



AUDITORS' REPORT On IPO Proceeds Utilization

We have audited the annexed Statement of Initial Public Offering (IPO) Proceeds Utilization of **Queen South Textile Mills Ltd.** as on February 29, 2020.

Management's Responsibility for the IPO Proceeds Utilization

Management is responsible for the preparation and fair presentation of this IPO Proceeds Utilization Statement and its related documents in accordance with Bangladesh Securities and Exchange Commission (BSEC) guidelines.

Auditor's Responsibility

Our responsibility is to express an independent opinion on this Initial Public Offering (IPO) Proceeds Utilization Statement based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA) and Bangladesh Securities and Exchange Commission (BSEC) guidelines.

We believe that the audit evidence we have obtained as provided by the management of the company is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our Opinion, the Statement of Initial Public Offering (IPO) Proceeds Utilization prepared in accordance with Bangladesh Securities and Exchange Commission (BSEC) guidelines presents fairly in all material respects, of the statement as on 29 February 2020 and complies with the prospectus and revised IPO Utilization plan as approved by the shareholders in the 17th AGM held on 22nd December 2019.

We draw attention to the following matters,

1. The Company has utilized a total amount of Tk. 69,371,787 from IPO proceeds as described in the prospectus and revised IPO Utilization plan as approved by the shareholders in respect of Acquisition & installation of machineries for Tk. 50,027,871 against L/C payment; Repayment of short term bank loan for Tk. 6,343,916 against L/C Payment and IPO Expenses for Tk. 13,000,000.
2. During the month, The Company utilized Tk. Nil.
3. In respect of Acquisition & Installation of Machineries for modernization of existing factory, The company had opened a letter of Credit with Woori Bank, L/C No.200010219210699 valued EUR 300,000 dated ; November 20,2019 .The Company has purchased natural gas engine generator set through the said L/C and paid EUR 300,000 equivalent to Tk. 29,290,500 from own source from company's another bank account No. 1509230010757.The company will adjust Tk.5,984,163 from un-utilized IPO fund after the encashment of FDR No. 0102 24300053090 upon receiving the importing machineries. The machineries have not been reached yet at the designated destination. It is mentionable here that the company has purchased natural gas engine generator set instead of purchasing 1 set of Yarn Package Drying Machine and 20 set of Stainless-Steel trolleys as per prospectus and this plan was approved by the shareholders on the 17th Annual General Meeting and approval are yet to be received from BSEC.
4. The Company had opened a Letter of Credit (L/C No. DC DAO964037) under Proforma Invoice No. NT0019001 on November 24, 2019 with HSBC Bank of total L/C value of USD 1,493,995 for importing automatic warehouse system machineries among which USD 996,975 has been paid as margin deposit from own source during this month and remaining USD 497,020 (USD 1,493,995- USD 996,975) will be paid from own source from Bank Account No.050-002120-005, HSBC Bank, Dhaka Gulshan Branch. The Automatic Warehouse System machineries have not been reached yet at the designated destination. The fund will be utilized/adjusted upon receiving the importing machineries and settlement of the said L/C.
5. The Company has maintained Fixed Deposit Receipts (FDR) of Tk. 10,000,000 with Premier Bank Limited, Gulshan Branch, (FDR A/C NO. 0102 24300053090) as per bank certificate No. Premier/Gulshan/GB/2020/169 dated March 03, 2020.



6. The Time Frame for utilization of IPO Proceeds has been extended up to 31st October 2019 and approved by the Shareholders on the 16th Annual General Meeting held on December 27, 2018. The revised IPO Utilization plan is yet to be approved by the Bangladesh Securities and Exchange Commission (BSEC). It is mentionable here that the Time Frame for utilization of IPO Proceeds has been extended for the 2nd time up to 30th June 2020 and approved by the Shareholders on the 17th Annual General Meeting held on December 22, 2019. The revised IPO Utilization plan is yet to be approved by the Bangladesh Securities and Exchange Commission (BSEC)

We also state that referred to above:

- a) IPO proceeds have been utilized for the purposes as specified in the prospectus and revised IPO Utilization plan;
- b) IPO proceeds have been utilized in line with the conditions as stipulated in the BSEC's Consent letter for the IPO;
- c) Utilization of IPO proceeds is being under completion within the time frame as specified in the prospectus and revised IPO Utilization plan as approved in the 17th AGM held on 22nd December 2019.
- d) Utilization of IPO proceeds is accurate for the purposes of the company as mentioned in the prospectus;
- e) The annexed audited Statement of IPO Proceeds Utilization has been made upon verification of all necessary documents/papers/vouchers in support of utilization of IPO Proceeds making reconciliation with the Bank statement as submitted by the management of the company for the purpose.

Place: Dhaka;
Date: March 12, 2020.


Ahmed Zaker & Co.
Chartered Accountants

Report on Utilization of IPO Proceeds

Name of the Company
Amount (BDT) of Capital Raised Through IPO
Date of Close of Subscription
Proceeds Receiving Date

for the month of 29 February, 2020
: **Queen South Textile Mills Ltd.**
: Tk. 150,000,000
: January 15, 2018
: January 25, 2018

Last Date of Full Utilization of Fund as per Prospectus
Revised time line (Up to 30th June 2020)
Amount as per Prospectus
Utilized Amount
Utilized (%)
Total Un-utilized Amount
Un-utilized (%)
Remarks

SL	Purpose Mentioned in the Prospectus	Time line as per prospectus	Revised time line (Up to 30th June 2020)	Amount as per Prospectus	This month	Total Utilized Amount	Utilized (%)	Total Un-utilized Amount	Un-utilized (%)	Remarks
a)	Construction of Automatic warehouse System	Within 12 months of receiving IPO fund	Up to 30th June 2020 as approved in the 17th AGM held on 22nd December 2019	74,644,050	-	-	0.00%	74,644,050	100.00%	
b)	Acquisition & Installation of Machineries for modernization of existing factory	Within 12 months of receiving IPO fund	-	56,012,034	-	50,027,871	89.32%	5,984,163	10.68%	
c)	Repayment of short term bank loan	Within 3 months of receiving IPO fund	-	6,343,916	-	6,343,916	100.00%	-	0.00%	
d)	IPO Expenses	As and when required	-	13,000,000	-	13,000,000	100.00%	-	0.00%	
Total				150,000,000	-	69,371,787	-	80,628,213	-	
Net Interest on IPO Proceeds				11,186,027						
Un-Utilized IPO Proceeds				80,628,213						
Total Un-Utilized IPO Proceeds with Interest Income Percentage:				91,814,240						

Interest on IPO Proceeds: 7.46%
Un-Utilized IPO Proceeds with Interest Income: 61.21%

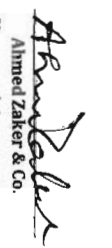
Notes:

- During the month, The company has utilized Tk. Nil.
- In respect of Acquisition & Installation of Machineries for modernization of existing factory, The company had opened a letter of Credit with Woori Bank, L/C No. 200010219210699 valued EUR 300,000 dated : November 20,2019. The Company has purchased natural gas engine generator set through the said L/C and paid EUR 300,000 equivalent to Tk. 29,290,500 from own source from company's another bank account No. 1509230010757. The company will adjust Tk.5,984,163 from un-utilized IPO fund after the encashment of FDR No. 0102 24300053090 upon receiving the importing machineries. The machineries have not been reached yet at the designated destination. It is mentionable here that the company has purchased natural gas engine generator set instead of purchasing 1 set of Yarn Package Drying Machine and 20 set of Stainless Steel trolleys as per prospectus and this plan was approved by the shareholders on the 17th Annual General Meeting and approval are yet to be received from BSEC.
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- The Company has maintained Fixed Deposit Receipts (FDR) of Tk. 10,000,000 with Premier Bank Limited, Gulshan Branch, (FDR A/C NO. 0102 24300053090) as per bank certificate No. Premier/Gulshan/GB/2020/169 dated March 03, 2020.
- The Company has got permission from BEPZA (Bangladesh Export Processing Zones Authority) Dated: November 13,2018 for Construction of Automatic warehouse system and has started the construction work on February, 2019.
- The Time Frame for utilization of IPO Proceeds has been extended up to 31st October 2019 and approved by the Shareholders on the 16th Annual General Meeting held on December 27,2018. The revised IPO Utilization plan is yet to be approved by the Bangladesh Securities and Exchange Commission (BSEC). It is mentionable here that the Time Frame for utilization of IPO Proceeds has been extended for the 2nd time up to 30th June 2020 and approved by the Shareholders on the 17th Annual General Meeting held on December 22,2019. The revised IPO Utilization plan is yet to be approved by the Bangladesh Securities and Exchange Commission (BSEC)


Chief Financial Officer


Company Secretary


CEO


Ahmed Zaker & Co.
Chartered Accountants
(AKM) Mohitul Haq, FCA
Senior Partner

Goutam Chandra Roy
Chief Financial Officer
Queen South Textile Mills Ltd.

Massum Rana
Company Secretary
Queen South Textile Mills Ltd.

Liang Chin Hsien
Chief Executive Officer
Queen South Textile Mills LTD.