



Queen South Textile Mills Limited

Plot No. 85-88, Extension Area, Dhaka Export
Processing Zone, Savar, Dhaka, Bangladesh
Tel: 09617775555, Fax : 88(02)-7790216

QSTML/2020/CS/126

Date: October 14, 2020

The Executive Director, CFD
Bangladesh Securities and Exchange Commission,
Securities Commission Bhaban,
E-6/C, Agargaon, Sher-e-Bangla Nagar Administrative Area,
Dhaka-1207.

The Chief Regulatory Officer
Dhaka Stock Exchange Limited
9/F Motijheel C/A
Dhaka-1000

The Chief Regulatory Officer
Chittagong Stock Exchange Limited,
Eunoos Centre, 15th Floor,
52-53 Dilkusha, Dhaka

Subject: Fund utilization reports of IPO proceeds.

Dear Sir,

This is to inform you that we are submitting our fund utilization from IPO proceeds for the month of September 2020 as company mentioned into the prospectus for uses of fund under section-XXII.

This is for your kind information and record.

Sincerely yours

Md. Massum Rana
Company Secretary

Enclosed herewith

1. Report on Utilization of IPO proceeds
2. Auditors report on IPO proceeds utilization



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Queen South Textile Mills Limited
Utilization of IPO Proceed

For the month of September, 2020



Solution....Begins

Rahman Mostafa Alam & Co.

Chartered Accountants



Independent Auditors' Report
To the Bangladesh Securities & Exchange Commission (BSEC)
on the utilization of the IPO Proceeds
of Queen South Textile Mills Ltd.
For the Month of September, 2020

Qualified Opinion

We have audited the Report on the utilization of IPO Proceeds (hereinafter "the Report") of Queen South Textile Mills Ltd. for the month of September, 2020.

In our opinion, except for the effect of the matters described in the Basis for Qualified opinion section of our report the accompanying the Report of the Company for the month June 2020 is prepared, in all material respects, following section 2,3,4,5 and 6 of Part-C of conditions under sections 2CC of the Securities and Exchange Ordinance 1969 of SECTION (ii): CONDITIONS IMPOSED BY THE COMMISSION IN THE CONSENT LETTER for INITIAL PUBLIC OFFER (IPO) of the company as mentioned in the prospectus (hereinafter "THE CONDITIONS").

The basis for Qualified Opinion

1. Without completing installation of machineries, as mentioned in prospectus, the company paid money to suppliers and shown IPO proceed utilization 100% completed.
2. The company has purchased natural gas engine generator set instead of purchasing 1 set of Yarn Pachege Drying Machine and 20 sets of Stainless Steel trolleys as per IPO prospectus and this revision of the IPO proceeds utilization plan was approved by the shareholders in the 17th Annual General Meeting held on December 22, 2019. Intimated to BSEC of the said revision on December 24, 2019, without explanation as required by THE CONDITIONS.
3. IPO proceeds utilization period extended up to October 31, 2019, in the 16th Annual General Meeting (AGM) of the shareholders and subsequently up to June 30, 2020, in 17th AGM. Intimation to BSEC of the said revision with the explanation as required by THE CONDITIONS. Again the company failed to utilize the entire IPO proceeds in the stipulated time, i.e. June 30, 2020 as per THE CONDITIONS and they notified to BSEC at July 29, 2020.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of IPO proceeds of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter

We draw attention to the fact that this report is prepared to assist the company to meet THE CONDITIONS. As a result, the Report may not be suitable for another purpose. Our report is solely for the company and regulator BSEC and should not be distributed to parties other than the company or regulator BSEC. Our opinion is not modified in respect of this matter.

Other Matters

According to THE CONDITIONS, the report on the utilization of IPO Proceeds from April 2018 to February 2020 was audited by Messers Ahmed Zaker & Co., Chartered Accountants and subsequent periods up to this report are audited by us.



Responsibilities of Management and Those Charged with Governance for the Report

Management is responsible for the preparation of the Report in accordance with THE CONDITIONS and for such internal control as management determines is necessary to enable the preparation of the Report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Report

Our objectives are to obtain reasonable assurance about whether the Report is free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken based on this report.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Other Reporting Requirement

Subject to our qualified opinion and basis for the qualified opinion we also report that-

- a) The Company has utilized an amount of Taka 150,000,000 till September 30, 2020, for the purposes/heads as specified in the prospectus and as per the decision of shareholders in the Annual General Meeting (AGM) held on December 22, 2019, out of total IPO proceeds of Taka 150,000,000. Total balance of four (04) bank accounts used for IPO proceed collection is Tk.401,181 which consists of unallocated share money Tk.100,000 and interests of IPO accounts money invested in FDRs Tk.301,181. Detail disclosed in Annexure-A of the Report.
- b) IPO proceeds have not been utilized in line with the prospectus but approval of the revision of IPO proceeds utilization taken in 17th AGM held on December 22, 2019, as per THE CONDITIONS.
- c) The utilization of IPO proceeds have not been completed within the time schedule/implementation schedule as specified in the published prospectus and as approved in the 16th and 17th AGM of the Company. IPO proceeds utilization period extended up to 31st October 2019 in its 16th AGM of the shareholders held on December 27, 2018, and subsequently up to June 30, 2020 in 17th AGM held on December 22, 2019.
- d) The utilization of IPO proceeds was accurate and made for the purpose of the company as mentioned/specified in the published prospectus and revised implementation schedule as approved by the shareholders in their 16th AGM and 17th AGM held on December 27, 2018, and December 22, 2019, respectively. Intimation of the said revision was made with BSEC on January 06, 2014, and December 24, 2019, respectively without explanation as required by the condition no. 6 of THE CONDITIONS.
- e) We couldn't verify whether the assets have been procured/imported/constructed maintaining proper/required procedures at a reasonable price as because comparative statements of procured goods were not made available for our verification.
- f) Verification of all necessary documents /papers/vouchers has been made in support of IPO proceeds making reconciliation with bank statements except as mentioned above.

Dated: Dhaka
October 14, 2020


Rahman Mostafa Alam & Co.
Chartered Accountants

Report on the Utilization of IPO Proceeds

For the month of September 2020

Queen South Textile Mills Ltd.

: Tk. 150,000,000

: January 15, 2018

: January 25, 2018

: Within June 30, 2020

Following the approval in the 17th AGM

Name of the Company
Amount (BDT) of Capital Raised Through IPO
Date of Close of Subscription
Proceeds Receiving Date
Last Date of Full Utilization of Fund as per Prospectus

SL	Purpose Mentioned in the Prospectus	Timeline as per Prospectus	Revised timeline (Up to June 30, 2020)	Amount as per Prospectus	Utilized Amount 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 June 30, 2020, as approved in the 17th AGM held on December 22, 2019	74,644,050	-	74,644,050	100.00%	-	0.00%	
b)	Acquisition & Installation of Machineries for modernization of existing factory	Within 12 months of receiving IPO fund	-	56,012,034	5,984,163	56,012,034	100.00%	-	0.00%	
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	5,984,163	150,000,000				
Interest earned from FDRs made from IPO Proceeds				11,407,771						
Interest utilized for foreign exchange fluctuation loss incurred for purchase of PPE mentioned above				11,106,590						
Balance of interest				301,181						

Percentage:

Interest on IPO Proceeds: 7.6%

Balance of interest: 0.20%

Notes:

- During the month, We have declared that total IPO fund has utilized according to our prospectus. We like to inform, that we completed the encashment of FDR vide no. 0102 24300053090 including interest Tk. 10,495,530 which credited into our Premier Bank against FDR. Regarding this amount, we had been settled the IPO payment as mentioned below note No. C. The company realized and adjusted the own fund to complete the IPO Process.
- 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 machinery among which USD 956,975 has been paid as margin deposit from the IPO Fund and remaining USD 537,020 (USD 1,493,995- USD 956,975) will be paid from own source from Bank Account No.050-002120-005, HSBC Bank, Dhaka Gulshan Branch. (i) invoice No. NT-IV-20017, USD-\$ 169,013.16, BL number: 599180142 (ii) invoice No. NT-IV-20019, USD 433,887.40, BL Number 599180175 (iii) Invoice No. NT-IV-20022, USD-\$ 506,423.18, BL number: 599180270 (iv) Invoice No. NT-IV-20023, USD-\$ 309,378.95, BL number: 599180275. Automatic Warehouse System machinery goods already arrived at the designated destination (Factory Premises).
- In respect of Acquisition & Installation of Machineries for modernization of the 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 the company's other bank account No. 1509230010757. The company will adjust Tk.5,984,163 from an un-utilized IPO fund after the encashment of FDR No. 0102 24300053090 upon receiving the importing machinery. The machinery has been reached at the designated destination but is not installed yet. 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 sets of Stainless Steel trolleys as per prospectus and this plan was approved by the shareholders on the 17th Annual General Meeting and notified to BSEC.
- 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/2020/402 dated September 02, 2020.
- The Company has got permission from BEPZA (Bangladesh Export Processing Zones Authority) Dated: November 13, 2018, for the Construction of an Automatic warehouse system and has started the construction work in 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, and notified to Bangladesh Securities and Exchange Commission (BSEC). Due to the current pandemic situation of COVID-19, we did not complete utilization on time which is informed to BSEC vide our letter No. QSTML/2019/CS/116 date 28 July 2020 and the revised IPO Utilization plan is yet to be submitted to the Bangladesh Securities and Exchange Commission (BSEC).

Annexure A and Annexure A-1 is form an integral part of the report.

Rahman Mostafa Alam & Co.
Chartered Accountants
14-1 Queen South Textile Mills Ltd.

Chief Financial Officer

Chief Financial Officer

Chief Financial Officer

Queen South Textile Mills Ltd.

Company Secretary

Massum Rana

Company Secretary

Queen South Textile Mills Ltd.

CEO

Liang Chin Hsien

Chief Executive Officer

Queen South Textile Mills LTD





Annexure-A

Reconciliation of IPO/RI Fund Utilization
Report on the Utilization of IPO Proceeds
For the Month of September 2020

Particulars		Amount in Tk.
IPO Fund		150,000,000
Add: Interest (Detail disclosed in Annexure A-1)		11,407,771
Total Fund including interest		161,407,771
Less: Utilized IPO Proceed and interest		161,106,590
Balance Interest lying in IPO Accounts		301,181
Closing balance as per IPO bank statement		401,181
A/C: 2148315001062(BDT)	283,667	
A/C: 2148511000154(EUR) (207.6x96.3556)	20,000	
A/C: 2148517000877(USD) (1187.00x82.20)	97,513	
A/C: 2148517005124(GBP) (0.00x109.8808)	-	
Less: Un-Allocated Share Apply Money		100,000
Balance of Interest		301,181





Queen South Textile Mills Ltd.

Statement of Fixed Deposit Receipt

For the month of September 2020

SI No.	FDR No.	Bank Name	Principal (Previous Cumulative Balance)	Interest	TDS	Excise Duty	Encashed	Closing
1	0102 24300052606	Premier	100,000,000	8,017,739.93	801,774	50,000	107,165,966	-
2	0102 24300052679	Premier	12,800,000	874,629.73	87,463	24,000	13,563,167	-
3	0102 24300052935	Premier	88,531,550	3,342,342.68	334,234	25,000	91,514,658	-
4	0102 24300053090	Premier	10,000,000	570,033.54	57,003	17,500	10,495,530	-
	Total		211,331,550	12,804,746	1,280,475	116,500	222,739,321	-

Net Interest earned so far September 30, 2020

11,407,771

Amount
2,193,750
280,800
1,494,583
139,591
14,716
1,516,076
193,929
2,095,687
1,195,176
1,211,311
576,622
269,289
226,241
11,407,771

FDR No. 0102 24300052606 interest has been received during the month of August 18
 FDR No. 0102 24300052679 interest has been received during the month of September 18
 FDR No. 0102 24300052606 interest has been received during the month of November 18
 FDR No. 0102 24300052679 interest has been received during the month of December 18
 FDR No. 0102 24300052679 interest has been received during the month of January 19
 FDR No. 0102 24300052606 interest has been received during the month of February 19
 FDR No. 0102 24300052679 interest has been received during the month of March 19
 FDR No. 0102 24300052679 & 0102 24300052679 interest has been received during the month of May 19
 FDR No. 0102 24300052935 interest has been received during the month of August 19
 FDR No. 0102 24300052935 interest has been received during the month of November 19
 FDR No. 0102 24300052935 interest has been received during the month of December 19
 FDR No. 0102 24300053090 interest has been received during the month of March & June 20
 FDR No. 0102 24300053090 interest has been received during the month of September 20

