SEC/Enforcement/2110/2014/ **September , 2014**
SEC/Enforcement/2110/2014/606 By Courier Service
September 10, 2014

Dragon Sweater and Spinning Limited

25/2, DIT Road

Malibagh Chowdhury Para

Dhaka-1219

Attention: **Managing Director/CEO**

Subject: Penalty Order: Non-compliance of securities related laws.

Dear Sir,

Commission's penalty order No. SEC/Enforcement/2110/2014/605 dated September 10, 2014 is enclosed herewith for your kind information and necessary action.

For Bangladesh Securities and Exchange Commission

Mustari Jahan
Deputy Director (Enforcement)

Distribution:
Chief Executive Officer, Dhaka Stock Exchange Limited
Chief Executive Officer, Chittagong Stock Exchange Limited

Copy for information:
P.O to Commissioner (Enforcement), BSEC
P.O to Executive Director (CI), BSEC
P.O to Executive Director (MIS), BSEC
Chairman's office, BSEC

SEC/Enforcement/2110/2014/ September , 2014

Order

Whereas, as per section 2 (cc) of the Securities and Exchange Ordinance, 1969 (ORDINANCE No. XVII of 1969) "Commission" means Bangladesh Securities and Exchange Commission constituted under Securities and Exchange Commission Act 1993;

Whereas, as per section 2(g) of the Securities and Exchange Ordinance, 1969 (XVII of 1969), Dragon Sweater and Spinning Limited is an "issuer" (here in after referred to as "issuer");

Whereas, on the basis of the observation report of the Commission regarding land documents submitted by Dragon Sweater and Spinning Limited for IPO purpose, a show cause-cum-hearing notice No. SEC/Enforcement/2110/2014/299 dated June 26, 2014 was issued to Dragon Sweater and Spinning Limited to appear at the hearing accusing for violating Rule-19 of Securities and Exchange Commission (Public Issue) Rules, 2006 by submitting fake land document. Hearing has been conducted with the accused. In the show cause-cum-hearing notice following have been mentioned among others;-

Quote

Whereas, as per Rule-19 of Securities and Exchange Commission (Public Issue) Rules, 2006, "If any issuer or its representative violates any of the provisions of these Rules or furnishes false, incorrect, misleading information or suppresses any information, the Securities and Exchange Commission may take appropriate action under the Securities and Exchange Ordinance, 1969."

Whereas, Dragon Sweater and Spinning Limited is under process. They have proposed for issuing 6,00,00,000 (six crore) ordinary shares @Tk.10.00 totaling Tk. 60,00,00,000(sixty crore) .

Whereas, the Commission has observed from the submitted vendor agreement that the issuer company has acquired 38.00 and 133.00 decimal land from Fouzia Quamrun Tania and Mostafa Quamrus Sobhan against **17,10,000 ordinary shares for Tk.10.00 each and 77,34,000 ordinary shares for Tk.10.00 each** respectively. But it has been observed from the deeds No.2889/10 and 2888/10 that the issuer has acquired 38.00 and 133.00 decimal land from Fouzia Quamrun Tania and Mostafa Quamrus Sobhan against cash payment. After getting query from the Commission they have informed that the information in the vendor agreement is correct. Lateron they have submitted the rectified deed (first time). But it has been found that the date in the previous submitted deeds and in the rectified deeds is same. According to the Commission the rectified submitted document is fake. The issuer has confessed the allegation. Finally they have submitted another rectified document.

Contravention: Dragon Sweater and Spinning Limited has violated Rule-19 of Securities and Exchange Commission (Public Issue) Rules, 2006 by submitting fake land document.;

Unquote

Whereas, Rashed Aman (CEO, Dragon Sweater and Spinning Limited) and Ashish Kumar Chowdhury (Manager Accounts, Dragon Sweater and Spinning Limited) has attended the hearing. They have submitted an explanation letter no. NIL dated 9th luly 2014 to the Commission. In the letter they have stated the following among others;

Quote

This is in reference to your letter no. **SEC/Enforcement/2110/2014/299** dated 26th June 2014 dated 26th June 2014 regarding the aforementioned subject with regards to the lPo Application of Dragon sweater and spinning Limited in connection with which it appears that there were some anomalies in the documents submitted.

At the outset, we would like to express our profound gratitude for accepting our submission as per letter dated 5th June 2014 and allowing us the opportunity to provide our explanation. We would like to state that since its incorporation, Dragon sweater and spinning Limited is a 100% export oriented company carrying out business with full compliance, honesty, integrity, diligence and repute and has always conformed to the laws and regulations in all aspects.

Once it was made aware to us that a correction was necessary to mention that the deeds numbered 2888/Lo & 2889/Lo were executed against transfer of shares in face value instead of cash, we had to engage the services of
the third party as the transaction had taken place in a rural area. **Due to time constraints, we submitted the incorrect documents without consulting legal professionals as we were not aware that it was incorrect.** we have already admitted that submitting the above mentioned document in this manner was an innocent mistake and oversight on our part nothing with mala fide intention.

This question has risen out of incorrect processing and involvement by a third party who is a vendor of sub-registrar's office and known as an expert in their profession which is why we have relied on such persons' However please note that the incorrect submission of the amended document did not under any circumstance lead to the hampering of the land title deeds of the company, as that is, and always was always genuine. Once notified that the document was incorrect, we involved ourselves in person along with legal professionals and submitted the correctly amended documents on 3'd June 2014 and in doing so, our review application was by the Commission. Therefore we would like to humbly request that you extend the same understanding and generosity towards us by providing full exoneration from the charges brought against us and with a favorable decision it will avoid the company from suffering irreparable harm and injury as the company has already invested money and time towards its growth and expansion in which we have earned the highest reputation possible throughout south East Asia as a pioneer and model sweater industry in Bangladesh. This will also help towards the livelihood of a few thousand workers of the company and the country will not be deprived from earning foreign exchange. Thus the trust and interest of the shareholders of the company will remain intact and protected.

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ln consideration of the above mentioned facts and circumstances, it is evident that all the relevant and accurate documents as desired and required has been submitted and therefore we solicit your kind consideration and favorable understanding and at the same time we appreciate any of your guidance that you may provide us to smoothly complete the remaining procedures required for this IPO Application and to successfully conduct the business at your desired expectation.

Unquote

Where as , the commission has observed from the submitted vendor agreement that the issuer company has acquired 38.00 and 133.00 decimal land from Fouzia Quamrun Tania and Mostafa Quamrus Sobhan against **17,10,000 ordinary shares for Tk.10.00 each and 77,34,000 ordinary shares for Tk.10.00 each** respectively. But it has been observed from the deeds No.2889/10 and 2888/10 that the issuer has acquired 38.00 and 133.00 decimal land from Fouzia Quamrun Tania and Mostafa Quamrus Sobhan against cash payment. After getting query from the Commission they have informed that the information in the vendor agreement is correct. Later on they have submitted the rectified deed (first time). But it has been found from the first time submitted rectified deeds that the rectification has been done on 26/12/2010 which is not true because they have rectified the deed in the year 2014 after getting query from the Commission. Finally they have submitted another rectified document where it is found that the rectification has been made on 02/06/2014.So,it is proved that the rectified deed they submitted first time to the Commission was fake.

Where as, in this connection the issuer has explained the following among others;

"Due to time constraints, we submitted the incorrect documents without consulting legal professionals as we were not aware that it was incorrect. We have already admitted that submitting the above mentioned document in this manner was an innocent mistake and oversight on our part nothing with mala fide intention.

This question has risen out of incorrect processing and involvement by a third party who is a vendor of sub-registrar's office and known as an expert in their profession which is why we have relied on such persons'

However please note that the incorrect submission of the amended document did not under any circumstance lead to the hampering of the land title deeds of the company, as that is, and always was always genuine. Once notified that the document was incorrect, we involved ourselves in person along with legal professionals and submitted the correctly amended documents on 3'd June 2014"

Where as, fake documents may have impact in future any how. So, their aforesaid explanation is not acceptable. Further to this the company is going to issue 6,00,00,000 (six crore) ordinary shares for Tk. 60,00,00,000 (sixty crore) . There is no way to submit any fake document for IPO purpose to the Commission.

Whereas, from the observation report of the Commission and the written confession of the issuer it is **proved** that the allegation of Rule-19 of Securities and Exchange Commission (Public Issue) Rules, 2006 against the issuer is **correct**.

Whereas, the issuer's aforesaid activities are tantamount to non-compliance of securities law that appears deliberate and clear contravention of Rule-19 of Securities and Exchange Commission (Public Issue) Rules, 2006 attracting penal provision of section 22 of the Securities and Exchange Ordinance, 1969.

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Whereas, to protect the discipline and transparency of the capital market along with its development the Commission deems it appropriate and necessary to impose penalty upon Dragon Sweater and Spinning Limited (issuer).

Now, therefore, Bangladesh Securities and Exchange Commission, in exercise of the power conferred by section 22 (amended by the Securities and Exchange (Amendment) Act, 2000) of the Securities and Exchange Ordinance, 1969 (XVII of 1969) hereby imposes penalty for Tk.05.00 (Tk.Five) Lac upon Dragon Sweater and Spinning Limited (issuer) which is to be deposited to the Commission in the form of Bank Draft/Payorder favouring 'Bangladesh Securities and Exchange Commission' within 15 days from the date of issuance of this order.

By order of the Bangladesh Securities and Exchange Commission

Professor Dr. M. Khairul Hossain
Chairman

Distribution

Managing Director/CEO
Dragon Sweater and Spinning Limited
25/2, DIT Road
Malibagh Chowdhury Para
Dhaka-1219