flows and changes in equity.

b). Proper books of account of the company have been maintained etc.

But, it appears form auditors' report that the company did not maintain some books of account of the company did not maintain some books of account of the company did not maintain some books of account of the company did not maintain some books of account of the company have been maintained etc. which were necessary to ensure accountability of utilization of IPO Proceeds. The directors in provided false and misleading information to the Commission and investors. From the aforest activities the directors have violated the provision of Section 18 of the Securities and Exchange Ordinance, 1969.

- 09. Implementation schedule has not been followed as per approved/published prospectus Full amount of the IPO Proceeds has not been utilized and implemented within specified time as mentioned in page no. 21 of published approved prospectus. The where implementation schedule has not been met:
  - > As per published approved prospectus (Pg. # 21), Building and other Civil Construction have been completed within six months after receiving the IPO Fund (i. e. August 201 construction of building has not yet been completed. Besides, no work completion certificate any other similar documents were provided to us to understand the present status of the construction work. Moreover, expenses in this regard have been exceeded by Tk. 936,055 than the amount of Tk. 183,117,500allocated for this head.
  - Implementation schedule as mentioned in the published approved prospectus has been vio at making delayed payment of Audit Fee on 23rd November 2016, whereas expenditure time line for this expense was specified as within 3-4 months after receiving IPO Fund, where company received IPO Proceeds in February 2016.
    - CFD's Comments: From the aforesaid activities the Company has violated Para 8 of Pa the Commission Consent Letter No.SEC/CI/IPO-181/2012/621 dated December 15, 2015
  - 10. Machineries were not purchased in accordance with published Prospectus
    - Imported Machinery & Spare Parts including 12 sets of Air conditioner for 1,285,000, 100 sets of UPS for Tk. 2,415,000, 6 sets of exhaust fan for Tk. 108,000 Generator (mini) for Tk. 1,250,000 and 235 pcs of Plastic Box for Tk. 180,950 purchased using IPO Fund. However, under the head of "Use of IPO Proceeds" in page no. 18 to 21 of the published approved Prospectus, does not include such items. As per published approved prospectus, Generator of 1400KV Apriginated from should have been procured for Tk. 24,200,000 but actually procured a generator KVA originated from England for Tk. 23,712,000. Five pes of Ring Spinning machine (Originated from Germany) should have been procured for Tk. 22,800,000 but no such machines were procured from IPO proceeds. Furthermore, 320 sets of Knitting machine (Originated from China) were purchased for Tk. 1,552,000 each whereas only 10 sets of



সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭।

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/

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such machines should have been procured for Tk. 2,000,000 each, as per published approved prospectus (Pg.# 19).

However, in accordance with Para 8 of Part C of the Consent Letter, no prior appropriate from the shareholders in the shareholders' meeting was found to have obtained and intimated to BSEC & Stock Exchanges for aforesaid cases. It is a serious violation of aforesaid Para of the Consent Letter.

<u>CFD's Comments:</u> From the aforesaid activities the Company has violated Para 8 of Part C of the Commission Consent Letter No.SEC/CI/IPO-181/2012/621 dated December 15, 2015.

#### 11. Errors of omission/commission of accounting entries

In some cases, we observed accounting error in recording transactions. These we opine made due to error of omission/commission in making entries in the books of records. Some instances are as follows:

- Underwriting fee of Tk. 1,000,000 in relation to IPO Expense was perkly in June 2016 but not recorded in the books of accounts.
- ➤ IPO Expenses of Tk. 914,484 was wrongly charged under the head of Salary and Wages in the Financial Statements for the year ended 30 June 2016.
- DSSL has paid total of Tk. 545,000 through the cheque no. 6237364 (NBL) to a travel against namely, Destination Travel Services Limited against purchase of air tickets but wrongly charge to Working Capital which is contradictory to the Para 8 of Part C of the Consent Letter.

<u>CFD's Comments:</u> From the aforesaid activities the Company has violated Para 8 of Part 5 the Commission Consent Letter No.SEC/CI/IPO-181/2012/621 dated December 15, 2015.

#### CFD's more comments regarding the said special audit report:

- 03. It appears from the auditors' report that DSL has done following wrong activities:
- → Significant amount of expenditure was made through cash and not charged as expense
- → Books of accounts was not maintained properly;
- → Machineries were not purchased in accordance with published Prospectus;
- → Complete disclosure with regard to imported machineries have not been provided in financial statements/books of accounts; and
- → Errors of omission/commission of accounting entries

যেহেতু, কমিশন উপরোল্লিখিত আইন পরিপালনে ব্যর্থতার দক্ষন Dragon Sweater & Spinning Limited (DSSL) বরাবরে একটি show-cause-cum-hearing notice সূত্র নং- BSEC/Enforcement/2407/2017/169 তারিখ ১৬১৯ ২০১৭ প্রেরণ করে এবং ২৬ জুলাই ২০১৭ তারিখে শুনানীর দিন ধার্য্য করে এবং ধার্য্যকৃত তারিখে Dragon Sweater & Spinnin Limited (DSSL)এর ব্যবস্থাপনা পরিচারক, কোম্পানী সচিব এবং অন্যান্য পরিচালকদের পক্ষে প্রতিনিধি উপস্থিত হয়ে ২৬ জল ২০১৭ তারিখে চিঠির মাধ্যমে কোম্পানীর লিখিত বক্তব্য দাখিল করেন। যাতে অন্যান্যের মধ্যে, নিন্মোক্ত বিষয়গুলির উল্লেখ আছে:

"We received your letter no. BSEC/Enforcement/2407/2017/169 dated June 13, 2017 and we appreciate Bangladesh Securities and Exchange Commission for its efforts and monitoring to protect interest of general investors and public.

সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭

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Observation 01. Significant amount of expenditure was made through cash and not charged as expenses:

Query: Total of Tk. 8,712,816 (Tk. 1,546,850 for Machineries and Tk. 7,165,966 for Spare Parts) were paid against Machineries and Spare Parts without using any Banking channel Clash payments cover 5.17% of total expenditure of tk. 168,628,089 of machineries and spare parts.

Explanation: These are the integral part of capital machineries in order to control and regulate power fluctuations and proper operation and maintenance of the machines. Without these peripherals, such as AC, UPS, Exhaust fan, Plastic box etc. purchase & operation of these machines will result in a total financial and operational loss. Some spare parts like weir, plastic box, Steel Box, Hole cutting, Tube light and Cable Tray Cover have to be purchased by cash because of they are small traders.

Query: Till November 2016, the company has utilized IPO Proceeds of Tk. 184,053,555 for the purpose of Building and Other Civil construction. Out of this amount Tk. 178,943,389 has been spent through cash. Cash payment covers 97.22% of total expenditure incurred under the head of Building and Other Civil Construction.

Explanation: The factory is located in a remote area, where there is no whole seller and dealer who accepts cheque. Some of those suppliers ask for 5-7% up charge for supplying the construction materials against cheques but instant delivery with 5-7% lower rate or price is available. The company has taken advantage of cheaper price by paying cash. This is the reason why majority of the expense was paid in cash.

Query: DSSL paid an amount of Tk. 25,587,024 in cash as Salary and wages to employees for the months from December 2015 to March 2016, which was not included in the proposed utilization of IPO fund, as per published approved prospectus. Moreover, this amount has not been charged against profit rater retained in the working capital as deferred payment, resultant overstatement of profit.

Explanation: Since its inception, Dragon Sweater & Spinning Limited had always paid all its salary & wages through cash. This is why it was all paid in cash. However, now that garments industries are moving towards other methods of disbursement, Dragon Sweater & Spitching Limited is currently in negotiations with Dutch-Bangla Bank Limited mobile banking division so that all salary & wages can be paid through mobile banking. Due to the company size, it will be implemented in phases. In accordance with prospectus page # 19, we had declared that working Capital Tk. 2.97 crore. From that fund, we have incurred salary and wages to the employees. DSSL has been maintaining accrual basis of accounting as per BFRS; so salary and wages that been provision in every month according to BAS-37.

Query: IPO expenses have been incurred through cash instead of cheque. During the period under audit, Tk. 1,242,021 out of Tk. 14,611,591 (Total IPO expense as per ledger) has been spent through cash. Clash payments cover 8.50% of total expenditure under this head of expenditure.



সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২এ৭।

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/১৯

গরিখঃ ২০ ফেব্রুয়ারি, ২০১৮

Explanation: There were some technical and petty expenses that had to be incurred with a view to ensure smooth completion of the IPO. Lottery was organized by the post issue manager due to the fact that 23 times more application were received which had to be allotted by lottery. Mentioned petty cash of Tk. 12.43 lacks was spent in eash. As a matterior fact not all expenses were paid in cash Tk. 501,104 was paid to BUET authority by issuing pay order number-0081459 dated-14/02/16 from SBAC Bank. Balance Tk. 730,621 were paid in cash as there was no supplier available for supplying hanging banners, posters, decoration, stationary, sound systems, tonners, food packets, water, launch boxes, security forces, transportation and conveyance, flowers etc. Therefore cash purchase was allowed for those instant purchases to assure smooth and quick completion to the satisfaction of the post issue managers after appropriats of the management.

#### Obervation02. Books of accounts were not maintained properly:

Query: "Imported Machinery" and "Spare Parts & Clearing, Erection, Loading/Unloading, Transportation & Installation Cost" are separate head as per approved and published prospectus, but DSSL has maintained one ledger for these two heads representing total amount of Tk. 168,628,089. Moreover DSSL has shown above mentioned two heads in the Fund Utilization Statement, Tk. 157,938,707 for Imported Machinery and Tk. 10,689,382 for Spare Parts & Clearing, Erection, Loading/Unloading and Transportation & Installation Cost. The company has spent for Spare Parts & Clearing, Erection, Loading/Unloading, Transportation & Installation Cost in accordance with the ratio mentioned in the Material Management Policies of DSSL Later, we were provided with two separate lists of Machinery and Spare Parts for the same amount as reported above.

Explanation: Dragon Sweater & Spinning Limited has been maintaining one head of accounts Plant & Machinery in the General Ledger since long. But the company did not maintain separate head of accounts in the General Ledger for Spare Parts and accordingly it has been reflected in the Financial Statement. However, it has been segregated in the Prospectus and IPO fund statement for a better and clearer understanding. In future DSSL will maintain two head of accounts for Plant & Machinery and Spare Parts if necessary.

Query: DSSL did not maintain ledger and other supporting documents in line with the breakdown of Building and Other Civil Constructions as mentioned in the published approved prospectus [Pg. #20-21] which made it difficult to trace out that IPO proceeds have been utilized for the heads as specified in the prospectus (Pg. #20-21) against Building and Other Civil Construction.

Explanation: Building constriction material detail have been given in prospectus page # 20-21 but accounting has been prepared according to **BAS** not as material name. There is no accounting head-frame in **BFRS** like RCC work, Rod, Brick work and Grill work. For that reason DSSL has maintained above expenses as Capital Works- In- progress.



সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/ 🗓 🕤

তারিখঃ 🕮 ফেব্রুয়ারি, ২০১৮ জং

Observation03. Implementation schedule has not been followed as per approved/published prospectus.

Query: As per published approved prospectus (Pg. # 21), Building and Other Civil Construction should have been completed within six months after receiving the IPO Fund (i. e. August 2016). But construction of building has not yet been completed. Besides, no work completion certificate or any other similar documents were provided to us to understand the present status of the construction work. Moreover, expenses in this regard have been exceeded by Tk. 936.055 than the amount of Tk. 183,117,500 allocated for this head.

Explanation: Since this is a multi-storied building with a very heavy structure, group cashing could not be made possible unless it is approved by the engineers. As you will agree construction has various problems and issues which arise unpredictably. Since we are no experts, we can only go as per the expert's advice. Sufficient progress has been made in its implementation. Moreover, with added and unplanned work come added expenses. All materials such as bricks, rods, sand, cement and labour prices have increased since IPO application which is why there is an increase in expenditure when compared to the allotted amount as per the provided documents. The completion certificate or any other similar documents could not be produced by appropriate authority unless the entire construction is completed.

Query: Implementation schedule as mentioned in the published approved prospectus has been violated by making delayed payment of Audit Fee on 23<sup>rd</sup> November 2016, whereas expenditure time line for this expense was specified as within 3-4 months after receiving IPO Fund, where the company received IPO proceeds in February 2016.

Explanation: Previously DSSL maintained financial year was January to December. Now it has been changed as a result financial year January to June. For that reason audit has been conducted for the period 18<sup>th</sup> month accordingly accounting year completed 30<sup>th</sup> June 2016. For that reason audit fee has been paid on 23<sup>rd</sup> November 2016.

#### Obervation04. Machineries were not purchased in accordance with published Prospectus

Query: Imported Machinery & spare parts including 12 sets of Air conditioner for Tk 1,285,000, 100 set of UPS for Tk. 2,415,000, 6 set of exhaust fan for Tk. 108,000, one Generated (mini) for Tk. 1,250,000 and 235 pcs of Plastic Box for Tk. 180,950 were purchased using IPC Fund. However, under the head of "Use of IPO Proceeds" in page no. 18 to 21 of published approved Prospectus does not include such items.

As per published prospectus, Generator of 1400KVA originated from America should have comprocured for Tk. 24,200,000 but actually procured a generator of 1500 KVA originated from England for Tk. 23,712,000. Five pcs of Ring Spinning machine (Originated from Germany should have been procured for Tk. 22,800,000 but no such machines were procured through IPC fund. Furthermore, 320 set of Knitting machine (Originated from of China) were purchased for Tk. 1,552,000 each whereas only 10 set of such machines should have been procured for Tk. 2,000,000 each as per published approved prospectus (Pg# 19).

সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭।

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/ 🗟 🗟

তারিশ্বঃ ু ফেব্রুয়ারি, ২০১৮ টা

However, in accordance with Para 8 of Part C of the Consent Letter, no prior approval from the shareholders in the shareholders' meeting was found to have obtained and intimation to BSEC & Stock Exchanges for aforesaid cases. It is a serious violation of aforesaid Para of the Consent Letter.

Explanation: These are the integral part of capital machineries in order to control and registate power fluctuations and proper operation and maintenance of the machines. Without these peripherals, such as AC, UPS, Exhaust fan, Plastic box etc. purchase & operation of these machines will result in a total financial and operational loss. DSSL changed the decision for purchasing UK made Generator instead of American Generator because the competitive purchase less and the performance and warranty period will be better as per market study. Moreover, AGM of DSSL was held in November 2016. Therefore separate specific approvals of each flem were not possible. As per utilization schedule shown in the prospectus the DSSL was authorized to spend Tk. 169,540,000 for purchasing Machinery & Spare Parts but the DSSL has kept the expenditure under Machinery & Spare Parts within the approved timit. DSSL spent Tk. 168,628,089 for purchasing 320 sets of Knitting Machine, Generator, AC, UPS, Exhaust Fan, Plastic Box etc. As there was no scope to give more detail under Machinery & Spare Parts heads as shown in the Prospectus, the DSSL has shown all the above mentioned expenditures under the head of Plant & Machinery while submitting the IPO fund utilization certificate.

## Observation 05. Errors of omission/commission of accounting entries

Query: Underwriting fee of tk. 1,000,000 in relation to IPO Expenses was paid in June 2016 but not recorded in the books of accounts.

Explanation: Underwriting fee of tk. 1,000,000 has been accounted for in July- 2016 subject to availability of supporting documents

Query: IPO Expenses of tk. 914,484 was wrongly charged under the head of Salary and Wayes in the Financial Statement for the year ended 30 June 2016.

Explanation: It is a clerical mistake which is done by accounts clack and subsequently it is corrected in proper head of accounts by Journal entry

Query: DSSL has paid total of Tk. 545,000 through the cheque no. 6237364 (NBL) to a trave agency namely, Destination Travel Service Limited against purchase of air tickets but wrong a charged to Working Capital which is contradictory to the Para 8 of Part C of the Consent Letter.

Explanation: Working capital includes marketing activities as well in order to generate restrictions and new orders for the company

It is worth mentioning that during the period the company made expenses out of IPO fund, when the Chief Accountant of the company who was responsible for recording the expenses subsequently left the company without handing over the book of accounts related with expenses. For that reason, we were faced problems."

সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭।

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/-

তারিখঃ িফোব্রুয়ারি, ২০১৮ ইং

যেহেতু, Dragon Sweater & Spinning Limited (DSSL)এর লিখিত বক্তব্য থেকে সুস্পন্ট প্রতীয়মান হয় যে, জানীর নোটিশের অভিযোগসমূহ Dragon Sweater & Spinning Limited (DSSL)স্বীকার করেছে, যা ইচ্ছাকৃত এবং সিকিউরিটিজ আইন পরিপালনে ব্যর্থতা বিধায় section 22 of the Securities and Exchange Ordinance, 1969 অনুযান্ত্রী শান্তিযোগ্য অপরাধ এবং যা ক্ষমার অযোগ্য;

যেহেতু, কমিশনের বিবেচনায়, সিকিউরিটিজ আইন পরিপালনে উল্লিখিত ব্যর্থতার জন্য, তথা পুঁজিবাজারের উন্নয়নের পাশাসা বাজারের শৃংখলা ও স্বচ্ছতা রক্ষার স্বার্থে উক্ত ইস্যুয়ার এবং উহার পরিচালকগনকে জরিমানা করা প্রয়োজন ও সমীচীন;

অতএব, সেহেতু, কমিশন, উল্লিখিত যাবতীয় বিষয় বিবেচনাপূর্বক, Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969) এর Section 22 [যা The Securities and Exchange (Amendment) Act, 2000 মার সংশোধিত] এ প্রদত্ত ক্ষমতাবলে:

ড্রাগন সোয়েটার এন্ড স্পিনিং লিমিটেড এর পরিচালক জনাবা ফজলুতুন নেদ্বা এর উপর ৫ (পাঁচ) লক্ষ্ণ টাকা জরিমানা ধার্য বিশ্ব যা অত্র আদেশের ১৫ (পনের) দিনের মধ্যে 'সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন' এর অনুকূলে ইত্যকৃত ব্যাংক ডাফট/পে-এড তির মাধ্যমে কমিশনে জমা করতে হবে।

বাংলাদেশ দি বিউরিটিজ অ্যান্ড এরচেগ্রামা নের পক্ষে

মো: আমজাদ**াহা**, দ ক্রমিশনার

বিতরনঃ

জনাবা ফজলুতুন নেছা, পরিচালক, ড্রাগন সোয়েটার এন্ড স্পিনিং লিমিটেড।

সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭।

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আদেশ

যেহেতু, Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969) এর section 21g মোতাবেক Dragon Sweater & Spinning Limited (DSSL), 'issuer' হিসাবে অভিহিত (অতঃপর ইস্যায়ন বলে উল্লেখিত);

Partners, Chartered Accountants, was appointed as special auditors for auditing of utilization of initial public offering (IPO) proceeds of Dragon Sweater & Spinning Limited (DSSL).

As per instruction of the commission, M/s. MABS & J Partners, Chartered Accountant submitted special audit report;

Whereas, M/s. MABS & J Partners, Chartered Accountants, among others, made following observations/ violations in their special audit report on utilization of initial public offering (IPO) proceeds of Dragon Sweater & Spinning Limited:

### 01. Significant amount of expenditure was made through cash and not charged as expense

As per Para 7 of Part C of the Consent Letter all the expenditures and transactions should have been made through certain banking channel. But DSSL made more than 53% of the total IPO Fund of Taka 400,000,000 in cash. In every cases i. e. purchase of machineries and spare parts, purchase of building materials, payment for IPO Expenses and payments for working capital, DSSL has made cash payments, violating the above mentioned condition laid in the Consent Letter in addition to common practice and norths. Followings are the details of cash payments in respect of separate heads of expenditure:

SI. No.	Heads of expenditure	Purchased through cash	% of total proceeds	Remails	
1	Imported Machinery and Spare parts & Cleaning Erection, Loading/Unloading, Transportation & Installation Cost	8,712,816	2.08%	imported mad and spare part	for ineries were ntained
2	Building & other Civil Construction	178,943,389	44.74%		
3	Working Capital	25,587,024	6.40%		
4	IPO Expenses	1,242,021	0.31%		
	Total:	214,485,250	53.62%		



সিকিউরিটিজ কমিশন ভরন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭।

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- Total of Tk. 8,712,816 (Tk. 1,546,850 for Machineries and Tk. 7,165,966 for Sparpaid against Machineries and Spare Parts without using any banking channel. cover 5.17% of total expenditure of Tk. 168,628,089 of machineries and spare parts.
- ➤ Till November 2016, the company has utilized IPO Proceeds of Tk. 184,053,555 for the pur Building and Other Civil construction. Out of this amount, Tk. 178,943,389 has be through cash. Cash payment covers 97.22% of total expenditure incurred under the Building and Other Civil Construction.
- DSSL paid an amount of Tk. 25,587,024 in cash as salary and wages to employees for the from December 2015 to March 2016, which was not included in the proposed utilization Fund, as per published approved prospectus. Moreover, this amount has not been charprofit rather retained in the working capital as deferred payment, resultant overstateme
- PO expenses have been incurred through cash instead of cheque. During the perio Tk. 1,242,021 out of Tk. 14,611,591 (Total IPO expense as per ledger) has been cash. Cash payments cover 8.50% of total expenditure under this head of expenditu CFD's Comments: The Company has transacted Tk. 214,485,250 as cash violating C of the Commission Consent Letter No.SEC/CI/IPO-181/2012/621 dated Decem From the aforesaid activities it appears that the company has diverted its IPC 214,485,250. Enforcement department may take necessary action regarding this.

#### 02. Books of accounts were not maintained properly:

During the audit work, we observed that DSSL did not maintain some books which were necessary to ensure accountability of utilization of IPO Proceeds as follows:

- "Imported Machinery" and "Spare Parts & Clearing, Erection, Loading/Unloading, Treation Cost" are separate head as per approved and published prospectus, but maintained one ledger for these two heads representing total amount of Tk. 168 Moreover, DSSL has shown above mentioned two heads in the Fund Utilization 157,938,707 for Imported Machinery and Tk. 10,689,382 for Spare Parts & Clea Loading/Unloading, and Transportation & Installation Cost. The company has separts & Clearing, Erection, Loading/Unloading, Transportation & Installation Cost with the ratio mentioned in the Material Management Policies of DSSL. Later, we with two separate lists of Machinery and Spare Parts for the same amount as report." ab
- DSSL did not maintain ledger and other supporting documents in line with the Building and Other Civil Constructions as mentioned in the published approved pr 20-21) which made it difficult to trace out that IPO proceeds have been utilized f specified in the prospectus (Pg. # 20-21) against Building and Other Civil Constructions.



সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭

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্যেক্য়ারি, ২০১৮

#### CFD's Comments:

- The audited financial statements for the year ended on June 30, 2016 have been prepared including transaction of IPO proceeds. So, the financial statements for the year end June 30, 2016 do not reflect true & fair view of the company affairs and result operation.
- 8. Director's declaration as to financial statements in the annual report (page# 23 of 56) for period ended 30 June 2016 that:
  - The financial statements prepared by the management of the company present. a). its state of affairs, the result of its operation, cash flows and changes in equity.
  - Proper books of account of the company have been maintained etc. b).

But, it appears form auditors' report that the company did not maintain some books of accompany which were necessary to ensure accountability of utilization of IPO Proceeds. The directors of the contract of provided false and misleading information to the Commission and investors. From the affine activities the directors have violated the provision of Section 18 of the Securities and Ex Ordinance, 1969.

12. Implementation schedule has not been followed as per approved/published prospectus. Full amount of the IPO Proceeds has not been utilized and implemented within

specified time as mentioned in page no. 21 of published approved prospectus. That where implementation schedule has not been met:

- As per published approved prospectus (Pg. # 21), Building and other Civil Construction have been completed within six months after receiving the IPO Fund (i. e. August 2016 construction of building has not vet been completed. Besides, no work completion dertification any other similar documents were provided to us to understand the present status to construction work. Moreover, expenses in this regard have been exceeded by Tk. 936.05 the amount of Tk. 183,117,500allocated for this head.
- Implementation schedule as mentioned in the published approved prospectus has been violated by making delayed payment of Audit Fee on 23rd November 2016, whereas expenditure time line for this expense was specified as within 3-4 months after receiving IPO Fund when company received IPO Proceeds in February 2016

CFD's Comments: From the aforesaid activities the Company has violated Para 8 of Pa the Commission Consent Letter No.SEC/CI/IPO-181/2012/621 dated December 15, 2015.

13. Machineries were not purchased in accordance with published Prospectus

Imported Machinery & Spare Parts including 12 sets of Air condition 1,285,000, 100 sets of UPS for Tk. 2,415,000, 6 sets of exhaust fan for Tk. 108.00 Generator (mini) for Tk. 1,250,000 and 235 pcs of Plastic Box for Tk. 180,950 purchased using IPO Fund. However, under the head of "Use of IPO Proceeds" in page no. 18 to 21 of the published approved Prospectus, does not include such items

As per published approved prospectus, Generator of 1400KV Addiginated from A should have been procured for Tk. 24,200,000 but actually procured a generator of KVA originated from England for Tk. 23,712,000. Five pcs of Ring Spinning make (Originated from Germany) should have been procured for Tk. 22,800,000 but no machines were procured from IPO proceeds. Furthermore, 320 sets of Knitting in (Originated from China) were purchased for Tk. 1,552,000 each whereas only 10



সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭।

### नः-विवजरेनि/वनत्कार्जरमन्/२८०१/२०১१/ २००

such machines should have been procured for Tk. 2,000,000 each, as per public approved prospectus (Pg.# 19).

However, in accordance with Para 8 of Part C of the Consent Letter, no prior appre from the shareholders in the shareholders' meeting was found to have obtained intimated to BSEC & Stock Exchanges for aforesaid cases. It is a serious violate aforesaid Para of the Consent Letter.

<u>CFD's Comments:</u> From the aforesaid activities the Company has violated Para 8 of Part (the Commission Consent Letter No.SEC/CI/IPO-181/2012/621 dated December 15, 2015)

#### 14. Errors of omission/commission of accounting entries

In some cases, we observed accounting error in recording transactions. These made due to error of omission/commission in making entries in the books of records Some instances are as follows:

- > Underwriting fee of Tk. 1,000,000 in relation to IPO Expense was paid in June 2016 but hot recorded in the books of accounts.
- > IPO Expenses of Tk. 914,484 was wrongly charged under the head of Salary and Wage Financial Statements for the year ended 30 June 20 6.
- > DSSL has paid total of Tk. 545,000 through the cheque no. 6237364 (NBL) to a travel at namely, Destination Travel Services Limited against purchase of air tickets but wrongly charged to Working Capital which is contradictory to the Para 8 of Part C of the Consent Letter

CFD's Comments: From the aforesaid activities the Company has violated Para 8 of Para the Commission Consent Letter No.SEC/CI/IPO-181/2012/621 dated December 15, 1015

#### CFD's more comments regarding the said special audit report:

- It appears from the auditors' report that DSL has done following wrong activities. Its Significant amount of expenditure was made through cash and not charged as expens
- Books of accounts was not maintained properly;
- Machineries were not purchased in accordance with published Prospectus
- Complete disclosure with regard to imported machineries have not been provided in the financial statements/books of accounts; and
- Errors of omission/commission of accounting entries

যেহেতু, কমিশন উপরোল্লিখিত আইন পরিপালনে ব্যর্থতার দক্তন Dragon Sweater & Spinning Limited (DSS) বরাবরে একটি show-cause-cum-hearing notice সূত্র নং- B\$EC/Enforcement/2407/2017/169 তারিখা ২০১৭ প্রেরণ করে এবং ২৬ জুলাই ২০১৭ তারিখে শুনানীর দিন ধার্য্য করে এবং ধার্য্যকৃত তারিখে Dragon Sweater & Spir Limited (DSSL)এর ব্যবস্থাপনা পরিচারক, কোম্পানী সচিব এবং অন্যান্য পরিচালকদের পক্ষে প্রতিনিধি উপস্থিত ইয়ে ২০১৭ তারিখে চিঠির মাধ্যমে কোম্পানীর লিখিত বক্তব্য দাখিল করেন। যাতে অন্যান্যের মধ্যে, নিন্মোক বিষয়গুলির উল্লেখ আছে:

"We received your letter no. BSEC/Enforcement/2407/2017/169 dated June 13. appreciate Bangladesh Securities and Exchange Commission for its efforts and monitor protect interest of general investors and public.

সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭।

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/ ৯৫%

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Observation 01. Significant amount of expenditure was made through cash and not charged as expenses:

Query: Total of Tk. 8,712,816 (Tk. 1,546,850 for Machineries and Tk. 7,165,966 for the Parts) were paid against Machineries and Spare Parts without using any Banking channel. Cash payments cover 5.17% of total expenditure of tk. 168,628,089 of machineries and spare parts.

Explanation: These are the integral part of capital machineries in order to control and regulate power fluctuations and proper operation and maintenance of the machines. Without these peripherals, such as AC, UPS, Exhaust fan, Plastic box etc. purchase & operation of these machines will result in a total financial and operational loss. Some spare parts like weir, plastic box, Steel Box, Hole cutting, Tube light and Cable Tray Cover have to be purchased by each because of they are small traders.

Query: Till November 2016, the company has utilized IPO Proceeds of Tk. 184,053,555 for the purpose of Building and Other Civil construction. Out of this amount Tk. 178,943,389 has been spent through cash. Cash payment covers 97.22% of total expenditure incurred under the head of Building and Other Civil Construction.

Explanation: The factory is located in a remote area, where there is no whole seller and dealer who accepts cheque. Some of those suppliers ask for 5-7% up charge for supplying the construction materials against cheques but instant delivery with 5-7% lower rate or price is available. The company has taken advantage of cheaper price by paying cash. This is the teacon why majority of the expense was paid in cash.

Query: DSSL paid an amount of Tk. 25,587,024 in cash as Salary and wages to employees for the months from December 2015 to March 2016, which was not included in the proposed utilization of IPO fund, as per published approved prospectus. Moreover, this amount has not been charged against profit rater retained in the working capital as deferred payment, resultant overstatement of profit.

Explanation: Since its inception, Dragon Sweater & Spinning Limited had always paid all its salary & wages through cash. This is why it was all paid in cash. However, now that gaments industries are moving towards other methods of disbursement, Dragon Sweater & Spinning Limited is currently in negotiations with Dutch-Bangla Bank Limited mobile banking division so that all salary & wages can be paid through mobile banking. Due to the company size, it will be implemented in phases. In accordance with prospectus page # 19, we had declared that working Capital Tk. 2.97 crore. From that fund, we have incurred salary and wages to the employees. DSSL has been maintaining accrual basis of accounting as per BFRS, so salary and wages has been provision in every month according to BAS-37.

Query: IPO expenses have been incurred through cash instead of cheque. During the period undertail did Tk. 1,242,021 out of Tk. 14,611,591 (Total IPO expense as per ledger) has been spent through cash. Cash payments cover 8.50% of total expenditure under this head of expenditure.

সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২৫৭।

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/ ১৫১

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Explanation: There were some technical and petty expenses that had to be incurred with a wew to ensure smooth completion of the IPO. Lottery was organized by the post issue manager due to the fact that 23 times more application were received which had to be allotted by lottery. Mentioned petty cash of Tk. 12.43 lacks was spent in cash. As a matter of fact not all expenses were paid in cash Tk. 501,104 was paid to BUET authority by issuing pay order number-0081459 dated-14/02/16 from SBAC Bank. Balance Tk. 730,621 were paid in cash as there was no supplier available for supplying hanging banners, posters, decoration, stationary, sound systems, tonners, food packets, water, launch boxes, security forces, transportation and conveyance, flowers etc. Therefore cash purchase was allowed for trade instant purchases to assure smooth and quick completion to the satisfaction of the post issue managers after appropriats of the management.

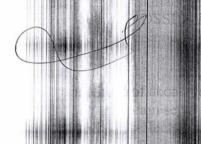
#### Obervation02. Books of accounts were not maintained properly:

Query: "Imported Machinery" and "Spare Parts & Clearing, Erection, Loading/Unloading, Transportation & Installation Cost" are separate head as per approved and published prospectus, but DSSL has maintained one ledger for these two heads representing total amount of Tk. 168,628,089. Moreover DSSL has shown above mentioned two heads in the Fund Utilization Statement, Tk. 157,938,707 for Imported Machinery and Tk. 10,689,382 for Spare Parts & Clearing, Erection, Loading/Unloading and Transportation & Installation Cost. The company has spent for Spare Parts & Clearing, Erection, Loading/Unloading, Transportation & Installation Cost in accordance with the ratio mentioned in the Material Management Policies of IDSSL Later, we were provided with two separate lists of Machinery and Spare Parts for the same amount as reported above.

Explanation: Dragon Sweater & Spinning Limited has been maintaining one head of accounts Plant & Machinery in the General Ledger since long. But the company did not maintain separate head of accounts in the General Ledger for Spare Parts and accordingly it has been reflected in the Financial Statement. However, it has been segregated in the Prospectus and IPO fund statement for a better and clearer understanding. In future DSSL will maintain two head of accounts for Plant & Machinery and Spare Parts if necessary.

Query: DSSL did not maintain ledger and other supporting documents in line with the breakdown of Building and Other Civil Constructions as mentioned in the published approved prospectus (Pg. # 20-21) which made it difficult to trace out that IPO proceeds have been utilized for the heads as specified in the prospectus (Pg. # 20-21) against Building and Other Civil Construction.

Explanation: Building constriction material detail have been given in prospectus page # 20-21 but accounting has been prepared according to **BAS** not as material name. There is no accounting hear pame in BFRS like RCC work, Rod, Brick work and Grill work. For that reason DSSL has maintained above expenses as Capital Works- In- progress.



সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২৭৭।

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/. 🔿 📀

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Observation 03. Implementation schedule has not been followed as per approved/published prospectus.

Query: As per published approved prospectus (Pg. # 21), Building and Other Civil Construction should have been completed within six months after receiving the IPO Fund (i. e. August 2016). But construction of building has not yet been completed. Besides, no work completion certificate or any other similar documents were provided to us to understand the present status of the construction work. Moreover, expenses in this regard have been exceeded by Tk. 936.055 than the amount of Tk. 183,117,500 allocated for this head.

Explanation: Since this is a multi-storied building with a very heavy structure, group casting could not be made possible unless it is approved by the engineers. As you will agree, construction has various problems and issues which arise unpredictably. Since we are not experts, we can only go as per the expert's advice. Sufficient progress has been made titlits implementation. Moreover, with added and unplanned work come added expenses. All materials such as bricks, rods, sand, cement and labour prices have increased since IPO application which is why there is an increase in expenditure when compared to the allotted amount as per the provided documents. The completion certificate or any other similar documents could not be produced by appropriate authority unless the entire construction is completed.

Query: Implementation schedule as mentioned in the published approved prospectus has been violated by making delayed payment of Audit Fee on 23<sup>rd</sup> November 2016, whereas expenditure time line for this expense was specified as within 3-4 months after receiving IPO Fund, where the company received IPO proceeds in February 2016.

Explanation: Previously DSSL maintained financial year was January to December. Now it has been changed as a result financial year January to June. For that reason audit has been conducted for the period 18<sup>th</sup> month accordingly accounting year completed 30<sup>th</sup> June 2016. For that reason audit fee has been paid on 23<sup>rd</sup> November 2016.

#### Obervation04. Machineries were not purchased in accordance with published Prospectus

Query: Imported Machinery & spare parts including 12 sets of Air conditioner for Tk. 1,285,000, 100 set of UPS for Tk. 2,415,000, 6 set of exhaust fan for Tk. 108,000, one Generator (mini) for Tk. 1,250,000 and 235 pcs of Plastic Box for Tk. 180,950 were purchased using TPO Fund. However, under the head of "Use of IPO Proceeds" in page no. 18 to 21 of published approved Prospectus does not include such items.

As per published prospectus, Generator of 1400KVA originated from America should have been procured for Tk. 24,200,000 but actually procured a generator of 1500 KVA originated from England for Tk. 23,712,000. Five pcs of Ring Spinning machine (Originated from Germany) should have been procured for Tk. 22,800,000 but no such machines were procured through IPO fund. Furthermore, 320 set of Knitting machine (Originated from of China) were purchased for Tk. 1,552,000 each whereas only 10 set of such machines should have been procured fix 1k. 2,000,000 each as per published approved prospectus (Pg# 19).

সিকিউরিটিজ কমিশন ভ্রন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭।

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/ 🗇 🕞

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However, in accordance with Para 8 of Part C of the Consent Letter, no prior approval from the shareholders in the shareholders' meeting was found to have obtained and intimation to BSEC & Stock Exchanges for aforesaid cases. It is a serious violation of aforesaid Para of the Consent Letter.

Explanation: These are the integral part of capital machineries in order to control and regulate power fluctuations and proper operation and maintenance of the machines. Without alloss peripherals, such as AC, UPS, Exhaust fan, Plastic box etc. purchase & operation of these machines will result in a total financial and operational loss. DSSL changed the decision for purchasing UK made Generator instead of American Generator because the competitive price is less and the performance and warranty period will be better as per market study. Moreover, AGM of DSSL was held in November 2016. Therefore separate specific appropriate of each item were not possible. As per utilization schedule shown in the prospectus the DSSL was authorized to spend Tk. 169,540,000 for purchasing Machinery & Spare Parts but the DSSL has kept the expenditure under Machinery & Spare Parts within the approved limit. DSSL spent Tk. 168,628,089 for purchasing 320 sets of Knitting Machine, Generator, AC 1145, Exhaust Pand Plastic Box etc. As there was no scope to give more detail under Machinery & Spare Parts acade as shown in the Prospectus, the DSSL has shown all the above mentioned expenditures under the head of Plant & Machinery while submitting the IPO fund utilization certificate.

#### Observation 05. Errors of omission/commission of accounting entries

Query: Underwriting fee of tk. 1,000,000 in relation to IPO Expenses was paid in June 2016 but not recorded in the books of accounts.

Explanation: Underwriting fee of tk. 1,000,000 has been accounted for in July 2016 subject to availability of supporting documents

Query: IPO Expenses of tk. 914,484 was wrongly charged under the head of Salary and Wages in the Financial Statement for the year ended 30 June 2016.

Explanation: It is a clerical mistake which is done by accounts clack and subsequents it is corrected in proper head of accounts by Journal entry

Query: DSSL has paid total of Tk. 545,000 through the cheque no. 6237364 (NBL) to a travel agency namely, Destination Travel Service Limited against purchase of his tickets but wrongly charged to Working Capital which is contradictory to the Para 8 of Part Co the Consent Letter.

Explanation: Working capital includes marketing activities as well in order to generate revenue and new orders for the company

It is worth mentioning that during the period the company made expenses out of LPO fund, when the Chief Accountant of the company who was responsible for recording the expenses subsequently left the company without handing over the book of accounts related with expenses. For that reason, we were faced problems."

সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭।

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/ ১০১

তারিখঃ ু ফেব্রুয়ারি, ২০১৮ ই

যেহেতু, Dragon Sweater & Spinning Limited (DSSL)এর লিখিত বক্তব্য থেকে সুস্পুট প্রতীয়মান হয় যে জননীর নোটিশোর অভিযোগসমূহ Dragon Sweater & Spinning Limited (DSSL)স্বীকার করেছে, যা ইচ্ছাকৃত এবং নিক্রিটিডিজ আইন পরিপালনে ব্যর্থতা বিধায় section 22 of the Securities and Exchange Ordinance, 1969 কর্মায়ী শান্তিযোগ্য অপরাধ এবং যা ক্ষমার অযোগ্য;

যেহেতু, কমিশনের বিবেচনায়, সিকিউরিটিজ আইন পরিপালনে উল্লিখিত ব্যর্থতার জন্য, তথা প্রক্রিয়াকারের উন্নয়নের প্রশিক্ষি বাজারের শৃংখলা ও স্বচ্ছতা রক্ষার স্বার্থে উক্ত ইস্যুয়ার এবং উহার পরিচালকগনকে জরিমানা করা প্রয়োজন ও সমীচীন;

অতএব, সেহেতু, কমিশন, উল্লিখিত যাবতীয় বিষয় বিবেচনাপূর্বক, Securities and Exchange Ordinance, 1969 (Ordinance) No. XVII of 1969) এর Section 22 [যা The Securities and Exchange (Amendment) Act 2000 মারা সংশোষিতী এ প্রদত্ত ক্ষমতাবলে:

ড্রাগন সোয়েটার এন্ড স্পিনিং লিমিটেড এর পরিচালক জানাবা ফৌজিয়া কামরুন তানিয়া এর উপর ৫ (প্রচ) দক্ষ টাকা জুকিমনা ধার্য্য করল যা অত্র আদেশের ১৫ (পনের) দিনের মধ্যে 'সিকিউরিটিজ ও এক্সচেঞ্জ কমিশন' এর অকুলে ইস্ফুক্ত আজে ড্রাইটাপে-অর্ডারের মাধ্যমে কমিশনে জমা করতে হবে।

বাংলাদেশ সিকিউরিটিজ আত্র এলচেজ কমিশনের পত্রে

মৌ: আমজাদ হোটোন

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বিতরনঃ

জানাবা ফৌজিয়া কামরুন তানিয়া, পরিচালক, ড্রাগন সোয়েটার এন্ড স্পিনিং লিমিটেড।

সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭।

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/৩৮৩

তারিখঃ ফেব্রুয়ারি, ২০১৮ ই

#### আদেশ

যেহেতু, Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969) এর section 24g মোতাবেক Dragon Sweater & Spinning Limited (DSSL), 'issuer' হিসাবে মুড়িহিত (অভঃপর ইস্যুয়ার বলে উল্লেখিত);

Partners, Chartered Accountants, was appointed as special auditors for auditing of utilization of initial public offering (IPO) proceeds of Dragon Sweater & Spinning Limited (DSSL).

As per instruction of the commission, M/s. MABS & J Partners, Chartered Accountants, submitted special audit report;

Whereas, M/s. MABS & J Partners, Chartered Accountants, among to the standard following observations/ violations in their special audit report on utilization of initial public offering (PPO) proceeds of Dragon Sweater & Spinning Limited:

O1. Significant amount of expenditure was made through cash and not charged as expenses.

As per Para 7 of Part C of the Consent Letter all the expenditures and transactions stocked have been made through certain banking channel. But DSSL made more than 53% of the total IPO Fund of Taka 400,000,000 in cash. In every cases i. e. purchase of machineries and spare parts, purchase of building materials, payment for IPO Expenses and payments for working capital, DSSL has made cash payments, violating the above mentioned condition laid in the Consent Letter in addition to common practice and notices. Followings are the details of cash payments in respect of separate heads of expenditures.

Sl. No.	Heads of expenditure	Purchased through cash	% of total proceeds	Remark	
1	Imported Machinery and Spare parts & Cleaning Erection, Loading/Unloading, Transportation & Installation Cost	8,712,816	2.18%	and spare part	for ineries were ntained
2	Building & other Civil Construction	178,943,389	44.74%		
3	Working Capital	25,587,024	544		
4	IPO Expenses	1,242,021	0.31%		
	Total:	214,485,250	53.62%		

সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭।

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/১৫১

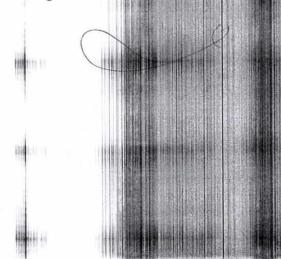
তারিখঃ তহুকুরারি, ২০১৮ ব

- Total of Tk. 8,712,816 (Tk. 1,546,850 for Machineries and Tk. 7,165,966 for Spare Parss Spare paid against Machineries and Spare Parts without using any banking channel. Cash payments cover 5.17% of total expenditure of Tk. 168,628,089 of machineries and spare parts.
- ➤ Till November 2016, the company has utilized IPO Proceeds of Tk. 184,053,555 for the purpose of Building and Other Civil construction. Out of this amount, Tk. 178,943,389 has been spent through cash. Cash payment covers 97.22% of total expenditure incurred under the head of Building and Other Civil Construction.
- DSSL paid an amount of Tk. 25,587,024 in cash as salary and wages to employees for the months from December 2015 to March 2016, which was not included in the proposed unligation of IPO Fund, as per published approved prospectus. Moreover, this amount has not been charged against profit rather retained in the working capital as deferred payment, result in the working capital as deferred payment, result in the working capital.
- PO expenses have been incurred through cash instead of cheque. During the period under audit Tk. 1,242,021 out of Tk. 14,611,591 (Total IPO expense as per ledger) has been spend through cash. Cash payments cover 8.50% of total expenditure under this head of expenditure. CFD's Comments: The Company has transacted Tk. 214,485,250 as cash with a ting Para 7 of Para C of the Commission Consent Letter No.SEC/CI/IPO-181/2012/621 dated December 15, 2015 From the aforesaid activities it appears that the company has diverted as IPO find of Tk 214,485,250. Enforcement department may take necessary action regarding that

### 02. Books of accounts were not maintained properly:

During the audit work, we observed that DSSL did not maintain some books of accounts which were necessary to ensure accountability of utilization of IPO Proceeds. Details are as follows:

- Imported Machinery" and "Spare Parts & Clearing, Erection, Loading Unicading Transportation & Installation Cost" are separate head as per approved and published prespectus, but DSSA has maintained one ledger for these two heads representing total amount of Tk. 168,628,089 Moreover, DSSL has shown above mentioned two heads in the Fund Unication Statement, Tk 157,938,707 for Imported Machinery and Tk. 10,689,382 for Spare Parts & Clearing, Erection Loading/Unloading, and Transportation & Installation Cost. The company has spent for Spare Parts & Clearing, Erection, Loading/Unloading, Transportation & Installation Cost. We were provided with two separate lists of Machinery and Spare Parts for the same amount as reported above.
- ➤ DSSL did not maintain ledger and other supporting documents in line with the breakdown of Building and Other Civil Constructions as mentioned in the published approved prospectus (Pg. # 20-21) which made it difficult to trace out that IPO proceeds have been to trized for the hearts as specified in the prospectus (Pg. # 20-21) against Building and Other Civil Construction.



সিকিউরিটিজ কমিশন ভবন ই-৬/সি. শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭।

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/

रसङ्ग्याति, २०১৮

#### **CFD's Comments:**

- 9. The audited financial statements for the year ended on June 30, 2016 have been prepared including transaction of IPO proceeds. So, the financial statements for the year end June 30, 2016 do not reflect true & fair view of the company affairs and result operation.
- 10. Director's declaration as to financial statements in the annual report (page# 23 of 56) to the period ended 30 June 2016 that:
  - The financial statements prepared by the management of the company present its state of affairs, the result of its operation, cash flows and change Proper books of account of the company have been maintained etc.
  - b).

But, it appears form auditors' report that the company did not maintain some books of account which were necessary to ensure accountability of utilization of IPO Proceeds. The directors have provided false and misleading information to the Commission and investors. From the afore activities the directors have violated the provision of Section 18 of the scupties Ordinance, 1969.

15. Implementation schedule has not been followed as per approved/published prospectus.

Full amount of the IPO Proceeds has not been utilized and implemented within specified time as mentioned in page no. 21 of published approved prospectus where implementation schedule has not been met:

- As per published approved prospectus (Pg. # 21), Building and other Civil Construction have been completed within six months after receiving the IPO Fund (i. e. August 2016) construction of building has not yet been completed. Besides, no work completion certific any other similar documents were provided to us to understand the present status construction work. Moreover, expenses in this regard have been exceeded the 11x, 936,05 the amount of Tk. 183,117,500allocated for this head.
- Implementation schedule as mentioned in the published approved prospectus has been violated by making delayed payment of Audit Fee on 23rd November 2016, whereas expenditure time line for this expense was specified as within 3-4 months after receiving IPO Fund, whe company received IPO Proceeds in February 2016.

CFD's Comments: From the aforesaid activities the Company has violated Para 8 of Pa the Commission Consent Letter No.SEC/CI/IPO-181/2012/621 dated December 15, 2015.

16. Machineries were not purchased in accordance with published Prospectus

Imported Machinery & Spare Parts including 12 sets of Air conditioner 1,285,000, 100 sets of UPS for Tk. 2,415,000, 6 sets of exhaust fan for Tk. 108 Generator (mini) for Tk. 1,250,000 and 235 pcs of Plastic Box for Tk. 180,950 were purchased using IPO Fund. However, under the head of "Use of IPO Proceeds" in hage no. 18 to 21 of the published approved Prospectus, does not include such tem

should have been procured for Tk. 24,200,000 but actually procured a KVA originated from England for Tk. 20,700 but actually procured a generator of KVA originated from England for Tk. 23,712,000. Five pcs of Ring Spirining make (Originated from Germany) should have been procured for Tk. 22.800.000 but no such machines were procured from IPO proceeds. Furthermore, 320 sets of Knitting machine (Originated from China) were purchased for Tk. 1,552,000 each subsects only 10 sets of

সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭।

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/ ১৫১

তারিখঃ ৮ যোক্তয়ারি, ২০১৮

such machines should have been procured for Tk. 2,000,000 each, as per published approved prospectus (Pg.# 19).

However, in accordance with Para 8 of Part C of the Consent Letter, no prior approval from the shareholders in the shareholders' meeting was found to have obtained and intimated to BSEC & Stock Exchanges for aforesaid cases. It is a serious violation of aforesaid Para of the Consent Letter.

CFD's Comments: From the aforesaid activities the Company has violated Para 8 of Para 6 of the Commission Consent Letter No.SEC/CI/IPO-181/2012/621 dated December 15, 2015

17. Errors of omission/commission of accounting entries

In some cases, we observed accounting error in recording transactions. These we opine made due to error of omission/commission in making entries in the books of records. Some instances are as follows:

- Underwriting fee of Tk. 1,000,000 in relation to IPO Expense was part in lune 2016 by recorded in the books of accounts.
- > IPO Expenses of Tk. 914,484 was wrongly charged under the head of Salary and Wages in the Financial Statements for the year ended 30 June 2016.
- DSSL has paid total of Tk. 545,000 through the cheque no. 6237364 (NBL) to a travel agency namely, Destination Travel Services Limited against purchase of air totals that wrongly charged to Working Capital which is contradictory to the Para 8 of Part C of the Consent Letter.

CFD's Comments: From the aforesaid activities the Company has violated Park 8 of Part C of the Commission Consent Letter No.SEC/CI/IPO-181/2012/621 dated December 15, 2015.

#### CFD's more comments regarding the said special audit report:

- 05. It appears from the auditors' report that DSL has done following wrong activities:
- → Significant amount of expenditure was made through cash and not charged as expenses
- → Books of accounts was not maintained properly;
- → Machineries were not purchased in accordance with published Prospectus
- Complete disclosure with regard to imported machineries have not been provided to the financial statements/books of accounts; and
- → Errors of omission/commission of accounting entries

যেহেতু, কমিশন উপরোল্লিখিত আইন পরিপালনে ব্যর্থতার দক্ষন Dragon Sweater & Spinning Limited (DSSL) এর বরাবরে একটি show-cause-cum-hearing notice সূত্র নং- BSEC/Enforcement/2407/20117/169 তারিখ ২০ ছুলাই ২০১৭ তারিখে শুনানীর দিন ধার্য্য করে এবং ধার্য্যকৃত তারিখে Dragon Sweater & Spinning Limited (DSSL)এর ব্যবস্থাপনা পরিচারক, কোম্পানী সচিব এবং অন্যান্য পরিচালকদের পক্ষে প্রতিতিধি উপরিভাগ হয়ে ২৯ ছুলাই ২০১৭ তারিখে চিঠির মাধ্যমে কোম্পানীর লিখিত বক্তব্য দাখিল করেন। যাতে অন্যান্যের মধ্যে, নিন্মোক্ত বিভাগের উপরিভাগ বিভাগ ব

"We received your letter no. BSEC/Enforcement/2407/2017/169 dated June 13 2017 and we appreciate Bangladesh Securities and Exchange Commission for its efforts and monitoring to protect interest of general investors and public.

সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭।

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/ ১৫৯

তারিশঃ বের বারী, ২০১৮ ইং

Observation 01. Significant amount of expenditure was made through cash and no charged as expenses:

Query: Total of Tk. 8,712,816 (Tk. 1,546,850 for Machineries and Tk. 7,165,966 for Spare Parts) were paid against Machineries and Spare Parts without using any Banking channel. Cash payments cover 5.17% of total expenditure of tk. 168,628,089 of machineries and spare parts.

Explanation: These are the integral part of capital machineries in order to control and regulate power fluctuations and proper operation and maintenance of the machines. Without these peripherals, such as AC, UPS, Exhaust fan, Plastic box etc. purchase & operation of these machines will result in a total financial and operational loss. Some spare parts like wear, plastic box, Steel Box, Hole cutting, Tube light and Cable Tray Cover have to be third ascel by cash because of they are small traders.

Query: Till November 2016, the company has utilized IPO Proceeds of Tk. 184,053,555 for the purpose of Building and Other Civil construction. Out of this amount Tk. 178,943,389 has been spent through cash. Cash payment covers 97.22% of total expenditure incurred under the head of Building and Other Civil Construction.

Explanation: The factory is located in a remote area, where there is no whole seller and dealer who accepts cheque. Some of those suppliers ask for 5-7% up charge little plying the construction materials against cheques but instant delivery with 5-7% lower rate or price is available. The company has taken advantage of cheaper price by paying cash. This is the reason why majority of the expense was paid in cash.

Query: DSSL paid an amount of Tk. 25,587,024 in cash as Salary and reason comployers for the months from December 2015 to March 2016, which was not included in the proposed utilization of IPO fund, as per published approved prospectus. Moreover, this amount has not been charged against profit rater retained in the working capital as deferred payment, resultant overstatement of profit.

Explanation: Since its inception, Dragon Sweater & Spinning Limited had always paid all its salary & wages through cash. This is why it was all paid in cash. However, how that garments industries are moving towards other methods of disbursement, Dragon Sweater & Spinning Limited is currently in negotiations with Dutch-Bangla Bank Limited mobile banking division so that all salary & wages can be paid through mobile banking. Due to the trompetry size, it will be implemented in phases. In accordance with prospectus page # 19, we had declared that working Capital Tk. 2.97 crore. From that fund, we have incurred salary and wages to the employees. DSSL has been maintaining accrual basis of accounting as per BFRS, so salary and wages has been provision in every month according to BAS-37.

Query: IPO expenses have been incurred through cash instead of cheque. During the period under audit, Tk. 1,242,021 out of Tk. 14,611,591 (Total IPO expense as per ledger) has been spend through cash. Cash payments cover 8.50% of total expenditure under this head of expenditure.

সিকিউরিটিজ ক্মিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭।

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/১৫.

Explanation: There were some technical and petty expenses that had to be incurred with a new to ensure smooth completion of the IPO. Lottery was organized by the post issue manager due to the fact that 23 times more application were received which had to be allotted by lottery. Mentioned petty cash of Tk. 12.43 lacks was spent in cash. As a matter of fact not all expenses were paid in cash Tk. 501,104 was paid to BUET authority by issuing pay order number-0081459 dated-14/02/16 from SBAC Bank. Balance Tk. 730,621 were paid in cash as there was no supplier available for supplying hanging banners, posters, decoration, stationary, sound systems, tonners, food packets, water, launch boxes, security forces, transportation and conveyance, flowers etc. Therefore cash purchase was allowed for those instant purchases to assure smooth and quick completion to the satisfaction of the post issue managers after appropriats of the management.

### Obervation02. Books of accounts were not maintained properly:

Query: "Imported Machinery" and "Spare Parts & Clearing, Erection, relating to loading, a Transportation & Installation Cost" are separate head as per approved and published prospectits, but DSSL has maintained one ledger for these two heads representing total amount of Tk. 168,628,089. Moreover DSSL has shown above mentioned two heads in the Fund Utilization Statement, Tk. 157,938,707 for Imported Machinery and Tk. 10,689,382 for Spare Parts & Clearing, Erection, Loading/Unloading and Transportation & Installation Cost. The compare has spent for Spare Parts & Clearing, Erection, Loading/Unloading, Transportation & Installation Cost in accordance with the ratio mentioned in the Material Management Policies of USSL Later, we were provided with two separate lists of Machinery and Spare Parts for the same amount as reported above.

Explanation: Dragon Sweater & Spinning Limited has been maintaining one head of accounts Plant & Machinery in the General Ledger since long. But the company did not maintain separate head of accounts in the General Ledger for Spare Parts and accordingly it has been reflected in the Financial Statement. However, it has been segregated in the Prospective and IPO fund statement for a better and clearer understanding. In future DSSL will maintain two head of accounts for Plant & Machinery and Spare Parts if necessary.

Query: DSSL did not maintain ledger and other supporting documents in line with the breakdown of Building and Other Civil Constructions as mentioned in the published approach prospectus (Pg. #10-21) which made it difficult to trace out that IPO proceeds have been utilized for the beads as specified at the prospectus (Pg. # 20-21) against Building and Other Civil Construction.

Explanation: Building constriction material detail have been given in prospectus page # 20-21 but accounting has been prepared according to **BAS** not as material name. There is no accounting head name in **BFRS** like RCC work, Rod, Brick work and Grill work. For that reason **DSM** that maintained theore expenses as Capital Works-In-progress.

সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২৯০৭।

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/.ጋ৫১

जातिका एकतन्याति, २०১৮ हेर

Observation03. Implementation schedule has not been followed as per approved published prospectus.

Query: As per published approved prospectus (Pg. # 21), Building and Order Givit Construction, should have been completed within six months after receiving the IPO Fund (i. e. August 2016). But construction of building has not yet been completed. Besides, no work completion certificate or any other similar documents were provided to us to understand the present status of the construction work. Moreover, expenses in this regard have been exceeded by Tk 9 6,055 than the amount of Tk. 183,117,500 allocated for this head.

Explanation: Since this is a multi-storied building with a very heavy structure, group casting could not be made possible unless it is approved by the engineers. As you will agree construction has various problems and issues which arise unpredictable. Since we are not experts, we can only go as per the expert's advice. Sufficient progress has been made intits implementation. Moreover, with added and unplanned work come added expenses. All materials such as bricks, rods, sand, cement and labour prices have increased since IPO application which is why there is an increase in expenditure when compared to the allotted amount as per the provided documents. The completion certificate or any other similar flagments could pitt be produced by appropriate authority unless the entire construction is completed.

Query: Implementation schedule as mentioned in the published approved prospectus has been violated by making delayed payment of Audit Fee on 23<sup>rd</sup> November 20 to whereas expenditure time line for this expense was specified as within 3-4 months after receiving 1210 Fund, whereas the company received IPO proceeds in February 2016.

Explanation: Previously DSSL maintained financial year was January to December. Now it has been changed as a result financial year January to June. For that reason audit has been conducted for the period 18<sup>th</sup> month accordingly accounting year completed 30<sup>th</sup> January 15 June 18<sup>th</sup> audit fee has been paid on 23<sup>rd</sup> November 2016.

# Obervation04. Machineries were not purchased in accordance with published Prospectus

Query: Imported Machinery & spare parts including 12 sets of pairs doubtioner for Tk. 1,285,000, 100 set of UPS for Tk. 2,415,000, 6 set of exhaust fan for Tk. 108,000, one Generator (mini) for Tk. 1,250,000 and 235 pcs of Plastic Box for Tk. 180,950 were purchased using IPO Fund. However, under the head of "Use of IPO Proceeds" in page no 18 to 21 of published approved Prospectus does not include such items.

As per published prospectus, Generator of 1400KVA originated from Appropriate Should have been procured for Tk. 24,200,000 but actually procured a generator of 1500 KVA originated from England for Tk. 23,712,000. Five pcs of Ring Spinning machine (Originated from Germany) should have been procured for Tk. 22,800,000 but no such machines were procured through IPO fund. Furthermore, 320 set of Knitting machine (Originated from of Chapa were purchased for Tk. 1,552,000 each whereas only 10 set of such machines should have been procured for Tk. 2,000,000 each as per published approved prospectus (Pg# 19).

সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৪।

# নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/ ১৫১

However, in accordance with Para 8 of Part C of the Consent Letter, respire approval from the shareholders in the shareholders' meeting was found to have obtained and intrinsion to BSEG & Stock Exchanges for aforesaid cases. It is a serious violation of aforesaid Para of the Consent Letter.

Explanation: These are the integral part of capital machineries in order to control and regulate power fluctuations and proper operation and maintenance of the machines. Without uses peripherals, such as AC, UPS, Exhaust fan, Plastic box etc. purchase & operation of disese machines will result in a total financial and operational loss. DSSL changed the decision for purchasing UK made Generator instead of American Generator because the struct. Moreover, AGM of DSSL was held in November 2016. Therefore separate specific approvals of each clean were not possible. As per utilization schedule shown in the prospectus and DSSL was authorized to spend Tk. 169,540,000 for purchasing Machinery & Spare Parts because DSSL has kept the expenditure under Machinery & Spare Parts within the approved that the DSSL has kept the expenditure under Machinery & Spare Parts within the approved that the DSSL has kept the expenditure under Machinery & Spare Parts within the approved that the DSSL bas shown in the Prospectus, the DSSL has shown all the above mentioned expenditures under the head of Plant & Machinery while submitting the IPO fund utilization certificate.

### Observation 05. Errors of omission/commission of accounting entrice

Query: Underwriting fee of tk. 1,000,000 in relation to IPO Expenses was paid in Ture 2016 but not recorded in the books of accounts.

Explanation: Underwriting fee of tk. 1,000,000 has been accounted for in July- 2016 subject to availability of supporting documents

Query: IPO Expenses of tk. 914,484 was wrongly charged under the head of Salary and Wages in the Financial Statement for the year ended 30 June 2016.

Explanation: It is a clerical mistake which is done by accounts class and subsequently it is corrected in proper head of accounts by Journal entry

Query: DSSL has paid total of Tk. 545,000 through the cheque no. (CAPE 14 (NBL) to arrive agency namely, Destination Travel Service Limited against purchase of air tickets but wrough charged to Working Capital which is contradictory to the Para 8 of Part Colline Consent Latter.

**Explanation:** Working capital includes marketing activities as well in one orders for the company

It is worth mentioning that during the period the company made expenses out of IPO fund. When the Chief Accountant of the company who was responsible for recording the expenses subsequently left the company without handing over the book of accounts related with expenses. For that reason, we were faced problems."

সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭।

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/ ১০০

যেহেতু, Dragon Sweater & Spinning Limited (DSSL)এর লিখিত বক্তব্য থেকে মুক্তিই প্রতিষ্ঠান হয় যে আনীর নোটিশের অভিযোগসমূহ Dragon Sweater & Spinning Limited (DSSL)শ্বীকার করেছে, য বছা কুট এবং সিনিউরিটিছ আইন পরিপালনে ব্যর্থতা বিধায় section 22 of the Securities and Exchange Otchance, 1969 সুনুষ্ঠা শান্তিযোগ্য অপরাধ এবং যা ক্ষমার অযোগ্য;

যেহেতু, কমিশনের বিবেচনায়, সিকিউরিটিজ আইন পরিপালনে উল্লিখিত ব্যর্থতার জন্য, তথা প্রতিবাজারের উন্নয়নের পার্মাপাশি বাজারের শৃংখলা ও স্বচ্ছতা রক্ষার স্বার্থে উক্ত ইস্যুয়ার এবং উহার পরিচালকগনকে জরিমানা করা প্রয়োজন ও সমীটীনঃ

অতএব, সেহেতু, কমিশন, উল্লিখিত যাবতীয় বিষয় বিবেচনাপূর্বক, Securities and Exchange (Ordinan No. XVII of 1969) এর Section 22 [যা The Securities and Exchange (Amendment) Act. 2000 মারা সংশোধি প্রদত্ত ক্ষমতাবলে:

ড্রাগন সোয়েটার এন্ত স্পিনিং লিমিটেড এর পরিচালক জনাবা তাসনিয়া কামক্রন আনিকা এর বিষয়েটা পিচি। ক্রিটিজ ভারিটিজ ও এক্সচেগু কমিশন' এর অনুভূবে ইস্কুত্ব ব্যাংক ড্রাক্ট্রিপি-অর্ডারের মাধ্যমে কমিশনে জমা করতে হবে।

বাংলাদেশ টাটিউ বিটিড আড এক্সডেউ ব্যামিশনের পক্ষে

्राः चप्रकार साम्ब

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বিতরনঃ

জনাবা তাসনিয়া কামরুন আনিকা, পরিচালক, ড্রাগন সোয়েটার এন্ড স্পিনিং লিমিটেড।

সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭।

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/ 🖃 🗸 🤉

তারিবঃ ২ কেব্রুয়ারি, ২০১৮

আদেশ

যেহেতু, Securities and Exchange Ordinance, 1969 (Ordinance No. XVII) কৰি চিচ্চি এই section হৈ মোতাবেক Dragon Sweater & Spinning Limited (DSSL), 'issuer' হিসাবে অভিহিত (মতঃপৰ ইস্ফেল ব উল্লেখিত);

যেহেতু, Commission's decision, for the interest of general investor/ public Ms. MADS & Partners, Chartered Accountants, was appointed as special auditors for auditing by utilization initial public offering (IPO) proceeds of Dragon Sweater & Spinning Limited (DSSL)

As per instruction of the commission, M/s. MABS & J Partners, Chartered Accountants submitted special audit report;

Whereas, M/s. MABS & J Partners, Chartered Accountants, among the standard following observations/ violations in their special audit report on utilization of initial bubble offering (PG) proceeds of Dragon Sweater & Spinning Limited:

01. Significant amount of expenditure was made through cash and not charged as expend

As per Para 7 of Part C of the Consent Letter all the expenditure and transactions diduted have been made through certain banking channel. But DSSL made more than 53% of the total IPO Fund of Taka 400,000,000 in cash. In every cases i. e. purchase of machineries and spare parts, purchase of building materials, payment for IPO Expenses and payments for working capital, DSSL has made cash payments, violating the above mentioned condition laid in the Consent Letter in addition to communications and payments. Followings are the details of cash payments in respect of separate bases of expenditures.

Sl. No.	Heads of expenditure	Purchased through cash	p	% o tota	f I eds		Ren	ar kis	
1	Imported Machinery and Spare parts & Cleaning Erection, Loading/Unloading, Transportation					I Sings impo	l lec ried l spare		for heries were
	& Installation Cost	8,712,816		2.1	8%a	not sepa	rately.		tained
			- Andrews						
2	Building & other Civil Construction	178,943,389			4%				
3	Working Capital	25,587,024			0%	<b>HALISTO</b>			
4	IPO Expenses	1,242,021		0.3	3,0/0				
	Total:	214,485,250			274				

সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৪ ।

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/ ১০ ২

उपिकारिक प्राप्त १००%

- Total of Tk. 8,712,816 (Tk. 1,546,850 for Machineries and Tk. 7,165,966 for Spare Parts) were paid against Machineries and Spare Parts without using any banking channel Cash payments cover 5.17% of total expenditure of Tk. 168,628,089 of machineries and spare parts.
- Till November 2016, the company has utilized IPO Proceeds of Tk. 184,053,555 for the purpose of Building and Other Civil construction. Out of this amount, Tk. 178,943,389 has been spent through cash. Cash payment covers 97.22% of total expenditure incurred under the head of Building and Other Civil Construction.
- DSSL paid an amount of Tk. 25,587,024 in cash as salary and wages to employees for the months from December 2015 to March 2016, which was not included in the proposed utilization of IPO Fund, as per published approved prospectus. Moreover, this amount has not need that god against profit rather retained in the working capital as deferred payment, resumption of prefit.
- PIPO expenses have been incurred through cash instead of cheque. Die the period under hadit Tk. 1,242,021 out of Tk. 14,611,591 (Total IPO expense as per leaguer has been spent through cash. Cash payments cover 8.50% of total expenditure under this head of expenditure. CFD's Comments: The Company has transacted Tk. 214,485,250 as cash violating Para 7 of Para C of the Commission Consent Letter No.SEC/CI/IPO-181/2012/62). Cash di Degember 15,32015 From the aforesaid activities it appears that the company has diverted its 100 fund that 214,485,250. Enforcement department may take necessary action regarding this

### 02. Books of accounts were not maintained properly:

During the audit work, we observed that DSSL did not maintain up to hooks of accounts which were necessary to ensure accountability of utilization of 1PO Proceeds. Details are as follows:

- \* "Imported Machinery" and "Spare Parts & Clearing, Erection, Loading/Unloading, Transportation & Installation Cost" are separate head as per approved and published prospectus, but DSSL has maintained one ledger for these two heads representing total arguing of Th. 168 628 189. Moreover, DSSL has shown above mentioned two heads in the Furth Britation Statement Th. 157,938,707 for Imported Machinery and Tk. 10,689,382 for Spare Parts & Clearing, Erection, Loading/Unloading, and Transportation & Installation Cost. The contrary has spent for Spare Parts & Clearing, Erection, Loading/Unloading, Transportation & Installation Cost in accordance with the ratio mentioned in the Material Management Policies of DSSL Later, we were provided with two separate lists of Machinery and Spare Parts for the same and that returned above.

সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭।

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/ ১৫ 2

তবিৰঃ যেব্যারি ২০১৮

#### CFD's Comments:

- 11. The audited financial statements for the year ended on June 30, 2016 have been prepared including transaction of IPO proceeds. So, the financial statements for the year ended on June 30, 2016 do not reflect true & fair view of the company at lairs and result of its operation.
- 12. Director's declaration as to financial statements in the annual report (page# 23 of 56) for the period ended 30 June 2016 that:
  - a). The financial statements prepared by the management of the company present thirty its state of affairs, the result of its operation, cash flows and changes in equity.
- b). Proper books of account of the company have been maintained etc.

  But, it appears form auditors' report that the company did not maintain some books of accounts which were necessary to ensure accountability of utilization of IPO Proceeds. The directors have provided false and misleading information to the Commission and account the affice and activities the directors have violated the provision of Section 18 of Hall Section and Exchange Ordinance, 1969.
- 18. Implementation schedule has not been followed as per approved/published prospectus.

  Full amount of the IPO Proceeds has not been utilized and time lemented within the specified time as mentioned in page no. 21 of published approprecusors pectus. The cases where implementation schedule has not been met:
  - As per published approved prospectus (Pg. # 21), Building and other Civil Construction acculd have been completed within six months after receiving the IPO Fund it e. August 2016) But construction of building has not yet been completed. Besides, no work completion certificate or any other similar documents were provided to us to understanding present status and the construction work. Moreover, expenses in this regard have been exceeded by Tk. 936.055 than the amount of Tk. 183,117,500allocated for this head.
  - Implementation schedule as mentioned in the published approved prospectus has been violated by making delayed payment of Audit Fee on 23<sup>rd</sup> November 2016, whereas expenditure time line for this expense was specified as within 3-4 months after receiving IPO rund, where the company received IPO Proceeds in February 2016.

    CFD's Comments: From the aforesaid activities the Company has violated Para 8 of Part C of
    - the Commission Consent Letter No.SEC/CI/IPO-181/2012/621 date 1 December 15, 2015.
  - Imported Machinery & Spare Parts including 12 sets of April conditioner for Tk. 1.285,000, 100 sets of UPS for Tk. 2,415,000, 6 sets of exhaust fan for Tk. 108,000 one Generator (mini) for Tk. 1,250,000 and 235 pcs of Plastic Box for Tk. 180,956 were purchased using IPO Fund. However, under the head of "Use of IPO Proceeds" in page no. 18 to 21 of the published approved Prospectus, does not include such items. As per published approved prospectus, Generator of 1400KN differents. As per published approved prospectus, Generator of 1400KN differents a generator of 1500 KVA originated from England for Tk. 24,200,000 but actually procured a generator of 1500 KVA originated from England for Tk. 23,712,000. Five pcs of Ring Spinning machine (Originated from Germany) should have been procured for Tk. 2800,000 but no such machines were procured from IPO proceeds. Furthermore, 32 the second of the page 150 for the published from China) were purchased for Tk. 1,552,000 each screen poly 10 sets of

সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭।

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/ ১৫৩

তারিখঃ ফেব্রেয়ারি, ২০১৮ 🎉

such machines should have been procured for Tk. 2,000,000 each, as per published approved prospectus (Pg.# 19).

However, in accordance with Para 8 of Part C of the Consent Letter, no prior approval from the shareholders in the shareholders' meeting was found to have obtained and intimated to BSEC & Stock Exchanges for aforesaid cases. It is a serious violation of aforesaid Para of the Consent Letter.

CFD's Comments: From the aforesaid activities the Company has replaced Para 8 of Para C of the Commission Consent Letter No.SEC/CI/IPO-181/2012/621 dated December 15, 2015, 1811

20. Errors of omission/commission of accounting entries

In some cases, we observed accounting error in recording transactions. These we opine, made due to error of omission/commission in making entries in the books of records. Some instances are as follows:

- Underwriting fee of Tk. 1,000,000 in relation to IPO Expense was paid in June 2016 but how recorded in the books of accounts.
- ➤ IPO Expenses of Tk. 914,484 was wrongly charged under the head of Salary and Wages in the Financial Statements for the year ended 30 June 2016.
- DSSL has paid total of Tk. 545,000 through the cheque no. 6237364 (NBL) to a travel agency namely, Destination Travel Services Limited against purchase of air tickets but wrongly charged to Working Capital which is contradictory to the Para 8 of Part C of the Consent Letter.

CFD's Comments: From the aforesaid activities the Company has visited Pack of Pack of the Commission Consent Letter No.SEC/CI/IPO-181/2012/621 dated Date moor 15, 2015 181

#### CFD's more comments regarding the said special audit report:

- 06. It appears from the auditors' report that DSL has done following wrong activities:
- → Significant amount of expenditure was made through cash and the charged as expenses
- → Books of accounts was not maintained properly;
- → Machineries were not purchased in accordance with published Prospectus
- Complete disclosure with regard to imported machineries have not been provided in the financial statements/books of accounts; and
- → Errors of omission/commission of accounting entries

যেহেতু, কমিশন উপরোল্লিখিত আইন পরিপালনে ব্যর্থতার দরুন Dragon Sweater & Spinning Limited (DSSL) এর বরাবরে একটি show-cause-cum-hearing notice সূত্র নং- BSEC/Enforcement 2407/2017/169 তারিখ ১৩ জন, ২০১৭ প্রেরণ করে এবং ২৬ জুলাই ২০১৭ তারিখে শুনানীর দিন ধার্য্য করে এবং ধার্য্যকৃত তারিখে Dragon Sweater & Spanning Limited (DSSL)এর ব্যবস্থাপনা পরিচারক, কোম্পানী সচিব এবং অন্যান্য পরিচালকদের প্রের্থিটির মাধ্যমে কোম্পানীর লিখিত বক্তব্য দাখিল করেন। যাতে অন্যান্যের মধ্যে, নিন্মোর দিয়াখনীর বিশ্বতি করেন করেন। যাতে অন্যান্যের মধ্যে, নিন্মোর দিয়াখনীর বিশ্বতি করেন করেন।

"We received your letter no. BSEC/Enforcement/2407/2017/169 dated June 13, 2017 and we appreciate Bangladesh Securities and Exchange Commission for its of bits and monitoring to protect interest of general investors and public.

Martin III

সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/ ১০২

তারিখন ফেক্রারি ২০১৮ ই

Observation 01. Significant amount of expenditure was made through cash and the charged as expenses:

Query: Total of Tk. 8,712,816 (Tk. 1,546,850 for Machineries and Tk. 7,165,966 for Sparse) were paid against Machineries and Spare Parts without using any Banking channel Cash payments cover 5.17% of total expenditure of tk. 168,628,089 of machineries and sparse parts.

Explanation: These are the integral part of capital machineries in order to control and regulated power fluctuations and proper operation and maintenance of the machines. Without places peripherals, such as AC, UPS, Exhaust fan, Plastic box etc. purchase & operation of traces machines will result in a total financial and operational loss. Some spare parts like weir, plastic box, Steel Box, Hole cutting, Tube light and Cable Tray Cover have to be purchased by cash because of they are small traders.

Query: Till November 2016, the company has utilized IPO Proceeds of Te 184.053,555 for the purpose of Building and Other Civil construction. Out of this amount Tk 178,943 389 has been spent through cash. Cash payment covers 97.22% of total expenditure incurred under the head of Building and Other Civil Construction.

Explanation: The factory is located in a remote area, where there is no whole setter and dealer who accepts cheque. Some of those suppliers ask for 5-7% up charge for supplying the construction materials against cheques but instant delivery with 5-7% lower rate or price is available. The company has taken advantage of cheaper price by paying bash. This is the reason why majority of the expense was paid in cash.

Query: DSSL paid an amount of Tk. 25,587,024 in cash as Salary and wages to employees to the months from December 2015 to March 2016, which was not included in the proposed utilization of IPO fund, as per published approved prospectus. Moreo etc. this amount has no been charged against profit rater retained in the working capital as differed payment, resolution overstatement of profit.

Explanation: Since its inception, Dragon Sweater & Spinning Limited had always paid all its salary & wages through cash. This is why it was all paid in cash. However, now that garments industries are moving towards other methods of disbursement, Dragottes weater & Spinning Limited is currently in negotiations with Dutch-Bangla Bank Limited mobile banking division so that all salary & wages can be paid through mobile banking. Due to the company size, it will be implemented in phases. In accordance with prospectus page # 19, we had declared that working Capital Tk. 2.97 crore. From that fund, we have incurred salary and trages to the employees. DSSL has been maintaining accrual basis of accounting as per BFRS. Socialary and wages has been provision in every month according to BAS-37.

Query: IPO expenses have been incurred through cash instead of cheque. During the period under addit. Tk. 1,242,021 out of Tk. 14,611,591 (Total IPO expense as per ledger) has been spent through cash Cash payments cover 8.50% of total expenditure under this head of expenditure.

সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭।

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/ ১০৯

Explanation: There were some technical and petty expenses that had to be incurred with a view to ensure smooth completion of the IPO. Lottery was organized by the post issue manager due to the fact that 23 times more application were received which had to be allotted by lottery. Mentioned petty cash of Tk. 12.43 lacks was spent in cash. As a matter the fact not all expenses were paid in cash Tk. 501,104 was paid to BUET authority by issuing pay order number-0081459 dated-14/02/16 from SBAC Bank. Balance Tk. 730,621 were paid in cash as there was no supplier available for supplying hanging banners, posters, decoration, stationary, sound

no supplier available for supplying hanging banners, posters, decoration, stationary, sourn systems, tonners, food packets, water, launch boxes, security forces, transportation and conveyance, flowers etc. Therefore cash purchase was allowed for table instant purchases assure smooth and quick completion to the satisfaction of the post issue managers after approval of the management.

### Obervation02. Books of accounts were not maintained properly:

Query: "Imported Machinery" and "Spare Parts & Clearing, Erection, Learing Unloading, Transportation & Installation Cost" are separate head as per approved and published prospectus, but DSSL has maintained one ledger for these two heads representing total amount of Tk. 168,628,089. Moreover DSSL has shown above mentioned two heads in the Fund Utilization Statement, Tk. 157,938,707 for Imported Machinery and Tk. 10,689,382 for Spare Parts & Clearing, Erection, Loading/Unloading and Transportation & Installation Cost The company has spent for Spare Parts & Clearing, Erection, Loading/Unloading, Transportation & Installation Cost in accordance with the ratio mentioned in the Material Management Profices of DSS Later, we were provided with two separate lists of Machinery and Spare Parts for the same amount as reported above.

Explanation: Dragon Sweater & Spinning Limited has been maintaining one head of accounts Plant & Machinery in the General Ledger since long. But the company did not maintain separate head of accounts in the General Ledger for Spare Parts and accordingly it has been reflected in the Financial Statement. However, it has been segregated in the Prospection and IPO fund statement for a better and clearer understanding. In future DSSL will maintain two head of accounts for Plant & Machinery and Spare Parts if necessary.

Query: DSSL did not maintain ledger and other supporting documents in the with the breakdown of Building and Other Civil Constructions as mentioned in the published approved prospectus (Pg. #20-21) which made it difficult to trace out that IPO proceeds have been utilized for the heads as specified in the prospectus (Pg. # 20-21) against Building and Other Civil Construction.

Explanation: Building constriction material detail have been given in prospectus page # 20,21 but accounting has been prepared according to **BAS** not as material name. There is a counting head name in **BFRS** like RCC work, Rod, Brick work and Grill work. For that reason **DSS** has maintained above expenses as Capital Works- In- progress.

সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭।

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/ ৯৩২

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Observation 03. Implementation schedule has not been followed as per approved published prospectus.

Query: As per published approved prospectus (Pg. # 21), Building and Other Civil Construction should have been completed within six months after receiving the IPO Fund (i.e. August 2006). But construction of building has not yet been completed. Besides, no work completion certificate or any other similar documents were provided to us to understand the present status of the construction work. Moreover, expenses in this regard have been exceeded by Tk. 936.055 that the amount of Tk. 183,117,500 allocated for this head.

Explanation: Since this is a multi-storied building with a very heavy structure, group casting could not be made possible unless it is approved by the engineers. As you will agree construction has various problems and issues which arise unpredictably. Since we are not experts, we can only go as per the expert's advice. Sufficient progress has been trade in its implementation. Moreover, with added and unplanned work come added to be seen trade in its such as bricks, rods, sand, cement and labour prices have increased since an increase in expenditure when compared to the allowed amount as per the provided documents. The completion certificate or any other similar documents could not be produced by appropriate authority unless the entire construction is compared.

Query: Implementation schedule as mentioned in the published approved prospectus has been violated by making delayed payment of Audit Fee on 23<sup>rd</sup> November 2016, whereas expenditure time line for this expense was specified as within 3-4 months after receiving IPO Fund, whereas the company received IPO proceeds in February 2016.

Explanation: Previously DSSL maintained financial year was January to December. Now it has been changed as a result financial year January to June. For that reason audit has been conducted for the period 18<sup>th</sup> month accordingly accounting year completed 30<sup>th</sup> June 2016. For that reason audit fee has been paid on 23<sup>rd</sup> November 2016.

# Obervation04. Machineries were not purchased in accordance with published Prospectu

Query: Imported Machinery & spare parts including 12 sets of the conditioner for TR. 1,285,000, 100 set of UPS for Tk. 2,415,000, 6 set of exhaust fan for Transaction (mini) for Tk. 1,250,000 and 235 pcs of Plastic Box for Tk. 180,950 were purchased using IPO Fund. However, under the head of "Use of IPO Proceeds" in page no 18 to 21 of published approved Prospectus does not include such items.

As per published prospectus, Generator of 1400KVA originated from Arterica should have been procured for Tk. 24,200,000 but actually procured a generator of 1150bkk vA originated from England for Tk. 23,712,000. Five pcs of Ring Spinning machine (Originated from Germany) should have been procured for Tk. 22,800,000 but no such machines were procured through PO fund. Furthermore, 320 set of Knitting machine (Originated from of Chiaa) were purchased for Tk. 1,552,000 each whereas only 10 set of such machines should have been procured in Tk. 2,000,000 each as per published approved prospectus (Pg# 19).

সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭।

নং-বিএসইসি/এনফোর্সমেন্ট/২৪০৭/২০১৭/ ২০৩

তারিকা ত্রেকার ১০১৮

However, in accordance with Para 8 of Part C of the Consent Letter, no prior approval from the shareholders in the shareholders' meeting was found to have obtained and intimation to BSEC & Stock Exchanges for aforesaid cases. It is a serious violation of aforesaid Para of the Consen Letter.

Explanation: These are the integral part of capital machineries in order to control and reputate power fluctuations and proper operation and maintenance of the machines. Without these peripherals, such as AC, UPS, Exhaust fan, Plastic box etc. purchase & operation of these machines will result in a total financial and operational loss. DSSL changed the decision for purchasing UK made Generator instead of American Generator because the competitive price is less and the performance and warranty period will be better as permittive price is less and the performance and warranty period will be better as permittive price is less and the performance and warranty period will be better as permittive price is less and the performance and warranty period will be better as permittive price is less and the performance and warranty period will be better as permittive price is less and the performance and warranty period will be better as permittive price is less and the performance and warranty period will be better as permittive price is less and the performance and warranty period will be better as permittive price is less and the performance and warranty period will be better as permittive price is less and the performance and warranty period will be better as permittive price is less and the performance and warranty period will be better as permittive price is less and the performance and warranty period will be better as permittive price is less and the performance and warranty period will be better as permittive price is less and the performance and warranty period will be better as permittive price is less and the performance and warranty period will be better as permittive price is less and the performance and warranty period will be better as permittive price is less and the performance and the permittive price is less and the performance and the permittive price is less and the permittive price is less and the performance and the permittive price is less and the permittive price is less and the permittive price is

### Observation 05. Errors of omission/commission of accounting entres

Query: Underwriting fee of tk. 1,000,000 in relation to IPO Expenses was paid in June 2016 but not recorded in the books of accounts.

Explanation: Underwriting fee of tk. 1,000,000 has been accounted to the July-120 6 subject to availability of supporting documents

Query: IPO Expenses of tk. 914,484 was wrongly charged under the head of Salary and Wages in the Financial Statement for the year ended 30 June 2016.

Explanation: It is a clerical mistake which is done by accounts clack and subsequent it is corrected in proper head of accounts by Journal entry

Query: DSSL has paid total of Tk. 545,000 through the cheque no. (Q17,564 (N31) to attavel agency namely, Destination Travel Service Limited against purchase of all tickets but wrongly charged to Working Capital which is contradictory to the Para 8 of Pari Cof the Consent Letter.

Explanation: Working capital includes marketing activities as well in order to generate revenue and new orders for the company

It is worth mentioning that during the period the company made expenses out of IPO fund, when the Chief Accountant of the company who was responsible for recording the expenses subsequently left the company without handing over the book of accounts related with expenses. For that reason, we were faced problems."

সিকিউরিটিজ কমিশন ভবন ই-৬/সি, শের-ই- বাংলা নগর আগারগাঁও, ঢাকা-১২০৭।

নং-বিএসইসি/এ**নফোর্সমেন্ট/২৪০৭/২০১৭/** ১৯০

তারিখঃ ক্রুত্রারি, ২০১৮

যেহেতু, Dragon Sweater & Spinning Limited (DSSL)এর লিখিত বক্তব্য থেকে সুম্পট প্রতীয়মন হয় যে, কোনীর নোটিশের অভিযোগসমূহ Dragon Sweater & Spinning Limited (DSSL)শীকার কলেছ, দি ইচ্ছকৃত এবং নিতিই ইটিজ আইন পরিপালনে ব্যর্থতা বিধায় section 22 of the Securities and Exchange Ordinance, 1969 শ্রামারী শান্তিযোগ্য অপরাধ এবং যা ক্ষমার অযোগ্য;

যেহেতু, কমিশনের বিবেচনায়, সিকিউরিটিজ আইন পরিপালনে উল্লিখিত ব্যর্থতার জন্য, তথা প্রতিষ্ঠানের উল্লেখন প্রাণিধি বাজারের শৃংখলা ও সচ্ছতা রক্ষার স্বার্থে উক্ত ইস্যুয়ার এবং উহার পরিচালকগনকে জরিমানা করা প্রায়োজন ও সমীচীনঃ

ত্রতার, সেহেতু, কমিশন, উল্লিখিত যাবতীয় বিষয় বিবেচনাপূর্বক, Securities and Exchange Ordinance, 1969 Tordina No. XVII of 1969) এর Section 22 [যা The Securities and Exchange (Approximent) Act. 2000 বরা সংক্রিক ক্ষমতাবলে:

ত্রখন সেয়েটার এন্ড স্পিনিং লিমিটেড এর পরিচালক জনাবা সাফিয়া সোবহান চৌধুরী এর উপর ১ (গঁড) লক্ষ্ণ টাক্ জবিমিনা ধার্যা তবল যা অত্র আদেশের ১৫ (পনের) দিনের মধ্যে 'সিকিউরিটিজ ও এক্সচেগু কমিশন' এর অনুকাল ইয়ুক্ত যাংক ভ্রাকট্/পে-অভারের মাধ্যমে কমিশনে জমা করতে হবে

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বাংলাদেশ সিবিট টেটাছ আৰু এরডেও বিমিশনের পঞ্জে

নে ব্যৱস্থ বেলেন

বিতর্নঃ

জনাবা সাফিয়া সোবহান চৌধুরী, পরিচালক, ড্রাগন সোয়েটার এন্ড স্পিনিং লিমিটেড।