SEC/Enforcement/507/2006/987
September 11, 2006

GMG Industrial Corporation Ltd. (Issuer)
ABC House (9th Floor), 8 Kemal Ataturk Avenue, Banani C/A, Dhaka-1213

Directors
GMG Industrial Corporation Ltd.
ABC House (9th Floor), 8 Kemal Ataturk Avenue, Banani C/A, Dhaka-1213

Managing Director
GMG Industrial Corporation Ltd.
ABC House (9th Floor), 8 Kemal Ataturk Avenue, Banani C/A, Dhaka-1213

Company Secretary
GMG Industrial Corporation Ltd.
ABC House (9th Floor), 8 Kemal Ataturk Avenue, Banani C/A, Dhaka-1213

Sub: **Non compliance of securities law concerning retention of auditor for a consecutive period exceeding three years: Warning**

As per section 2(g) of the Securities and Exchange Ordinance, 1969 (ORDINANCE No. XVII Of 1969) GMG Industrial Corporation Ltd. is an issuer (herein after referred to as "issuer").

Condition (b) of the Commission's Order No.SEC/CFD-71/2001/Admin/02/05 dated January 3, 2002, gazetted on January 30, 2002, reads as follows:

"The issuer company shall not appoint any firm of chartered accountants as its statutory auditor for a consecutive period exceeding three years:

Provided that this provision shall not apply in the case of auditors who will have audited consecutively for three years upon completion of their current assignment:

Provided further that the issuer may continue with the existing statutory auditor subject to the clearance of the Commission if it recommends at least 10% dividend on the face value/paid up capital or 7.5% on the net worth, whichever is higher, for the year immediately preceding the year for which the statutory auditor is appointed."

It appeared from the record that GMG Industrial Corporation Ltd. has retained its auditor M/s. M. M. Rahman & Co., Chartered Accountants, as statutory auditor for a consecutive period exceeding three years (i.e. for the years ended December 31, 2002 to December 31, 2005) without obtaining prior clearance of the Commission.

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

The Commission vide its letter No.SEC/CFD/12:3/99/2618 dated June 18, 2006 requested the issuer to submit its explanations, which the issuer failed to comply.

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

A show cause cum hearing notice No.SEC/Enforcement/507/2006/893 dated August 7, 2006 was issued to you for explaining the said non-compliance. The hearing was conducted on August 27, 2006.

The officials appeared at the hearing submitted a letter dated August 24, 2006 mentioning, among others, that they were unknown about the Commission's Order No.SEC/CFD-71/2001/Admin/02/05 dated January 3, 2002, gazetted on January 30, 2002 and due to mistake the non-compliance occurred. They also assured that such type of mistake would never happen in future.

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

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

For Securities and Exchange Commission

Mansur Alam
Executive Director

<u>Copy for information:</u>

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