SEC/Enforcement/491/2005/734
July 4, 2007

1. Arbee Textiles Limited, 5, Agrabad C/A, Chittagong-4100.

2. Directors, Arbee Textiles Limited, 5, Agrabad C/A, Chittagong-4100.

3. Managing Director, Arbee Textiles Limited, 5, Agrabad C/A, Chittagong-4100.

4. Company Secretary, Arbee Textiles Limited, 5, Agrabad C/A, Chittagong-4100.

Sub: Non-compliance with securities related laws in connection with the submission of the half yearly financial statements for the period ended on June 30, 2006: Warning

As per section 2(g) of the Securities and Exchange Ordinance, 1969 (ORDINANCE No. XVII of 1969) Arbee Textiles Mills Limited is an issuer (herein after referred to as an "issuer").

As per section 11(2) of the Securities and Exchange Ordinance, 1969, an issuer of listed security shall furnish to the Commission such other documents, information or explanation relating to its affair as the Commission may, at any time, by order in writing, require.

It appeared from the half yearly financial statements for half year ended on June 30, 2006 that cost of goods sold shown Tk.41,77,804/- in the profit and loss account while there were no sales during that period, as per cash flow statement a sum of Tk.1,000,355/- had been spent as payment to 'Suppliers and Employees', but it appeared from concerned financial statements that during the period a sum of Tk.530,044/- only spent as an 'Administrative Over head' and Liabilities for Goods Supplied' as on June 30, 2006 has increased by Tk.7,510/- than the same as on December 31, 2005. Further 'Liabilities for Expenses' as on June 30, 2006 has increased by Tk.42,621/- than the same as on December 31, 2005.

A letter No.SEC/CFD/12:15/99/2792 dated September 06, 2006 was issued by the Commission to explain the default under 11(2) of the Securities and Exchange Ordinance, 1969 within September 14, 2006 to the explain the followings:

a) **Reasons for showing Cost of Goods Sold while there were no sales along with items-wise break up of cost of goods sold showing the amount of each item for the half year ended on June 30, 2005 and 2006 side by side.**

b) **Details break up of 'Cash paid to suppliers and employees' showing reconciliation of the same with heads of accounts.**

In reply, the issuer submitted an explanation vide letter dated September 13, 2006, but they failed to furnish the reconciliation for 'Cash paid to Suppliers and Employees' with 'Administrative Overhead', 'Liabilities for Goods Supplied' and 'Liabilities for Expenses' in spite of reminder issued through letter No.SEC/CFD/12:15/99/2902 dated December 06, 2006 by the Commission.

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The aforesaid activities appeared to be deliberate and clear contravention of the provisions of section 11(2) of the Securities and Exchange Ordinance, 1969 attracting penal provision of section 22 of the Securities and Exchange Ordinance, 1969 as well.

A show-cause cum hearing notice dated April 15, 2007 was issued to the issuer and its directors as well as the company secretary under section 22 of the Securities and Exchange Ordinance, 1969, to explain the default and also to appear at the hearing on April 26, 2007. Subsequently, the hearing was rescheduled for May 20, 2007 based on the issuer's request letter dated April 25, 2007. Mr. M.A Sabur, Mr. Hamdullahel Aziz, director and Mr. S.A Solaiman, Accounts Officer appeared at the hearing. In course of hearing, the issuer's director acknowledge the default and committed to submit the rectified financial statements by May 30, 2007 and accordingly submitted the same vide letter dated May 29, 2007.

The Commission, taking into consideration of subsequent submission of the said half yearly financial statements based on the requirements has decided to dispose of the proceedings by placing on record the Commission's dissatisfaction on the default, made by the issuer with a warning to ensure compliance of the securities related laws in future.

Please note that this disposal does not absolve the issuer or any of its directors or officers concerned from their lawful responsibilities/obligations to the persons, if any, affected as a result of the issuer's above stated default.

For Securities and Exchange Commission

Md. Mizanur Rahman
Director (Enforcement)

Copy for information:

Chief Executive Officer, Dhaka Stock Exchange Ltd.
Chief Executive Officer, Chittagong Stock Exchange Ltd.
P.O to Executive Director (R&D), SEC
P.O to Executive Director (SRMI), SEC
P.O to Executive Director (CFD), SEC
P.O to Director (LSD), SEC
P.O to Director (MIS), SEC,
Chairman's Office, SEC