SEC/Enforcement/1051/2013/30 **Dated: 27 January 2013**

<u>Order</u>

Whereas, as per section 2(g) of the Securities and Exchange Ordinance, 1969 (ORDINANCE No. XVII of 1969) R. N Spinning Mills Ltd. is an issuer (herein after referred to as an "issuer");

Whereas, the issuance of right share of R. N Spinning Mills Ltd. has been approved by the Commission vide letter no. SEC/CI/RI-70/2011/997 dated 11/01/2012;

Whereas, R. N Spinning Mills Ltd. did not comply with the terms and conditions mentioned in the approval letter properly;

Whereas, an enquiry was conducted by the Commission regarding right issue of R. N Spinning Mills Ltd. The enquiry officers have submitted the report. In the enquiry report they stated, among others, the following:

a) Moreover, on June 28, 2012 the enquiring officers visited the office of R.N Spinning Mills Limited, browsed the computer of Mr. Md. Humayun Kabir, company secretary of R.N Spinning Mills Limited and found the letter dated March 25, 2012 where they requested the Commission to disregard the letter dated March 22, 2012 .Since the letter is found in the computer of company secretary, they have no scope to deny the letter as well as attachments. Enquiring officers requested company secretary to give the CPU of the computer of the company secretary, but he has not given. He has stated that "without permission of our company M.D we are unable to hand over hard disk of respective computer." Enquiring officers requested company secretary to give a copy of file of computer where the letter dated March 25, 2012 was found. But the company secretary has denied to give copy of the file. He has stated that "They required a specific file, but I not agreed."

Contravention: By denying to give the CPU and computer file, the company secretary has not cooperated the enquiring officers and thus has violated section 21(2) of Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969).

b) According to the Condition no.8 the issuer required to submit the subscription status report within March 22, 2012. But the issuer has failed to submit the correct subscription status report to the Commission. It is found that the issuer submitted subscription status report to the Commission on April 04, 2012 and called upon for subscription by underwriters on April 26, 2012.

Contravention: R.N Spinning Mills Limited has violated condition No. 8 imposed under Section-2CC of the Securities and Exchange Ordinance, 1969 by failing to submit the correct subscription status report to the Commission within the stipulated time.

SEC/Enforcement/1051/2013/30 **Dated: 27 January 2013**

Order

c) As per condition no. 11 of the approval letter " In case of under subscription, the issuer shall call upon the underwriter within 10 (ten) days of closing of the subscription lists to take up by the underwriter, the entire under subscribed shares, and the underwriter shall subscribe to such under-subscribed shares within 15 (fifteen) days of calling thereof by the issuer on full payment of the share money;" Subscription was open for the period from 19/02/2012 to 13/03/2012. The issuer has called upon for subscription by underwriters on April 26, 2012 instead of March 22, 2012 and underwriters were offered lower amount than the amount reported vide issuers report to the Commission dated April 04, 2012.

Contravention: R.N Spinning Mills Limited has violated condition No. 11 of the approval letter for issuance right share, imposed under Section-2CC of the Securities and Exchange Ordinance, 1969 by failing to call upon the underwriter within the stipulated time and for the appropriate amount.

d) The issuer has allowed the late subscription from the director and sponsor M.L Dying. Mrs. Shirin Faruk , Mr.Kim Jong Suk and M.L dying Limited have deposited money from 03/06/2012 to 07/06/2012.

Contravention: R.N Spinning Mills Limited has violated condition no. 11 of the approval letter and Rule 9(2) of Securities and Exchange Commission (right issue) Rules,2006 by collecting subscription money after the expiry of subscription period through Agrani Bank Limited, Principal Branch which are not mentioned in the ROD as Banker to the issue. The sponsors also violated condition no. 11 of the approval letter and Rule 9(2) of Securities and Exchange Commission (right issue) Rules, 2006.

e) As per condition no. 15 of the approval letter "The proceeds of such rights shares shall be kept in a separate Bank account...."

In the ROD the issuer has mentioned STD Account No.00736000754 with Bank Asia, Scotia Branch as separate bank account where the collected subscription money will be deposited.

They have not deposited Tk. 180,77,61,020.00 said as collected from the underwriters, directors and sponsors in the STD Account No.00736000754 with Bank Asia ,Scotia Branch where the collected subscription money required to be deposited.

Contravention: R.N Spinning Mills Limited has violated condition no. 15 of the approval letter not depositing subscription money in the STD Account No.00736000754 with Bank Asia, Scotia Branch where the collected subscription money was required to be deposited.

f) Using companies money to subscribe right shares**:**

(1) Enquiring Officers found that the subscription money for Tk.160,26,63,580.00 deposited on 03/06/2012 and 04/06/2012 by Mrs. Shirin Faruk, Mr. Kim Jong Suk, directors and M.L. Dying Ltd., sponsor share holder of R.N Spinning Mills Limited in cash and through cheque No.4004225, 4004226, 4004227; 4004223; 4004224 in the account of R.N Spinning Mills Limited maintained at Agrani Bank Limited, Principal Branch bearing No.0200001463799 by debiting the amount from another account of the issuer maintained at the same branch of the bank bearing No.0200001212816. This implies that instead of depositing own fund the director and sponsors have taken company's fund to subscribe right shares.

(2) Then the enquiry officers directed the concerned directors/sponsors vide letters dated July 04, 2012 (Annex-18 of the report)**, under 21 (2) of the Securities and Exchange Ordinance, 1969, to explain their position (alongwith evidences) mentioning that "***... it appears to the enquiry committee that you have used fund of R.N Spinning Mills Limited to subscribe the right shares***". The reply letter for the above was signed by the company secretary mentioning that "***the sponsor director... deposited their subscription money to the respective account from their own money. We feel, further discussion required with you to know more about the matter***" without providing any evidence supporting their statement.**

(3) The enquiry officers directed the issuer vide letter dated July 04, 2012 (Annex-19 of the report), under 21 (2) of the Securities and Exchange Ordinance, 1969, to provide some bank account statements. The issuer provided the same. It is found from the submitted account statement of R.N Spinning Mills Limited maintained at Agrani Bank Limited, Principal Branch bearing No.0200001212816 that Tk.14.50 crore and Tk.25.50 crore were credited in the account on May 29, 2012 vide cheque, Tk.3.90 crore was transferred credit on May 31, 2012, Tk.80.00 crore was transferred credit on June 03, 2012 and Tk.20.00 crore was deposited in cash on June 03, 2012 etc.

(4) The enquiry officers again directed the concerned directors/sponsors vide letters dated July 15, 2012 (Annex-20 of the report), under 21 (2) of the Securities and Exchange Ordinance, 1969, to submit the explanation, if any, mentioning that their explanation signed by the company secretary regarding using companies fund for right subscription is not acceptable. They were also directed to submit statement of bank account from which money was withdrawn to subscribe the right shares. But no reply form the sponsor/issuer is received yet.

SEC/Enforcement/1051/2013/30 **Dated: 27 January 2013**

Order

(5) As per section 17 of The Securities and Exchange Ordinance, 1969 -

*"**Prohibition of fraudulent acts, etc**.- No person shall, for the purpose of inducing, dissuading, **effecting**, preventing or in any manner influencing or turning to his advantage, **the** sale or **purchase of** any **security, directly** or indirectly,-*

a) employ any device, scheme or artifice, or engage in any act, practice or course of business, which operates or is intended or calculated to operate as a fraud or deceit upon any person;"

Contravention:
R.N Spinning Mills Limited, Managing Director, Company Secretary as well as board of directors have violated section 17 (a) of The Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969) by giving company's money (money of all the share holders) to Mrs. Shirin Faruk,director of R.N Spinning Mills Limited ;Mr. Kim Jong Suk, director of R.N Spinning Mills Limited and M.L. Dying Ltd., sponsor share holder of R.N Spinning Mills Limited for subscription of right shares.

g) As per condition no. 13 of the approval letter "All transactions above Tk.1.00 (one) lac must be effected through Demand Draft/Crossed Cheque/Pay Orders;"

Enquiring Officers have found that Mr. Kim Jong Suk, director of R.N Spinning Mills Limited deposited subscription money for Tk.8,88,32,260.00 by cash on 03/06/2012 in the account of R.N Spinning Mills Limited bearing No.0200001463799 maintained at Agrani Bank Limited, Principal Branch which was debited from the account of R.N Spinning Mills Limited bearing No.0200001212816 maintained at Agrani Bank Limited, Principal Branch.
Contravention: Mr. Kim Jong Suk, director of R.N Spinning Mills Limited has violated condition no. 13 of the approval letter by depositing subscription money by cash instead of Demand Draft/Crossed Cheque/Pay Orders.

h) As per condition no. 20 of the approval letter" The company shall comply with the Notification No. SEC/CMRRCD/2009-193/119/Admin/34 dated November 22, 2011, published in the Bangladesh Gadget on December 14, 2011 and the Notification No. SEC/CMRRCD/2009-193/120/Admin/35 dated December 07, 2011 within the stipulated time as mentioned in the notification(s)."

Al-Haj Mustafizur Rahman, chairman; Abdul Quayum Mamun, director and Abid Mostafizur Rahman, director of R.N Spinning Mills Limited have failed to comply with the Notification No. SEC/CMRRCD/2009-193/119/Admin/34 dated November 22, 2011.

SEC/Enforcement/1051/2013/30 **Dated: 27 January 2013**

Order

Contravention: Al-Haj Mustafizur Rahman, chairman; Abdul Quayum Mamun, director and Abid Mostafizur Rahman, director of R.N Spinning Mills Limited have violated Notification No. SEC/CMRRCD/2009-193/119/Admin/34 dated November 22, 2011.

Whereas, the aforesaid activities of R.N Spinning Mills Limited are tantamount to non-compliance of securities law that appears deliberate and clear contravention of section 21(2) & 17 (a) of Securities and Exchange Ordinance, 1969, Rule 9(2) of Securities and Exchange Commission (right issue) Rules, 2006 and condition No. 8, 11, 13 & 15 imposed under Section-2CC of the Securities and Exchange Ordinance, 1969;

Whereas, the Commission issued a show-cause-cum hearing notice vide SEC/Enforcement/968/2012/429 dated September 23, 2012 to Managing director, company secretary and directors of R.N Spinning Mills Limited for aforesaid contraventions and hearing date was fixed on October 04, 2012. Mr. Zahid Bhuiyan, advocate was present in the hearing and submitted a written explanation vide letter dated October 04, 2012. Which stated, among others the following:-

"Regarding your show-cause notice for non compliance of securities related rules, our status stated below:

Contravention (a) : By denying to give the CPU and computer file, the company secretary has not co-operated the enquiring officers and thus has violated section 21(2) of Securities and Exchange Ordinance, 1969 (Ordinance No. XVII of 1969).

Our status: The company secretary actually did co-operate with them in every means possible. Only in the case of demanding the computers CPU, the company secretary unable to give it just because the company's MD was not present at the premises during the time.

It also mentions here that we are not related with the letter of March 22, 2012 at all, which is written in your show cause notice. We denied that the letter with the attachment is found in our computer, this comment is not correct.

Contravention (b): R.N. Spinning Mills Limited has violated condition No. 8 imposed under Section -2CC of the Securities and Exchange Ordinance, 1969 by failing to submit the correct subscription status report to the Commission within the stipulated time.

Our status: We accept that we submit the subscription report lately and we truly apologize to the Securities and Exchange Commission for it. We hope you will be obliged enough to forgive us about this matter.

Contravention(c): R.N. Spinning Mills Limited has violated condition No. 11 of the approval letter for issuance right share, imposed under Section-2CC of the Securities and Exchange Ordinance, 1969 by failing to call upon the underwriter within the stipulated time and for the appropriate amount.

SEC/Enforcement/1051/2013/30 **Dated: 27 January 2013**

Order

Our status: Two Directors and one Sponsor shareholder did not deposit their subscription money in the stipulated time and we were not sure how much money we could call from the underwriters. All the Directors and Sponsors shareholder have shown their interest to deposit their total subscription money. In this regard we have called the under subscription money to underwrite. We got the decisions from the directors and sponsors in delay. We were not able call the underwriter in stipulated time.

Contravention (d): R.N. Spinning Mills Limited has violated condition no.11 of the approval letter and Rule 9(2) of Securities and Exchange Commission (right issue) Rules, 2006 by collecting subscription money after the expiry of subscription period through Agrani Bank Limited, Principal Branch which are not mentioned in the ROD as Banker to the issue. The sponsors also violated condition no. 11 of the approval letter and Rule 9(2) of Securities and Exchange Commission (right issue) Rules, 2006.

Our status: Two Directors and a Sponsor were unable to pay their subscription money within the stipulated time. They have deposited their subscription money from 03.06.2012 to 07.06.2012, when the Scotia Branch of Bank Asia Limited did not agree to receive the subscription money, instantly we opened a new account on Agrani Bank Limited, principal branch and deposited the money.

Contravention (e): R.N Spinning Mills Limited has violated condition no.15 of the approval letter not depositing subscription money in the STD Account No 00736000754 with Bank Asia Limited, Scotia Branch where the collected subscription money was required to be deposited.

Our Status: The issuers have received the money lately from the two directors, one sponsor and underwriter. Subsequently we several times requested Bank Asia Limited to receive the money but they refused tremendously. Due to the above circumstances we had to open the new account to Agrani Bank Limited, Principal Brance and deposited the money.

Contravention (f): R.N. Spinning Mills Limited, Managing Director, Company Secretary as well as board of directors have violated section 17 (a) of the securities and Exchange Ordinance, 1969 (Ordinance No, XVII of 1969) by giving company's money (money of all the share holders) to Mrs. Shirin Faruk, director of R.N. Spinning Mills Limited, Mr. Kim Jung suk, director of R.N. Spinning Mills Limited and M.L Dying Limited, sponsor share holder of R.N. Spinning Mills Limited for subscription of right shares.

Our status: When the two directors and a sponsor were shown their interest to deposit the subscription money, Bank Asia denied to receiving the amount. Instantly, we opened the CD A/C (opened date 25.04.2012) with Agrani Bank Ltd, principal Branch in the name of R.N spinning mills Ltd. and deposited the said money. Subsequently, we have tried to deposit the subscription money to lead Bank STD A/C of Bank Asia Ltd. Scotia Branch, but they have refused to receive this said amount. Even we were also talked with higher authorities of the Bank Asia Ltd but failed.

SEC/Enforcement/1051/2013/30 **Dated: 27 January 2013**

Order

After we tremendously requested to Bank Asia Limited to receive the subscription money but they refused, then we bound to open a new STD A/C (open date 3rd June ,2012) with the same branch of Agrani Bank Ltd and transfer the subscription money of amounting to Tk.160,26,63,580.00 and accordingly submitted the report to SEC. Later on authority of the SEC gave permission to Bank Asia for receiving the said subscription amount .After getting the permission from SEC, Bank Asia Limited issued a letter to issuer to deposit the subscription money to their respective branch and we have done that accordingly.

In addition to that we also explain the following points

i).Any export or Import business not done by R.N Spinning Mills Ltd within the period of Bank statement from Bank Account opening date .
ii). It also mentionable point that as per Company's Bond License, which issued by custom authority, allow business transaction with Bank Asia Limited, The city Bank Ltd and Social Islami Bank ltd. Any other bank is not allowed to do the business transaction on behalf of R.N Spinning Mills Ltd. So it is quite impossible to fund generated in the account with Agrani Bank Ltd by Export/ Import or any other transaction of R.N. Spinning mills Ltd

Contravention (g): Mr. Kim Jung Suk, director of R.N. Spinning Mills Limited has violated condition no.13 of the approval letter by depositing subscription money by cash instead of Demand Draft/Crossed Cheque/Pay Orders.

Our status: Yes, we have deposited the certain money by cash due to some unavoidable circumstances to deposit the money. We truly want your apologize for it. We are really sorry for that.

Contravention (h): Al-Haj Mustafizur Rahman, Chirman; Abdul Quayum Mamun, director and Abid Mostafizur Rahman, Director of R.N Spinning Mills Limited have violated Notification No. SEC/CMRRCD/2009-193/119/Admin/34 dated November 22, 2011.

Our status: Al-Haj Mostafizur Rahman Chairman, Abdul Quyum Mammon Director and Abid Mostafizur Rahman Director have failed to comply the holding 2% shares within 22 May 2012. Accordingly, we have declared vacancy of their Directorship. Meanwhile we have already submitted form XII to the RJC for the certified copy.
Conclusion: In conclusion, we apologize for all the events, which occurred by some unavoidable circumstances. Actually these events are started by non-payment of subscription money by two directors & a sponsor within the stipulated time .Later on all events are the sequence of each other happens one by one, which was totally beyond our control."

Whereas, it appears from the written explanation of R.N Spinning Mills Limited that they have admitted the allegations, which is deliberate and clear contraventions of securities laws and punishable and unforgivable under Section 22 of the Securities and Exchange Ordinance, 1969;

SEC/Enforcement/1051/2013/30 **Dated: 27 January 2013**

Order

Whereas, according to commission view for the failure to comply with the provision of laws and also development and maintaining discipline and transparency commission deems it appropriate and necessary to impose penalty upon issuer and it's directors for the aforesaid non-compliance;

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.25.00 (Tk. Twenty Five) Lac upon Mrs Shirin Faruq, director of R. N Spinning Mills Ltd. 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:
Mrs Shirin Faruq
Director, R. N Spinning Mills Ltd.
M.L. Tower (5th Floor)
1, East Rampura, DIT Road
Dhaka-1219.

Note: This is a translation of the original order. If there is any conflict between original order and translation, provision of the original order will prevail.