

RED-HERRING PROSPECTUS



“পুঁজিবাজারে বিনিয়োগ ঝুঁকিপূর্ণ। জেনে ও বুঝে বিনিয়োগ করুন”

“Investment in capital market involves certain degree of risks. The investors are required to read the prospectus and risk factors carefully, assess their own financial conditions and risk taking ability before making their investment decisions.”

PUBLIC ISSUE OF [•] ORDINARY SHARES

Issue Date of the Prospectus: [•]

OFFER PRICE BDT [•] EACH, INCLUDING A PREMIUM OF BDT [•] PER SHARE, TOTAL SIZE OF FUND TO BE RAISED
BDT 600,000,000/-

Opening and closing date of subscription:

Opening Date for Subscription: [•]

Closing Date for Subscription (Cut-off Date): [•]

RED-HERRING PROSPECTUS Of



Star Ceramics Limited

Issue Managers



Roots Investment Limited

AND



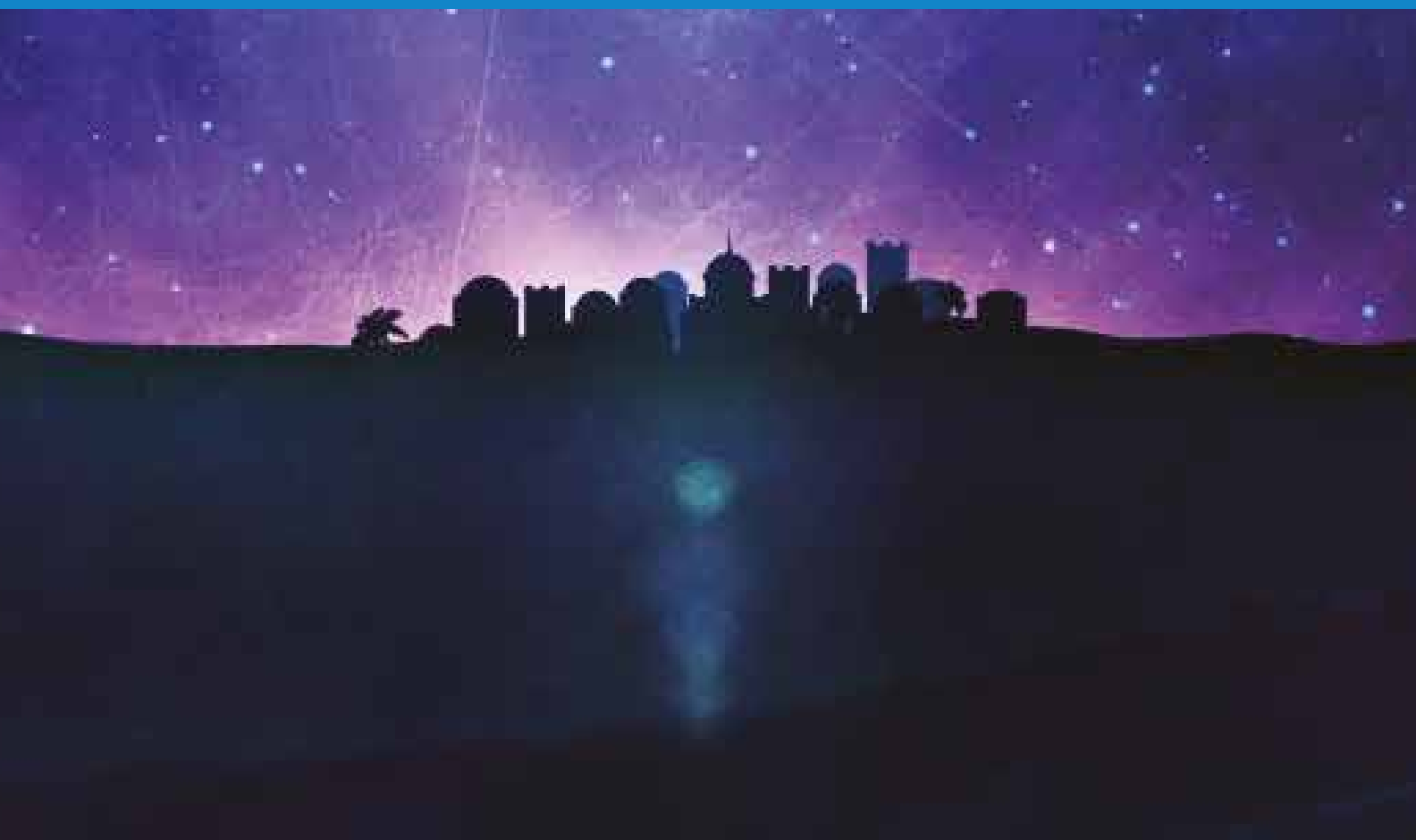
ICB Capital Management Limited

CREDIT RATING STATUS

| Credit Rating Status | Long Term | Short Term |
|----------------------|--|------------|
| Entity Rating | A | ST-3 |
| Validity of Rating | February 26, 2019 | |
| Date of Rating | February 27, 2018 | |
| Outlook | Stable | |
| Rated By | Credit Rating Information and Services Limited (CRISL) | |



A new star is born!



Since time immemorial, navigators would check the position of the stars in the celestial sky for direction.

For countless other journeymen, the luminosity of the stars lit up their path ahead. Their sparkle led many of these explorers to their fortunes. And their shine provided comfort to many in the darkness of the night.

Thus, stars became route-setters, path-locators and direction-finders.

Today, a new
Star is born.



Route-setter

Star Ceramics, as one of Bangladesh's fastest-growing tiles and sanitaryware makers, has emerged as a route-setter in the country's fast-growing ceramics market!

Path-locator

Star Ceramics, as one of Bangladesh's youngest and most youthful ceramics players, has become a path-locator in the country's evolving ceramics sector!

Direction-finder

Star Ceramics, as one of Bangladesh's largest ceramics companies, has risen as a direction-finder in the country's competitive ceramics market, setting the course for the rest of the industry!





A star is born in an industry in which
sky is the limit!



Ceramics market drivers

Categorized as a part of the ceramics industry, tiles and sanitaryware are an essential component of living and work spaces. The following indicate the strong growth potential of the ceramics industry of Bangladesh.

0.20 sq/m vs 1.4sq/m

Miniscule per capita consumption, signifying strong growth potential

Per capita consumption of ceramics in Bangladesh, as compared with Malaysia

168^{mn}

Large and growing population

Bangladesh's population, which is almost half of the entire American population

0.17%

Strong ceramics industry scope

Bangladesh's share of the global ceramics market

120,000

Rising housing demand

Annual demand for housing units in Bangladesh

35.04%

Growing rate of urbanization

Rate of urbanization between 2006-16

18%

Sharp growth in ceramics exports

Growth of ceramics exports between 1991-2016

20%

Sanitaryware demand growth

Ceramics sanitaryware demand is growing 2-times faster than the country's construction industry

Sources:

<http://blog.brac.net/reimagining-slums-innovative-solutions-to-bangladeshs-urban-housing-dilemma/>

<https://www.statista.com/statistics/455782/urbanization-in-bangladesh/>



Our star is shining
the brightest!

This is our core

Our purpose...

At Star Ceramics, we have anchored our business on our purpose. Our purpose inspires us every day as we seek innovative products and solutions that can help our customers to live and work better, that can help them brighten up their spaces and which can emerge as a source of pride and admiration.

...Combined with our passion...

At Star Ceramics, we have a unique culture that harnesses the passion and the knowledge of our people to drive industry-leading growth.

...Drives industry outperformance!

At Star Ceramics, by bringing together passionate and knowledgeable people and providing them with a clear purpose and direction, we have been able to create a business in which we act fast, innovate for strong differentiation, ensure the highest levels of governance and acknowledge exceptional performance.

And this is what makes us different

Enduring legacy:

Our promoters are among the most experienced in the global ceramics industry, having vast experience and rich knowledge of the field along with global exposure to product trends and operational developments.

Strong operational scale:

Despite being one of the youngest companies in the industry, starting commercial operations in January 2013, we possess one of the industry's largest installed capacities at 22,000 sq/m of tiles per day and 1,200 pieces of sanitaryware per day.

Resource security:

At Star Ceramics, multi-year relationships with 18 global suppliers enable us to secure our raw material resources, mainly from Spain, China, France, Germany, India and Italy. Moreover, we periodically evaluate our suppliers to ensure quality and cost consistencies which also help us to seamlessly sustain our day-to-day operations.

Power availability:

Long-term gas supply arrangement and captive power generation ensure cost-effective and continuous availability of an important manufacturing input – power.

Large product range:

Star Ceramics manufactures and supplies a wide range of tiles and sanitaryware products in Bangladesh. The principal products of the company include:

- Wall tiles
- Floor tiles
- Decorative borders
- Pedestal wash basins
- Counter basins
- Counter-top wash basin pans
- Water closets

Global certifications:

In a validation of our robust operating model, Star Ceramics is accredited with ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007, endorsing our quality, environmental and health and safety management systems and practices.

Cutting-edge technology:

The Company operates under the SACMI technology, recognised as the world's leading ceramics technologies, which enables us to sustain the highest production quality at competitive costs. Moreover, we are among the few in the industry to operate with the SACMI technology.

Did you know?

Star Ceramics is a pioneer in the manufacture of digital tiles in Bangladesh!

It is the first to have introduced the nano technology in the country!

It is the first to have produced the biggest tiles in Bangladesh - 600x900 mm and 600x1200 mm!

Innovation-focused:

Anchoring our business on innovation, we have been able to create a strong demand for large dimensional tiles with, particularly, imitation of natural stones, along with the supply of a large range of aesthetically-designed sanitaryware products that has together enabled us to consistently grow our market share.

3 large and state-of-the-art Company-owned display centers in Dhaka (2) and Sylhet

Robust market share accretion:

Despite being a late entrant, Star Ceramics has been able to acquire a substantial share of the domestic tiles market at 16% and sanitaryware market at 9%, led by ensuring convenient product availability for customers, wide and differentiated product portfolio, competitive prices to suit all budgets and unmatched assurance of after-sales support.

Expansive dealership:

With a view to directly provide an unmatched customer experience while they select our products, we rely on our own 179-strong dealer network, which is located in most of the major regions of the country.

600x900 mm & 600x1200 mm

Star Ceramics possesses the country's largest capacity for these large dimensional tiles

Diversified offtake:

We have a diversified retail as well as institutional customer base with sales in Bangladesh as well as exports to major regions in Asia (Saudi Arabia, Thailand and Bhutan) and Africa (Nigeria).

1,000

Active product models with regular refreshes, sustaining marketplace excitement and offtake

Environmental responsibility:

All of the products of Star Ceramics are fully-compliant with national as well as local regulations, being 100% environment-friendly. Moreover, the Company's operations also comply with all governmental rules and statutes.

Stable ratings:

Star Ceramics has been assigned an 'A' long-term rating and 'ST-3' short-term rating with a 'Stable' outlook by CRAB.

Star is also a proud member of the US Green Building Council (USGBC)



Measuring our
performance



As one of Bangladesh's fastest-growing tiles and sanitaryware companies, we are proud of our financial performance.

Net revenue growth YoY

4.7% 2017 vs 2016 | 8.0% 2016 vs 2015

Gross profit growth YoY

12.4% 2017 vs 2016 | -3.7% 2016 vs 2015

Operating profit growth YoY

26.3% 2017 vs 2016 | -15.8% 2016 vs 2015

Finance cost reduction YoY

-18.2% 2017 vs 2016 | -18.1% 2016 vs 2015

Net profit growth YoY

171.8% 2017 vs 2016 | 8.5% 2016 vs 2015

Total assets growth YoY

16.2% 2017 vs 2016 | -0.8% 2016 vs 2015

Cash and cash equivalents growth YoY

8.7% 2017 vs 2016 | -18.6% 2016 vs 2015



A stellar evolution!



Our investment case

At Star Ceramics, we bring to the investors' table the knowledge and experience of an institution with the vibrancy and dynamism of a start-up. This holistic amalgamation has resulted in our positioning as one of the largest and fastest-growing ceramic manufacturers in Bangladesh with clear plans for the future. Here is our investment case.

One: Benefits of scale and scalability

Why

In the ceramics manufacturing business, scale is critical to ensure that supply is aligned with demand. Scale is also important for reducing overhead and other operating costs as well as for minimizing wastages. In short, scale is critical for competitiveness.

At Star Ceramics

- Among the largest manufacturers of tiles and sanitaryware products in the country – 22,000 sq/m of tiles per day and 1,200 pieces of sanitaryware per day
- Scale benefits leading to strong capabilities in procurement, operations, supply chain and technology
- Market leading positions – 16% share of the tiles and 9% share of the sanitaryware markets
- Ability to export products (currently to markets in Asia and Africa), thereby diversifying revenues
- Strong pipeline plans for sanitaryware capacity expansion and capacity utilisation enhancement for tiles

Two: Low volatility

Why

In the ceramics manufacturing business, operations can be disrupted due to volatility in raw material prices and adjustments in product prices that need to be passed on to the market.

At Star Ceramics

- Strong multi-year relationships with global suppliers help control key raw material prices and supply volatility, while also ensuring higher bargaining power
- Secure gas supply contracts with captive power generation infrastructure, helping minimize energy costs
- Committed, loyal and knowledgeable staff base with strong senior management and Board supervision and oversight
- Sustained gross margins and strong grade balance sheet
- Robust free cash flow generation through the economic cycle

Three: Strong culture of execution

Why

The ceramics business is a 24x7 one and discipline in sustained execution is crucial for sustained profits and shareholder value.

At Star Ceramics

- Strong human resource and service culture
- KPI-driven appraisal with clear delineation of responsibility and accountability
- Constant focus on developing our operating model to focus on cost optimisation on the one hand and grow the extent of product value-addition on the other

Four: Attractive growth opportunities

Why

The ceramics market in Bangladesh is characterised by miniscule per capita consumption levels, representing attractive opportunity for growth, and also exports because of acceptable product quality and competitive prices.

At Star Ceramics

- We are reinforcing our industry potential with a sales culture that puts the customer in the center of everything we do
- Fragmented markets with the presence of unorganised players has the potential for market share consolidation among the organised players, especially as consumers are showing a stronger preference for branded products
- Low-risk opportunities in network expansion as owned stores ensure quicker and more reliable payback
- We are also focusing on our large and state-of-the-art display centers that enable us to showcase a larger product range as well as engage with our customers better



Our strategy for
secure & sustainable growth



Concise and clear

At Star Ceramics we have a concise and clear strategy that is anchored on three principal pillars that include the following:

- Focusing on sustainable long-term growth
- Focusing on innovation through sustaining consumer excitement
- Focusing on strengthening our brand recall

Focusing on sustainable long-term growth:

At our Company, we see significant potential in the country's as well as international ceramics industries. With a view to materialize this potential, we expect to:

- Sustain our tiles manufacturing capacity while finding opportunities for incremental production
- Propose the establishment of a new sanitaryware plant that will help us significantly scale-up our existing sanitaryware capacity

In doing so, we expect to acquire sustainable market share in the domestic market as well as raise our exports by continuing to explore potential markets abroad.

Focusing on innovation for sustained consumer excitement

As a consumption category, tiles and sanitary ware are increasingly emerging as a personal style statement with significant pride of ownership. With rising disposable incomes, growing levels of sophistication and increasing exposure to global trends, consumers today demand choice, variety and budget alignments.

In this context, at our Company, we pioneered the introduction of digital tiles in the country while also becoming among the first to launch stone imitation tiles as well as large dimension tiles across a wide variety of designs and styles. Focusing on price-competitiveness, timely delivery and strong after-sales support, we have been able to acquire a substantive share of the country's ceramics market within the short time since inception.

Going forward, we intend to sustain the culture of research-driven innovation at our Company to ensure consumer excitement and grow product demand sustainably.



Focusing on strengthening our brand recall:

At a time when the competitive intensity is increasing with the rising clout of young and youthful consumers who are exposed to the digital world, we are formulating an insightful digital strategy. We believe this will help us leverage the power of the social media to drive an interest in our brands, enable us to engage more actively with our target consumer segments and allow us to receive upfront feedback on our products and services while also facilitating a control on our marketing costs. We expect that this digital strategy will emerge as a game-changer for us.

Thank you for your interest in Star Ceramics. Truly, a new star is born!



(a) Preliminary Information and Declarations:

(i) Name(s), address(s), telephone number(s), web address(s), e-mail(s), fax number(s) and contact persons of the issuer, issue manager(s), underwriter(s), auditors, credit rating company and valuer, where applicable

| Name of parties | Contact person | Telephone and fax number |
|--|---|--|
| Issuer | | |
| Star Ceramics Limited Registered office address: Palli River View, Plot No: 44, Road No: 10, Sector: 11, Uttara Model Town, Dhaka-1230 Chittagong office address: C&F Tower (6th Floor), 1712 (new) Sk. Mujib Road, Agrabad, Chittagong-4100 Factory address: Riaznagar, Baghasura, Madhabpur, Habiganj-3300 Email: cfo@starceramicsbd.com jafar@starceramicsbd.com Website: www.starceramicsbd.com | C.A. Ajay Kumar Chief Financial Officer (CFO) Abu Jafar Ali, ACS Company Secretary | Tel: +88-02-48950384 Fax: +88-02-48955847 |
| Issue Managers | | |
| Roots Investment Limited Address: Diganta Tower Level 1, 12/1 Ram Kishna Mission Road, Dhaka-1203 E-mail: info.rgcm1@gmail.com Website: www.rootsinvestment.com | Mohammad Sarwar Hossain Managing Director | Tel: +88-02-47116954 Fax: +88-02-47116908 |
| ICB Capital Management Limited Address: Green City Edge (5th & 6th Floor), 89, Kakrail, Dhaka – 1000 E-mail: ho_issue@icml.com.bd Website: www.icml.com.bd | Md. Sohel Rahman Chief Executive Officer (Additional Charge) | Tel: +88-02-8300555 Fax: +88-02-8300396 |
| Underwriters | | |
| Roots Investment Limited Address: Diganta Tower, Level-1, 12/1, Ram Kishna Mission Road, Dhaka-1203 E-mail: info.rgcm1@gmail.com Website: www.rootsinvestment.com | Mohammad Sarwar Hossain Managing Director | Tel: +88-02-47116954 Fax: +88-02-47116908 |
| ICB Capital Management Limited Address: Green City Edge (5th & 6th Floor), 89, Kakrail, Dhaka – 1000 E-mail: ho_issue@icml.com.bd Website: www.icml.com.bd | Md. Sohel Rahman Chief Executive Officer (Additional Charge) | Tel: +88-02-8300555 Fax: +88-02-8300396 |

| Name of parties | Contact person | Telephone and fax number |
|--|--|--|
| Green Delta Capital Limited Address: Green Delta AIMS Tower, 51-52 Mohakhali C/A, Dhaka -1212 E-mail: info@greendeltacapital.com Website: www.greendeltacapital.com | Md. Rafiqul Islam Managing Director & CEO | Tel: +88-02-9851902 Fax: +88-02-9851124 |
| IDLC Investments Limited Address: D R Tower (4th Floor), 65/2/2 Bir Protik Gazi Golam Dostogir Road, Purana Paltan, Dhaka-1000 E-mail: mzaman@idlc.com Website: www.idlc.com | Md. Moniruzzaman, CFA Managing Director | Tel: +88-09-609994352 Fax: +88-02-9571171 |
| EC Securities Limited Address: Kazi Tower (5th floor), 86 Inner Circular (VIP) Road, Naya Paltan, Dhaka-1000 E-mail: khurshid.a@ecslbd.com Website: www.ecslbd.com | Mohammad Khurshid Alam Head, Monitoring & Settlement | Tel: +88-02-9333638 Fax: +88-02-9333636 |
| SBL Capital Management Limited Address: 2, D. I. T. Avenue (Extension), 3rd Floor, Motijheel C/A, Dhaka – 1000 E-mail: capitalmgmt@standardbankbd.com Website: www.standardbankbd.com | Abu Nayem Md. Ibrahim Chief Executive Officer | Tel: +88-0171-5079440 Fax: +88-02-9585985 |

| Name of parties | Contact person | Telephone and fax number |
|--|---|--|
| Sigma Capital Management Limited Address: 87, Rashed Khan Menon Road, Level-16, Eskaton, Dhaka-1000 E-mail: reza@scmlbd.com Website: www.scmlbd.com | Mohammad Reza Chief Executive Officer | Tel: +88-02-9331055 Fax: +88-02-9337597 |
| Auditor | | |
| HodaVasi Chowdhury & Co. Chartered Accountants BTMC Bhaban (8th Floor), 7-9, Karwan Bazar C/A, Dhaka - 1215, Bangladesh E-mail: hvc@hodavasi.com Website: www.hodavasi.com | A F Nesaruddin, FCA Senior Partner | Tel: +88-02-9120090 Fax: +88-02-8119298 |
| Credit Rating Company | | |
| Credit Rating Information and Services Limited (CRISL) Nakshi Homes, (4th & 5th Floor), 6/1A, Segunbagicha, Dhaka-1000 E-mail: crisldhk@crislbd.com Website: www.crislbd.com | Md. Asiful Huq Chief Rating Officer | Tel: +88-02-9530991 Fax: +88-02-9530995 |
| Valuer | | |
| Ahmad & Akhtar Chartered Accountants BCIC Bhaban (3rd Floor), 30-31 Dilkusha C/A, Dhaka-1000 E-mail: aacano120@gmail.com Website: www.aacabd.org | Kanchi Lal Das, FCA Managing Partner | Tel: +88-02-9561289 Fax: +88-02-9564366 |
| (ii) "A person interested to get a Red-Herring Prospectus may obtain from the issuer and the issue manager(s)" (iii) "If you have any query about this document, you may consult issuer, issue manager and underwriter" | | |
| (iv) "CONSENT OF THE BANGLADESH SECURITIES AND EXCHANGE COMMISSION HAS BEEN OBTAINED TO THE ISSUE/ OFFER OF THESE SECURITIES UNDER THE SECURITIES AND EXCHANGE ORDINANCE, 1969, AND THE BANGLADESH SECURITIES AND EXCHANGE COMMISSION (PUBLIC ISSUE) RULES, 2015. IT MUST BE DISTINCTLY UNDERSTOOD THAT IN GIVING THIS CONSENT THE COMMISSION DOES NOT TAKE ANY RESPONSIBILITY FOR THE FINANCIAL SOUNDNESS OF THE ISSUER COMPANY, ANY OF ITS PROJECTS OR THE ISSUE PRICE OF ITS SECURITIES OR FOR THE CORRECTNESS OF ANY OF THE STATEMENTS MADE OR OPINION EXPRESSED WITH REGARD TO THEM. SUCH RESPONSIBILITY LIES WITH THE ISSUER, ITS DIRECTORS, CHIEF EXECUTIVE OFFICER, MANAGING DIRECTOR, CHIEF FINANCIAL OFFICER, COMPANY SECRETARY, ISSUEMANAGER, ISSUE MANAGER'S CHIEF EXECUTIVE OFFICER, UNDERWRITERS, AUDITOR(S), VALUER AND/OR CREDIT RATING COMPANY (IF ANY)." (v) Risks in relation to the First Issue | | |

"This being the first issue of the issuer, there has been no formal market for the securities of the issuer. The face value of the securities is Tk. 10.00 (ten) and the issue price is Tk....., i.e. 'X-times' of the face value. The issue price has been determined and justified by the issuer and the issue manager or bidding by the eligible investors as stated under the paragraph on "Justification of Issue Price" should not be taken to be indicative of the market price of the securities after listing. No assurance can be given regarding an active or sustained trading of the securities or the price after listing."

(vi) General Risk

"Investment in securities involves a degree of risk and investors should not invest any funds in this offer unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this offer. For taking an investment decision, investors must rely on their own examination of the issuer and the offer including the risks involved. The securities have not been recommended by the Bangladesh Securities and Exchange Commission (BSEC) nor does BSEC guarantee the accuracy or adequacy of this document. Specific attention of investors is invited to the statement of 'risk factors' given on page number(s) 189-196.

(vii) Star Ceramics Limited's Absolute Responsibility

"The issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this red-herring prospectus contains all material information with regard to the issuer and the issue, that the information contained in the red-herring prospectus are true, fair and correct in all material aspects and are not misleading in any respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which make this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect."

(b) Availability of Red-Herring Prospectus:

(i) Names, addresses, telephone numbers, fax numbers, website addresses and e-mail addresses and names of contact persons of the institutions where the prospectus and abridged version of prospectus are available in hard and soft forms

The red-herring prospectus of Star Ceramics Limited is available in hard and soft forms at the following addresses:

| Name of parties | Contact person | Telephone and fax numbers |
|--|---|--|
| Issuer | | |
| Star Ceramics Limited Registered office: Palli River View, Plot No: 44, Road No: 10, Sector: 11, Uttara Model Town, Dhaka-1230 Chittagong office: C&F Tower (6th Floor), 1712 (new) Sk. Mujib Road, Agrabad, Chittagong-4100 Factory address: Riaznagar, Baghasura, Madhabpur, Habiganj-3300 Email: cfo@starceramicsbd.com Website: www.starceramicsbd.com | C.A. Ajay Kumar Chief Financial Officer (CFO) | Tel: +88-02-48950384 Fax: +88-02-48955847 |
| Issue Managers | | |
| Roots Investment Limited Diganta Tower (Level 1), 12/1 Ram Kishna Mission Road, Dhaka-1203 E-mail: info.rgcm@gmail.com Website: www.rootsinvestment.com | Mohammad Sarwar Hossain Managing Director | Tel: +88-02-47116954 Fax: +88-02-47116908 |
| ICB Capital Management Limited Address: Green City Edge (5th & 6th Floor), 89, Kakrail, Dhaka – 1000 E-mail: ho_issue@icml.com.bd Website: www.icml.com.bd | Md. Sohel Rahman Chief Executive Officer (Additional Charge) | Tel: +88-02-8300555 Fax: +88-02-8300396 |

| Name of parties | Contact person | Telephone and fax numbers |
|--|---|--|
| Registrar to the issue | | |
| Green Delta Capital Limited Address: Green Delta AIMS Tower, 51-52 Mohakhali C/A, Dhaka -1212 E-mail: info@greendeltacapital.com Website: www.greendeltacapital.com | Md. Rafiqul Islam Managing Director & CEO | Tel: +88 02 9851902 Fax: +88-02-9851124 |
| Underwriters | | |
| Roots Investment Limited Address: Diganta Tower, Level-1, 12/1, Ram Kishna Mission Road, Dhaka-1203 E-mail: info.rgcm@gmail.com Website: www.rootsinvestment.com | Mohammad Sarwar Hossain Managing Director | Tel: +88-02-47116954 Fax: +88-02-47116908 |
| ICB Capital Management Limited Address: Green City Edge (5th & 6th Floor), 89, Kakrail, Dhaka – 1000 E-mail: ho_issue@icml.com.bd Website: www.icml.com.bd | Md. Sohel Rahman Chief Executive Officer (Additional Charge) | Tel: +88-02-8300555 Fax: +88-02-8300396 |
| Green Delta Capital Limited Address: Green Delta AIMS Tower, 51-52 Mohakhali C/A, Dhaka -1212 E-mail: info@greendeltacapital.com Website: www.greendeltacapital.com | Md. Rafiqul Islam Managing Director & CEO | Tel: +88 02 9851902 Fax: +88-02-9851124 |
| IDLC Investments Limited Address: D R Tower (4th Floor), 65/2/2 Bir Protik Gazi Golam Dostogir Road, Purana Paltan, Dhaka-1000 E-mail: mzaman@idlc.com Website: www.idlc.com | Md. Moniruzzaman, CFA Managing Director | Tel: +88-09-609994352 Fax: +88-02-9571171 |
| EC Securities Limited Address: Kazi Tower (5th floor), 86 Inner Circular (VIP) Road, Naya Paltan, Dhaka-1000 E-mail: khurshid.a@ecslbd.com Website: www.ecslbd.com | Mohammad Khurshid Alam Head, Monitoring & Settlement | Tel: +880-2-9333638 Fax: +880-2-9333636 |
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| Sigma Capital Management Limited Address: 87, Rashed Khan Menon Road, Level-16, Eskaton, Dhaka-1000 E-mail: reza@scmlbd.com Website: www.scmlbd.com | Mohammad Reza Chief Executive Officer | Tel: +88-02-9331055 Fax: +88-02-9337597 |

(ii) Names and dates of the newspapers where abridged version of prospectus was published

| Sl. | Name of the newspaper | Date of publication |
|-----|-----------------------|---------------------|
| 1 | [•] | [•] |
| 2 | [•] | [•] |
| 3 | [•] | [•] |
| 4 | [•] | [•] |

iii) Definitions and Acronyms or Elaborations:

| | | | |
|------------|--|----------------|--|
| A | | N | |
| AC | Audit Committee | NAV | Net Asset Value |
| AGM | Annual General Meeting | NAVPS | Net Asset Value per Share |
| AIT | Advance Income Tax | NBFI | Non-Banking Financial Institution |
| AOA | Articles of Association | NBR | National Board of Revenue |
| B | | NITA | Non-Resident Investors Taka Account |
| BAS | Bangladesh Accounting Standards | NOC | National Occupational Classification |
| BCMEA | Bangladesh Ceramic Manufacturers & Exporters Association | NOCFPS | Net Operating Cash Flow per Share |
| BDT | Bangladeshi Taka | NRB | Non Resident Bangladeshi |
| BFRS | Bangladesh Financial Reporting Standards | NTP | National Pipe Thread |
| BO account | Beneficiary Owners account | O | |
| BIDA | Bangladesh Investment Development Authority | OHSAS | Occupational Health and Safety Assessment Series |
| BO ID | Beneficial Owner Identification Number | Offering Price | Price of the securities of Star Ceramics Ltd. |
| BSA | Bangladesh Standards on Auditing | P | |
| BSEC | Bangladesh Securities and Exchange Commission | P/BV | Price-to-Book Value ratio |
| BSP | British Standard Pipe | PCS | Pieces |
| BSTI | Bangladesh Standards and Testing Institution | P/E | Price-Earnings ratio |
| BV | Book Value | PPE | Property, Plant and Equipment |
| C | | PSI | Pounds per Square Inch |
| CAGR | Compound Annual Growth Rate | Q | |
| CDBL | Central Depository Bangladesh Limited | QC | Quality Control |
| CEO | Chief Executive Officer | R | |
| CFO | Chief Financial Officer | R&D | Research and Development |
| CGG | Corporate Governance Guidelines | REB | Rural Electrification Board |
| CIB | Credit Information Bureau | Registrar | Green Delta Capital Limited |
| CIF | Cost, Insurance and Freight | RIL | Roots Investment Limited |
| CIS | Collective Investment Scheme | RJSC & F | Registrar of Joint Stock Companies & Firms |
| Commission | Bangladesh Securities and Exchange Commission | RM | Raw Material |
| COGS | Cost of Goods Sold | ROAA | Return On Average Assets |
| CRISL | Credit Rating Information and Services Limited | ROAE | Return On Average Equity |
| CS | Company Secretary | ROACE | Return On Average Capital Employed |
| CSE | Chittagong Stock Exchange | RPO | Repeat Public Offering |
| CTO | Chief Technology Officer | RSD | Riot and Strike Damage |
| D | | S | |
| DSE | Dhaka Stock Exchange | SCL | Star Ceramics Limited |
| E | | SFT | Square Feet |
| EBIT | Earnings Before Interest and Taxes | SQM | Square Meters |
| EBITDA | Earnings Before Interest, Tax, Depreciation and Amortization | STD | Short Term Deposit |
| EGM | Extraordinary General Meeting | SWD | Sanitary Ware Division |
| EI | Eligible Investors | T | |
| EPS | Earnings Per Share | TDS | Tax Deducted at Source |
| ETIN | Electronic Tax Identification Number | TIN | Tax Identification Number |
| ETP | Effluent Treatment Plant | Tk. | Bangladeshi Taka |
| EV | Enterprise Value | TT | Telegraphic Transfer |

F

| | |
|-------|--|
| FDD | Foreign Demand Draft |
| FDR | Fixed Deposit Receipt |
| FICCI | Foreign Investors Chamber of Commerce & Industry |
| FY | Fiscal Year |
| FZE | Free Zone Establishment |

G

| | |
|-----|---------------------|
| GBP | Great Britain Pound |
| GP | General Public |

I

| | |
|---------------|---|
| IAS | International Accounting Standard |
| ICAB | Institute of Chartered Accountants of Bangladesh |
| ICSB | Institute of Chartered Secretaries of Bangladesh |
| ICML | ICB Capital Management Limited |
| IFRS | International Financial Reporting Standards |
| IPO | Initial Public Offering |
| Issue Manager | Roots Investment Limited & ICB Capital Management Limited |
| Issuer | Star Ceramics Limited |
| ISO | International Organization for Standardization |
| IT | Information Technology |
| IVS | International Valuation Standards |

K

| | |
|-----|-----------------|
| KVA | Kilovolt-Ampere |
| KW | Kilowatt |

L

| | |
|-----|----------------------------|
| L/C | Letter of Credit |
| LLC | Limited Liability Company |
| LTR | Loan against Trust Receipt |

M

| | |
|------|------------------------------------|
| MICR | Magnetic Ink Character Recognition |
| MOA | Memorandum of Association |
| MT | Metric Ton |
| MTBL | Mutual Trust Bank Limited |
| MW/H | Megawatt Hour |

U

| | |
|-----|----------------------|
| UAE | United Arab Emirates |
| UOM | Unit of Measure |
| USD | US dollars |

V

| | |
|-----|-----------------|
| VAT | Value added tax |
|-----|-----------------|

W

| | |
|------|-----------------------------------|
| WIP | Work in progress |
| WPPF | Workers Profit Participation Fund |
| WTP | Water Treatment Plant |

| Term | Definition |
|---------------|---|
| A | |
| AC | An audit committee is one of the major operating committees of a company's board of directors that is in charge of overseeing financial reporting and disclosure. |
| AOA | Article of Association (AOA) is a document that contains the purpose of the company as well as the duties and responsibilities of its members defined and recorded clearly. |
| B | |
| BO account | BO account means Beneficiary Owners account. This account is opened with Central Depository Bangladesh Limited (CDBL) through Depository Participants (DP). |
| BSEC | The Bangladesh Securities and Exchange Commission (BSEC) is the regulator of the capital market of Bangladesh. |
| BSA | Bangladesh Standards on Auditing (BSA) are professional standards for the performance of financial audit of financial information. |
| BSTI | Bangladesh Standards and Testing Institution (BSTI) is a Government agency under the Ministry of Industries constituted for the purpose of controlling the standard of service and quality of the goods. |
| BV | Book Value is the value of a security or asset as entered in a firm's books. |
| C | |
| CIB | Credit Information Bureau (CIB) was set up in Bangladesh Bank (BB) with the objective of minimizing the extent of default credit. CIB report contains credit information of a borrower which is very important, confidential and sensitive. |
| CDBL | Central Depository Bangladesh Limited (CDBL) provides services to the Bangladesh Capital Market, covering Settlement of trades on the Dhaka Stock Exchange and Chittagong Stock Exchange. |
| COGS | Cost of Goods Sold (COGS) is the direct costs attributable to the production of the goods sold in a company. |
| Cut-Off Price | The lowest price offered by the bidders at which the total issue could be exhausted. |
| E | |
| EI | Eligible Investor (EI) is an institution that has business operation or investment in Bangladesh and registered with the electronic subscription system of the exchanges. |
| EPS | Earnings Per Share (EPS) are the portion of a company's profit allocated to each outstanding share of common stock. |
| EV | The Enterprise Value (EV) is a measure of a company's total value, often used as a more comprehensive alternative to equity market capitalization. |
| F | |
| FDR | A Fixed Deposit Receipt (FDR) is a financial instrument provided by banks or NBFCs which provides investors a higher rate of interest than a regular savings account, until the given maturity date. |
| I | |
| IAS | The International Accounting Standards (IAS) is the set of standards stating how particular types of transactions and other events should be reflected in financial statements. |
| IFRS | International Financial Reporting Standards, issued by the IFRS Foundation and the International Accounting Standards Board (IASB) to provide a common global language for business affairs so that company's accounts are understandable and comparable across international boundaries. |
| IPO | An Initial Public Offering (IPO) means first offer of securities by an issuer to the general public. |
| ISO | The International Organization for Standardization (ISO) is an international standard-setting body composed of representatives from various national standards organizations and it promotes worldwide proprietary, industrial and commercial standards. |
| L | |
| L/C | A letter issued by a bank to another bank (especially one in a different country) to serve as a guarantee for payments made to a specified person under specified conditions. |
| M | |
| MOA | A Memorandum of Association (MOA) is a legal document prepared in the formation and registration process of a limited liability company to define its relationship with shareholders. |

N

| | |
|-------|---|
| NAV | Net Asset Value (NAV) is the total sum of all measured assets less all the liabilities of a company. |
| NAVPS | The Net Asset Value Per Share (NAVPS) also referred to as the book value per share, is an expression for net asset value that represents the value per share of a mutual fund, exchange-traded fund (ETF) or a closed-end fund. |
| NBR | The National Board of Revenue (NBR) is the central authority for tax administration in Bangladesh. |
| NRB | Non Resident Bangladeshis (NRB) refers to the Foreign Nationals having Bangladeshi origin. |

O

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|----------------|---|
| Offering Price | An offering price is the price at which a company lists its shares, bonds or other securities on an exchange. |
|----------------|---|

P

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|-----------|---|
| P/BV | The Price-to-Book Value ratio (P/BV Ratio) is a ratio used to compare a stock's market value to its book value. |
| P/E Ratio | The Price-Earnings ratio (P/E ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings. |

R

| | |
|-----|---|
| RPO | Repeat Public Offering (RPO) means further public offering for issuance of additional security by an issuer which is either listed with stock exchange or has raised capital through public offering. |
|-----|---|

T

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|-----------|---|
| TIN | A Tax Identification Number (TIN) is a number that is assigned to tax-paying businesses and other entities for identification, reporting and record keeping purposes. |
| Trade off | A balance achieved between two desirable but incompatible features. |

V

| | |
|-----|--|
| VAT | A Value-Added Tax (VAT) is a type of consumption tax that is placed on a product whenever value is added at a stage of production and at the point of retail sale. |
|-----|--|

W

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| WIP | Work in Progress (WIP) is the sum of all costs put into the production process to manufacture products that are partially completed. |
|-----|--|

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| (e) | Any family relationship (father, mother, spouse, brother, sister, son, daughter, spouse's father, Spouse's mother, spouse's brother, spouse's sister) among the directors and top five officers; | 144 |
| (f) | A very brief description of other businesses of the directors; | 144 |
| (g) | Short bio-data of each director; | 145 |
| (h) | Loan status of the issuer, its directors and shareholders who hold 10% or more shares in the paid-up capital of the issuer in terms of the CIB Report of Bangladesh Bank; | 146 |
| (i) | Name with position, educational qualification, age, date of joining in the company, overall experience (in year), previous employment, salary paid for the financial year of the Chief Executive Officer, Managing Director, Chief Financial Officer, Company Secretary, Advisers, Consultants and all Departmental Heads. If the Chairman, any director or any shareholder received any monthly salary than this information should also be included; | 146 |
| (j) | Changes in the key management persons during the last three years. Any change otherwise than by way of retirement in the normal course in the senior key management personnel particularly in charge of production, planning, finance and marketing during the last three years prior to the date of filing the information memorandum. If the turnover of key management personnel is high compared to the industry, reasons should be discussed; | 147 |
| (k) | A profile of the sponsors including their names, father's names, age, personal addresses, educational qualifications, and experiences in the business, positions or posts held in the past, directorship held, other ventures of each sponsor and present position; | 148 |
| (l) | If the present directors are not the sponsors and control of the issuer was acquired within five years immediately preceding the date of filing prospectus details regarding the acquisition of control, date of acquisition, terms of acquisition, consideration paid for such acquisition etc. | 150 |
| (m) | If the sponsors or directors do not have experience in the proposed line of business, the fact explaining how the proposed activities would be carried out or managed; | 151 |
| (n) | Interest of the key management persons; | 151 |
| (o) | All interests and facilities enjoyed by a director, whether pecuniary or non-pecuniary; | 151 |
| (p) | Number of shares held and percentage of share holding (pre issue); | 151 |
| (q) | Change in board of directors during last three years | 151 |
| (r) | Director's engagement with similar business. | 151 |

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| CHAPTER (IX) | CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS: | 152-153 |
| (a) | The prospectus shall contain a description of any transaction during the last five years, or any proposed transactions certified by the auditors, between the issuer and any of the following persons, giving the name of the persons involved in the transaction, their relationship with the issuer, the nature of their interest in the transaction and the amount of such interest, namely:- | 152 |
| | (i) Any director or sponsor or executive officer of the issuer; | 152 |
| | (ii) Any person holding 5% or more of the outstanding shares of the issuer; | 152 |
| | (iii) Any related party or connected person of any of the above persons. | 152 |
| (b) | Any transaction or arrangement entered into by the issuer or its subsidiary or associate or entity owned or significantly influenced by a person who is currently a director or in any way connected with a director of either the issuer company or any of its subsidiaries or holding company or associate concerns, or who was a director or connected in any way with a director at any time during the last three years prior to the issuance of the prospectus; | 153 |
| (c) | Any loans either taken or given from or to any director or any person connected with the director, clearly specifying details of such loan in the prospectus, and if any loan has been taken from any such person who did not have any stake in the issuer, its holding company or its associate concerns prior to such loan, rate of interest applicable, date of loan taken, date of maturity of loan, and present outstanding of such loan. | 153 |
| CHAPTER (X) | EXECUTIVE COMPENSATION: | 154-154 |
| (a) | The total amount of remuneration or salary or perquisites paid to the top five salaried officers of the issuer in the last accounting year and the name and designation of each such officer; | 154 |
| (b) | Aggregate amount of remuneration paid to all directors and officers as a group during the last accounting year; | 154 |
| (c) | If any shareholder director received any monthly salary or perquisite or benefit it must be mentioned along with date of approval in AGM or EGM, terms thereof and payments made during the last accounting year; | 154 |
| (d) | The board meeting attendance fees received by the director including the managing director along with date of approval in AGM or EGM; | 154 |
| (e) | Any contract with any director or officer providing for the payment of future compensation; | 154 |
| (f) | If the issuer intends to substantially increase the remuneration paid to its directors and officers in the current year, appropriate information regarding thereto; | 154 |
| (g) | Any other benefit or facility provided to the above persons during the last accounting year, | 154 |
| CHAPTER (XI) | OPTIONS GRANTED TO DIRECTORS, OFFICERS AND EMPLOYEES: | 155-155 |
| (1) | The following information in respect of any option held by each director, the salaried officers, and all other officers as a group, namely:- | 155 |
| | (i) The date on which the option was granted; | 155 |
| | (ii) The exercise price of the option; | 155 |
| | (iii) The number of shares or stock covered by the option; | 155 |
| | (iv) The market price of the shares or stock on the date the option was granted; | 155 |
| | (v) The expiration date of the option; | 155 |
| | (vi) Consideration against the option. | 155 |

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| (2) | If such options are held by any person other than the directors, and the officers of the issuer company, the following information shall be given in the prospectus, namely:- | 155 |
| | 1. The total number of shares or stock covered by all such outstanding options | 155 |
| | 2. The range of exercise prices; | 155 |
| | 3. The range of expiration dates | 155 |
| | 4. Justification and consideration of granting such option | 155 |
| CHAPTER (XII) | TRANSACTION WITH THE DIRECTORS AND SUBSCRIBERS TO THE MEMORANDUM: | 156-157 |
| (a) | The names of the directors and subscribers to the memorandum, the nature and amount of anything of value received or to be received by the issuer from the above persons, or by the said persons, directly or indirectly, from the issuer during the last five years along with the description of assets, services or other consideration received or to be received; | 156 |
| (b) | If any assets were acquired or to be acquired from the aforesaid persons, the amount paid for such assets and the method used to determine the price shall be mentioned in the prospectus, and if the assets were acquired by the said persons within five years prior to transfer those to the issuer, the acquisition cost thereof paid by them. | 157 |
| CHAPTER (XIII) | OWNERSHIP OF THE COMPANY'S SECURITIES: | 158-166 |
| (a) | The names, addresses, BO ID Number of all shareholders of the company before IPO, indicating the amount of securities owned and the percentage of the securities represented by such ownership, in tabular form; | 158 |
| (b) | There shall also be a table showing the name and address, age, experience, BO ID Number, TIN number, numbers of shares held including percentage, position held in other companies of all the directors before the public issue; | 159 |
| (c) | The average cost of acquisition of equity shares by the directors certified by the auditors; | 161 |
| (d) | A detail description of capital built up in respect of shareholding (name-wise) of the issuer's sponsors or directors. In this connection, a statement to be included | 162 |
| (e) | Detail of shares issued by the company at a price lower than the issue price; | 165 |
| (f) | History of significant (5% or more) changes in ownership of securities from inception. | 166 |
| CHAPTER (XIV) | CORPORATE GOVERNANCE: | 167-175 |
| (a) | A disclosure to the effect that the issuer has complied with the requirements of Corporate Governance Guidelines of the Commission; | 167 |
| (b) | A compliance report of Corporate Governance requirements certified by competent authority; | 167 |
| (c) | Details relating to the issuer's audit committee and remuneration committee, including the names of committee members and a summary of the terms of reference under which the committees operate. | 174 |
| CHAPTER (XV) | VALUATION REPORT OF SECURITIES PREPARED BY THE ISSUE MANAGER: | 176-181 |
| (a) | The valuation report of securities to be offered shall be prepared and justified by the issue manager on the basis of the financial and all other information pertinent to the issue; | 176 |
| (b) | To prepare the valuation report, the issue manager may consider all qualitative and quantitative factors which shall be explained in details with rationale to consider such factors, the valuation methods used, sources of information and authenticity of such information; | 176 |

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| (c) | (While preparing the valuation report, the issue manager shall avoid exaggeration and biasness and shall exercise independence and due diligence; | 176 |
| (d) | The issue manager(s) shall, among others, consider the following methods for valuation of the securities: | 176 |
| | (i) net asset value at historical or current costs; | 176 |
| | (ii) earning-based-value calculated on the basis of weighted average of net profit after tax for immediate preceding five years or such shorter period during which the issuer was in commercial operation; | 177 |
| | (iii) projected earnings for the next three accounting year with rationales of the projection, if not in commercial operation; | - |
| | (iv) average market price per share of similar stocks for the last one year immediately prior to the offer for common stocks with reference and explanation of the similarities or in case of repeat public offering, market price per share of common stock of the issuer for the aforesaid period. | 179 |
| CHAPTER (XVI) | DEBT SECURITIES | 182-182 |
| CHAPTER (XVII) | PARTIES INVOLVED AND THEIR RESPONSIBILITIES, AS APPLICABLE: | 183-183 |
| CHAPTER (XVIII) | MATERIAL CONTRACTS | 184-187 |
| CHAPTER (XIX) | OUTSTANDING LITIGATIONS, FINE OR PENALTY | 188-188 |
| CHAPTER (XX) | RISK FACTORS AND MANAGEMENT'S PERCEPTIONS ABOUT THE RISKS: | 189-196 |
| (i) | Internal risk factors may include among others | 189 |
| (ii) | External risk factors may include among others | 193 |
| CHAPTER (XXI) | DESCRIPTION OF THE ISSUE: | 197-197 |
| (a) | Issue Size; | 197 |
| (b) | Number of securities to be issued; | 197 |
| (c) | Authorized capital and paid-up capital; | 197 |
| (d) | Face value, premium and offer price per unit of securities; | 197 |
| (e) | Number of securities to be entitled for each category of applicants; | 197 |
| (f) | Holding structure of different classes of securities before and after the issue; | 197 |
| (g) | Objective of the issue including financing requirements and feasibility in respect of enhanced paid-up capital. | 197 |
| CHAPTER (XXII) | USE OF PROCEEDS: The use of the issue proceeds shall be disclosed in the prospectus in details: | 198-203 |
| | Provided that not more than 1/3rd of the issue proceeds shall be used for repayment of loans or as working capital. The following disclosures shall be made in this regard: | |
| (a) | Use of net proceeds of the offer indicating the amount to be used for each purpose with head-wise break-up; | 198 |
| (b) | Utilization of the total amount of paid-up capital and share premium, if any, including the sponsors' contribution and capital raised of the issuer at the time of submission of prospectus, in details with indication of use of such funds in the financial statements; | 200 |
| (c) | If one of the objects is an investment in a joint venture, a subsidiary, an associate or any acquisition, details of the form of investment, nature of benefit expected to accrue to the issuer as a result of the investment, brief description of business and financials of such venture; | 200 |

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| (d) | If IPO proceeds are not sufficient to complete the project, then source of additional fund must be mentioned. In this connection, copies of contract to meet the additional funds are required to be submitted to the Commission. The means and source of financing, including details of bridge loan or other financial arrangement, which may be repaid from the proceeds of the issue along with utilization of such funds; | 201 |
| (e) | A schedule mentioning the stages of implementation and utilization of funds received through public offer in a tabular form, progress made so far, giving details of land acquisition, civil works, installation of plant and machinery, the approximate date of completion of the project and the projected date of full commercial operation etc. The schedule shall be signed by the Chief Executive Officer or Managing Director, Chief Financial Officer and Chairman on behalf of Board of Directors of the issuer; | 201 |
| (f) | If there are contracts covering any of the activities of the issuer for which the proceeds of sale of securities are to be used, such as contracts for the purchase of land or contracts for the construction of buildings, the issuer shall disclose the terms of such contracts, and copies of the contracts shall be enclosed as annexure to the prospectus; | 201 |
| (g) | If one of the objects of the issue is utilization of the issue proceeds for working capital, basis of estimation of working capital requirement along with the relevant assumptions, reasons for raising additional working capital substantiating the same with relevant facts and figures and also the reasons for financing short with long term investments and an item wise break-up of last three years working capital and next two years projection; | 202 |
| (h) | Where the issuer proposes to undertake one or more activities like diversification, modernization, expansion, etc., the total project cost activity-wise or project wise, as the case may be; | 202 |
| (i) | Where the issuer is implementing the project in a phased manner, the cost of each phase, including the phases, if any, which have already been implemented; | 202 |
| (j) | The details of all existing or anticipated material transactions in relation to utilization of the issue proceeds or project cost with sponsors, directors, key management personnel, associates and group companies; | 202 |
| (k) | Summary of the project appraisal or feasibility report by the relevant professional people with cost of the project and means of finance, weaknesses and threats, if any, as given in the appraisal or feasibility report. | 202 |
| CHAPTER (XXIII) | LOCK-IN: | 204-204 |
| CHAPTER (XXIV) | MARKETS FOR THE SECURITIES BEING OFFERED: | 205-205 |
| CHAPTER (XXV) | DESCRIPTION OF SECURITIES OUTSTANDING OR BEING OFFERED: | 206-206 |
| | All types of securities outstanding or being offered with date or proposed date of such issue and to whom those are offered, number of securities and issue or offer price along with the following information: | |
| (a) | Dividend, voting and preemption rights; | 206 |
| (b) | Conversion and liquidation rights; | 206 |
| (c) | Dividend policy; | 206 |
| (d) | Other rights of the securities holders. | 206 |

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| CHAPTER (XXVI) | FINANCIAL STATEMENTS: | 207-325 |
| (a) | The latest financial statements prepared and audited by any of the Commission's panel auditors in adherence to the provisions of the Securities and Exchange Rules, 1987, কোম্পানি আইন, ১৯৯৮ International financial Reporting and Auditing Standards as adopted in Bangladesh from time to time and any other law as applicable; | 207 |
| (b) | Information as is required under section 186 of the , কোম্পানি আইন, ১৯৯৮ relating to holding company; | 280 |
| (c) | Selected ratios as specified in Annexure-D; | 281 |
| (d) | Auditors report under Section 135(1), Para 24(1) of Part II of Schedule III of the কোম্পানি আইন, ১৯৯৮. The report shall include comparative income statements and balance sheet and aforementioned ratios for immediate preceding five accounting years of the issuer. If the issuer has been in commercial operation for less than five years, the above mentioned inclusion and submission will have to be made for the period since commercial operation; | 289 |
| (e) | Financial spreadsheet analysis for the latest audited financial statements; | 293 |
| (f) | Earnings Per Share (EPS) on fully diluted basis (with the total existing number of shares) in addition to the weighted average number of shares basis. Future projected Net Income should not be considered while calculating the weighted average EPS; | 296 |
| (g) | All extra-ordinary income or non-recurring income coming from other than core operations should be shown separately while showing the Net Profit as well as the Earnings Per Share; | 296 |
| (h) | Quarterly or half-yearly EPS should not be annualized while calculating the EPS; | 296 |
| (i) | Net asset value (with and without considering revaluation surplus or reserve) per unit of the securities being offered at the date of the latest audited statement of financial position. | 296 |
| (j) | The Commission may require the issuer to re-audit the audited financial statements. If any deficiency or anomaly is found in the financial statements. In such a case, cost of audit should be borne by the concerned issuer. | 296 |
| (k) | Following statements for the last five years or any shorter period of commercial operation certified by the auditors:- | 297 |
| | (i) Statement of long term and short term borrowings including borrowing from related party or connected persons with rate of interest and interest paid or accrued; | 297 |
| | (ii) Statement of principal terms of secured loans and assets on which charge have been created against those loans with names of lenders, purpose, sanctioned amount, rate of interest, primary security, collateral or other security, re-payment schedule and status; | 299 |
| | (iii) Statement of unsecured loans with terms & conditions; | 317 |
| | (iv) Statement of inventories showing amount of raw material, packing material, stock-in-process and finished goods, consumable items, store & spares parts, inventory of trading goods etc.; | 317 |
| | (v) Statement of trade receivables showing receivable from related party and connected persons; | 318 |
| | (vi) Statement of any loan given by the issuer including loans to related party or connected persons with rate of interest and interest realized or accrued; | 319 |
| | (vii) Statement of other income showing interest income, dividend income, discount received, other non operating income; | 319 |
| | (viii) Statement of turnover showing separately in cash and through banking channel; | 319 |
| | (ix) Statement of related party transaction; | 320 |

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| | (x) Reconciliation of business income shown in tax return with net income shown in audited financial statements; | 321 |
| | (xi) Confirmation that all receipts and payments of the issuer above Tk. 5,00,000/-(five lac) were made through banking channel; | 322 |
| | (xii) Confirmation that Bank Statements of the issuer are in conformity with its books of accounts; | 325 |
| | (xiii) Statement of payment status of TAX, VAT and other taxes or duties; and | 325 |
| | (xiv) Any other statement as may be required by the Commission. | 325 |
| CHAPTER (XXVII) | CREDIT RATING REPORT, IF APPLICABLE | 326-338 |
| CHAPTER (XXVIII) | PUBLIC ISSUE APPLICATION PROCEDURE | 339-342 |
| CHAPTER (XXIX) | OTHERS | - |

SECTION: I EXECUTIVE SUMMARY

(a) About the industry:

Global Ceramic Industry

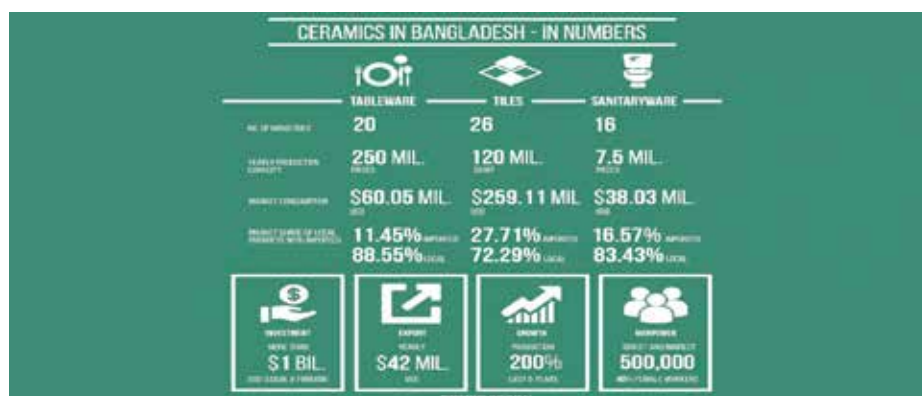
In 2016, the global ceramic tiles market resumed growth rising to 13,056 million sqm (+5.7% on 2015). Tiles consumption also grew to 12,783 million sqm (+5% on 2015). The major growth driver for this market is the growing in real estate sector and infrastructure industry. Ceramic tiles are important materials that are consumed in bulk by construction industry and hence positive growth outlook for the construction market is estimated to propel the ceramic tiles market in the next few years.

Global ceramic tiles market is expected to reach \$145,949 million by 2022, registering a CAGR of 8.1% from 2016 to 2022. Ceramic tiles are widely applicable in residential and commercial buildings, owing to their durability and crack resistance nature. Protective coatings on ceramic tiles offer high water resistance, stain protection, and cleanup. Ceramic tiles have intact glazing, which provides protection from dust as well.

The global ceramic tiles market is driven by the growth in the construction industry, owing to rapid expansion of the housing sector and increase in construction spending globally. Urbanization and increase in population are expected to fuel the market growth. Ceramic tiles provide an aesthetic look, sustainability, and better reliability, leading to increased demand in construction of large number of buildings. The global ceramic tiles market growth is characterized by numerous opportunities to market players, owing to rise in disposable income and rapid growth in the global economy.

Source: <http://www.ceramicworldweb.it/cww-en/statistics-and-markets/world-production-and-consumption-of-ceramic-tiles-4/>
<https://www.alliedmarketresearch.com/ceramic-tiles-market>

Bangladesh Ceramic Industry



The ceramics industry is a fast growing manufacturing sector in Bangladesh. The industry started during the late 1950s when the first ceramic industrial plants were established. The industry mainly produces tableware, sanitary ware and tiles. The first ceramic plant was established in Bogra in 1958 owned by Tajma Ceramic Industries Limited; it was a small manufacturing plant for porcelain tableware.

In Bangladesh currently about 62 tiles, sanitary ware and tableware manufacturers are in operation. Investment in this sector by local as well as foreign investors already exceeded BDT 50 billion and the market size of ceramic industry currently was worth BDT 20 billion. At present, total yearly production capacity of ceramic tiles stood at 120 million square meters and for sanitary ware it is 7.5 million pcs.

Bangladesh's ceramics industry has experienced 200 percent growth in production in the last five years. This growth momentum is expected to sustain for a considerable period of time thanks to the robust development of the real estate sector and rising living standard of the people in the country. The industry is also positioned to expand rapidly in the global market with its high-quality products, low labour costs and creative entrepreneurs. Traditional manufacturers of ceramics such as Italy and Spain have been experiencing difficulties in remaining competitive due to rising labour cost and the ongoing global financial crisis.

Source:

- <http://www.thedailystar.net/supplements/ceramic-expo-bangladesh-2017-1498498>
- <https://www.slideshare.net/tejasibhandari9/ceramic-tiles-industry-2017>
- https://en.wikipedia.org/wiki/Ceramics_industry_in_Bangladesh
- <http://www.daily-sun.com/arcprint/details/228603/Ceramic-Industry-and-the-Budget/2017-05-24>
- <http://www.thedailystar.net/supplements/overview-bangladeshs-ceramics-industry-1498489>

(b) About the Issuer:

Star Ceramics Limited was incorporated on 21 September 2010 as Star Ceramics Private Limited by shares under The Companies Act, 1994 and converted to public limited company on 5 October 2013. The factory is located at Riaznagar, Baghasura, Madhabpur, Habiganj on Dhaka-Sylhet Highway. The company is engaged in manufacturing & marketing of ceramic tiles & sanitary ware. It started commercial production of tiles on 1 January 2013. The expansion of existing facilities of tiles took place in year 2014 & new sanitary ware production was started in the beginning of year 2015. The present production capacity of the factory is 22,000 sqm of tiles per day & 1,200 pcs of sanitary ware per day.

The authorized & paid up share capital of the company stood at BDT 3,500 million and BDT 1,502 million respectively as on 31 December 2017. The shareholding structure of Star ceramics limited as on 31 December 2017 is as under:-

| Sl. | Shareholder's name | Percentage (%) | Number of shares |
|-----|------------------------------|----------------|--------------------|
| 1 | Star Bangladesh Holding Ltd. | 43.50% | 65,337,000 |
| 2 | S.A.K Ekramuzzaman | 35.00% | 52,570,000 |
| 3 | Syed A.K Anwaruzzaman | 10.00% | 15,020,000 |
| 4 | Qamar-Uz-Zaman | 5.00% | 7,510,000 |
| 5 | Amir Hossain | 3.00% | 4,506,000 |
| 6 | Engr. Syyed Ahmed | 1.00% | 1,502,000 |
| 7 | Fazle Hasan Akbar | 1.00% | 1,502,000 |
| 8 | Md. Imtiaz Hossain | 0.50% | 751,000 |
| 9 | Md. Jahirul Reza | 0.50% | 751,000 |
| 10 | Md. Mahabubur Rahman | 0.50% | 751,000 |
| | Total | 100% | 150,200,000 |

SCL focuses primarily on the quality of the product, innovative design, and highest level of customer satisfaction. The company has been accredited with ISO 9001: 2015, ISO 14001:2015 and OHSAS 18001:2007 ISO for quality, environment & occupational health and safety management system. SCL has been awarded as the highest Value Added Tax payer (Manufacturer) at the "District Level" (Habiganj) and "National Level" in the Financial year 2013-14 & 2014-15 respectively.

(c) Financial Information:

Last five years financial information of the company is given below:

| Particulars | 31-Dec-2017 | 31-Dec-2016 | 31-Dec-2015 | 31-Dec-2014 | 31-Dec-2013 |
|--|-----------------|-----------------|-----------------|-----------------|---------------|
| Revenue | 3,821,977,498 | 3,650,902,416 | 3,379,863,356 | 2,455,740,741 | 1,352,097,736 |
| Cost of sales | (2,528,541,863) | (2,499,888,888) | (2,184,241,431) | (1,491,243,607) | (841,111,466) |
| Gross profit/(loss) | 1,293,435,635 | 1,151,013,528 | 1,195,621,925 | 964,497,134 | 510,986,270 |
| Office and administrative expenses | (104,771,620) | (91,015,111) | (90,409,351) | (75,981,063) | (64,116,454) |
| Selling and distribution expenses | (493,733,898) | (511,594,257) | (453,315,364) | (293,433,990) | (154,675,452) |
| Net Profit before taxation | 280,363,328 | 90,635,680 | 95,667,913 | 181,744,314 | 25,922,440 |
| Net Profit after taxation | 206,564,490 | 76,041,770 | 70,097,805 | 161,550,261 | 16,933,551 |
| Total assets | 7,604,645,655 | 6,542,238,282 | 6,597,005,042 | 6,408,576,534 | 4,676,193,880 |
| Share capital | 1,502,000,000 | 1,502,000,000 | 731,069,490 | 731,069,490 | 731,069,490 |
| Retained earnings | 220,943,443 | 85,723,952 | 74,202,193 | 66,245,295 | (95,304,965) |
| No. of shares | 150,200,000 | 150,200,000 | 73,106,949 | 73,106,949 | 73,106,949 |
| NAV per share without revaluation reserve | 11.47 | 10.57 | 21.95 | 21.84 | 18.54 |
| NAV per share without revaluation reserve considering weighted average no. of shares | 11.47 | 13.83 | 21.95 | 21.84 | 24.29 |
| NAV per share with revaluation reserve | 15.64 | 10.57 | 21.95 | 21.84 | 18.54 |
| Basic Earnings per share (EPS)* | 1.38 | 0.66 | 0.96 | 2.21 | 0.30 |
| Diluted Earnings per share (EPS)* | 1.38 | 0.66 | 0.47 | 2.21 | 0.30 |

*EPS has been calculated based on weighted average number of shares.

(d) Features of the issue and its objects:

| | |
|--------------------------------|--|
| Face Value | BDT 10 |
| Cut-off Price | BDT [•] |
| Public Offer Price | BDT [•] |
| Number of Shares to be Offered | [•] |
| Total Issue Size | BDT 600,000,000 |
| Issue Managers | 1. Roots Investment Limited |
| | 2. ICB Capital Management Limited |
| Registrar to the Issue | Green Delta Capital Limited |
| Objectives of the Issue | 1. Expansion of existing sanitary ware plant |
| | 2. Repayment of Loan. |

(e) Legal and other Information:

| Name of the Licenses and Certifications | Issuing Authority | Licenses/ Certifications No. | Issue Date | Renewal Date | Validity |
|---|--|--|------------|--------------|------------|
| Certificate of Incorporation | Registrar of Joint Stock Companies and Firms, Bangladesh | C-87081/10 | 21/09/2010 | N/A | N/A |
| Certificate of Name Change | Registrar of Joint Stock Companies and Firms, Bangladesh | C-87081 | 05/10/2013 | N/A | N/A |
| TIN Certificate | National Board of Revenue, Bangladesh | 471877911380/ Circle-030 (companies) | N/A | N/A | N/A |
| VAT Certificate | Customs, Excise and VAT Commissionerate, Bangladesh | 22121026004 | N/A | N/A | N/A |
| Export Registration Certificate | Office of The Chief Controller of Imports & Exports, Bangladesh | RA-0105250 | 27/03/2011 | 10/07/2017 | 30/06/2018 |
| Import Registration Certificate | Office of The Chief Controller of Imports & Exports, Bangladesh | BA-0222050 | 02/07/2013 | 16/07/2017 | 30/06/2018 |
| Membership Certificate | Bangladesh Ceramic Manufacturers & Exporters Association (BCMEA) | No. 29 | 24/04/2016 | 04/01/2018 | 31/12/2018 |
| Membership Certificate | Foreign Investors' Chamber of Commerce & Industry (FICCI) | SI No. 451 | 07/03/2011 | 25/07/2017 | 30/06/2018 |
| Trade License | Union Parishad | 121 | 29/9/2010 | 22/06/2017 | 30/06/2018 |
| Fire License | Fire Service & Civil Defense, Bangladesh | DD/Sylhet/ 86/2012-2013 | 27/03/2013 | 02/07/2017 | 30/06/2018 |
| Factory License | Department of Inspection for Factories and Establishments | 510/Habiganj | 21/10/2012 | 09/07/2017 | 30/06/2018 |
| BIDA License (Previously BOI) | Bangladesh Investment Development Authority | No, J-69091011007-H) | 02/04/2014 | N/A | N/A |
| Group Life Insurance | American Life Insurance Company | Policy No. BGL- 50312-L | 26/4/2012 | N/A | N/A |
| Environment Clearance Certificate | Department of Environment | N/A | N/A | 22/10/2017 | 22/10/2018 |
| Environment Clearance Certificate for Captive Power | Department of Environment | N/A | N/A | 16/07/2017 | 22/06/2018 |
| ISO 14001:2015 | AJA Registrars Ltd. | AJA14/AN1824 | 21/03/2014 | N/A | 25/02/2020 |
| ISO 9001:2015 | AJA Registrars Ltd. | AJA14/AN1823 | 21/03/2014 | N/A | 25/02/2020 |
| OHSAS 18001:2007 | AJA Registrars Ltd. | AJA14/AN1861 | 20/06/2014 | N/A | 12/06/2020 |
| BSTI | Bangladesh Standards and Testing Institution | S-565/G-18/2015 | 01/07/2015 | 01/07/2015 | 30/06/2018 |

(f) Promoters' background:

The promoter shareholders of the company and subscribers to the memorandum of the company are as under:-

| Sl. | Name of the promoters* |
|-----|---|
| 1 | Star Investment S.A.L., Lebanon (Represented by Engr. Syyed Ahmed) |
| 2 | S.A.K. Ekramuzzaman |
| 3 | Md. Amir Hossain |
| 4 | Appukuttan Jayakumar |
| 5 | S. Peruma Reddy |
| 6 | Dynamic Business Alliance Pvt. Ltd. (Represented by Imtiaz Hussain) |

The details of changes in shareholding & Board position are as under:-

| Date | Particulars |
|------------------|---|
| 24 February 2011 | Dynamic Business Alliance Private Limited transferred 2,000,000 shares to S.A.K. Ekramuzzaman. |
| 6 March 2012 | Dynamic Business Alliance Private Limited transferred 1,000,000 shares to S.A.K. Anwaruzzaman. |
| 6 March 2012 | Sponsor shareholders Appukuttan Jayakumar and S. Peruma Reddy transferred their entire shareholding to Star Investment S.A.L. and resigned from the Board. |
| 25 April 2012 | S.A.K. Ekramuzzaman transferred 100,000 shares to Engr. Syyed Ahmed, Fazle Hasan Akbar, Jahirul Reza, Imtiaz Hussain, Mahabubur Rahman each. |
| 11 May 2012 | S.A.K. Ekramuzzaman transferred 400,000 shares to Star Investment S.A.L. |
| 8 January 2013 | Engr. Syyed Ahmed resigned as chairman & Dr. Khater Massaad was nominated by Star Investment S.A.L. & elected as chairman. |
| 30 January 2014 | Star Investment S.A.L. transferred its entire shareholding to Star Bangladesh Holding Limited & Dr. Khater Massaad was nominated in the board on behalf of Star Bangladesh Holding Ltd. |
| 20 May 2017 | S.A.K. Ekramuzzaman transferred 7,510,000 shares to Qamar-Uz-Zaman. Bernard Gilbert Massaad was appointed as nominee director of Star Bangladesh Holding Limited. Qamar-Uz-Zaman was also appointed as director. |
| 21 November 2017 | Dr. Khater Massaad resigned from the board. S.A.K. Anwaruzzaman resigned as managing director & appointed as chairman while Qamar-Uz-Zaman continued as director and appointed as managing director. Engr. Syyed Ahmad resigned as shareholder director and appointed as nominated director of Star Bangladesh Holding Limited. |

* Among the 6 (six) sponsors/promoters & consequent to various share transfers taken place as above, the present shareholding structure of the company as under:-

| Sl. | Shareholder's name | Percentage (%) | Number of shares |
|-----|------------------------------|----------------|--------------------|
| 1 | Star Bangladesh Holding Ltd. | 43.50% | 65,337,000 |
| 2 | S.A.K Ekramuzzaman | 35.00% | 52,570,000 |
| 3 | Syed A.K Anwaruzzaman | 10.00% | 15,020,000 |
| 4 | Qamar-Uz-Zaman | 5.00% | 7,510,000 |
| 5 | Amir Hossain | 3.00% | 4,506,000 |
| 6 | Engr. Syyed Ahmed | 1.00% | 1,502,000 |
| 7 | Fazle Hasan Akbar | 1.00% | 1,502,000 |
| 8 | Md. Imtiaz Hossain | 0.50% | 751,000 |
| 9 | Md. Jahirul Reza | 0.50% | 751,000 |
| 10 | Md. Mahabubur Rahman | 0.50% | 751,000 |
| | Total | 100% | 150,200,000 |

Brief profiles of the promoters are given below:

1. Star Investment S.A.L., Lebanon (Represented by Engr. Syyed Ahmed)

Star Investment S.A.L., Beirut, Lebanon, a Private Company engaged in the business activities of products, services, relationship with other companies, suppliers, customers and countries outside of Lebanon.

On 30 January 2014, Star Investment S.A.L. transferred its entire shareholding to Star Bangladesh Holding Ltd. Star Bangladesh Holding Ltd., a company limited by shares engaged in to carry on or undertake any business or activity, do any act or enter into any transaction.

2. S.A.K. Ekramuzzaman

S.A.K. Ekramuzzaman is the man behind catalyzing a revolution in the ceramics industry in Bangladesh. Just as ceramics manifest itself in an array of delightful patterns, his conglomerate embodies an array of business ventures – a TV channel to broadcast ideas, a paint company to color life, a real estate venture to provide living space, a sea port outlet to clear goods. Equipped with the knowledge and skills of ceramics industry gained while working as an RAK Ceramics executive in United Arab Emirates, he realized his lifelong dream to come up with a venture in his own country and brought about a paradigm shift characterizing him as an entrepreneur transforming innovations into success.

With an exploratory mind, he travels around the world to communicate with new people and connect with new ideas. This exploration helped him observe the changes the world has gone through since 1970s. Based on his observations, he suggests that a country can excel only when it has ample employment opportunities to offer. This is the simple philosophy motivating him to open employment windows to his countrymen. Over time, his conglomerate has emerged as one of the most dynamic and diversified ones in the country.

3. Md. Amir Hossain

Md. Amir Hossain is a successful business personality in Bangladesh. He has a number of business units in the country and a few projects under process abroad. He was the Chief Executive Officer of RAK Ceramics (Bangladesh) Limited.

His business interest involves product ranging from real estate, printing & packaging, garments and many more. He is having equity interest in KEA Printing and Packaging Industries Ltd. Swiss-Bangladesh Agro Fisheries Pvt. Ltd., Global Business Associates Pvt. Ltd., Automatic Bricks, Swiss – Bangladesh Cattle Pvt. Ltd. and many more.

4. Appukuttan Jayakumar

Appukuttan Jayakumar was the Chief Technical Officer of KMG Ceramics India Pvt. Ltd. as well as CTO in a number of other tiles manufacturing projects, including Al Forsan Global Industrial Complex, Saudi Arabia; C.D.K. Integrated Industries, Nigeria and Medtech Ceramics, Ethiopia. He has a Bachelor's Degree in Ceramic Engineering from Indian Institute of Ceramics, Calcutta, a Bachelor's Degree in Chemistry and a Diploma in Ceramic Technology.

Jayakumar has more than 30 years of experience in extensive technical skills to achieve the highest productivity & effectiveness and continuous cost saving through implementation of the latest innovations. He has also the expertise to produce largest slab in the world (185x125x2.0 cm) and also introduce slim tiles (4.5 mm thickness).

Due to his other engagement, he transferred his entire shareholding of Star Ceramics Ltd. to another shareholder of the Company i.e. Star Investment S.A.L. on March 6, 2012 and quit from the Company.

5. S. Peruma Reddy

S. Peruma Reddy was the Chief Operating Officer of RAK Ceramics Group. He is a qualified Ceramics Engineer and also holding Directorship responsibilities in some of RAK Ceramics joint venture companies. He has played a vital role in successful establishment of RAK Sanitary ware Division in UAE ever since the inception during Year 1992. He has also successfully led the establishment of a state of the art manufacturing unit of RAK Porcelain LLC for Premium Quality Porcelain Tableware in UAE with an annual capacity of 15 Million pcs.

Reddy has more than 21 years of experience in the manufacturing fields of Sanitaryware, Tableware and Faucets. He has commenced the development of "High Alumina Porcelain Body and Glaze" with the fast firing technology of first of its kind.

Due to his other engagement, he transferred his entire shareholding of Star Ceramics Ltd. to another shareholder of the Company i.e. Star Investment S.A.L. on March 6, 2012 and quit from the Company.

6. Dynamic Business Alliance Pvt. Ltd. (Represented by Imtiaz Hussain)

Dynamic Business Alliance Pvt. Ltd. of RAK Tower (12th floor), Plot 1/A, Sector 3, Uttara, Dhaka-1230, Bangladesh a Private Limited Company incorporated in Bangladesh under the Companies Act, 1994 on August 31, 2010 to carry on the business as financiers, promoters, capitalists, financial and monetary agents, concessionaires and brokers.

The main objective of the Company was to become shareholders in other limited companies or to invest in capital market of the Country. Before voluntary winding up of Dynamic Business Alliance Pvt. Ltd. on 25 June 2015, its entire shareholding of Star Ceramics Limited was transferred to S.A.K. Ekramuzzaman, sponsor shareholder, on February 24, 2011 and Syed A.K. Anwaruzzaman on March 6, 2012.

(g) Capital structure and history of capital raising:

Capital Structure of the Company

| Particulars | No. of Shares | Nominal Value per Share in BDT | Amount in BDT |
|--|---------------|--------------------------------|---------------|
| Before IPO | | | |
| Authorized Capital (As per audited accounts 31 December 2017) (250,000,000 no. of ordinary share and 100,000,000 no. of redeemable preference shares) | 350,000,000 | 10.00 | 3,500,000,000 |
| Paid-up Capital (As on 31 December 2017) | 150,200,000 | 10.00 | 1,502,000,000 |
| Pre-IPO Paid-up Capital | 150,200,000 | 10.00 | 1,502,000,000 |
| After IPO | | | |
| Capital to be issued through IPO | [•] | [•] | [•] |
| Post-IPO Paid-up Capital | [•] | [•] | [•] |

Information represented by [•] will be incorporated after determination of cut-off price.

History of Capital raising:

| Particulars of Allotment | Issued/Allotment as on | Form of Consideration | | | Amount of Share Capital in BDT |
|--------------------------|--|-----------------------|-----------------|-------------|--------------------------------|
| | | In cash | Other than cash | Bonus Share | |
| First | Subscribers to the Memorandum & Articles of Association at the time of Incorporation | 100,000,000 | - | - | 100,000,000 |
| Second | Issued as on 11/04/2013 | 631,069,490 | - | - | 631,069,490 |
| Third | Issued as on 15/06/2016 | 770,930,510 | - | - | 770,930,510 |
| Total | | 1,502,000,000 | - | - | 1,502,000,000 |

(h) Summary of Valuation Report of securities:

| Sl. | Method used | | | Taka |
|----------|-------------|--|--|--------|
| Method-1 | A) | Net Asset Value (NAV) per share at historical cost with revaluation | | 15.64 |
| | B) | Net Asset Value (NAV) per share at historical cost without revaluation | | 11.47 |
| Method-2 | A) | Earnings based value per share (Considering average Sector P/E) | | 19.29 |
| | B) | Earnings based value per share (Considering average Market P/E) | | 13.33 |
| Method-3 | | Average market price of similar stock based valuation | | 48.56 |
| Method-4 | A) | P/BV multiple of similar stocks based valuation (with Revaluation) | | 27.61 |
| | B) | P/BV multiple of similar stocks based valuation (without Revaluation) | | 37.65 |
| Method-5 | | P/E multiple of similar stocks based valuation | | 190.97 |
| Method-6 | | EV/EBITDA multiple based valuation | | 106.12 |

Note: The detailed workings of the valuation under above methods are given in this red-herring prospectus under the head of 'Valuation Report of Securities' prepared by the Issue Manager (s).

SECTION: II

CONDITIONS IMPOSED BY THE COMMISSION IN THE CONSENT LETTER

Disclosure in respect of issuance of security in Dematerialized Form

As per provisions of the Depository Act, 1999 and regulations made there under, shares of the Company will be issued in dematerialized form only and for this purpose Star Ceramics Limited will sign an agreement with the Central Depository Bangladesh Limited (CDBL). Therefore, all transfers, transmissions, splitting or conversions will take place on the CDBL system and any further issuance of shares (including rights and bonus) will also be issued in dematerialized form only.

Conditions imposed by Commission under Rule 4 (2) of the Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015:

(a) Conducting road show and submission of application:

- (i) The issuer/issue manager shall send invitation to the eligible investors, both in writing and through publication in at least 5 (five) widely circulated national dailies, giving at least 10 (ten) working days' time, to the road show indicating time and venue of such event. The invitation letter shall accompany a red-herring prospectus containing all relevant information covering the proposed size of the issue and at least 3 (three) years audited financial statements and valuation report, prepared by the issue manager without mentioning any indicative price, as per internationally accepted valuation methods. The red-herring prospectus shall be prepared without mentioning the issue price or number of securities to be offered;
- (ii) Representatives from the exchanges shall present in the road show as observers;
- (iii) Eligible investors shall submit their comments and observations, if any, to the issuer or issue manager within 03(three) working days of the road show;
- (iv) After completion of the road show, the red-herring prospectus shall be finalized on the basis of comments and observations of the EIs participated in the road show. The valuation report as finalized must be included in the red-herring prospectus including detail about the qualitative, quantitative factors and methods of valuation;
- (v) The application along with the red-herring prospectus and required documents shall be simultaneously submitted to the Commission and the exchanges as per rule 4(1)(a).

(b) Consent for bidding to determine the cut-off price:

After examination of the prospectus and relevant documents, the Commission, if satisfied, shall issue consent to commence bidding by the eligible investors for determination of the cut-off price.

(c) Determination of the cut-off price:

- (i) Eligible investors shall participate in the electronic bidding and submit their intended quantity and price: Provided that any connected person or related party of the issuer, issue manager or registrar to the issue shall not be eligible to participate in the bidding;
- (ii) No eligible investor shall quote for more than 2% (two percent) of the total amount offered against their respective quota;
- (iii) Eligible investors' bidding shall be opened for 72(seventy two) hours round the clock;
- (iv) The bidding shall be conducted through a uniform and integrated automated system of the Exchange(s), especially developed for public issue subscription;
- (v) The value of bid at different prices will be displayed on the screen without identifying the bidders;
- (vi) The bidders shall deposit at least 20% (twenty percent) of the bid amount in advance in the designated bank account maintained by the exchange conducting the bidding;
- (vii) The bidders can revise their bids for once, within the bidding period, up to 10% (ten percent) variation of their first bid price;

- (viii) After completion of the bidding period, the cut-off price will be determined at nearest integer of the lowest bid price at which the total securities offered to eligible investors would be exhausted;
- (ix) All the eligible investors participating in the bidding shall be offered to subscribe the securities at the cut-off price. It is mandatory for EIs bidding at or above the cut-off price to subscribe up to their intended quantity but optional for EIs bidding below the cut-off price;
- (x) The EIs excluding mutual funds and CIS shall be allotted securities on pro-rata basis at the cut-off price. Mutual funds and CIS shall be allotted securities reserved for them on pro-rata basis;
- (xi) The securities shall be offered to general public for subscription at an issue price to be fixed at 10% discount (at nearest integer) from the cut-off price;
- (xii) The issuer and the issue manager shall prepare the draft prospectus including the status of bidding, cut-off price, list of eligible investors with number of securities subscribed for, price and number of securities for offering to the general public and submit with relevant documents, simultaneously to the Commission and the exchanges within 5 (five) working days from the closing day of bidding.

(d) Subscription by the eligible investors:

After examination of the draft prospectus and relevant documents, the Commission, if satisfied, shall issue consent for raising of capital from the general public and approve the prospectus;

The balance amount of subscription shall be paid by the eligible investors prior to the date of opening of subscription to the general public:

provided that in case of failure to deposit the remaining amount by the eligible investors, advance bid money deposited by them shall be forfeited by the Commission and the unsubscribed securities shall be taken up by the underwriters.

ELIGIBLE INVESTOR OR EI

As per Rule 2(1)(e) of Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015:

“Eligible Investor or EI” means the following institution who has business operation or investment in Bangladesh and registered with the electronic subscription system of the exchanges:

- (i) Merchant Bankers and Portfolio Managers;
- (ii) Asset Management Companies;
- (iii) Mutual Funds and Collective Investment Scheme (CIS);
- (iv) Stock Dealers;
- (v) Banks;
- (vi) Financial Institutions;
- (vii) Insurance Companies;
- (viii) Alternative Investment Fund Managers;
- (ix) Alternative Investment Funds;
- (x) Foreign Investors having account with any Securities Custodian registered with the Commission;
- (xi) Recognized Provident Funds, Approved Pension Funds and Approved Gratuity Funds; and
- (xii) Other Institutions as approved by the Commission.

Allocation of Shares of Star Ceramics Limited:

As per Rule 4(2) (C) of Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015 the shares of Star Ceramics Limited will be allocated in the following manner:

| Eligible Investor (EI) | | General Public (GP) | |
|-----------------------------------|--------------------------|---|---|
| EI excluding mutual funds and CIS | Mutual Funds and CIS | GP excluding NRB | NRB |
| 50% at the cut-off price | 10% at the cut-off price | 30% at 10% discount (at nearest integer) from the cut-off price | 10% at 10% discount (at nearest integer) from the cut-off price |

Lock-in:

Ordinary shares of the issuer shall be subject to lock-in, from the date of issuance of prospectus or commercial operation, whichever comes later, in the following manner:

| | |
|-----|---|
| (1) | All shares held, at the time of according consent to the public offer, by sponsors, directors and shareholders holding ten percent (10%) or more shares, other than alternative investment funds, for 03(three) years; |
| (2) | In case any existing sponsor or director of the issuer transfers any share to any person, other than existing shareholders, all shares held by those transferee shareholders, at the time of according consent to the public offer, for 03 (three) years; |
| (3) | Twenty five percent (25%) of the shares allotted to eligible investors, for 06 (six) months and other twenty five percent (25%) of the shares allotted to them, for 09 (nine) months; |
| (4) | All shares held by alternative investment funds, at the time of according consent to the public offer, for 01 (one) year; |
| (5) | All shares held, at the time of according consent to the public offer, by any person other than the persons mentioned in sub rules (1), (2) and (3) above, for 01 (one) year; Provided that ordinary shares converted from any other type of securities shall also be subject to lock-in as mentioned above; |

SECTION: III DECLARATION AND DUE DILIGENCE CERTIFICATES

DECLARATION ABOUT THE RESPONSIBILITY OF THE DIRECTORS' INCLUDING THE CEO OF STAR CERAMICS LIMITED IN RESPECT OF THE RED-HERRING PROSPECTUS

[RULE 4 (1) (d)]

This red-herring prospectus has been prepared, seen and approved by us, and we, individually and collectively, accept full responsibility for the authenticity, accuracy and adequacy of the statements made, information given in the prospectus, documents, financial statements, exhibits, annexes, papers submitted to the Commission in support thereof, and confirm, after making all reasonable inquiries that all conditions concerning this public issue and prospectus have been met and that there are no other information or documents, the omission of which make any information or statements therein misleading for which the Commission may take any civil, criminal or administrative actions against any or all of us as it may deem fit.

We also confirm that full and fair disclosures have been made in this red-hearing prospectus to enable the investors to make a well informed decision for investment.

Sd/-

Syed A. K. Anwaruzzaman
Chairman

Sd/-

Qamar-Uz-Zaman
Managing Director

Sd/-

Engr. Syyed Ahmed
(Nominated Director of Star
Bangladesh Holding Ltd.)

Sd/-

Bernard Gilbert Massaad
(Nominated Director of Star Bangladesh Holding Ltd.)

Sd/-

Pratima Sarkar
Independent Director

Date: 1 March 2018

DUE DILIGENCE CERTIFICATE BY ISSUE MANAGER(S)**[Rule 4 (1)(d)]****To****The Bangladesh Securities and Exchange Commission****Sub: Public offer of [•] Ordinary Shares of TK. 600,000,000 by Star Ceramics Limited.****Dear Sir,**

We, the issue manager(s) to the above-mentioned forthcoming issue, state and confirm as follows:

- (1) We have examined all the documents submitted with the application for the above mentioned public issue, visited the premises of the issuer and interviewed the Chairperson, Directors and key management personnel of the issuer in connection with the finalization of the red-herring prospectus pertaining to the said issue;
- (2) On the basis of such examination and the discussions with the directors, officers and auditors of the issuer, other agencies, independent verification of the statements concerning objects of the issue and the contents of the documents and other materials furnished by the issuer.

WE CONFIRM THAT:

- (a) The red-herring prospectus filed with the Commission is in conformity with the documents, materials and papers relevant to the issue;
- (b) All the legal requirements relating to the issue as also in the rules, notification, guidelines, instructions, etc. framed/issued by the Commission, other competent authorities in this behalf and the Government have been duly complied with;
- (c) The disclosures made in the red-herring prospectus are true, fair and adequate to enable the investors to make a well informed decision for investment in the proposed issue and such disclosures are in accordance with the requirements of the Companies Act, 1994, the Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015 and other applicable laws;
- (d) Besides ourselves, all the intermediaries named in the red-herring prospectus are registered with the Commission and that till date such registrations are valid;
- (e) We have satisfied ourselves about the capability of the underwriters to fulfill their underwriting commitments;
- (f) The proposed activities of the issuer for which the funds are being raised in the present issue fall within the 'main objects' listed in the object clause of the Memorandum of Association or other charter of the issuer and that the activities which have been carried out till now are valid in terms of the object clause of its Memorandum of Association;
- (g) Necessary arrangements have been made to ensure that the moneys to be received pursuant to the issue shall be kept in a separate bank account and shall be used for the purposes disclosed in the use of proceeds section of the red-herring prospectus;
- (h) All the applicable disclosures mandated in the Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015 have been made in addition to other disclosures which, in our view, are fair and adequate to enable the investor to make a well informed decision;
- (i) We enclose a note explaining how the process of due diligence has been exercised by us in view of the nature of current business background or the issuer, situation at which the proposed business stands, the risk factors, sponsors experiences etc. We also confirm that the due diligence related process, documents and approval memos shall be kept in record by us for the next 5 (five) years after the IPO for any further inspection by the Commission;
- (j) We enclose a checklist confirming rule-wise compliance with the applicable provisions of the Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015 containing details such as the rule number, its text, the status of compliance, page numbers of the prospectus where the rules has been complied with and our comments, if any;
- (k) We also declare that we have managed the public issue of following issuers in the last 05 (five) years:

| Sl. No | Issue Month/Year | Issue Price | Dividend Payment History |
|--------|---|---|--|
| 1. | Golden Harvest Agro Industries Ltd. (4 March 2013) | Tk. 25.00 (including a premium of Tk. 15.00 per share) | 2012: 20% B 2013: 10%, 5% B 2014: 10% 2015: 10% B 2016: 10% B |

Place: Dhaka

Date: 1 March 2018

Sd/-

Mohammad Sarwar Hossian
Managing Director, Roots Investment Limited

DUE DILIGENCE CERTIFICATE BY ISSUE MANAGER(S)**[Rule 4(1)(d)]****To****The Bangladesh Securities and Exchange Commission****Sub: Public offer of [•] Ordinary Shares of TK. 600,000,000 by Star Ceramics Limited.****Dear Sir,**

We, the issue manager(s) to the above-mentioned forthcoming issue, state and confirm as follows:

- (1) We have examined all the documents submitted with the application for the above mentioned public issue, visited the premises of the issuer and interviewed the Chairperson, Directors and key management personnel of the issuer in connection with the finalization of the prospectus pertaining to the said issue;
- (2) On the basis of such examination and the discussions with the directors, officers and auditors of the issuer, other agencies, independent verification of the statements concerning objects of the issue and the contents of the documents and other materials furnished by the issuer.

WE CONFIRM THAT:

- (a) The red-herring prospectus filed with the Commission is in conformity with the documents, materials and papers relevant to the issue;
- (b) All the legal requirements relating to the issue as also in the rules, notification, guidelines, instructions, etc. framed/issued by the Commission, other competent authorities in this behalf and the Government have been duly complied with;
- (c) The disclosures made in prospectus are true, fair and adequate to enable the investors to make a well informed decision for investment in the proposed issue and such disclosures are in accordance with the requirements of the Companies Act, 1994, the Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015 and other applicable laws;
- (d) Besides ourselves, all the intermediaries named in the prospectus are registered with the Commission and that till date such registrations are valid;
- (e) We have satisfied ourselves about the capability of the underwriters to fulfill their underwriting commitments;
- (f) The proposed activities of the issuer for which the funds are being raised in the present issue fall within the 'main objects' listed in the object clause of the Memorandum of Association or other charter of the issuer and that the activities which have been carried out till now are valid in terms of the object clause of its Memorandum of Association;
- (g) Necessary arrangements have been made to ensure that the moneys to be received pursuant to the issue shall be kept in a separate bank account and shall be used for the purposes disclosed in the use of proceeds section of the prospectus;
- (h) All the applicable disclosures mandated in the Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015 have been made in addition to other disclosures which, in our view, are fair and adequate to enable the investor to make a well informed decision;
- (i) We enclose a note explaining how the process of due diligence has been exercised by us in view of the nature of current business background of the issuer, situation at which the proposed business stands, the risk factors, sponsors experiences etc. We also confirm that the due diligence related process, documents and approval memos shall be kept in record by us for the next 5 (five) years after the IPO for any further inspection by the Commission;
- (j) We enclose a checklist confirming rule-wise compliance with the applicable provisions of the Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015 containing details such as the rule number, its text, the status of compliance, page numbers of the prospectus where the rules have been complied with and our comments, if any;

(k) We also declare that we have managed the public issue of following issuers in the last 05 (five) years:

| Sl. | Issue Month/Year (July to June) | Issue FY | Issue Price | Dividend Payment History |
|-----|--|----------|-------------|---|
| 1 | Orion Pharma Limited | 2012-13 | 60.00 | 2017- 15%C, 2016- 15%C, 2014- 15%C, 2013- 15%C, 2012- 20%C, 20%B. |
| | Bengal Windsor Thermoplastics Limited | | 40.00 | 2016- 10%C, 2015- 10%B, 2014- 23%C, 2013- 8%B, 14%C |
| 2 | Apollo Ispat Complex Limited | 2013-14 | 22.00 | 2017- 10%B, 2016- 15%C, 10%B, 2015- 3%C, 12%B, 2014- 15%B |
| | Shurwid Industries Limited | | 10.00 | 2014- 15%B |
| | Saif Powertec Limited | | 30.00 | 2017- 28%B, 5%C, 2016- 5%C, 27%B, 2015- 29%B, 2014- 27%B |
| | Western Marin Shipyard Limited | | 35.00 | 2017- 12%B, 3%C, 2014- 5%C, 10%B |
| 3 | National Feed Mills Limited | 2014-15 | 10.00 | 2017- 10%B, 2016- 15%B, 2014- 10%B |
| | Hamid Fabrics Limited | | 35.00 | 2017- 15%C, 2016- 15%C, 2015- 15%C, 5%B, 2014- 10%C, 10%B |
| 4 | The ACME Laboratories Limited | 2015-16 | 77.00 | 2017- 35%C, 2016- 35%C, 2015-35%C, 2014- 35%C |
| | Doreen Power Generations and Systems Limited | | 29.00 | 2017- 10%B, 10%C, 2016- 10%C, 20%B |
| 5 | BBS Cables Limited | 2016-17 | 10.00 | 2017- 15%B, 5%C, |

Place: Dhaka
Date: 1 March 2018

Sd/-
(Md. Sohel Rahman)
Chief Executive Officer (Additional Charge)
ICB Capital Management Limited

DUE DILIGENCE CERTIFICATE BY THE UNDERWRITER**[Rule 4 (1)(d)]****To****The Bangladesh Securities and Exchange Commission****Sub: Public offer of [•] Ordinary Shares of Tk. 600,000,000 (Taka sixty crore) only of Star Ceramics Limited****Dear Sir,**

We, the under-noted Underwriter(s) to the above-mentioned forthcoming issue, state individually and collectively as follows:

1. We, while underwriting the above mentioned issue on a firm commitment basis, have examined the draft prospectus, other documents and materials as relevant to our underwriting decision; and
2. On the basis of such examination and the discussions with the issuer company, its directors and officers, and other agencies, independent verification of the statements concerning objects of the issue and the contents of the documents and other materials furnished by the issuer company.

WE CONFIRM THAT:

- a) We are registered with the Bangladesh Securities and Exchange Commission as a merchant banker and eligible to carry out the underwriting activities. Our present paid-up capital stands at Tk. 135,000,000 (thirteen crore and fifty lac) only and we have the capacity to underwrite a total amount of Tk. 675,000,000 (sixty seven crore and fifty lac) only as per relevant legal requirements. We have committed to underwrite for up to Tk. 62,500,000 (six crore and twenty five lac) only for the upcoming issue.
- b) At present, the following underwriting obligations are pending for us:

| Sl. No | Name of the Company | Amount Underwritten (BDT) |
|--------------|---|---------------------------|
| 1. | Summit Shipping Limited | 52,500,000 |
| 2. | Alliance Holdings Limited | 16,940,000 |
| 3. | Sbs Cables Limited | 28,050,000 |
| 4. | Ratanpur Steel Re-Rolling Mills Limited | 75,000,000 |
| 5. | STS Holdings Limited | 75,000,000 |
| 6. | Aman Cotton Fibrous Limited | 20,000,000 |
| 7. | Express Insurance Limited | 1,500,000 |
| 8. | Esquire knit Composite Limited | 10,000,000 |
| Total | | 278,990,000 |

- c) All information as are relevant to our underwriting decision have been received by us and the draft prospectus forwarded to the Commission has been approved by us;
- d) We shall subscribe and take up the un-subscribed securities against the above-mentioned public issue within 15 (fifteen) days of calling up thereof by the issuer; and
- e) This underwriting commitment is unequivocal and irrevocable.

For the Underwriter:

Sd/-

Mohammad Sarwar Hossain

Managing Director

Roots Investment Limited

Date: 20. 02. 2018

DUE DILIGENCE CERTIFICATE BY THE UNDERWRITER**[Rule 4 (1)(d)]****To-****The Bangladesh Securities and Exchange Commission****Sub: Public offer of [•] Ordinary Shares of Tk. 600,000,000.00 (Taka sixty crore) only of Star Ceramics Limited.****Dear Sir,**

We, the under-noted Underwriter(s) to the above-mentioned forthcoming issue, state individually and collectively as follows:

- (1) We, while underwriting the above mentioned issue on a firm commitment basis, have examined the draft prospectus, other documents and materials as relevant to our underwriting decision; and
- (2) On the basis of such examination and the discussions with the issuer company, its directors and officers, and other agencies, independent verification of the statements concerning objects of the issue and the contents of the documents and other materials furnished by the issuer company.

WE CONFIRM THAT:

- (a) We are registered with the Bangladesh Securities and Exchange Commission as a merchant banker and eligible to carry out the underwriting activities. Our present paid-up capital stands at Tk. 131.86 (One hundred thirty one point eight six) crore only and we have the capacity to underwrite a total amount of Tk. 659.30 (Taka six hundred fifty nine point three zero) crore only as per relevant legal requirements. We have committed to underwrite for up to Tk. 6.25 (six point twenty five) crore only for the upcoming issue.
- (b) At present, the following underwriting obligations are pending for us:

| Sl. No. | Name of the Company | Amount Underwritten (BDT) |
|--------------|---|---------------------------|
| 1 | STS Holdings Limited | 60,900,000 |
| 2 | Dhaka Regency Hotel & Resort Limited | 52,500,000 |
| 3 | Aman Cotton Fibrous Limited | 20,000,000 |
| 4 | Delta Hospital Limited | 16,000,000 |
| 5 | ADN Telecom Limited | 199,500,000 |
| 6 | Desh General Insurance Company Ltd. | 5,600,000 |
| 7 | Esquire Knit Composite Ltd. | 40,000,000 |
| 8 | Energypac Power Generation Ltd. | 42,500,000 |
| 9 | Ratanpur Steel Re-Rolling Mills Ltd. | 37,500,000 |
| 10 | AB Bank Limited | 750,000,000 |
| 11 | Mohammed Elias Brothers POY Manufacturing Limited | 10,000,000 |
| Total | | 1,234,500,000 |

- (c) All information as are relevant to our underwriting decision have been received by us and the draft prospectus forwarded to the Commission has been approved by us;
- (d) We shall subscribe and take up the un-subscribed securities against the above-mentioned public issue within 15 (fifteen) days of calling up thereof by the issuer; and
- (e) This underwriting commitment is unequivocal and irrevocable.

For the Underwriter:

Sd/-

Md. Sohel Rahman

Chief Executive Officer (Additional Charge)

ICB Capital Management Limited

Date: 20.02.2018

DUE DILIGENCE CERTIFICATE BY THE UNDERWRITER**[Rule 4 (1)(d)]****To****The Bangladesh Securities and Exchange Commission****Sub: Public offer of [•] Ordinary Shares of Tk. 600,000,000.00 (Taka sixty crore) only of Star Ceramics Limited.****Dear Sir,**

We, the under-noted Underwriter(s) to the above-mentioned forthcoming issue, state individually and collectively as follows:

- (1) We, while underwriting the above mentioned issue on a firm commitment basis, have examined the draft prospectus, other documents and materials as relevant to our underwriting decision; and
- (2) On the basis of such examination and the discussions with the issuer company, its directors and officers, and other agencies, independent verification of the statements concerning objects of the issue and the contents of the documents and other materials furnished by the issuer company.

WE CONFIRM THAT:

- (a) We are registered with the Bangladesh Securities and Exchange Commission as a merchant banker and eligible to carry out the underwriting activities. Our present paid-up capital stands at Tk. 260,000,000 (twenty-six crore) only and we have the capacity to underwrite a total amount of Tk. 1,300,000,000 (one hundred thirty crore) only as per relevant legal requirements. We have committed to underwrite for up to Tk. 17,000,000 (one crore seventy lac) only for the upcoming issue.
- (b) At present, the following underwriting obligations are pending for us:

| Sl. No. | Name of the Company | Amount Underwritten (BDT) |
|---------|------------------------------------|---------------------------|
| 1. | Eastland Insurance Company Limited | 94,551,000 |
| 2. | AB Bank Limited | 140,000,000 |
| 3. | Esquire Knit Composite Limited | 20,000,000 |
| 4. | Delta Hospital Limited | 8,000,000 |
| | Total | 261,551,000 |

- (c) All information as are relevant to our underwriting decision have been received by us and the draft prospectus forwarded to the Commission has been approved by us;
- (d) We shall subscribe and take up the un-subscribed securities against the above-mentioned public issue within 15 (fifteen) days of calling up thereof by the issuer; and
- (e) This underwriting commitment is unequivocal and irrevocable.

For the Underwriter:

Sd/-

Md. Rafiqul Islam

Managing Director & CEO

Green Delta Capital Limited

Date: 13.02.2018

DUE DILIGENCE CERTIFICATE BY THE UNDERWRITER**[Rule 4 (1)(d)]**

To

The Bangladesh Securities and Exchange Commission**Sub: Public offer of [•] Ordinary Shares of Tk. 600,000,000 (Taka sixty crore) only of Star Ceramics Limited****Dear Sir,**

We, the under-noted Underwriter(s) to the above-mentioned forthcoming issue, state individually and collectively as follows:

1. We, while underwriting the above mentioned issue on a firm commitment basis, have examined the draft prospectus, other documents and materials as relevant to our underwriting decision; and
2. On the basis of such examination and the discussions with the issuer company, its directors and officers, and other agencies, independent verification of the statements concerning objects of the issue and the contents of the documents and other materials furnished by the issuer company.

WE CONFIRM THAT:

- a) We are registered with the Bangladesh Securities and Exchange Commission as a merchant banker and eligible to carry out the underwriting activities. Our present paid-up capital stands at Tk. 2,200,000,000 (two hundred & twenty crore) only and we have the capacity to underwrite a total amount of Tk. 11,000,000,000 (One thousand & one hundred crore) only as per relevant legal requirements. We have committed to underwrite for up to Tk. 17,000,000 (one crore & seventy lac) only for the upcoming issue.
- b) At present, the following underwriting obligations are pending for us:

| Sl. No. | Name of the Company | Amount Underwritten (BDT) |
|--------------|--|---------------------------|
| 1. | AB Bank Limited (Rights Issue) | 969,200,000 |
| 2. | Esquire Knit Composite Limited (IPO) | 20,000,000 |
| 3. | Runner Automobiles Limited (IPO) | 320,000,000 |
| 4. | Popular Pharmaceuticals Limited | 225,000,000 |
| 5. | Ratanpur Steel Re-Rolling Mills Limited (Rights Issue) | 50,000,000 |
| 6. | Western Marine Shipyard Limited (Rights Issue) | 150,000,000 |
| Total | | 1,734,200,000 |

- c) All information as are relevant to our underwriting decision have been received by us and the draft prospectus forwarded to the Commission has been approved by us;
- d) We shall subscribe and take up the un-subscribed securities against the above-mentioned public issue within 15 (fifteen) days of calling up thereof by the issuer; and
- e) This underwriting commitment is unequivocal and irrevocable.

For the Underwriter:

Sd/-

Md. Moniruzzaman

Managing Director

IDLC Investments Limited

Date: 20. 02. 2018

DUE DILIGENCE CERTIFICATE BY THE UNDERWRITER**[Rule 4 (1)(d)]****To****The Bangladesh Securities and Exchange Commission****Sub: Public offer of [•] Ordinary Shares of Tk. 600,000,000 (Taka sixty crore) only of Star Ceramics Limited****Dear Sir,**

We, the under-noted Underwriter(s) to the above-mentioned forthcoming issue, state individually and collectively as follows:

1. We, while underwriting the above mentioned issue on a firm commitment basis, have examined the draft prospectus, other documents and materials as relevant to our underwriting decision; and
2. On the basis of such examination and the discussions with the issuer company, its directors and officers, and other agencies, independent verification of the statements concerning objects of the issue and the contents of the documents and other materials furnished by the issuer company.

WE CONFIRM THAT:

- a) We are registered with the Bangladesh Securities and Exchange Commission as a merchant banker and eligible to carry out the underwriting activities. Our present paid-up capital stands at Tk. 251,100,000 (twenty five crore & eleven lac) only and we have the capacity to underwrite a total amount of Tk. 1,255,500,000 (one hundred twenty five crore fifty five lac) only as per relevant legal requirements. We have committed to underwrite for up to Tk. 17,000,000 (one crore & seventy lac) only for the upcoming issue.
- b) At present, the following underwriting obligations are pending for us:

| Sl. No. | Name of the Company | Amount Underwritten (BDT) |
|--------------|--|---------------------------|
| 1. | Desh General Insurance Company Limited | 5,600,000 |
| 2. | AB Bank Limited (Rights Issue) | 90,000,000 |
| Total | | 95,600,000 |

- c) All information as are relevant to our underwriting decision have been received by us and the draft prospectus forwarded to the Commission has been approved by us;
- d) We shall subscribe and take up the un-subscribed securities against the above-mentioned public issue within 15 (fifteen) days of calling up thereof by the issuer; and
- e) This underwriting commitment is unequivocal and irrevocable.

For the Underwriter:

Sd/-

Tanjil Chowdhury
 Managing Director & CEO
 EC Securities Limited
 Date: 20.02.2018

DUE DILIGENCE CERTIFICATE BY THE UNDERWRITER**[Rule 4 (1)(d)]****To****The Bangladesh Securities and Exchange Commission****Sub: Public offer of [•] Ordinary Shares of Tk. 600,000,000 (Taka sixty crore) only of Star Ceramics Limited****Dear Sir,**

We, the under-noted Underwriter(s) to the above-mentioned forthcoming issue, state individually and collectively as follows:

1. We, while underwriting the above mentioned issue on a firm commitment basis, have examined the draft prospectus, other documents and materials as relevant to our underwriting decision; and
2. On the basis of such examination and the discussions with the issuer company, its directors and officers, and other agencies, independent verification of the statements concerning objects of the issue and the contents of the documents and other materials furnished by the issuer company.

WE CONFIRM THAT:

- a) We are registered with the Bangladesh Securities and Exchange Commission as a merchant banker and eligible to carry out the underwriting activities. Our present paid-up capital stands at Tk. 1,500,000,000 (one hundred & fifty crore) only and we have the capacity to underwrite a total amount of Tk. 7,500,000,000 (seven hundred & fifty crore) only as per relevant legal requirements. We have committed to underwrite for up to Tk. 17,000,000 (one crore & seventy lac) only for the upcoming issue.
- b) At present, the following underwriting obligations are pending for us:

| Sl. No. | Name of the Company | Amount Underwritten (BDT) |
|--------------|--------------------------------------|---------------------------|
| 1. | Navana Real Estate Limited | 10,20,00,000 |
| 2. | Arian Chemicals Limited | 1,00,00,000 |
| 3. | Rupsha Fish & Allied Industries Ltd. | 2,00,00,000 |
| 4. | Esquire Knit Composite Ltd. | 2,00,00,000 |
| 5. | AB Bank Limited | 1,00,00,000 |
| Total | | 25,20,00,000 |

- c) All information as are relevant to our underwriting decision have been received by us and the draft prospectus forwarded to the Commission has been approved by us;
- d) We shall subscribe and take up the un-subscribed securities against the above-mentioned public issue within 15 (fifteen) days of calling up thereof by the issuer; and
- e) This underwriting commitment is unequivocal and irrevocable.

For the Underwriter:

Sd/-

Abu Nayem Md. Ibrahim

Chief Executive Officer

SBL Capital Management Limited

Date: 20. 02. 2018

DUE DILIGENCE CERTIFICATE BY THE UNDERWRITER**[Rule 4 (1)(d)]****To****The Bangladesh Securities and Exchange Commission****Sub: Public offer of [•] Ordinary Shares of Tk. 600,000,000 (Taka sixty crore) only of Star Ceramics Limited****Dear Sir,**

We, the under-noted Underwriter(s) to the above-mentioned forthcoming issue, state individually and collectively as follows:

1. We, while underwriting the above mentioned issue on a firm commitment basis, have examined the draft prospectus, other documents and materials as relevant to our underwriting decision; and
2. On the basis of such examination and the discussions with the issuer company, its directors and officers, and other agencies, independent verification of the statements concerning objects of the issue and the contents of the documents and other materials furnished by the issuer company.

WE CONFIRM THAT:

- a) We are registered with the Bangladesh Securities and Exchange Commission as a merchant banker and eligible to carry out the underwriting activities. Our present paid-up capital stands at Tk. 250,000,000.00 (twenty five crore) only and we have the capacity to underwrite a total amount of Tk. 1,250,000,000.00 (one hundred and twenty five crore) only as per relevant legal requirements. We have committed to underwrite for up to Tk. 17,000,000 (one crore & seventy lac) only for the upcoming issue.
- b) At present, the following underwriting obligations are pending for us:

| Sl. No. | Name of the Company | Amount Underwritten (BDT) |
|--------------|---------------------|---------------------------|
| 1. | N/A | - |
| Total | | - |

- c) All information as are relevant to our underwriting decision have been received by us and the draft prospectus forwarded to the Commission has been approved by us;
- d) We shall subscribe and take up the un-subscribed securities against the above-mentioned public issue within 15 (fifteen) days of calling up thereof by the issuer; and
- e) This underwriting commitment is unequivocal and irrevocable.

For the Underwriter:

Sd/-

Mohammad Reza

Chief Executive Officer


Sigma Capital Management Limited

Date: 20.02.2018

SECTION: IV

ABOUT THE ISSUER

(a) Name of the issuer, dates of incorporation and commencement of its commercial operations, its logo, addresses of its registered office, other offices and plants, telephone number, fax number, contact person, website address and e-mail address:

| | |
|---------------------------------------|--|
| Name of the Issuer | Star Ceramics Limited |
| Date of Incorporation | 21 September 2010 |
| Commencement of Commercial Operations | 1 January 2013 |
| Logo of the Company |  |
| Registered Office | Palli River View, Plot No: 44, Road No: 10, Sector: 11, Uttara Model Town, Dhaka-1230 |
| Other office | Chittagong Office: C&F Tower (6 th Floor), 1712(new) Sk. Mujib Road, Agrabad, Chittagong-4100, Bangladesh |
| Plants | Factory Address: Riaznagar, Baghasura, Madhabpur, Habigonj-3300, Bangladesh |
| Telephone Number | +88-02-48950384 |
| Fax Number | +88-02-48955847 |
| Contact Person | C.A. Ajay Kumar |
| Website Address | www.starceramicsbd.com |
| E-mail Address | cfo@starceramicsbd.com |

(a) The names of the sponsors and directors of the issuer:

The name of sponsors and existing directors are presented below:


| Sl. | Name of Sponsors | Sl. No. | Name of Directors |
|-----|---|---------|--|
| 1. | Star Investment S.A.L., Lebanon * (Nominated Director of Engr. Syyed Ahmed) | 1. | Syed A.K. Anwaruzzaman, Chairman |
| 2. | S.A.K. Ekramuzzaman | 2. | Qamar-Uz-Zaman, Director and Managing Director |
| 3. | Mohd. Amir Hossain | 3. | Engr. Syyed Ahmed, Director (Nominated Director of Star Bangladesh Holding Ltd.) |
| 4. | Appukuttan Jayakumar ** | 4. | Bernard Gilbert Massaad , Director (Nominated Director of Star Bangladesh Holding Ltd.) |
| 5. | S. Peruma Reddy ** | 5. | Pratima Sarkar, Independent Director |
| 6. | Dynamic Business Alliance Pvt. Ltd. *** (Represented by Imtiaz Hussain) | | |

The details of change in shareholding & Board position were as under:-


| Date | Particulars |
|------------------|---|
| 24 February 2011 | Dynamic Business Alliance Private Limited transferred 2,000,000 shares to S.A.K. Ekramuzzaman. |
| 6 March 2012 | Dynamic Business Alliance Private Limited transferred 1,000,000 shares to S.A.K. Anwaruzamman. |
| 6 March 2012 | Sponsor shareholders Appukuttan Jayakumar and S. Peruma Reddy transferred their entire shareholding to Star Investment S.A.L. and resigned from the Board. |
| 25 April 2012 | S.A.K. Ekramuzzaman transferred 100,000 shares to Engr. Syyed Ahmed, Fazle Hasan Akbar, Jahirul Reza, Imtiaz Hussain, Mahbubur Rahman each. |
| 11 May 2012 | S.A.K. Ekramuzzaman transferred 400,000 shares to Star Investment S.A.L. |
| 8 January 2013 | Engr. Syyed Ahmed resigned as chairman & Dr. Khater Massaad was nominated by Star Investment S.A.L. & elected as chairman. |
| 30 January 2014 | Star Investment S.A.L. transferred its entire shareholding to Star Bangladesh Holding Limited & Dr. Khater Massaad was nominated in the board on behalf of Star Bangladesh Holding Ltd. |
| 20 May 2017 | S.A.K. Ekramuzzaman transferred 7,510,000 shares to Qamar-Uz-Zaman. Bernard Gilbert Massaad was appointed as nominee director of Star Bangladesh Holding Limited. Qamar-Uz-Zaman was also appointed as director. |
| 21 November 2017 | Dr. Khater Massaad resigned from the board. S.A.K. Anwaruzzaman resigned as managing director & appointed as chairman while Qamar-Uz-Zaman continued as director and appointed as managing director. Engr. Syyed Ahmad resigned as shareholder director and appointed as nominated director of Star Bangladesh Holding Limited. |

(b) The name, logo and address of the auditors and registrar to the issue, along with their telephone numbers, fax numbers, contact persons, website and e-mail addresses:



Auditor:

| Particulars | Description |
|------------------|---|
| Name | : HodaVasi Chowdhury & Co. |
| Logo | :  Hoda Vasi Chowdhury & Co Chartered Accountants |
| Address | : BTMC Bhaban (8 th Floor), 7-9 Kazi Nazrul Islam Avenue, Kawran Bazar C/A, Dhaka - 1215 |
| Telephone Number | : +88-02-8121114 |
| Fax Number | : +88-02-8119298 |
| Contact Person | : AF Nesaruddin FCA |
| Website Address | : www.hodavasi.com |
| E-mail Address | : hvc@hodavasi.com |

Registrar to the Issue:


| Particulars | Description |
|------------------|---|
| Name | : Green Delta Capital Limited |
| Logo | :  GREEN DELTA CAPITAL |
| Address | : Green Delta AIMS Tower, 51-52 Mohakhali C/A, Dhaka -1212 |
| Telephone Number | : +88-02-9851902 |
| Fax Number | : +88-02-9851124 |
| Contact Person | : Md. Rafiqul Islam Managing Director & CEO |
| Website Address | : www.greendeltacapital.com |
| E-mail Address | : info@greendeltacapital.com |

(c) The name(s) of the stock exchanges where the specified securities are proposed to be listed:

| | | |
|---|--|--|
| <p>Stock exchanges where the shares of Star Ceramics Limited are proposed to be listed</p> |  <p>Dhaka Stock Exchange Limited (DSE) Stock Exchange Building, 9/F Motijheel C/A, Dhaka, Bangladesh Tel: 88-02-9564601, 9576210-18 Fax: +88-02-9564727, +88-02-9569755 Email: dse@bol-online.com Web: www.dsebd.org</p> |  <p>Chittagong Stock Exchange Limited (CSE) CSE Building, 1080, Sk. Mujib Road Agrabad, Chittagong, Bangladesh Tel: +88(0) 31-714632-3 Fax: +88(0) 31-714101 E-mail: info@cse.com.bd Web: www.cse.com.bd</p> |
|---|--|--|

SECTION: V

CORPORATE DIRECTORY OF THE ISSUER

| Corporate directory of the Issuer | |
|---|---|
| Name of the Issuer | Star Ceramics Limited |
| Logo |  |
| Date of incorporation | 21 September 2010 |
| Date of commercial operation | 1 January 2013 |
| Changes in denomination of face value of shares | N/A |
| Date of conversion into a Public Limited Company | 5 October 2013 |
| Authorized capital as on 31 December 2017 | BDT 3,500.00 million |
| Issued, subscribed & paid up capital as on 31 December 2017 | BDT 1,502.00 million |
| Registered & Corporate office | Palli River View, Plot No: 44, Road No: 10, Sector: 11, Uttara Model Town, Dhaka-1230 |
| Plants | Riaznagar, Baghasura, Madhabpur, Habiganj-3300, Bangladesh |
| Board of directors | <ol style="list-style-type: none"> 1. Syed A.K. Anwaruzzaman, Chairman 2. Qamar-Uz-Zaman, Director and Managing Director 3. Engr. Syyed Ahmed, Director (Nominated Director of Star Bangladesh Holding Ltd.) 4. Bernard Gilbert Massaad , Director (Nominated Director of Star Bangladesh Holding Ltd.) 5. Pratima Sarkar, Independent Director |
| Auditors | HodaVasi Chowdhury & Co. Chartered Accountants Address: BTMC Bhaban (8 th Floor)7-9 Kazi Nazrul Islam Avenue, Kawran Bazar C/A, Dhaka-1215 |
| Valuer | Ahmad & Akhtar Chartered Accountants Address: BCIC Bhaban (3 rd Floor), 30-31 Dilkusha C/A, Dhaka-1000 |
| Issue Managers | Roots Investment Limited Address: Diganta Tower, Level-1, 12/1, R K Mission Road, Dhaka-1203 ICB Capital Management Limited Address: Green City Edge (5 th & 6 th Floor), 89 Kakrail Dhaka-1000 |
| Registrar to the issue | Green Delta Capital Limited Address: Green Delta AIMS Tower, 51-52 Mohakhali C/A, Dhaka -1212 |
| Name of Underwriters | Roots Investment Limited Address: Diganta Tower, Level-1, 12/1, R K Mission Road, Dhaka-1203 ICB Capital Management Limited Address: Green City Edge (5 th & 6 th Floor), 89 Kakrail Dhaka-1000 Green Delta Capital Limited Address: Green Delta AIMS Tower, 51-52 Mohakhali C/A, Dhaka -1212 IDLC Investments Limited Address: D R Tower (4th Floor), 65/2/2 Bir Protik Gazi Golam Dostogir Road, Purana Paltan, Dhaka-1000 EC Securities Limited Address: Kazi Tower (5th floor), 86 Inner Circular (VIP) Road, Naya Paltan, Dhaka-1000 SBL Capital Management Limited Address: 2, D. I. T. Avenue (Extension), 3rd Floor, Motijheel C/A, Dhaka – 1000 Sigma Capital Management Limited Address: 87, Rashed Khan Menon Road, Level-16, Eskaton, Dhaka-1000 |

| Corporate directory of the Issuer | |
|-----------------------------------|---|
| Legal Advisor | Barrister Rafique-UI Huq Huq & Company Address: 47/1 Paltan, Dhaka-1000 |
| Tax Consultant | K. M. Hasan & Co. Chartered Accountants Address: Hometown Apartments (8th & 9th Floor), 87 New Eskaton Road, Dhaka-1000 |
| Banker to the IPO | Name: Eastern Bank Limited A/C No.: 1011360507658 (HPA) 1013050507646 (USD) 1013060507624 (GBP) 1013070507635 (EURO) |
| Compliance officer | Abu Jafar Ali ACS, Company Secretary |

SECTION: VI

DESCRIPTION OF THE ISSUER

(a) Summary

(i) The summary of the industry and business environment of the Company are given below:

The ceramics industry is a growing manufacturing sector in Bangladesh. The industry started during the late 1950s when the first ceramic industrial plants were established. The industry mainly produces tableware, sanitary ware and tiles. As on 2017, there were 62 ceramic industrial units throughout Bangladesh, employing above 500,000 people.

The first ceramic plant was established in Bogra in 1958. Owned by Tajma Ceramic Industries Limited, it was a small manufacturing plant for porcelain tableware. Peoples Ceramic Industries Limited, formerly, Pakistan Ceramic Industries Limited, started production in 1966. Bengal Fine Ceramics Limited, the first Bangladeshi stoneware manufacturer, began its operations in 1986. One of the largest ceramic manufacturers in Bangladesh, Monno Ceramics Limited, was established in 1985 to produce porcelain tableware with other ceramic item later, Shinepukur Ceramics Limited was established in 1997 for the production of bone china and porcelain tableware. Shinepukur Ceramics Limited later captured around 60% of the domestic market. Ceramic manufacturers import almost all of their raw material. China, India, New Zealand and Germany are the main sources of the raw materials.

The ceramics industry sector has also attracted foreign investment. The foreign investments have mainly been from China and the Middle East countries. Some of the major joint venture companies are RAK Ceramics (Bangladesh) Limited, Fu-Wang Ceramic Industries Ltd. and China-Bangla Ceramic Industries Ltd. of which the largest is RAK Ceramics (Bangladesh) Limited of the UAE, and which secure about 80% of the domestic sanitary ware market.

Ceramic products have been exported to more than 50 countries. The largest export destinations are the United States, Italy, Spain, France, New Zealand, the Netherlands, Australia and Sweden. China and Thailand are amongst the major competitors in the international market for Bangladeshi ceramic manufacturers. However, the low labor costs of the local manufacturers have put Bangladesh in an advantageous position.

Source:

1. *Bangladesh Ceramic Manufacturers & Exporters Association*

Business Environment of the Issuer

The business environment is a marketing term and refers to factors and forces that affect Star's ability to build and maintain successful relationships with customers. The micro or internal environment that is close to the Star Ceramics Limited affects its ability to serve its customers which includes the company itself, its suppliers, marketing intermediaries, customer markets, competitors, and public. Macro or external environments that are part of the larger society affects the micro environment such as demography, economy, natural forces, technology, politics, and culture.

The quality along with the competitive pricing of the products has enabled Star Ceramics Limited to gain a substantial market share in the ceramic sector within a short span of time. As per annual report 2016-2017 of BCMEA, the Company is currently enjoying more than 16% share of the tiles market and 9% share of the sanitary ware market. The dealers of Star Ceramics Ltd. always strive to maintain a proper time frame for supplying its products without any disruption throughout the country. Star Ceramics has its own dealer network for marketing strategies. Its professional expertise, unrelenting pursuit of excellence, and a deep and profound knowledge of the business environment has enabled the company to tap the market share in the tiles and sanitary ware field. Star maintains different types of customer markets including business markets, government markets, international markets, real estate markets, and reseller markets. The company has developed a strategic advantage over its competitors by upgrading its product and keeping its product price reasonable. In order to strengthen its position in the industry, the company is working continuously with the technological expertise as well as research and development to improve the product quality in accordance with customer choice, fashion and design.

Star Ceramics has always rigorously positioned the company to respond to emerging market opportunities and have made major investments. Star Ceramics intends to leverage the market leadership by pursuing strategic opportunities through the investments that have been made. It will continue to invest in innovative and breakthrough technologies in the ceramic field because, in this era of global competitiveness and borderless economies, only productive organizations delivering quality goods and services can prevail, prosper and grow.

(ii) Summary of consolidated financial, operating and other information

Star Ceramics Limited has no subsidiary or holding companies. Hence, summary of consolidated financial, operating and other information is not applicable.

(b) General Information:

(i) Name and address, telephone and fax numbers of the registered office, corporate head office, other offices, factory, business premises and outlets of the Issuer are as follows

| | |
|--------------------------------------|--|
| Registered Office | Name: Star Ceramics Limited Address: Palli River View, Plot No: 44, Road No: 10, Sector: 11, Uttara Model Town, Dhaka-1230. Telephone: +88-02-48950384 Fax: +88-02-48955847 |
| Corporate head office | Address: Palli River View, Plot No: 44, Road No: 10, Sector: 11, Uttara Model Town, Dhaka-1230, Bangladesh Telephone: +88 02 48950384 Fax: +88 02 48955847 |
| Chittagong office | Address: C&F Tower (6th Floor), 1712 (new) Sk. Mujib Road, Agrabad, Chittagong-4100 Mobile: 01709-632233 Fax: N/A |
| Display center | Uttara: Address: House # 44, Road # 10, Sector # 11, Uttara, Dhaka-1230. Telephone: +88 02 48950384 Fax: +88 02 48955847 Hatirpool: Address: Hamid Plaza, 300/5/A/1 BirUttam C.R. Datta Road, Hatirpool, Dhaka. Mobile: 01755-689495 Fax: N/A Sylhet: Address: House-01 (1 st Floor), Road-36, Block-D, Upashhar, Main Road, Sylhet, Mobile: 01755-545298 Fax: N/A |
| Factory | Address: Riaznagar, Baghasura, Madhabpur, Habigani-3300, Bangladesh Mobile: 01755-521567 Fax: N/A |
| Business premises and outlets | The Company sales its products through dealers, therefore the company has no outlets. |

(ii) The board of Directors of the issuer.

| Sl. | Name | Designation |
|-----|---|--------------------------------|
| 1. | Syed A. K. Anwaruzzaman | Chairman |
| 2. | Qamar-Uz-Zaman | Director and Managing Director |
| 3. | Bernard Gilbert Massaad (Nominated Director of Star Bangladesh Holding Ltd.) | Director |
| 4. | Engr. Syyed Ahmed (Nominated Director of Star Bangladesh Holding Ltd.) | Director |
| 5. | Pratima Sarkar | Independent Director |

(iii) Names, addresses, telephone numbers, fax numbers and e-mail addresses of the Chairman, Managing Director, whole time Directors, etc. of the issuer

| Sl. | Name and position | Address | Telephone number and Fax number | E-mail address |
|-----|--|---|--|-----------------------------|
| 1 | Syed A.K. Anwaruzzaman, Chairman | House- SE 4, Road-137, Gulshan-1 Dhaka | Tel: +88-02-49886364 Fax: +88-02-48955847 | chairman@starceramicsbd.com |
| 2 | Qamar-Uz-Zaman, Director and Managing Director | House no. 20, Road no. 18, Block no. J, Banani, Gulshan, Dhaka. | Tel: +88-02-48950384 Fax: +88-02-48955847 | md@starceramicsbd.com |

(iv) Names, addresses, telephone numbers, fax numbers and e-mail addresses of the CFO, Company Secretary, Legal Advisor, Auditors and Compliance Officer.

| CFO | |
|--------------------|---|
| Name | : C.A. Ajay Kumar |
| Address | : House-44, Road-10, Sector-11, Uttara, Dhaka-1230 |
| Telephone number | : +88-02-48950384 |
| Fax number | : +88-02-48955847 |
| E-mail address | : cfo@starceramicsbd.com |
| Company Secretary | |
| Name | : Abu Jafar Ali, ACS |
| Address | : House-44, Road-10, Sector-11, Uttara, Dhaka-1230 |
| Telephone number | : +88-02-48950384 |
| Fax number | : +88-02-48955847 |
| E-mail address | : jafar@starceramicsbd.com |
| Legal Advisor | |
| Name | : Barrister Rafique-Ul Huq |
| Address | : 47/1, Purana Paltan, Dhaka-1000 |
| Telephone number | : +88-02-9561491 |
| Fax number | : +88-02-9561491 |
| E-mail address | : faheemulhuq@bol-online.com |
| Auditors | |
| Name | : Hoda Vasi Chowdhury & Co |
| Address | : BTMC Bhawan (8 th Floor), 7-9 Kazi Nazrul Islam Avenue, Kawran Bazar C/A, Dhaka-1217 |
| Telephone number | : +88-02-9140094 +88-02-9120090 |
| Fax number | : +88-02-8119298 |
| E-mail address | : nesar@hodavasi.com |
| Compliance officer | |
| Name | : Abu Jafar Ali, ACS |
| Address | : House-44, Road-10, Sector-11, Uttara, Dhaka-1230 |
| Telephone number | : +88-02-48950384 |
| Fax number | : +88-02-48955847 |
| E-mail address | : jafar@starceramicsbd.com |

(v) Names, addresses, telephone numbers, fax numbers, contact person, website addresses and e-mail addresses of the issue manager(s), registrar to the issue etc:

| Issue Manager | | |
|------------------|---|--|
| Name | : | Roots Investment Limited |
| Address | : | Diganta Tower Level-1, 12/1 Ram Krishna Mission Road, Dhaka-1203 |
| Telephone number | : | +88-02-47116954 |
| Fax number | : | +88-02-47116908 |
| Contact person | : | Mohammad Sarwar Hossain Managing Director |
| Website | : | www.rootsinvestment.com |
| E-mail address | : | info@rootsinvestment.com |

| Issue Manager | | |
|------------------|---|---|
| Name | : | ICB Capital Management Limited |
| Address | : | Green City Edge (5th & 6th Floor), 89 Kakrail, Dhaka-1000 |
| Telephone number | : | +88-02-8300555 |
| Fax number | : | +88-02-8300396 |
| Contact person | : | Md. Sohel Rahman Chief Executive Officer (Additional Charge) |
| Website | : | www.icml.com.bd |

| Registrar to the Issue | | |
|------------------------|---|--|
| Name | : | Green Delta Capital Limited |
| Address | : | Green Delta AIMS Tower, 51-52 Mohakhali C/A, Dhaka -1212 |
| Telephone number | : | +88-02-9851902 |
| Fax number | : | +88-02-9851124 |
| Contact person | : | Md. Rafiqul Islam Managing Director & CEO |
| Website | : | www.greendeltacapital.com |

(vi) Details of Credit Rating:

a) The names of all the credit rating agencies from which credit rating has been obtained:

Star Ceramics Limited has obtained credit rating report from Credit Rating Information and Services Limited (CRISL).

Details of those ratings are given below:

| Name of the Credit Rating Agencies | Date of Credit Rating |
|--|-----------------------|
| Credit Rating Information and Services Limited (CRISL) | 27 February 2018 |
| | 27 February 2017 |
| | 14 December 2015 |
| | 23 September 2014 |
| | 24 September 2013 |

b) The details of all the credit ratings obtained for the issue and the issuer:

| Year | Entity Rating | | Rating Date | Outlook |
|------|---------------|------------|-------------------|---------|
| | Long Term | Short Term | | |
| 2018 | A | ST-3 | 27 February 2018 | Stable |
| 2017 | A- | ST-3 | 27 February 2017 | Stable |
| 2016 | A- | ST-3 | 14 December 2015 | Stable |
| 2015 | A- | ST-3 | 23 September 2014 | Stable |
| 2014 | A- | ST-3 | 24 September 2013 | Stable |

c) The rationale or description of the ratings (s) so obtained, as furnished by the credit rating agency(s):

CRISL has upgraded the Long Term Rating to A (pronounced as single A) and reaffirmed “ST-3” in the Short Term to Star Ceramics Limited (SCL). This has been done on the basis of its audited financials ended on December 31, 2017 and other relevant qualitative and quantitative information up to the date of rating. The above ratings have been assigned after due consideration of its fundamentals such as improving business performance, good infrastructural facilities, experienced management team, good distribution network etc. The above rating is, however constrained, to some extent, by significant loan burden, moderate solvency, moderate profitability etc.

The Long Term rating indicates that entities rated in this category are adjudged to offer adequate safety for timely repayment of financial obligations. This level of rating indicates a corporate entity with an adequate credit profile. The Short Term rating indicates good certainty of timely repayment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to financial markets is good with small risk factors.

CRISL also placed the entity with “Stable Outlook” considering that the existing fundamentals may remain same in the near future.

d) Observations and risk factors stated in the Credit Rating Report:

Observations

| | |
|---|--|
| Rating Comforts: <ul style="list-style-type: none">• Improving Business performance• Good infrastructural facilities• Diversified product mix• Good capacity utilization• Experienced management team• Good distribution network• Good financial flexibility• Adequate security arrangement | Rating Concerns: <ul style="list-style-type: none">• Significant loan burden• Moderate solvency• Moderate profitability• Exposure to the risk of changes in Govt. policy• Exposure to market competition risk• Exposure to product handling risk• Exposure to gas supply risk |
| Business Prospects: <ul style="list-style-type: none">• Product diversification• Market growth• Full Capacity Utilization• Favorable Govt. standings | Business Challenges: <ul style="list-style-type: none">• Adverse changes in Govt. regulations• Coping with international market rates for raw materials• Increasing market competition |

Risk factors

SCL is exposed to some risks by virtue of its business nature and the industry dynamics. CRISL reviewed the risk aspects of the organization which are given below:

1. Risk of Changes in Government Policy

Any changes in regulations or decisions taken by the Government may severely affect a company’s business performance. New VAT and SD law may further reduce the standard duty on imported ceramic tiles from the current rate of 50% which will surely deplete the competitiveness of the local ceramic tiles producers. Besides, Govt. may raise gas and power tariff anytime in the foreseeable future. All of which make it challenging for the local manufacturers to compete with the imported tiles. Therefore, CRISL views that SCL is susceptible to the risk of changes in Government policy.

2. Market Competition Risk

There are a large number of players already operating in this line of business. The total number of tiles & sanitary-ware manufacturing companies is around 40. Besides, increasing investments in this sector is making it more competitive than ever. Now, professional marketing strategies are the keys to sell the products which will be quite challenging for the time being. Considering this, the company is exposed to market competition risk.

3 . Product Handling Risk

The traded items that SCL deals-with require great care. While delivering the product, the traded items are greatly susceptible to the risk of breakage. Based on the latest account, SCL already paid Tk. 42.90 million as breakage

commission which constituted around 9 percent of SCL's total selling & distribution expenses. Proper control has to be established while delivering the products in order to avoid such incidents.

4. Interest Rate Risk

SCL is heavily financed by bank loan. The company has significant bank borrowing to establish the project. Moreover, it has to depend on bank finance for working capital management. Currently banks are revising the interest rates to the upper side. Thus, excessive dependency on bank finance may expose the company to interest rate risk.

5. Quality Control Risk

SCL manufactures ceramic tiles and sanitary wares using automated production facilities. As a result, 90% of its products are of 'A' graded and system loss is negligible. However, reported quality claims from the dealers still found high during 2017. Substandard product may lead to customer dissatisfaction which in turn may result in loss of customer. Stringent control over the manufacturing process including the usage of quality raw materials is required to be maintained in order to lower the quality claim.

6 Price Escalation Risk

Prices of raw materials of ceramic items often fluctuate in international market. SCL imports most of its required raw materials from foreign countries and vastly depends on raw material price in global market. Any adverse price escalation of raw materials (including the effect of exchange rate fluctuation) in global market may expose the company to price escalation risk as the company has little scope to adjust the selling price due to competitive market scenario.

7. Receivable Collection Risk

SCL provides the customers around 40 days credit period in order to ensure the sales. According to the latest accounts of the company, the receivable turnover of the company stood at 9.52 times which was 10.11 times in the previous year reflecting stable efficiency in credit collection. However, CRISL views that increasing competition as well as unrest political situation may lengthen this time frame and as a result, SCL may face liquidity crisis.

8. Raw Material Supply Risk

SCL sources its basic raw materials for ceramic as well as gres porcelain tiles & sanitary wares from all over the globe. Supply of these raw materials cannot be ensured locally. The company procures the raw materials from different countries like Italy, Indonesia, Malaysia, Spain and India. Import based supplies are likely to be affected by any uncontrollable event or country risk to transaction or political barrier. Any changes in the government policy on import of raw materials will expose the company to raw material supply risk. However, SCL did not face any such uncontrollable event since its inception and is confident to have alternate arrangement at shorter notice.

9. Gas Supply Risk

Tiles production needs a certain standard level of temperature to get the expected quality regarding color, size, surface, strength etc. The company's Kiln requires firing at 1,200 Degree Celsius temperature. The company has two separate gas lines from Jalalabad Gas Transmission & Distribution System Ltd. The required standard pressure for power plant is 20 PSI while it needs 15 PSI for kiln burner. As the project location is just one kilometer away from Habiganj Gas Field, the company gets adequate gas load for smooth running of operations. Considering this, the company does not have much exposure to gas supply risk for the time being. However, if the Govt. goes for gas rationing it will create gas supply risk for the company.

10. Environmental Compliance Risk

SCL is committed to promoting sustainable developments while doing global businesses without compromising the protection and preservation of the environment for the future generation. The organization will carry out all its business activities towards the fulfillment of customer satisfaction on the quality of products and services and ensuring safe working conditions. SCL has already set up large scale Effluent Treatment Plant (ETP) & Water Treatment Plant (WTP) to reduce the environmental hazard.

(vii) Following details of underwriting:

a) The names, addresses, telephone numbers, fax numbers, contact persons and e-mail addresses of the underwriters and the amount underwritten by them

| Names and Address | Contact person | Telephone number, Fax number and E-mail | Amount of Underwriting |
|---|--|--|------------------------|
| Roots Investment Limited Address: Diganta Tower, Level-1, 12/1, R K Mission Road, Dhaka-1203 | Mohammad Sarwar Hossain Managing Director | Tel: +88-02-47116954 Fax: +88-02-47116908 E-mail: nfo.rgcm@gmail.com | 62,500,000 |
| ICB Capital Management Limited Address: Green City Edge (5 th & 6 th Floor), 89, Kakrail Dhaka-1000 | Md. Sohel Rahman Chief Executive Officer (Additional Charge) | Tel: +88-02-8300555 Fax: +88-02-8300396 E-mail: ho_issue@icml.com.bd | 62,500,000 |
| Green Delta Capital Limited Address: Green Delta AIMS Tower, 51-52 Monakhali C/A, Dhaka-1212 | Md. Rafiqul Islam Managing Director & CEO | Tel: +88-02-9851902 Fax: +88-02-9851124 E-mail: info@greendeltacapital.com | 17,000,000 |
| IDLC Investments Limited Address: D R Tower (4th Floor), 65/2/2 Bir Protik Gazi Golam Dostogir Road, Purana Paltan, Dhaka-1000 | Md. Moniruzzaman, CFA Managing Director | Tel: +88-09-609994352 Fax: +88-02-9571171 E-mail: mzaman@idlc.com | 17,000,000 |
| EC Securities Limited Address: Kazi Tower (5th floor), 86 Inner Circular (VIP) Road, Naya Paltan, Dhaka-1000 | Mohammad Khurshid Alam Head, Monitoring & Settlement | Tel: +880-2-9333638 Fax: +880-2-9333636 E-mail: khurshid.a@ecslbd.com | 17,000,000 |
| SBL Capital Management Limited Address: 2, D. I. T. Avenue (Extension), 3rd Floor, Motijheel C/A, Dhaka – 1000 | Abu Nayem Md. Ibrahim Chief Executive Officer | Tel: +88-0171-5079440 Fax: +88-02-9585985 E-mail: capitalmgmt@standardbankbd.com | 17,000,000 |
| Sigma Capital Management Limited Address: 87, Rashed Khan Menon Road, Level-16, Eskaton, Dhaka-1000 | Mohammad Reza Chief Executive Officer | Tel: +88-02-9331055 Fax: +88-02-9337597 E-mail: reza@scmlbd.com | 17,000,000 |
| Total | | | 210,000,000 |

b) Declaration by the underwriters that they have sufficient resources as per the regulatory requirements to discharge their respective obligations

Declaration by the underwriter(s)

We are one of the underwriters of the Initial Public Offering (IPO) of Star Ceramics Limited. We will underwrite totaling to BDT 62,500,000.00 (six crore & twenty five lacs) only on a firm commitment basis. In this connection, we hereby declare that:

We have sufficient resources as per the regulatory requirements to discharge our respective obligations.

For Underwriter:

Sd/-

Managing Director / Chief Executive Officer

Roots Investment Limited

ICB Capital Management Limited

Declaration by the underwriter(s)

We are one of the underwriters of the Initial Public Offering (IPO) of Star Ceramics Limited. We will underwrite totaling to BDT 17,000,000 (one crore & seventy lac) only on a firm commitment basis. In this connection, we hereby declare that:

We have sufficient resources as per the regulatory requirements to discharge our respective obligations.

For Underwriter:

Sd/-

Managing Director / Chief Executive Officer

IDLC Investments Limited

EC Securities Limited

SBL Capital Management Limited

Sigma Capital Management Limited

c) Major terms and conditions of the underwriting agreements:

1. In case of under-subscription in any category by up to 35% in an Initial Public Offer, the undersubscribed portion of securities shall be taken up by the underwriter.
2. In case of failure to deposit the remaining amount by the eligible investors, the unsubscribed securities shall be taken up by the underwriters.
3. The underwriting agreement and the underwritten amount and allocation of underwriting portion shall be revised after completion of the bidding period, where the cut-off price will be determined at nearest integer of the lowest bid price at which the total securities offered to eligible investor would be exhausted. The public offering price will be determined at 10% discount (at nearest integer) from the cut-off price.
4. The issuer, in the event of under subscription, shall send notice to the underwriter(s) within ten days of closure of subscription calling upon them to subscribe the securities and pay for this in cash in full within fifteen days of the date of said notice and the said amount shall be credited into securities subscription account within the said period. If payment is made by Cheque/ Bank Draft by the underwriter it will be deemed that the underwriter has not fulfilled his obligation towards his underwriting commitment under this agreement, until such time as the Cheque/ Bank Draft has been encashed and the Company's account credited. In any case within 7 (seven) days after the expiry of the aforesaid 15 (fifteen) days, the Company shall send proof of subscription and deposit of money by the underwriter to the Commission.

In the case of failure by the underwriter to pay for the shares under the terms mentioned above, the said underwriter will not be eligible to underwrite any issue, until such time as he fulfils his underwriting commitment under this Agreement and also other penalties as may be determined by the Commission may be imposed.

In the case of failure by the underwriter to pay for the shares within the stipulated time, the Company/issuer will be under no obligation to pay any underwriting commission under this Agreement.

In the case of failure by the Company to call upon the underwriter for the aforementioned purpose within the stipulated time, the Company and its Directors shall individually and collectively be held responsible for the consequences and/or penalties as determined by the Bangladesh Securities and Exchange Commission under the law.

5. The Company shall pay to the underwriter an underwriting commission at the rate of 0.50% of the amount underwritten hereby agreed to be underwritten by it.

(c) Capital Structure:

(i) Authorized, issued, subscribed and paid up capital (number and class of securities, allotment dates, nominal price, issue price and form of consideration:

| Particulars | No. of Ordinary Shares | Nominal price | Amount (BDT) |
|---|------------------------|---------------|---------------|
| Before IPO: | | | |
| Authorized Capital | 350,000,000 | 10/- | 3,500,000,000 |
| Issued, Subscribed and Paid up capital* | 150,200,000 | 10/- | 1,502,000,000 |
| Total paid up capital before IPO (A) | 150,200,000 | 10/- | 1,502,000,000 |
| After IPO: | | | |
| To be issued as IPO (B) | [•] | [•] | [•] |
| Paid up capital (Post IPO) (A+B) | [•] | [•] | [•] |

*The Company has raised its paid-up capital in following phases:

| Sl. | Class of Share | Allotment date | Nominal Price | Issue Price | Amount in BDT | Form of Consideration |
|------------------|----------------|---|---------------|-------------|----------------------|-----------------------|
| First Allotment | Ordinary share | 21 September 2010 (Subscribed to the Memorandum & Articles of Association at the time of Incorporation) | 10.00 | 10.00 | 100,000,000 | In cash |
| Second Allotment | Ordinary share | 11 April 2013 | 10.00 | 10.00 | 631,069,490 | In cash |
| Third Allotment | Ordinary share | 15 June 2016 | 10.00 | 10.00 | 770,930,510 | In cash |
| Total | | | | | 1,502,000,000 | |

(ii) Size of the present Issue, with break-up (number of securities, description, nominal value and issue amount):

| Particular | No. of Shares | Description | Nominal Value (BDT) | Issue Amount (BDT) |
|-----------------------------|---------------|---|---------------------|--------------------|
| Capital to be issued as IPO | [•] | [•] ordinary shares of BDT 10 each at an issue price of BDT [•] | 10 | 600,000,000 |

(iii) Paid up capital before and after the present issue, after conversion of convertible instruments (if any) and share premium account (before and after the issue):

| Particulars | Amount in BDT |
|---|---------------|
| Paid up capital before the present issue (as on 31 December 2017) | 1,502,000,000 |
| Paid up capital after the present issue | [•] |
| Paid up capital after conversion of convertible instruments (if any) | N/A |
| Share premium account before the present issue (as on 31 December 2017) | N/A |
| Share premium account after the present issue | [•] |

(iv) Category wise shareholding structure with percentage before and after the present issue and after conversion of convertible instruments (If any):

As on 31 December 2017, the paid up capital of the Company was BDT 1,502,000,000. The Board of Directors of the Company decided to issue [•] ordinary shares @ Tk. [•] each including Tk. [•] as premium through Initial Public Offering (IPO) totaling to BDT 600,000,000 subject to approval of the regulatory authorities. Summary of category wise shareholding structure with percentage before and after the present issue is as follows:

(as on 31 December 2017)

| Sl. | Shareholding category | No of ordinary shares | | Percentage of holding | |
|--------------|---------------------------------|-----------------------|------------|-----------------------|------------|
| | | Pre-issue | Post-issue | Pre-issue | Post-issue |
| A | Sponsors and Directors | 146,445,000 | [•] | 97.50% | [•] |
| B | Other than Sponsors & Directors | 3,755,000 | [•] | 2.50% | [•] |
| Total | | 150,200,000 | [•] | 100% | [•] |

Details of category wise shareholding structure with percentage before and after the present issue are as follows:

A. Sponsors & Directors:

| Sl. | Name of Shareholders | Position | No. of ordinary shares holding | | Percentage of holding | |
|----------------------------------|--|------------------------------------|--------------------------------|------------|-----------------------|------------|
| | | | Pre-IPO | Post-IPO | Pre-IPO | Post-IPO |
| 1 | Star Bangladesh Holding Ltd. (Represented by Engr. Syyed Ahmed and Bernard Gilbert Massaad) | Nominated Directors | 65,337,000 | [•] | 43.50% | [•] |
| 2 | S.A.K. Ekramuzzaman | Sponsor Shareholder | 52,570,000 | [•] | 35.00% | [•] |
| 3 | Syed A.K. Anwaruzzaman | Chairman | 15,020,000 | [•] | 10.00% | [•] |
| 4 | Qamar-Uz-Zaman | Managing Director | 7,510,000 | [•] | 5.00% | [•] |
| 5 | Md. Amir Hossain | Sponsor Shareholder | 4,506,000 | [•] | 3.00% | [•] |
| 6 | Engr. Syyed Ahmed | Nominated Director and Shareholder | 1,502,000 | [•] | 1.00% | [•] |
| Sub-Total (A): | | | 146,445,000 | [•] | 97.50% | [•] |
| Other than Sponsors & Directors: | | | | | | |
| 7 | Fazle Hasan Akbar | Shareholder | 1,502,000 | [•] | 1.00% | [•] |
| 8 | Jahirul Reza | Shareholder | 751,000 | [•] | 0.50% | [•] |
| 9 | Imtiaz Hussain | Shareholder | 751,000 | [•] | 0.50% | [•] |
| 10 | Mahbubur Rahman | Shareholder | 751,000 | [•] | 0.50% | [•] |
| Sub-Total (B): | | | 3,755,000 | [•] | 2.50% | [•] |
| Total (A+B): | | | 150,200,000 | [•] | 100% | [•] |

There was no convertible instrument, so no conversion is required.

(v) Where Shares have been issued for consideration in other than cash at any point of time, details in a separate table, indicating the date of issue, persons to whom those are issued, relationship with the issuer, issue price, consideration and valuation thereof, reason for the issue and whether any benefits have been accrued to the issuer out of the issue:

The Company did not issue any shares in other than cash consideration.

(vi) Where shares have been allotted in terms of any merger, amalgamation or acquisition scheme, details of such scheme and shares allotted:

The Company has not allotted any shares in terms of any merger, amalgamation or acquisition scheme.

(vii) Where the issuer has issued equity shares under one or more employee stock option schemes, date-wise details of equity shares issued under the schemes, including the price at which such equity shares were issued:

The Company did not issue any equity shares under any employee stock option schemes to its employees.

(viii) If the issuer has made any issue of specified securities at a price lower than the issue price during the preceding two years, specific details of the names of the persons to whom such specified securities have been issued, relation with the issuer, reasons for such issue and the price thereof:

The issuer has not made any issue of specified securities at a price lower than the issue price during the preceding two years except issued shares at par as stated at para c(i) capital structure.

(ix) The decision or intention, negotiation and consideration of the issuer to alter the capital structure by way of issue of specified securities in any manner within a period of one year from the date of listing of the present issue:

The Company has no such decision or intention, negotiation and consideration to alter its capital structure by way of issue of specified securities in any manner within a period of one year from the date of listing of the present issue.

x) The total shareholding of the sponsors and directors in a tabular form, clearly stating the names, nature of issue, date of allotment, number of shares, face value, issue price, consideration, date when the shares were made fully paid up, percentage of the total pre and post issue capital, the lock in period and the number and percentage of pledged shares, if any, held by each of them:

| Date of Allotment/ Shares were made fully paid up | Nature of Issue | Star Investment S.A.L | S.A.K. Ekramuzzaman | Md. Amir Hossain | Appukuttan Jayakumar | S. Peruma Reddy | Dynamic Business Alliance Pvt. Ltd. | Syed A.K. Anwaruzzaman | Engr. Syed Ahmed | Fazlehasan Akbar | Jahirul Reza | Imtiaz Hussain | Mahbubur Rahman | Star Bangladesh Holding Ltd. | Qamar-Uz-Zaman | Consideration | Average cost of shares | Reference Legal Document |
|--|----------------------------|-----------------------|---------------------|------------------|----------------------|-----------------|-------------------------------------|------------------------|------------------|------------------|----------------|----------------|-----------------|------------------------------|------------------|---------------|------------------------|--------------------------------|
| As per MOA & AOA | By Subscription to the MOA | 3,000,000 | 2,900,000 | 500,000 | 300,000 | 300,000 | 3,000,000 | - | - | - | - | - | - | - | - | In cash | 10 | |
| 24.02.2011 | By Transfer | - | 2,000,000 | - | - | - | (2,000,000) | - | - | - | - | - | - | - | - | In cash | 10 | Form 117- No.01 |
| 06.03.2012 | By Transfer | 600,000 | - | - | (300,000) | (300,000) | (1,000,000) | 1,000,000 | - | - | - | - | - | - | - | In cash | 10 | Form 117- No.02 & 04 |
| 25.04.2012 | By Transfer | - | (500,000) | - | - | - | - | - | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | - | In cash | 10 | Form 117- No.03,05,06,07,08,09 |
| 11.05.2012 | By Transfer | 400,000 | (400,000) | - | - | - | - | - | - | - | - | - | - | - | - | In cash | 10 | Form 117- No.10 |
| 11.04.2013 | By Allotment | 27,801,523 | 25,242,780 | 1,693,208 | - | - | - | 6,310,695 | 631,069 | 631,069 | 265,535 | 265,535 | 265,535 | 265,535 | - | In cash | 10 | Form-XV, Issue No. 36908 |
| 30.01.2014 | By Transfer | (31,801,523) | - | - | - | - | - | - | - | - | - | - | - | 31,801,523 | - | In cash | 10 | Form 117- No.11 |
| 15.06.2016 | By Allotment | - | 30,837,220 | 2,312,792 | - | - | - | 7,709,305 | 770,931 | 770,931 | 385,465 | 385,465 | 385,465 | 385,465 | 33,535,477 | In cash | 10 | Form-XV, Issue No. 2170 |
| 20.05.2017 | By Transfer | - | (7,510,000) | - | - | - | - | - | - | - | - | - | - | - | 7,510,000 | By gift | 10 | Form 117- No.12 |
| Total | | 0 | 52,570,000 | 4,506,000 | 0 | 0 | 0 | 15,020,000 | 1,502,000 | 1,502,000 | 751,000 | 751,000 | 751,000 | 751,000 | 7,510,000 | | | |

****Lock in for three years from the date of publication of prospectus.**

Note: There is no pledged shares.

(xi) The details of the aggregate shareholding of the sponsors and directors, the aggregate number of specified securities purchased or sold or otherwise transferred by the sponsor and/or by the directors of the issuer and their related parties within six months immediate preceding the date of filing the red-herring prospectus or prospectus or information memorandum:

There have been no purchase or sale or otherwise transfer by the sponsor and/or by the directors of the issuer and their related parties within six months immediate preceding the date of filing the red-herring prospectus.

(xii) The name and address of any person who owns, beneficially or of record, 5% or more of the securities of the issuer, indicating the amount of securities owned, whether they are owned beneficially or of record, and the percentage of the securities represented by such ownership including number of equity shares which they would be entitled to upon exercise of warrant, option or right to convert any convertible instrument:

| Name | Address | Relationship | No. of Share Holdings | Percentage (%) of Shareholdings (Pre-IPO) | Percentage (%) of Shareholdings (Post-IPO) |
|---|--|---------------------|-----------------------|---|--|
| Star Bangladesh Holding Ltd. (Represented by Engr. Syyed Ahmed and Bernard Gilbert Massaad) | Woodbourne Hall, P.O Box 3162, Rood Town, Tortolo, British Virgin Islands. | Nominated Directors | 65,337,000 | 43.50% | [•] |
| S.A.K. Ekramuzzaman | House No. 20, Road No. 18, Block No. J, Banani, Gulshan, Dhaka. | Shareholder | 52,570,000 | 35.00% | [•] |
| Syed A.K. Anwaruzzaman | House- SE 4, Road-137, Gulshan-1 Dhaka. | Chairman | 15,020,000 | 10.00% | [•] |
| Qamar-Uz-Zaman | House No. 20, Road No. 18, Block No. J, Banani, Gulshan, Dhaka. | Managing Director | 7,510,000 | 5.00% | [•] |

(xiii) The number of securities of the issuer owned by each of the top ten salaried officers, and all other officers or employees as group, indicating the percentage of outstanding shares represented by the securities owned:

No officer/executive holds any share of the Company individually or as a group as at December 31, 2017 except the following director(s) of the Company.

| Name of Shareholder | Position | Number of Shares | Shareholding (%) (Pre-IPO) | Shareholding % (Post-IPO) |
|---------------------|-------------------|------------------|----------------------------|---------------------------|
| Qamar-Uz-Zaman | Managing Director | 7,510,000 | 5.00% | [•] |

(d) Description of the Business:

(i) The date on which the issuer company was incorporated and the date on which it commenced operations and the nature of the business which the company and its subsidiaries are engaged in or propose to engage in:

Star Ceramics Limited was incorporated on 21 September 2010 as Star Ceramics Private Limited by shares under The Companies Act, 1994 and converted to public limited company on 5 October 2013. The factory is located at Riaznagar, Baghasura, Madhabpur, Habiganj on Dhaka-Sylhet Highway. The company is engaged in manufacturing & marketing of ceramic tiles & sanitary ware. It started commercial production of tiles on 1 January 2013. The expansion of existing facilities of tiles took place in year 2014 & new sanitary ware production was started in the beginning of year 2015. The present production capacity of the factory is 22,000 sqm of tiles per day & 1,200 pcs of sanitary ware per day.

Nature of Business

The core business of Star Ceramics Limited is to manufacture and sell of wall & floor tiles and ceramics sanitaryware. The company has over 1000 models active in the ceramic and porcelain tile business and regularly adds several new designs to the product portfolio. The company manufactures tiles in a very wide range of tiles in the sizes from 20cmx30cm to 60cm X120cm in Bangladesh. The company has over 20 models and exclusive range of sanitary ware to offer with a very wide choice.

In sanitary ware various models are produced in wash basins (mounted as well as pedestal), water closets, bathroom sets, bath tubs, shower trays, bathroom cabinets, and accessories and decorated sets. The plant's standard capacity is 22,000 square meter tiles and 1200 pieces of sanitary ware per day. Most of production is consumed in local market and balance gets exported to UAE. Star Ceramics Limited is an ISO 9001, ISO 14001 and OHSAS 18001 certified organization.

(ii) Location of the project:

The project is located at Riaznagar, Baghasura Madhabpur, Habiganj on Dhaka-Sylhet Highway.

(iii) Plant, machinery, technology, process etc.

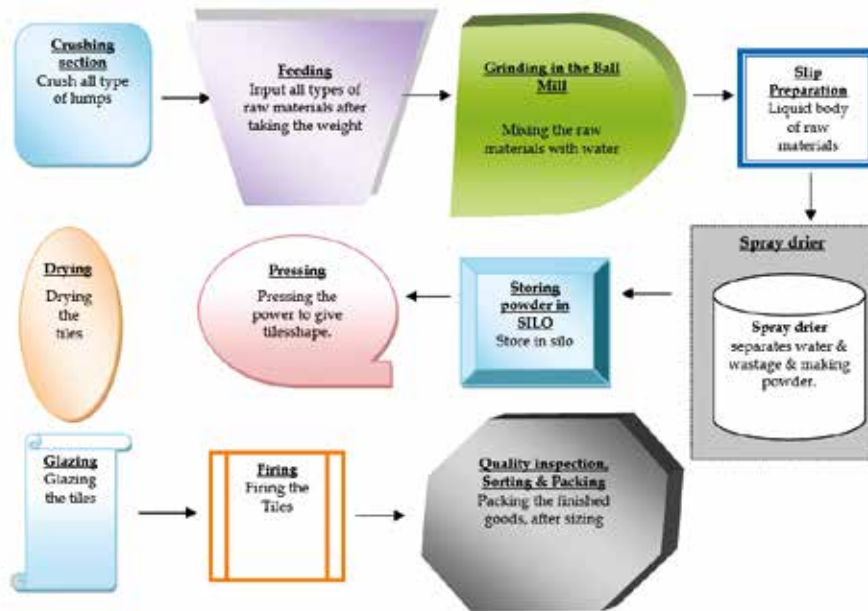
The factory is constructed on 2,738.75 decimal of land with state of the art fully automated production facility. Major machinery for both Tiles & Sanitary ware was imported from SACMI, Italy. A list of major machinery is presented below:

| Sl. No. | Particulars | Supplier | Country of origin |
|---------|--|--|-------------------|
| 1 | Machine and equipment for a fast single-firing plant pre-arranged for the production of glazed and decorated wall and floor tiles. | SACMI | ITALY |
| 2 | Capital machinery for ceramics sanitary ware industry with standard spare parts and accessories | SACMI | ITALY |
| 3 | Capital Items for Ceramics sanitary ware Industry with standard accessories (for resin molds) | SACMI | ITALY |
| 4 | Capital Items for Ceramics Sanitary ware Industry | 4M Milano Mold Making Materials S.R.L. | ITALY |

Process:

Manufacturing process of Tiles

- Crushing:** Firstly the stones rollers to a fine particle size converted into small sizes (around 2-4mg) by the Crusher. Then the mixture is prepared with the small stones and the clay. In this body preparation stage the water and raw materials making up the body composition are closely mixed to a consistent paste that is readily moldable by extrusion.
- Feeding:** After the weigh in gas per formulae, all kind of raw materials are placed and mixed up in the Box Feeder.
- Grinding:** After the crashing phase, the mixture of the raw materials is sent to the Ball mill for grinding along with the Alumina (Aluminum) Ball. Alumina ball facilitates to grind the mixture properly. At present SCL has 6(six) nos. of ball mills each 20 MT capacity. Tiles-II plant also added 6(six) more Ball mills with 20 MT capacity each. It takes 08-11 hours for mixing and granulating the raw materials. Therefore SCL can use each ball mills two to three times a day. That means 12 ball mills can produce 600 MT slip/slurry per day in three shifts.
- Slip preparation:** After grinding, the wet mixture or, slip is prepared and this is transferred to the underground Slip tank and from there it is transferred to spray drying.
- Spray drier:** The main purpose of this junction is to dry the mixture and convert it to powder. Then, the powder is stored to the overhead SILOs.
- Pressing:** From the storage SILO, the powder transferred to the working SILO and in the switch room, there are two kind of switch board for the color and volume mixing. Then, the mixture along with the desired raw print through pressing is done and it forms the structure of Tiles.
- Drying:** After pressing, the structures of the tiles are sent to the dryer for drying. The dryer literally dried through its huge heating system.
- Glazing:** After the drying, the tiles are shifted to the Glazing department. In this section, several steps are followed to make the structure properly glaze out. They wash out and flourish color on the structure of tiles. This section includes glazing, spraying, dry glazing or decorating.
- Firing:** SCL currently has Two KILN of 22000 sqm/day capacity, which is used for Firing at 1200 degree Celsius temperature. The materials undergo one, two or more firings. Usually, the unglazed ceramic tiles are fired once glazed tiles fired once after applying the glaze to the green tile. They basically follow the single firing process for the wall tiles and double firing process for floor tiles for reshaping the edges and shrinkage of the tiles.
- Packaging:** In this fully automated process, the last step is packaging. After firing and sizing/polishing and edge cutting, the tiles one after another comes to the end line and one inspection associate stands over there and instantly check the tiles. Once he gets any defected tiles, he just put a mark on it and the tiles automatically sorted by the detective machine. After that the packaging machine separate the good and not so good quality products and each type of tiles are packaged in to the different color packet. Each packet contains twenty five pieces of tiles. Moreover, the details of the production date and inspected persons' code are given on the top of the packet. After that, the packets are gathered and sent to the market.



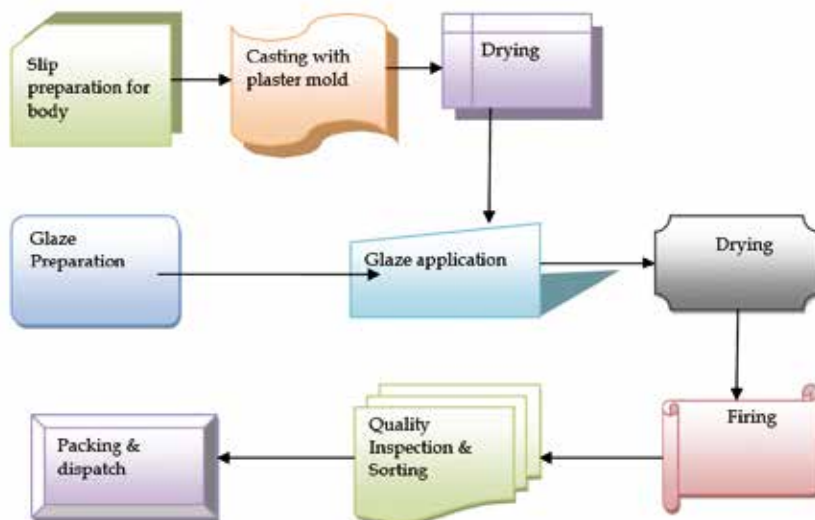
Tiles: production flow chart

Manufacturing process of Sanitary Ware

Manufacturing of sanitary-ware consist of two types of mixtures of different raw materials. The first type is called body and the other type is called glaze. The body is mainly a tri-axial compound i.e. made of clay, quartz & feldspar.

On the other hand, the glaze is made of different oxides pertaining to different colors including the basic raw materials of clay, quartz & feldspar etc. For body making the raw materials like china clays, fire clay, ball clay, quartz, feldspar etc. are mixed with water and ground thoroughly to get a uniform slip. They are unloaded in an agitator. The slip is screened, magnetic separated and kept in an agitating tank with addition of required flocculants.

The wares are cast in plaster molds. The cast wares are hard felted and kept on open racks or benches for drying. The dried wares are tested for cracks and then finished. On the other hand glaze is prepared in similar way by ball milling, screening and magnetic separation and then the glaze is used in spray booth to apply on the finished dry body products and the glazed body is sent for drying & then firing. After firing, the fired products are sorted out and packed for sale.



Sanitary ware: Production flow chart

(iv) Details of the major events in the history of the issuer, including details of capacity or facility creation, launching of plant, products, marketing, change in ownership and/ or key management personnel etc.

Major events of the company:

- Date of Incorporation: September 21, 2010
- Conversion of Private to Public Limited Company: October 5, 2013
- Date of Commencement of Commercial Operation: 1 January 2013

Capacity or facility creation, launching of plant, products, marketing:

- First Commercial operation started on 1 January 2013 with Tiles 1st Plant having installed capacity 12000 Sqm per day.
- In the year 2014, Tiles 2nd Plant commercial operation started on May with 10000 Sqm production capacity per day.
- Sanitary Ware started its commercial operation on March 2015 with 1200 pcs Installed production capacity per day.
- All the products of the company are sold through dealers all over the country.

Change in ownership and/or key management personnel:

The details of changes in shareholding & Board position are as under:-

| Date | Particulars |
|------------------|---|
| 24 February 2011 | Dynamic Business Alliance Private Limited transferred 2,000,000 shares to S.A.K. Ekramuzzaman. |
| 6 March 2012 | Dynamic Business Alliance Private Limited transferred 1,000,000 shares to S.A.K. Anwaruzzaman. |
| 6 March 2012 | Sponsor shareholders Appukuttan Jayakumar and S. Peruma Reddy transferred their entire shareholding to Star Investment S.A.L. and resigned from the Board. |
| 25 April 2012 | S.A.K. Ekramuzzaman transferred 100,000 shares to Engr. Syyed Ahmed, Fazle Hasan Akbar, Jahirul Reza, Imtiaz Hussain, Mahbubur Rahman each. |
| 11 May 2012 | S.A.K. Ekramuzzaman transferred 400,000 shares to Star Investment S.A.L. |
| 8 January 2013 | Engr. Syyed Ahmed resigned as chairman & Dr. Khater Massaad was nominated by Star Investment S.A.L. & elected as chairman. |
| 30 January 2014 | Star Investment S.A.L. transferred its entire shareholding to Star Bangladesh Holding Limited & Dr. Khater Massaad was nominated in the board on behalf of Star Bangladesh Holding Ltd. |
| 20 May 2017 | S.A.K. Ekramuzzaman transferred 7,510,000 shares to Qamar-Uz-Zaman. Bernard Gilbert Massaad was appointed as nominee director of Star Bangladesh Holding Limited. Qamar-Uz-Zaman was also appointed as director. |
| 21 November 2017 | Dr. Khater Massaad resigned from the board. S.A.K. Anwaruzzaman resigned from managing director & appointed as chairman while Qamar-Uz-Zaman continued as director and appointed as managing director. Engr. Syyed Ahmad resigned as shareholder director and appointed as nominee director of Star Bangladesh Holding Limited. |

(v) Principal products or services of the issuer and markets for such products or services. Past trends and future prospects regarding exports (if applicable) and local market, demand and supply forecasts for the sector in which the product is included with source of data:

Principal products or services of the issuer

Star Ceramics Limited has been manufacturing and supplying a wide range of tiles and sanitary ware products in Bangladesh since 2013. The principal products of the company is wall tiles, floor tiles, decorative border, ceramic bathroom sanitary ware, pedestal wash basin, counter basin, counter top wash basin pan, water closet etc.

Markets for products or services

All the products of the company are sold out through 179 numbers of dealers all over the country.

Past trends of export market of the product

Though export market of Bangladeshi ceramic industry is growing, the domestic market share of local ceramic wares is shrinking due to widespread import of low-priced foreign goods, mainly from China. As overseas demand is going up, country's major manufacturers are now pumping 80% of the production into the international market. Moreover, the local companies export much of the products to the international market, thus creating a demand-supply gap in Bangladesh. Due to this, imports of ceramic products in Bangladesh are increasing very fast parallel to the growth in export. However, past trends regarding exports of Star Ceramics Limited is as follows:

(Amount in BDT)

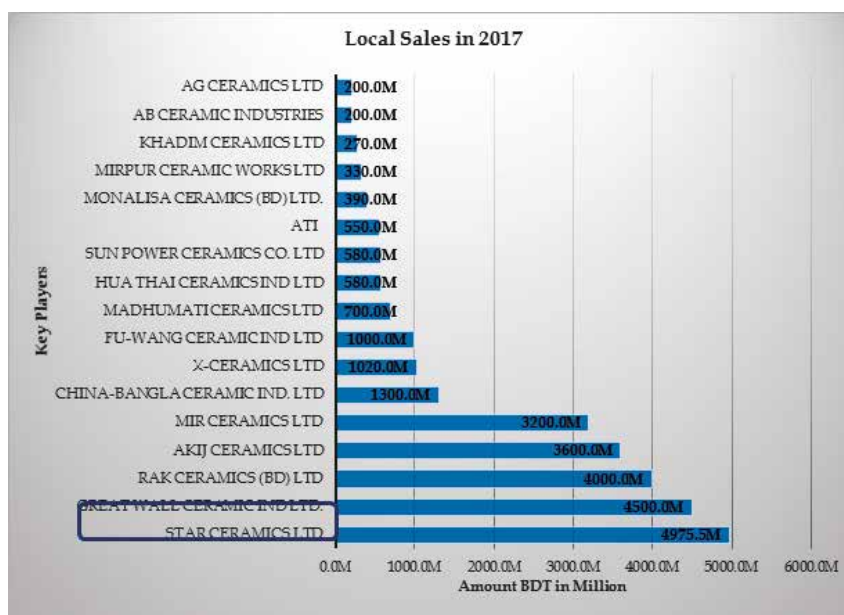
| Particulars | 31 Dec 2017 | 31 Dec 2016 | 31 Dec 2015 | 31 Dec 2014 | 31 Dec 2013 |
|----------------|-------------|-------------|-------------|-------------|-------------|
| Sales - export | 21,728,533 | 16,294,140 | 42,303,044 | 73,925,743 | - |

Future prospects of export market of the product

Over the years, the ceramic industry in Bangladesh has flourished immensely and has gained recognition throughout the world. Local ceramic ware manufacturing industry is expecting a steady growth with a USD 100 million from exports by 2015 as the global market favors more shipment from Bangladesh. If the government could ensure sufficient energy supply and expedites refund of the import duties paid upon execution of exports, Bangladesh might become one of the largest global ceramic exporters in future. Besides, Government should increase the percentage of complementary tax on imported ceramic to protect local manufacturers. To cope with the increased global demand, most of the country's leading exporters have increased their production capacity within last five years. Continuous export growth of ceramic sector of Bangladesh is expected to remain following the unique operational strength of the country.

Local market

According to Bangladesh Ceramic Manufacturers & Exporters Association (BCMEA), there are approximately 62 ceramic manufacturers operating in this industry producing tableware, sanitary ware and tiles. The ceramic industry of Bangladesh faces stiff competition from different foreign sources like China, Thailand & India but the domestic marketplace is not so competitive yet as global. Ceramic manufacturers like RAK, Akij, Great Wall, China-Bangla, Mir Ceramics, Fu-Wang ceramics, Star Ceramics and DBL Ceramics are considered as the market leader on the basis of sales the wall & floor tiles and ceramic sanitary ware product at the local market in Bangladesh. Similarly, Monno Ceramic, Shinepukur Ceramic, Standard Ceramic, FARR Ceramic, Star porcelain are still leading, especially in the market, and have been recently expanding their plant to further improve their share of domestic market. Demand for porcelain tableware has also increased significantly in Bangladesh with a continuous rise in use among middle income groups in the past few decades.

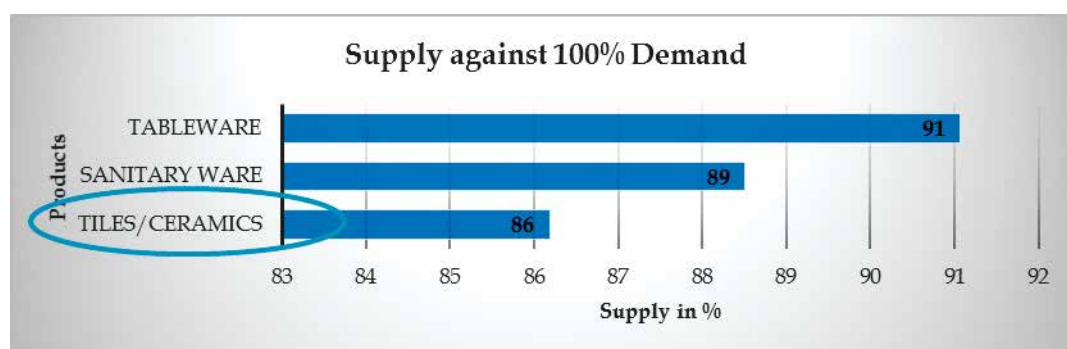


According to the annual report of BCMEA 2016-17, Star Ceramics Ltd achieved first position as the highest seller of wall & floor tiles among all. Their total sales volume was total BDT 4975.5 million. Great Wall Ceramics Ind. Ltd was at the second position by selling an amount of BDT 4500 million. RAK Ceramics Ltd had achieved the 3rd position by selling total amount of BDT 4000 million. Star Ceramics Ltd had achieved the highest seller's position among 26 wall & floor tiles manufacturing & distributing companies in Bangladesh. Star Ceramics had captured the 18.02% of total market. The following diagram shows the sales volume & the market share of the companies.

Source: BCMEA Annual Report 2016-17

Demand and Supply forecasts for the sector

The retailers were asked about the product supply from the manufacturer, distributors & importers. They were asked to get the product supply status as 100% demand per month. The respondents replied that they are very satisfied with tableware product supply. They can supply as their demand. The respondents get 91% supply against 100% demand of the product. On the other hand, they get 89% supply of sanitary ware products. The respondents expressed that they get less supply of wall & floor tiles among three categories products. They get 86% supply against 100% demand. There are some companies who have major problem in product supply system



Source data: Field survey 2017

(vi) If the issuer has more than one product or service, the relative contribution to sales and income of each product or service that accounts for more than 10% of the company's total revenues:

There are two products of the company, which contributed more than 10% of the company's total revenue in the last accounting year. The following table illustrates the total sales and respective percentage of all products of Star Ceramics Limited:

(BDT in Million)

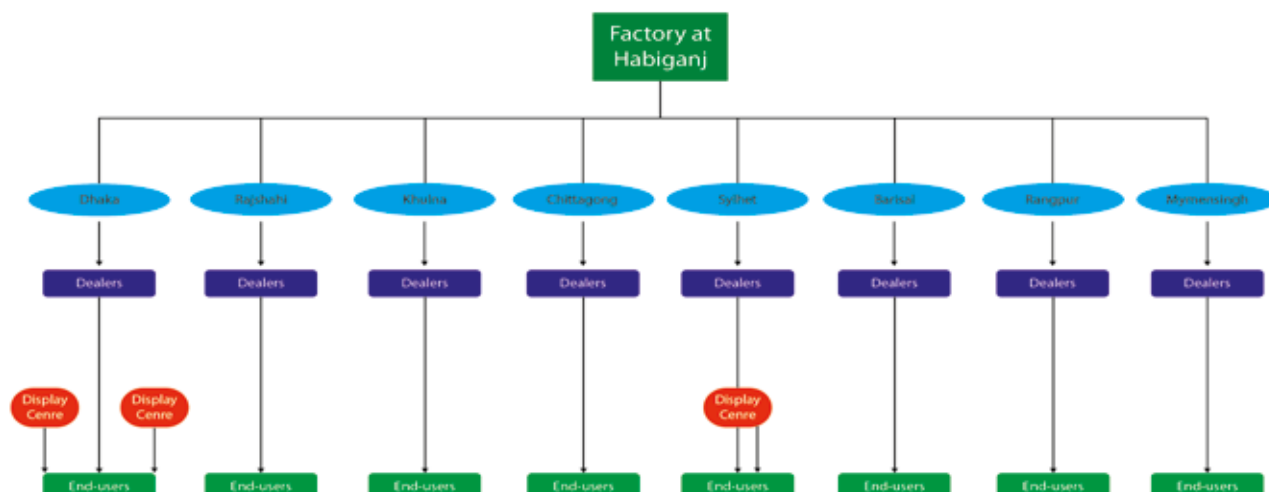
| Product Name | For the Year 2013 | | For the Year 2014 | | For the Year 2015 | | For the Year 2016 | | For the Year 2017 | |
|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | Gross Turnover (Tk.) | Value Contribution % | Gross Turnover (Tk.) | Value Contribution % | Gross Turnover (Tk.) | Value Contribution % | Gross Turnover (Tk.) | Value Contribution % | Gross Turnover (Tk.) | Value Contribution % |
| Ceramics Wall Tiles | 644.13 | 36% | 741.49 | 24% | 1,066.80 | 24% | 1,023.16 | 22% | 1,104.44 | 22% |
| Granite Floor Tiles | 1,144.93 | 64% | 2,408.86 | 76% | 3,099.83 | 70% | 3,279.50 | 69% | 3,364.17 | 68% |

(vii) Description of associates, subsidiary and holding Company of the issuer and core area of business thereof:

The Company has no associates, subsidiary and holding company.

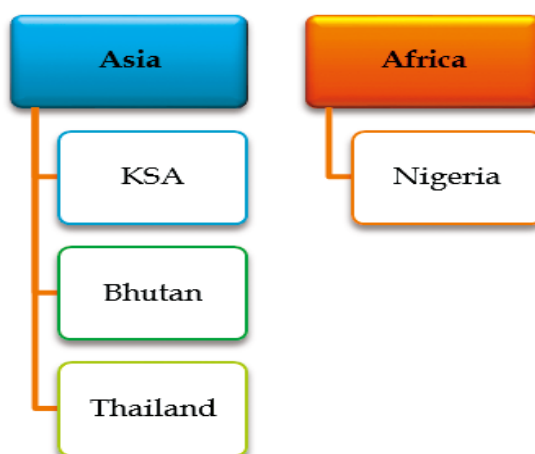
(viii) How the products or services are distributed with details of the distribution channel. Export possibilities and export obligation, if any:

Star Ceramics Limited does not sell any of its products directly to the end customers. As a result, the Company has appointed 179 dealers all over the country to sell the products of the Company to the ultimate customers. The distribution channel is as follows:



Export Possibilities and Obligation:

SCL has expanded its market & distribution channel from home to abroad with its quality products & innovative business strategies. Currently SCL is exporting its ceramics products at different countries of Asia & Africa. The marketing & business development teams are also maintaining contract & communication with some new countries to create their market.



(ix) Competitive conditions in business with names, percentage and volume of market share of major competitors:

In Bangladesh around 62 companies are engaged in manufacturing ceramic tiles and sanitary ware products (sources: www.ceramicexpbd.com). The major competitors are as follows:

1. RAK Ceramics (Bangladesh) Limited
2. Mir Ceramics Limited
3. X-Ceramics Limited
4. Akij Ceramics Limited
5. Fu-Wang Ceramics Industry Limited
6. China Bangla Ceramics Limited
7. Great Wall Ceramics Limited

8. Abul Khair Ceramic Limited
9. Madhumoti Ceramics Limited
10. Sun Power Ceramics Limited
11. Hua Thai Ceramics Limited
12. Dhaka Shanghai Ceramics Limited
13. ATI Ceramics Limited

Apart from this, as per annual report of ceramic product manufacturing companies listed with stock exchanges, the sales amounts are presented below:

| Name of the Company | Sales (BDT) | Year End |
|-----------------------------------|---------------|------------------|
| RAK Ceramics (Bangladesh) Limited | 7,067,872,487 | 31 December 2017 |
| Shinepukur Ceramics Limited | 1,437,866,858 | 30 June 2017 |
| Fu-Wang Ceramic Industry Limited | 472,605,400 | 30 June 2017 |
| Monno Ceramic Industry Ltd. | 859,492,844 | 30 June 2017 |
| Standard Ceramic Industries Ltd. | 263,367,777 | 30 June 2017 |

There is no data available regarding market shares of the respective listed company in their annual report.

(x) Sources and availability of raw materials and the Names and address of the principal suppliers and contingency plan in the case of disruption:

Star Ceramics's key raw materials include (a) body materials comprising various types of clays, sands and minerals and (b) glaze materials comprising additives, bonding agents and finishes. Star Ceramics follows a global sourcing and vendor development policy under which supply sources are identified, supplier capabilities are assessed and competitive supply terms are negotiated through competitive bidding for key supplies. Star Ceramics has built a database of over 18 suppliers that provide industry specific supplies.

The major raw materials of Star Ceramics Limited are imported from overseas, mainly Spain, China, France, Germany, India and Italy. Suppliers are evaluated periodically on supply reliability, quality and prices with new suppliers being added after they meet the required quality and reliability benchmarks through supplier appraisals and track record.

The details of principal suppliers are as follows:

| Sl. No. | Name of Principal Suppliers | Address of Suppliers | Type of Raw Material |
|---------|------------------------------------|--|-------------------------------|
| 01 | CFM Minerals S.A | Ctra. Villareal-onda, caminopalos, S/n apdo. Correos 345, 12200 onda (castellon), Spain. | Barium Carbonate |
| 02 | Sibelco UK Ltd. | Brookside hall, Congleton road, Sandbach, Cheshire, cw11 4tf, United Kingdom. | Opal Engobe |
| 03 | Imerys Ceramics France | Site des kaolins de bretagneploemeur- lanvrian-f-56276 ploemeurcedex, France. | Kaolinor |
| 04 | Brendle Metalquimica S A | Juan delacierva 2 08339, Vilassae de daltbercelona- Espana. | Liquid Lester |
| 05 | Rubamin Limited | Synergy house, subhanpura, baroda 390023, gujarat, India. | Zink Oxide |
| 06 | Imerys Ceramics (India) Pvt. Ltd. | 1-11-246/4f and 1-11-247/d, 4th flr, surya arcade, Begumpet, Hyderabad, a.p.pin-500016, India. | Potash Feldspar Chips |
| 07 | Shri Vishnu Agencies | 7c, Kiranshankarroy road, Hastings, chambers, 5th floor, Kolkata-700001, India. | Ball Clay |
| 08 | Lamberti SPA | Unit 1305-8, Apec plaza, 49 hoi yuen road, Hongkong. | Carbocel mm-3 |
| 09 | Sicer S.P.A | Via montegrappa 4/18, 41042 Spezzano, Di fiorano (mo) Italy. | Colour |
| 10 | Sacmilmola S.C | Via seliceprov.le 17/a, 40026 imola (bo) Italy. | Raw Materials for Resin Mould |
| 11 | Enerplastics LLC | P.O box-37561, Dubai, United Arab Emirates. | Colour |

| Sl. No. | Name of Principal Suppliers | Address of Suppliers | Type of Raw Material |
|---------|--------------------------------------|--|----------------------|
| 12 | Sunshine Minerals International FZE | Hamriyah free zone, P.O box 53418, Sharjah, UAE | Ball Clay |
| 13 | Mario Pilato Blat | Paseo Alameda , 17-46100 Valencia-Spain | Zirconium Silicate |
| 14 | Intermediate Chemicals Co, Ltd | P.O box 35790, Jubali industrial city 31961, Kingdom of Saudi Arabia | Zink Oxide |
| 15 | Cerfrit S.A | P.I. Nules sector 11 pi-apdo. 218-12520, Nules (castellon), Spain | Frit, Glaze & Colour |
| 16 | Vidres S.A | CarreteraOnda km. 3,4. Apartadocorreos 14112540-vila-real castellan-Spain | Color |
| 17 | Prime Siam International Co. Ltd. | 370/6, Sukhumvit Soi-50, Prakanhong, Klongtoey, Bangkok-10260, Thailand | Soda Feldspar Chips |
| 18 | Pelikan Plastic & Packaging Pvt. Ltd | Habiganj, Bangladesh | Packing items |
| 19 | Rangdhanu Trading | Dhaka, Bangladesh | Sodium Silicate |
| 20 | M/S Famous Trading | Habiganj, Bangladesh | Lime Stone and Clay |

Contingency plan in case of any disruption

As there are sufficient numbers of suppliers so the issuer has alternative options for sourcing of raw materials if any suppliers fail to supply raw materials. Again, the Company maintains adequate level of stock of raw materials against its demand for production. Therefore, there are less possibilities of shortage of raw materials.

(xi) Sources of, and requirement for, power, gas and water; or any other utilities and contingency plan in case of any disruption:

| Particulars | Sources | UOM | Requirement | Availability |
|-------------|-------------------------------------|-------|--------------|--------------|
| Power | REB(Fac) | kw | 0.0001 | 500 |
| | REB(Accom) | kw | 0.168 | 200 |
| | Solar | | N/A | N/A |
| | Generator | mw/h | 5.62 | 7.23 |
| Gas | Jalalabad Gas T&D System (Industry) | cmt | 2,291,910.96 | 2,374,300.65 |
| | Jalalabad Gas T&D System (Captive) | cmt | 945,432.26 | 1,016,860.00 |
| Water | Underground | ltr/m | 30,000,000 | 75,000,000 |

| | | | | |
|-----|--|-------|-----|-----|
| ETP | | cmt/h | 35 | 35 |
| WTP | | cmt/h | 500 | 500 |

Contingency plan in case of any disruption

Since the company is using own deep tube-well hence there is no particular contingency plan for water supply. The manufacturing operation depends on Gas from Jalalabad Gas Transmission & Distribution Company Ltd.

(xii) Names, address(s), telephone number, web address, e-mail and fax number of the customers who account for 10% or more of the company's products or services with the amount and percentage thereof:

There is only one customer who accounts for 10% or more of the Company's products as follows:

| Sl. | Name and address of the customer | Telephone and Fax number | E-mail & Web address | 2017 | |
|-----|---|-------------------------------------|--|---------------|--------|
| | | | | Amount in BDT | % |
| 1. | Mohammed Trading 1/A, Jashimuddin Road, 6th floor, RAK Tower, Dhaka | Tel: 01729252820 Fax: 02-8931789 | E-mail: mamun_rashid13@yahoo.com Web: N/A | 1,434,258,386 | 31.51% |

(xiii) Names, address(s), telephone number, web address, e-mail and fax number of the suppliers from whom the issuer purchases 10% or more of its raw materials or finished goods with the amount and percentage thereof:

The Company has following suppliers from whom the Company purchases 10% or more of its raw material:

| Sl. | Name and address of the suppliers | Telephone and Fax number | E-mail & Web address | 2017 | |
|-----|--|----------------------------------|---------------------------------|---------------|-------|
| | | | | Amount in BDT | % |
| 1 | Sunshine Minerals International FZE Amriyah Free Zone P.O. Box 53418 Sharjah, UAE | +971 55 942 7165 | sales@sunminint.com | 170,464,538 | 18.78 |
| 2 | Prime Siam International Co. Ltd 370/6, Sukhumvit soi-50, Prakhnong, Klongtoey, Bangkok-10260, Thailand | 66-2 3315765 66-2 3315766 | sales@primesiam.com | 162,371,368 | 17.88 |
| 3 | Imerys Ceramics India Pvt. Ltd. Koti, S court, 4th floor, 6-3-1239/2/a, Rajbhavan road, Somajiguda, Hyderabad-500082, a.p., India | 91-40-30586666 91-40-30682266 | srinivas.chavali@ imerys.com | 157,977,425 | 17.40 |
| 4 | Cerfrit, S.A P.I. Nules Sector 11 Pi-Appdo. 218-12520 nules (castellon) Spain. | (+34) 64670550 (+34)964671370 | export@cerfrit.com | 107,010,942 | 11.79 |

(xiv) Description of any contract which the issuer has with its principal suppliers or customers showing the total amount and quantity of transaction for which the contract is made and the duration of the contract. If there is not any of such contract, a declaration is to be disclosed duly signed by CEO or MD, CFO and Chairman on behalf of Board of Directors:

Declaration any contract which the issuer has with its principal suppliers or customers showing the total amount and quantity of transaction for which the contract is made and the duration of the contract

We, on behalf of the Board of Directors certify that Star Ceramics Limited did not enter into any contract with its principal suppliers or customers.

Sd/-
C.A. Ajay Kumar
Chief Financial Officer

Sd/-
Qamar-Uz-Zaman
Director & Managing Director

Sd/-
Syed A. K. Anwaruzzaman
Chairman


Date: 1 March 2018

(xv) Description of licenses, registration, NOC and permissions obtained by the Issuer with issue, renewal and expiry dates:

| Name of the Licenses and Certifications | Issuing Authority | Licenses/ Certifications No. | Issue Date | Renewal Date | Validity |
|---|--|--|------------|--------------|----------|
| Certificate of Incorporation | Registrar of Joint Stock Companies and Firms, Bangladesh | C-87081/10 | 21/09/2010 | N/A | N/A |
| Certificate of Name Change | Registrar of Joint Stock Companies and Firms, Bangladesh | C-87081 | 05/10/2013 | N/A | N/A |
| TIN Certificate | National Board of Revenue, Bangladesh | 471877911380/ Circle-030 (companies) | N/A | N/A | N/A |
| VAT Certificate | Customs, Excise and VAT Commissionerate, Bangladesh | 22121026004 | N/A | N/A | N/A |

| Name of the Licenses and Certifications | Issuing Authority | Licenses/ Certifications No. | Issue Date | Renewal Date | Validity |
|---|--|------------------------------|------------|--------------|------------|
| Export Registration Certificate | Office of The Chief Controller of Imports & Exports, Bangladesh | RA-0105250 | 27/03/2011 | 10/07/2017 | 30/06/2018 |
| Import Registration Certificate | Office of The Chief Controller of Imports & Exports, Bangladesh | BA-0222050 | 02/07/2013 | 16/07/2017 | 30/06/2018 |
| Membership Certificate | Bangladesh Ceramic Manufacturers & Exporters Association (BCMEA) | No. 29 | 24/04/2016 | 04/01/2018 | 31/12/2018 |
| Membership Certificate | Foreign Investors' Chamber of Commerce & Industry (FICCI) | SI No. 451 | 07/03/2011 | 25/07/2017 | 30/06/2018 |
| Trade License | Union Parishad | 121 | 29/9/2010 | 22/06/2017 | 30/06/2018 |
| Fire License | Fire Service & Civil Defense, Bangladesh | DD/Sylhet/86/2012-2013 | 27/03/2013 | 02/07/2017 | 30/06/2018 |
| Factory License | Department of Inspection for Factories and Establishments | 510/Habiganj | 21/10/2012 | 09/07/2017 | 30/06/2018 |
| BIDA License (Previously BOI) | Bangladesh Investment Development Authority | No, J-69091011007-H) | 02/04/2014 | N/A | N/A |
| Group Life Insurance | American Life Insurance Company | Policy No. BGL-50312-L | 26/4/2012 | N/A | N/A |
| Environment Clearance Certificate | Department of Environment | N/A | N/A | 22/10/2017 | 22/10/2018 |
| Environment Clearance Certificate for Captive Power | Department of Environment | N/A | N/A | 16/07/2017 | 22/06/2018 |
| ISO 14001:2015 | AJA Registrars Ltd. | AJA14/AN1824 | 21/03/2014 | N/A | 25/02/2020 |
| ISO 9001:2015 | AJA Registrars Ltd. | AJA14/AN1823 | 21/03/2014 | N/A | 25/02/2020 |
| OHSAS 18001:2007 | AJA Registrars Ltd. | AJA14/AN1861 | 20/06/2014 | N/A | 12/06/2020 |
| BSTI | Bangladesh Standards and Testing Institution | S-565/G-18/2015 | 01/07/2015 | 01/07/2015 | 30/06/2018 |

(xvi) Description of any material patents, trademarks, licenses or royalty agreements:

The Company does not have any material patents, licenses or royalty agreements except as mentioned in the above schedule. However, the logo  of Star Ceramics Limited is the “® or Registered trademark” logo by Department of Patents, Designs and Trademarks of Bangladesh.

(xvii) Number of total employees and number of full-time employees:

As on 31 December 2017 total number of the full time employees was 712 & casual workers were 317 as detailed below.

| SL | Work Divisions | Number of full time Employees | Number of Casual Workers | Total |
|--------------|----------------|-------------------------------|--------------------------|-------------|
| 1 | Head Office | 120 | 12 | 132 |
| 2 | Tiles | 366 | 253 | 619 |
| 3 | SWD | 226 | 52 | 278 |
| Total | | 712 | 317 | 1029 |

(xviii) A brief Description of Business strategy:

Star Ceramics's key strategic business objectives are to:

1. Ensure quality products for all at competitive and affordable prices in respect of local and imported products.
2. Ensure stable and long-term return to investors with sustainable growth by generating strong revenue and profitability together with judicious capital allocation and optimal use of resources.
3. Maintain state of art manufacturing facilities and high skilled management to meet any market expectations and ensure new development for technically excellent products & design with will have demand in future.

4. Maintain suppliers who meet reliability, quality and competitive benchmark.
5. Comprehensive marketing and distribution network.
6. Ensure architectural views before purchase and quality civil works for product fitting for the satisfaction of ultimate users.
7. Establish best brand and have strong market share to stand out in the market for tiles and sanitary ware in Bangladesh
8. Just in time response from ordering to delivery at the ultimate user end and after sales services from one stop location.
9. Expand the scope of use for tiles and sanitary ware products.
10. Maintain sustainable CSR program, commitment to people and community development.

(xix) A table containing the existing installed capacities for each product or service, capacity utilization for these products or services in the previous years, projected capacities for existing as well as proposed products or services and the assumptions for future capacity utilization for the next three years in respect of existing as well as proposed products or services. If the projected capacity utilization is higher than the actual average capacity utilization, rational to achieve the projected level:

The following table contains the existing installed capacity and capacity utilization in the previous years, projected capacity and the assumptions of future utilization for the next three years based on the market trend and forecast. SCL being mainly ceramic business entity, existing installed and future capacity & utilization of products are given below:

Current installed capacity and its utilization:

| Product | Unit | Installed capacity | | | Capacity utilization | | | Capacity utilization (%) | | |
|---------------|------|--------------------|-----------|-----------|----------------------|-----------|-----------|--------------------------|------|------|
| | | 2015 | 2016 | 2017 | 2015 | 2016 | 2017 | 2015 | 2016 | 2017 |
| Ceramic Tiles | SQM | 7,920,000 | 7,920,000 | 7,920,000 | 5,802,261 | 6,579,320 | 6,835,660 | 73 | 83 | 86 |
| Sanitary ware | PCS | 432,000 | 432,000 | 432,000 | 277,628 | 404,852 | 396,384 | 64 | 93 | 93 |

Future installed capacity and its utilization:

| Product | Unit | Installed capacity | | | Capacity utilization | | | Capacity utilization (%) | | |
|---------------|------|--------------------|-----------|-----------|----------------------|-----------|-----------|--------------------------|------|------|
| | | 2018 | 2019 | 2020 | 2018 | 2019 | 2020 | 2018 | 2019 | 2020 |
| Ceramic Tiles | SQM | 7,920,000 | 7,920,000 | 7,920,000 | 7,128,000 | 7,286,400 | 7,524,000 | 90 | 92 | 95 |
| Sanitary ware | PCS | 432,000 | 1,080,000 | 1,080,000 | 405,000 | 918,000 | 972,000 | 94 | 85 | 90 |

Rational to achieve the projected level:

It is expected that the local demand for ceramic product will go up as Bangladesh continues to achieve a GDP growth rate of more than 7 percent. Exports are also likely to increase. Star Ceramics Ltd., in order to reap this opportunity, has planned to undertake expansion scheme as mentioned in the 'use of proceeds'. As such, the company is reasonably optimistic about attaining the projected capacity.

(e) Description of Property:

(i) Location and area of the land, building, principal plants and other property of the company and the condition thereof:

Star Ceramics Limited has its own factory land at Riaznagar, Baghasura, Madhabpur, Habiganj measuring 2,738.75 decimal and total land area is in the name of Star Ceramics Limited. In the factory area, there are three 'state of the art' factories, raw material warehouses, power station, administrative office building, research and development laboratories, silkscreen and photo printing facilities. The plant is equipped with some of the longest kiln in the world. Star Ceramics Limited has purchased 5th, 6th and 7th floor with a total space of 28,245 square feet of Rakeen Bijoy City.

The Company owns the following fixed assets and they are situated at Company's office and factory premise; and written down value of the assets as on 31 December 2017 are given below:

| Name of the Assets | Amount in BDT |
|-------------------------|----------------------|
| Land & land development | 990,011,460 |
| Factory building | 723,961,103 |
| Plant and machinery | 2,125,463,404 |
| Furniture & Fixture | 3,042,960 |
| Equipment | 19,898,182 |
| Motor Vehicles | 26,680,064 |
| Tools and appliance | 4,258,168 |
| Office decoration | 10,873,585 |
| Electrical Installation | 177,439,769 |
| Gas pipe line | 70,475,881 |
| Total | 4,152,104,576 |

Details of 2,738.75 decimal of land are as follows:

| Sl. | Location | Deed No. | Year of Acquisition | Khatian No. | | Area in Decimal |
|-----|---|----------|---------------------|---|--|-----------------|
| | | | | SA | BS | |
| 1 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 4791 | 2010 | 134 | 205 | 33.00 |
| 2 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 4792 | 2010 | 18 | 153 | 12.00 |
| 3 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 4945 | 2010 | 90 | 204 | 56.00 |
| 4 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 5789 | 2010 | 95 | 142 | 27.00 |
| 5 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 5953 | 2011 | 134, 90,78, 94, 146, 21, 5, 99, 23,140, 100,118, 93,104,118 | 28, 7,176, ,192,79, 175, 51, 86, 110, 41, 150, 136, 151, 135, 219, 114, 164, 260 | 496.75 |
| 6 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 108 | 2011 | 102,109,85,52,119,74, 102,92,19,48,104,134 ,114,116,116,84,57,12 2,100,104,118,101,47 | 137,123,124,96,80,228,13 6,28,210,06,24,80,123,36, 41,151,136,35,114,110,42, 95,31,82,123,41,141 | 813.00 |
| 7 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 646 | 2011 | 18, 100 | 153, 123 | 30.00 |
| 8 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 454 | 2011 | 104 | 130 | 27.00 |
| 9 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 4770 | 2011 | 104 | 260 | 1.25 |
| 10 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 4771 | 2011 | 104 | 260 | 7.50 |
| 11 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 1921 | 2011 | 61 | 220 | 39.00 |

| Sl. | Location | Deed No. | Year of Acquisition | Khatian No. | | Area in Decimal |
|-----|---|----------|---------------------|-------------|---------|-----------------|
| | | | | SA | BS | |
| 12 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 1541 | 2011 | 49, 51, 64 | 106 | 72.50 |
| 13 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 2587 | 2011 | 51 | 106 | 14.50 |
| 14 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 2729 | 2011 | 29 | 100 | 32.00 |
| 15 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 2588 | 2011 | 101 | 222 | 53.00 |
| 16 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 3622 | 2011 | 94 | 136 | 39.00 |
| 17 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 3981 | 2011 | 123 | 115 | 27.00 |
| 18 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 4560 | 2011 | 116 | 203 | 53.00 |
| 19 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 3668 | 2011 | 143, 100 | 167 | 52.00 |
| 20 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 3990 | 2011 | 104 | 23 | 28.00 |
| 21 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 3855 | 2011 | 97 | 24 | 40.00 |
| 22 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 3797 | 2011 | 84 | 123 | 24.00 |
| 23 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 6096 | 2011 | 84, 104 | 17, 195 | 37.00 |
| 24 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 5637 | 2011 | 61 | 24 | 2.00 |
| 25 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 5571 | 2011 | 84 | 123 | 3.00 |
| 26 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 6011 | 2011 | 125 | 142 | 42.00 |
| 27 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 1573 | 2012 | 131 | 153 | 29.00 |
| 28 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 2111 | 2012 | 133 | 167 | 22.00 |
| 29 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 949 | 2012 | 104 | 124 | 22.00 |

| Sl. | Location | Deed No. | Year of Acquisition | Khatian No. | | Area in Decimal |
|-----|---|----------|---------------------|-------------|-----|-----------------|
| | | | | SA | BS | |
| 30 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 1988 | 2012 | 104 | 205 | 3.50 |
| 31 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 1905 | 2012 | 104 | 205 | 21.00 |
| 32 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 3308 | 2012 | 104 | 205 | 1.50 |
| 33 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 3309 | 2012 | 104 | 205 | 1.50 |
| 34 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 4880 | 2012 | 104 | 262 | 6.00 |
| 35 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 4681 | 2012 | 104 | 205 | 1.50 |
| 36 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 4478 | 2012 | 118 | 150 | 37.00 |
| 37 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 5581 | 2012 | 104 | 205 | 2.00 |
| 38 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 5967 | 2013 | 19 | 172 | 32.00 |
| 39 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 5919 | 2013 | 112 | 235 | 33.00 |
| 40 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 3648 | 2014 | 104 | 205 | 1.50 |
| 41 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 292 | 2014 | 57 | 46 | 12.00 |
| 42 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 2718 | 2013 | 125 | 167 | 8.00 |
| 43 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 6575 | 2014 | 117 | 51 | 25 |
| 44 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 5161 | 2014 | 51 | 273 | 13.5 |
| 45 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 5162 | 2014 | 51 | 234 | 13 |
| 46 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 6922 | 2014 | 104 | 205 | 1.5 |
| 47 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 5827 | 2010 | 04 | 141 | 17.00 |

| Sl. | Location | Deed No. | Year of Acquisition | Khatian No. | | Area in Decimal |
|--------------|---|----------|---------------------|-------------|---------|-----------------|
| | | | | SA | BS | |
| 48 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 1756 | 2011 | 52 | 32 | 3.00 |
| 49 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 2786 | 2015 | 144 | 11 | 22.00 |
| 50 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 5439 | 2015 | 104 | 124 | 4.50 |
| 51 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 1137 | 2015 | 101 | 18 | 14.00 |
| 52 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 2407 | 2016 | 104 | 24 | 41.50 |
| 53 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 2962 | 2016 | 92 | 110 | 25.00 |
| 54 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 3716 | 2016 | 101,140 | 70 | 159.00 |
| 55 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 2469 | 2017 | 94 | 149,247 | 70.00 |
| 56 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | - | 2011 | 16 | 88 | 1.75 |
| 57 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | - | 2012 | 264 | 303 | 2.00 |
| 58 | Riaznagar, Shahjibazar, Ward # 01, 11 No. Baghasura Union Parishad, Madhabpur, Hobiganj | 3052 | 2017 | 04 | 291 | 31.00 |
| Total | | | | | | 2,738.75 |

(ii) Whether the property is owned by the company or taken on lease:

All the properties of the Company are in its own name. The Company didn't acquire any of its property on lease.

iii) Dates of purchase, last payment date of current rent (শর্তনামা) and mutation date of lands, deed value and other costs including details of land development cost, if any and current use thereof:

| Deed No. | Dates of purchase | Mutation & DCR date | Last payment date of current rent (শর্তনামা) | Deed Value | Registration Cost | Other Costs | Registration & Other Costs | Land Development Cost | Total Cost | Area in Decimal | Current use of the Land |
|----------|-------------------|---------------------|--|------------|-------------------|-------------|----------------------------|-----------------------|------------|-----------------|--|
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| 4791 | 14-Oct-10 | 3-Sep-11 | 27-Feb-18 | 1,386,000 | 138,600 | | 138,600 | 304,541 | 1,829,141 | 33.00 | Factory Building, Factory Shade, Godown , Road, Office Building, Accommodation |
| 4792 | 14-Oct-10 | 3-Sep-11 | 27-Feb-18 | 504,000 | 50,400 | | 50,400 | 110,742 | 665,142 | 12.00 | |
| 4945 | 25-Oct-10 | 3-Sep-11 | 27-Feb-18 | 2,016,000 | 201,600 | 339,400 | 541,000 | 442,969 | 2,999,969 | 56.00 | |
| 5789 | 15-Dec-10 | 3-Sep-11 | 27-Feb-18 | 1,215,000 | 121,500 | | 121,500 | 266,968 | 1,603,468 | 27.00 | |
| 5953 | 25-Dec-11 | 3-Sep-11 | 27-Feb-18 | 24,850,000 | 1,739,500 | 486,000 | 2,225,500 | 5,460,208 | 32,535,708 | 496.75 | |
| 108 | 6-Jan-11 | 3-Sep-11 | 27-Feb-18 | 40,650,000 | 3,304,735 | | 3,304,735 | 8,931,890 | 52,886,625 | 813.00 | |
| 646 | 11-Feb-11 | 3-Sep-11 | 27-Feb-18 | 1,500,000 | 157,500 | 36,000 | 193,500 | 329,590 | 2,023,090 | 30.00 | |
| 454 | 27-Jan-11 | 4-Jun-11 | 27-Feb-18 | 1,350,000 | 141,750 | 48,250 | 190,000 | 296,631 | 1,836,631 | 27.00 | |
| 4770 | 18-Oct-11 | 5-Jun-11 | 27-Feb-18 | 75,000 | 8,250 | 213,386 | 221,636 | 16,480 | 313,115 | 1.25 | |
| 4771 | 18-Oct-11 | 6-Jun-11 | 27-Feb-18 | 450,000 | 47,250 | 1,280,314 | 1,327,564 | 98,877 | 1,876,441 | 7.50 | |
| 1921 | 11-Apr-11 | 7-Jun-11 | 27-Feb-18 | 3,120,000 | 334,000 | 1,484,000 | 1,818,000 | 685,547 | 5,623,547 | 39.00 | |
| 1541 | 22-Mar-11 | 8-Jun-11 | 27-Feb-18 | 4,350,000 | 305,780 | 146,881 | 452,661 | 955,811 | 5,758,472 | 72.50 | |
| 2587 | 25-May-11 | 9-Jun-11 | 27-Feb-18 | 900,000 | 61,156 | 30,389 | 91,545 | 197,754 | 1,189,299 | 14.50 | |
| 2729 | 1-Jun-11 | 4-Jun-13 | 27-Feb-18 | 1,920,000 | 134,964 | 64,830 | 199,794 | 421,875 | 2,541,669 | 32.00 | |
| 2588 | 25-May-11 | 4-Jun-13 | 27-Feb-18 | 3,180,000 | 318,000 | 220,000 | 538,000 | 698,731 | 4,416,731 | 53.00 | |
| 3622 | 4-Aug-11 | 4-Jun-13 | 27-Feb-18 | 2,340,000 | 245,700 | 395,300 | 641,000 | 514,160 | 3,495,160 | 39.00 | |
| 3981 | 11-Sep-11 | 4-Jun-13 | 27-Feb-18 | 1,620,000 | 170,100 | 282,400 | 452,500 | 355,957 | 2,428,457 | 27.00 | |
| 4560 | 27-Nov-11 | 4-Jun-13 | 27-Feb-18 | 5,300,000 | 371,000 | 4,199,000 | 4,570,000 | 1,164,551 | 11,034,551 | 53.00 | |
| 3668 | 8-Aug-11 | 4-Jun-13 | 27-Feb-18 | 3,120,000 | 320,000 | 1,310,000 | 1,630,000 | 685,547 | 5,435,547 | 52.00 | |
| 3990 | 12-Sep-11 | 4-Jun-13 | 27-Feb-18 | 1,680,000 | 108,000 | 1,740,500 | 1,848,500 | 369,141 | 3,897,641 | 28.00 | |
| 3855 | 23-Aug-11 | 4-Jun-13 | 27-Feb-18 | 2,400,000 | 240,000 | 4,205,000 | 4,445,000 | 527,344 | 7,372,344 | 40.00 | |
| 3797 | 21-Aug-11 | 4-Jun-13 | 27-Feb-18 | 1,440,000 | 151,200 | 260,900 | 412,100 | 316,406 | 2,168,506 | 24.00 | |
| 6096 | 26-Dec-11 | 4-Jun-13 | 27-Feb-18 | 2,220,000 | 233,100 | 3,338,900 | 3,572,000 | 487,793 | 6,279,793 | 37.00 | |
| 5637 | 5-Dec-11 | 4-Jun-13 | 27-Feb-18 | 70,000 | 7,700 | 35,000 | 42,700 | 15,381 | 128,081 | 2.00 | |
| 5571 | 29-Nov-11 | 4-Jun-13 | 27-Feb-18 | 150,000 | 16,500 | 75,000 | 91,500 | 32,959 | 274,459 | 3.00 | |
| 6011 | 20-Dec-11 | 4-Jun-13 | 27-Feb-18 | 2,520,000 | 176,400 | 4,275,600 | 4,452,000 | 553,711 | 7,525,711 | 42.00 | |
| 1573 | 3-Apr-12 | 4-Jun-13 | 27-Feb-18 | 1,750,000 | 183,750 | 2,891,250 | 3,075,000 | 384,522 | 5,209,522 | 29.00 | |
| 2111 | 8-May-12 | 4-Jun-13 | 27-Feb-18 | 1,760,000 | 92,400 | 964,800 | 1,057,200 | 386,719 | 3,203,919 | 22.00 | |
| 949 | 27-Feb-12 | 4-Jun-13 | 27-Feb-18 | 1,760,000 | 123,200 | 712,800 | 836,000 | 386,719 | 2,982,719 | 22.00 | |
| 1988 | 30-Apr-12 | 4-Jun-13 | 27-Feb-18 | 700,000 | 49,000 | 1,254,525 | 1,303,525 | 153,809 | 2,157,334 | 3.50 | |
| 1905 | 24-Apr-12 | 4-Jun-13 | 27-Feb-18 | 2,100,000 | 147,000 | 8,463,000 | 8,610,000 | 461,426 | 11,171,426 | 21.00 | |
| 3308 | 15-Jul-12 | 4-Jun-13 | 27-Feb-18 | 600,000 | 28,000 | 7,000 | 35,000 | 131,836 | 766,836 | 1.50 | |
| 3309 | 15-Jul-12 | 4-Jun-13 | 27-Feb-18 | 600,000 | 66,000 | 7,000 | 73,000 | 131,836 | 804,836 | 1.50 | |
| 4880 | 21-Oct-12 | 4-Jun-13 | 27-Feb-18 | 1,200,000 | 182,000 | 1,452,000 | 1,634,000 | 263,672 | 3,097,672 | 6.00 | |

| Deed No. | Dates of purchase | Mutation & DCR date | Last payment date of current rent (বাংলা) | Deed Value | Registration Cost | Other Costs | Registration & Other Costs | Land Development Cost | Total Cost | Area in Decimal | Current use of the Land |
|----------|-------------------|---------------------|---|-------------|-------------------|-------------|----------------------------|-----------------------|-------------|-----------------|-------------------------|
| | | | | | | | | | | | |
| 4681 | 9-Oct-12 | 4-Jun-13 | 27-Feb-18 | 300,000 | 42,000 | 405,500 | 447,500 | 65,918 | 813,418 | 1.50 | |
| 4478 | 1-Oct-12 | 4-Jun-13 | 27-Feb-18 | 5,550,000 | 388,500 | 5,661,500 | 6,050,000 | 1,219,483 | 12,819,483 | 37.00 | |
| 5581 | 4-Dec-12 | 4-Jun-13 | 27-Feb-18 | 600,000 | 108,000 | 586,450 | 694,450 | 131,836 | 1,426,286 | 2.00 | |
| 5967 | 17-Nov-13 | 4-Jan-18 | 27-Feb-18 | 3,200,000 | 320,000 | 3,606,400 | 3,926,400 | 703,125 | 7,829,525 | 32.00 | |
| 5919 | 17-Nov-13 | 4-Jan-18 | 27-Feb-18 | 3,300,000 | 1,039,500 | 3,719,100 | 4,758,600 | 725,098 | 8,783,698 | 33.00 | |
| 3648 | 8-Apr-14 | 4-Jan-18 | 27-Feb-18 | 300,000 | 42,000 | 65,000 | 107,000 | 65,918 | 472,918 | 1.50 | |
| 292 | 8-Apr-14 | 4-Jan-18 | 27-Feb-18 | 2,000,000 | 540,000 | 3,710,000 | 4,217,935 | 439,453 | 6,657,388 | 12.00 | |
| 2718 | 28-May-13 | 4-Jan-18 | 27-Feb-18 | 753,000 | 79,065 | | 79,065 | 165,454 | 997,519 | 8.00 | |
| 6575 | 18-Nov-14 | 4-Jan-18 | 27-Feb-18 | 3,250,000 | 39,000 | 1,851,000 | 1,890,000 | 714,112 | 5,854,112 | 25 | |
| 5161 | 8-Sep-14 | 4-Jan-18 | 27-Feb-18 | 2,025,000 | 238,500 | 2,305,189 | 2,543,689 | 444,947 | 5,013,635 | 13.5 | |
| 5162 | 8-Sep-14 | 4-Jan-18 | 27-Feb-18 | 1,950,000 | 238,500 | 2,219,811 | 2,458,311 | 428,467 | 4,836,778 | 13 | |
| 6922 | 9-Dec-14 | 4-Jan-18 | 27-Feb-18 | 450,000 | 81,000 | 542,000 | 623,000 | 98,877 | 1,171,877 | 1.5 | |
| 5827 | 21-Dec-10 | * | * | - | - | - | - | - | - | 17.00 | |
| 1756 | 31-Mar-11 | * | * | - | - | 101,500 | 101,500 | - | 101,500 | 3.00 | |
| 2786 | 11-Jun-15 | 4-Jan-18 | 27-Feb-18 | 2,640,000 | 316,800 | 2,310,000 | 2,626,800 | 580,078 | 5,846,878 | 22.00 | |
| 5439 | 16-Nov-15 | 4-Jan-18 | 27-Feb-18 | 502,000 | 55,000 | 808,000 | 863,000 | 110,303 | 1,475,303 | 4.50 | |
| 1137 | 6-Mar-15 | 4-Jan-18 | 27-Feb-18 | 2,100,000 | 231,000 | 28,000 | 259,000 | 461,426 | 2,820,426 | 14.00 | |
| 2407 | 22-May-16 | 4-Jan-18 | 27-Feb-18 | 4,650,000 | 500,000 | 13,710,000 | 14,210,000 | 1,021,729 | 19,881,729 | 41.50 | |
| 2962 | 11-Jul-16 | 4-Jan-18 | 27-Feb-18 | 3,750,000 | 412,500 | 125,000 | 537,500 | 823,975 | 5,111,475 | 25.00 | |
| 3716 | 24-Aug-16 | 4-Jan-18 | 27-Feb-18 | 17,808,000 | 2,098,800 | 11,562,400 | 13,661,200 | 3,912,893 | 35,382,093 | 159.00 | |
| 2469 | 9-May-17 | 4-Jan-18 | 27-Feb-18 | 8,100,000 | 893,200 | 4,892,000 | 5,785,200 | 1,779,786 | 15,664,986 | 70.00 | |
| - | - | * | * | - | - | 120,000 | 120,000 | - | 120,000 | 1.75 | |
| - | - | * | * | - | - | 150,000 | 150,000 | - | 150,000 | 2.00 | |
| 3052 | 19-Jun-17 | 4-Jan-18 | 27-Feb-18 | 3,596,000 | 395,560 | 5,074,000 | 5,469,560 | 790,137 | 9,855,697 | 31.00 | |
| Total | | | | 187,620,000 | 18,034,960 | 103,772,275 | 121,775,170 | 41,225,120 | 350,620,290 | 2,738.75 | |

*Note: purchased through NOC & power of attorney.

(iv) The names of the persons from whom the lands has been acquired or proposed to be acquired along with the cost of acquisition and relation, if any, of such persons to the issuer or any sponsor or director thereof:

| Names of the persons from whom the lands have been acquired | Area in Decimal | | Deed Value | Registration Cost | Others Cost | Registration & Others Cost | Land Development Cost | Total Cost | Relation with the company |
|---|-------------------|-------------------------|------------|-------------------|-------------|----------------------------|-----------------------|------------|----------------------------------|
| | As per Title Deed | As per Mutation Khatian | | | | | | | |
| | | | | | | | | | |
| Mrs. Altamoon Nessa | 33.00 | 33.00 | 1,386,000 | 138,600 | | 138,600 | 304,541 | 1,829,141 | No Relation |
| Mostu Miah | 12.00 | 12.00 | 504,000 | 50,400 | | 50,400 | 110,742 | 665,142 | No Relation |
| Mrs. Somola Khatun | 56.00 | 56.00 | 2,016,000 | 201,600 | 339,400 | 541,000 | 442,969 | 2,999,969 | No Relation |
| Md. Moti Miah | 27.00 | 27.00 | 1,215,000 | 121,500 | | 121,500 | 266,968 | 1,603,468 | No Relation |
| Rakeen Development Company (BD) Pvt. Ltd. | 496.75 | 496.75 | 24,850,000 | 1,739,500 | 486,000 | 2,225,500 | 5,460,208 | 32,535,708 | Common Director and Shareholders |
| Rakeen Development Company (BD) Pvt. Ltd. | 813.00 | 813.00 | 40,650,000 | 3,304,735 | | 3,304,735 | 8,931,890 | 52,886,625 | Common Director and Shareholders |
| Rakeen Development Company (BD) Pvt. Ltd. | 30.00 | 30.00 | 1,500,000 | 157,500 | 36,000 | 193,500 | 329,590 | 2,023,090 | Common Director and Shareholders |
| Firoza Begum | 27.00 | 27.00 | 1,350,000 | 141,750 | 48,250 | 190,000 | 296,631 | 1,836,631 | No Relation |
| Md. Aminul Islam | 1.25 | 1.25 | 75,000 | 8,250 | 213,386 | 221,636 | 16,480 | 313,115 | No Relation |
| Kazi Moulana Foyez Ahmad | 7.50 | 7.50 | 450,000 | 47,250 | 1,280,314 | 1,327,564 | 98,877 | 1,876,441 | No Relation |
| Moklasur Rahman | 39.00 | 39.00 | 3,120,000 | 334,000 | 1,484,000 | 1,818,000 | 685,547 | 5,623,547 | No Relation |
| Md. Zafor Ali | 72.50 | 72.50 | 4,350,000 | 305,780 | 146,881 | 452,661 | 955,811 | 5,758,472 | No Relation |
| Md. Zafor Ali | 14.50 | 14.50 | 900,000 | 61,156 | 30,389 | 91,545 | 197,754 | 1,189,299 | No Relation |
| Md. Jashimuddin | 32.00 | 32.00 | 1,920,000 | 134,964 | 64,830 | 199,794 | 421,875 | 2,541,669 | No Relation |
| Md. Hasen Ali | 53.00 | 53.00 | 3,180,000 | 318,000 | 220,000 | 538,000 | 698,731 | 4,416,731 | No Relation |
| Md. Bacchu Mia | 39.00 | 39.00 | 2,340,000 | 245,700 | 395,300 | 641,000 | 514,160 | 3,495,160 | No Relation |
| Md. Diaris Mia | 27.00 | 27.00 | 1,620,000 | 170,100 | 282,400 | 452,500 | 355,957 | 2,428,457 | No Relation |
| Mrs. Asia Khatun (Somraj) | 53.00 | 53.00 | 5,300,000 | 371,000 | 4,199,000 | 4,570,000 | 1,164,551 | 11,034,551 | No Relation |
| Md. Mizaz Ali | 52.00 | 52.00 | 3,120,000 | 320,000 | 1,310,000 | 1,630,000 | 685,547 | 5,435,547 | No Relation |
| Md. Anawer Ali | 28.00 | 28.00 | 1,680,000 | 108,000 | 1,740,500 | 1,848,500 | 369,141 | 3,897,641 | No Relation |
| Md. Anawerul Kabir | 40.00 | 40.00 | 2,400,000 | 240,000 | 4,205,000 | 4,445,000 | 527,344 | 7,372,344 | No Relation |
| Mrs. Darbes Banu | 24.00 | 24.00 | 1,440,000 | 151,200 | 260,900 | 412,100 | 316,406 | 2,168,506 | No Relation |
| Md. AbulKalam & Mrs. Shahana Begum | 37.00 | 37.00 | 2,220,000 | 233,100 | 3,338,900 | 3,572,000 | 487,793 | 6,279,793 | No Relation |
| Md. Mazom Hossain | 2.00 | 2.00 | 70,000 | 7,700 | 35,000 | 42,700 | 15,381 | 128,081 | No Relation |
| Md. Bacchu Mia | 3.00 | 3.00 | 150,000 | 16,500 | 75,000 | 91,500 | 32,959 | 274,459 | No Relation |
| Md. Muti Mia | 42.00 | 42.00 | 2,520,000 | 176,400 | 4,275,600 | 4,452,000 | 553,711 | 7,525,711 | No Relation |
| Shahab Uddin & Jahangir Mia | 29.00 | 29.00 | 1,750,000 | 183,750 | 2,891,250 | 3,075,000 | 384,522 | 5,209,522 | No Relation |
| Md. Jasim Mia | 22.00 | 22.00 | 1,760,000 | 92,400 | 964,800 | 1,057,200 | 386,719 | 3,203,919 | No Relation |
| Fozol Haque | 22.00 | 22.00 | 1,760,000 | 123,200 | 712,800 | 836,000 | 386,719 | 2,982,719 | No Relation |
| Md. Furuk Mia | 3.50 | 3.50 | 700,000 | 49,000 | 1,254,525 | 1,303,525 | 153,809 | 2,157,334 | No Relation |
| Md. Shofiqul Islam (Umor Faruq) | 21.00 | 21.00 | 2,100,000 | 147,000 | 8,463,000 | 8,610,000 | 461,426 | 11,171,426 | No Relation |
| Yunusur Rahman | 1.50 | 1.50 | 600,000 | 28,000 | 7,000 | 35,000 | 131,836 | 766,836 | No Relation |
| Md. Anamul Haque, Md. Gaziur Rahman & Md. Bahadur Raham | 1.50 | 1.50 | 600,000 | 66,000 | 7,000 | 73,000 | 131,836 | 804,836 | No Relation |

| Names of the persons from whom the lands have been acquired | Area in Decimal | | Deed Value | Registration Cost | Others Cost | Registration & Others Cost | Land Development Cost | Total Cost | Relation with the company |
|---|-------------------|-------------------------|-------------|-------------------|-------------|----------------------------|-----------------------|-------------|---------------------------|
| | As per Title Deed | As per Mutation Khatian | | | | | | | |
| | | | | | | | | | |
| Rehana Parvin Choudhury | 6.00 | 6.00 | 1,200,000 | 182,000 | 1,452,000 | 1,634,000 | 263,672 | 3,097,672 | No Relation |
| Hafez Md. Ishaq Mia | 1.50 | 1.50 | 300,000 | 42,000 | 405,500 | 447,500 | 65,918 | 813,418 | No Relation |
| Abed Ali | 37.00 | 37.00 | 5,550,000 | 388,500 | 5,661,500 | 6,050,000 | 1,219,483 | 12,819,483 | No Relation |
| Md. Anawar Hossain | 2.00 | 2.00 | 600,000 | 108,000 | 586,450 | 694,450 | 131,836 | 1,426,286 | No Relation |
| Molluk Hossain (Moina Mia) | 32.00 | 32.00 | 3,200,000 | 320,000 | 3,606,400 | 3,926,400 | 703,125 | 7,829,525 | No Relation |
| Sabed Ali | 33.00 | 33.00 | 3,300,000 | 1,039,500 | 3,719,100 | 4,758,600 | 725,098 | 8,783,698 | No Relation |
| Koram Ali | 1.50 | 1.50 | 300,000 | 42,000 | 65,000 | 107,000 | 65,918 | 472,918 | No Relation |
| Md. Abed Ali | 12.00 | 12.00 | 2,000,000 | 540,000 | 3,710,000 | 4,217,935 | 439,453 | 6,657,388 | No Relation |
| Md. Mizaz Ali | 8.00 | 8.00 | 753,000 | 79,065 | | 79,065 | 165,454 | 997,519 | No Relation |
| Md. Tous Mia, Mrs. Sayeda Khatun& Mrs. Minara Khatun | 25 | 25 | 3,250,000 | 39,000 | 1,851,000 | 1,890,000 | 714,112 | 5,854,112 | No Relation |
| Md. Shahinue (Osman Goni) | 13.5 | 13.5 | 2,025,000 | 238,500 | 2,305,189 | 2,543,689 | 444,947 | 5,013,635 | No Relation |
| Md. Shahinue (Osman Goni) | 13 | 13 | 1,950,000 | 238,500 | 2,219,811 | 2,458,311 | 428,467 | 4,836,778 | No Relation |
| Noor Alam & Iqbal Mia | 1.5 | 1.5 | 450,000 | 81,000 | 542,000 | 623,000 | 98,877 | 1,171,877 | No Relation |
| Moskud Miah & Md. Samsu Mia | 17.00 | 17.00 | - | - | - | - | - | - | No Relation |
| Md. Azgor Ali | 3.00 | 3.00 | - | - | 101,500 | 101,500 | - | 101,500 | No Relation |
| Md. Abdur Rouf | 22.00 | 22.00 | 2,640,000 | 316,800 | 2,310,000 | 2,626,800 | 580,078 | 5,846,878 | No Relation |
| Md. Abdul Jalil Monu | 4.50 | 4.50 | 502,000 | 55,000 | 808,000 | 863,000 | 110,303 | 1,475,303 | No Relation |
| Ali Hossain | 14.00 | 14.00 | 2,100,000 | 231,000 | 28,000 | 259,000 | 461,426 | 2,820,426 | No Relation |
| Md. Asib Ali, Mrs. Jahanara Khatun, Mrs. Fatema Akter Lipi | 41.50 | 41.50 | 4,650,000 | 500,000 | 13,710,000 | 14,210,000 | 1,021,729 | 19,881,729 | No Relation |
| Md. Taus Mia | 25.00 | 25.00 | 3,750,000 | 412,500 | 125,000 | 537,500 | 823,975 | 5,111,475 | No Relation |
| Hazi Monoar Ali | 159.00 | 159.00 | 17,808,000 | 2,098,800 | 11,562,400 | 13,661,200 | 3,912,893 | 35,382,093 | No Relation |
| Mohammad Ali & Arab Chan Bibi | 70.00 | 70.00 | 8,100,000 | 893,200 | 4,892,000 | 5,785,200 | 1,779,786 | 15,664,986 | No Relation |
| Md. Siraj Ali | 1.75 | 1.75 | - | - | 120,000 | 120,000 | - | 120,000 | No Relation |
| Md. Kalam Mia | 2.00 | 2.00 | - | - | 150,000 | 150,000 | - | 150,000 | No Relation |
| Samar Kishna Roy | 31.00 | 31.00 | 3,596,000 | 395,560 | 5,074,000 | 5,469,560 | 790,137 | 9,855,697 | No Relation |
| Total | 2,738.75 | 2,738.75 | 187,620,000 | 18,034,960 | 103,772,275 | 121,775,170 | 41,225,120 | 350,620,290 | |

Land proposed to be acquired

Since the expansion project shall be situated on the existing land, the Company has no plan to purchase land or acquire land for expansion.

(v) Details of whether the issuer has received all the approvals pertaining to use of the land, if required:

The Company does not have such land for which it needs approvals from any authority pertaining to use those.

(vi) If the property is owned by the issuer, whether there is a mortgage or other type of charge on the property, with name of the mortgagee:

The following land of the Company is mortgaged with the City Bank Limited:

Mortgage Schedule

| Sl | Particulars | Details |
|----|------------------|---|
| 1 | Security for TL: | 1. Registered mortgage over land properties. 2. 1st Charge by way of hypothecation over fixed assets. 3. Personal Guarantee of all local Directors. 4. An Undated cheque covering the loan amount 5. Insurance coverage on immovable assets. 6. Sub ordination Agreement on local shareholders loan. 7. Charge documents. |
| 2 | Security for WC: | 1. Personal Guarantee of all local directors. 2. 1st ranking pari-passu by way of hypothecation on the floating assets of the company with other existing lenders subject to NOC of existing banks. |
| 3 | Land | 2,204 decimal |
| 4 | Fixed Assets | All Fixed assets |

1. Land Details

SCHEDULE OF THE PROPERTY

Schedule-I

All that piece and parcel of land measuring 1467.75 (one thousand four hundred sixty seven point seven five) decimal along with all structure and building already have and to be constructed thereon, situated within District- Habiganj, Police Station-Madhobpur, Sub-Registry Office- Charavanga, J.L. No.8, Mouza-“Sahapur”, under following Khatian(s) & Dag(s) as given below:

| Deed No. | Khatian No. | | Dag Nos. | | Area of Land (decimal) | Mutated land (decimal) |
|--------------------------------|-------------|------------|----------|------------|------------------------|------------------------|
| | S.A. | B.S.(D.P.) | S.A. | B.S.(D.P.) | | |
| Deed No. 4791 dated 14.10.2010 | 134 | 205 | 265 | 304 | 33.00 | 33.00 |
| Deed No. 4792 dated 14.10.2010 | 18 | 153 | 102 | 146 | 12.00 | 12.00 |
| Deed No. 5953 dated 25.12.2010 | 134, 90 | 28, 7 | 41, | 99, | 34.00 | 34.00 |
| | | | 47,44 | 100, | 72.00 | 72.00 |
| | 78 | 176 | 151 | 51 | 23.00 | 23.00 |
| | 104 | 114 | 13 | 81 | 18.00 | 18.00 |
| | 94 | 192 | 150 | 52 | 01.00 | 01.00 |
| | 146 | 79 | 72 | 30 | 13.00 | 13.00 |
| | 21 & 5 | 175 | 63 | 119 | 29.00 | 29.00 |
| | | | 49 | 49 | 36.00 | 36.00 |
| | 99 | 51 | 69 | 127 | 12.00 | 12.00 |
| | 23 | 86 | 62 | 118 | 34.00 | 34.00 |
| | 140 | 110 | 187 | 214 | 27.00 | 27.00 |
| | 100 | 41 | 93 | 116 | 50.00 | 50.00 |
| | 118 | 150 | 50 | 105 | 31.00 | 31.00 |
| | 93 | 136 | 84 | 128 | 15.00 | 15.00 |
| | 93 | 151 | 84 | 129 | 14.00 | 14.00 |
| | 104 | 135 | 48 | 102 | 22.00 | 22.00 |
| | 104 | 219 | 48 | 101 | 44.00 | 44.00 |
| | 118, 104 | 164 & 260 | 19 & 13 | 92 & 82 | 21.75 | 21.75 |

| Deed No. | Khatian No. | | Dag Nos. | | Area of Land (decimal) | Mutated land (decimal) |
|--|-------------|------------|----------|------------|---------------------------|----------------------------|
| | S.A. | B.S.(D.P.) | S.A. | B.S.(D.P.) | | |
| Deed No. 108 dated 06.01.2011 | 102 | 137 | 66 | 123 | 22.00 | 22.00 |
| | 109 | 124 | 153 | 49 | 26.00 | 26.00 |
| | 104 | 110 | 13 | 83 | 21.00 | 21.00 |
| | 85 | 96 | 52 | 108 | 17.00 | 17.00 |
| | 52 | 228 | 65 | 122 | 25.00 | 25.00 |
| | 119 | 136 | 57 | 113 | 53.00 | 53.00 |
| | 74 | 28 | 64 | 120 | 30.00 | 30.00 |
| | 102 | 06 | 32 | 14 | 26.00 | 26.00 |
| | 92 | 24 | 28 | 10 | 28.00 | 28.00 |
| | 19 | 80, 136 | 68 | 126 | 23.00 | 23.00 |
| | 48 | 123 | 103 | 154 | 15.00 | 15.00 |
| | 104 | 36 | 48 | 103 | 22.00 | 22.00 |
| | 134 | 41 | 53 | 109 | 33.00 | 33.00 |
| | | | 58 | 114 | 55.00 | 55.00 |
| | 114 | 151 | 51 | 106 | 32.00 | 32.00 |
| | 85 | 80 | 52 | 107 | 16.00 | 16.00 |
| | 102 | 123 | 66 | 124 | 9.00 | 9.00 |
| | 116 | 136 | 20 | 94 | 15.00 | 15.00 |
| | 84 | 114 | 61 | 117 | 32.00 | 32.00 |
| | 116 | 35 | 20 | 93 | 15.00 | 15.00 |
| | 57 | ---- | 16 | ---- | 25.00 | 25.00 |
| | 112 | 114 | 17 | 89 | 36.00 | 36.00 |
| | 100 | 114 | 18 | 90 | 37.00 | 37.00 |
| | 74 | 210 | 64 | 121 | 30.00 | 30.00 |
| | 118 | 42 | 19 | 91 | 35.00 | 35.00 |
| | 101 | 95 | 92 | 139 | 14.00 | 14.00 |
| | 47 | 82 | 67 | 125 | 21.00 | 21.00 |
| | 100 | 123 | 93 | 142 & 143 | 54.00 | 54.00 |
| | 100 | 41 | 93 | 116 | 18.00 | 18.00 |
| | 102 | 31 | 92 | 140 | 14.00 | 14.00 |
| | 100 | 141 | 93 | 141 | 14.00 | 14.00 |
| Deed No. 646 dated 06.02.2011 | 18 & 100 | 153 & 123 | 102 | 146 | 20.00 | 20.00 |
| | | | 93 | 142 & 143 | 10.00 | 10.00 |
| Deed No. 5789 dated 15.12.2010 | 95 | 142 | 56 | 122 | 27.00 | 27.00 |
| Deed No. 4945 dated 25.10.2010 | 90 | 204 | 262 | 301 | 56.00 | 56.00 |
| (One Thousand Four Hundred Sixty Seven Point Seven five) decimal. | | | | | 1467.75 | 1467.75 Decimal |

Schedule-II

All that piece and parcel of land measuring 736.25 (seven hundred thirty six point two five) decimal out of land measuring 740.75 (seven hundred forty point seven five) decimal along with all structure and building already have and to be constructed thereon, situated within District- Habiganj, Police Station-Madhobpur, Sub-Registry Office- Charavanga, J.L. No.8, Mouza-“Sahapur”, under following Khatian(s) & Dag(s) as given below:

| SL. | Nature of the Deed No(s) | Khatian No. | | Dag Nos. | | Area of Land (decimal) | Mutated land (decimal) |
|---|--------------------------------|-------------|-------------|-------------|----------------|------------------------|------------------------|
| | | S.A. | B.S. (D.P.) | S.A. | B.S. D.P.) | | |
| 1 | Deed No. 4770 dated 18.10.2011 | 104 | 260 | 13 | 82 | 1.25 | 1.25 |
| 2 | Deed No. 4771 dated 18.10.2011 | 104 | 260 | 13 | 82 | 7.50 | 7.50 |
| 3 | Deed No. 1541 dated 22.03.2011 | 49, 51 & 64 | 106 | 59, 94 & 95 | 115, 144 & 145 | 72.50 | 72.50 |
| 4 | Deed No.1921 dated 11.04.2011 | 61 | 220 | 23 | 77 | 39.00 | 39.00 |
| 5 | Deed No. 2729 dated 01.06.2011 | 29 | 100 | 102 | 146 | 32.00 | 32.00 |
| 6 | Deed No. 5460 dated 27.11.2011 | 116 | 203 | 325 | 363 | 53.00 | 53.00 |
| 7 | Deed No. 3309 dated 10.07.2012 | 104 | 205 | 13 | 84 | 1.50 | 1.50 |
| 8 | Deed No. 1988 dated 30.04.2012 | 104 | 205 | 13 | 84 | 3.50 | 3.50 |
| 9 | Deed No. 1905 dated 24.04.2012 | 104 | 205 | 13 | 84 | 21.00 | 21.00 |
| 10 | Deed No. 3990 dated 12.09.2011 | 104 | 23 | 266 | 306 | 28.00 | 28.00 |
| 11 | Deed No. 949 dated 27.02.2012 | 104 | 124 | 13 | 80 | 22.00 | 22.00 |
| 12 | Deed No. 6096 dated 26.12.2011 | 84 & 104 | 17 & 195 | 264 | 303 | 30.00 | 30.00 |
| | | | | 266 | 306 | 7.00 | 7.00 |
| 13 | Deed No. 5637 dated 05.12.2011 | 61 | 24 | 23 | 77 | 2.00 | 2.00 |
| 14 | Deed No. 5571 dated 29.11.2011 | 84 | 123 | 254 | 295 | 3.00 | 3.00 |
| 15 | Deed No. 6011 dated 20.12.2011 | 125 | 142 | 252 | 293 | 42.00 | 42.00 |
| 16 | Deed No. 3668 dated 08.08.2011 | 143 & 100 | 167 | 245 | 284 | 27.00 | 27.00 |
| | | | | 98 | 148 | 25.00 | 25.00 |
| 17 | Deed No. 4880 dated 21.10.2012 | 104 | 262 | 13 | 82 | 6.00 | 6.00 |
| 18 | Deed No. 4681 dated 09.10.2012 | 104 | 205 | 13 | 84 | 1.50 | 1.50 |
| 19 | Deed No.4478 dated 01.10.2012 | 118 | 150 | 263 | 302 | 37.00 | 37.00 |
| 20 | Deed No.5581 dated 02.12.2012 | 104 | 205 | 13 | 84 | 2.00 | 2.00 |
| 21 | Deed No.1573 dated 3.4.2012 | 131 | 153 | 97 | 146 | 29.00 | 29.00 |
| 22 | Deed No.454 dated 27.01.2011 | 104 | 130 | 260 | 300 | 27.00 | 27.00 |
| 23 | Deed No.2111 dated 08.05.2012 | 133 | 167 | 99 | 149 | 22.00 | 22.00 |
| 24 | Deed No.3855 dated 23.08.2011 | 97 | 24 | 21 | 95 & 96 | 40.00 | 40.00 |
| 25 | Deed No.3308 dated 15.07.2012 | 104 | 205 | 13 | 84 | 1.50 | 1.50 |
| 26 | Deed No.3797 dated 21.08.2011 | 84 | 123 | 254 | 295 | 24.00 | 24.00 |
| 27 | Deed No.3622 dated 04.08.2011 | 94 | 136 | 253 | 294 | 39.00 | 39.00 |
| 28 | Deed No.2587 dated 26.05.2011 | 51 | 106 | 95 | 145 | 14.50 | 14.50 |
| 29 | Deed No.2588 dated 26.05.2011 | 101 | 222 | 55 | 111 | 53.00 | 53.00 |
| 30 | Deed No.3981 dated 11.09.2011 | 123 | 115 | 259 | 299 | 27.00 | 27.00 |
| | | | | | | 740.75 | 740.75 |
| Remaining land measuring (seven hundred thirty six point two five) decimal | | | | | | | 736.25 decimal |

(vii) If the property is taken on lease, the expiration dates of the lease with name of the lessor, principal terms and conditions of the lease agreements and details of payment:

No property was taken on lease by the Company.

viii) Dates of purchase of plant and machineries along with sellers name, address, years of sale, condition when purchased, country of origin, useful economic life at purchase and remaining economic life, purchase price and written down value;

Dates of purchase of plant and machineries along with sellers name, address, years of sale, condition when purchased, country of origin and remaining economic life, purchase price and written down value as on December 31, 2017 is follows:

| Name of Machinery | Nos. of machine | Date of purchase | Name and Address of supplier | Year of Sale | Condition | Country of origin | Useful Economic Life at purchase | Estimated Remaining Useful Life | Total purchase price with other cost (Amount in BDT) | Written down value (Amount in BDT) |
|---------------------------------------|-----------------|--|------------------------------|--------------|-----------|-------------------|----------------------------------|---------------------------------|--|------------------------------------|
| Plant & Machinery Import-T1 : | | | | | | | | | | |
| Press & fast drying-SACMI | 2 | 25-Oct-11, 19-Feb-12, 31-Jan-12, | Sacmi Hongkong Ltd. | N/A | Brand New | Italy | 10 | 5 | 246,519,297 | 128,006,790 |
| Ball mill -SACMI (slip & batching) | 7 | 19-Jan-12, | Sacmi Hongkong Ltd. | N/A | Brand New | Italy | 10 | 5 | 168,401,951 | 91,184,310 |
| Spray drier – SACMI | 1 | 19-Jan-12, | Sacmi Hongkong Ltd. | N/A | Brand New | Italy | 10 | 5 | 63,949,629 | 31,942,632 |
| Kiln & roller kiln | 1 | 25-Jan-12, | Sacmi Hongkong Ltd. | N/A | Brand New | Italy | 10 | 5 | 160,077,007 | 81,680,892 |
| Sorting & packing | 3 | 19-Feb-12, | Sacmi Hongkong Ltd. | N/A | Brand New | Italy | 10 | 5 | 84,055,792 | 41,568,646 |
| Moulds | | 05-Jul-12 | Sacmi Hongkong Ltd. | N/A | Brand New | Italy | 10 | 5 | 48,518,923 | 24,821,470 |
| Silo | 10 | 18-Oct-11 | A One International | N/A | Brand New | Taiwan | 10 | 5 | 51,150,986 | 25,355,150 |
| Glaze preparation | 4 | 13-Dec-11 | Sacmi Hongkong Ltd. | N/A | Brand New | Italy | 10 | 5 | 28,435,114 | 14,198,176 |
| Glaze line | 2 | 13-Dec-11, 08-Dec-11, 16-Sep-12 | Sacmi Hongkong Ltd. | N/A | Brand New | Italy | 10 | 5 | 77,244,753 | 40,709,399 |
| Squirring machine | 3 | 27-Jan-11, 20-Mar-12 | Keda Industrial Limited | N/A | Brand New | China | 10 | 5 | 30,791,623 | 15,265,037 |
| Generator | 3 | 3-Jan-17 | Caterpillar S.A.R.L. | N/A | Brand New | USA | 10 | 5 | 92,246,655 | 46,270,134 |
| Laser lab machine & lab equipment | 1 | 02-Jan12, 12-Dec-11, 12-Dec-11, 15-Jul-12 | SRS S.P.A. | N/A | Brand New | Italy | 10 | 5 | 54,030,037 | 28,043,702 |
| Rotocolor printing machine & cylinder | 2 | 12-Dec-11 | System S.P.A. | N/A | Brand New | Italy | 10 | 5 | 43,135,085 | 21,667,029 |
| Color jet machine & mixer | 2 | 29-Feb-12, 10-Jul-13 | Bluengineering S.R.L. | N/A | Brand New | Italy | 10 | 5 | 60,306,988 | 29,889,870 |
| Punch | | 03-Dec-11, 12-Dec-11, 19-Sep-12, 08-Aug-12 | Tecnimol Moldes | N/A | Brand New | Spain | 10 | 5 | 7,039,303 | 3,494,170 |
| Loading & unloading machine | 2 | 27-Mar-12 | Gruppo Tecnoferrari Spa | N/A | Brand New | Italy | 10 | 5 | 81,656,212 | 40,857,381 |
| Packing machine | 2 | 15-Jul-12 | Sacmi Hongkong Ltd. | N/A | Brand New | Italy | 10 | 5 | 22,816,017 | 11,304,254 |

| Name of Machinery | Nos. of machine | Date of purchase | Name and Address of supplier | Year of Sale | Condition | Country of origin | Useful Economic Life at purchase | Estimated Remaining Useful Life | Total purchase price with other cost (Amount in BDT) | Written down value (Amount in BDT) |
|--|-----------------|------------------|---|--------------|-----------|-------------------|----------------------------------|---------------------------------|--|------------------------------------|
| Pipe threading machine | 1 | 27-Sep-12 | Al Jamea Trading Co. (LLC) | N/A | Brand New | UAE | 10 | 5 | 838,150 | 418,607 |
| Tiles cutting machine | 1 | 10-Oct-12 | Foshan Yongshengda Machinery Co., Ltd | N/A | Brand New | China | 10 | 5 | 2,779,761 | 1,389,821 |
| Air compressor | 3 | 5-Jan-12 | Atlas Copco Airpower N.V. | N/A | Brand New | Belgium | 10 | 5 | 12,229,781 | 6,085,548 |
| Dedusting system & piping | 1 | 15-Jul-12 | Sacmi Hongkong Ltd. | N/A | Brand New | Italy | 10 | 5 | 20,982,965 | 10,568,886 |
| Inventories-Stores & Spares | | 1-Jan-13 | - | - | - | - | 10 | 5 | 31,872,854 | 15,936,432 |
| Waste Water TP, | 1 | 28-Dec-11 | Cogede Srl | N/A | Brand New | Italy | 10 | 5 | 29,059,572 | 14,434,873 |
| Total: | | | | | | | | | 1,418,138,459 | 725,093,213 |
| Plant & Machinery Local-T1 : | | | | | | | | | | |
| ETP | 1 | 30-Apr-13 | Rokeya Hardware, Global Environmental, Others | N/A | Brand New | Local | 10 | 5.25 | 8,215,383 | 4,070,711 |
| Filter Press | 1 | 31-Dec-12 | Crowley Eng., Global Environmental, Others | N/A | Brand New | Local | 10 | 5 | 2,635,524 | 1,310,187 |
| SS Sodium Silicate Storage Tank | 3 | 4-Oct-12 | Crowley Eng. | N/A | Brand New | Local | 10 | 5 | 1,853,604 | 918,039 |
| SS Colorant Tank | 3 | 11-Dec-12 | Crowley Eng., Textile Erection | N/A | Brand New | Local | 10 | 5 | 2,713,010 | 1,350,125 |
| Mixture Machine | 3 | 31-Dec-12 | Global Environmental | N/A | Brand New | Local | 10 | 5 | 342,750 | 169,766 |
| Generator | 1 | 31-Dec-12 | Rashid Enterprise | N/A | Brand New | Local | 10 | 5 | 3,279,529 | 1,705,763 |
| Substation | 1 | 3-Dec-12 | Adex Corporation | N/A | Brand New | Local | 10 | 5 | 14,798,992 | 7,329,609 |
| Air & Water Line | 1 | 30-Apr-13 | Crowley Eng. | N/A | Brand New | Local | 10 | 5 | 8,183,280 | 4,336,930 |
| Underground Dice Storage Tank | 1 | 6-May-13 | SMA Engineering | N/A | Brand New | Local | 10 | 5 | 885,500 | 491,115 |
| Ramp | 1 | 30-Dec-13 | South West Enterprise | N/A | Brand New | Local | 10 | 5 | 310,059 | 203,762 |
| Weight Bridge | 1 | 29-Aug-13 | Shell Corporation | N/A | Brand New | Local | 10 | 5 | 3,784,341 | 2,112,930 |
| Total: | | | | | | | | | 47,001,972 | 23,998,937 |
| Plant & Machinery Import-T2 : | | | | | | | | | | |

| Name of Machinery | Nos. of machine | Date of purchase | Name and Address of supplier | Year of Sale | Condition | Country of origin | Useful Economic Life at purchase | Estimated Remaining Useful Life | Total purchase price with other cost (Amount in BDT) | Written down value (Amount in BDT) |
|----------------------------------|-----------------|---|-----------------------------------|--------------|-----------|-------------------|----------------------------------|---------------------------------|--|------------------------------------|
| Slip preparation | 1 | 07-Nov-2013, 25-Nov-13, 11-Nov-13, 12-Dec-13, | Sacmi Hongkong Ltd. | N/A | Brand New | Italy | 10 | 6.5 | 116,078,249 | 74,283,474 |
| Pressing and fast drying | 2 | 01-Jan-14, 03-Dec-13, 16-Jan-14, 02-Jan-14 | Sacmi Hongkong Ltd. | N/A | Brand New | Italy | 10 | 6.5 | 344,055,298 | 220,251,619 |
| Batching & mill feeding | 6 | 17-Nov-13, 25-Nov-13, 01-Jan-14, 04-Dec-13, 07-Jan-14, 16-Jan-14, 30-Jan-14 | Sacmi Hongkong Ltd. | N/A | Brand New | Italy | 10 | 6.5 | 35,595,381 | 25,631,479 |
| Powder spray-drying & storage | 1 | | Sacmi Hongkong Ltd. | N/A | Brand New | Italy | 10 | 6.5 | 80,845,869 | 51,672,947 |
| Glaze preparation | 2 | | Sacmi Hongkong Ltd. | N/A | Brand New | Italy | 10 | 6.5 | 26,995,584 | 17,277,506 |
| Firing | 1 | | Sacmi Hongkong Ltd. | N/A | Brand New | Italy | 10 | 6.5 | 148,057,292 | 94,860,077 |
| Sorting & packing | 2 | | Sacmi Hongkong Ltd. | N/A | Brand New | Italy | 10 | 6.5 | 84,846,676 | 54,458,749 |
| Squaring | 1 | | Sacmi Hongkong Ltd. | N/A | Brand New | Italy | 10 | 6.5 | 77,709,388 | 53,215,221 |
| Dust collection | 1 | | Sacmi Hongkong Ltd. | N/A | Brand New | Italy | 10 | 6.5 | 28,222,453 | 18,223,447 |
| Wheel loader | 2 | 7-Sep-13 | Bto Singapore Pte Ltd | N/A | Brand New | Netherlands | 10 | 6.5 | 22,963,346 | 15,050,674 |
| Air compressor | 3 | 29-Sep-13 | Atlas Copco Airpower N. V. | N/A | Brand New | Belgium | 10 | 6.5 | 10,558,680 | 6,761,575 |
| Printing machine | 2 | 25-Oct-13 | Gruppo Tecnoferrari Spa | N/A | Brand New | Italy | 10 | 6.5 | 85,719,474 | 55,068,656 |
| Loading & unloading machine | 2 | 6-Dec-13 | Gruppo Tecnoferrari Spa | N/A | Brand New | Italy | 10 | 6.5 | 99,560,486 | 65,971,528 |
| Steel sheet for silo | 10 | 20-Nov-13 | Chain Chon Industrials Co., Ltd. | N/A | Brand New | Taiwan | 10 | 6.5 | 46,784,049 | 29,943,894 |
| Gas Generator 1600 Kw (2000 Kva) | 2 | 30-Mar-14, 07-Dec-13 | Bto Singapore Pte Ltd | N/A | Brand New | USA | 10 | 6.5 | 98,893,380 | 63,347,539 |
| Glazing line | 2 | 12-Jan-14 | Cimes Automization Industrial | N/A | Brand New | Italy | 10 | 6.5 | 64,662,910 | 42,381,562 |
| Polishing line | 2 | 9-Feb-14 | Keda Industrial Limited | N/A | Brand New | China | 10 | 6.5 | 72,484,593 | 46,522,196 |
| Forklift 05 ton 01 pcs | 4 | 13-Jan-14 | Mitsubishi Caterpillar Forklift | N/A | Brand New | China | 10 | 6.5 | 12,363,465 | 7,970,677 |
| Cutting machine | 1 | 20-Jan-14 | Sacmi Imola S.C | N/A | Brand New | Italy | 10 | 6.5 | 1,830,923 | 1,205,389 |
| Cleaning unit | 1 | 24-Jul-13 | Tennant Sales And Service Company | N/A | Brand New | USA | 10 | 7 | 2,154,781 | 1,507,985 |
| Forklift 03 ton 01 pcs | 4 | 21-Sep-15 | Mitsubishi Caterpillar Forklift | N/A | Brand New | CHINA | 10 | 8 | 6,863,975 | 5,440,207 |

| Name of Machinery | Nos. of machine | Date of purchase | Name and Address of supplier | Year of Sale | Condition | Country of origin | Useful Economic Life at purchase | Estimated Remaining Useful Life | Total purchase price with other cost (Amount in BDT) | Written down value (Amount in BDT) |
|--|-----------------|----------------------|---|--------------|-----------|------------------------------|----------------------------------|---------------------------------|--|------------------------------------|
| Strapping machine (pw-0860) | 1 | 14-May-14, 09-Jun-14 | Signode India Limited | N/A | Brand New | India | 10 | 8 | 1,637,145 | 1,464,091 |
| Total: | | | | | | | | | 1,468,883,398 | 952,510,493 |
| Plant & Machinery Local-T2 : | | | | | | | | | | |
| SS Sodium Silicate Storage Tank (11M3) | 2 | 25-May-14 | Crowley Eng. | N/A | Brand New | LOCAL | 10 | 6.5 | 2,060,062 | 1,317,918 |
| SS Colorant Tank | 2 | 25-May-14 | Crowley Eng. | N/A | Brand New | Local | 10 | 6.5 | 1,787,850 | 1,143,757 |
| Level Machine | 3 | 25-May-14 | Trade Ways | N/A | Brand New | Local | 10 | 6.5 | 160,686 | 102,800 |
| Air & Water Line | 1 | 25-May-14 | Sigma Pumps, Rashid Enterprise, Sonali Traders | N/A | Brand New | Local | 10 | 6.5 | 3,365,591 | 2,176,238 |
| ETP | 1 | 25-May-14 | Cogede Srl | N/A | Brand New | Italy | 10 | 6.5 | 154,187 | 92,479 |
| Generator | 1 | 25-May-14 | Bilal Trading PTE Ltd. | N/A | Brand New | Local | 10 | 6.5 | 39,855 | 23,913 |
| Jaw Crusher & Roller Crusher | 1 | 1-Jan-15 | R I Ent, Narsingdi Traders, Aim Int., Islam Engineer. | N/A | Brand New | Local | 10 | 7 | 1,428,041 | 1,001,824 |
| Total: | | | | | | | | | 8,996,272 | 5,858,929 |
| Plant & Machinery Resin Mould : | | | | | | | | | | |
| Imported Machinery | | 1-May-14 | Bto Singapore Pte Ltd, Al-Taofique Mechanical Engg, Sacmi Hongkong Ltd., Thorson Industries | N/A | Brand New | Singapore, UAE, Italy, India | 10 | 6.5 | 30,054,922 | 19,107,638 |
| Local Machinery | | 1-May-14 | Qutbi Mill, Sigma Pump, Narsingdi Traders, Crowley Eng., J&J Traders, Rashid Ent. Araf Trade Int. | N/A | Brand New | Local | 10 | 6.5 | 14,099,336 | 9,279,866 |
| Total: | | | | | | | | | 44,154,258 | 28,387,504 |
| Plant & Machinery Import-SWD : | | | | | | | | | | |
| ABS seat cover mould | 2 | 2-Apr-14 | Technofab Steel Manufacturing | N/A | Brand New | UAE | 10 | 7.25 | 4,884,644 | 3,544,359 |
| Casting machine | 1 | 23-Apr-14 | Sacmi Honghong Ltd | N/A | Brand New | Italy | 10 | 7.25 | 45,519,398 | 33,006,770 |
| Drum mill | 1 | 26-Jun-14 | Sacmi Honghong Ltd | N/A | Brand New | Italy | 10 | 7.25 | 32,223,158 | 23,365,478 |

| Name of Machinery | Nos. of machine | Date of purchase | Name and Address of supplier | Year of Sale | Condition | Country of origin | Useful Economic Life at purchase | Estimated Remaining Useful Life | Total purchase price with other cost (Amount in BDT) | Written down value (Amount in BDT) |
|--|-----------------|------------------|--|--------------|-----------|-------------------|----------------------------------|---------------------------------|--|------------------------------------|
| Air compressor | 1 | 3-Jul-14 | Atlas Copco Airpower N. V. | N/A | Brand New | Belgium | 10 | 7.25 | 7,083,448 | 5,136,300 |
| Forklift -3 ton | 4 | 14.01.2015 | Mitsubishi Caterpillar | N/A | Brand New | China | 10 | 7.25 | 8,179,949 | 5,949,750 |
| Batching and feeding | 1 | 8-Sep-14 | Sacmi Imola S.C | N/A | Brand New | Italy | 10 | 7.25 | 12,191,352 | 8,840,109 |
| Plastic injection molding machine | 1 | 25-Sep-14 | Jon Wai Machinery Works Co. Ltd | N/A | Brand New | Taiwan | 10 | 7.25 | 14,674,736 | 10,640,874 |
| Generator | 1 | 3-Aug-14 | Bto Singapore Pte Ltd | N/A | Brand New | USA | 10 | 7.25 | 25,497,234 | 18,488,404 |
| Shuttle kiln | 1 | 16-Jul-14 | Sacmi Imola S.C | N/A | Brand New | Italy | 10 | 7.25 | 141,840,610 | 102,850,637 |
| Sandpiper Pipe- 2 Inch NPT(F) | 8 | 14-Dec-14 | Boodai Trading | N/A | Brand New | USA | 10 | 7.25 | 2,721,559 | 2,026,911 |
| Sandpiper Pipe- 2 Inch BSP (tapered) | 8 | 14-Dec-14 | Boodai Trading | N/A | Brand New | USA | 10 | 7.25 | 675,924 | 490,112 |
| Sandpiper Pipe- 3 Inch | 4 | 14-Dec-14 | Boodai Trading | N/A | Brand New | USA | 10 | 7.25 | 1,035,963 | 751,192 |
| PC1-C gas burner | 8 | 30-Oct-14 | Comtherm Ltd | N/A | Brand New | UK | 10 | 7.25 | 2,913,149 | 2,112,373 |
| BMP | 1 | 21-Mar-16 | Sacmi Imola S.C | N/A | Brand New | Italy | 10 | 8.67 | 28,028,674 | 24,054,121 |
| Total: | | | | | | | | | 327,469,798 | 241,257,390 |
| Plant & machinery local-SWD : | | | | | | | | | | |
| Air & water line | 1 | 1-Apr-15 | Crowley Eng, Active Techno. Bhai Traders. | N/A | Brand New | Local | 10 | 7.25 | 5,744,398 | 4,165,344 |
| Ball mill – SWD | 1 | 1-Apr-15 | Crowley Eng., Summit Trading | N/A | Brand New | Local | 10 | 7.25 | 9,633,319 | 6,985,245 |
| BCL | 2 | 1-Apr-15 | Crowley Eng., Aim Int. | N/A | Brand New | Local | 10 | 7.25 | 20,895,498 | 15,151,626 |
| Casting | 2 | 1-Apr-15 | Aim Int., Al-Faiha Electric, Mohammad Ali & Sons | N/A | Brand New | Local | 10 | 7.25 | 14,615,496 | 10,597,897 |
| Drier | 1 | 1-Apr-15 | Star Polyurethane, Shatu Pipes | N/A | Brand New | Local | 10 | 7.25 | 9,497,134 | 6,886,499 |
| Gi duct | 7 | 1-Apr-15 | Crowley Eng. | N/A | Brand New | Local | 10 | 7.25 | 1,257,668 | 911,939 |
| Generator | 1 | 1-Apr-15 | Bangla Trac | N/A | Brand New | Local | 10 | 7.25 | 8,643,801 | 6,267,732 |
| Glaze preparation, | 1 | 1-Apr-15 | Crowley Eng., R I Ent | N/A | Brand New | Local | 10 | 7.25 | 2,586,561 | 1,875,542 |
| Inspection booth | 6 | 1-Apr-15 | Bilal Trading PTE Ltd., Crowley Eng. | N/A | Brand New | Local | 10 | 7.25 | 6,645,375 | 4,818,660 |

| Name of Machinery | Nos. of machine | Date of purchase | Name and Address of supplier | Year of Sale | Condition | Country of origin | Useful Economic Life at purchase | Estimated Remaining Useful Life | Total purchase price with other cost (Amount in BDT) | Written down value (Amount in BDT) |
|----------------------|-----------------|------------------|---|--------------|-----------|-------------------|----------------------------------|---------------------------------|--|------------------------------------|
| Kiln | 1 | 1-Apr-15 | A K Traders, Crowley Eng. | N/A | Brand New | Local | 10 | 7.25 | 40,039,697 | 29,033,356 |
| Seat & cover | 1 | 1-Apr-15 | MJL Bang. Noor Ent, R I Ent. | N/A | Brand New | Local | 10 | 7.25 | 2,099,424 | 1,522,328 |
| Slip tank | 1 | 1-Apr-15 | Qutbi Mill, Miami Ent. | N/A | Brand New | Local | 10 | 7.25 | 1,774,033 | 1,286,364 |
| Spray booth | 6 | 1-Apr-15 | Bilal Trading PTE Ltd., Crowley Eng. | N/A | Brand New | Local | 10 | 7.25 | 9,218,489 | 6,684,449 |
| Trolley | 450 | 1-Apr-15 | Shatu Pipes, Arif Corporation, Qutbi Mill | N/A | Brand New | Local | 10 | 7.25 | 7,037,941 | 5,103,295 |
| Ice cube machine | 1 | 1-Apr-15 | Jani Trading & Engineering | N/A | Brand New | Local | 10 | 7.25 | 1,198,790 | 869,257 |
| Resin mould | 1 | 1-Jan-16 | Islam Eng., SR Traders, RAK Security | N/A | Brand New | Local | 10 | 7.25 | 34,442,377 | 27,549,192 |
| Total: | | | | | | | | | 175,330,001 | 129,708,725 |
| Mobile plant: | | | | | | | | | | |
| Wheel loader | 1 | 1-Jan-13 | CATERPILLAR S.A.R.L. | N/A | Brand New | USA | 10 | 5 | 27,312,709 | 13,527,373 |
| Tractor | 1 | 1-Jan-13 | Masram Agro Ltd. | N/A | Brand New | Local | 10 | 5 | 1,245,975 | 617,110 |
| Forklift (3pcs) | 3 | 24-Apr-13 | Shell Corporation | N/A | Brand New | Local | 10 | 5.25 | 8,578,493 | 4,503,730 |
| Total: | | | | | | | | | 37,137,177 | 18,648,213 |
| Grand Total | | | | | | | | | 3,527,111,335 | 2,125,463,404 |

(ix) Details of the machineries required to be bought by the issuer, cost of the machineries, name of the suppliers, date of placement of order and the date or expected date of supply, etc.:

The Company has planned to purchase plant and machineries as described in the section- xxii under “Use of proceeds”, the details of which has been given below:

| Sl. | Name of Machinery | Name of Suppliers | Cost of Machinery (Amount in Taka) | Date of placement of order | The date or expected date of supply |
|----------------------------------|--|-------------------------------|---------------------------------------|---|--|
| Imported machineries: | | | | | |
| 1 | Drum mill: 10 mt capacity, drum mill(ball mill) for slip preparation including lining & grinding media | Neptune Industries Ltd, India | 4,633,000 | Within 3 (three) month after receiving IPO proceeds | Within 3 (three) month after opening L/C |
| 2 | Vibrating sieve: Nvs 120-dd, vibrating sieve for slip | Neptune Industries Ltd, India | 852,800 | | |
| | Nvs 90-sd, rectangular vibrating sieve for slip unloading & sieving of return slip | Neptune Industries Ltd, India | 557,600 | | |
| 3 | Rake stirrer: NRS 25 rake stirrer for slip storage and waste water | Neptune Industries Ltd, India | 4,723,200 | | |
| 4 | Drum mill: 1mt capacity drum mill(ball mill) for glaze preparation with lining and grinding media | Neptune Industries Ltd, India | 1,599,000 | | |
| 5 | Ss tank: Ss 316 glaze tanks with rake stirrers | | 3,270,160 | | |
| 6 | BMP: Casting machine with standard mould frame | SACMI or any quality supplier | 62,838,240 | | |
| 7 | Inspection booth: For checking the green ware | | | | |
| | A. Inspection cum finishing booths | Local fabrication | 831,480 | | |
| | B. Main header GI duct (booth to wet scrubber) | | 82,000 | | |
| | C. Ss 304 wet scrubber | | 2,394,400 | | |
| | D. Overhead structure | | 246,000 | | |
| | E. Electrical control panel & others | | 326,360 | | |
| 8 | Tunnel kiln: 2500 piece capacity including kiln furniture and services | SACMI or any quality supplier | 132,141,306 | | |
| 9 | Gas generator: Generators 1030 kw | Caterpillar | 30,600,000 | | |
| 10 | Compressor: Atlas copco ga55 compressor | Atlas copco-BD | 6,171,000 | | |
| 11 | Forklift: Dp 30nt,3t capacity, caterpillar | Caterpillar-BD | 2,717,000 | | |
| Total | | | 253,983,546 | | |
| 12 | Other cost | | 29,208,108 | | |
| Imported machineries cost | | | 283,191,654 | | |
| Local machineries | | | | | |
| 13 | BCL casting: For casting WC, WB, pedestal & Asian toilet | Local fabrication | 48,250,000 | | |
| 14 | Dryer: Pre dryer for green ware | Local fabrication | 9,500,000 | | |
| 15 | Spray booth: For glaze spraying | Local fabrication | 7,000,000 | | |
| 16 | Blower: For chimney exhaust for inspection & glazing | Savio, Italy | 4,200,000 | | |
| 17 | Trolley (casting): 40x40 ms hollow section | Local fabrication | 6,600,000 | | |
| Total | | | 75,550,000 | | |

| Sl. | Name of Machinery | Name of Suppliers | Cost of Machinery (Amount in Taka) | Date of placement of order | The date or expected date of supply |
|-----|-------------------------------|-------------------|---------------------------------------|----------------------------|-------------------------------------|
| 18 | Others: | | | | |
| | A. Electrical installation | Local purchase | 12,500,000 | | |
| | B. Air and water line | Local purchase | 5,000,000 | | |
| | C. Gas pipe lines | Local purchase | 10,000,000 | | |
| | Total | | 27,500,000 | | |
| | Local machineries cost | | 103,050,000 | | |
| | Total machineries cost | | 386,241,654 | | |

(x) In case the machineries are yet to be delivered, the date of quotations relied upon for the cost estimates given shall also be mentioned:

There are no such machineries which are yet to be delivered.

(xi) If plant is purchased in brand new condition then it should be mentioned:

The company purchased all the plants in brand new condition.

(xii) Details of the second hand or reconditioned machineries bought or proposed to be bought, if any, including the age of the machineries, balance estimated useful life, etc. as per PSI certificates of the said machineries as submitted to the Commission:

The company has neither bought any re-conditioned/second-hand plant & machinery nor has any plan to buy secondhand or reconditioned machineries. In this connection, auditor's certificate is as follows:

AUDITORS' CERTIFICATE REGARDING PLANT AND MACHINERY

This is to certify that based on our verification of accounting books and records prepared and maintained by Star Ceramics Limited, plant and machinery owned by the Company do not appear to be reconditioned or secondhand.

This certificate is issued at the request of the management for the purpose of proposed Initial Public Offering (IPO) under the Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015.

Date: 20 February 2018

Sd/-
Hoda Vasi Chowdhury & Co
Chartered Accountants

(xiii) A physical verification report by the issue manager(s) regarding the properties as submitted to the commission:

Physical Verification Report

on

Star Ceramics Limited

Visited and Accompanied by:

| Particulars | | |
|----------------|---|--------------------------------|
| Visited by | 1. Mohammad Sarwar Hossain Managing Director | Roots Investment Limited |
| | 2. Nomanur Rashid Senior Vice President | |
| | 3. Sadia Parvin Senior Assistant Vice President | |
| | 4. Md. Shirajul Islam, LLB, ITP Assistant Vice President | |
| | 5. Tahmina Akter Executive Officer | |
| | 1. Md. Sohel Rahman Chief Executive Officer (Additional Charge) | ICB Capital Management Limited |
| | 2. Md. Shafiul Alam Deputy Chief Executive Officer | |
| | 3. Swapna Roy Senior Executive Officer | |
| Accompanied by | 1. C.A. Ajay Kumar Chief Financial Officer | Star Ceramics Limited |
| | 2. Abu Jafar Ali, ACS Company Secretary | |
| | 3. Mohammad Saiful Islam, ACMA Head of Internal Audit | |

Purpose of Visit

The Company signed an issue management agreement on 31 July 2017 with Roots Investment Limited (RIL) and ICB Capital Management Limited (ICML) for issuing shares through Initial Public Offering (IPO). In this respect, the officials of RIL and ICML visited the plant as a part of due diligence of issue managers on 16 January 2018 regarding the operational status as well as properties of the Company before public issue of shares.

Company Overview

Star Ceramics Limited (SCL) is one of the fastest growing tiles and sanitary ware manufacturing company, incorporated on 21 September 2010 as Star Ceramics Pvt. Ltd. and converted to public limited company on 5 October 2013. Its factory is located at Riaznagar, Baghasura Madhabpur, Habiganj near Dhaka Sylhet Highway. The present production capacity of the factory is 22,000 square meters (sqm) of tiles and 1,200 pieces of sanitary wares per day. SCL went into commercial operation of tiles from 1 January 2013. A short profile about the Company is presented below:

| Particulars | Status |
|--|----------------------------------|
| Date of incorporation as Private Limited Company | 21 September 2010 |
| Commencement of commercial operation | 1 January 2013 |
| Conversion date from Private Limited Company to Public Limited Company | 5 October 2013 |
| Legal Status | Public Company Limited by shares |
| Authorized Capital | BDT 3,500.00 million |
| Paid up Capital | BDT 1,502.00 million |

During the course of visit, we have visited the following factory and office premises of SCL:

Registered and Corporate head Office

We have visited the registered office of Star Ceramics Limited which is situated at Palli River View, Plot No: 44, Road No: 10, Sector: 11, Uttara Model Town, Dhaka-1230. The office covers 1st to 6th floors except 2nd floor measuring 12,500 sft. We found the office sufficiently decorated.

Factory location

Star Ceramics Limited has its own factory located at Riaznagar, Baghasura, Madhabpur, Habiganj measuring 2738.75 decimal and total land area is in the name of Star Ceramics Limited. In the factory area, there are three 'state of the art' sections, raw material warehouses, power station, administrative office building, research and development laboratories, silkscreen and photo printing facilities. The plant is equipped with one of the longest kiln in the world.

Nature of Business

Star Ceramics Limited has been manufacturing and selling a wide range of tiles and sanitary ware product in Bangladesh since 2013. SCL focuses primarily on the quality of the product, innovative design, and highest level of customer satisfaction and also offers the most competitive price in the industry. Many of Star Ceramics models come in modular designs, making it easier for the customer. The unique ambience patterns created using ceramic tiles and also granite tiles appeals most to discerning customers. The company has two product lines, which are Tiles and Sanitary Ware.

Products or services of the issuer

The principal products of the company are wall tiles, floor tiles, decorative border, ceramic bathroom sanitary ware, pedestal wash basin, counter basin, counter top wash basin pan, water closet etc.

Description of Properties:

We have identified that the properties of Star Ceramics Limited are as follows:

Land

The factory is constructed on 2,738.75 decimal of land with state of the art fully automated production facility.

Details of land are as follows:

| Particulars | Remarks |
|----------------------|---|
| Area of Land | 2,738.75 Decimals |
| Location | Riaznagar, Baghasura, Madhabpur, Habiganj |
| Boundary | Surrounded by brick wall |
| Signboard | Signboard in the name of Star Ceramics Limited |
| Road beside the land | The factory is located beside the main road of Habiganj |

Building & Civil construction:

Details of registered office building:

| Name of building | Total floor space (sft) | Building description |
|------------------|-------------------------|---|
| Palli River View | 12,500 | Star Ceramics Limited has rented 1st to 6th floor of Palli River View Building except 2nd floor. In 3rd floor, SCL has its own showroom and display center. |

Details of factory building:

Star Ceramics Limited has three major building infrastructures i.e. factory office building, factory floor space and bachelor accommodation building which is under construction.

The buildings are covered by the factory building for tiles production line: 01 & line: 02, sanitary ware production, resin mold production, finished goods & raw materials warehouse for tiles and sanitary ware, internal road, boundary wall, ETP, WTP, accommodation building for foreign as well as local employees. All those factory buildings are established on 27.3875 acres or 2738.75 decimal of land at Riaznagar, Baghasura, Madhabpur, Habiganj – 3300.

| Sl. | Name of building | Total floor space (sft) | Building description |
|-----|--|-------------------------|--|
| 1. | Factory Building - Tiles 1 & Tiles 2 | 355,200 | <p>Factory building for tiles production line: 01 & 02 are made up of prefabricated steel structure with heavy machine foundation. Total building area measured 355,200 sft. having 800 feet length and 444 feet width surrounded by 4,540 sft. surface drain and proper ventilation as well as it is well-equipped for fire prevention and protection.</p> <p>Around one hundred thousand square feet (100,000 sft.) raw materials warehouse for tiles are made in front of the box feeder for easy input having sixteen well protected large bin to stock on an average 5000 tons of raw materials in each with covered roof top and heavy reinforced concrete floor and wall. 4500 feet long and 20 feet width internal road is made to support heavy vehicle for bringing raw materials in and taking finished goods out of the factory. Electrical weigh bridge is used in front of raw materials entrance gate for internal checking.</p> <p>Tiles Finished Goods are kept in a very organized way in four prefabricated shades totaling 4600 sft. floor areas with three delivery points.</p> |
| 2. | Factory office building & Accommodation Building | 30,000 | <p>Five storied factory office building well- equipped with maximum level IT facilities including broad band connection and Wi-Fi as well as all the facility for having board meeting in the office building. Furthermore, it has sitting arrangement for all the key employees of head office. One show room is placed in its ground floor for presentation of existing and upcoming products.</p> <p>Six storied studio apartment building with 30 room facility to accommodate 60 foreign technicians and local high officials. The building was constructed at the very inception of the factory having 17,000 sft build up area.</p> <p>Bachelor accommodation building for 450 factory employees is under process to complete in the year 2018. It is a six storied building with 30,000 sft. build up area situated very adjacent to factory building.</p> |
| 3. | Factory Building-Resin Mould | 6,250 | Resin mold production covers with 6,250 sft. production area to produce resin mother mold. |
| 4. | Factory Building-SWD | 108,088 | <p>Factory building for sanitary ware also built with prefabricated steel structure on 108,088 sft. floor area and foundation is made to endure heavy load. While constructing provision is made for further expansion of capacity in ball mill and slip preparation area. Beside the building 22,184 sft. finished goods yard is made for stoking sanitary ware products. Raw materials warehouse also situated alongside the building with buildup area 26,400 sft. to stock sufficient raw materials for 6 months.</p> |

Physical Existence of Plant & Machinery, Equipment, Furniture & Fixtures, Inventories and Manpower Strength:

During the course of visit following plant & machinery, equipment, furniture & fixtures were physically found:

1. Plant and Machinery

| Name of Machinery | Nos. of machine |
|--|-----------------|
| Press & fast drying-SACMI | 2 |
| Ball mill -SACMI (slip & batching) | 7 |
| Silo | 10 |
| Spray drier – SACMI | 1 |
| Kiln & roller kiln | 1 |
| Glaze preparation | 4 |
| Glaze line | 2 |
| Squaring machine | 3 |
| Generator | 3 |
| Laser lab machine & lab equipment | 1 |
| Sorting & packing | 3 |
| Moulds | - |
| Roto color printing machine & cylinder | 2 |
| Color jet machine & mixer | 2 |
| Punch | - |
| Loading & unloading machine | 2 |
| Packing machine | 2 |
| Pipe threading machine | 1 |
| Tiles cutting machine | 1 |
| Air compressor | 3 |
| Dedusting system & piping | 1 |
| Waste Water TP, | 1 |
| ETP | 1 |
| Filter Press | 1 |
| SS Sodium Silicate Storage Tank | 3 |
| SS Colorant Tank | 3 |
| Mixture Machine | 3 |
| Generator | 1 |
| Substation | 1 |
| Air & Water Line | 1 |
| Underground Dice Storage Tank | 1 |
| Ramp | 1 |
| Weight Bridge | 1 |
| Slip preparation | 1 |
| Pressing and fast drying | 2 |
| Batching & mill feeding | 6 |
| Powder spray-drying & storage | 1 |
| Glaze preparation | 2 |
| Firing | 1 |
| Sorting & packing | 2 |

| Name of Machinery | Nos. of machine |
|--|-----------------|
| Squaring | 1 |
| Dust collection | 1 |
| Wheel loader | 2 |
| Air compressor | 3 |
| Printing machine | 2 |
| Loading & unloading machine | 2 |
| Steel sheet for silo | 10 |
| Gas Generator 1600 Kw (2000 Kva) | 2 |
| Glazing line | 2 |
| Polishing line | 2 |
| Forklift 05 ton 01 pcs | 4 |
| Cutting machine | 1 |
| Cleaning unit | 1 |
| Forklift 03 ton 01 pcs | 4 |
| Strapping machine (pw-0860) | 1 |
| SS Sodium Silicate Storage Tank (11M3) | 2 |
| SS Colorant Tank | 2 |
| Level Machine | 3 |
| Air & Water Line | 1 |
| ETP | 1 |
| Generator | 1 |
| Jaw Crusher & Roller Crusher | 1 |
| ABS seat cover mould | 2 |
| Casting machine | 1 |
| Drum mill | 1 |
| Air compressor | 1 |
| Forklift -3 ton | 4 |
| Batching and feeding | 1 |
| Plastic injection molding machine | 1 |
| Generator | 1 |
| Shuttle kiln | 1 |
| Sandpiper Pipe- 2 Inch NPT(F) | 8 |
| Sandpiper Pipe- 2 Inch BSP (tapered) | 8 |
| Sandpiper Pipe- 3 Inch | 4 |
| PC1-C gas burner | 8 |
| BMP | 1 |
| Air & water line | 1 |
| Ball mill – SWD | 1 |
| BCL | 2 |
| Casting | 2 |
| Drier | 1 |
| G i duct | 7 |
| Generator | 1 |

| Name of Machinery | Nos. of machine |
|--------------------|-----------------|
| Glaze preparation, | 1 |
| Inspection booth | 6 |
| Kiln | 1 |
| Seat & cover | 1 |
| Slip tank | 1 |
| Spray booth | 6 |
| Trolley | 450 |
| Ice cube machine | 1 |
| Resin mould | 1 |
| Wheel loader | 1 |
| Tractor | 1 |
| Forklift (3pcs) | 3 |

Besides these assets, we have also found other assets like Furniture and Fixture, Equipments, Motor Vehicle, Office Decoration, Tools and Appliance, Gas Pipeline, Electrical Installation, Software, Boiler Machine and Others. It is also mentionable here that during our visit, we also checked Inventory register and found it in order.

Star Ceramics Limited has Effluent Treatment Plant (ETP) and Water Treatment Plant (WTP) to support the factory sufficiently. It always remains in operation with the support of technically sound team. Treated water is further used in factory production wherever required.

Number of total employees and number of full-time employees during the course of visit:

| SL | Work Divisions | Number of full time Employees | Number of Casual Employees | Total Employees |
|--------------|----------------|-------------------------------|----------------------------|-----------------|
| 1 | Tiles | 302 | 221 | 523 |
| 2 | SWD | 198 | 45 | 243 |
| Total | | 500 | 266 | 766 |

We also noticed that all machineries of SCL are in good running condition.

Signed by

Sd/-
Mohammad Sarwar Hossain
Managing Director
Roots Investment Limited

Sd/-
Md. Sohul Rahman
Chief Executive Officer (Additional Charge)
ICB Capital Management Limited

(xiv) If the issuer is entitled to any intellectual property right or intangible asset, full description of the property, whether the same are legally held by the issuer and whether all formalities in this regard have been complied with:

Intangible Asset (Software)

| Description | Purchase Date | Nature/Type | Name of Vendor | Value |
|---------------------------|---------------|------------------------------|---------------------------------|------------------|
| Electronic Display System | 31-Aug-14 | Web based product Visualizer | Applique Soft | 306,776 |
| Room Visualizer Software | 02-Mar-17 | Web based product Visualizer | Green Planet | 1,085,180 |
| VAT Management Software | 01-Jun-17 | VAT Software | Dhrupadi Techno Consortium Ltd. | 440,000 |
| | | | | 1,831,956 |

The softwares are legally owned by the company and all formalities in this regard have been complied with.

(xv) Full description of other properties of the issuer:

There is no other property except as mentioned under para (e)(i) Location and area of the land, building, principal plants and other property of the company and the condition thereof.

(f) Plan of Operation and Discussion of Financial Condition:

(i) If the issuer has not started its commercial operation, the company's plan of operations for the period which would be required to start commercial operation which shall, among others, include:

- (a) Projected financial statements up to the year of commercial operation;
- (b) Rationale behind the projection;
- (c) Any expected significant changes in the issuer's policy or business strategies;
- (d) Detail plan of capital investment with break-up;
- (e) Summary of feasibility report, etc.

This section is not applicable as the company is already in operation since 2013.

(ii) If the issuer had been in operation, the issuer's revenue and results from operation, financial position and changes in financial position and cash flows for the last five years or from commercial operation, which is shorter, shall be furnished in tabular form which shall, among others, include the following information:

Star Ceramic's revenue and results from operation, financial position and changes in financial position and cash flows for the last five years are furnished in tabular form as below:

Revenue and results from operation:

For the year ended

(Amount in BDT)

| Particulars | 31-Dec-17 | 31-Dec-16 | 31-Dec-15 | 31-Dec-14 | 31-Dec-13 |
|--|----------------------|----------------------|----------------------|--------------------|--------------------|
| Net Revenue | 3,821,977,498 | 3,650,902,416 | 3,379,863,356 | 2,455,740,741 | 1,352,097,736 |
| Cost of Sales | (2,528,541,863) | (2,499,888,888) | (2,184,241,431) | (1,491,243,607) | (841,111,466) |
| Gross Profit | 1,293,435,635 | 1,151,013,528 | 1,195,621,925 | 964,497,134 | 510,986,270 |
| Other income | 3,335,559 | 4,496,133 | 4,970,907 | 5,748,739 | 8,603,595 |
| Less: Operating Expenses | | | | | |
| Office & administrative expenses | (104,771,620) | (91,015,111) | (90,409,351) | (75,981,063) | (64,116,454) |
| Selling and distribution expenses | (493,733,898) | (511,594,257) | (453,315,364) | (293,433,990) | (154,675,452) |
| Operating Profit/(Loss) | 698,265,676 | 552,900,293 | 656,868,117 | 600,830,820 | 300,797,958 |
| Finance Cost | (377,671,731) | (461,664,449) | (563,720,420) | (426,091,790) | (268,459,651) |
| Foreign exchange gain/(loss) | (26,212,451) | 3,931,620 | 7,303,612 | 16,092,499 | (6,415,867) |
| Net Profit/Loss before contribution to WPPF | 294,381,494 | 95,167,464 | 100,451,309 | 190,831,530 | 25,922,440 |
| Contribution to WPPF | (14,018,166) | (4,531,784) | (4,783,396) | (9,087,216) | - |
| Net Profit/Loss before tax | 280,363,328 | 90,635,680 | 95,667,913 | 181,744,314 | 25,922,440 |
| Income tax expenses | (10,826,872) | (6,183,474) | (13,365,562) | (9,690,074) | (8,988,889) |
| Deferred tax expenses | (62,971,965) | (8,410,436) | (12,204,546) | (10,503,979) | - |
| Net Profit/Loss after tax | 206,564,490 | 76,041,770 | 70,097,805 | 161,550,261 | 16,933,551 |
| Basic Earnings per share (EPS)* | 1.38 | 0.66 | 0.96 | 2.21 | 0.30 |
| Diluted Earnings per share (EPS)* | 1.38 | 0.66 | 0.47 | 2.21 | 0.30 |

* EPS has been calculated based on weighted average number of shares.

Statement of financial position

(Amount in BDT)

| Particulars | 31-Dec-17 | 31-Dec-16 | 31-Dec-15 | 31-Dec-14 | 31-Dec-13 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Non- Current Assets | 4,680,433,341 | 4,216,832,827 | 4,152,075,127 | 4,334,247,837 | 3,435,995,297 |
| Property, plant and equipment | 4,152,104,576 | 3,921,533,313 | 4,151,850,328 | 3,807,429,726 | 2,215,862,240 |
| Capital work in progress | 526,933,342 | 295,136,071 | - | 526,531,957 | 1,220,133,057 |
| Intangible Asset | 1,395,423 | 163,443 | 224,799 | 286,155 | - |
| Current Assets | 2,924,212,314 | 2,325,405,455 | 2,444,929,915 | 2,074,328,696 | 1,240,198,583 |
| Inventories | 2,051,922,508 | 1,670,932,572 | 1,685,982,704 | 1,453,175,138 | 801,222,352 |
| Advances, deposits and prepayment | 133,761,318 | 119,403,168 | 174,279,645 | 125,297,742 | 187,956,220 |
| Trade receivables | 471,122,238 | 332,025,785 | 390,201,904 | 363,557,455 | 141,368,995 |
| Advance income tax | 220,012,212 | 162,058,493 | 142,909,500 | 96,814,237 | 47,169,588 |
| Other receivables | 3,962,683 | 1,027,472 | 2,455,944 | 4,185,485 | 2,669,422 |
| Cash and cash equivalents | 43,431,355 | 39,957,965 | 49,100,219 | 31,298,640 | 59,812,006 |
| Total Assets | 7,604,645,655 | 6,542,238,282 | 6,597,005,042 | 6,408,576,534 | 4,676,193,880 |
| Shareholders' equity and liabilities | | | | | |
| Shareholders' equity | 2,349,546,789 | 1,588,123,854 | 1,604,827,328 | 1,596,846,284 | 1,355,716,023 |
| Share capital | 1,502,000,000 | 1,502,000,000 | 731,069,490 | 731,069,490 | 731,069,490 |
| Share Money Deposits | - | 399,902 | 799,555,646 | 799,531,499 | 719,951,499 |
| Revaluation reserve | 626,603,346 | | | | |
| Retained earnings | 220,943,443 | 85,723,952 | 74,202,193 | 66,245,295 | (95,304,965) |
| Total Liabilities | 5,255,098,866 | 4,954,114,429 | 4,992,177,714 | 4,811,730,250 | 3,320,477,857 |
| Non- Current Liabilities | 1,561,174,999 | 1,913,438,621 | 2,019,336,254 | 2,708,998,813 | 1,322,644,910 |
| Long term loans - net off current portion | 1,012,243,216 | 1,067,319,661 | 1,996,627,730 | 2,698,494,835 | 1,322,644,910 |
| Deferred tax liabilities | 106,878,749 | 31,118,960 | 22,708,524 | 10,503,979 | - |
| Retirement benefit obligation- gratuity scheme | 34,553,034 | - | - | - | - |
| Redeemable cumulative preference shares – net off current portion | 407,500,000 | 815,000,000 | - | - | - |
| Current Liabilities | 3,693,923,867 | 3,040,675,808 | 2,972,841,460 | 2,102,731,437 | 1,997,832,947 |
| Bank overdraft | 803,483,948 | 214,024,869 | 402,480,943 | 271,598,720 | 167,644,864 |
| Short term bank loans | 1,331,319,180 | 1,757,366,706 | 1,259,293,375 | 775,051,046 | 242,171,271 |
| Redeemable cumulative preference shares – current portion | 407,500,000 | - | - | - | - |
| Long term loan - current portion | 613,229,250 | 647,951,636 | 764,754,707 | 629,200,000 | 507,200,000 |
| Provision for taxation | 17,010,346 | 6,183,474 | 32,044,525 | 18,678,963 | 8,999,339 |
| Trade and other payables | 502,546,700 | 415,149,123 | 514,267,910 | 408,202,707 | 1,071,817,473 |
| Provision for WPPF | 18,834,443 | - | - | - | - |
| Total Shareholders' equity and liabilities | 7,604,645,655 | 6,542,238,282 | 6,597,005,042 | 6,408,576,534 | 4,676,193,880 |
| Net asset value per share (NAVPS) with revaluation reserve | 15.64 | 10.57 | 21.95 | 21.84 | 18.54 |
| Net asset value per share (NAVPS) without revaluation reserve | 11.47 | 10.57 | 21.95 | 21.84 | 18.54 |
| NAV per share without revaluation reserve considering weighted average no. of shares | 11.47 | 13.83 | 21.95 | 21.84 | 24.29 |

1 Retirement benefit obligation- gratuity scheme for the year ended 31 December 2013 to 2016 is included under Trade and other payables.

2 Provision for WPPF for the year ended 31 December 2014 to 2016 is included under Trade and other payables.

Changes in financial position

(Amount in BDT)

| Particulars | 31-Dec-17 | 31-Dec-16 | 31-Dec-15 | 31-Dec-14 | 31-Dec-13 |
|---------------------|----------------------|----------------------|----------------------|-------------------|----------------------|
| Share capital | 1,502,000,000 | 1,502,000,000 | 731,069,490 | 731,069,490 | 731,069,490 |
| Share money deposit | - | 399,902 | 799,555,646 | 799,531,499 | 719,951,499 |
| Revaluation reserve | 626,603,346 | - | - | - | - |
| Retained earnings | 220,943,443 | 85,723,952 | 74,202,193 | 66,245,295 | (95,304,965) |
| Total Equity | 2,349,546,789 | 1,588,123,854 | 1,604,827,328 | 1596846284 | 1,355,716,023 |

Changes in Cash flows

(Amount in BDT)

| Particulars | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|----------------------|----------------------|----------------------|------------------------|------------------------|
| Cash flows from operating activities: | | | | | |
| Collection from customers and others | 3,679,945,834 | 3,710,507,006 | 3,354,948,448 | 2,232,036,219 | 1,209,504,620 |
| Payments to suppliers, employees and others | (2,964,703,288) | (2,699,121,275) | (2,481,903,522) | (2,798,262,929) | (704,337,403) |
| Net cash generated from operating activities | 715,242,546 | 1,011,385,731 | 873,044,926 | (566,226,711) | 505,167,216 |
| Income tax paid | (57,953,719) | (46,261,927) | (46,095,263) | (49,655,099) | (32,267,624) |
| Net cash generated from/ (used in) operating activities | 657,288,826 | 965,123,804 | 826,949,663 | (615,881,810) | 472,899,592 |
| Cash flows from investing activities: | | | | | |
| Acquisition of property, plant and equipment | (276,413,964) | (510,854,037) | (235,347,457) | (1,196,484,778) | (1,389,770,289) |
| Disposal of property, plant and equipment | 16,988 | 224,400 | 224,400 | - | - |
| Acquisition of intangible assets | (1,525,180) | - | - | (306,776) | - |
| Net cash used in investing activities | (277,922,156) | (510,629,637) | (235,123,057) | (1,196,791,554) | (1,389,770,289) |
| Cash flows from financing activities: | | | | | |
| Long term loan received | 430,000,000 | 1,700,000,000 | 104,226,950 | 1,524,488,333 | 557,049,616 |
| Long term loan paid | (519,798,831) | (2,746,111,140) | (670,539,348) | (26,638,409) | (40,729,663) |
| Bank overdraft received/ (paid) | 589,459,078 | (188,456,073) | 130,882,222 | 103,953,856 | 104,792,351 |
| Short term loan received/ (paid) | (426,047,526) | 498,073,330 | 484,242,329 | 532,879,775 | 63,988,239 |
| Finance cost paid | (377,761,101) | (444,465,702) | (560,720,420) | (430,103,559) | (264,447,882) |
| Issuance of shares | - | 770,930,510 | - | - | 631,069,490 |
| Issuance of redeemable cumulative preference shares | - | 815,000,000 | - | - | - |
| Share money deposits received/ (transferred) | (399,902) | (799,155,744) | 24,147 | 79,580,000 | (85,315,744) |
| Dividend paid | (71,345,000) | (69,451,602) | (62,140,907) | - | - |
| Net cash flows from/ (used in) financing activities | (375,893,282) | (463,636,421) | (574,025,027) | 1,784,159,997 | 966,406,406 |
| Net increase/ (decrease) of cash and cash equivalents | 3,473,389 | (9,142,254) | 17,801,579 | (28,513,366) | 49,535,710 |
| Cash and cash equivalents at the beginning of the year | 39,957,965 | 49,100,219 | 31,298,640 | 59,812,006 | 10,276,296 |
| Cash and cash equivalents at the end of the year | 43,431,355 | 39,957,965 | 49,100,219 | 31,298,640 | 59,812,006 |

(ii) (a) Internal and external sources of cash:**(Amount in BDT)**

| Particulars | 31-Dec-17 | 31-Dec-16 | 31-Dec-15 | 31-Dec-14 | 31-Dec-13 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Internal sources of cash | | | | | |
| Share capital | 1,502,000,000 | 1,502,000,000 | 731,069,490 | 731,069,490 | 731,069,490 |
| Share money deposit | - | 399,902 | 799,555,646 | 799,531,499 | 719,951,499 |
| Retained earnings | 220,943,443 | 85,723,952 | 74,202,193 | 66,245,295 | (95,304,966) |
| Sub-Total A | 1,722,943,443 | 1,588,123,854 | 1,604,827,328 | 1,596,846,284 | 1,355,716,023 |
| External sources of cash | | | | | |
| Long term loans - net off current portion | 1,012,243,216 | 1,067,319,661 | 1,996,627,730 | 2,698,494,835 | 1,322,644,910 |
| Redeemable cumulative preference shares – net off current portion | 407,500,000 | 815,000,000 | - | - | - |
| Bank overdrafts | 803,483,948 | 214,024,869 | 402,480,943 | 271,598,720 | 167,644,864 |
| Short term bank loans | 1,331,319,180 | 1,757,366,706 | 1,259,293,375 | 775,051,046 | 242,171,271 |
| Long term loans - current portion | 613,229,250 | 647,951,636 | 764,754,707 | 629,200,000 | 507,200,000 |
| Redeemable cumulative preference shares – current portion | 407,500,000 | - | - | - | - |
| Sub-Total B | 4,575,275,594 | 4,501,662,872 | 4,423,156,755 | 4,374,344,601 | 2,239,661,045 |
| Grand Total (A+B) | 6,298,219,037 | 6,089,786,726 | 6,027,984,084 | 5,971,190,885 | 3,595,377,068 |

(b) Any material commitments for capital expenditure and expected sources of funds for such expenditure:

The company has material commitment for capital expenditure amounting to BDT 156.39 million for purchase of floor space from Rakeen Development Company (BD) Ltd. including registration charge and other expenses. However, the Company has a plan to enter in to the required material commitment for capital expenditure to use net IPO proceeds as mentioned in 'Use of Proceeds' under section xxii of this red-herring prospectus.

(c) Causes for any material changes from period to period in revenues, cost of goods sold, other operating expenses and net income:

The company's revenues and cost of goods sold, other operating expenses and net income have continued to change due to increase in sales volume and assets.

(Amount in BDT)

| Particulars | 31-Dec-17 | 31-Dec-16 | 31-Dec-15 | 31-Dec-14 | 31-Dec-13 |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|---------------|
| Revenue | 3,821,977,498 | 3,650,902,416 | 3,379,863,356 | 2,455,740,741 | 1,352,097,736 |
| Cost of goods sold (COGS) | (2,528,541,863) | (2,499,888,888) | (2,184,241,431) | (1,491,243,607) | (841,111,466) |
| Operating expenses: | | | | | |
| Office & administrative expenses | (104,771,620) | (91,015,111) | (90,409,351) | (75,981,063) | (64,116,454) |
| Selling and distribution expenses | (493,733,898) | (511,594,257) | (453,315,364) | (293,433,990) | (154,675,452) |
| Net profit after tax | 206,564,490 | 76,041,770 | 70,097,805 | 161,550,261 | 16,933,550 |

Causes for changes in revenues:

As it can be observed from the above table, the overall revenue has been increased over the years due to increase in business volume.

Causes for changes in cost of goods sold & services:

The cost of goods sold increased due to increase in business volume. The expansion plant of tiles took place in year 2014 & new sanitary ware production was started in the beginning of year 2015.

Causes for changes in other operating expenses:

The operating expenses of the company increased due to increase of salary & allowances. Increases of other expenses are in line with the increase in sales.

Causes for changes in net income:

Net income of the year 2017 increased due to increase in production capacity & reduction of finance cost as compared to previous years.

d) Any seasonal aspects of the issuer's business:

There are no seasonal aspects of the Business of the Company.

e) Any known trends, events or uncertainties that may have material effect on the issuer's future business:

Though there are no known trends, events and/or uncertainties that shall have a material impact on the company's future business, the business operation of the Company may be affected by the following events:

1. Natural disaster
2. Social/political unrest is generally known events that may affect the Company's business.
3. Entrance of new technology
4. Increased competition
5. Shortage of power or gas
6. Downturn in the real estate sector
7. Disruption of long time power and gas supply in national level
8. Change of customer test and life style etc.

f) Any assets of the company used to pay off any liabilities:

None of the assets of the company has been used to pay off any liabilities of the company.

g) Any loan taken from or given to any related party or connected person of the issuer with details of the same:

No loan has been taken from or given to any related party or connected person of the company.

h) Any future contractual liabilities the issuer may enter into within next one year, and the impact, if any, on the financial fundamentals of the issuer:

The Company has no plan to enter into any contractual liabilities other than in the normal course of business within next one year and except as specified in Section – XXII, under the head of 'Use of Proceeds' of this Red-herring prospectus.

i) The estimated amount, where applicable, of future capital expenditure:

The company has no plan for future capital expenditure other than as specified in 'Utilization of IPO Proceeds' in Section – XXII, under the head of 'Use of Proceeds' of this Red-herring prospectus.

(j) Any VAT, income tax, custom duty or other tax liability which is yet to be paid, including any contingent liabilities stating why the same was not paid prior to issuance of the prospectus. Updated income tax status for the last 5 years or from commercial operation, which is shorter:

Status of unpaid VAT, Income Tax, custom duty or other tax liability:

The company has no such unpaid VAT, income tax, customs duty or other tax liability.

Value Added Tax (VAT)

The Company's VAT Registration Number is 22121026004 (area code: 220402), and it submits VAT returns on time. VAT liability is created at the time of sale, VAT paid to the Government as deduction at source, and adjusted after collecting the Challans from Customers.

Income Tax

The company's ETIN is 471877911380, Taxes Circle- 030 (Company), Taxes Zone 02, Dhaka. Year wise income tax status of Star Ceramics Ltd. is described below:

| Accounting year | Assessment year | Status |
|-----------------|-----------------|--|
| 2011 | 2012-2013 | Certified that Star Ceramics Limited is a registered assessee company of Taxes Circle-30 (Companies), Taxes Zone-2, Dhaka. Assessment of the assessee company has been completed for the assessment year 2012-2013 under Universal Self-Assessment (u/s. 82BB) and tax paid on shown income for that year. |
| 2012 | 2013-2014 | Certified that Star Ceramics Limited is a registered assessee company of Taxes Circle-30 (Companies), Taxes Zone-2, Dhaka. Assessment of the assessee company has been completed for the assessment year 2013-2014 under universal self-assessment scheme and tax paid on shown income for that year. |
| 2013 | 2014-2015 | Certified that Star Ceramics Limited is a registered assessee company of Taxes Circle-30 (Companies), Taxes Zone-2, Dhaka. Assessment of the assessee company has been completed for the assessment year 2014-2015 and tax paid on shown income for that year. |
| 2014 | 2015-2016 | Certified that Star Ceramics Limited is a registered assessee company of Taxes Circle-30 (Companies), Taxes Zone-2, Dhaka. The assessee has submitted the IT return under Universal Self Assessment scheme (U/S 82BB) for the assessment year 2015-2016 and tax paid on shown income for that year. |

Customs Duty or other tax liabilities:

The Company does not have any outstanding customs duty or any other similar liabilities.

Contingent liabilities:

The Company has following commitment & contingent liabilities as of 31 December 2017.

| | |
|--|-----------------|
| i) Outstanding Letters of Credits | BDT 367,977,529 |
| ii) Capital expenditure commitments | BDT 156,391,740 |
| iii) Bank guarantee given to Jalalabad Gas T & D System Ltd. | BDT 50,007,435 |

k) Any financial commitment, including lease commitment, the company had entered into during the past five years or from commercial operation, which is shorter, giving details as to how the liquidation was or is to be effected:

The details of the financial commitments of the Company are as follows:

A. Details of the Loan

(Amount in BDT)

| Sl. | Type of loan | Purpose of Loan | Sanction Amount | Disbursement Date | Date of Expiry | Rate of Interest (%) | Installment Amount | Outstanding Balance |
|-----|---|---|-----------------|-------------------------------------|---|----------------------|---|----------------------|
| 1 | Mid Term Loan with The City Bank Limited | To takeover syndication term loan | 1,700,000,000 | 24-Nov-16 | 24-Nov-19 | 8.50% | 161,987,909 | 1,192,477,463 |
| 2 | Long Term Loan with The City Bank Limited | Head Office Building and Showroom | 430,000,000 | 3-Dec-17 | 3-Dec-22 | 8.50% | 28,998,089 | 432,995,003 |
| 3 | Preference Share | Repay high cost debt | 815,000,000 | August 22, 2016 & November 30, 2016 | After three years from date of disbursement | 9.75% | Equal installments at the end of 24 and 36 months from the date of disbursement | 815,000,000 |
| 4 | Syndication Term Loan | Project Finance for Tiles & Sanitary Ware project | 3,959,450,000 | 25-Nov-13 | 25-Nov-18 | 12.50% - 13.50% | 276,666,931 | - |
| 5 | Long Term Loan with Prime Bank Limited | Project Finance for Tiles Project | 1,497,000,000 | 19-May-11 | 19-May-17 | 13.00% | 100,385,295 | - |
| | Total | | | | | | | 2,440,472,466 |

B. Break up of Redeemable Cumulative Preference share

| Sl. | Name of the Subscribers | No. of Share | Subscription amount in BDT |
|--------------|--|-------------------|----------------------------|
| 1 | AIMS of Bangladesh | 2,000,000 | 20,000,000 |
| 2 | Delta Brac Housing Finance Corporation Limited | 5,000,000 | 50,000,000 |
| 3 | Industrial Promotion and Development Company of Bangladesh Limited | 7,500,000 | 75,000,000 |
| 4 | National Credit and Commerce Bank Limited | 10,000,000 | 100,000,000 |
| 5 | NRB Bank Limited | 5,000,000 | 50,000,000 |
| 6 | United Finance Limited | 15,000,000 | 150,000,000 |
| 7 | Grameen One: Scheme Two | 3,000,000 | 30,000,000 |
| 8 | Reliance Insurance Mutual Fund | 1,000,000 | 10,000,000 |
| 9 | Prime Bank Limited | 4,000,000 | 40,000,000 |
| 10 | Meghna Bank Limited | 7,000,000 | 70,000,000 |
| 11 | Standard Bank Limited | 7,000,000 | 70,000,000 |
| 12 | Shimanto Bank Limited | 11,000,000 | 110,000,000 |
| 13 | Ashok Kumar Saha | 4,000,000 | 40,000,000 |
| Total | | 81,500,000 | 815,000,000 |

C. Break up of Syndication Term Loan

| Sl | Bank Name | Limit in BDT |
|--------------|------------------------|----------------------|
| 1 | Prime Bank Limited | 1,615,000,000 |
| 2 | Mutual Trust Bank Ltd. | 529,130,000 |
| 3 | Trust Bank Ltd. | 488,430,000 |
| 4 | The City Bank Ltd. | 366,320,000 |
| 5 | Mercantile Bank Ltd. | 244,210,000 |
| 6 | NCC Bank Ltd. | 203,510,000 |
| 7 | SABINCO | 187,230,000 |
| 8 | Meghna Bank Ltd. | 162,810,000 |
| 9 | One Bank Ltd. | 162,810,000 |
| Total | | 3,959,450,000 |

D. Commitment for the payment for purchase of office space 28,245 sft. at Rakeen Bijoy City that are given below:

| Head Office Capitalization | Total Estimated Exp. | Payment | Commitment |
|----------------------------|----------------------|-------------|-------------|
| Office Space | 362,260,000 | 230,000,000 | 132,260,000 |

Financial Lease Commitment during Last Five Years

Star Ceramics Limited has not entered into any financial lease agreement in the last five years.

I) Details of all personnel related schemes for which the company has to make provision for in future years:

The company has established employee benefits including Provident Fund, Gratuity Benefit, Group Life Insurance Coverage and Workers' Profit Participation Fund (WPPF) for the welfare of its employees.

The following benefits and related scheme are applicable for company's permanent payroll employees:

| | |
|-------------------------------|--|
| Yearly Salary Increment | Upon management approval annual increments is given to employees. |
| Allowances | According to performance and pay scale, allowances are given for expenses such as house rent, conveyance, medical expense, car maintenance and mobile phone facility. |
| Provident Fund | All permanent employees of Star Ceramics Limited having minimum five (3) years of continuous service are entitled to a 10% recognized contributory Provident fund. |
| Gratuity Benefit | All permanent employees of the company having minimum three (3) years of continuous service are entitled to recognized gratuity. |
| Festival Bonus | In each Eid employees are given festival bonus equivalent to one-month basic salary. |
| Group Life Insurance Coverage | The Company has Group Insurance Policy in order to help employees maintain sound health with American Life Insurance Company Ltd. (Metlife Alico). |
| Maternity Leave | Females Employees are entitled to maternity benefit up to the birth of two children. |
| WPPF | The company provides 5% of its net profit before tax after charging such expense as workers profit participation in accordance with Bangladesh Labour (Amendment) Act, 2013. |

m) Break down of all expenses related to the public issue:

Estimated IPO expenses are as under: however, final IPO Expense will be determined after the determination of Cut-Off price through bidding process and will be adjusted accordingly with the IPO proceeds.

Breakdown of IPO Expenses (Estimated):

| Particulars | Rate | Amount in Taka. (approx.) |
|---|--|------------------------------|
| BSEC Fees: | | |
| Application Fee | BDT 50,000 (non-refundable) | 50,000 |
| Consent Fee | 0.40% on the public offer amount (including premium) | 2,400,000 |
| Issue Management Fees: | | |
| Issue Management Fee | Maximum 2% (two percent) of the public offer amount (including premium) | 9,000,000 |
| VAT against Issue Management Fee | @ 15% on the total issue management fee | 1,350,000 |
| Listing Related Expenses | | |
| Draft Prospectus Scrutiny Fees for DSE & CSE | Fixed (Tk. 50,000 for each exchanges) | 100,000 |
| Listing fees for stock exchanges (DSE & CSE) | 0.25% on Tk. 100 million of paid up capital and 0.15% on the rest amount of paid-up capital; minimum Tk. 50,000 and Maximum Tk. 10 million for each exchanges | 4,706,000 |
| Annual fees for stock exchanges (DSE & CSE) | 0.05% on Tk. 1,000 million of paid up capital and 0.02% on the rest amount of paid up capital for each exchanges; total annual listing fee shall be minimum Tk. 50,000 and maximum Tk. 600,000 for each of the exchanges | 1,200,000 |
| Electronic Bidding Fee (Stock Exchanges) | Estimated (At Actual) | 1,200,000 |
| IPO related expenses: | | |
| Underwriting Commission | Commission @ 0.50% on Underwritten Amount | 1,050,000 |
| Auditors' Certification Fees | At Actual | 500,000 |
| Credit Rating Fee | At Actual | 300,000 |
| Feasibility report fee | At Actual | 250,000 |
| CDBL Fees and Expenses: | | |
| Security Deposit | At Actual | 500,000 |
| Documentation Fee | At Actual | 2,500 |
| Annual Fee | At Actual | 100,000 |
| Connection fee | Tk. 500 per Month | 6,000 |
| IPO fees | 0.00015 of issue size + 0.00015 of Pre-IPO paid up capital | 315,300 |
| Road show related expenses | | |
| Registrar to the Issue Fees | At Actual | 500,000 |
| Publication of Red-herring prospectus | Estimated (To be paid at actual) | 1,100,000 |
| Notice for road show in 5 daily newspaper | Estimated (To be paid at actual) | 300,000 |
| Road show related expenses (Venue, entertainment, event management) | Estimated (To be paid at actual) | 3,000,000 |
| Courier expenses | Estimated (To be paid at actual) | 200,000 |
| Post Public Offer Expenses: | | |
| Publication of prospectus (EIs & Public) | Estimated (To be paid at actual) | 1,200,000 |
| Abridged version of Prospectus and Notice in 4 daily newspaper | Estimated (To be paid at actual) | 1,200,000 |
| Lottery, Refund etc. in 4 daily newspaper | Estimated (To be paid at actual) | 600,000 |
| Lottery Conducting Expenses including BUET Fee | Estimated (To be paid at actual) | 1,200,000 |
| Collection of forms, Data Processing Fee and Share Software Charge | Estimated (To be paid at actual) | 2,000,000 |
| Allotment & refund | Estimated (To be paid at actual) | 350,000 |
| Stationeries and other expenses | Estimated (To be paid at actual) | 3,20,200 |
| Grand Total | | 35,000,000 |

n) If the issuer has revalued any of its assets, the name, qualification and experiences of the valuer and the reason for the revaluation, showing the value of the assets prior to the revaluation separately for each asset revalued in a manner which shall facilitate comparison between the historical value and the amount after revaluation and giving a summary of the valuation report along with basis of pricing and certificates required under the revaluation guideline of the Commission:

The company made first revaluation of its property, plant and equipment as on 30 November 2017 and reflected in the Financial Statements of that year. Particulars of the valuer and summary of report are as follows:

| Particulars | Description |
|-----------------------------|---|
| Name of valuer | Ahmad & Akhtar Chartered Accountants BCIC Bhaban (3rd Floor), 30-31 Dilkusha C/A, Dhaka-1000 E-mail: aacano120@gmail.com |
| Qualification of valuer | <ul style="list-style-type: none"> • Audits (Internal, External, Special Audits, Compilation, Reviews) • Accounting • Taxation • Human Resource Development • Corporate Affairs • Management Consultancy • Automation Services • Internal Audit • Post Procurement Audit • Asset Valuation etc. |
| Experiences of the valuer | <p>Ahmad & Akhtar, Chartered Accountants was established in 1986. The firm has more than 32 Years experience in providing services related to chartered accountancy. The team leader has more than 35 years experience and the members have also more than 15 years experience. The following list shows the significant activities done by the valuer:</p> <ul style="list-style-type: none"> • Desh Garments Limited • Samorita Hospital Limited • Agrani Bank Limited • Bangladesh Bank • Progati Insurance Co. Ltd. • Hajj Finance Company Limited • Envoy Textiles Limited • Orion Pharma Limited • Dragon Sweater & Spinning Ltd. • Biman Bangladesh Airlines Ltd. • Sadharan Bima Corporation • Jibon Bima Corporation • Bangladesh Steel & Engineering Corporation • Bangladesh Jute Mill Corporation • Bangladesh Sugar & Food Industries Corporation |
| Reasons for the revaluation | The revaluation was undertaken to reflect current and fair market value of the assets. These include Land, Building, Plant & Machinery, Office Equipment, Furniture & Fixture, and Vehicles etc. and ascertain the current value of the said fixed assets based on the results of the revaluation and application of best professional judgment with due care. |

Comparison between historical value and amount after revaluation

(Amount in BDT)

| Category of Assets | Historical Cost Value | Written down value | Revalued amount | Revaluation Surplus |
|-------------------------|-----------------------|--------------------|-----------------|---------------------|
| Land & Land Development | 350,620,290 | 350,620,290 | 990,011,460 | 639,391,170 |
| Building | 917,483,194 | 727,783,951 | 727,783,951 | - |
| Plant and Machinery | 3,519,074,403 | 2,146,754,293 | 2,146,754,293 | - |
| Furniture and Fixture | 5,681,829 | 3,133,051 | 3,042,070 | (90,981) |
| Equipment | 34,847,061 | 20,826,809 | 20,183,226 | (643,583) |
| Motor Vehicle | 45,612,443 | 27,060,170 | 27,060,170 | - |
| Office Decoration | 15,457,120 | 11,002,394 | 11,002,394 | - |

| Category of Assets | Historical Cost Value | Written down value | Revalued amount | Revaluation Surplus |
|-------------------------|-----------------------|----------------------|----------------------|---------------------|
| Tools and Appliance | 7,925,748 | 4,324,216 | 4,324,216 | - |
| Gas Pipeline | 117,590,125 | 71,455,799 | 71,455,799 | - |
| Electrical Installation | 299,793,120 | 179,938,045 | 179,938,045 | - |
| Software | 1,831,955 | 1,425,954 | 1,425,954 | - |
| Total | 5,315,917,288 | 3,544,324,972 | 4,182,981,578 | 638,656,606 |

Summary of revaluation report

1. Valuation of Land & Land Development

The summarized amount of the land as on 30 November 2017 stands as follows:

(Amount in BDT)

| Description | Land Area (Decimal) | Book value as on 30 Nov 2017 (Tk.) | Current value as on 30 Nov 2017 as per revaluation (Tk.) | Revaluation Surplus (Tk.) |
|--------------|---------------------|------------------------------------|--|---------------------------|
| Land | 2,738.75 | 350,620,290 | 990,011,460 | 639,391,170 |
| Total | 2,738.75 | 350,620,290 | 990,011,460 | 639,391,170 |

2. Valuation of Building & Improvements

The revalued amount of the buildings is Taka 727,783,951 which is equal to written down value.

(Amount in BDT)

| Category of Assets | Historical cost value | Written down value | Fair value | Increase/ (Decrease) |
|------------------------|-----------------------|--------------------|--------------------|----------------------|
| Factory Building T1 | 5,022,705,068 | 378,526,186 | 378,526,186 | - |
| Factory Building T2 | 237,835,570 | 197,480,810 | 197,480,810 | - |
| Accommodation Building | 41,909,405 | 34,481,653 | 34,481,653 | - |
| Factory Building - RM | 6,317,787 | 5,185,276 | 5,185,276 | - |
| Factory Building-SWD | 129,145,363 | 112,110,025 | 112,110,025 | - |
| Total | 917,483,194 | 727,783,951 | 727,783,951 | - |

3. Valuation of Plant & Machinery

The valuation of Plant & Machinery is summarized below:

(Amount in BDT)

| Category of Assets | Historical cost value | Written down value | Fair value | Increase/ (Decrease) |
|--------------------------------|-----------------------|----------------------|----------------------|----------------------|
| Plant & Machinery Import -T1 | 1,412,034,196 | 730,757,554 | 730,757,554 | - |
| Mobile Plant | 37,137,177 | 18,957,684 | 18,957,684 | - |
| Plant & Machinery Local-T1 | 47,001,972 | 24,390,619 | 24,390,619 | - |
| Plant & Machinery – Import T2 | 1,466,958,848 | 962,811,126 | 962,811,126 | - |
| Plant & Machinery Local T2 | 8,988,152 | 5,925,721 | 5,925,721 | - |
| Plant & Machinery-RM | 44,154,258 | 28,755,454 | 28,755,454 | - |
| Plant & Machinery Local - SWD | 175,330,001 | 131,169,840 | 131,169,840 | - |
| Plant & Machinery – Import SWD | 327,469,798 | 243,986,294 | 243,986,294 | - |
| Total | 3,519,074,403 | 2,146,754,293 | 2,146,754,293 | - |

4. Valuation of Furniture & Fixture

The fair value of the Furniture & Fixture is Taka 3,000,986 which is less than its written down value by Taka 90,981.

(Amount in BDT)

| Category of Assets | Historical cost value | Written down value | Fair value | Increase/ (Decrease) |
|--------------------------|-----------------------|--------------------|------------------|----------------------|
| Furniture & Fixture | 5,669,129 | 3,125,441 | 3,034,460 | (90,981) |
| Furniture & Fixture - RM | 12,700 | 7,610 | 7,610 | - |
| Total | 5,681,829 | 3,133,051 | 3,042,070 | (90,981) |

5. Valuation of Motor Vehicles

As per the valuation, the Fair Value of the Vehicles corresponds with the written down value of the Vehicles.

(Amount in BDT)

| Category of Assets | Historical cost value | Written down Value | Fair value | Increase/ (Decrease) |
|--------------------|-----------------------|--------------------|-------------------|----------------------|
| Vehicle | 45,612,443 | 27,060,170 | 27,060,170 | - |
| Total | 45,612,443 | 27,060,170 | 27,060,170 | - |

6. Valuation of Equipment

The fair value of the equipment is Taka 20,183,226 which is less than its written down value by Taka 643,583.

(Amount in BDT)

| Category of Assets | Historical cost value | Written down Value | Fair value | Increase/ (Decrease) |
|------------------------|-----------------------|--------------------|-------------------|----------------------|
| Office Equipment | 27,784,293 | 15,992,034 | 15,425,836 | (566,198) |
| Comm. Equipment | 4,958,205 | 3,326,140 | 3,248,755 | (77,385) |
| Office Equipment - T2 | 616,035 | 414,376 | 414,376 | - |
| Office Equipment - RM | 67,527 | 45,347 | 45,347 | - |
| Comm. Equipment-RM | 577,720 | 420,521 | 420,521 | - |
| Office Equipment - SWD | 843,281 | 628,391 | 628,391 | - |
| Total | 34,847,061 | 26,826,809 | 20,183,226 | (643,583) |

7. Valuation of Office Decoration

As per the valuation, the Fair Value of the Office Decoration corresponds with the written down value of the Office Decoration.

(Amount in BDT)

| Category of Assets | Historical cost value | Written down Value | Fair value | Increase/ (Decrease) |
|--------------------|-----------------------|--------------------|-------------------|----------------------|
| Office Decoration | 15,457,120 | 11,002,394 | 11,002,394 | - |
| Total | 15,457,120 | 11,002,394 | 11,002,394 | - |

8. Valuation of Tools and Appliance

As per the valuation, the Fair Value of the Tools and Appliance corresponds with the written down value of the Tools and Appliance.

(Amount in BDT)

| Category of Assets | Historical cost value | Written down Value | Fair value | Increase/ (Decrease) |
|-------------------------|-----------------------|--------------------|------------------|----------------------|
| Tools & Appliances | 7,662,934 | 4,127,570 | 4,127,570 | - |
| Tools & Appliances-SWD | 185,322 | 142,773 | 142,773 | - |
| Tools & Appliances - RM | 77,492 | 53,873 | 53,873 | - |
| Total | 7,925,748 | 4,324,216 | 4,324,216 | - |

9. Valuation of Gas Pipeline

Gas Pipelines were built before 2015. It has been depreciated at the rate of 10%, with a useful life of 10 years. As per the valuation, the Fair Value of the Gas Pipeline corresponds with the written down value.

(Amount in BDT)

| Category of Assets | Historical cost value | Written down Value | Fair value | Increase/ (Decrease) |
|--------------------|-----------------------|--------------------|-------------------|----------------------|
| Gas Pipeline | 52,731,402 | 26,825,517 | 26,825,517 | - |
| Gas Pipeline-T2 | 39,731,346 | 25,562,906 | 25,562,906 | - |
| Gas Pipeline-SWD | 25,127,378 | 19,067,377 | 19,067,377 | - |
| Total | 117,590,126 | 71,455,800 | 71,455,800 | - |

10. Valuation of Electrical Installation

Electrical Installations were built before 2015. It has also been depreciated at the rate of 10%, with a useful life of 10 years. As per the valuation, the Fair Value of the Electrical Installation corresponds with the written down value.

(Amount in BDT)

| Category of Assets | Historical cost value | Written down Value | Fair value | Increase/ (Decrease) |
|------------------------------|-----------------------|--------------------|--------------------|----------------------|
| Electrical Installation | 149,803,145 | 77,580,094 | 77,580,094 | - |
| Electrical Installation-T2 | 110,124,136 | 73,346,196 | 73,346,196 | - |
| Electrical Installation - RM | 2,476,589 | 1,588,701 | 1,588,701 | - |
| Electrical Installation-SWD | 37,389,250 | 27,423,054 | 27,423,054 | - |
| Total | 299,793,120 | 179,938,045 | 179,938,045 | - |

11. Valuation of Intangible Asset - Software

As per the valuation, the Fair Value of the Intangible Asset - Software corresponds with the written down value.

(Amount in BDT)

| Category of Assets | Historical cost value | Written down Value | Fair value | Increase/ (Decrease) |
|--------------------|-----------------------|--------------------|------------------|----------------------|
| Software | 1,831,955 | 1,425,954 | 1,425,954 | - |
| Total | 1,831,955 | 1,425,954 | 1,425,954 | - |

Basis of revaluation

The firm has conducted the revaluation of fixed assets in accordance with Bangladesh Securities and Exchange Commission guideline issued by Bangladesh Securities and Exchange Commission (ref. no. SEC/CMRRCD/2009-193/150/Admin/ dated August 18,2013); Accounting Standards (where applicable) issued by the International Accounting Standards Board (IASB) which are adopted by the Institute of Chartered Accountants of Bangladesh (ICAB); and International Valuation Standards (IVS) issued by International Valuation Standards Committee. Those standards and guidelines require that the firm has planned and performed the revaluation to obtain reasonable assurance about whether the revaluation is free of material misstatement. The assignment includes identifying, listing, verifying and revaluation of fixed assets based on documents/ evidence provided by the management. The basis of pricing of fixed assets of Star Ceramics Limited is given below:

Valuation rationale with basis of pricing

1. Land & Land Development

Land was valued on the basis of "Fair Market Value" arrived at applying the Appraisal Method which is the amount in terms of money which the property would bring in a competitive and open market under all conditions necessary to a fair sale, the buyer and the seller, each acting prudently, knowledgeable and assuming the price is not affected by undue incentive.

Present valuation of the land has been arrived by taking into consideration of the location, size, shape of the plot, time element utilization, improvements and other market constrains and market price of recent transfer of land in the same vicinity.

2. Buildings

The value of the Building and Building Improvements was estimated by the use of the cost approach. Under this approach, an estimate was made on the current “Cost of Reproduction New”, of the Building and building improvements in accordance with the current market prices for materials, labor, and contractor’s overhead profit and fees. Adjustments are then made to reflect depreciation resulting from the observed physical deterioration.

In estimating the Cost of Reproduction New of the Building and Building Improvements, the Modified Quantity Survey Method was used. The method required “an analysis of the Building and Building Improvements by breaking them down into major components such as foundation, columns, beams, walls, steel structure, size and quality of brick used, R.C.C slab, C.I shed roofing etc. using workable units as lineal feet, cubic feet, square feet or other appropriate basic unit”.

Equal importance was given on the interior finishes, i.e. floor finishes, wall finishes, ceiling finishes, etc.

3. Plant & Machinery

Plant & Machinery is classified as either Non-specialized or Specialized Assets. Non-Specialized Assets are those assets that are specific to the industry and would be readily acquired and disposed of in the ordinary course of business. Specialized Assets are those that exist for a purpose which is of particular advantage and may be unique to the industry and or those assets which are not normally traded in a secondary market place.

The valuation of Non-Specialized Assets depends upon the manner in which the assets are acquired. Where assets are normally acquired in a secondary market, the price of a second hand asset is relevant in determining the value (BSEC notification is also relevant for the assets acquired in second hand condition). Where assets are not normally acquired in the secondary market, the price of a new asset (adjusted to take account of service potential and the impact of other obsolescence factors) is relevant in determining the value.

The value of property, plant and equipment has been determined as per Bangladesh Accounting Standard (BAS) 16 “Property Plant and Equipment” and guidelines for valuation of fixed assets issued by BSEC notification (Dated 13 August 2013). BSEC notification has been considered especially in some cases where general requirement number 9(ii) specified that the upward valuation is not allowed in case of those Plant and Machineries acquired in brand new condition but having remaining economic life of less than 50% of its total useful life, as estimated at acquisition.

4. Furniture & Fixture

When determining the fair value of furniture & fixture the following steps were considered:

The firm looked into the local newspaper to see if there were advertisements in the classifieds section for used office equipment or furniture similar to Star Ceramics. When furniture and fixture in similar condition was found, the firm is asking price of the items as a fair market value.

The firm visited some second hand furniture stores where used goods are sold and compared with subject’s office equipment to check local prices on similar items.

The firm used the value guide over the website to determine value (www.bikroy.com, www.ekhanei.com) of similar item.

Finally, when the firm was unable to determine the fair market value, it used its professional judgment and knowledge to determine the value of the office furniture and equipment and used written down value as a fair value of the assets.

5. Motor Vehicles

In determining the fair value, the consultant first looked in to local market for availability of similar vehicle. Where vehicle is traded in the local market the consultant considered the price based on number of years in operations, model no, available alternative parts for improvement, insurance document etc.

The value of Vehicles also has been determined as per Bangladesh Accounting Standard (BAS) 16 “Property Plant and Equipment” and guidelines for valuation of fixed assets issued by BSEC notification. BSEC notification has been considered especially in some cases where general requirement number 9(iv) specified that the upward valuation is not allowed in case of Vehicles.

6. Equipment

The value of Equipment and other items also have been determined as per Bangladesh Accounting Standard (BAS) 16 “Property Plant and Equipment” and guidelines for valuation of fixed assets issued by BSEC notification. BSEC notification has been considered especially in some cases where general requirement number 9(iv) specified that the upward valuation is not allowed in case of furniture & fittings, office equipment, loose tools and intangible assets. Some equipment and other items have been purchased within last two years which have also not been revalued upwards as per general requirement number 8 of the same BSEC Notification.

The firm also used the value guide over the website to determine value (www.bikroy.com, www.ekhanei.com) of similar item.

Finally, when the firm was unable to determine the fair market value, it used its professional judgment and knowledge to determine the value of the office equipment and other items and used written down value as a fair value of the assets.

7. Office Decoration

The value of Office Decoration also has been determined as per Bangladesh Accounting Standard (BAS) 16 “Property Plant and Equipment” and guidelines for valuation of fixed assets issued by BSEC notification. BSEC notification has been considered here especially as general requirement number 9(iv) specified that the upward valuation is not allowed in case of furniture & fittings, office equipment, loose tools and intangible assets.

8. Tools and Appliance

The value of Tools and Appliance also have been determined as per Bangladesh Accounting Standard (BAS) 16 “Property Plant and Equipment” and guidelines for valuation of fixed assets issued by BSEC notification. BSEC notification has been considered here especially as general requirement number 9(iv) specified that the upward valuation is not allowed in case of furniture & fittings, office equipment, loose tools and intangible assets.

9. Gas Pipeline

The value of Gas Pipeline also has been determined as per Bangladesh Accounting Standard (BAS) 16 “Property Plant and Equipment” and guidelines for valuation of fixed assets issued by BSEC notification.

As the firm was unable to determine the fair market value, it used professional judgment and knowledge to determine the value of the Gas Pipeline. It was concluded that the written down value stands as fair value of the assets.

10. Electrical Installation

The value of Electrical Installation also has been determined as per Bangladesh Accounting Standard (BAS) 16 “Property Plant and Equipment” and guidelines for valuation of fixed assets issued by BSEC notification.

When the firm was unable to determine the fair market value, it used its professional judgment and knowledge to determine the value of the Gas Pipeline. It came into conclusion that the written down value stands as fair value of the assets.

11. Intangible Asset - Software

The value of Intangible Asset - Software has also been determined as per Bangladesh Accounting Standard (BAS) 16 “Property Plant and Equipment” and guidelines for valuation of fixed assets issued by BSEC notification.

Auditor Certificate Regarding Valuation of Land
VALUER'S REPORT
TO THE BOARD OF DIRECTORS
OF STAR CERAMICS LIMITED

We have conducted the revaluation of fixed assets of Star Ceramics Limited as on 30 November 2017 and attached herewith Detailed Revaluation Report.

BASIS OF VALUATION OPINION

We have conducted the revaluation of fixed assets in accordance with International Valuation Standards (IVS) and Bangladesh Securities and Exchange Commission (BSEC) guidelines. Those standards and guidelines require that we plan and perform the revaluation to obtain reasonable assurance about whether the revaluation is free of material misstatement. The assignment includes identifying, Listening, Verifying and Revaluation of Fixed Assets based on documents/ evidence provided by the management.

OPINION

We confirm that the valuation has been undertaken in accordance with the international Valuation Standards (IVS) and Bangladesh Securities and Exchange Commission (BSEC) guidelines. We have verified the ownership, possession, and use of the assets are due to the company.

We also confirm that we have maintained the Fundamental principles of Ethical Conduct i.e; Integrity, Objectivity, Competence, Confidentiality and professional behavior regarding the revaluation of Fixed Assets and taken all possible steps to avoid or mitigate possible threats to compliance of these principles.

We also report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purpose of the revaluation and made due verification thereof; and
- b) in our opinion, proper fixed assets register as required by law has been maintained by the management.

Place : Dhaka
Date : 26 December 2017

Sd/-
AHMAD & AKHTAR
Chartered Accountants

o) Where the issuer is a holding or subsidiary company, full disclosure about the transactions, including its nature and amount, between the issuer and its subsidiary or holding company, including transactions which had taken place within the last five years of the issuance of the prospectus or since the date of incorporation of the issuer, whichever is later, clearly indicating whether the issuer is a debtor or a creditor:

Star Ceramics Limited does not have any holding or subsidiary company.

p) Financial Information of Group Companies and Companies under common ownership by more than 50%: following information for the last three years based on the audited financial statements, in respect of all the group companies of the issuer, wherever applicable, along with significant notes of auditors:

- (1) Date of Incorporation;**
- (2) Nature of Business;**
- (3) Equity Capital;**
- (4) Reserves;**
- (5) Sales;**
- (6) Profit after tax;**
- (7) Earnings per share and Diluted Earnings Per Share;**
- (8) Net Asset Value;**
- 9) The highest and lowest market price of shares during the preceding six months with disclosures for changes in capital structure during the period, if any securities of the group are listed with any exchange.**

10) Information regarding significant adverse factors relating to the group

11) Any of the group companies has become sick or is under winding up

12) The related business transactions within the group and their significance on the financial performance of the issuer

13) Sales or purchase between group companies or subsidiaries or associate companies when such sales or purchases exceed in value in the aggregate ten percent of the total sales or purchases of the issuer and also material items of income or expenditure arising out of such transactions

It is not applicable for the Company because star ceramics has no holding company/subsidiary company or associate company or any companies under common ownership do not hold by more than 50%.

(q) Where the issuer is a banking company, insurance company, non-banking financial institution or any other company which is regulated and licensed by another primary regulator, a declaration by the board of directors shall be included in the prospectus stating that all requirements of the relevant laws and regulatory requirements of its primary regulator have been adhered to by the issuer:

Not applicable for the Company.

(r) A report from the auditors regarding any allotment of shares to any person for any consideration otherwise than cash along with relationship of that person with the issuer and rationale of issue price of the shares:

**AUDITORS' CERTIFICATE REGARDING ALLOTMENT OF SHARES OF STAR CERAMICS LIMITED FOR ANY
CONSIDERATION OTHERWISE THAN CASH**

This is to certify that Star Ceramics Limited did not allot any shares issued up to 31 December 2017 for consideration otherwise than cash.

This certificate is issued at the request of the management for the purpose of proposed Initial Public Offering (IPO) under the Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015.

Date: 20 February 2018

Sd/-
Hoda Vasi Chowdhury & Co
Chartered Accountants

(s) Any material information, which is likely to have an impact on the offering or change the terms and conditions under which the offer has been made to the public:

There is no material information, which is likely to have an impact on the offering or change the terms and conditions under which the offer has been made to the public. However, on 26 November 2016, the company issued 81,500,000 no. of Redeemable Cumulative Preference shares of Taka 10.00 each totaling to Taka 81,50,00,000 for purchasing of office building, supporting future expansion of the company and repay high cost debt.

(t) Business strategies and future plans - projected financial statements shall be required only for companies not started commercial operation yet and authenticated by Chairman, two Directors, Managing Director, CFO, and Company Secretary:

Star Ceramics Limited has started its commercial operation in 2013. This section is not applicable for the company.

(u) Discussion on the results of operations shall inter-alia contains the following:

(1) A summary of the past financial results after adjustments as given in the auditor's report containing significant items of income and expenditure:

There was no significant adjustment given in the auditors' report during the last financial year. Summary of the financial results and operations are presented below:

(Amount in Taka)

| Sl. | Particulars | 31-Dec-17 | 31-Dec-16 | 31-Dec-15 | 31-Dec-14 | 31-Dec-13 |
|-----|--|---------------|---------------|---------------|---------------|---------------|
| 1 | Revenue | 3,821,977,498 | 3,650,902,416 | 3,379,863,356 | 2,455,740,741 | 1,352,097,736 |
| 2 | Gross profit | 1,293,435,635 | 1,151,013,528 | 1,195,621,925 | 964,497,134 | 510,986,270 |
| 3 | Net profit before tax | 280,363,328 | 90,635,680 | 95,667,913 | 181,744,314 | 25,922,439 |
| 4 | Net profit after tax | 206,564,490 | 76,041,770 | 70,097,805 | 161,550,261 | 16,933,550 |
| 5 | Current assets | 2,924,212,314 | 2,325,405,455 | 2,444,929,915 | 2,074,328,696 | 1,240,198,583 |
| 6 | Current liabilities | 3,693,923,867 | 3,040,675,808 | 2,972,841,460 | 2,102,731,437 | 1,997,832,947 |
| 7 | Total assets | 7,604,645,655 | 6,542,238,282 | 6,597,005,042 | 6,408,576,534 | 4,676,193,880 |
| 8 | Shareholders' equity | 2,349,546,789 | 1,588,123,854 | 1,604,827,328 | 1,596,846,284 | 1,355,716,023 |
| 9 | No. of shares | 150,200,000 | 150,200,000 | 73,106,949 | 73,106,949 | 73,106,949 |
| 10 | Face value | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 |
| 11 | NAV per share without revaluation reserve | 11.47 | 10.57 | 21.95 | 21.84 | 18.54 |
| 12 | NAV per share without revaluation reserve considering weighted average no. of shares | 11.47 | 13.83 | 21.95 | 21.84 | 24.29 |
| 13 | NAV per share with revaluation reserve | 15.64 | 10.57 | 21.95 | 21.84 | 18.54 |
| 14 | Basic Earnings per share (EPS)* | 1.38 | 0.66 | 0.96 | 2.21 | 0.30 |
| 15 | Diluted Earnings per share (EPS)* | 1.38 | 0.66 | 0.47 | 2.21 | 0.30 |

* EPS has been calculated based on weighted number of shares

(2) A summary of major items of income and expenditure:

(Amount in BDT)

| Particulars | 31-Dec-17 | 31-Dec-16 | 31-Dec-15 | 31-Dec-14 | 31-Dec-13 |
|--|----------------------|----------------------|----------------------|--------------------|--------------------|
| Net Revenue | 3,821,977,498 | 3,650,902,416 | 3,379,863,356 | 2,455,740,741 | 1,352,097,736 |
| Cost of Sales | (2,528,541,863) | (2,499,888,888) | (2,184,241,431) | (1,491,243,607) | (841,111,466) |
| Gross Profit | 1,293,435,635 | 1,151,013,528 | 1,195,621,925 | 964,497,134 | 510,986,270 |
| Other income | 3,335,559 | 4,496,133 | 4,970,907 | 5,748,739 | 8,603,595 |
| Less: Operating Expenses | | | | | |
| Office & administrative expenses | (104,771,620) | (91,015,111) | (90,409,351) | (75,981,063) | (64,116,454) |
| Selling and distribution expenses | (493,733,898) | (511,594,257) | (453,315,364) | (293,433,990) | (154,675,452) |
| Operating Profit/(Loss) | 698,265,676 | 552,900,293 | 656,868,117 | 600,830,820 | 300,797,958 |
| Finance Cost | (377,671,731) | (461,664,449) | (563,720,420) | (426,091,790) | (268,459,651) |
| Foreign exchange gain/(loss) | (26,212,451) | 3,931,620 | 7,303,612 | 16,092,499 | (6,415,867) |
| Net Profit/Loss before contribution to WPPF | 294,381,494 | 95,167,464 | 100,451,309 | 190,831,530 | 25,922,440 |
| Contribution to WPPF | (14,018,166) | (4,531,784) | (4,783,396) | (9,087,216) | - |
| Net Profit/Loss before tax | 280,363,328 | 90,635,680 | 95,667,913 | 181,744,314 | 25,922,440 |
| Income tax expenses | (10,826,872) | (6,183,474) | (13,365,562) | (9,690,074) | (8,988,889) |
| Deferred tax expenses | (62,971,965) | (8,410,436) | (12,204,546) | (10,503,979) | - |
| Net Profit/Loss after tax | 206,564,490 | 76,041,770 | 70,097,805 | 161,550,261 | 16,933,551 |

(3) The income and sales on account of major products or services:

The income and sales on account of major products are as follows:

| Product | Income/Sales | | | | |
|---------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 31-Dec-2017 | 31-Dec-2016 | 31-Dec-2015 | 31-Dec-2014 | 31-Dec-2013 |
| Tiles | 4,468,602,998 | 4,302,665,978 | 4,166,632,345 | 3,150,350,050 | 1,789,058,988 |
| Sanitary ware | 485,187,716 | 439,310,413 | 240,259,747 | Nil | Nil |
| Total | 4,953,790,714 | 4,741,976,391 | 4,406,892,092 | 3,150,350,050 | 1,789,058,988 |

(4) In case, other income constitutes more than 10% of the total income, the breakup of the same along with the nature of the income, i.e., recurring or non-recurring:

There was no such other income that constitutes 10% or more of the total income.

(5) If a material part of the income is dependent upon a single customer or a few major customers, disclosure of this fact along with relevant data. Similarly if any foreign customer constitutes a significant portion of the issuer's business, disclosure of the fact along with its impact on the business considering exchange rate fluctuations:

The material part of the income is dependent upon the following customers:

| Sales made during last 5 years | | | | | | | | | | | |
|--------------------------------|---------------------------------|---------------|------------------|---------------|------------------|---------------|------------------|-------------|------------------|-------------|------------------|
| S.L. No | Name of the customer | 31-Dec-17 | % of Total Sales | 31-Dec-16 | % of Total Sales | 31-Dec-15 | % of Total Sales | 31-Dec-14 | % of Total Sales | 31-Dec-13 | % of Total Sales |
| 1 | MOHAMMED TRADING | 1,434,258,386 | 29.0 | 1,229,121,390 | 25.9 | 1,232,691,394 | 27.9 | 791,144,469 | 25.1 | 593,548,953 | 33.1 |
| 2 | TILES HOUSE | 271,916,017 | 5.5 | 291,632,353 | 6.1 | 281,132,621 | 6.3 | 205,068,414 | 6.5 | 78,354,548 | 4.3 |
| 3 | BURAQ INTERNATIONAL LTD. | 211,102,312 | 4.3 | 85,218,118 | 1.8 | 95,863,384 | 2.1 | 104,084,560 | 3.3 | 39,026,143 | 2.1 |
| 4 | TERM TRADING | 194,791,434 | 3.9 | 193,396,158 | 4.0 | 133,593,986 | 3.0 | 40,068,762 | 1.2 | - | - |
| 5 | MADINA ENTERPRISE | 171,804,399 | 3.5 | 187,435,897 | 3.9 | 50,557,765 | 1.1 | - | - | - | - |
| 6 | RONOK TILES & SANITARY MART | 96,696,408 | 2.0 | 71,065,883 | 1.5 | - | - | - | - | - | - |
| 7 | NABIL TRADE INTERNATIONAL | 90,112,117 | 1.8 | 79,214,593 | 1.6 | 71,837,064 | 1.6 | 58,931,037 | 1.8 | 37,620,242 | 2.1 |
| 8 | CERAMIC VISION | 89,352,198 | 1.8 | 93,222,254 | 1.9 | 71,681,990 | 1.6 | 77,945,432 | 2.4 | 28,586,416 | 1.6 |
| 9 | CHITTAGONG MOSAIC COMPANY | 79,644,703 | 1.6 | 105,994,450 | 2.2 | 129,012,318 | 2.9 | 115,789,720 | 3.6 | 70,810,277 | 3.9 |
| 10 | PALLI ENTERPRISES INTERNATIONAL | 77,384,467 | 1.6 | 175,256,824 | 3.7 | 135,901,276 | 3.0 | 98,601,461 | 3.1 | 30,358,996 | 1.7 |

Impact of foreign exchange fluctuation on Company's business in case of buyer is foreign:

There is no impact of foreign exchange rate fluctuations on the business for dependency except on above mentioned customers.

(6) In case the issuer has followed any unorthodox procedure for recording sales and revenues, its impact shall be analyzed and disclosed:

The issuer has not followed any unorthodox procedure for recording sales and revenues.

(v) Comparison of recent financial year with the previous financial years on the major heads of the profit and loss statement, including an analysis of reasons for the changes in significant items of income and expenditure, inter-alia, containing the following:

Comparison of recent financial year with the previous financial years on the major heads of the profit and loss statement, including an analysis of reasons for the changes in significant items of income and expenditure, inter-alia, are given below:

Amount in Taka

| Particulars | 31-Dec-17 | 31-Dec-16 | 31-Dec-15 | 31-Dec-14 | 31-Dec-13 |
|--|----------------------|----------------------|----------------------|--------------------|--------------------|
| Net Revenue | 3,821,977,498 | 3,650,902,416 | 3,379,863,356 | 2,455,740,741 | 1,352,097,736 |
| Cost of Sales | (2,528,541,863) | (2,499,888,888) | (2,184,241,431) | (1,491,243,607) | (841,111,466) |
| Gross Profit | 1,293,435,635 | 1,151,013,528 | 1,195,621,925 | 964,497,134 | 510,986,270 |
| Other income | 3,335,559 | 4,496,133 | 4,970,907 | 5,748,739 | 8,603,595 |
| Less: Operating Expenses | | | | | |
| Office & administrative expenses | (104,771,620) | (91,015,111) | (90,409,351) | (75,981,063) | (64,116,454) |
| Selling and distribution expenses | (493,733,898) | (511,594,257) | (453,315,364) | (293,433,990) | (154,675,452) |
| Operating Profit/(Loss) | 698,265,676 | 552,900,293 | 656,868,117 | 600,830,820 | 300,797,958 |
| Finance Cost | (377,671,731) | (461,664,449) | (563,720,420) | (426,091,790) | (268,459,651) |
| Foreign exchange gain/(loss) | (26,212,451) | 3,931,620 | 7,303,612 | 16,092,499 | (6,415,867) |
| Net Profit/Loss before contribution to WPPF | 294,381,494 | 95,167,464 | 100,451,309 | 190,831,530 | 25,922,440 |
| Contribution to WPPF | (14,018,166) | (4,531,784) | (4,783,396) | (9,087,216) | - |

| | | | | | |
|-----------------------------------|--------------------|-------------------|-------------------|--------------------|-------------------|
| Net Profit/Loss before tax | 280,363,328 | 90,635,680 | 95,667,913 | 181,744,314 | 25,922,440 |
| Income tax expenses | (10,826,872) | (6,183,474) | (13,365,562) | (9,690,074) | (8,988,889) |
| Deferred tax expenses | (62,971,965) | (8,410,436) | (12,204,546) | (10,503,979) | - |
| Net Profit/Loss after tax | 206,564,490 | 76,041,770 | 70,097,805 | 161,550,261 | 16,933,551 |

Reasons for Changes in revenues

As it can be observed from the above table, the overall revenue has been increased over the years due to increase in business volume.

Reasons for changes in Cost of Goods Sold (COGS)

The cost of goods sold increased due to increase in business volume. The expansion of tiles took place in year 2014 & new sanitary ware production was started in the beginning of year 2015.

Reasons for changes in operating expenses

The operating expenses of the company increased due to increase of salary & allowances. Increases of other expenses are in line with the increase in sales

Reasons for changes in financial expenses

Financial expenses have decreased over the years due to interest rate reduction.

Reasons for changes in net profit after tax

Net income of the year 2017 increased due to increase in production capacity & reduction of finance cost as compared to previous years.

1) Unusual or infrequent events or transactions including unusual trends on account of business activity, unusual items of income, change of accounting policies and discretionary reduction of expenses etc.

There were no unusual or infrequent events or transactions including unusual trends on account of business activity, unusual items of income, change of accounting policies and discretionary reduction of expenses etc.

2) Significant economic changes that materially affect or are likely to affect income from continuing operations

There were no significant economic changes that materially affected or are likely to affect income from continuing operations.

3) Known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations

Though there are no known trends, events and/or uncertainties that shall have a material impact on the company's future business, the business operation of the Company may be affected by the following events:

1. Natural disaster
2. Social/political unrest are generally known events that may affect the Company's business.
3. Entrance of new technology
4. Increased competition
5. Shortage of power or gas
6. Downturn in the real estate sector
7. Disruption of long time power and gas supply in national level
8. Change of customer test and life style etc

4) Future changes in relationship between costs and revenues, in case of events such as future increase in labor or material costs or prices that will cause a material change are known

Cost of production increases when cost of the material and labor increase and accordingly increase in sales price is a common phenomenon in the business.

However, any change in material cost is adjusted with sale price where labor cost is adjusted in the sale price. Other than the factors described above, the Company has been trying to adjust the cost of labor through increasing the production efficiency. The Company believes that it has the ability to tradeoff the changes in costs with the future revenues.

5) The extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices

Increases in revenues were linked to increases in volume of sales and product prices carried out as a normal course of business during last five years.

6) Total turnover of each major industry segment in which the issuer operated.

Considering the business nature of SCL the company is assumed to operate in Ceramics sector.

(Amount in BDT)

| Year | Industry Segment- Ceramics Sector |
|---------|-----------------------------------|
| 2016-17 | 10,101,205,366 |
| 2015-16 | 9,021,095,608 |
| 2014-15 | 8,125,273,774 |
| 2013-14 | 8,346,198,758 |
| 2012-13 | 8,591,880,044 |
| 2011-12 | 8,583,451,405 |

Note: The turnover mentioned above are consisted of the turnover of Fu-Wang Ceramic Industries Ltd., Monno Ceramic Industries Ltd., RAK Ceramics (Bangladesh) Limited, Shinepukur Ceramics Limited and Standard Ceramic Industries Ltd.

Source: Annual Report of Fu-Wang Ceramic Industries Ltd., Monno Ceramic Industries Ltd., RAK Ceramics (Bangladesh) Limited, Shinepukur Ceramics Limited and Standard Ceramic Industries Ltd.

7) Status of any publicly announced new products or business segment

There are no publicly announced new products or business segment of the Company.

8) The extent to which the business is seasonal

There are no seasonal aspects of the Business of the Company.

(w) Defaults or rescheduling of borrowings with financial Institutions or banks, conversion of loans into equity along with reasons thereof, lock out, strikes and reasons for the same etc. during the history of operation of the company:

The Company has neither rescheduled its borrowings with financial institutions/banks nor converted its loans into equity. There has been no lock out, strikes etc. during the history of operation of the company.

(x) Details regarding the changes in the activities of the issuer during the last five years which may had a material effect on the profits or loss, including discontinuance of lines of business, loss of agencies or markets and similar factors:

There were no changes in the activities of the issuer during the last five years which may had a material effect on the profit or loss.

(y) Injunction or restraining order, if any, with possible implications:

The Company has no injunction or restraining order from any authority.

(z) Technology, market, managerial competence and capacity built-up:

Technology:

Star ceramics believes that to create quality products, one needs quality production setup. The company has brought in the best production facilities from the world with a huge capacity and state-of-the-art machinery. The automated production line is supported by swift computers and latest technology. What's more, the technical staff is well experienced in diverse fields too. SCL is the single producer of 600 x 1200 mm or 600x 900 mm tiles in Bangladesh.

Market:

SCL has strong presence in the country and 179 dealers of the company are in direct contact with the end users and respond promptly to the market. The strength of Star Ceramics lies in the speed with which it has innovated itself to

meet market expectations. As a result of providing supporting and helping hand to the end user which in turn help the Star Ceramics to widen its market share in future.

Managerial competence:

All the members of the management team of the company are highly qualified, trained and skilled professionals, well experienced and extremely devoted. The departmental Heads are professionally qualified in their respective fields. In addition to that, the company has hired foreign expert in production department to maintain the quality of the products. The management team of SCL is led by Qamar-Uz-Zaman, Managing Director and acts for the best interest of the company.

Capacity built-up:

To keep pace with the contemporary technology and customer demand, the company continuously investing and deploying enough resources. To cope up with the growing market demand and strengthening long term sustainability, the Company is going to expand its existing sanitary ware production capacity with latest modern technology and machinery which is given in the use of proceeds portion of this prospectus.

(aa) Changes in accounting policies in the last three years:

There were no changes in accounting policies in the last three years.

(bb) Significant developments subsequent to the last financial year: A statement by the directors whether in their opinion there have arisen any circumstances since the date of the last financial statements as disclosed in the red-herring prospectus or prospectus or information memorandum and which materially and adversely affect or is likely to affect the trading or profitability of the issuer, or the value of its assets, or its ability to pay its liabilities within the next twelve months:

Statement regarding significant developments subsequent to the last financial year

This is to certify that in our opinion and to the best of our knowledge there has not arisen any circumstances since the date of the last financial statements as disclosed in the Red-Herring Prospectus and which materially and adversely affect or is likely to affect the trading or profitability of Star Ceramic Limited or the value of its assets, or its ability to pay its liabilities within the next twelve months.

Sd/-
Syed A. K. Anwaruzzaman
Chairman

Sd/-
Qamar-Uz-Zaman
Managing Director

Sd/-
Engr. Syyed Ahmed
(Nominated Director of Star Bangladesh Holding Ltd.)

Sd/-
Bernard Gilbert Massaad
(Nominated Director of Star Bangladesh Holding Ltd.)

Sd/-
Pratima Sarkar
Independent Director

Date: 1 March 2018

(cc) If any quarter of the financial year of the issuer ends after the period ended in the audited financial statements as disclosed in the prospectus or information memorandum, unaudited financial statements for each of the said quarters duly authenticated by the CEO and CFO of the issuer or information memorandum, unaudited financial statements for each of the said quarters duly authenticated by the CEO and CFO of the issuer:

The quarterly unaudited financial statements of Star Ceramic Limited, duly authenticated by the CEO and CFO of the Company will be incorporated in due course.

(dd) Factors that may affect the results of operations:

There are no such factors that may affect the results of operations.

SECTION – VII

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(a) Overview of business and strategies

Star Ceramics Limited started its journey in the year 2010. In its very short span of journey it has transformed itself from good to better through producing high quality products. Star Ceramics is now the country's leading tiles and sanitary ware brand. The Company has anchored this position based on its market-leading capacities, world-class manufacturing assets, high production capacity, optimized cost structures, vibrant sales and distribution network and robust customer engagement programs.

Since very inception of its operation, Star Ceramics has been enjoying continuous growth and strengthening its position in the local ceramics market. Up to December 31, 2017 Star Ceramics has over around one thousands models active in the ceramic tiles, granite tiles and sanitary wares and regularly added several new designs to the product portfolio. The range of products of Star Ceramics Ltd include tiles & sanitary wares, wall tiles, floor tiles, decorative borders, ceramic bathroom sanitary ware, pedestal wash basins, counter basins, counter top washbasins, pans, water closet and couple Suites and other related accessories.

Star Ceramics is the pioneer in manufacturing of Digital Printed tiles in Bangladesh and the first to introduce nano technology and the single producer of the big tiles such as 60x90cm and 60x120cm. World-class quality and durability, combined with artistic and unique design and color have made this company an expert that offer extraordinary wall and floor solutions in ceramic industry.

Key highlights of business performance in last five years.

Amount in Taka

| Particulars | 2017 | 2016 | 2015 | 2014 | 2013 |
|-----------------------|---------------|---------------|---------------|---------------|---------------|
| Sales | 3,821,977,498 | 3,650,902,416 | 3,379,863,356 | 2,455,740,741 | 1,352,097,736 |
| Gross profit | 1,293,435,635 | 1,151,013,528 | 1,195,621,925 | 964,497,134 | 510,986,270 |
| Net profit before tax | 280,363,328 | 90,635,680 | 95,667,913 | 181,744,314 | 25,922,439 |
| Net profit after tax | 206,564,490 | 76,041,770 | 70,097,805 | 161,550,261 | 16,933,550 |
| EBITDA | 1,108,461,580 | 998,217,757 | 1,076,707,978 | 906,375,117 | 480,732,800 |
| EPS | 1.38 | 0.66 | 0.96 | 2.21 | 0.30 |

Star's Strategies

The key strategic objectives of Star Ceramics Ltd are to:

1. Ensure quality products for all at competitive and affordable prices in respect of local and imported products.
2. Ensure stable and long-term return to investors with sustainable growth by generating strong revenue and profitability together with judicious capital allocation and optimal use of resources.
3. Maintain state of art manufacturing facilities and high skilled management to meet any market expectations and ensure new development for technically excellent products & design with will have demand in future.
4. Maintain suppliers who meet reliability, quality and competitive benchmark.
5. Comprehensive marketing and distribution network.
6. Ensure architectural views before purchase and quality civil works for product fitting for the satisfaction of ultimate users.
7. Establish best brand and have strong market share to stand out in the market for tiles and sanitary ware in Bangladesh
8. Just in time response from ordering to delivery at the ultimate user end and after sales services from one stop location.
9. Expand the scope of use for tiles and sanitary ware products.
10. Maintain sustainable CSR program, commitment to people and community development.

Accreditations

- Star Ceramics boasts of being accredited with ISO 9001: 2015, ISO 14001:2015 and OHSAS 18001:2007 for quality, environment & occupational health and safety management systems.
- Obtained highest Value Added Tax (VAT) payer certificate for the year 2013-2014 in Habiganj District in manufacturing category from the National Board of Revenue.
- Obtained highest Value Added Tax (VAT) payer certificate for the year 2014-2015 in National level in manufacturing category from the National Board of Revenue.

(b) SWOT ANALYSIS:

SWOT analysis is an acronym for strengths, weaknesses, opportunities and threats and is a structured planning method that evaluates those four elements of an organization, project or business venture. The SWOT analysis of the company is as follows:

| Strength: | Opportunities: |
|---|--|
| <ul style="list-style-type: none"> ■ 1,000 unique design for tiles & sanitary ware ■ Production flexibility from small to large size ■ Diversified product mix ■ Digital printing machine and Nano polishing technology ■ Experienced management team ■ Good distribution network ■ In house design & development lab ■ Real time customer's response & support team. | <ul style="list-style-type: none"> ■ Expansion of the plant to double of the existing production capacity. ■ Export tiles & sanitary ware. |
| Weakness: | Threats: |
| <ul style="list-style-type: none"> ■ Dependency on natural gas ■ High transport cost ■ Imported raw material. | <ul style="list-style-type: none"> ■ Increase of cost of fund ■ Introduction of new technology ■ Non availability of gas |

(c) Analysis of the financial statements of last five years with reason(s) of fluctuating revenue or sales, other income, total income, cost of material, finance cost, depreciation and amortization expense, other expense; changes of inventories, net profit before & after tax, EPS etc.:

| Particulars | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---------------|---------------|---------------|---------------|---------------|
| Revenue | 3,821,977,498 | 3,650,902,416 | 3,379,863,356 | 2,455,740,741 | 1,352,097,736 |
| Year to year changes in revenue (%) | 4.69% | 8.02% | 37.63% | 81.62% | - |
| Other income | 3,335,559 | 4,496,133 | 4,970,907 | 5,748,739 | 8,603,595 |
| Year to year changes in other income (%) | (25.81%) | (9.55%) | (13.53%) | (33.18%) | - |
| Total income | 3,825,313,057 | 3,655,398,549 | 3,384,834,263 | 2,461,489,480 | 1,360,701,331 |
| Year to year changes in Total income (%) | 4.65% | 7.99% | 37.51% | 80.90% | - |
| Cost of sales | 2,528,541,862 | 2,499,888,888 | 2,184,241,431 | 1,491,243,607 | 841,111,466 |
| Year to year changes in Cost of sales | 1.15% | 14.45% | 46.47% | 77.29% | - |
| Finance cost | 377,671,731 | 461,664,449 | 563,720,420 | 426,091,790 | 268,459,651 |
| Year to year changes in finance cost (%) | (18.19%) | (18.10%) | 32.30% | 58.72% | - |
| Depreciation | 450,133,321 | 445,856,272 | 417,258,289 | 298,518,392 | 186,350,710 |
| Year to year changes in depreciation (%) | 0.96% | 6.85% | 39.78% | 60.19% | - |
| Amortization | 293,200 | 61,356 | 61,356 | 20,621 | - |
| Year to year changes in Amortization (%) | 377.87% | 0.00% | 197.54% | - | - |
| Other expenses | - | - | - | - | - |
| Year to year changes in other expenses (%) | - | - | - | - | - |
| Inventory | 2,051,922,508 | 1,670,932,572 | 1,685,982,704 | 1,453,175,138 | 801,222,352 |
| Year to year changes in inventories (%) | 22.80% | (0.89%) | 16.02% | 81.37% | - |
| Net Profit before tax | 280,363,328 | 90,635,680 | 95,667,913 | 181,744,314 | 25,922,439 |
| Year to year changes in Net Profit before tax (%) | 209.33% | (5.26%) | (47.36%) | 601.11% | - |
| Net Profit after tax | 206,564,490 | 76,041,770 | 70,097,805 | 161,550,261 | 16,933,550 |
| Year to year changes in Net Profit after tax (%) | 171.65% | 8.48% | (56.61%) | 854.02% | - |
| Earnings per share (EPS) | 1.38 | 0.66 | 0.96 | 2.21 | 0.30 |
| Year to year changes in EPS (%) | 109.09% | (31.25%) | (56.56%) | 636.67% | - |

Reason(s) of fluctuation:**Reasons for changes of revenue**

As it can be observed from the above table, the overall revenue has been increased over the years due to increase in business volume.

Reasons for Changes in other income

Other income reduced due to change in customized product and revaluation loss.

Reasons for changes in total income

Total income is combination of revenue & other income hence aforesaid explanation is applicable here also.

Reasons for changes in cost of material

The cost of goods sold increased due to increase in business volume. The expansion of tiles took place in year 2014 & new sanitary ware production was started in the beginning of year 2015.

Reasons for changes in finance cost

Finance has been arranged from different financial institutions to meet the business demand & interest rate has also reduced over the years. In 2014 and 2015 financial cost was relatively high due to as capital expenditure was incurred on expansion of tiles & set up of sanitary ware plant.

Reasons for changes in depreciation and amortization expense

Fixed assets were capitalized in the year 2014 & 2015 for expansion of tiles plant and set up of sanitary are plant.

Reasons for changes in other expense

Not applicable

Reasons for changes in inventories

Major raw materials and spare parts are being imported from different countries the company need to maintain minimum level of inventories to continue the operations. Finished stock level is maintained to ensure that customer get the product within their reach.

Reasons for changes in net profit before & after tax/EPS

Net income of the year 2017 increased due to increase in production capacity & reduction of finance cost as compare to previous years.

(d) Known trends demands, commitments, events or uncertainties that are likely to have an effect on the company's business:

The company has no known trends demands, event or uncertainties that are likely to have an effect on the company's business except the known trends and uncertainties which have been mentioned in Section vi(f)(ii)(e) Similarly the company has no commitments that are likely to have an effect on the company's business other than as specified in the section-XXII under the head of "Use of Proceeds" of this prospectus.

(e) Trends or expected fluctuations in liquidity:

The company had run with moderate liquidity in its first few years of operation. But the company is currently enjoying working capital facilities in different modes from various financial institutions, through which it is managing adequate liquidity for disbursing its payments for procuring raw materials to carry out its operations.

From the cash flow of the company, it has been revealed that the company can generate sufficient fund internally to repay its debt and other liabilities. The company generated operating cash flow of Tk. 657.28 million for the year ended December 31, 2017 to fulfill its liquidity and obligations.

(f) Off-balance sheet arrangements those have or likely to have a current or future effect on financial condition.

There are no off-balance sheet arrangements those have or likely to have a current or future effect on financial condition.

SECTION – VIII

DIRECTORS AND OFFICERS

(a) Name, Father's name, age, residential address, educational qualification, experience and position of each of the directors of the company and any person nominated/represented to be a director, showing the period for which the nomination has been made and the name of the organization which has nominated him:

| Sl. | Name of Director | Father's Name | Age | Residential Address | Educational qualification | Experience | Position |
|-----|---|-----------------------|-----|---|---|------------|----------------------|
| 1. | Syed A.K. Anwaruzzaman | Late Syed Qamruzzaman | 63 | House- SE 4, Road-137, Gulshan-1 Dhaka. | B.Sc.(Ag) Studied in Bangladesh Agriculture University, Mymensingh 1973-1977. | 40 years | Chairman |
| 2. | Qamar-Uz-Zaman | S.A.K. Ekramuzzaman | 30 | House No. 20, Road No. 18, Block No. J, Banani, Gulshan, Dhaka. | M.Sc.on business management from the Queen Mary University, USA | 6 years | Managing Director |
| 3. | Engr. Syyed Ahmed (Nominated Director of Star Bangladesh Holding Ltd.) | Md. Afsar Ali | 67 | House-20, Road-3/c, Sector-9, Uttara, Dhaka-1230 | B. Sc in Mechanical Engr. (BUET) | 44 years | Director |
| 4. | Bernard Gilbert Massaad (Nominated Director of Star Bangladesh Holding Ltd.) | Dr. Khater Massaad | 29 | AinSaade, BeitMerri, Al Baten Ares, Lebanon | Post Graduate | 5 years | Director |
| 5. | Pratima Sarkar | Nirmal Chandra Sarkar | 62 | Road #5 House # 32 Flat# A-5, Sector# 3 Uttara, Dhaka | BA Hon's MA in Economics | 36 years | Independent Director |

| Sl. | Name of Nominated/Representative Director | Period of Nomination | Name of Nominating Organization |
|-----|---|-------------------------|---------------------------------|
| 1. | Engr. Syyed Ahmed | Since November 21, 2017 | Star Bangladesh Holding Limited |
| 2. | Bernard Gilbert Massaad | Since May 20, 2017 | Star Bangladesh Holding Limited |

(b) The date on which he first became a director and the date on which his current term of office shall expire:

| Sl. | Name of Director | Position | Date of becoming Director for the first time in SCL | Date of expiration of current term in SCL |
|-----|---|----------------------|---|---|
| 1. | Syed A.K. Anwaruzzaman | Chairman | 06.03.2012 | November 20, 2020 |
| 2. | Qamar-Uz-Zaman | Managing Director | 20.05.2017 | November 20, 2020 |
| 3. | Engr. Syyed Ahmed (Nominated Director of Star Bangladesh Holding Ltd.) | Director | 21.09.2010 | In the AGM of 2018 |
| 4. | Bernard Gilbert Massaad (Nominated Director of Star Bangladesh Holding Ltd.) | Director | 20.05.2017 | In the AGM of 2018 |
| 5. | Pratima Sarkar | Independent Director | 07.12.2017 | N/A |

(c) If any director has any type of interest in other businesses, names and types of business of such organizations. If any director is also a director of another company or owner or partner of any other concern, the names of such organizations:

Directors' interest in other Business

| SL. No. | Name of Directors | Directorship/Sponsorship/Ownership with other Company | | Position |
|---------|-------------------------|---|-----------------------|-------------------|
| | | Name of Company | Type of Business | |
| 1. | Syed A.K. Anwaruzzaman | SM Knitwears Ltd. | Manufacturing | MD |
| | | SM Aabashon Ltd. | Real Estate | Chairman |
| | | Marina Property (BD) Ltd. | Developer | MD |
| | | SM Carton & Accessories Ltd. | Manufacturing | Chairman |
| | | SM Style Ltd. | Manufacturing | MD |
| | | Ashaloy Housing & Developers Ltd. | Real Estate | Director |
| | | Julphar Bangladesh Ltd. | Manufacturing | Director |
| | | Mohammed Food & Allied (Pvt.) Ltd. | Restaurant | Chairman |
| | | Golden Jute Industries Ltd. | Manufacturing | Chairman |
| | | SM Spinning Mills Ltd. | Manufacturing | MD |
| | | Marina Pack Ltd. | Manufacturing | Chairman |
| | | Marina Park & Resorts Ltd. | Park | MD |
| | | Star Porcelain (Pvt.) Ltd | Manufacturing | Director |
| | | Rakeen Development Company (BD) Ltd. | Developer | Director |
| | | Pride Jute Mills Ltd. | Manufacturing | Chairman |
| | | Shamol Bangla Media Ltd. | Electronic Media | MD |
| | | Pellikan Plastic & Packaging (Pvt.) Ltd. | Manufacturing | Director |
| | | Sirajganj Economic Zone Ltd. | Private Economic Zone | Director |
| | | SM Industrial Holdings Ltd. | Holding Company | MD |
| 2. | Qamar-Uz-Zaman | Speed Way International Pvt. Ltd. | Service | Director |
| | | RAK Paints Ltd. | Manufacturing | Managing Director |
| | | RAK Consumer Products Ltd. | Manufacturing | Director |
| | | Wizemanns Bogie Consultants Pvt. Ltd. | Service | Director |
| | | Palli Properties Pte. Ltd. | Real Estate | Director |
| | | Automatic Bricks & Ceramics Ltd. | Manufacturing | Director |
| | | Sky Bird Travel Agents Pvt. Ltd. | Service | Director |
| 3. | Engr. Syyed Ahmed | Mohammed Foods & Allied Ltd. | Service | MD |
| | | Odyssey International | Service | Proprietor |
| | | Brahmanbaria Traders | Service | Partner |
| | | Meghna Traders | Trading | Partner |
| | | Famous Overseas | Service | Partner |
| | | Drooty Ltd. | Service | Chairman |
| | | MRS International | Trading | Proprietor |
| 4. | Bernard Gilbert Massaad | Nil | Nil | Nil |
| 5. | Pratima Sarkar | Nil | Nil | Nil |

(d) Statement of if any of the directors of the issuer are associated with the securities market in any manner. If any director of the Issuer company is also a director of any issuer of other listed securities during last three years then dividend payment history and market performance of that issuer:

There is no involvement of any director of Star Ceramics Limited with securities market. No director of Star Ceramics Limited is a director of any issuer of other listed securities.

(e) Any family relationship (father, mother, spouse, brother, sister, son, daughter, spouse's father, spouse's mother, spouse's brother, spouse's sister) among the directors and top five officers:

There is no such relationship among the directors and top five officers.

(f) A very brief description of other businesses of the directors:

A very brief description of other businesses of the directors:

| Sl. No. | Name of Director | Position in the Issuer company | Directorship/Ownership with Other Companies | Brief Description |
|---------|------------------------|--------------------------------|---|-------------------------------------|
| 01. | Syed A.K. Anwaruzzaman | Chairman | SM Knitwears Ltd. | Knitwear Product Manufacture |
| | | | SM Aabashon Ltd. | Land Developer & Housing |
| | | | Marina Property (BD) Ltd. | Real estate |
| | | | SM Carton & Accessories Ltd. | Manufacturing Carton & Poly Bag |
| | | | SM Style Ltd. | Garments Accessories |
| | | | Ashaloy Housing & Developers Ltd. | Land developer & housing |
| | | | Julphar Bangladesh Ltd. | Manufacturing of Medicine |
| | | | Mohammed Food & Allied (Pvt.) Ltd. | Pizza Food |
| | | | Golden Jute Industries Ltd. | Manufacturing Jute Yarn |
| | | | SM Spinning Mills Ltd. | Manufacturing Yarn |
| | | | Marina Pack Ltd. | Manufacturing Carton & Poly Bag |
| | | | Marina Park & Resorts Ltd. | Park and Resorts |
| | | | Star Porcelain (Pvt.) Ltd | Manufacturing of Ceramic Table ware |
| | | | Rakeen Development Company (BD) Ltd. | Land developer & housing |
| | | | Pride Jute Mills Ltd. | Manufacturing Jute Yarn |
| | | | Shamol Bangla Media Ltd. | Electronic media |
| | | | Pellikan Plastic & Packaging (Pvt.) Ltd. | Manufacturing of carton |
| | | | Sirajganj Economic Zone Ltd. | Developer of Economic Zone |
| | | | SM Industrial Holdings Ltd. | Knitwear Product Manufacture |
| 02. | Qamar-Uz-Zaman | Managing Director | Speed Way International Pvt. Ltd. | C&F Agent |
| | | | RAK Paints Ltd. | Manufacturing of paints |
| | | | RAK Consumer Products Ltd. | Manufacturing of consumer products |
| | | | Wizemanns Bogie Consultants Pvt. Ltd. | Consultant Firm |
| | | | Palli Properties Pte. Ltd. | Real Estate |
| | | | Automatic Bricks & Ceramics Ltd. | Manufacturing of Bricks |
| | | | Sky Bird Travel Agents Pvt. Ltd. | Air Ticketing |

| Sl. No. | Name of Director | Position in the Issuer company | Directorship/Ownership with Other Companies | Brief Description |
|---------|---|--------------------------------|---|---|
| 03. | Engr. Syyed Ahmed (Nominated Director of Star Bangladesh Holding Ltd.) | Director | Mohammed Foods & Allied Ltd. | Food and Restaurant service |
| | | | Odyssey International | Service Providing |
| | | | Brahmanbaria Traders | Traders of tiles and sanitary ware products |
| | | | Meghna Traders | Traders of tiles and sanitary ware products |
| | | | Famous Overseas | Traders of tiles and sanitary ware products |
| | | | Drooty Ltd. | Service Providing |
| | | | MRS International | Traders of tiles and sanitary ware products |
| 04. | Bernard Gilbert Massaad (Nominated Director of Star Bangladesh Holding Ltd.) | Director | Nil | Nil |
| 05. | Pratima Sarkar | Independent Director | Nil | Nil |

(g) Short bio-data of each director:

Syed A. K. Anwaruzzaman, Chairman:

Syed A.K. Anwaruzzaman, Chairman of Star Ceramics Limited is a successful entrepreneur of our country enjoying CIP status since 2008. He studied B.Sc. from Bangladesh Agriculture University Mymensingh in the year 1977. He engaged himself with business of construction materials in the year 1991. As Chairman and CEO of the SM Group, he has diversified his business from the Garments & Accessories sector to the Construction Materials and Real Estate sector spreading over home and abroad. He has equity interest in SM Knitting Industries Ltd., SM Knitwears Ltd., SM Carton & Accessories Ltd., SM Aabashon Ltd., Marina Property (BD) Ltd., in Bangladesh, Dubai Steel Mills in Sudan, Siji Bldg. Materials Ltd., Abdullah Al Zaabi Bldg. Materials LLC, in Dubai, UAE. He has founded many Schools, Colleges, Madrasas, Mosques and Hospitals in his locality. Moreover his contribution in free medical treatment, monthly pension scheme to the elderly persons as well as for the widows and educational scholarship for the meritorious. Many times he extended financial supports to the needy fathers of distress daughters in their marriage ceremony. In addition he contributed, several times, to the State Relief Fund in time of national calamities and severe cold waves.

Anwaruzzaman has more than 40 years of business experience which includes Garments, Real Estate, Pharmaceuticals, Ceramics Industry and Electronic Media.

Qamar-Uz-Zaman, Managing Director:

Qamar-Uz-Zaman is the Managing Director of Star Ceramics Limited and the member of the Audit Committee of the Company. After completion of Bachelor of Science (B.Sc), Business Administration and Management from the Kean University; in USA and Masters of Science (M.Sc) on business management from the Queen Mary University, Zaman is holding the position of Managing Director in RAK Paints Limited. Besides this Zaman is also the Member of the Board of Directors of RAK-Mosfly (BD) Pvt. Ltd. and Automatic Bricks and Ceramics Pvt. Ltd.

Zaman has more than 6 years of experience in strategic management, corporate management, administration, planning and decision making etc. Now he is a very potential businessman in the country.

Eng. Syyed Ahmed, Director

Eng. Syyed Ahmed is the Director of Star Ceramics Limited and the member of the Audit Committee of the Company. He is a successful businessperson having mechanical engineering degree from BUET. He is also the Managing Director of Mohammed Food & Allied Pvt. Ltd. (Pizza Inn). He has experience in diversified business sectors for more than 44 years in the country as well as in abroad.

Bernard Gilbert Massaad, Director

Bernard Gilbert Massaad is the Director of Star Ceramics Limited and the member of the Audit Committee of the Company. After completion his MPhil Industrial systems, Manufacture and Management from University of Cambridge-

Institute for Manufacture UK, Bernard Gilbert involve infamily business in several countries such as Bangladesh, Saudi Arabia, India and Nigeria.

Bernard Gilbert Massaad has more than 5 years of experience in corporate management, business administration, planning and decision making. He is very young and energetic businessman in the field of ceramic industry.

Pratima Sarkar, Independent Director

Pratima Sarkar is the Independent Director of Star Ceramics Limited and the Chairman of the Audit Committee of the Company. After completion of Hon's and Masters in Economics from Government B.M. College, Barisal in 1975 and 1978 respectively she started her career as an officer in the Ministry of Youth and she worked there up to 1982 and from there she switched her job to a foreign bank named Bank Indosuez which later became renamed as Bank of Ceylon in 1993.

In 1986 she joined the Taxation department under the Ministry of Finance. She retired from her job in 2014 as an Additional Commissioner of Taxes. Pratima has over 36 years of experience in government and non-government jobs.

(h) Loan status of the issuer, its directors and shareholders who hold 10% or more shares in the paid-up capital of the issuer in terms of the CIB Report of Bangladesh Bank:

Neither the Company nor any of its directors and shareholders who hold 10% or more shares in the paid up capital of SCL is loan defaulter in terms of the CIB report of Bangladesh Bank.

(i) Name with position, educational qualification, age, date of joining in the company, overall experience (in year), previous employment, salary paid for the financial year of the Chief Executive Officer, Managing Director, Chief Financial Officer, Company Secretary, Advisers, Consultants and all Departmental Heads. If the Chairman, any director or any shareholder received any monthly salary than this information should also be included:

(Amount in BDT)

| Sl. | Name | Position | Educational qualification | Age (Years) | Date of joining | Overall experience (in year) | Previous employment | Salary paid for the financial year |
|-----|------------------------|-------------------------|---|-------------|-----------------|------------------------------|--------------------------------------|------------------------------------|
| 1. | Qamar-Uz-Zaman | Managing Director | M.Sc. on business management from the Queen Marry University, USA | 30 | 20/05/2017 | 6 | RAK Paints Ltd. | Nil |
| 2. | Md. Moallimul Islam | Chief Executive Officer | Graduate | 51 | 01/11/2010 | 24 | RAK Ceramics UAE | 10,782,744 |
| 3. | C.A. Ajay Kumar | Chief Financial Officer | Qualified Chartered Accountant from ICAI, India | 39 | 25/07/2012 | 12 | RAK (Gaoyo) Ceramics Co. Ltd., China | 8,480,075 |
| 4. | Syed Ali Abdullah Jami | GM- Sales and Marketing | MBA | 49 | 16/04/2012 | 27 | RAK Ceramics (BD) Ltd. | 4,095,840 |
| 5. | Mohammad Saiful Islam | Head of Internal Audit | Qualified Cost and Management Accountant from ICMAB, Dhaka | 40 | 26/09/2011 | 11 | RAK Group Bangladesh | 3,225,000 |

| Sl. | Name | Position | Educational qualification | Age (Years) | Date of joining | Overall experience (in year) | Previous employment | Salary paid for the financial year |
|-----|----------------------------|-----------------------|---|-------------|-----------------|------------------------------|---|------------------------------------|
| 6. | Anjaneyulu Kondamuri | AGM, Production-Tiles | Bachelor's in Ceramic Technology from Indian Institute of Ceramics, Kolkata | 37 | 13/08/2012 | 18 | 1. Malwa Mirage Ceramics, Pune, Maharashtra, India 2. Torrecid India Pvt. Ltd., Mumbai, India 3. Nitco Tiles Ltd., Alibaug, India | 5,015,739 |
| 7. | Devi Reddy Srinivasa Reddy | GM, Production-SWD | Diploma in Ceramics (Potteries & Refectories) | 57 | 21/11/2013 | 31 | 1. RAK Ceramics (UAE) Ltd. 2. Hindustan Sanitary Ware, India 3. Universal Ceramics, India | 7,543,093 |
| 8. | Mahmudul Hasan Akhand | AGM- HR & Admin | MBA in HRM | 35 | 01/01/2015 | 13 | 1. Anwar Group of Industries 2. Viyellatex Group 3. Envoy Group | 1,549,000 |
| 9. | Mohammad Arif Ullah | AGM- Purchase | BBA, MBA (Marketing), Dhaka University | 40 | 24/02/2011 | 13 | RAK Ceramics (BD) Ltd. | 1,644,539 |
| 10. | Abu Jafar Ali | Company Secretary | Qualified Chartered Secretary from ICSB, Dhaka | 38 | 01/06/2017 | 15 | RAK Ceramics (BD) Ltd. | 560,000 |

(j) Changes in the key management persons during the last three years. Any change otherwise than by way of retirement in the normal course in the senior key management personnel particularly in charge of production, planning, finance and marketing during the last three years prior to the date of filing the information memorandum. If the turnover of key management personnel is high compared to the industry, reasons should be discussed:

There is no change in the key management persons during the last three years. There is also no change otherwise than by way of retirement in the normal course in the senior key management personnel particularly in charge of production, planning, finance and marketing during the last three years prior to the date of filling the prospectus.

(k) A profile of the sponsors including their names, father's names, age, personal addresses, educational qualifications, and experiences in the business, positions/posts held in the past, directorship held, other ventures of each sponsor and present position:

| Sl. | Name of the promoters* |
|-----|---|
| 1 | Star Investment S.A.L., Lebanon (Represented by Engr. Syyed Ahmed) |
| 2 | S.A.K. Ekramuzzaman |
| 3 | Md. Amir Hossain |
| 4 | Appukuttan Jayakumar |
| 5 | S. Peruma Reddy |
| 6 | Dynamic Business Alliance Pvt. Ltd. (Represented by Imtiaz Hussain) |

| Name of the Sponsors, Father's Name and Personal Address | Age | Educational Qualification | Experience | Positions/Posts | | Other ventures of each sponsor and present position | |
|--|-----|---------------------------|------------|-----------------|---------|---|----------|
| | | | | Past | Present | Name of the company | Position |
| Name: Star Investment S.A.L., Lebanon Father's Name: N/A Personal address: N/A | N/A | N/A | N/A | Shareholder | N/A | N/A | N/A |
| Name: Appukuttan Jayakumar Father's Name: Late Appukuttan Nair Personal address: Nalinam TC, 36,593-2 Shasthamkulam lane, perumathanani, vallakadavu-Trivandrum India | N/A | N/A | N/A | Shareholder | N/A | N/A | N/A |
| Name: S. Peruma Reddy Father's Name: Peruma Reddy Lakshmi Narayana Reddy Personal address: W-7/281, Mullabari Lane, Gudur-52410101 A.P. India. | N/A | N/A | N/A | Shareholder | N/A | N/A | N/A |

| Name of the Sponsors, Father's Name and Personal Address | Age | Educational Qualification | Experience | Positions/Posts | | Other ventures of each sponsor and present position | |
|--|-----|---------------------------|------------|-------------------|-------------|---|-------------------|
| | | | | Past | Present | Name of the company | Position |
| Name: S.A.K. Ekramuzzaman Father's Name: Late Syed Qamruzzaman Personal address: House No. 20, Road No. 18, Block No. J, Banani, Dhaka. | 60 | | | Managing Director | Shareholder | RAK Ceramics (Bangladesh) Limited | Managing Director |
| | | | | | | Julphar Bangladesh Ltd | Managing Director |
| | | | | | | RAK Consumer Products Ltd. | Managing Director |
| | | | | | | RAK Paints Pvt. Ltd. | Chairman |
| | | | | | | Rakeen Development Company (BD) Pvt. Ltd. | Managing Director |
| | | | | | | RAK Capital Ltd. | Chairman |
| | | | | | | M/S. Mohammed Trading | Proprietor |
| | | | | | | Palli Properties Pte. Limited | Managing Director |
| | | | | | | Kea Printing & Packaging Industries. | Managing Partner |
| | | | | | | Green Planet Communication Pvt. Ltd | Chairman |
| | | | | | | Shamol Bangla Media Ltd. | Director |
| | | | | | | Wizemanns Bogie Consultants Pvt. Ltd. | Director |
| | | | | | | Automatic Bricks & Ceramics Pvt. Ltd | Chairman |
| | | | | | | SM Spinning Mills Ltd | |
| | | | | | | Star Porcelain Pvt. Ltd | Managing Director |
| | | | | | | Ashaloy Housing & developers ltd | Director |
| | | | | | | SM Knitwears Ltd | Director |
| | | | | | | Marina Park & Resorts Ltd | Director |
| | | | | | | SM Abashon Ltd. | Director |
| | | | | | | Pelikan Plastic & Packaging Pvt. Ltd. | Managing Director |

| Name of the Sponsors, Father's Name and Personal Address | Age | Educational Qualification | Experience | Positions/Posts | | Other ventures of each sponsor and present position | |
|---|-----|---------------------------|------------|-----------------|-------------|---|-------------------|
| | | | | Past | Present | Name of the company | Position |
| Name: Md. Amir Hossain Father's Name: Md. Mobarak Hossain Personal address: House No. 22, Road No. 11, Sector No. 01, Uttara, Dhaka-1230. | 49 | Bachelor of Commerce | 27 years | Shareholder | Shareholder | Global Business Associates (Pvt. Ltd) | Managing Director |
| | | | | | | Swiss- Bangladesh Agro Fisheries Pvt. Ltd. | Director |
| | | | | | | Kea Printing & Packaging Industries. | Partner |
| | | | | | | Swiss – Bangladesh Cattle Pvt. Ltd. | Director |
| | | | | | | Automatic Bricks and Ceramics Pvt. Ltd. | Director |
| | | | | | | GBA Techno Pvt. Ltd | |
| | | | | | | Pelikan Plastic & Packaging Pvt. Ltd. | Director |
| | | | | | | Amas Industries Ltd. | Managing Director |
| | | | | | | GBA Traders | Partner |
| Name: Dynamic Business Alliance Pvt. Ltd. Father's Name: N/A Personal address: N/A | N/A | N/A | N/A | Shareholder | N/A | N/A | N/A |

(I) If the present directors are not the sponsors and control of the issuer was acquired within five years immediately preceding the date of filing prospectus details regarding the acquisition of control, date of acquisition, terms of acquisition, consideration paid for such acquisition etc:

| Name of Directors | Acquisition of Control | Date of Acquisition | Terms of Acquisition | Consideration paid for such Acquisition |
|---|------------------------|---------------------|-------------------------|---|
| Syed A.K. Anwaruzzaman | Chairman | 21.11.2017 | No terms of acquisition | Cash |
| Qamar-Uz-Zaman | Managing Director | 21.11.2017 | No terms of acquisition | Gift |
| Engr. Syyed Ahmed (Nominated Director of Star Bangladesh Holding Ltd.) | Director | 08.01.2013 | No terms of acquisition | Cash |
| Bernard Gilbert Massaad (Nominated Director of Star Bangladesh Holding Ltd.) | Director | 20.05.2017 | No terms of acquisition | Cash |
| Pratima Sarkar | Independent Director | 07.12.2017 | No terms of acquisition | N/A |

(m) If the sponsors or directors do not have experience in the proposed line of business, the fact explaining how the proposed activities would be carried out or managed:

All the sponsors as well as directors of the Company have adequate experience to carry out the existing line of business.

(n) Interest of the key management persons:

There is no other interest with the key management of the company.

The Company does not pay any fee for attending in the Board meeting to its Directors;

The Company did not pay any remuneration & festival bonus to the Chairman and the Managing Director of the company.

The Company did not pay any remuneration & festival bonus to any Directors; and

There is no contract with any director/officer for future compensation

(o) All interests and facilities enjoyed by a director, whether pecuniary or non-pecuniary:

There were no such interests and facilities in the form of pecuniary and non-pecuniary enjoyed by the Directors.

(p) Number of shares held and percentage of share holding (pre issue):

| S. No. | Name | No. of shares | Present shareholding percentage (%) |
|--------------|------------------------------|--------------------|-------------------------------------|
| 1. | Star Bangladesh Holding Ltd. | 65,337,000 | 43.50 |
| 2. | S.A.K. Ekramuzzaman | 52,570,000 | 35.00 |
| 3. | Syed A.K. Anwaruzzaman | 15,020,000 | 10.00 |
| 4. | Qamar-Uz-Zaman | 7,510,000 | 5.00 |
| 5. | Md. Amir Hossain | 4,506,000 | 3.00 |
| 6. | Engr. Syyed Ahmed | 1,502,000 | 1.00 |
| 7. | Fazle Hasan Akbar | 1,502,000 | 1.00 |
| 8. | Jahirul Reza | 751,000 | 0.50 |
| 9. | Imtiaz Hussain | 751,000 | 0.50 |
| 10. | Mahbubur Rahman | 751,000 | 0.50 |
| Total | | 150,200,000 | 100 |

(q) Change in board of directors during last three years:

| Sl. No. | Name of Directors | Date of Joining | Present Status | Remarks |
|---------|--|-----------------|----------------------|---|
| 1. | Dr. Khater Massaad (Nominated Director of Star Bangladesh Holding Ltd) | 08.01.2013 | Retired | Retired |
| 2. | Syed A.K. Anwaruzzaman | 06.03.2012 | Chairman | Elected Chairman on November 21, 2017 |
| 3. | Qamar-Uz-Zaman | 20.05.2017 | Managing Director | Appointed Managing Director on November 21, 2017 |
| 4. | Engr. Syyed Ahmed (Nominated Director of Star Bangladesh Holding Ltd) | 21.11.2017 | Director | Resigned as shareholder director and appointed as nominated director of Star Bangladesh Holding Ltd. on November 21, 2017 |
| 5. | Bernard Gilbert Massaad (Nominated Director of Star Bangladesh Holding Ltd) | 20.05.2017 | Director | Newly appointed |
| 6. | Pratima Sarkar | 07.12.2017 | Independent Director | Newly appointed |

(r) Director's engagement with similar business:

There is no engagement of any director with similar business.

SECTION IX

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

(a) The prospectus shall contain a description of any transaction during the last five years, or any proposed transactions certified by the auditors, between the issuer and any of the following persons, giving the name of the persons involved in the transaction, their relationship with the issuer, the nature of their interest in the transaction and the amount of such interest namely :-

- (i) Any director or sponsor or executive officer of the issuer;
- (ii) Any person holding 5% or more of the outstanding shares of the issuer;
- (iii) Any related party or connected person of any of the above persons.

AUDITORS' CERTIFICATE REGARDING RELATED PARTY TRANSACTIONS

Based on our scrutiny of the books of accounts and records as well as relevant financial statements and disclosures thereto of Star Ceramics Limited (the "Company") for the years 2013 to 2017 which have been prepared by management and produced to us for review, we, being the auditors of Star Ceramics Limited for the years 2013 to 2017, certify that the Company entered into the following transactions during the last five years with entities and persons who fall into certain category as listed below:

- (i) Any director or sponsor or executive officer of the issuer;
- (ii) Any person holding 5% or more of the outstanding shares of the issuer; and
- (iii) Any related party or connected person of any of the above persons.

(Amount in Taka)

| Name of Related Parties | Relationship | Nature of transactions | 31/Dec/2017 | | 31/Dec/2016 | | 31/Dec/2015 | |
|---------------------------------------|-------------------------|-------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | | | Transactions during the period | Closing receivable/(payable) | Transactions during the period | Closing receivable/(payable) | Transactions during the period | Closing receivable/(payable) |
| Kea Printing & Packaging Industries | Common shareholder | Purchase of Goods | 1,810,812 | (208,515) | 116,649,561 | (5,497,702) | 125,226,831 | (51,098,597) |
| Green Planet Communications Pvt. Ltd. | Common shareholder | Purchase of services | 20,220,396 | (3,774,643) | 18,957,370 | (1,054,247) | 12,627,233 | (1,043,829) |
| Sky Bird Travel Agents (Pvt) Ltd. | Common shareholder | Purchase of services | 2,109,063 | (150,862) | 1,270,535 | (92,848) | 3,144,051 | (372,313) |
| Rak Paints Pvt. Limited | Common shareholder | Purchase of goods | 578,673 | (14,194) | 220,654 | (93,453) | 577,568 | (54,464) |
| Rak Security & Services Pvt. Ltd. | Common shareholder | Purchase of services | 7,955,626 | (1,885,451) | 10,964,184 | (2,455,829) | 32,409,862 | (3,691,645) |
| Mrs. Sylina Jaman Akbar | Relative of Shareholder | Head office rent | 4,427,500 | (345,000) | 4,068,000 | (345,000) | 3,869,500 | (211,856) |
| Pelikan Plastic & Packaging | Common shareholder | Purchase of goods | 159,558,182 | (19,188,019) | 38,488,001 | (17,132,535) | - | - |
| Speedway International Pvt. Ltd. | Common shareholder | Purchase of services | 40,375,584 | (5,669,984) | 21,650,085 | (250,085) | - | - |
| Rakeen Development Company (BD) Ltd. | Common shareholder | Purchase of floor space | 362,260,000 | (132,260,000) | - | 230,000,000 | - | 80,000,000 |
| | | Sale of goods | 115,427,616 | 44,618,137 | - | - | - | - |
| | | Common expense | - | (231,465) | 231,465 | (231,465) | - | - |
| Mohammad Trading | Common shareholder | Sale of goods | 1,434,258,386 | 229,490,364 | 1,267,652,562 | 85,217,656 | 1,232,691,394 | 83,147,592 |
| Palli Enterprise | Common shareholder | Sale of goods | 77,384,468 | - | 175,256,824 | 34,755,152 | 135,901,276 | 28,506,807 |
| Ipsheeta Enterprise | Common shareholder | Sale of goods | 31,802,311 | - | 86,091,869 | 23,767,409 | 66,864,542 | 14,966,915 |
| Future Trading Company | Common shareholder | Sale of goods | 129,464,828 | - | 152,442,285 | 47,158,905 | 297,727,997 | 169,551,662 |

| Name of Related Parties | Relationship | Nature of transactions | 31/Dec/2017 | | 31/Dec/2016 | | 31/Dec/2015 | |
|--------------------------|--------------------|------------------------|--------------------------------|-------------------------------|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | | | Transactions during the period | Closing receivable/ (payable) | Transactions during the period | Closing receivable/ (payable) | Transactions during the period | Closing receivable/ (payable) |
| Term Trading | Common shareholder | Sale of goods | 194,791,434 | 36,042,647 | 193,396,158 | 30,072,985 | 133,593,986 | 21,416,022 |
| Star Porcelain Pvt. Ltd. | Common shareholder | Purchase of goods | 3,881,087 | (1,306,975) | 792,206 | (925,888) | 773,682 | (773,682) |
| | | Sale of goods | - | 1,038,970 | - | 1,038,970 | 1,080,584 | 1,038,970 |
| | | Common expense | (271,746) | (71,974) | (133,046) | (343,720) | 456,966 | (476,766) |

Sd/-

Place: Dhaka
Date: 20 February 2018

Hoda Vasi Chowdhury & Co
Chartered Accountants

(b) Any transaction or arrangement entered into by the issuer or its subsidiary or associate or entity owned or significantly influenced by a person who is currently a director or in any way connected with a director of either the issuer company or any of its subsidiaries or holding company or associate concerns, or who was a director or connected in any way with a director at any time during the last three years prior to the issuance of the prospectus:

There is no transaction or arrangement entered into by the issuer or its subsidiary or associate or entity owned or significantly influenced by a person who is currently a director or in any way connected with a director of either the issuer company or any of its subsidiaries/ holding company or associate concerns, or who was a director or connected in any way with a director at any time during the last three years prior to the issuance of the prospectus except the transaction mentioned in Section (ix) (a).

(c) Any loans either taken or given from or to any director or any person connected with the director, clearly specifying details of such loan in the prospectus, and if any loan has been taken from any such person who did not have any stake in the issuer, its holding company or its associate concerns prior to such loan, rate of interest applicable, date of loan taken, date of maturity of loan and present outstanding of such loan:

There were no loans either taken or given to any director or any person connected with the director. And also there were no loan which has been taken from any such person who did not have any stake in the issuer, its holding company or its associate concerns.

SECTION X

EXECUTIVE COMPENSATION

(a) The total amount of remuneration or salary or perquisites paid to the top five salaried officers of the issuer in the last accounting year and the name and designation of each such officer:

The total amount of remuneration/salary/perquisites paid to the top five salaried officers during the last Accounting Year **

| Sl. | Name | Designation |
|-----|----------------------------|-------------------------|
| 01 | Md. Moallimul Islam | Chief Executive Officer |
| 02 | C.A. Ajay Kumar | Chief Financial Officer |
| 03 | Syed Ali Abdullah Jami | GM-Sales & Marketing |
| 04 | Anjaneyulu Kondamuri | AGM, Production-Tiles |
| 05 | Devi Reddy Srinivasa Reddy | AGM, Production-SWD |

**The aggregate amount paid to the above mentioned employees as remuneration was Tk. 35,917,491 in the last accounting year ended December 31, 2017.

(b) Aggregate amount of remuneration paid to all directors and officers as a group during the last accounting year:

(As per Audited Accounts)

| Particulars | Nature of Payment | Remuneration For the year 2017 (BDT) |
|--------------|----------------------------------|--------------------------------------|
| Director | Board meeting Fee | Nil |
| | Remuneration | Nil |
| Officers | Salary, Bonus & other Allowances | 338,325,691 |
| Total | | 338,325,691 |

(c) If any shareholder director received any monthly salary or perquisite or benefit it must be mentioned along with date of approval in AGM or EGM, terms thereof and payments made during the last accounting year:

The Company did not pay any monthly salary or perquisite or benefit to any shareholder director during the last accounting year.

d) The board meeting attendance fees received by the director including the managing director along with date of approval in AGM or EGM:

No directors including the managing director of Star Ceramics Limited received board meeting attendance fees in the last accounting year.

(e) Any contract with any director or officer providing for the payment of future compensation:

There is no contract with any Director or officer providing for the payment of any future compensation.

(f) If the issuer intends to substantially increase the remuneration paid to its directors and officers in the current year, appropriate information regarding thereto:

Except for normal annual increment and allowances, there is no plan for substantial pay increase to its officers and directors in the current year.

(g) Any other benefit or facility provided to the above persons during the last accounting year:

No directors and officers of the Company received any other benefit or facility in the last accounting year except which is disclosed above.

SECTION XI

OPTIONS GRANTED TO DIRECTORS, OFFICERS AND EMPLOYEES

(1) The following information in respect of any option held by each director, the salaried officers, and all other officers as a group, namely: -

- i. The date on which the option was granted;**
- ii. The exercise price of the option;**
- iii. The number of shares or stock covered by the option;**
- iv. The market price of the shares or stock on the date the option was granted;**
- v. The expiration date of the option;**
- vi. Consideration against the option.**

No options have been granted by the Company to any director, officers or employees.

(2) If such options are held by any person other than the directors, and the officers of the issuer company, the following information shall be given in the prospectus, namely:-

- i. The total number of shares or stock covered by all such outstanding options;**
- ii. The range of exercise prices;**
- iii. The range of expiration dates;**
- iv. Justification and consideration of granting such option.**

No options have been granted by the Company to any director, officers or employees.

SECTION XII

TRANSACTION WITH THE DIRECTORS AND SUBSCRIBERS TO THE MEMORANDUM

(a) The names of the directors and subscribers to the memorandum, the nature and amount of anything of value received or to be received by the issuer from the above persons, or by the said persons, directly or indirectly, from the issuer during the last five years along with the description of assets, services or other consideration received or to be received:

Transaction with the Directors and Subscribers to the Memorandum during the last five years is given below:

(Amount in BDT)

| Name | Nature of Relationship | Nature of transaction | 31-Dec-2017 | 31-Dec-2016 | 31-Dec-2015 | 31-Dec-2014 | 31-Dec-2013 |
|---|---|-----------------------|-------------|-------------|-------------|-------------|-------------|
| Star Investment S.A.L * | Subscriber to the MOA | Remuneration | - | - | - | - | - |
| | | Dividend (Cash) | - | - | - | - | - |
| | | Dividend (Bonus) | - | - | - | - | - |
| Star Bangladesh Holding Ltd. (Represented by Barnerd Gilbert Massaad and Engr. Syyed Ahmed) | Directors | Remuneration | - | - | - | - | - |
| | | Dividend (Cash) | - | 31,035,075 | 30,211,447 | 27,031,295 | - |
| | | Dividend (Bonus) | - | - | - | - | - |
| Syed A.K. Anwaruzzaman | Chairman | Remuneration | - | - | - | - | - |
| | | Dividend (Cash) | - | 7,134,500 | 6,945,160 | 6,214,091 | - |
| | | Dividend (Bonus) | - | - | - | - | - |
| Qamar-Uz-Zaman | Managing Director | Remuneration | - | - | - | - | - |
| | | Dividend (Cash) | - | - | - | - | - |
| | | Dividend (Bonus) | - | - | - | - | - |
| Engr. Syyed Ahmed (Nominated Director of Star Bangladesh Holding Ltd.) | Resigned as Shareholder Director, Currently as Director | Remuneration | - | - | - | - | - |
| | | Dividend (Cash) | - | 713,450 | 694,516 | 621,409 | - |
| | | Dividend (Bonus) | - | - | - | - | - |
| S.A.K. Ekramuzzaman | Subscriber to the MOA | Remuneration | - | - | - | - | - |
| | | Dividend (Cash) | - | 28,538,000 | 27,780,641 | 24,856,363 | - |
| | | Dividend (Bonus) | - | - | - | - | - |
| Md. Amir Hossain | Subscriber to the MOA | Remuneration | - | - | - | - | - |
| | | Dividend (Cash) | - | 2,140,350 | 2,083,548 | 1,864,227 | - |
| | | Dividend (Bonus) | - | - | - | - | - |

| Name | Nature of Relationship | Nature of transaction | 31-Dec-2017 | 31-Dec-2016 | 31-Dec-2015 | 31-Dec-2014 | 31-Dec-2013 |
|--|------------------------|-----------------------|-------------|-------------|-------------|-------------|-------------|
| Appukuttan Jayakumar** | Subscriber to the MOA | Remuneration | - | - | - | - | - |
| | | Dividend (Cash) | - | - | - | - | - |
| | | Dividend (Bonus) | - | - | - | - | - |
| S. Peruma Reddy** | Subscriber to the MOA | Remuneration | - | - | - | - | - |
| | | Dividend (Cash) | - | - | - | - | - |
| | | Dividend (Bonus) | - | - | - | - | - |
| Dynamic Business Alliance Pvt. Ltd.*** | Subscriber to the MOA | Remuneration | - | - | - | - | - |
| | | Dividend (Cash) | - | - | - | - | - |
| | | Dividend (Bonus) | - | - | - | - | - |
| Pratima Sarkar | Independent Director | Remuneration | - | - | - | - | - |
| | | Dividend (Cash) | - | - | - | - | - |
| | | Dividend (Bonus) | - | - | - | - | - |

The details of changes in shareholding & Board position are as under:-

| Date | Particulars |
|------------------|---|
| 24 February 2011 | Dynamic Business Alliance Private Limited transferred 2,000,000 shares to S.A.K. Ekramuzzaman. |
| 6 March 2012 | Dynamic Business Alliance Private Limited transferred 1,000,000 shares to S.A.K. Anwaruzamman. |
| 6 March 2012 | Sponsor shareholders Appukuttan Jayakumar and S. Peruma Reddy transferred their entire shareholding to Star Investment S.A.L. and resigned from the Board. |
| 25 April 2012 | S.A.K. Ekramuzzaman transferred 100,000 shares to Engr. Syeed Ahmed, Fazle Hasan Akbar, Jahirul Reza, Imtiaz Hussain, Mahabubur Rahman each. |
| 11 May 2012 | S.A.K. Ekramuzzaman transferred 400,000 shares to Star Investment S.A.L. |
| 8 January 2013 | Engr. Syeed Ahmed resigned as chairman & Dr. Khater Massaad was nominated by Star Investment S.A.L. & elected as chairman. |
| 30 January 2014 | Star Investment S.A.L. transferred its entire shareholding to Star Bangladesh Holding Limited & Dr. Khater Massaad was nominated in the board on behalf of Star Bangladesh Holding Ltd. |
| 20 May 2017 | S.A.K. Ekramuzzaman transferred 7,510,000 shares to Qamar-Uz-Zaman. Bernard Gilbert Massaad was appointed as nominated director of Star Bangladesh Holding Limited. Qamar Uz Zaman was also appointed as director. |
| 21 November 2017 | Dr. Khater Massaad resigned from the board. S.A.K. Anwaruzzaman resigned as managing director & appointed as chairman while Qamar-Uz-Zaman continued as director and appointed as managing director. Engr. Syeed Ahmad resigned as shareholder director and appointed as nominee director of Star Bangladesh Holding Limited. |

(b) If any assets were acquired or to be acquired from the aforesaid persons, the amount paid for such assets and the method used to determine the price shall be mentioned in the prospectus, and if the assets were acquired by the said persons within five years prior to transfer those to the issuer, the acquisition cost thereof paid by them:

The Company did not acquire or plans to acquire any assets from its Directors or Subscribers to the Memorandum.

SECTION XIII

OWNERSHIP OF THE COMPANY'S SECURITIES

(a) The names, addresses, BO ID Number of all shareholders of the company before IPO, indicating the amount of securities owned and the percentage of the securities represented by such ownership, in tabular form:

| Name | Address | BO ID Number | No. of securities owned | Percentage |
|------------------------------|---|------------------|-------------------------|------------|
| Star Bangladesh Holding Ltd. | Woodbourne Hall, P.O Box 3162, Road Town, Tortola, British Virgin Islands. | 1602510064671862 | 65,337,000 | 43.50 |
| S.A.K. Ekramuzzaman | House No. 20, Road -18, Block-J, Banani Dhaka, Bangladesh | 1203680032995993 | 52,570,000 | 35.00 |
| Syed A.K. Anwaruzzaman | House- SE 4, Road-137, Gulshan-1 Dhaka. | 1602510064671755 | 15,020,000 | 10.00 |
| Qamar-Uz-Zaman | House No. 20, Road -18, Block-J, Banani Dhaka, Bangladesh | 1602510064671811 | 7,510,000 | 5.00 |
| Amir Hossain | House No. 20, Road No. 09, Sector No. 01, Uttara, Dhaka-1230. | 1202020058525784 | 4,506,000 | 3.00 |
| Engr. Syyed Ahmed | House-20, Road-3/c, Sector-9, Uttara, Dhaka-1230 | 1202190029862051 | 1,502,000 | 1.00 |
| Fazle Hasan Akbar | House-457, Road-8, Baridhara DOHS, Dhaka | 1602510064671897 | 1,502,000 | 1.00 |
| Jahirul Reza | Vill+Post- Dulla, Muktagasa, Mymensingh. | 1602510064671838 | 751,000 | 0.50 |
| Imtiaz Hussain | 'Globe Nibas' Flat # G & I (4th Floor), 56-57 Hossaini Dalan Road, Dhaka | 1203180018168979 | 751,000 | 0.50 |
| Mahbubur Rahman | Vill+Post- Raipur, P.S: Kendua, Netrokona. | 1602510064671889 | 751,000 | 0.50 |

(b) There shall also be a table showing the name and address, age, experience, BO ID Number, TIN number, numbers of shares held including percentage, position held in other companies of all the directors before the public issue:

| Name, Address, Age and Experience | BO ID Number | TIN Number | Detail of other Companies | | | |
|--|------------------|--------------|--|--------------------|-------|-------------------|
| | | | Name of the Company | No. of shares held | % | Position |
| Name: Syed A.K. Anwaruzzaman Address: House-SE 4, Road-137, Gulshan-1 Dhaka. Age: 63 years Experience: 40 years | 1602510064671755 | 186-104-0121 | Julphar Bangladesh Ltd. | 6,595,192 | 5.00 | Director |
| | | | S M Knitwears Ltd. | 4,790,038 | 48.38 | Managing Director |
| | | | S M Carton & Accessories Ltd. | 5,000 | 50.00 | Chairman |
| | | | S M Style Ltd. | 7,000 | 70.00 | Managing Director |
| | | | S M Abashon Ltd. | 101,880 | 33.29 | Chairman |
| | | | Shamol Bangla Media Ltd. | 10,000 | 10.00 | Managing Director |
| | | | Ashaloy Housing & Developers Ltd. | 140,000 | 14.00 | Director |
| | | | Marina Property (BD) Ltd. | 140,000 | 70.00 | Managing Director |
| | | | Mohammed Food & Allieds (Pvt.) Ltd. | 20,000 | 40.00 | Chairman |
| | | | SM Spinning Mills Ltd. | 44,099,000 | 54.76 | Managing Director |
| | | | Marina Pack Ltd. | 5,000 | 50.00 | Chairman |
| | | | Marina Park & Resorts Ltd. | 652,725 | 22.50 | Managing Director |
| | | | Star Porcelain (Pvt.) Ltd. | 6,500,000 | 10.00 | Director |
| | | | Rakeen Development Company (BD) Ltd. | 6,745,280 | 5.00 | Director |
| | | | Pride Jute Mills Ltd. | 54,000 | 18.00 | Chairman |
| | | | Pellikan Plastic & Packaging (Pvt.) Ltd. | 40,000 | 8.00 | Director |
| | | | Sirajganj Economic Zone Ltd. | 225,000 | 2.27 | Director |
| | | | SM Industrial Holdings Ltd. | 5,000,000 | 50.00 | Managing Director |
| | | | Golden Jute Industries Ltd. | 23,760 | 18.00 | Chairman |

| Name, Address, Age and Experience | BO ID Number | TIN Number | Detail of other Companies | | | |
|--|------------------|--------------------------|---------------------------------------|--------------------|--------|-------------------|
| | | | Name of the Company | No. of shares held | % | Position |
| Name: Engr. Syyed Ahmed (Nominated Director of Star Bangladesh Holding Ltd.) Address: House-20, Road-3/c, Sector-9, Uttara, Dhaka-1230 Age: 67 years Experience: 44 years | 1202190029862051 | 332858579162/ CIR-182 | Mohammed Foods &Allieds Ltd. | 5,000 | 10.00 | Managing Director |
| | | | Odyssey International | N/A | 100.00 | Proprietor |
| | | | Brahmanbaria Traders | N/A | 50.00 | Partner |
| | | | Meghna Traders | N/A | 35.00 | Partner |
| | | | Famous Trading | 45000 | 45.00 | Partner |
| | | | Drooty Ltd. | 5000 | 10.00 | Chairman |
| | | | MRS International | N/A | 100.00 | Proprietor |
| Name: Bernard Gilbert Massaad (Nominated Director of Star Bangladesh Holding Ltd.) Address: AinSaade, BeitMerri, Al Baten Ares, Lebanon Age: 29 years Experience: 5 years | N/A | N/A | N/A | N/A | N/A | N/A |
| Name: Qamar-Uz-Zaman Address: House No. 20, Road No. 18, Block No. J, Banani, Gulshan, Dhaka. Age: 30 years Experience: 6 years | 1602510064671811 | 343543426468 | Speed Way International Pvt. Ltd. | 15,600 | 52 | Director |
| | | | RAK Consumer Products Ltd. | 77,000 | 8 | Director |
| | | | RAK Paints Ltd. | 1,575,000 | 3 | Managing Director |
| | | | Wizemanns Bogie Consultants Pvt. Ltd. | 2,000 | 10 | Director |
| | | | Palli Properties Pte. Ltd. | 100 | 0.0 | Director |
| | | | Automatic Bricks & Ceramics Ltd. | 290,000 | 29 | Director |
| | | | Sky Bird Travel Agents Pvt. Ltd. | 2,000 | 20 | Director |
| Name: Pratima Sarkar Address: Road #5 House # 32 Flat# A-5 Sector# 3 Uttara, Dhaka Age: 62 years Experience: 36 years | Nil | 5050056117 | N/A | N/A | N/A | N/A |

(c) The average cost of acquisition of equity shares by the directors certified by the auditors.

AUDITORS' CERTIFICATE REGARDING AVERAGE COST OF ACQUISITION OF EQUITY SHARES BY THE DIRECTORS OF STAR CERAMICS LIMITED

This is to certify that the average cost of acquisition of equity shares of Star Ceramics Limited acquired by the Directors is as follows:

| Name of directors | Designation | Shareholding | | | Remarks |
|-------------------------|--|----------------------|----------------|---|---|
| | | Number | Amount in Taka | Average Cost of Acquisition of equity shares issued at cash | |
| Syed A.K. Anwaruzzaman | Chairman | 15,020,000 | 150,200,000 | 10.00 | Qamar-Uz-Zaman received the shares as gift from S.A.K. Ekramuzzaman, sponsor shareholder of the Company. However, S.A.K. Ekramuzzaman acquired these shares at Taka 10 per share before transferring them to the current owner. |
| Qamar-Uz-Zaman | Managing Director | 7,510,000 | 75,100,000 | - | |
| Bernard Gilbert Massaad | Director - Representing Star Bangladesh Holding Ltd. | 65,337,000 | 653,370,000 | 10.00 | |
| Engr. Syyed Ahmed | Director - Representing Star Bangladesh Holding Ltd. | | | | |
| | Own | 1,502,000 | 15,020,000 | 10.00 | |
| Pratima Sarkar | Independent Director | Independent Director | | | |

Transfer by way of gift:

| Date of Transfer | Transferor | Transferee | Shareholding | |
|------------------|---------------------|----------------|--------------|----------------|
| | | | Number | Amount in Taka |
| 20-May-17 | S.A.K. Ekramuzzaman | Qamar-Uz-Zaman | 7,510,000 | 75,100,000 |

This certificate is issued at the request of the management for the purpose of proposed Initial Public Offering (IPO) under the Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015.

Date: 20 February 2018

Sd/-

Hoda Vasi Chowdhury & Co
Chartered Accountants

(d) A detail description of capital built up in respect of shareholding (name-wise) of the issuer's sponsors or directors. In this connection, a statement to be included:-

Star Bangladesh Holding Limited (Previously Star Investment S.A.L, Sponsor Shareholder)

| Date of Allotment/ Transfer of fully paid- up shares | Consideration | Nature of issue | No of Equity shares | Face value | Issue Price/ Acquisition Price/ Transfer Prices | Cumulative no. of Equity shares | % Pre-issue paid up capital | % Post issue paid up capital | Sources of fund |
|---|---------------|-----------------|---------------------|------------|---|---------------------------------|-----------------------------|------------------------------|-----------------|
| By subscription to MOA & AOA | Cash | Ordinary Shares | 3,000,000 | 10.00 | 10.00 | 3,000,000 | 43.50 | [*] | Own Sources |
| 06.03.2012 | Cash | Ordinary Shares | 300,000 | 10.00 | 10.00 | 3,300,000 | | | |
| 06.03.2012 | Cash | Ordinary Shares | 300,000 | 10.00 | 10.00 | 3,600,000 | | | |
| 11.05.2012 | Cash | Ordinary Shares | 400,000 | 10.00 | 10.00 | 4,000,000 | | | |
| 11.04.2013 | Cash | Ordinary Shares | 27,801,523 | 10.00 | 10.00 | 31,801,523 | | | |
| 30.01.2014 Star Investment S.A.L., Lebanon transferred their entire shares to Star Bangladesh Holding | | | | | | 31,801,523 | | | |
| 15.06.2016 | Cash | Ordinary Shares | 33,535,477 | 10.00 | 10.00 | 65,337,000 | | | |

S.A.K. Ekramuzzaman, Sponsor Shareholder

| Date of Allotment/ Transfer of fully paid- up shares | Consideration | Nature of issue | No of Equity shares | Face value | Issue Price/ Acquisition Price/ Transfer Prices | Cumulative no. of Equity shares | % Pre-issue paid up capital | % Post issue paid up capital | Sources of fund |
|--|---------------|-----------------|---------------------|------------|---|---------------------------------|-----------------------------|------------------------------|-----------------|
| By subscription to MOA & AOA | Cash | Ordinary Shares | 2,900,000 | 10.00 | 10.00 | 2,900,000 | 35.00 | [*] | Own Sources |
| 24.02.2011 | Cash | Ordinary Shares | 2,000,000 | 10.00 | 10.00 | 4,900,000 | | | |
| 25.04.2012 | Cash | Ordinary Shares | (500,000) | 10.00 | 10.00 | 4,400,000 | | | |
| 11.05.2012 | Cash | Ordinary Shares | (400,000) | 10.00 | 10.00 | 4,000,000 | | | |
| 11.04.2013 | Cash | Ordinary Shares | 25,242,780 | 10.00 | 10.00 | 29,242,780 | | | |
| 15.06.2016 | Cash | Ordinary Shares | 30,837,220 | 10.00 | 10.00 | 60,080,000 | | | |
| 20.05.2017 | Cash | Ordinary Shares | (7,510,000) | 10.00 | 10.00 | 52,570,000 | | | |

Syed A.K. Anwaruzzaman, Chairman

| Date of Allotment/ Transfer of fully paid- up shares | Consideration | Nature of issue | No of Equity shares | Face value | Issue Price/ Acquisition Price/ Transfer Prices | Cumulative no. of Equity shares | % Pre-issue paid up capital | % Post issue paid up capital | Sources of fund |
|--|---------------|-----------------|---------------------|------------|---|---------------------------------|-----------------------------|------------------------------|-----------------|
| 06.03.2012 | Cash | Ordinary Shares | 1,000,000 | 10.00 | 10.00 | 1,000,000 | 10.00 | [*] | Own Sources |
| 11.04.2013 | Cash | Ordinary Shares | 6,310,695 | 10.00 | 10.00 | 7,310,695 | | | |
| 15.06.2016 | Cash | Ordinary Shares | 7,709,305 | 10.00 | 10.00 | 15,020,000 | | | |

Qamar-Uz-Zaman, Managing Director

| Date of Allotment/ Transfer of fully paid- up shares | Consideration | Nature of issue | No of Equity shares | Face value | Issue Price/ Acquisition Price/ Transfer Prices | Cumulative no. of Equity shares | % Pre-issue paid up capital | % Post issue paid up capital | Sources of fund |
|--|----------------|-----------------|---------------------|------------|---|---------------------------------|-----------------------------|------------------------------|-----------------|
| 20.05.2017 | By way of gift | Ordinary Shares | 7,510,000 | 10.00 | 10.00 | 7,510,000 | 5.00 | [*] | N/A |

Md. Amir Hossain, Sponsor

| Date of Allotment/ Transfer of fully paid- up shares | Consideration | Nature of issue | No of Equity shares | Face value | Issue Price/ Acquisition Price/ Transfer Prices | Cumulative no. of Equity shares | % Pre-issue paid up capital | % Post issue paid up capital | Sources of fund |
|--|---------------|-----------------|---------------------|------------|---|---------------------------------|-----------------------------|------------------------------|-----------------|
| By subscription to MOA & AOA | Cash | Ordinary Shares | 500,000 | 10.00 | 10.00 | 500,000 | 3.00 | [*] | Own Sources |
| 11.04.2013 | Cash | Ordinary Shares | 1,693,208 | 10.00 | 10.00 | 2,193,208 | | | |
| 15.06.2016 | Cash | Ordinary Shares | 2,312,792 | 10.00 | 10.00 | 4,506,000 | | | |

Engr. Syyed Ahmed, Director

| Date of Allotment/ Transfer of fully paid- up shares | Consideration | Nature of issue | No of Equity shares | Face value | Issue Price/ Acquisition Price/ Transfer Prices | Cumulative no. of Equity shares | % Pre-issue paid up capital | % Post issue paid up capital | Sources of fund |
|--|---------------|-----------------|---------------------|------------|---|---------------------------------|-----------------------------|------------------------------|-----------------|
| 25.04.2012 | Cash | Ordinary Shares | 100,000 | 10.00 | 10.00 | 100,000 | 1.00 | [*] | Own Sources |
| 11.04.2013 | Cash | Ordinary Shares | 631,069 | 10.00 | 10.00 | 731,069 | | | |
| 15.06.2016 | Cash | Ordinary Shares | 770,931 | 10.00 | 10.00 | 1,502,000 | | | |

Fazle Hasan Akbar, Shareholder

| Date of Allotment/ Transfer of fully paid- up shares | Consideration | Nature of issue | No of Equity shares | Face value | Issue Price/ Acquisition Price/ Transfer Prices | Cumulative no. of Equity shares | % Pre-issue paid up capital | % Post issue paid up capital | Sources of fund |
|--|---------------|-----------------|---------------------|------------|---|---------------------------------|-----------------------------|------------------------------|-----------------|
| 25.04.2012 | Cash | Ordinary Shares | 100,000 | 10.00 | 10.00 | 100,000 | 1.00 | [*] | Own Sources |
| 11.04.2013 | Cash | Ordinary Shares | 631,069 | 10.00 | 10.00 | 731,069 | | | |
| 15.06.2016 | Cash | Ordinary Shares | 770,931 | 10.00 | 10.00 | 1,502,000 | | | |

Jahirul Reza, Shareholder

| Date of Allotment/ Transfer of fully paid- up shares | Consideration | Nature of issue | No of Equity shares | Face value | Issue Price/ Acquisition Price/ Transfer Prices | Cumulative no. of Equity shares | % Pre-issue paid up capital | % Post issue paid up capital | Sources of fund |
|--|---------------|-----------------|---------------------|------------|---|---------------------------------|-----------------------------|------------------------------|-----------------|
| 25.04.2012 | Cash | Ordinary Shares | 100,000 | 10.00 | 10.00 | 100,000 | 0.50 | [*] | Own Sources |
| 11.04.2013 | Cash | Ordinary Shares | 265,535 | 10.00 | 10.00 | 365,535 | | | |
| 15.06.2016 | Cash | Ordinary Shares | 385,465 | 10.00 | 10.00 | 751,000 | | | |

Imtiaz Hussain, Shareholder

| Date of Allotment/ Transfer of fully paid- up shares | Consideration | Nature of issue | No of Equity shares | Face value | Issue Price/ Acquisition Price/ Transfer Prices | Cumulative no. of Equity shares | % Pre-issue paid up capital | % Post issue paid up capital | Sources of fund |
|--|---------------|-----------------|---------------------|------------|---|---------------------------------|-----------------------------|------------------------------|-----------------|
| 25.04.2012 | Cash | Ordinary Shares | 100,000 | 10.00 | 10.00 | 100,000 | 0.50 | [*] | Own Sources |
| 11.04.2013 | Cash | Ordinary Shares | 265,535 | 10.00 | 10.00 | 365,535 | | | |
| 15.06.2016 | Cash | Ordinary Shares | 385,465 | 10.00 | 10.00 | 751,000 | | | |

Mahbubur Rahman, Shareholder

| Date of Allotment/ Transfer of fully paid- up shares | Consideration | Nature of issue | No of Equity shares | Face value | Issue Price/ Acquisition Price/ Transfer Prices | Cumulative no. of Equity shares | % Pre-issue paid up capital | % Post issue paid up capital | Sources of fund |
|--|---------------|-----------------|---------------------|------------|---|---------------------------------|-----------------------------|------------------------------|-----------------|
| 25.04.2012 | Cash | Ordinary Shares | 100,000 | 10.00 | 10.00 | 100,000 | 0.50 | [*] | Own Sources |
| 11.04.2013 | Cash | Ordinary Shares | 265,535 | 10.00 | 10.00 | 365,535 | | | |
| 15.06.2016 | Cash | Ordinary Shares | 385,465 | 10.00 | 10.00 | 751,000 | | | |

Appukuttan Jayakumar, Sponsor Shareholder

| Date of Allotment/ Transfer of fully paid- up shares | Consideration | Nature of issue | No of Equity shares | Face value | Issue Price/ Acquisition Price/ Transfer Prices | Cumulative no. of Equity shares | % Pre-issue paid up capital | % Post issue paid up capital | Sources of fund |
|--|---------------|-----------------|---------------------|------------|---|---------------------------------|-----------------------------|------------------------------|-----------------|
| By subscription to MOA & AOA | Cash | Ordinary Shares | 300,000 | 10.00 | 10.00 | 300,000 | | [*] | Own Sources |
| 06.03.2012 | Cash | Ordinary Shares | (300,000) | 10.00 | 10.00 | Nil | | | |

S. Peruma Reddy, Sponsor Shareholder

| Date of Allotment/ Transfer of fully paid- up shares | Consideration | Nature of issue | No of Equity shares | Face value | Issue Price/ Acquisition Price/ Transfer Prices | Cumulative no. of Equity shares | % Pre-issue paid up capital | % Post issue paid up capital | Sources of fund |
|--|---------------|-----------------|---------------------|------------|---|---------------------------------|-----------------------------|------------------------------|-----------------|
| By subscription to MOA & AOA | Cash | Ordinary Shares | 300,000 | 10.00 | 10.00 | 300,000 | | [*] | Own Sources |
| 06.03.2012 | Cash | Ordinary Shares | (300,000) | 10.00 | 10.00 | Nil | | | |

Dynamic Business Alliance Pvt. Ltd., Sponsor Shareholder

| Date of Allotment/ Transfer of fully paid- up shares | Consideration | Nature of issue | No of Equity shares | Face value | Issue Price/ Acquisition Price/ Transfer Prices | Cumulative no. of Equity shares | % Pre-issue paid up capital | % Post issue paid up capital | Sources of fund |
|--|---------------|-----------------|---------------------|------------|---|---------------------------------|-----------------------------|------------------------------|-----------------|
| By subscription to MOA & AOA | Cash | Ordinary Shares | 3,000,000 | 10.00 | 10.00 | 3,000,000 | | [*] | Own Sources |
| 24.02.2011 | Cash | Ordinary Shares | (2,000,000) | 10.00 | 10.00 | 1,000,000 | | | |
| 06.03.2012 | Cash | Ordinary Shares | (1,000,000) | 10.00 | 10.00 | Nil | | | |

Information represented by [*] will be incorporated after determination of cut-off price

(e) Detail of shares issued by the company at a price lower than the issue price;

The company shares issued at par BDT 10 each.

(f) History of significant (5% or more) changes in ownership of securities from inception.

| Date of transfer | Transferor | | | | Receiver | | | Balance of shareholding |
|------------------|-------------------------------------|----------------------|------------------|-------------------------|------------------------------|-------------------|---------------|-------------------------|
| | Name of the Shareholders | Transferred Quantity | % of transferred | Balance of shareholding | Name of the Shareholders | Received Quantity | % of Received | |
| 24.02.2011 | Dynamic Business Alliance Pvt. Ltd. | 2,000,000 | 20 | 1,000,000 | S.A.K. Ekramuzzaman | 2,000,000 | 20 | 4,900,000 |
| 06.03.2012 | Appukuttan Jayakumar | 300,000 | 3 | Nil | Star Investment S.A.L. | 300,000 | 6 | 3,600,000 |
| 06.03.2012 | S. Peruma Reddy | 300,000 | 3 | Nil | Star Investment S.A.L. | 300,000 | | |
| 06.03.2012 | Dynamic Business Alliance Pvt. Ltd. | 1,000,000 | 10 | Nil | Syed A.K. Anwaruzzaman | 1,000,000 | 10 | 1,000,000 |
| 25.04.2012 | S.A.K. Ekramuzzaman | 500,000 | 5 | 4,400,000 | Engr. Syyed Ahmed | 100,000 | 1 | 100,000 |
| | | | | | Fazle Hasan Akbar | 100,000 | 1 | 100,000 |
| | | | | | Jahirul Reza | 100,000 | 1 | 100,000 |
| | | | | | Imtiaz Hussain | 100,000 | 1 | 100,000 |
| | | | | | Mahbubur Rahman | 100,000 | 1 | 100,000 |
| 30.01.2014 | Star Investment S.A.L. | 31,801,523 | 43.50 | Nil | Star Bangladesh Holding Ltd. | 31,801,523 | 43.50 | 31,801,523 |
| 20.05.2017 | S.A.K. Ekramuzzaman | 7,510,000 | 5 | 52,570,000 | Qamar-Uz-Zaman | 7,510,000 | 5 | 7,510,000 |

SECTION-XIV

(a) A disclosure to the effect that the issuer has complied with the requirements of Corporate Governance Guidelines of the Commission:

MANAGEMENT DISCLOSURE REGARDING COMPLIANCE WITH THE REQUIREMENTS OF CORPORATE GOVERNANCE GUIDELINES OF BANGLADESH SECURITIES AND EXCHANGE COMMISSION

The management of the Company is hereby declaring that Star Ceramics Limited has complied with the conditions imposed by the Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 of the Bangladesh Securities and Exchange Commission (BSEC).

Sd/-

Qamar-Uz-Zaman

Managing Director

Star Ceramics limited

(b) A compliance report of Corporate Governance requirements certified by competent authority:

Certificate on Compliance

of

Corporate Governance Guidelines

[Notification No.SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012]

I have reviewed the Compliance of Conditions of the Corporate Governance Guidelines by Star Ceramics Limited ("the Company") for the year ended 31 December 2017. Such compliance is the responsibility of a Company listed with the Stock Exchanges in Bangladesh as stipulated in the above mentioned notification issued by Bangladesh Securities and Exchange Commission (BSEC). Since the Company intends to be compliant with the said Guidelines with an object to be listed with the Stock Exchanges in Bangladesh, this review has been made.

I have conducted my review in a manner that has provided me a reasonable basis for evaluating the compliances and expressing my opinion thereon. This review has been limited to the measures adopted by the Company in ensuring such compliances and this has not been for expression of opinion on the financial statements or future viability of the Company.

According to the information and explanations provided to me by the Company, I hereby certify that all applicable conditions of the Corporate Governance Guidelines have been complied with by the Company.

Sd/-

S. Abdur Rashid FCS

SA Rashid & Associates (Chartered Secretaries)

Dhaka, 26 February 2018

Star Ceramics Limited
For the year ended 31 December 2017
Status of Compliance with the Corporate Governance Guidelines (CGG)

Status of the compliance with the conditions imposed by the Notification No. SEC/CMRRCD/2006-158/134/Admin/44 dated 07 August 2012 of the Bangladesh Securities and Exchange Commission (BSEC) issued under section 2CC of the Securities and Exchange Ordinance 1969:

(Report under Condition No. 7.00)

| Condition No. | Title | Compliance status | | Remarks |
|---------------|---|-------------------|--------------|--|
| | | Complied | Not complied | |
| 1 | BOARD OF DIRECTORS: | | | |
| 1.1 | Board's Size | | | |
| | The number of the Board members of the Company shall not be less than 5 (five) and more than 20 (twenty). | √ | | BoD is comprised with 5 (five) Directors including 1 (one) Independent Director. |
| 1.2 | Independent Directors | | | |
| 1.2(i) | At least one fifth (1/5) of the total number of directors in the Company's Board shall be Independent Directors. | √ | | |
| 1.2(ii)(a) | Who either does not hold share in the Company or holds less than one (1%) shares of the total paid up shares of the Company; | √ | | |
| 1.2(ii)(b) | Who is not sponsor of the Company and is not connected with any sponsor or director or shareholder who holds one percent or more shares of the Company; | √ | | |
| 1.2(ii)(c) | Who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies; | √ | | |
| 1.2(ii)(d) | Who is not a member, director or officer of any stock exchange; | √ | | |
| 1.2(ii)(e) | Who is not a shareholder, director or officer of any member of stock exchange or an intermediary of the capital market; | √ | | |
| 1.2(ii)(f) | Who is not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of the concerned Company's statutory audit firm; | √ | | |
| 1.2(ii)(g) | Who shall not be an independent director in more than 3 (three) listed companies; | √ | | |
| 1.2(ii)(h) | Who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFI); | √ | | |
| 1.2(ii)(i) | Who has not been convicted for a criminal offence involving moral turpitude. | √ | | |

| Condition No. | Title | Compliance status | | Remarks |
|---------------|--|-------------------|--------------|---|
| | | Complied | Not complied | |
| 1.2(iii) | Independent Director(s) shall be appointed by the Board of Directors and approved by the shareholders in the Annual General Meeting (AGM). | √ | | The BoD in its meeting held on December 7, 2017 appointed the independent director and shall be approved by the shareholders in next AGM. |
| 1.2(iv) | The post of independent director(s) cannot remain vacant for more than 90 (ninety) days. | | | N/A |
| 1.2(v) | The Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded. | √ | | |
| 1.2(vi) | The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) term only. | √ | | |
| 1.3 | Qualification of Independent Director (ID) | | | |
| 1.3(i) | Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial, regulatory and corporate laws and can make meaningful contribution to business. | √ | | |
| 1.3(ii) | The person should be a Business Leader / Corporate Leader / Bureaucrat / University Teacher with Economics or Business Studies or Law background / Professionals like Chartered Accountants, Cost & Management Accountants, Chartered Secretaries. The independent director must have at least 12 (twelve) years of corporate management / professional experiences. | √ | | |
| 1.3(iii) | In special cases the above qualifications may be relaxed subject to prior approval of the Commission. | | | N/A |
| 1.4 | Chairman of the Board and Chief Executive Officer | | | |
| | The positions of the Chairman of the Board and the Chief Executive Officer of the companies shall be filled by different individuals. The Chairman of the Company shall be elected from among the directors of the Company. The Board of Directors shall clearly define respective roles and responsibilities of the Chairman and the Chief Executive Officer. | √ | | |
| 1.5 | The Directors' Report to Shareholders Directors Report to Shareholders shall include following additional statements on: | | | |
| 1.5(i) | Industry outlook and possible future developments in the industry. | √ | | |
| 1.5(ii) | Segment-wise or product-wise performance. | √ | | |
| 1.5(iii) | Risks and concerns. | √ | | |
| 1.5(iv) | Discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin. | √ | | |
| 1.5(v) | Discussion on continuity of any Extra-Ordinary gain or loss. | | | N/A |

| Condition No. | Title | Compliance status | | Remarks |
|---------------|---|-------------------|--------------|---------|
| | | Complied | Not complied | |
| 1.5(vi) | Statement of all related party transactions. | √ | | |
| 1.5(vii) | Utilization of proceeds from public issues, rights issues and/or through any others instruments. | | | N/A |
| 1.5(viii) | An explanation if the financial results deteriorate after the Company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc. | | | N/A |
| 1.5(ix) | If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report. | | | N/A |
| 1.5(x) | Remuneration to directors including independent directors. | √ | | |
| 1.5(xi) | The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity. | √ | | |
| 1.5(xii) | Proper books of account of the issuer Company have been maintained. | √ | | |
| 1.5(xiii) | Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment. | √ | | |
| 1.5(xiv) | International Accounting Standards (IAS) / Bangladesh Accounting Standards (BAS) / International Financial Reporting Standards (IFRS) / Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there-from has been adequately disclosed. | √ | | |
| 1.5(xv) | The system of internal control is sound in design and has been effectively implemented and monitored. | √ | | |
| 1.5(xvi) | There are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed. | √ | | |
| 1.5(xvii) | Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained. | √ | | N/A |
| 1.5(xviii) | Key operating and financial data of at least preceding 5 (five) years shall be summarized. | √ | | |
| 1.5(xix) | If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given. | √ | | |
| 1.5(xx) | The number of Board meetings held during the year and attendance by each director shall be disclosed. | √ | | |
| 1.5(xxi) | The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name wise details where stated below) held by:- | | | |
| 1.5(xxi)(a) | Parent / Subsidiary / Associated Companies and other related parties (name wise details); | | | N/A |
| 1.5(xxi)(b) | Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children (name wise details); | √ | | |
| 1.5(xxi)(c) | Executives; | √ | | |

| Condition No. | Title | Compliance status | | Remarks |
|---------------|---|-------------------|--------------|---------|
| | | Complied | Not complied | |
| 1.5(xxi)(d) | Shareholders holding ten percent (10%) or more voting interest in the company (name wise details). | √ | | |
| 1.5(xxii) | In case of the appointment / reappointment of a director the company shall disclose the following information to the shareholders:- | | | |
| 1.5(xxii)(a) | A brief resume of the director; | √ | | |
| 1.5(xxii)(b) | Nature of his / her expertise in specific functional areas; | √ | | |
| 1.5(xxii)(c) | Names of companies in which the person also holds the directorship and the membership of committees of the board. | √ | | |
| 2.0 | CHIEF FINANCIAL OFFICER (CFO), HEAD OF INTERNAL AUDIT AND COMPANY SECRETARY (CS): | | | |
| 2.1 | Appointment | | | |
| | The company shall appoint a Chief Financial Officer (CFO), a Head of Internal Audit (Internal Control and Compliance) and a Company Secretary (CS). The Board of Directors should clearly define respective roles, responsibilities and duties of the CFO, the Head of Internal Audit and the CS. | √ | | |
| 2.2 | Requirement to attend the Board Meetings | | | |
| | The CFO and the Company Secretary of the companies shall attend the meetings of the Board of Directors, provided that the CFO and / or the Company Secretary shall not attend such part of a meeting of the Board of Directors which involves consideration of an agenda item relating to their personal matters. | √ | | |
| 3.0 | AUDIT COMMITTEE: | | | |
| 3 (i) | The Company shall have an Audit Committee as a sub-committee of the Board of Directors. | √ | | |
| 3 (ii) | The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the Company and in ensuring a good monitoring system within the business. | √ | | |
| 3 (iii) | The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing. | √ | | |
| 3.1 | Constitution of the Audit Committee: | | | |
| 3.1(i) | The Audit Committee shall be composed of at least 3 (three) members. | √ | | |
| 3.1(ii) | The Board of Directors shall appoint members of the Audit Committee who shall be directors of the Company and shall include at least 1 (one) Independent Director. | √ | | |
| 3.1(iii) | All members of the Audit Committee should be “financially literate” and at least 1 (one) member shall have accounting or related financial management experience. | √ | | |
| 3.1(iv) | Filling of casual vacancy in the Audit Committee. | | | N/A |
| 3.1(v) | The company secretary shall act as the secretary of the Committee. | √ | | |
| 3.1(vi) | The quorum of the Audit Committee meeting shall not constitute without independent director. | | | N/A |

| Condition No. | Title | Compliance status | | Remarks |
|---------------|---|-------------------|--------------|-----------------------|
| | | Complied | Not complied | |
| 3.2 | Chairman of the Audit Committee | | | |
| 3.2(i) | The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director. | √ | | |
| 3.2(ii) | Chairman of the audit committee shall remain present in the Annual General Meeting (AGM). | | | N/A |
| 3.3 | Role of Audit Committee: | | | |
| 3.3(i) | Oversee the financial reporting process. | √ | | |
| 3.3(ii) | Monitor choice of accounting policies and principles. | √ | | |
| 3.3(iii) | Monitor Internal Control Risk management process. | √ | | |
| 3.3(iv) | Oversee hiring and performance of external auditors. | √ | | |
| 3.3(v) | Review along with the management, the annual financial statements before submission to the board for approval. | √ | | |
| 3.3(vi) | Review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval. | √ | | |
| 3.3(vii) | Review the adequacy of internal audit function. | √ | | |
| 3.3(viii) | Review statement of significant related party transactions submitted by the management. | √ | | |
| 3.3(ix) | Review Management Letters / Letter of Internal Control weakness issued by statutory auditors. | √ | | |
| 3.3(x) | Declaration to Audit Committee by the Company regarding utilization of IPO/RPO, Right issue money. | | | N/A |
| 3.4 | Reporting of the Audit Committee: | | | |
| 3.4.1(i) | The Audit Committee shall report on its activities to the Board of Directors. | | | Will be complied with |
| 3.4.1 (ii) | The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:- | | | |
| 3.4.1(ii)(a) | Report on conflicts of interests; | | | N/A |
| 3.4.1(ii)(b) | Suspected or presumed fraud or irregularity or material defect in the internal control system; | | | N/A |
| 3.4.1(ii)(c) | Suspected infringement of laws, including securities related laws, rules and regulations; | | | N/A |
| 3.4.1(ii)(d) | Any other matter which shall be disclosed to the Board of Directors immediately. | | | N/A |
| 3.4.2 | Reporting to the Authorities Reported to the Board of Directors about anything which has material impact on the financial condition and results of operation. | | | N/A |
| 3.5 | Reporting to the Shareholders and General Investors Report on the activities carried out by the Audit Committee, including any report made to the Board of Directors under condition 3.4.1 (ii). | | | Will be complied with |
| 4.0 | EXTERNAL / STATUTORY AUDITORS: The issuer company should not engage its external / statutory auditors to perform the following services of the company; namely:- | | | |
| 4 (i) | Appraisal or valuation services or fairness opinions. | √ | | |
| 4 (ii) | Financial information systems design and implementation. | √ | | |

| Condition No. | Title | Compliance status | | Remarks |
|---------------|--|-------------------|--------------|---------|
| | | Complied | Not complied | |
| 4 (iii) | Book-keeping or other services related to the accounting records or financial statements. | √ | | |
| 4 (iv) | Broker-dealer services. | √ | | |
| 4 (v) | Actuarial services. | √ | | |
| 4 (vi) | Internal Audit service. | √ | | |
| 4 (vii) | Any other services that the Audit Committee determines. | √ | | |
| 4 (viii) | No partner or employees of the external audit firms shall possess any share of the Company they audit at least during the tenure of their audit assignment of that Company. | √ | | |
| 4 (ix) | Audit / certification services on compliance of corporate governance as required under clause (i) of condition No. 7 | √ | | |
| 5.0 | SUBSIDIARY COMPANY: | | | |
| 5 (i) | Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company. | | | N/A |
| 5 (ii) | At least 1 (one) independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of the subsidiary company. | | | N/A |
| 5 (iii) | The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company. | | | N/A |
| 5 (iv) | The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also. | | | N/A |
| 5 (v) | The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company. | | | N/A |
| 6.0 | DUTIES OF CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO): The CEO and CFO shall certify to the Board that:- | | | |
| 6 (i) | They have reviewed financial statements for the year and that to the best of their knowledge and belief: | | | |
| 6 (i) a) | These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; | √ | | |
| 6 (i) b) | These statements together present a true and fair view of the Company's affairs and are in compliance with affairs and are in compliance with applicable laws. | √ | | |
| 6 (ii) | There are, to the best of knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violation of the Company's code of conduct. | √ | | |
| 7.0 | REPORTING AND COMPLIANCE OF CORPORATE GOVERNANCE: | | | |
| 7 (i) | The Company shall obtain a certificate from a practicing Professional Accountant / Secretary (Chartered Accountant / Cost and Management Accountant / Chartered Secretary) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis. | √ | | |

| Condition No. | Title | Compliance status | | Remarks |
|---------------|--|-------------------|--------------|---------|
| | | Complied | Not complied | |
| 7 (ii) | The directors of the Company shall state, in accordance with the Annexure attached, in the directors' report whether the company has complied with these conditions. | √ | | |

(c) Details relating to the issuer's audit committee and remuneration committee, including the names of committee members and a summary of the terms of reference under which the committees operate:

Audit Committee:

In accordance with the Corporate Governance Guidelines adopted by Bangladesh Securities and Exchange Commission (BSEC), the Board appointed Audit Committee comprising of the following Non-Executive and Independent Directors of the Company:

1. Pratima Sarkar (Independent Director), Chairman
2. Qamar-Uz-Zaman (Managing Director), Member
3. Bernard Gilbert Massaad (Director), Member
4. Abu Jafar Ali (Company Secretary), Secretary

Terms of reference of the Audit Committee:

The Audit Committee shall be responsible to the Board of Directors. The audit committee shall assist the Board in fulfilling its oversight responsibilities. To recognize the importance of oversight responsibilities of the Board with special emphasis on ensuring compliance with all applicable legislation and regulation, the prime responsibilities of the Audit Committee among others, should be as follows:

1. Oversee the financial reporting process.
2. Monitor the choice of accounting policies and principles.
3. Monitor the Internal Control Risk management process.
4. Oversee hiring and performance of external auditors.
5. Review along with the management, the annual financial statements before submission to the board for approval.
6. Review along with the management, the quarterly and half-yearly financial statements before submission to the board for approval.
7. Review the annual, quarterly and half-yearly financial statements of subsidiary and associate companies.
8. Review the adequacy of internal audit function.
9. Review statement of significant related party transactions submitted by the management.
10. Review Management Letters/ Letter of Internal Control weakness issued by statutory auditors.
11. When money is raised through Initial Public Offering (IPO)/Repeat Public Offering (RPO)/Rights Issue the company shall disclose to the Audit Committee about the uses/applications of funds by major category (capital expenditure, sales and marketing expenses, working capital, etc), on a quarterly basis, as a part of their quarterly declaration of financial results. Further, on an annual basis, the company shall prepare a statement of funds utilized for the purposes other than those stated in the offer document/prospectus.

Remuneration Committee:

To establish a good corporate governance and equal judgment in all levels of the employees of the Company, the Board established a Remuneration Committee as the sub-committee of the Board comprising the following persons:

1. Syed. A.K. Anwaruzzaman (Chairman), Chairman
2. Md. Moallimul Islam (CEO), Member

3. C.A. Ajay Kumar (CFO), Member
4. Syed Ali Abdullah Jami (GM-Sales & Marketing), Member
5. Devi Reddy Srinivasa Reddy (AGM, Production-SWD), Member
6. Anjaneyulu Kondamuri (AGM, Production-Tiles)
7. Mahmudul Hasan Akhand (AGM-HR & Admin), Secretary

Terms of Reference of Remuneration Committee:

The Remuneration Committee has been established to assist the Board in developing and administering a fair and transparent procedure for setting policy on the remuneration of directors, senior management and all level of employees of the Company and for determining their remuneration packages and to review and oversee the Company's overall human resources strategy. The Committee is empowered to perform, monitor, review and examine the followings:

1. Make recommendations to the Board on the Company's policy and structure for all directors, senior management and employees remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
2. Review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
3. Make recommendations to the Board on the remuneration packages of individual executives and senior management of the Company. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
4. Make recommendations to the Board on the remuneration of non-executive directors of the Company;
5. Review and approve compensation payable to executives and senior management of the company for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
6. Review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
7. Ensure that no director of the company or any of his associates is involved in deciding his own remuneration;
8. Carry out its duties under these terms of reference, the Remuneration Committee should provide the remuneration packages sufficient to attract and retain directors and executives to run the company successfully without paying more than is necessary;
9. Ensure that the performance-related elements of remuneration form exist and a significant proportion of the total remuneration package of executives and senior managements of the Company should be designed to align their interest with the company.

SECTION – XV

VALUATION REPORT OF SECURITIES PREPARED BY THE ISSUE MANAGER

Valuation report of securities of Star Ceramics Limited (Rules - 5(B)(14), Annexure - E)

The valuation report of securities has been prepared on the basis of the financials and all other information pertinent to the issue. The fair value is determined under different valuation methods referred in Clause No. Annexure-E(B)(14) and Rule No. 4(2)(a)(i) of Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015. The following table illustrates the calculation of fair value of SCL under different methods:

| Sl. | Method used | Taka |
|----------|---|--------|
| Method-1 | A) Net Asset Value (NAV) per share at historical cost with revaluation | 15.64 |
| | B) Net Asset Value (NAV) per share at historical cost without revaluation | 11.47 |
| Method-2 | A) Earnings based value per share (Considering average Sector P/E) | 19.29 |
| | B) Earnings based value per share (Considering average Market P/E) | 13.33 |
| Method-3 | Average market price of similar stock based valuation | 48.56 |
| Method-4 | A) P/BV multiple of similar stocks based valuation (with Revaluation) | 27.61 |
| | B) P/BV multiple of similar stocks based valuation (without Revaluation) | 37.65 |
| Method-5 | P/E multiple of similar stocks based valuation | 190.97 |
| Method-6 | EV/EBITDA multiple based valuation | 106.11 |

Qualitative Factors:

Star Ceramics Limited (SCL) is one of the leading growing tiles and sanitary ware manufacturing company, incorporated on 21 September 2010 as Star Ceramics Pvt. Ltd. and converted to public limited company on 5 October 2013. Star Ceramics limited (SCL) is a Bangladesh-Lebanon based joint venture manufacturing company in ceramics sector. One director of the board and two key executives have vast and rich experience in ceramic industries in other countries.

The major competitive advantage of SCL is that it is the pioneer in the manufacturing of digital printed tiles in the industry. SCL has equipped technological expertise with research and development to improve the product quality in accordance with customer choice and trends.

Star Ceramics Limited is now expanding its business activities across the world. It is one of the largest square tiles producer in the country. With strong brand recognition and outstanding service SCL maintains a wide extensive distribution channel throughout the country. The present production capacity of the factory is 22,000 square meters (sqm) of tiles and 1,200 pieces of sanitary wares per day.

SCL is the first company to introduce the nano-technology in ceramic industry of Bangladesh.

Quantitative Factors:

Method 1(A): Valuation with reference to Net Asset Value (NAV) at historical cost with revaluation:

NAV per share is based on the information in the latest audited financial statements as on 31 December 2017 considering asset revaluation surplus. The fixed assets of the company have been revalued on 30 November 2017. On this basis, NAV per share at historical costs is BDT 15.64 that has been derived by dividing the net assets with revaluation surplus at the end of the period 2017, by the number of outstanding shares as shown in the table below:

As per Audited Accounts

| Sl. No. | Particulars | Amount in BDT |
|---------|---|---------------|
| A. | Share capital | 1,502,000,000 |
| B. | Retained earnings | 220,943,443 |
| C. | Revaluation surplus | 626,603,346 |
| D. | Total shareholders' equity as 31 December 2017 (A+B+C) | 2,349,546,789 |
| E. | Number of shares outstanding | 150,200,000 |
| F. | Net Asset Value (NAV) per share with revaluation (D/E) | 15.64 |

Method 1(B): Valuation with reference to net asset value (NAV) at historical cost without revaluation:

NAV per share is based on the information in the latest audited financial statements as on 31 December 2017 not considering asset revaluation surplus. On this basis, NAV per share at historical cost is BDT 11.47 that has been derived by dividing the net assets at the end of the period 2017, by the number of outstanding shares as shown in the table below:

As per Audited Accounts

| Sl. No. | Particulars | Amount in BDT |
|---------|--|----------------------|
| A. | Share capital | 1,502,000,000 |
| B. | Retained earnings | 220,943,443 |
| C. | Total shareholders' equity as 31 December 2017 (A+B) | 1,722,943,443 |
| D. | Number of shares outstanding as on 31 December 2017 | 150,200,000 |
| E. | Net Asset Value (NAV) per share without revaluation (C/D) | 11.47 |

Method 2(A): Valuation with reference to earnings based value per share (considering Average Sector P/E):

Earnings based value per share based on historical information has been calculated by considering weighted net profit after tax for last 5 (five) years as per audited financial statements of SCL and sector earnings multiple sourced from DSE Monthly Review. The weighted average earnings per share (EPS) calculated for last 5 years is **BDT 0.82** and the 12 months average Sector P/E is **23.48** times. Therefore, earnings based value per share has been derived as **BDT 19.29**.

| Financial year | No. of outstanding shares | Weight | Net Profit After Tax (Taka) | Weighted Net Profit After Tax (Taka) |
|--|---------------------------|------------------|-----------------------------|--------------------------------------|
| 31-Dec-13 | 55,817,374 | 0.1194985 | 16,933,551 | 2,023,534 |
| 31-Dec-14 | 73,106,949 | 0.1565134 | 161,550,261 | 25,284,786 |
| 31-Dec-15 | 73,106,949 | 0.1565134 | 70,097,805 | 10,971,248 |
| 31-Dec-16 | 114,865,685 | 0.2459140 | 76,041,770 | 18,699,736 |
| 31-Dec-17 | 150,200,000 | 0.3215606 | 206,564,490 | 66,423,011 |
| Total | 467,096,957 | 1.0000000 | | 123,402,316 |
| E. Weighted Net Profit After Tax | | | | 123,402,316 |
| F. Number of shares as on 31 December 2017 | | | | 150,200,000 |
| G. Weighted average earnings per share (E/F) | | | | 0.82 |
| H. Average sector PE for the last 12 months[1] | | | | 23.48 |
| I. Earnings based value per share (Tk.) (G*H) | | | | 19.29 |

Source: Dhaka Stock Exchange Limited

[1] Calculation of Relevant Sector P/E Multiple:

Nature of business of Star Ceramics Limited is similar to the business of companies listed in stock exchanges under ceramics sector. Accordingly, we have considered the 12 months average sector P/E multiple available in Monthly Reviews of Dhaka Stock Exchange (DSE) to determine the earnings based value per share.

Calculation of ceramics sector P/E multiple:

| Month | Sector P/E |
|----------------|--------------|
| Feb 2017 | 20.52 |
| Mar 2017 | 23.81 |
| Apr 2017 | 22.38 |
| May 2017 | 21.79 |
| Jun 2017 | 22.49 |
| Jul 2017 | 23.34 |
| Aug 2017 | 24.70 |
| Sep 2017 | 23.81 |
| Oct 2017 | 23.61 |
| Nov 2017 | 24.59 |
| Dec 2017 | 25.73 |
| Jan 2018 | 24.94 |
| Average | 23.48 |

Source: Dhaka Stock Exchange Limited

Method 2(B): Valuation with reference to earnings based value per share (considering Average Market P/E):

Earnings based value per share based on historical information has been calculated by considering weighted net profit after tax for last 5 (five) years as per audited financial statements of SCL and market earnings multiple sourced from DSE website. The weighted average earnings per share (EPS) calculated for last 5 years is BDT 0.82 and the 12 months average market P/E is 16.23 times. Therefore, earnings based value per share has been derived as BDT 13.33.

| Financial year (Jan-Dec) | No. of outstanding shares | Weight (%) | Net Profit After Tax (Taka) | Weighted Net Profit After Tax (Taka) |
|--|------------------------------|------------------|--------------------------------|---|
| 31-Dec-13 | 55,817,374 | 0.1194985 | 16,933,551 | 2,023,534 |
| 31-Dec-14 | 73,106,949 | 0.1565134 | 161,550,261 | 25,284,786 |
| 31-Dec-15 | 73,106,949 | 0.1565134 | 70,097,805 | 10,971,248 |
| 31-Dec-16 | 114,865,685 | 0.2459140 | 76,041,770 | 18,699,736 |
| 31-Dec-17 | 150,200,000 | 0.3215606 | 206,564,490 | 66,423,011 |
| Total | 467,096,957 | 1.0000000 | | 123,402,316 |
| E. Weighted Net Profit After Tax | | | | 123,402,316 |
| F. Number of shares as on 31 December 2017 | | | | 150,200,000 |
| G. Weighted average earnings per share (E/F) | | | | 0.82 |
| H. Average DSE market PE for the last 12 months | | | | 16.23 |
| I. Earnings based value per share (Tk.) (G*H) | | | | 13.33 |

Source: Dhaka Stock Exchange Limited

[2] Calculation of Relevant Market P/E Multiple:

We have considered the 12 months overall market P/E multiple available in Monthly Reviews of DSE to determine the Earnings based value per share in a more relevant way.

Calculation of overall market P/E multiple:

| Month | Market P/E |
|----------------|--------------|
| Feb 2017 | 16.04 |
| Mar 2017 | 16.32 |
| Apr 2017 | 15.50 |
| May 2017 | 15.25 |
| Jun 2017 | 15.74 |
| Jul 2017 | 16.19 |
| Aug 2017 | 16.33 |
| Sep 2017 | 16.31 |
| Oct 2017 | 16.10 |
| Nov 2017 | 16.47 |
| Dec 2017 | 17.28 |
| Jan 2018 | 17.18 |
| Average | 16.23 |

Source: Dhaka Stock Exchange Limited

Method 3: Valuation with reference to average market price per share of similar (peer) company stocks

The nature of business of SCL is similar to the business operation with the companies listed under ceramics sector in stock exchanges of Bangladesh. At present, there are five (5) listed companies which are exclusively engaged in producing and marketing ceramic products of various types. For similar stocks, we have considered the comparable companies listed with Dhaka Stock Exchange Limited. We have taken the average 12 months price information of selected companies available in DSE Monthly Review to determine the average market price per share of similar stocks of SCL. Therefore, the price is estimated as **BDT 48.56**.

1-year (2017) Average closing price of similar stocks:

| Date | FUWANGCER [3] | MONNOCERA [4] | RAKCERAMIC [5] | SPCERAMICS [6] | STANCERAM [7] |
|---|------------------|------------------|-------------------|----------------|------------------|
| Feb 2017 | 20.80 | 42.70 | 64.20 | 10.80 | 56.00 |
| Mar 2017 | 18.60 | 40.60 | 61.30 | 11.70 | 62.60 |
| Apr 2017 | 17.60 | 38.70 | 57.50 | 11.80 | 61.70 |
| May 2017 | 17.80 | 37.50 | 55.80 | 12.00 | 59.70 |
| Jun 2017 | 18.50 | 38.80 | 57.60 | 16.70 | 57.90 |
| Jul 2017 | 19.90 | 45.10 | 59.10 | 15.40 | 67.90 |
| Aug 2017 | 22.90 | 90.30 | 58.60 | 16.10 | 97.30 |
| Sep 2017 | 19.20 | 94.70 | 56.60 | 16.00 | 109.10 |
| Oct 2017 | 19.10 | 95.80 | 56.50 | 14.90 | 80.00 |
| Nov 2017 | 17.60 | 104.50 | 58.90 | 17.90 | 103.80 |
| Dec 2017 | 16.50 | 89.70 | 59.90 | 17.00 | 109.80 |
| Jan 2018 | 15.70 | 114.60 | 56.20 | 19.10 | 108.70 |
| Average | 18.68 | 69.42 | 58.52 | 14.95 | 81.21 |
| Average market price per share of similar stocks | | | | 48.56 | |

Source: Dhaka Stock Exchange Limited

[3] **FUWANGCER**- Fu-Wang Ceramic Industries Limited

[4] **MONNOCERA**- Monno Ceramic Industries Limited

[5] **RAKCERAMIC**- RAK Ceramics Bangladesh Limited

[6] **SPCERAMICS** – Shinepukur Ceramics Limited

[7] **STANCERAM** – Standard Ceramic Industries Limited

Notes:

1. We have considered all the companies listed under ceramics sector as peer companies in determination of fair value of SCL in order to get a more relevant & competitive fair value.
2. Month end closing prices of selected companies in the ceramic sector have been taken from the Monthly Review of Dhaka Stock Exchange Limited.

Method 4(A): Valuation with reference to P/BV multiple of similar stocks (without revaluation):

The average month end close price of similar stocks in ceramics sector from February 2017 to January 2018 and net asset value per share in last published annual report for 2017, available on February 2018 have been considered. Fair value based on P/BV of similar stocks has been calculated by dividing the average P/BV of similar stocks of selected companies in ceramics sector by NAV per share without consideration of revaluation surplus of SCL.

| Sl. No. | Similar Stocks | Last one year average Closing Price (P) | Net Asset Value/Book Value Per Share (BV) | (P)/(BV) |
|--|----------------|--|--|--------------|
| 1 | FUWANGCER | 18.68 | 12.03 | 1.55 |
| 2 | MONNOCERA | 69.42 | 94.32 | 0.74 |
| 3 | RAKCERAMIC | 58.52 | 18.25 | 3.21 |
| 4 | SPCERAMICS | 14.95 | 28.37 | 0.53 |
| 5 | STANCERAMICS | 81.21 | 13.51 | 6.01 |
| Average P/BV (J) | | | | 2.41 |
| NAV per share without Revaluation of Star Ceramics Limited as on 31 December 2017 (K) | | | | 11.47 |
| Fair value based on P/BV multiple of similar stocks (BDT) [J × K] | | | | 27.61 |

Source: Dhaka Stock Exchange Limited

Notes:

1. We have considered all the companies listed under ceramics sector as peer companies in determination of fair value of SCL in order to get a more relevant & competitive fair value.
2. Average month end closing prices (From February 2017 to January 2018) of selected companies in the ceramic sector have been taken from the Monthly Review of Dhaka Stock Exchange Limited.
3. NAVs of selected ceramic companies have been considered based on available data provided as per last published annual report in 2017.
4. NAV per share of SCL without considering revaluation surplus has been considered based on year ended audited financials as on 31 December 2017.

Method 4(B): Valuation with reference to P/BV multiple of similar stocks (with revaluation):

Fair value based on P/BV of similar stocks has been calculated by dividing the average P/BV of similar stocks of selected companies in ceramics sector by NAV per share considering revaluation surplus of SCL.

| Sl. No. | Similar Stocks | Last one year average Closing Price (P) | Net Asset Value/Book Value Per Share (BV) | P/BV |
|--|----------------|---|---|--------------|
| 1 | FUWANGCER | 18.68 | 12.03 | 1.55 |
| 2 | MONNOCERA | 69.42 | 94.32 | 0.74 |
| 3 | RAKCERAMIC | 58.52 | 18.25 | 3.21 |
| 4 | SPCERAMICS | 14.95 | 28.37 | 0.53 |
| 5 | STANCERAMICS | 81.21 | 13.51 | 6.01 |
| Average P/BV (J) | | | | 2.41 |
| NAV per share with revaluation of Star Ceramics Limited as on December 31, 2017 (K) | | | | 15.64 |
| Fair value based on P/BV multiple of similar stocks (BDT) [J × K] | | | | 37.65 |

Source: Dhaka Stock Exchange Limited

Notes:

1. NAV per share of SCL considering revaluation surplus has been considered based on year ended audited financials as on 2017.

Method 5: Valuation with reference to P/E multiple of similar stocks:

The average month end close prices of similar stocks in ceramics sector for the time period, February 2017 to January 2018 have been considered. Positive earnings per share as per last published audited annual reports as well as 5 years weighted average earnings per share of SCL have been considered for determining the fair value of SCL.

| Sl. No. | Similar Stocks | Last one year average Closing Price (P) | Earnings per share (E) | P/E |
|---|----------------|---|------------------------|---------------|
| 1 | FUWANGCER | 18.68 | 0.64 | 29.19 |
| 2 | MONNOCERA | 69.42 | 0.11 | 631.06 |
| 3 | RAKCERAMIC | 58.52 | 2.88 | 20.32 |
| 4 | SPCERAMICS | 14.95 | 0.06 | 249.17 |
| Average P/E (L) | | | | 232.43 |
| 5 years weighted average earnings per share of Star Ceramics Limited (M) | | | | 0.82 |
| Fair value based on P/BV multiple of similar stocks (BDT) [L × M] | | | | 190.97 |

Source: Dhaka Stock Exchange Limited

Notes:

1. Average month end closing prices (From February 2017 to January 2018) of selected companies in the ceramic sector have been taken from the Monthly Review of Dhaka Stock Exchange Limited.
2. Earnings per shares of selected companies have been considered based on available data provided as per last

published audited accounts in 2017. Negative values (negative EPS of Standard Ceramics Limited) have been ignored in order to avoid the distortion in fair value determination for SCL.

5 Years weighted average earnings per share have been calculated based on last 5 years (from 2013 to 2017) audited financial statements of SCL.

Method 6: Valuation with reference to EV/EBITDA multiple:

The year-end closing prices of the similar stocks have been considered. Other relevant information in calculating EV/EBITDA multiple of the similar companies have been considered based on last published annual financial statements of 2017.

| Sl. No. | Similar Stocks | Enterprise Value (EV) | [11]EBITDA | EV/EBITDA Multiple |
|--|----------------|-----------------------|---------------|-----------------------|
| 1 | FUWANGCER | 2,274,124,079 | 161,796,779 | 14.06 |
| 2 | MONNOCERA | 2,878,432,633 | 138,506,654 | 20.78 |
| 3 | RAKCERAMIC | 20,711,185,270 | 1,947,981,314 | 10.63 |
| 4 | SPCERAMICS | 3,863,762,821 | 320,871,756 | 12.04 |
| Average EV/EBITDA Multiple (N) | | | | 14.38 |
| EBITDA of Star Ceramics Limited as on December 31, 2017 (O) | | | | 1,108,461,580 |
| Enterprise Value of Star Ceramics Limited [P = N × O] | | | | 15,939,677,520 |
| No. of shares outstanding as on December 31, 2017 [Q] | | | | 150,200,000 |
| Fair value based on EV/EBITDA Multiple (BDT) [P/Q] | | | | 106.11 |

Source: Dhaka Stock Exchange Limited

| Sl. No. | Company Name | A) Number of Shares Outstanding | B) Year End Close Price | C) [7]Market Capitalization (A*B) | D) [8]BV of Loan | E) [9]Cash | [10]Enterprise Value (C+D-E) |
|---------|--------------|---------------------------------|-------------------------|-----------------------------------|------------------|---------------|------------------------------|
| 1 | FUWANGCER | 112,619,086 | 16.50 | 1,858,214,919 | 435,127,541 | 19,218,381 | 2,274,124,079 |
| 2 | MONNOCERA | 23,928,020 | 89.70 | 2,146,343,394 | 747,845,320 | 15,756,081 | 2,878,432,633 |
| 3 | RAKCERAMIC | 353,693,141 | 59.90 | 21,186,219,146 | 907,325,330 | 1,382,359,206 | 20,711,185,270 |
| 4 | SPCERAMICS | 146,966,055 | 17.00 | 2,498,422,935 | 1,384,006,033 | 18,666,147 | 3,863,762,821 |

Calculation of EV and EBITDA:

[7]Market Capitalization= Year end close price of 2017 *Number of outstanding securities.

[8] BV of Loan= Total interest bearing debt as per last published annual financial statement of 2017.

[9]Cash= Cash and cash equivalents as per last published annual financial statement of 2017.

[10] EV (Enterprise Value) = EV has been calculated by adding value of market capitalization and BV of loan and deducting cash & cash equivalents derived from last published audited annual reports in 2017.

[11]EBITDA (Earnings before Interest, Tax, Depreciation and Amortization) = EBITDA has been considered as per last published annual financial statements of 2017

Notes:

- Negative values (negative earnings of Standard Ceramics Limited) have been ignored in order to avoid the distortion in fair value determination for SCL.

Conclusion:

From the above analysis we can state that the fair value of Star Ceramics Limited under different method seems to be reasonable and fair. Considering all qualitative and quantitative factors along with industry and market of ceramics industry, past track record of performance and future growth prospective of the issuer, we assume that the valuation of share price of Star Ceramics Limited is justified and shall be reasonable to the investors.

SECTION XVI

DEBT SECURITIES

(a) the terms and conditions of any debt securities that the issuer company may have issued or is planning to issue within next six months, including their date of redemption or conversion, conversion or redemption features and sinking fund requirements, rate of interest payable, Yield to Maturity, encumbrance of any assets of the issuer against such securities and any other rights the holders of such securities may have:

(b) all other material provisions giving or limiting the rights of holders of each class of debt securities outstanding or being offered, for example subordination provisions, limitations on the declaration of dividends, restrictions on the issuance of additional debt or maintenance of asset ratios;

(c) name of the trustee(s) designated by the indenture for each class of debt securities outstanding or being offered and describe the circumstances under which the trustee must act on behalf of the debt holders;

(d) repayment or redemption or conversion status of such securities.

Star Ceramics Limited has neither issued any debt securities in the past except issuing preference share, nor is planning to issue any debt securities within the next 6 (six) months.

SECTION XVII

PARTIES INVOLVED AND THEIR RESPONSIBILITIES, AS APPLICABLE

| Major Parties Involved | Responsibilities of the Parties | |
|-------------------------------|---|---|
| Issue Manager(s) | Roots Investment Limited & ICB Capital Management Limited | The Issue Manager(s) are responsible to comply with all the requirements as per Bangladesh Securities and Exchange Commission (Public Issue) Rules 2015 including preparation and disclosures made in the prospectus, Road show and other responsibilities as mentioned in the due diligence certificate. |
| Registrar to the Issue | Green Delta Capital Limited | The registrar to the issue is carrying out the activities in relation to an issue including processing applications from investors, keeping record of applications and money received from investors or paid to the seller of securities, assisting in determining the basis of allotment of securities, finalizing the list of persons entitled to allotment of securities and processing and distributing allotments, refunds or certificates and other related documents. |
| Underwriters to Issue | <ol style="list-style-type: none"> 1. Roots Investment Limited 2. ICB Capital Management Limited 3. Green Delta Capital Limited 4. IDLC Investments Limited 5. EC Securities Limited 6. SBL Capital Management Limited 7. Green Delta Capital Limited 8. Sigma Capital Management Limited | The Underwriter(s) is responsible to underwrite the public offering on a firm-commitment basis as per requirement of Bangladesh Securities and Exchange Commission (Public Issue) Rules 2015. In case of under-subscription in any category by up to 35% in an initial public offer, the unsubscribed portion of securities shall be taken up by the underwriter(s). |
| Statutory Auditors | Hoda Vasi Chaowdhury & Co. Chartered Accountants | Auditors' responsibility is to express an opinion on the consolidated financial statements based on the audit. Auditors conducted the audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards required to comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, auditor consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. |
| Credit Rating Company | Credit Rating Information and Services Limited | Credit rating Company is responsible for examination, preparation, finalization and issuance of credit rating report based on independent unbiased analysis and Compliance with all the requirements, policy and procedures of the rules as prescribed by BSEC. |
| Valuer | Ahmad & Akhtar Chartered Accountants | To discover the fair value of the asset of the Company. |

SECTION XVIII

MATERIAL CONTRACTS

A. Major agreements entered into by the issuer:

1. Issue Management Agreement among the Company, Roots Investment Limited and ICB Capital Management Limited.
2. Underwriting Agreements between the Company and the Underwriters.
3. Registrar to the Issue Agreement with Green Delta Capital Limited
4. Credit Rating Agreement between the Company and Credit Rating Information and Services Limited (CRISL).

B. Material parts of the agreements:

| Contact | Material Parts of the Agreement | |
|---|---------------------------------|---|
| Issue Management Agreement with Roots Investment Limited and ICB Capital Management Limited | Signing Date: | 31 July 2017 |
| | Tenure: | This Agreement shall be valid until completion of subscription of shares and unless this Agreement is extended or earlier terminated in accordance with the terms of this Agreement |
| | Principal Terms and Condition: | <p>1. According to Article 2.1; the scope of the services to be rendered by the ISSUE MANAGER to the ISSUER under this agreement shall cover Regulatory Compliance, Underwriting Co-operation, Issue Arrangements and Public offer and invitation.</p> <p>2. According to Article 2.2; The ISSUE MANAGER takes the responsibility to take such steps as are necessary to ensure completion of allotment and dispatch of letters of allotment and refund warrants to the applicants according to the basis of allotment approved by the Bangladesh Securities and Exchange Commission. The ISSUER undertakes to bear all expenses relevant to share application processing, allotment, and dispatch of letters of allotment and refund warrant. The ISSUER shall also bear all expenses related to printing and issuance of share certificate and connected govt. stamps and hologram expenses.</p> <p>3. According to Article 4.1; without prejudice ISSUER hereby declares that it agrees to comply with all statutory formalities under Companies Act, Guidelines issued by Bangladesh Securities and Exchange Commission and other relevant status to enable it to make the issue.</p> <p>4. According to Article 7.1; The ISSUE MANAGER hereby undertake to keep in strict compliance all information (whether written or oral) proprietary documents and data secured in connection with or as a result of this Agreement (Confidential Information) and shall limit the availability of such information to employees, who have a need to see and use it for the express and limited purpose stated in this Agreement.</p> <p>5. According to Article 9.1; The Issuer and ISSUE MANAGER shall ensure compliance of the Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015, The Listing Regulations of Stock Exchanges, The Companies Act, 1994, the Securities and Exchange (Amendment) Act, 2012 and other relevant rules, regulations, practices, directives, guidelines etc.</p> |

| Contact | Material Parts of the Agreement | |
|---|---------------------------------|--|
| Underwriting agreements with 1. Roots Investment Limited 2. ICB Capital Management Limited 3. Green Delta Capital Limited 4. IDLC Investments Limited 5. EC Securities Limited 6. SBL Capital Management Limited 7. Green Delta Capital Limited 8. Sigma Capital Management Limited | Signing Date: | 20 February 2018 |
| | Tenure: | This Agreement shall be valid until completion of subscription of shares and unless this Agreement is extended or earlier terminated in accordance with the terms of this Agreement |
| | Principal Terms and Condition: | <p>1. In case of under-subscription in any category by up to 35% in an Initial Public Offer, the undersubscribed portion of securities shall be taken up by the underwriter.</p> <p>2. In case of failure to deposit the remaining amount by the eligible investors, the unsubscribed securities shall be taken up by the underwriters.</p> <p>3. The underwriting agreement and the underwritten amount and allocation of underwriting portion shall be revised after completion of the bidding period, where the cut-off price will be determined at nearest integer of the lowest bid price at which the total securities offered to eligible investor would be exhausted. The public offering price will be determined at 10% discount (at nearest integer) from the cut-off price.</p> <p>4. The issuer, in the event of under subscription, shall send notice to the underwriter(s) within ten days of closure of subscription calling upon them to subscribe the securities and pay for this in cash in full within fifteen days of the date of said notice and the said amount shall be credited into securities subscription account within the said period. If payment is made by Cheque/ Bank Draft by the underwriter it will be deemed that the underwriter has not fulfilled his obligation towards his underwriting commitment under this agreement, until such time as the Cheque/ Bank Draft has been encashed and the Company's account credited. In any case within 7 (seven) days after the expiry of the aforesaid 15 (fifteen) days, the Company shall send proof of subscription and deposit of money by the underwriter to the Commission.</p> <p>In the case of failure by the underwriter to pay for the shares under the terms mentioned above, the said underwriter will not be eligible to underwrite any issue, until such time as he fulfils his underwriting commitment under this Agreement and also other penalties as may be determined by the Commission may be imposed.</p> <p>In the case of failure by the underwriter to pay for the shares within the stipulated time, the Company/issuer will be under no obligation to pay any underwriting commission under this Agreement.</p> <p>In the case of failure by the Company to call upon the underwriter for the aforementioned purpose within the stipulated time, the Company and its Directors shall individually and collectively be held responsible for the consequences and/or penalties as determined by the Bangladesh Securities and Exchange Commission under the law.</p> <p>5. The Company shall pay to the underwriter an underwriting commission at the rate of 0.50% of the amount underwritten hereby agreed to be underwritten by it.</p> |

| Contact | Material Parts of the Agreement | |
|---|---------------------------------|---|
| Registrar to the Issue Agreement with Green Delta Capital Limited | Signing Date: | 28 January 2018 |
| | Tenure: | This Agreement shall be valid until completion of subscription of shares and unless this Agreement is extended or earlier terminated in accordance with the terms of this Agreement |
| | Principal Terms and Condition: | <p>1. According to Article 2; The scope of the services to be rendered by the Registrar to the Issue under this Agreement shall be as detailed hereunder:</p> <p>a. The Registrar shall ensure due compliance of the Book-building procedures and the Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015.</p> <p>b. The Registrar shall coordinate all other actions necessary for completing the post-issue functions or to comply with the regulatory requirements with the support of Issuer.</p> <p>c. The Registrar shall coordinate for completing the post-issue processing activities for public issue of the Company within the stipulated time as specified by the Bangladesh Securities and Exchange Commission.</p> <p>d. The Registrar will have to complete all statements and ensure timely delivery of them to the relevant authorities /organizations.</p> <p>e. The Registrar will have to deliver one soft copy of entire database of all applications to the Company in the format and headings specified by the Company.</p> <p>2. According to Article 3.1; without prejudice the Issuer hereby declares that it has complied with or agrees to comply with all statutory formalities under the Companies Act 1994, Guidelines issued by Bangladesh Securities and Exchange Commission (BSEC) and other relevant laws.</p> <p>3. According to Article 6.1; The Registrar hereby undertakes to keep in strict compliance to all information (whether written or oral) proprietary documents and data secured in connection with or as a result of this Agreement (Confidential Information) and shall limit the availability of such information to its employees, who have a need to see and use it for the express and limited purpose stated in this Agreement.</p> |

| Contact | Material Parts of the Agreement | |
|------------------------------------|---------------------------------|--|
| Credit Rating Agreement with CRISL | Signing Date: | 16 July 2017 |
| | Tenure: | Termination of this contract will be governed by the Credit Rating Companies Rules 1996 of Bangladesh Securities and Exchange Commission (BSEC) and any subsequent law/ordinance/circular thereto. |
| | Principal Terms and Condition: | <p>1. According to Clause 17: CRISL shall forward a Draft of the Rating Report to SCL before finalizing of the rating for review of the factual mistake/ information gap, if any, by the SCL. SCL may provide more information with valid documents and suggest modification with factual data/ information, if it consider necessary, before finalization of the report.</p> <p>2. According to Clause 18: The right to accept and use the rating shall rest solely with the SCL. Once it is decided by the SCL to use the rating assigned, it would confer upon CRISL, the priority right to publish the same. In case of rating that are carried out as per regulatory requirement, the CRISL will publish the same immediately;</p> <p>3. According to Clause 19: After intimation of rating to SCL or publication of the rating as per SEC Rules, if the SCL feels aggrieved and feels that the rating does not represent the true position of the company, it may lodge an appeal to the Rating Committee within 72 hours of the declaration of the rating, with valid documents not provided earlier or not disclosed while providing comment on the draft report earlier.</p> <p>4. According to Clause 20: In the event of failure on the part of the SCL to furnish such information, material and clarification as required by the CRISL from time to time or to pay the fee as and when due, the CRISL shall have the right to suspend/withdraw the rating assigned and publish the same;</p> <p>5. According to Clause 21: CRISL reserves the right to disclose, in public interest, to the appropriate regulatory Government bodies /agencies, the correct position in case of any allegation of misstatement by the SCL in the public documents or publicity materials about rating assigned;</p> |

(c) Fees payable to different parties:

| Sl. | Name of the Parties | Role | Fees Payable |
|-----|---|------------------------|--|
| 1. | Roots Investment Limited ICB Capital Management Limited | Issue Manager | 1.5% (including TDS) on the Public Offer amount (including premium) or BDT 5.00 million (five million) whichever is higher (shall be fixed after determination of issue size). |
| 2. | 1. Roots Investment Limited 2. ICB Capital Management Limited 3. Green Delta Capital Limited 4. IDLC Investments Limited 5. EC Securities Limited 6. SBL Capital Management Limited 7. Green Delta Capital Limited 8. Sigma Capital Management Limited | Underwriters | 0.50% of the amount underwritten by them out of the Public Issue. |
| 3. | Green Delta Capital Limited | Registrar to the Issue | BDT 500,000 (five lac) only excluding VAT & Tax. |
| 4. | Credit Rating Information and Services Limited (CRISL) | Credit Rating Company | BDT 120,000 (one lac twenty thousand) only plus VAT 15%. |

SECTION XIX

LITIGATIONS, FINE OR PENALTY

(a) The following outstanding litigations against the issuer or any of its directors and fine or penalty imposed by any authority:

There is no outstanding litigation against the issuer or any of its Directors and fine or penalty imposed by any of the following authority:

| | |
|--|--|
| (i) Litigation involving Civil Laws: | There is no conviction of the Issuer or any of its director(s) in a civil proceeding |
| (ii) Litigation involving Criminal Laws: | There is no conviction of the Issuer or any of its director(s) in a criminal proceeding |
| (iii) Litigation involving Securities, Finance & Economic Laws: | There is no order, judgment or decree of any court of competent jurisdiction against the Issuer or any of its director(s) permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any director(s) or officer in any type of securities, Finance and Economic laws |
| (iv) Litigation involving labor Laws: | There is no conviction of the Issuer or any of its director(s) in connection to applicable Labor Laws |
| (v) Litigation involving Taxation(Income tax, VAT, Customs Duty and any other taxes/duties): | There is no conviction of the Issuer or any of its director (s) in connection to taxation(Income tax, VAT, Customs Duty and any other taxes/duties) |
| (vi) Litigation involving any other Laws: | There is no litigation involving any other Laws. |

b) Cases including outstanding litigations filed by the Company or any of its directors:

There are no outstanding cases filed by the Issuer or any of its directors to any of the following types of legal proceedings mentioned below:

| | |
|---|---|
| (i) Litigation involving Civil Laws: | There is no litigation involving Civil Laws |
| (ii) Litigation involving Criminal Laws: | There is no litigation involving Criminal Laws |
| (iii) Litigation involving Securities, Finance & Economic Laws: | There is no litigation involving Securities, Finance and Economic Laws |
| (iv) Litigation involving labor Laws: | There is no litigation involving Labor Laws |
| (v) Litigation involving Taxation(Income tax, VAT, Customs Duty and any other taxes/duties) | There is no litigation involving Taxation (Income tax, VAT, Customs Duty and other taxes/duties |
| (vi) Litigation involving any other Laws: | There is no litigation involving any other Laws |

SECTION XX

RISK FACTORS AND MANAGEMENT'S PERCEPTIONS ABOUT THE RISKS

The factors described below may conceivably materially affect investors' decisions as investment in equity shares involves a high degree of risk. The company is operating in a globally competitive industry involving both external and internal factors having direct as well as indirect effects on the investments. Investors should carefully consider all of the information in this prospectus, including the risk factors, both external and internal, and management perceptions enumerated here under before making investment decision. If any of the following risks actually occur, their business, results of operations and financial condition could suffer, the trading price of their equity share could decline, and investors may lose all or part of their investment.

I. Internal Risk Factors:

a) Credit Risk:

Credit risk is the risk when a borrower or an issuer of debt securities may default on making payments to lenders or debt holders as per contractual obligations. In operating any business there is always credit risk lies in the business.

Management Perception:

Credit risk applies mainly to banks and other financial institutions as well as holders of debt securities. SCL is enjoying credit facilities from different bank and financial institutions on which it has to make periodic repayments. The management of SCL regularly monitors these commitments to ensure timely fulfillment.

b) Liquidity Risk:

Liquidity risk is the risk that a company may not be able to meet short-term financial obligations on schedule. This situation usually happens when a company is unable to convert its current assets to cash without a loss of capital or income. Liquidity risk is common to all types of business.

Management Perception:

SCL follows a judicious working capital management policy with a view to keeping liquidity risk at the minimum level, SCL management carefully supervise current assets and current liabilities to ensure that short term financial obligations are met on time.

c) Risk associated with the Issuer's interest in subsidiaries, joint ventures and associates:

Management Perception:

Since the Company has no subsidiaries, joint ventures and associate concerns, therefore, there is no risk relating to this.

d) Significant revenue generated from limited number of customers, losing any one or more of which would have a material adverse effect on the issuer:

Management Perception:

Star ceramics market is spread all over the country and for this purpose it has appointed 179 dealers for tiles and sanitary ware in urban and rural areas to sell the products of the company to ultimate customers. More dealers can be appointed as per the business requirements.

e) Dependency on a single or few suppliers of raw materials, failure of which may affect production adversely:

Management Perception:

Star ceramics raw materials include (a) body materials comprising various types of clays, sand and minerals and (b) glaze materials comprising additives, bonding agents and finishes. Star ceramics follows a global sourcing and vendor development policy under which supply sources are identified, supplier capabilities are assessed and competitive supply terms are negotiated through competitive bidding for key supplies

f) More than 20% revenue of the issuer comes from sister concern or associate or subsidiary:

Management Perception:

As the Company does not have any sister concern or associate or subsidiary, therefore, there is no risk relating to this.

g) Negative earnings, negative cash flows from operating activities, declining turnover or profitability, during last five years, if any:

Management Perception:

The Company has not recorded any negative earnings, negative cash flows from operating activities, declining turnover or profitability during last five years except negative cash flows from operating activities during the year ended 31 December 2014 which reflected the expansion of tiles plant in the year 2014.

h) Loss making associate/subsidiary/group companies of the issuer:

Management Perception:

Star Ceramics does not have any associate/subsidiary or group companies. Hence, it is not applicable to SCL.

i) Financial weakness and poor performance of the issuer or any of its subsidiary or associates:

Management Perception:

Over the years, the company's financial performance is improving in a steady manner due to strategic decision of the experienced management, sector growth and favorable rules and regulations. The economy of Bangladesh has also been growing at a good rate over the last decade. Star ceramics management is very confident about the business prospect in future. On the other hand, the company does not have any associate or subsidiary company.

j) Decline in value of any investment:

Management Perception:

Star Ceramics does not have any investment. Hence, the company is free from such type of risk.

k) Risk associated with useful economic life of plant and machinery, if purchased in second hand or reconditioned:

Management Perception:

Star Ceramics Ltd. has not purchased any second hand or reconditioned plant and machinery. Therefore, this type of risk is not applicable to SCL.

l) Adverse effect on future cash flow if interest free loan given to related party or such loans taken from directors may recalled:

Management Perception:

Star Ceramics Ltd. has not provided any loan to its related party or taken such type of loans from directors of the company. As such, this risk is not relevant for SCL.

m) Potential conflict of interest, if the sponsors or directors of the issuer are involved with one or more ventures which are in the same line of activity or business as that of the issuer and if any supplier of raw materials or major customer is related to the same sponsors or directors:

Management Perception:

S.A.K. Ekramuzzaman, a sponsor shareholder is the Managing Director of RAK Ceramics Ltd., which is in the same line of business. However, he is not involved with management and operation of Star Ceramics Ltd. Therefore no conflict of interest exists. Mohammed trading one of the major customers of the company is also related with sponsor shareholder S.A.K. Ekramuzzaman. No supplier of raw materials is related to the same sponsors or directors.

n) Related party transactions entered into by the company those may adversely affect competitive edge:

Management Perception:

Star Ceramics is not engaged in any such related party transaction, which may adversely affect competitive edge.

o) Any restrictive covenants in any shareholders' agreement, sponsors' agreement or any agreement for debt or preference shares or any restrictive covenants of banks in respect of the loan/ credit limit and other banking facilities:

Management Perception:

There are no restrictive covenants in any shareholders' agreement, sponsors' agreement or any agreement for debt or preference shares or any other restrictive covenants of banks with regard to the loan/preference shares/credit limit of banks and other banking facilities.

p) Business operations may be adversely affected by strikes, work stoppages or increase in wage demands by employees:

Management Perception:

Star Ceramics Limited maintains good atmosphere at the work place and provides all sort of facilities to the workers as per law of the land. The work force is well remunerated and most of them live in the surrounding areas. Company provides accommodation facilities. So, it is unlikely for them to create such unrest. The company has healthy remuneration and welfare policies of the company for its human resources, which may reduce the risk of labour unrest. Again, to meet unique situations, company has alternative ways to overcome such critical circumstances.

q) Seasonality of the business of the issuer:

Management Perception:

There is boom in real estate sector, hence no seasonal impact on the products of the company directly. However, as during the monsoon season, the construction work slows down, as a result, it consequently affects the sales of the company during that period but gets compensated in post-monsoon boom.

r) Expiry of any revenue generating contract that may adversely affect the business:

Management Perception:

Star Ceramics has no revenue generating contract with any customer.

s) Excessive dependence on debt financing which may adversely affect the cash flow:

Management Perception:

The company has adopted strategy to reduce its debt financing for a balanced capital structure. The company also has positive net operating cash flow from the year 2015.

t) Excessive dependence on any key management personnel absence of whom may have adverse effect on the issuer's business performance:

Management Perception:

The company places high priority in developing human resources. Importance is given to relevant on-the-job, in-house and external training programmes, so that the people are well equipped with necessary skills. In line with these belief's, Star has been offering competitive package to its employees of all ranks to encourage professionalism, stimulate team-work and promote innovation reinforced with high ethical standards. The company has reputation for cordial and congenial working environment. The staff turnover ratio is at its lowest point. The company has been arranging training of its core personnel on a continuous basis to cope with the growing challenges of the changing work environment, increase in customer expectations and growing sophistication of technology and processes. Succession strategy of the company develops alternative leaderships in all areas of its activities. Therefore, the management of Star feels that company is well prepared to handle the situations in the foreseeable future.

u) Enforcement of contingent liabilities which may adversely affect financial condition:

Management Perception:

The Company does not have any contingent liabilities, which may adversely affect financial condition.

v) Insurance coverage not adequately protect against certain risks of damages:

Management Perception:

The company has taken all risk coverage including business interruption insurance policy from Green Delta insurance company limited & fire insurance policy from Pragati Insurance limited to cover sufficient insurance against certain risks of damage.

w) Absence of assurance that directors will continue its engagement with Company after expiry of lock in period:

Management Perception:

The directors of the Company are very much passionate about this business. They have nurtured the business from its infancy and contributed significantly to establish Star Ceramics Limited at its current level. They foresee proliferate business opportunities in this segment and expect to remain with the business for long term.

x) Ability to pay any dividends in future will depend upon future earnings, financial condition, cash flows, working capital requirements and capital expenditure:

Management Perception:

The management has been very successful in running the business profitably. However it is very natural that, ability to pay any dividends in future will depend upon future earnings, financial condition, cash flows, working capital requirements and capital expenditure. The management of the Company is very much aware of this issue and they are highly focused on maintaining sustainable growth of the business.

y) History of non-operation, if any and short operational history of the issuer and lack of adequate background and experience of the sponsors:

History of non-operation indicates weak operational management of the Company. Non-operation leads to negative cash flow, incurring of losses and bankruptcy in worst-case scenario.

Management Perception:

Since inception, there has not been any instance of non-operation of the company. Instead, the Company has been able to grow its operation steadily over the years. The sponsors of the company have been running the business since its inception and have sufficient experience in this business.

z) Risks related to engagement in new type of business, if any:

Management Perception:

Star Ceramics Ltd. has no plan to engage in new type of business.

aa) Risk in investing the securities being offered with comparison to other available investment options:

Management Perception:

The company has been showing steady earnings growth since its inception, and, therefore, the chance of adverse fluctuation in its market price because of the change in the performance of the company's is remote. The Government has taken the development of securities market as a challenge and initiated a number of market friendly policies. Therefore, management expects that the market will be gradually matured and stabilized. Management also expects that the forthcoming developments in fiscal and environmental regulations will make the market more buoyant.

bb) Any penalty or action taken by any regulatory authorities for non-compliance with provisions of any law:

Management Perception:

As SCL has been running its business maintaining proper compliance since its operation, no penalty or action has been taken by any regulatory authorities for non-compliance with provisions of any law.

cc) Litigations against the issuer for Tax and VAT related matters and other government claims, along with the disclosures of amount, period for which such demands or claims are outstanding, financial implications and the status of the case:

Management Perception:

There is no litigation against the company for tax and VAT related matters and other government claims.

dd) Registered office or factory building or place of operation is not owned by the issuer:

Management Perception:

The registered office is situated at House # 44, Road # 10, Sector # 11, Uttara Model Town, Dhaka-1230, Bangladesh is rented one and already purchased 28,245 sft at Rakeen Bijoy city for its head office. The factory building is owned by the company.

ee) Lack of renewal of existing regulatory permissions/ licenses:

Management Perception:

A dedicated team supervises renewal processes of all the regularity permission/licenses. All of the regulatory permission and licenses are up to date and duly renewed time to time for smooth operation. Therefore, risk related to lack of renewal of existing regulatory permissions/licenses is very remote.

ff) Failure in holding AGM or declaring dividend or payment of interest by any listed securities of the issuer or any of its subsidiaries or associates:

Management Perception:

Star Ceramics Ltd. does not have any subsidiary or associate or listed securities. The company has not failed in holding its AGM.

gg) Issuances of securities at lower than the IPO offer price within one year:

Management Perception:

The management's ultimate goal is to maximize the wealth of the company. If share price goes up, it will maximize the growth of the company. On the other hand, if share price goes down, it will minimize the wealth of the company. Star Ceramics has no plan to issue any type of securities at lower than IPO offer price within one year of its listing.

hh) Refusal of application for public issue of any securities of the issuer or any of its subsidiaries or associates at any time by the Commission:

Management Perception:

Star Ceramics has no subsidiary or associates. There was no refusal of application for public issue of any securities of SCL at any time by the Commission.

II. External Risk Factors:

a) Interest Rate Risks:

Interest rate risk is concerned with borrowed funds of short term and long term maturity, volatility of money market, which ultimately influences the interest rate structure of fund.

Management Perception:

SCL has arranged debt (loan) financing from several banks and other financial institutions. The management is well aware of the risks associated with changes in interest rates and continuously explores attractive and competitive sources of fund. In order to manage this risk the management has issued cumulative preference shares. The Company also exercises good management in its cash flows, supported by continued strength in sales and marketing. SCL is now financing both long-term and short-term funds at competitive rates from banks. The Company has been repaying its borrowed funds on a continuous basis to reduce such interest rate risk as well as reducing the debt burden of the company.

b) Exchange Rate Risks:

Devaluation of local currency against major international currencies i.e. USD, GBP and Euro may affect company's income.

Management Perception:

The risk of foreign exchange cannot be eliminated fully as the company requires importing raw materials & spare parts. However the management of the company is confident to significantly cushion the foreign currency risk and price escalation risk through forward contracts if it is justifiable in terms of the cost benefit analysis. As a prudent company it always takes necessary steps in all major currency dealings to safeguard the interest of the company.

c) Industry Risks:**(i) Market demand risk:**

Company's sales and revenues are dependent on the aggregate demand for its products. Demand for product of SCL may decline due to various reasons, which may adversely affect profitability.

Management Perception:

Star Ceramics Ltd. is well known in the market as innovative technology driven company. Star has created its brand in the local market as it is able to produce quality products at affordable prices. Moreover, for a growing economy like Bangladesh, there would always be demand for tiles and sanitary ware. Star is continuously penetrating new markets and developing new products to minimize the risk. The real estate developers have contributed immensely to the growing urbanization of the country. The financing provided by the specialized house finance institutions, multi product financial institutions and banks have provided a fillip to the real estate industry and, in tandem with the real estate developers contributed to a boom in the sector. This scenario is expected to continue in the foreseeable future. Therefore, the demand for tiles and sanitary wares in the country will continue to increase significantly.

(ii) Market competition risk:

Establishment of new industries in the tiles and sanitary ceramic sector and imports from abroad may pose threat to SCL operation and profitability.

Management perception:

Star ceramics is continuously upgrading its technological levels and making it comparable to that of any other country. Star ceramics has created its brand in the local market as it is able to produce quality products at affordable prices. The company is expected to be always ahead of the other producers which ultimately reduce the competitive related risks of the company.

(iii) Gas and other energy supply risk:

SCL's production is heavily dependent on use of natural gas. SCL also use electricity for its operation. Disruption of these energy sources may adversely affect company's operation.

Management perception:

SCL's factory is situated at Mdhabpur, Habiganj. The Jalalabad Gas Field is one kilometer away from the SCL. The proximity of the Jalalabad Gas field offers a unique advantage to SCL for availability of natural gas. Till date, there has not been any incidence of gas supply disruption. As such, the company does not have much exposure to gas supply risk. The company has installed both captive and industrial generator for supply of electricity. If government adopts gas rationing, the company along with other ceramic industries may adopt strategy in the best interest of the ceramic industries.

(d) Economic and Political risks:**(i) Economic risks:**

The company's performance could be adversely affected by national level factors and events such as unfavorable macroeconomic and regulatory developments, disadvantageous investment and industrial policies, acts of terrorism, natural disasters.

Management Perception:

In the past few years, Government and government agencies have implemented desired reforms in industrial, investment, tax, export, import and other policies. It is believed that policies and initiatives at the national level will continue to support and promote industries and businesses. As such, SCL does not foresee any threat in these areas.

(ii) Political risks:

The performance of the company may be affected by the political and economic instability both in Bangladesh and worldwide. Any type of political turmoil and disturbance in the country may adversely affect the economy in general and the company in particular.

Management Perception:

Political instability may have a detrimental impact on the economy in general and on the company in particular. The directors and management of the company keep track of political developments from time to time and is well prepared to take appropriate measure at the right time.

(e) Market and Technology-related Risks:

Market risks refer to the risk of adverse market conditions affecting the sales and profitability of the company. Such as, shortage in raw material supplies, competition and fall in product demand. These types of risks may hamper the smooth operation of the business. Technological development may make the existing machineries obsolete which may depress the profitability of the Company and its overall business.

Management Perception:

Star Ceramics Limited is continuously upgrading its technological levels and making it comparable to that of any other country. Establishment of new technology, on a regular basis substantially reduces cost & risk factors. Star ceramics has been known as modern technology and state of the art facilities with R & D infrastructure and shall be able to adopt to any new inventions with moderate investments. It uses latest Italian technology for its tiles & sanitary ware production and also has a modern testing lab. The company has access to international/multinational companies for supplying appropriate technology and technical management support for operation of new projects.

(f) Potential or existing government regulations:

The company operates under Companies ACT, 1994, taxation policy adopted by NBR, BSEC rules and rules adopted by other regulatory bodies. Any abrupt changes in the policies framed by those bodies may impact the business of the company adversely.

Management perception:

Unless any adverse policy is taken, that may materially affect the industry as a whole; the business of the company is expected not to be affected significantly. Ceramic industry in Bangladesh is an emerging sector with considerable local demand for differentiated product lines. Therefore, it is highly unlikely that the Government will initiate any fiscal measure having adverse effect on the growth of the industry.

(g) Potential or existing changes in global or national policies;

The performance of the company may be affected by the political and economic instability both in Bangladesh and worldwide. Any instance of political turmoil and disturbance in the country may adversely affect the economy in general

Management perception:

The management of Star ceramics is always concerned about the prevailing and upcoming future changes in the global or national policy and shall respond appropriately and timely to safeguard its interest. Due to the strong brand equity of the company in the local market and deep and profound knowledge, the company will always endeavor to withstand the unexpected changes or any such potential threats.

(h) Statutory clearances and approvals those are yet to be received by the issuer:

Management Perception:

The company has obtained all the statutory clearance and approval to operate the business. The necessary update and renewal is a continuous process. Hence, the degree of such risk associated with the company is minimal.

(i) Competitive condition of the business:

SCL is operating in a free market economy. The company may face stiff competition from its competitors. Easy availability of imported products in the local markets aggravates the competition, challenging the profitability of the business.

Management Perception:

Star Ceramics Limited produces world-class premium tiles and sanitary ware in Bangladesh. The company has been widely acclaimed in the tiles and sanitary ware-manufacturing sector. SCL is the pioneer in manufacturing of Digital Printed tiles in Bangladesh and the first to introduce Nano Technology and the single producer of the 60x90cm and 60x120cm tiles. Quality and durability combined with the aesthetics of design and color has transformed it into experts.

j) Complementary and supplementary products/services which may have an impact on business of the issuer.

Management Perception:

There are no products which are directly complementary and supplementary to the products of SCL.

SECTION XXI

DESCRIPTION OF THE ISSUE

(a) Issue Size:

| | |
|---|--|
| (b) Number of securities to be issued: | [•] |
| (c) Authorized capital and paid-up capital: | Authorized capital - BDT 3,500,000,000 |
| | Paid-up capital - BDT 1,500,200,000 |
| (d) Face value, premium and Public offer price per unit of securities: | Face Value- BDT 10/- |
| | Cut-Off Price- [•] |
| | Public Offering Price-[•] |
| | Premium-[•] |
| (e) Number of securities to be entitled for each category of applicants: | [•] |

(f) Holding structure of different classes of securities before and after the issue:

| Sl. No. | Category of Shareholders | No. of Ordinary Shares Held | | Percentage of Holding | |
|--------------|---|-----------------------------|-------------|-----------------------|------------|
| | | Pre-IPO | Post-IPO | Pre-IPO | Post-IPO |
| 01 | Sponsors, Directors and existing shareholders | 150,200,000 | 150,200,000 | 100.00 | [•] |
| 02 | Institutional | | [•] | | [•] |
| 03 | Mutual fund | | [•] | | [•] |
| 04 | General Public | | [•] | | [•] |
| 05 | Non Resident Bangladeshis (NRBs) | | [•] | | [•] |
| Total | | 150,200,000 | [•] | 100.00 | [•] |

(g) Objective of the issue including financing requirements and feasibility in respect of enhanced paid up capital:

Objective of the issue including financing requirements and feasibility in respect of enhanced paid-up capital incorporated are available in the Section- XXII under the head of “Use of Proceeds” of this red-herring prospectus.

SECTION XXII

USE OF PROCEEDS

Net proceeds from Initial Public Offering (IPO) will be used for building & civil construction, acquisition & installation of brand new machineries (imported & local) for expansion of existing sanitary ware plant by increasing its capacity, repayment of existing long term loan and defraying the IPO expenses. The underline costs are estimated. These may vary up to implementation of the project. Utilization of the proceeds of IPO is projected as follows:

(a) Use of net proceeds of the offer indicating the amount to be used for each purpose with head-wise break-up;

| Sl. | Particulars | IPO Proceeds (Amount in BDT) |
|-----------------------|---|---------------------------------|
| 1 | Expansion of Business (Sanitary Ware Plant) | 433,107,049 |
| 2 | Repayment of Bank loan | 131,892,951 |
| 3 | Net proceeds | 565,000,000 |
| 4 | IPO expenses (approx.) | 35,000,000 |
| Total proceeds | | 600,000,000 |

Breakdown of use of IPO proceeds:

Building

The project's expansion Main Factory Building will be constructed on 5584 SQM (L: 156.65 W: 35.65) and The existing Building area are 10223 SQM, RM Wareehouse 26400 SF, FG Yeard 22000 SFT.

| Details | Building Area(sft) | Unit Rate/sft | Total cost |
|--|-----------------------|---------------|-------------------|
| Pre-Fabricated Structure of Main Factory building Total Area 5584 SM | 60,084 | 322.5 | 19,377,038 |
| Civil work for Main Factory building and Others | 60,084 | 327.50 | 19,677,458 |
| VAT and AIT | 20% | | 7,810,899 |
| Total: | | 650 | 46,865,395 |

Equipment & Machineries

The project will be well equipped with the following machineries to be imported and procured locally. The price includes CIF value and VAT, Customs Duty and Other Port charge and C& F commission.

Exchange Rate: 1 USD = BDT: 82 1 EUR= BDT 102 1 YEN= BDT 1.1

| Imported machineries | Model, capacity, details | Manufacturer name and origin | Qty | Currency | Cost per unit | Total cost | Total cost (BDT) |
|----------------------|---|-------------------------------|-----|----------|---------------|------------|------------------|
| Drum mill | 10 mt capacity, drum mill(ball mill) for slip preparation including lining & grinding media | Neptune Industries Ltd, India | 1 | USD | 56,500 | 56,500 | 4,633,000 |
| Vibrating sieve | Nvs 120-dd, vibrating sive for slip | Neptune Industries Ltd, India | 2 | USD | 5,200 | 10,400 | 852,800 |
| | Nvs 90-sd,rectangular vibrating sive for slip unloading & sieving of return slip | Neptune Industries Ltd, India | 2 | USD | 3,400 | 6,800 | 557,600 |
| Rake stirrer | Nrs 25 rake stirrer for slip storage and waste water | Neptune Industries Ltd, India | 2 | USD | 28,800 | 57,600 | 4,723,200 |
| Drum mill | 1mt capacity drum mill(ball mill) for glaze preparation with lining and grinding media | Neptune Industries Ltd, India | 1 | USD | 19,500 | 19,500 | 1,599,000 |
| Ss tank | Ss 316 glaze tanks with rake stirrers | | 4 | USD | 9,970 | 39,880 | 3,270,160 |
| Bmp | Casting machine with standard mould frame | SACMI or any quality supplier | 2 | USD | 383,160 | 766,320 | 62,838,240 |
| Inspection booth | For checking the green ware | | | | | | - |
| A | Inspection cum finishing booths | Local fabrication | 6 | USD | 1,690 | 10,140 | 831,480 |
| B | Main header GI duct (booth to wet scrubber) | | 1 | USD | 1,000 | 1,000 | 82,000 |
| C | Ss 304 wet scrubber | | 1 | USD | 29,200 | 29,200 | 2,394,400 |
| D | Overhead structure | | 1 | USD | 3,000 | 3,000 | 246,000 |
| E | Electrical control panel & others | | 1 | USD | 3,980 | 3,980 | 326,360 |
| Tunnel kiln | 2500 piece capacity including kiln furniture and services | SACMI or any quality supplier | 1 | EUR | 1,295,503 | 1,295,503 | 132,141,306 |
| Gas generator | Generators 1030 kw | Caterpillar | 1 | EUR | 300,000 | 300,000 | 30,600,000 |
| Compressor | Atlas copco ga55 compressor | Atlas copco-bd | 1 | EUR | 60,500 | 60,500 | 6,171,000 |
| Forklift | Dp 30nt,3t capacity, caterpillar | Cater pillar-bd | 1 | EUR | 2,470,000 | 2,470,000 | 2,717,000 |
| | | | | | | | 253,983,546 |

Other cost:

| | | | |
|--|--|------|--------------------|
| Custom duty | | 1% | 2,539,835 |
| Local freight, insurance, bank charge, c&f | | 2.5% | 6,349,589 |
| Erection cost | | 3.0% | 7,619,506 |
| Contingency | | 5.0% | 12,699,177 |
| Total other cost: | | | 29,208,108 |
| Total Imported Cost of Machineries: | | | 283,191,654 |

Local machineries:

| Local machineries | Model, capacity, details | Manufacturer name and origin | Availability | Qty | Currency | Approximate cost per unit | total cost in BDT |
|-------------------------------|--|------------------------------|--------------|-----|----------|---------------------------|--------------------|
| BCL casting | For casting WC, WB, pedestal & Asian toilet | Local fabrication | Locally | 5 | BDT | 9,650,000 | 48,250,000 |
| Dryer | Pre dryer for green ware | local fabrication | Locally | 1 | BDT | 9,500,000 | 9,500,000 |
| Spray booth | For glaze spraying | Local fabrication | Locally | 6 | BDT | 1,166,667 | 7,000,000 |
| Blower | For chimney exhaust for inspection & glazing | Savio, Italy | Locally | 14 | BDT | 300,000 | 4,200,000 |
| Trolley (casting) | 40x40 ms hollow section | Local fabrication | Locally | 300 | BDT | 22,000 | 6,600,000 |
| S. total | | | | | | | 75,550,000 |
| Others | Electrical installation | Local purchase | Locally | 1 | BDT | 12,500,000 | 12,500,000 |
| | Air and water line | | Locally | 1 | BDT | 5,000,000 | 5,000,000 |
| | Gas pipe lines | | Locally | 1 | BDT | 10,000,000 | 10,000,000 |
| S. total | | | | | | | 27,500,000 |
| 103,050,000 | | | | | | | |
| Total machineries cost | | | | | | | 386,241,654 |

Loan repayment:

The company plans to repay loans with higher rate of interest. In this regard, the company initially earmarks BDT 131,892,951 for such loan repayment.

The IPO proceeds will utilized as per the above mentioned schedule.

Sd/-
C.A. Ajay Kumar
 Chief Financial Officer

Sd/-
Qamar-Uz-Zaman
 Managing Director

Sd/-
Syed A.K. Anwaruzzaman
 Chairman

(b) Utilization of the total amount of paid-up capital and share premium, if any, including the sponsors' contribution and capital raised of the issuer at the time of submission of prospectus, in details with indication of use of such funds in the financial statements:

Sponsors' contribution since inception brought & deployed by the issuer company prior to the public offer and indication of such funds utilization in the financial statement is as under:

| Accounting year | Amount in Taka | Fund Utilized for | Reflected in Financial Statement |
|-----------------|----------------|--|--|
| 2011 | 100,000,000 | Asset acquisition and Regulatory Licenses. | Fixed assets under the head of current and non-current assets. |
| 2013 | 631,069,490 | Asset acquisition and Working Capital. | Fixed assets under the head of current and non-current assets. |
| 2015 | 770,930,510 | Asset acquisition and Working Capital. | Fixed assets under the head of current and non-current assets. |
| Total | 1,502,000,000 | | |

(c) If one of the objects is an investment in a joint venture, a subsidiary, an associate or any acquisition, details of the form of investment, nature of benefit expected to accrue to the issuer as a result of the investment, brief description of business and financials of such venture:

The issuer has no objects to investment in a joint venture, a subsidiary, an associate or any acquisition, details of the form of investment, nature of benefit expected to accrue to the issuer as a result of the investment.

d) If IPO proceeds are not sufficient to complete the project, then source of additional fund must be mentioned. In this connection, copies of contract to meet the additional funds are required to be submitted to the Commission. The means and source of financing, including details of bridge loan or other financial arrangement, which may be repaid from the proceeds of the issue along with utilization of such funds:

To complete the project the additional fund will be financed by banks or financial institutions.

(Amount in BDT)

| Total estimated project cost (including working capital) | Fund from IPO proceeds | Additional amount required for working capital | Source of additional fund |
|--|------------------------|--|---------------------------|
| 621,001,709 | 433,107,049 | 187,894,660 | Short term bank loan |

(e) A schedule mentioning the stages of implementation and utilization of funds received through public offer in a tabular form, progress made so far, giving details of land acquisition, civil works, installation of plant and machinery, the approximate date of completion of the project and the projected date of full commercial operation etc. The schedule shall be signed by the Chief Executive Officer or Managing Director, Chief Financial Officer and Chairman on behalf of Board of Directors of the issuer:

Implementation schedule of IPO proceeds:

| Sl. | Utilization of Fund | Progress Made So Far | Schedule of Implementation | |
|-----|--|---|--|--|
| | | | Approximate date of Completion | Projected Date of Commercial Operation |
| 1. | Land and land developments | The land has already acquired by SCL for the expansion project. | | |
| 2. | Building & Civil Construction | Will start immediate after receiving IPO proceeds | Within 3 (three) months of receiving the IPO proceeds | After 6 (six) months of receiving IPO proceeds |
| 3. | Plant and Machinery Imported | Will start immediate after receiving IPO proceeds | Within 3 (three) months of receiving the IPO proceeds | |
| 4. | Plant and Machinery Local | Will start immediate after receiving IPO proceeds | Within 3 (three) months of receiving the IPO proceeds | |
| 5. | Electrical, Gas Line Installation & Others | Will start immediate after receiving IPO proceeds | Within 3 (three) months of receiving the IPO proceeds | |
| 6. | Erection of Machineries | Will start immediate after receiving IPO proceeds | Within 3 (three) month after importing the machineries | |
| 7. | Loan repayment | Will start immediate after receiving IPO proceeds | Within 7 days of receiving the IPO proceeds | |
| 8. | IPO expenses | IPO expenses will be adjusted within 7 days of receiving the IPO proceeds | | |

Sd/-
C.A. Ajay Kumar
Chief Financial Officer

Sd/-
Qamar-Uz-Zaman
Managing Director

Sd/-
Syed A.K. Anwaruzzaman
Chairman

(f) If there are contracts covering any of the activities of the issuer for which the proceeds of sale of securities are to be used, such as contracts for the purchase of land or contracts for the construction of buildings, the issuer shall disclose the terms of such contracts, and copies of the contracts shall be enclosed as annexure to the prospectus:

There is no contract covering any of the activities of the SCL for which the proceeds of sale of securities from IPO are to be used.

(g) If one of the objects of the issue is utilization of the issue proceeds for working capital, basis of estimation of working capital requirement along with the relevant assumptions, reasons for raising additional working capital substantiating the same with relevant facts and figures and also the reasons for financing short with long term investments and an item-wise break-up of last three years working capital and next two years projection:

There is no object of the issue relating to utilization of the issue proceeds for working capital.

(h) Where the issuer proposes to undertake one or more activities like diversification, modernization, expansion, etc., the total project cost activity-wise or project-wise, as the case may be:

The company has planned to expand its existing production capacity of sanitary ware plant which has been mentioned in Use of IPO proceeds and projects Implementation schedule.

(i) Where the issuer is implementing the project in a phased manner, the cost of each phase, including the phases, if any, which have already been implemented:

The company has planned to implement to the existing projects by using IPO proceeds after receiving the funds, which have been mentioned in 'Use of IPO proceeds' and projects Implementation schedule.

(j) The details of all existing or anticipated material transactions in relation to utilization of the issue proceeds or project cost with sponsors, directors, key management personnel, associates and group companies:

There is no existing or anticipated material transaction in relation to utilization of the issue proceeds or project cost with sponsors, directors, key management personnel, associates and group companies.

(k) Summary of the project appraisal or feasibility report by the relevant professionals not connected with the issuer, issue manager and registrar to the issue with cost of the project and means of finance, weaknesses and threats, if any, as given in the appraisal or feasibility report:

Independent Reviewers' Certificate
to the management of Star Ceramics Limited

We have reviewed the 5 years financial projections and feasibility study report on the Sanitary Ware Expansion Project for enhancement of existing capacity by 1,800 units per day of Star Ceramics Limited as prepared by the management of Star Ceramics Limited, which are duly stamped and initiated by us for identification purposes.

Our review covered, inter alia, checking of financial projections, estimates, assumptions and forecasts made by the management of the Star Ceramics Limited to evaluate the feasibility, and calculations and results of the feasibility study in developing the projected financial statements.

We confirm that projected financial statements of Sanitary Ware Expansion project of Star Ceramics Limited based on the estimates, forecasts and assumptions made by the management of the company appear to be realistic considering the proposed plan of operation.

We report that as per calculated Net Present Value (NPV) of the expansion project appeared positive indicating that project is feasible. As per calculation, other financial indicators are also appeared positive with following projected results of the subject Sanitary Ware Expansion Project:

| Particulars | Results |
|-------------------------------|--|
| Total Fixed Investment | Tk. 433,107,049 |
| Initial Working Capital | Tk. 187,894,660 |
| Net Present Value | Tk. 469,673,739 |
| Payback period | 2 years 5 months |
| Internal rate of return (IRR) | 35% |
| Means of finance | Tk. 433,107,049 through equity from Initial Public Offer (IPO) |
| | Tk. 187,894,660 through short term bank loan for working capital |
| | Total Tk. 621,001,709 |

Dhaka
25 February 2018

Sd/-
Nurul Faruk Hasan & Co
Chartered Accountants

Summary of the feasibility Report

Estimated Cost of the Project:

The cost of for the expansion project has been estimated as follow:

| Sl. NO. | Items of Investment | Incremental Fixed Investment (BDT) | Project Cost for Expansion (BDT) |
|---------------------------|---|------------------------------------|----------------------------------|
| A | Land and Land Development | - | - |
| B | Building & Civil Construction | 46,865,395 | 46,865,395 |
| C | Machinery & Equipment Imported (including erection & contingency) | 283,191,654 | 283,191,654 |
| D | Machinery & Equipment Local | 75,550,000 | 75,550,000 |
| E | Electrical, Gas Line Installation & Others | 27,500,000 | 27,500,000 |
| | Total Fixed Investment | 433,107,049 | 433,107,049 |
| F | Initial Working Capital | - | 187,894,660 |
| Total Project Cost | | | 621,001,709 |

Means of Finance:

| Sl. | Details | % | For Expansion (BDT) |
|--------------|--|------|---------------------|
| | Source of Finance | | |
| A | Equity from Initial Public Offer (IPO) | 100% | 433,107,049 |
| B | Short term bank loan for working capital | 100% | 187,894,660 |
| Total | | | 621,001,709 |

Threats and weakness

Required gas for expansion of sanitary ware project is under process.

SECTION XXIII

LOCK -IN

(a) Provisions for lock-in:

As per Rule-10 of Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015, Ordinary shares of the issuer shall be subject to lock-in, from the date of issuance of prospectus or commercial operation, whichever comes later, in the following manner:

| | |
|-----|--|
| (1) | All shares held, at the time of according consent to the public offer, by sponsors, directors and shareholders holding ten percent (10%) or more shares, other than alternative investment funds, for 03(three) years; |
| (2) | In case any existing sponsor or director of the issuer transfers any share to any person, other than existing shareholders, all shares held by those transferee shareholders, at the time of according consent to the public offer, for 03 (three) years; |
| (3) | Twenty five percent (25%) of the shares allotted to eligible investors, for 06 (six) months and other twenty five percent (25%) of the shares allotted to them, for 09 (nine) months; |
| (4) | All shares held by alternative investment funds, at the time of according consent to the public offer, for 01 (one) year; |
| (5) | All shares held, at the time of according consent to the public offer, by any person other than the persons mentioned in sub-rules (1), (2) and (3) above, for 01 (one) year; Provided that ordinary shares converted from any other type of securities shall also be subject to lock-in as mentioned above; |

(b) Statement of securities to be locked in for each shareholder along with BO account number, lock-in period and number of securities to be locked-in of Star Ceramics Limited:



| Sl. | Name of the shareholders | Position | BO ID | Lock-in period (Year) | No. of Securities | Share holding (%) |
|---------------|--|--------------------------------|------------------|-----------------------|--------------------|-------------------|
| 1 | Star Bangladesh Holding Ltd. (Represented by Engr. Syyed Ahmed and Bernard Gilbert Massaad) | Directors | 1602510064671862 | 3 years | 65,337,000 | 43.50% |
| 2 | S.A.K. Ekramuzzaman | Sponsor Shareholder | 1203680032995993 | 3 years | 52,570,000 | 35.00% |
| 3 | Syed A.K. Anwaruzzaman | Director and Chairman | 1602510064671755 | 3 years | 15,020,000 | 10.00% |
| 4 | Qamar-Uz-Zaman | Director and Managing Director | 1602510064671811 | 3 years | 7,510,000 | 5.00% |
| 5 | Md. Amir Hossain | Sponsor Shareholder | 1202020058525784 | 3 years | 4,506,000 | 3.00% |
| 6 | Engr. Syed Ahmed | Shareholder | 1202190029862051 | 3 years | 1,502,000 | 1.00% |
| 7 | Fazle Hasan Akbar | Shareholder | 1602510064671897 | 3 years | 1,502,000 | 1.00% |
| 8 | Jahirul Reza | Shareholder | 1602510064671838 | 3 years | 751,000 | 0.50% |
| 9 | Imtiaz Hussain | Shareholder | 1203180018168979 | 3 years | 751,000 | 0.50% |
| 10 | Mahabubur Rahman | Shareholder | 1602510064671889 | 3 years | 751,000 | 0.50% |
| Total: | | | | | 150,200,000 | 100% |

***Note: Lock-in Period starts from the date of issuance of Prospectus i.e.....**

SECTION XXIV MARKETS FOR THE SECURITIES BEING OFFERED

Stock Exchanges:

The issuer shall apply to the following bourses for listing shares within 7 (seven) working days from the date of consent accorded by the Commission to issue the prospectus:

| | |
|---|--|
|  | <p>Dhaka Stock Exchange Limited (DSE) 9/F, Motijheel C/A, Dhaka-1000</p> |
|  | <p>Chittagong Stock Exchange Limited (CSE) CSE Building, 1080 Sk. Mojib Road, Agrabad, Chittagong</p> |

Declaration about Listing of Shares with Stock Exchanges:

None of the Stock Exchanges, if for any reason, grant listing within 75 days from the closure of subscription, any allotment in terms of this prospectus shall be void and the Company shall refund the subscription money within fifteen days from the date of refusal for listing by the stock exchange, or from the date of expiry of the said 75 (seventy-five) days, as the case may be. In case of non-refund of the subscription money within the aforesaid fifteen days, the Company directors, in addition to the issuer company, shall be collectively and severally liable for refund of the subscription money, with interest at the rate of 2% (two percent) per month above the bank rate, to the subscribers concerned.

The issue manager, in addition to the issuer Company, shall ensure due compliance of the above mentioned conditions and shall submit compliance report thereon to the Commission within seven days of expiry of the aforesaid fifteen days' time period allowed for refund of the subscription money.

Trading and Settlement;

Trading and Settlement Regulation of the stock exchanges will apply in respect of trading and settlement of the shares of the Company.

THE ISSUE SHALL BE PLACED IN "N" CATEGORY

SECTION XXV

DESCRIPTION OF SECURITIES OUTSTANDING OR BEING OFFERED

The Company has raised its paid-up capital in following phases:

| Particulars of Allotment | Issued/Allotment as on | Form of Consideration | | | Amount of Share Capital in BDT |
|--------------------------|--|-----------------------|-----------------|-------------|--------------------------------|
| | | In cash | Other than cash | Bonus Share | |
| First | Subscribers to the Memorandum & Articles of Association at the time of Incorporation | 100,000,000 | - | - | 100,000,000 |
| Second | Issued as on 11/04/2013 | 631,069,490 | - | - | 631,069,490 |
| Third | Issued as on 15/06/2016 | 770,930,510 | - | - | 770,930,510 |
| Total | | 1,502,000,000 | - | - | 1,502,000,000 |

All types of securities outstanding or being offered with date or proposed date of such issue and to whom those are offered, number of securities and issue or offer price along with the following information:

(a) Dividend, voting and preemption rights

The Share Capital of the company is divided into Ordinary Shares, carrying equal rights to vote and receive dividend in terms of the relevant provisions of the Companies Act 1994 and the Articles of Association of the company. All Shareholders shall have the usual voting rights in person or by proxy in connection with, among others, election of Directors & Auditors and other usual agenda of General Meeting – Ordinary or Extra-ordinary. On a show of hand, every shareholder presents in person and every duly authorized representative of a shareholder present at a General Meeting shall have one vote and on a poll every shareholder present or by proxy shall have one vote for every share held by him or her. In case of any additional issue of shares for raising further capital the existing shareholders shall be entitled to Right Issue of shares in terms of the guidelines issued by the BSEC from time to time.

(b) Conversion and liquidation rights;

In terms of provisions of the Companies Act 1994, Articles of Association of the Company and other relevant rules in force, the shares of the Company are freely transferable. The Company shall not charge any fee for registering transfer of shares. No transfer shall be made to a firm, an infant or person of unsound mind.

(c) Dividend policy;

Star Ceramics Limited does not have a formal dividend policy. Any dividends to be declared shall be recommended by the Board of Directors depending upon the financial condition, results of operations, capital requirements and surplus, contractual obligations and restrictions, the terms of the credit facilities and other financing arrangements of the company at the time a dividend is considered, and other relevant factors and approved by the Equity Shareholders at their discretion.

Dividends are payable with the approval by the Equity Shareholders at the annual general meeting of the company. When dividends are declared, all the Equity Shareholders whose names appear in the register of the members of the company as or the “record date” are entitled to be paid the dividend declared by the company.

(d) Other rights of the securities holders

In terms of the provisions of the Companies Act 1994, Articles of Association of the Company and other relevant rules in force, the shares of the Company are transferable. The Company shall not charge any fee, other than Government duties for registering transfer of shares. No transfer shall be made to a minor or person of unsound mind.

SECTION: XXVI

FINANCIAL STATEMENTS

(a) The latest financial statements prepared and audited by any of the Commission's panel of auditors in adherence to the provisions of the Securities and Exchange Rules, 1987, the কোম্পানি আইন, ১৯৯৪, International Financial Reporting and Auditing Standards as adopted in Bangladesh from time to time and any other law as applicable;

Audited Financial Statements
of
Star Ceramics Limited
For the year ended 31 December 2017

Hoda Vasi Chowdhury & Co
Chartered Accountants
INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
Star Ceramics Limited

We have audited the accompanying financial statements of **Star Ceramics Limited** (here-in-after referred to as the "Company") which comprise the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other relevant explanatory notes thereon.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Financial Reporting Standards (BFRSs) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements prepared in accordance with the Bangladesh Financial Reporting Standards (BFRSs), give a true and fair view of the financial position of Star Ceramics Limited as at 31 December 2017 and the results of its financial performance and its cash flows for the year then ended and comply with the Companies Act 1994 and other applicable laws and regulations.

We also report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;
- c) the Company's statement of financial position and the statement of profit or loss and other comprehensive income along with the annexed notes 1 to 41 dealt with by the report are in agreement with the books of account; and
- d) the expenditure incurred was for the purpose of the Company's business.

We further report that pursuant to relevant circular and as required by Bangladesh Securities and Exchange Commission (BSEC), after due verification, we confirm that the valuation report with respect to fixed assets have been prepared and treated in accordance with Bangladesh Financial Reporting Standards (BFRSs) and applicable laws, rules, regulations and guidelines. It is also confirmed that proper accounting treatment including provisions, tax and other liabilities have been made in the financial statements to consider the valuation.

Dhaka, 15 Feb 2018

Sd/-
Hoda Vasi Chowdhury & Co
Chartered Accountants

Star Ceramics Limited
Statement of Financial Position
As at 31 December 2017

| Particulars | Notes | 2017 | 2016 |
|---|-----------|----------------------|----------------------|
| | | Taka | Taka |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment at cost/revaluation less accumulated depreciation | 4 | 4,152,104,576 | 3,921,533,313 |
| Capital work-in-progress | 5 | 526,933,342 | 295,136,071 |
| Intangible assets | 6 | 1,395,423 | 163,443 |
| | | 4,680,433,341 | 4,216,832,827 |
| Current assets | | | |
| Inventories | 7 | 2,051,922,508 | 1,670,932,572 |
| Trade receivables | 8 | 471,122,238 | 332,025,785 |
| Other receivables | 9 | 3,962,683 | 1,027,472 |
| Advances, deposits and prepayments | 10 | 133,761,318 | 119,403,168 |
| Advance income tax | 11 | 220,012,212 | 162,058,493 |
| Cash and cash equivalents | 12 | 43,431,355 | 39,957,965 |
| | | 2,924,212,314 | 2,325,405,455 |
| TOTAL ASSETS | | 7,604,645,655 | 6,542,238,282 |
| EQUITY AND LIABILITIES | | | |
| Shareholders' equity | | | |
| Share capital | 13 | 1,502,000,000 | 1,502,000,000 |
| Share money deposits | 14 | - | 399,902 |
| Revaluation reserve | 15 | 626,603,346 | - |
| Retained earnings | 16 | 220,943,443 | 85,723,952 |
| | | 2,349,546,789 | 1,588,123,854 |
| Non-current liabilities | | | |
| Deferred tax liabilities | 17 | 106,878,749 | 31,118,960 |
| Retirement benefit obligations- gratuity scheme | 18 | 34,553,034 | 19,434,560 |
| Redeemable cumulative preference shares - net off current portion | 19 | 407,500,000 | 815,000,000 |
| Long term loan - net off current portion | 20 | 1,012,243,216 | 1,067,319,661 |
| | | 1,561,174,999 | 1,932,873,181 |
| Current liabilities | | | |
| Bank overdrafts | 21 | 803,483,948 | 214,024,869 |
| Short term bank loans | 22 | 1,331,319,180 | 1,757,366,706 |
| Redeemable cumulative preference shares - current portion | 19 | 407,500,000 | - |
| Long term loan - current portion | 20 | 613,229,250 | 647,951,636 |
| Provision for taxation | 23 | 17,010,346 | 6,183,474 |
| Trade and other payables | 24 | 502,546,700 | 387,552,643 |
| Provision for workers' profit participation fund (WPPF) | 25 | 18,834,443 | 8,161,920 |
| | | 3,693,923,867 | 3,021,241,248 |
| TOTAL EQUITY AND LIABILITIES | | 7,604,645,655 | 6,542,238,282 |
| Net Assets Value (NAV) per share with revaluation reserve | 26 | 15.64 | 13.83 |
| Net Assets Value (NAV) per share without revaluation reserve | 27 | 11.47 | 13.83 |

The accompanying notes 1 to 41 form an integral part of these financial statements

Sd/-
Company Secretary

Sd/-
Chief Financial Officer

Sd/-
Managing Director

Sd/-
Chairman

As per our report of same date

Dhaka, 15 Feb 2018

Sd/-
Hoda Vasi Chowdhury & Co
Chartered Accountants

Star Ceramics Limited
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2017

| Particulars | Notes | 01 Jan 2017 to 30 Jun 2017 | 01 Jul 2017 to 31 Dec 2017 | 2017 | 2016 |
|---|-----------|----------------------------------|-------------------------------|----------------------|----------------------|
| | | Taka | Taka | Taka | Taka |
| Revenue | 28 | 1,788,090,229 | 2,033,887,269 | 3,821,977,498 | 3,650,902,416 |
| Cost of sales | 29 | (1,164,007,643) | (1,364,534,220) | (2,528,541,863) | (2,499,888,888) |
| Gross profit | | 624,082,586 | 669,353,049 | 1,293,435,635 | 1,151,013,528 |
| Other income | 30 | 1,611,748 | 1,723,811 | 3,335,559 | 4,496,133 |
| Office and administrative expenses | 31 | (52,051,910) | (52,719,709) | (104,771,620) | (91,015,111) |
| Selling and distribution expenses | 32 | (244,271,029) | (249,462,869) | (493,733,898) | (511,594,257) |
| Operating profit | | 329,371,395 | 368,894,282 | 698,265,676 | 552,900,293 |
| Finance costs | 33 | (191,415,222) | (186,256,509) | (377,671,731) | (461,664,449) |
| Foreign exchange (loss)/ gain | | (13,613,484) | (12,598,966) | (26,212,451) | 3,931,620 |
| Profit before contribution to WPPF | | 124,342,688 | 170,038,806 | 294,381,494 | 95,167,464 |
| Contribution to WPPF | 25 | (5,921,080) | (8,097,086) | (14,018,166) | (4,531,784) |
| Net profit before tax | | 118,421,608 | 161,941,720 | 280,363,328 | 90,635,680 |
| Income tax expenses | | | | | |
| Current tax | 23 | (3,993,152) | (6,833,721) | (10,826,872) | (6,183,474) |
| Deferred tax expenses | 17.1 | (13,732,036) | (49,239,929) | (62,971,965) | (8,410,436) |
| Net profit after tax | | 100,696,420 | 105,868,071 | 206,564,490 | 76,041,770 |
| Other comprehensive income | | | | | - |
| Items that will not be reclassified subsequently to profit or loss | | | | | |
| Revaluation surplus | 15 | - | 639,391,170 | 639,391,170 | - |
| Deferred tax on revaluation surplus | 15 | - | (12,787,823) | (12,787,823) | - |
| Total other comprehensive income | | - | 626,603,347 | 626,603,347 | - |
| Total comprehensive income | | 100,696,420 | 732,471,417 | 833,167,837 | 76,041,770 |
| Earnings per share (Taka) | 34 | | | 1.38 | 0.66 |

The accompanying notes 1 to 41 form an integral part of these financial statements

Sd/-
Company Secretary

Sd/-
Chief Financial Officer

Sd/-
Managing Director

Sd/-
Chairman

As per our report of same date

Dhaka, 15 Feb 2018

Sd/-
Hoda Vasi Chowdhury & Co
Chartered Accountants

Star Ceramics Limited
Statement of Changes in Equity
For the year ended 31 December 2017

Amount in Taka

| Particulars | Share capital | Share money deposits | Revaluation reserve | Retained earnings | Total |
|-------------------------------------|----------------------|----------------------|---------------------|--------------------|----------------------|
| Balance at 01 January 2016 | 731,069,490 | 799,555,646 | - | 74,202,193 | 1,604,827,329 |
| Excess provision written back | - | - | - | 4,931,591 | 4,931,591 |
| Dividend paid | - | - | - | (69,451,602) | (69,451,602) |
| Shares issued | 770,930,510 | - | - | - | 770,930,510 |
| Share money deposits received | - | (799,130,510) | - | - | (799,130,510) |
| Transferred to other payables | - | (25,234) | - | - | (25,234) |
| Net profit after tax for the year | - | - | - | 76,041,770 | 76,041,770 |
| Balance at 31 December 2016 | 1,502,000,000 | 399,902 | - | 85,723,952 | 1,588,123,854 |
| Balance at 01 January 2017 | 1,502,000,000 | 399,902 | - | 85,723,952 | 1,588,123,854 |
| Dividend paid | - | - | - | (71,345,000) | (71,345,000) |
| Share money deposits paid | - | (92,013) | - | - | (92,013) |
| Revaluation surplus | - | - | 639,391,170 | - | 639,391,170 |
| Deferred tax on revaluation surplus | - | - | (12,787,824) | - | (12,787,824) |
| Transferred to other payables | - | (307,889) | - | - | (307,889) |
| Net profit after tax for the year | - | - | - | 206,564,490 | 206,564,490 |
| Balance at 31 December 2017 | 1,502,000,000 | - | 626,603,346 | 220,943,443 | 2,349,546,789 |

Sd/-
Company Secretary

Sd/-
Chief Financial Officer

Sd/-
Managing Director

Sd/-
Chairman

Star Ceramics Limited
Statement of Cash Flows
For the year ended 31 December 2017

| Particulars | 2017 Taka | 2016 Taka |
|--|----------------------|----------------------|
| A. Cash flows from operating activities | | |
| Collection from customers and others | 3,679,945,834 | 3,710,507,006 |
| Payments to suppliers, employees and others | (2,964,703,288) | (2,699,121,275) |
| Cash generated from operating activities | 715,242,546 | 1,011,385,731 |
| Income tax paid | (57,953,719) | (46,261,927) |
| Net cash generated from operating activities | 657,288,826 | 965,123,804 |
| B. Cash flows from investing activities | | |
| Acquisition of property, plant and equipment | (276,413,964) | (510,854,037) |
| Disposal of property, plant and equipment | 16,988 | 224,400 |
| Acquisition of intangible assets | (1,525,180) | - |
| Net cash used in investing activities | (277,922,156) | (510,629,637) |
| C. Cash flows from financing activities | | |
| Long term loan received | 430,000,000 | 1,700,000,000 |
| Long term loan paid | (519,798,831) | (2,746,111,140) |
| Bank overdraft received/ paid | 589,459,078 | (188,456,073) |
| Short term loan paid/ received | (426,047,526) | 498,073,330 |
| Finance cost paid | (377,761,101) | (444,465,702) |
| Issuance of shares | - | 770,930,510 |
| Issuance of redeemable cumulative preference shares | - | 815,000,000 |
| Share money deposits transferred | (399,902) | (799,155,744) |
| Dividend paid | (71,345,000) | (69,451,602) |
| Net cash used in financing activities | (375,893,282) | (463,636,420) |
| Net increase/ (decrease) in cash and cash equivalents (A+B+C) | 3,473,389 | (9,142,254) |
| Cash and cash equivalents at the beginning of the year | 39,957,965 | 49,100,219 |
| Cash and cash equivalents at the end of the year | 43,431,355 | 39,957,965 |
| Net operating cash flow per share (Taka) | 4.38 | 8.40 |

Sd/-
Company Secretary

Sd/-
Chief Financial Officer

Sd/-
Managing Director

Sd/-
Chairman

Star Ceramics Limited
Notes to the Financial Statements
For the year ended 31 December 2017

1 The Company and its nature of business

1.1 Background

Star Ceramics Private Limited (hereinafter referred to as "the Company") was incorporated on 21 September 2010 under the Companies Act, 1994 with an authorized capital of Taka 1,500 million divided into 150 million ordinary shares of Taka 10 each. In the year 2013, the Company has been converted into public limited company and renamed as Star Ceramics Limited with increase in authorized capital to Taka 2,500 million divided into 250 million ordinary shares of Taka 10 each which was further increased to Taka 3,500 million divided into 250 million ordinary shares of Taka 10 each and 100 million redeemable cumulative preference shares of Taka 10 each in the year 2016. The Company commenced commercial operation on 01 January 2013.

1.2 Nature of business

The main objective of the Company is to manufacture all kind of tiles, sanitary ware, bathroom fittings and faucets and undertake activities relating to detailed design, procurement and erection of machines, commissioning of such machines for the purpose of operating, managing, manufacturing and marketing of said products.

2 Basis of preparation of financial statements

2.1 Financial statements

2.1.1 Statement of compliance

These financial statements have been prepared on going concern basis under the historical cost convention in accordance with the Bangladesh Financial Reporting Standards (BFRSs), the Companies Act, 1994 and other applicable laws and regulations prevailing in Bangladesh.

2.1.2 Reporting period

These financial statements cover the financial year from 01 January 2017 to 31 December 2017 with comparative figures for the financial year from 01 January 2016 to 31 December 2016.

Statement of profit or loss and other comprehensive income and related notes thereto have been presented showing two different periods for two different applicable income tax rates.

2.2 Functional and presentation currency

These financial statements are presented in Bangladesh Taka which is the functional and presentation currency. Figures have been rounded off to the nearest Taka unless stated otherwise.

2.3 Use of estimates and judgments

i) Estimates

The preparation of financial statements in conformity with BFRSs requires management to make judgments, estimates and assumptions that influence the application of accounting and reported amounts of assets, liabilities, income and expenses. Judgments and estimates are based on historical experiences and other factors, including expectations that are believed to be reasonable under the circumstances. Such estimates are prepared on the assumption of going concern and are established based on currently available information. Changes in facts and circumstances may result in revised estimates, and actual results could differ from the estimates.

ii) Judgments

The accounting for certain provisions and the disclosure of contingent liabilities and claims at the date of the financial statements is judgmental.

3 Summary of significant accounting policies

3.1 Property, plant and equipment (PPE)

Property, plant and equipment are stated at cost/ revaluation less accumulated depreciation. Items of property, plant and equipment are recognized where it is probable that future economic benefits will flow to the entity and their costs can be measured reliably.

3.1.1 Measurement and recognition

The PPE of the Company are initially recorded at historical cost as per BAS 16 " Property, Plant and Equipment". Cost comprises of purchase price and any directly attributed cost of bringing the assets to its working condition for its intended use.

3.1.2 Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statement of profit or loss and other comprehensive income during the financial period in which they incurred.

3.1.3 Revaluation of property, plant and equipment

On 30 November 2017, the fixed assets of the Company was revalued by an independent professional firm, namely Ahmad & Akhtar, Chartered Accountants, creating a revaluation surplus of Taka 639,391,170 for land and land development and revaluation loss of Taka 90,981 and Taka 643,583 for furniture & fixtures and equipment respectively. The carrying amount at historical cost of the aforesaid land and land development, furniture & fixtures and equipment was Taka 350,620,290; Taka 5,681,829 and Taka 37,607,954 respectively. The valuation report has been prepared and treated in accordance with Bangladesh Financial Reporting Standards (BFRSs) and applicable laws, rules, regulations and guidelines. Further, proper accounting treatment including provisions, tax and other liabilities have been made in the financial statements to consider the valuation. The valuation report is presented in Annexure - 'A' following the requirements of Bangladesh Securities and Exchange Commission (BSEC) Notification No SEC/CMRRCD/2009-193/150/Admin, dated 18 August 2013.

3.1.4 Depreciation of property, plant and equipment

The Company uses straight line method for charging depreciation except freehold land. Depreciation is charged on addition of the assets when those are available for use and depreciation is to be charged on disposal up to the date of retirement / disposal.

The revalued items of property, plant and equipment are depreciated by writing off their revalued amount at the date of revaluation over their remaining estimated useful lives. Depreciation rates are as follows:

| Items | Rate |
|-------------------------|------|
| Factory building | 5% |
| Plant and machinery | 10% |
| Equipment | 10% |
| Furniture and fixtures | 10% |
| Motor vehicles | 10% |
| Tools and appliance | 10% |
| Office decoration | 10% |
| Electrical installation | 10% |
| Gas pipe line | 10% |

3.1.5 Intangible assets

Intangible assets represent cost of software. Software costs are capitalized where it is expected to provide future enduring economic benefits. Capitalization costs include license fees and cost of implementation as well as system integration services which are capitalized in the year in which the relevant software is installed for use. Costs of maintenance, upgradation and enhancements are charged off as revenue expenditures unless they bring similar significant additional long term benefits. Software's are amortized using the straight line method over their useful lives (five years).

3.2 Capital work-in-progress

Capital work in progress is recorded at cost to the extent of expenditure incurred up to the date of statement of financial position. The amount of capital work in progress will be transferred to appropriate asset category and depreciated accordingly when the same is ready for intended use.

3.3 Basis of valuation of inventories

| Category | Basis of valuation |
|---------------------------------------|--|
| Finished products and work-in-process | At the lower of cost and net realizable value. The cost includes allocation of production overheads that relate to bringing the inventories to their present condition and location. |
| Raw and packaging materials | At weighted average cost. |
| Spares accessories & others | At weighted average cost. |
| Goods in transit | At cost including related charges. |

3.4 Employees' benefit schemes

3.4.1 Defined benefit plan (Gratuity fund)

The Company operates an approved gratuity scheme for its employees with a minimum requirement of three (03) years continuous service and calculated based on 30 days for more than five years, 21 days for three to less than five years of last basic salary for every completed year of service as well as service in excess of eight months shall be counted a full year for the computation purpose and accordingly provision has been made in the accompanying financial statements. The fund has been duly recognized by the National Board of Revenue (NBR) on 17 December 2013.

3.4.2 Defined contribution fund (Provident fund)

The Company operates a contributory provident fund scheme equally contributing @ 10% of basic salary. The fund has been duly recognized by the National Board of Revenue (NBR) on 23 July 2013.

3.4.3 Workers' profit participation and welfare fund

The Company recognizes a provision for workers' profit participation and welfare fund (WPPF) @ 5% of income before tax and it has been managing, disbursing and investing as per provisions of the Bangladesh Labour (Amendment) Act, 2013. The Company is making the payment within nine months at the end of the relevant financial year. 80% of the fund is being paid to eligible employees, 10% to Government Workers Welfare Foundation and remaining 10% to Star Ceramics Employees Welfare Fund as per provision of Bangladesh Labour (Amendment) Act, 2013.

3.5 Long term loan

The Company has availed term loan from The City Bank Limited for repayment of syndication term loan in 2016. Loan repayable after twelve months from the statement of financial position date are classified as long term liabilities whereas amount of loan repayable within twelve months from the statement of financial position date are classified as current liabilities. However, borrowing costs are charged in the statement of profit or loss and other comprehensive income unless the portion of qualifying assets.

3.6 Borrowing costs

Borrowing costs relating for acquisition of fixed assets is capitalized as per Bangladesh Accounting Standard (BAS) 23 "Borrowing Costs" at the weighted average cost of borrowings. During the year, borrowing costs amounting to Taka 19,821,528 has been capitalized. However, capitalization of borrowing costs is ceased when acquisition of relevant assets are ready for intended use.

3.7 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognized directly in the equity, in which case it is recognized in equity.

3.7.1 Current tax

The Company is enjoying reduced rate of income tax approved by the tax authority vide letter dated 4 July 2012 effective from 1 July 2011 to 30 June 2018. The reduced rates for a period of seven years is as follows:

| Years | Rate of income tax |
|----------------|--------------------|
| First to third | 5% |
| Forth to sixth | 10% |
| Seventh year | 15% |

3.7.2 Deferred tax

Deferred tax has been recognized in accordance with BAS 12: "Income Taxes". Deferred tax is provided using the liability method for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. Deferred tax is determined at the effective income tax rate prevailing at the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.8 Foreign currency transactions

Foreign currency transactions have been converted into Bangladesh Taka at the exchange rates prevailing on the transaction dates. Assets and liabilities outstanding at 31 December 2017 denominated in foreign currencies have been translated in Taka at the rate ruling on the statement of financial position date. Foreign exchange fluctuation gain/(loss) are charged to the statement of profit or loss and other comprehensive income.

3.9 Trade receivables

Trade receivables are recognized and stated at original invoiced amounts and carried at anticipated realizable values. Bad debts are written off when it is established that they are irrecoverable.

3.10 Cash and cash equivalents

Cash and cash equivalents consist of bank balances, cash in hand and cash equivalents like demand draft, pay orders etc in hand that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.11 Trade payables

Trade payables are stated at cost which approximates the fair value of the consideration to be paid for goods and services received.

3.12 Provisions and Contingent liabilities

Provisions

Provision is recognized in the financial statements in line with the BAS 37: "Provisions, Contingent Liabilities and Contingent Assets" when:

- the Company has a large or constructive obligation as a result of past event;
- it is probable that an outflow of economic benefit will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Contingent liabilities

A possible obligation depending on whether some uncertain future events occur, or a present obligation but payment is not probable or the amount cannot be measured reliably.

3.13 Revenue recognition

- a) Revenue is recognized when invoices are raised upon delivery of goods;
- b) Interest on short term deposits (STDs) is recognized on completed day basis.

3.14 Earnings per share

The Company calculates its earnings per share in accordance with BAS 33: "Earnings Per Share" which has been shown on the face of statement of profit or loss and other comprehensive income.

Basic earnings

This represents earnings for the year attributable to ordinary shareholders. As there are no preference shares requiring returns or dividends, minority interest or extraordinary items, the net profit after tax for the year has been considered as fully attributable to the ordinary shareholders.

Basic earnings per share

This is calculated by dividing the basic earnings by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share

No diluted earnings per share is required to be calculated as there was no scope for dilution during the year.

3.15 Going concern

The Company has adequate resources to continue in operation for foreseeable future. For this reason, the directors continue to adopt going concern basis in preparing the financial statements. The current credit facilities and resources of the Company provide sufficient fund to meet the present requirements of its existing businesses and operations.

3.16 Related party disclosures

The Company carried out a number of transactions with related parties in the normal course of business and on an arms' length basis. The information as required by BAS 24 "Related Party Disclosures" has been disclosed in a separate note to the financial statements.

3.17 Events after the reporting period

In compliance with the requirements of BAS 10: "Events after the Reporting Period", events after the date of statement of financial position that provide additional information about the Company's position at the statement of financial position date are reflected in the financial statements and events after the statement of financial position date that are not adjusting events are disclosed in the notes when material.

3.18 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognized amounts and the Company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

3.19 Materiality and aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

3.20 Date of authorization for issue of the financial statements

On 8 February 2018, the Board of Directors reviewed the financial statements and authorized for issue.

3.21 Directors' responsibility statement

The board of directors takes the responsibility for the preparation and fair presentation of these financial statements.

3.22 General

- a) Amounts appearing in these financial statements have been rounded off to the nearest Taka; and
- b) Previous year's figures have been rearranged or reclassified whenever considered necessary to conform with current year's presentation.

4 Property, plant and equipment at cost/revaluation less accumulated depreciation

| Particulars | Cost | | | Rate % | Depreciation | | | Written down value as at 31 December 2017 | Written down value as at 31 December 2016 |
|---------------------------|-------------------------------|---|--------------------------------------|--------|-------------------------------|-------------------------|--------------------------------------|---|---|
| | Balance as at 01 January 2017 | Additions/ revaluations during the year | Disposal/ adjustment during the year | | Balance as at 01 January 2017 | Charged during the year | Disposal/ adjustment during the year | Balance as at 31 December 2017 | |
| Land and land development | 327,464,130 | 662,547,330 | - | - | - | - | - | 990,011,460 | 327,464,130 |
| Factory building | 917,483,194 | - | - | 5% | 147,647,915 | 45,874,176 | - | 723,961,103 | 769,835,279 |
| Plant and machinery | 3,519,074,401 | 8,036,934 | - | 10% | 1,049,738,290 | 351,909,641 | - | 1,401,647,931 | 2,469,336,111 |
| Furniture and fixtures | 5,521,318 | 138,104 | 20,484 | 10% | 2,041,839 | 557,467 | 3,328 | 2,595,978 | 3,479,479 |
| Equipment | 31,736,541 | 2,466,934 | - | 10% | 10,868,135 | 3,437,158 | - | 14,305,293 | 20,868,406 |
| Motor vehicles | 42,102,890 | 3,509,553 | - | 10% | 14,510,782 | 4,421,597 | - | 18,932,379 | 27,592,108 |
| Tools and appliance | 7,925,748 | - | - | 10% | 2,875,004 | 792,576 | - | 3,667,580 | 5,050,744 |
| Office decoration | 12,235,626 | 6,853,732 | 3,632,238 | 10% | 3,847,137 | 1,402,357 | 665,959 | 4,583,535 | 8,388,489 |
| Electrical installation | 299,657,689 | 135,432 | - | 10% | 92,374,018 | 29,979,333 | - | 122,353,351 | 207,283,670 |
| Gas pipe line | 117,590,126 | - | - | 10% | 35,355,228 | 11,759,016 | - | 47,114,244 | 82,234,897 |
| Total 2017 | 5,280,791,662 | 683,688,019 | 3,652,722 | | 1,359,258,348 | 450,133,321 | 669,287 | 1,808,722,382 | 3,921,533,313 |
| Total 2016 | 5,065,311,679 | 215,717,967 | 237,984 | | 913,461,351 | 445,856,272 | 59,275 | 1,359,258,348 | 3,921,533,313 |

4.1 Allocation of depreciation

| | 2017 Taka | 2016 Taka |
|--|--------------------|--------------------|
| Cost of goods manufactured (note - 29.1) | 440,314,742 | 436,987,268 |
| Office and administrative expenses (note - 31) | 9,818,579 | 8,869,004 |
| | 450,133,321 | 445,856,272 |

4.2 Disposal of office decoration amounting to Taka 3,632,238 includes Taka 414,720 which is transferred to equipment during the year and shown as addition to equipment.

4.3 Land and land development

| | |
|---------------------|--------------------|
| Land | 309,395,170 |
| Land development | 41,225,120 |
| Revaluation surplus | 639,391,170 |
| | 990,011,460 |

| | 2017 | 2016 |
|--|----------------------|----------------------|
| | Taka | Taka |
| 5 Capital work-in-progress | | |
| Building | 525,758,894 | 294,349,414 |
| Plant and machinery | 174,448 | 786,657 |
| Gas connection | 1,000,000 | - |
| | 526,933,342 | 295,136,071 |
| 6 Intangible assets | | |
| Cost: | | |
| Opening balance | 306,776 | 306,776 |
| Add: Additions made during the year | 1,525,180 | - |
| | 1,831,956 | 306,776 |
| Accumulated amortization: | | |
| Opening balance | 143,333 | 81,977 |
| Add: Charged during the year | 293,200 | 61,356 |
| | 436,533 | 143,333 |
| | 1,395,423 | 163,443 |
| Software cost amortized @ 20% p.a. when the software is installed for use by using the straight line method. | | |
| 7 Inventories | | |
| Raw materials - Tiles | 363,551,731 | 394,779,842 |
| Raw materials - SWD | 67,449,611 | 41,016,947 |
| Stores and spares | 487,494,164 | 411,652,444 |
| Packing materials | 56,163,223 | 51,559,712 |
| Work-in-process | 90,785,534 | 80,560,771 |
| Finished goods-Tiles | 571,619,212 | 329,809,054 |
| Finished goods-SWD | 238,857,975 | 186,475,934 |
| | 1,875,921,449 | 1,495,854,703 |
| Goods in transit (note - 7.1) | 176,001,058 | 175,077,869 |
| | 2,051,922,508 | 1,670,932,572 |
| 7.1 Subsequent status of goods in transit is as follows: | | |
| Transferred to inventory | 60,297,770 | 175,077,869 |
| Yet to be transferred to inventory | 115,703,288 | - |
| | 176,001,058 | 175,077,869 |
| 8 Trade receivables | | |
| Receivables - local (note - 8.1) | 471,122,238 | 332,025,785 |
| Receivable - export | - | - |
| | 471,122,238 | 332,025,785 |

| | 2017 | 2016 |
|--|--------------------|--------------------|
| | Taka | Taka |
| 8.1 Receivables - local | | |
| Mohammed Trading | 229,490,363 | 85,217,656 |
| Term Trading | 36,042,648 | 30,072,986 |
| Rakeen Development Company (BD) Ltd. | 44,618,138 | - |
| Tiles House | 14,488,373 | - |
| Ceramic Vision | 12,288,743 | - |
| Ipsheeta Trade | - | 23,767,408 |
| Pally Enterprise | - | 34,755,153 |
| Future Trading Company | - | 47,158,905 |
| Receivable from other parties | 134,193,973 | 111,053,678 |
| | 471,122,238 | 332,025,785 |
| 8.2 Trade receivable disclosure as per Schedule-XI, Part-1, Para-4 of the Companies Act, 1994 | | |
| Receivable due below six months | 470,173,588 | 330,010,103 |
| Receivable due over six months | 948,650 | 2,015,682 |
| | 471,122,238 | 332,025,785 |
| 8.3 Disclosure as per Schedule-XI, Part-I, Para-4 (F) of Companies Act, 1994 | | |
| Receivable considered good and secured | 471,122,238 | 332,025,785 |
| Receivable considered good without security | - | - |
| Receivable considered doubtful or bad | - | - |
| Receivable due by directors or other officers | - | - |
| Receivable due from companies under same management | - | - |
| Maximum receivable due by directors or officers at any time | - | - |
| | 471,122,238 | 332,025,785 |
| 9 Other receivables | | |
| Insurance claim receivables | 3,711,606 | 593,681 |
| Accrued interest on short term deposits | 8,218 | 70,310 |
| Receivable - others | 242,859 | 363,481 |
| | 3,962,683 | 1,027,472 |
| 10 Advances, deposits and prepayments | | |
| Advances | | |
| Advance for purchase of goods | 10,184,700 | 2,370,915 |
| Advance VAT | 9,619,223 | 9,822,285 |
| Advance to employees | 1,346,788 | 1,996,285 |
| Supplementary duty on sales | 4,311,565 | 2,919,476 |
| Advance to service providers | 32,744,501 | 23,801,146 |
| Advance for IPO expenses | 2,300,000 | - |
| | 60,506,778 | 40,910,106 |
| Deposits | | |
| L/C margin deposits | 25,586,858 | 26,114,948 |
| Security deposits | 44,319,697 | 46,709,697 |
| | 69,906,556 | 72,824,645 |
| Prepayments | | |
| Prepaid expenses | 1,076,195 | 3,262,438 |
| Prepaid insurance | 2,271,789 | 2,405,980 |
| | 3,347,984 | 5,668,417 |
| | 133,761,318 | 119,403,168 |

10.1 Disclosure as per Schedule-XI, Part-I, Para-6 of the Companies Act, 1994

There is no advances and loans to its subsidiaries, partnership firms in which the company of any or its subsidiaries is a partner.

11 Advance income tax

| | 2017 Taka | 2016 Taka |
|-------------------------------------|--------------------|--------------------|
| Opening balance | 162,058,493 | 142,909,500 |
| Add: Additions made during the year | 57,953,719 | 46,261,927 |
| | 220,012,212 | 189,171,427 |
| Less: Adjusted during the year | - | 27,112,934 |
| | 220,012,212 | 162,058,493 |

This represents advance income tax paid on import stage, motor vehicles and deducted by banks from interest on short term deposits.

12 Cash and cash equivalents

| | | |
|--------------|---------|-----------|
| Cash in hand | 866,220 | 4,524,375 |
|--------------|---------|-----------|

Cash at banks with:

| | | |
|--------------------------------|-------------------|-------------------|
| Prime Bank Limited | 1,745,178 | 4,959,422 |
| Dhaka Bank Limited | 8,099,909 | 3,119,537 |
| Dutch Bangla Bank Limited | 8,047,859 | 6,395,404 |
| Mutual Trust Bank Limited | 360,222 | 623,731 |
| The City Bank Limited | 22,266 | 46,842 |
| Trust Bank Limited | 1,258,332 | 107,352 |
| Mercantile Bank Limited | 847 | 82,227 |
| NCC Bank Limited | 11,524 | 12,904 |
| Eastern Bank Limited | 5,473,258 | 4,205,633 |
| Sonali Bank Limited | 208,405 | 209,555 |
| Meghna Bank Limited | 274,428 | 6,078 |
| Standard Bank Limited | 2,760,175 | 1,837,661 |
| BRAC Bank Limited | 4,896,353 | 3,274,440 |
| Uttara Bank Limited | 517,495 | - |
| NRB Bank Limited | 417,360 | - |
| United Commercial Bank Limited | 3,453,313 | - |
| One Bank Limited | 24,713 | - |
| Midland Bank Limited | 136,362 | - |
| | 37,707,997 | 24,880,785 |

Term deposits (FDR) with:

| | | |
|---------------------------|-------------------|-------------------|
| Prime Bank Limited | 1,249,887 | 1,204,543 |
| Meghna Bank Limited | 3,607,250 | 3,500,000 |
| Mutual Trust Bank Limited | - | 5,848,263 |
| | 4,857,137 | 10,552,806 |
| | 43,431,355 | 39,957,965 |

Term deposit with Prime Bank Limited has been kept as lien towards margin against bank guarantees issued in favor of Jalalabad Gas Transmission and Distribution System Ltd.

13 Share capital

Authorized capital

250,000,000 ordinary shares of Taka 10 each

100,000,000 redeemable cumulative preference shares of Taka 10 each

| 2017 | 2016 |
|----------------------|----------------------|
| Taka | Taka |
| 2,500,000,000 | 2,500,000,000 |
| 1,000,000,000 | 1,000,000,000 |
| 3,500,000,000 | 3,500,000,000 |

Issued, subscribed and fully paid-up capital

150,200,000 ordinary shares of Taka 10 each

| | |
|----------------------|----------------------|
| 1,502,000,000 | 1,502,000,000 |
|----------------------|----------------------|

The composition of shareholding position of the Company is as follows:

| Name of Shareholders | Nationality/ Incorporated in | % | Number of Shares | 2017 Taka | 2016 Taka |
|------------------------------|---------------------------------|-------------|---------------------|----------------------|----------------------|
| Star Bangladesh Holding Ltd. | British Virgin Islands | 43.50% | 65,337,000 | 653,370,000 | 653,370,000 |
| S.A.K Ekramuzzaman | Bangladeshi | 35.00% | 52,570,000 | 525,700,000 | 600,800,000 |
| Syed A.K Anwaruzzaman | Bangladeshi | 10.00% | 15,020,000 | 150,200,000 | 150,200,000 |
| Qamar-Uz-Zaman | Bangladeshi | 5.00% | 7,510,000 | 75,100,000 | - |
| Md. Amir Hossain | Bangladeshi | 3.00% | 4,506,000 | 45,060,000 | 45,060,000 |
| Engr. Syed Ahmed | Bangladeshi | 1.00% | 1,502,000 | 15,020,000 | 15,020,000 |
| Fazle Hasan Akber | Bangladeshi | 1.00% | 1,502,000 | 15,020,000 | 15,020,000 |
| Md. Imtiaz Hossain | Bangladeshi | 0.50% | 751,000 | 7,510,000 | 7,510,000 |
| Md. Jahirul Reza | Bangladeshi | 0.50% | 751,000 | 7,510,000 | 7,510,000 |
| Md. Mahabubur Rahman | Bangladeshi | 0.50% | 751,000 | 7,510,000 | 7,510,000 |
| Total | | 100% | 150,200,000 | 1,502,000,000 | 1,502,000,000 |

14 Share money deposits

Star Bangladesh Holding Ltd.

Syed A.K Anwaruzzaman

Md. Amir Hossain

| | |
|----------|----------------|
| - | 307,889 |
| - | 70,779 |
| - | 21,234 |
| - | 399,902 |

Since there will be no issuance of shares, amount on account of Star Bangladesh Holding Ltd. has been transferred to other payable account (note - 24) while amounts on account of Syed A.K Anwaruzzaman and Md. Amir Hossain have been refunded during the year.

15 Revaluation reserve

Revaluation surplus

Deferred tax on revaluation surplus

| | |
|--------------------|----------|
| 639,391,170 | - |
| (12,787,824) | - |
| 626,603,346 | - |

16 Retained earnings

Opening balance

Net profit for the year

Dividend paid

Excess provision written back

| | |
|--------------------|-------------------|
| 85,723,952 | 74,202,193 |
| 206,564,490 | 76,041,770 |
| (71,345,000) | (69,451,602) |
| - | 4,931,591 |
| 220,943,443 | 85,723,952 |

17 Deferred tax liabilities

Deferred tax has been recognized in accordance with the provision of BAS-12: "Income Taxes" based on temporary differences arising due to difference in the carrying amounts of the assets or liabilities and their tax base and on the carried forward losses (unabsorbed depreciation).

| | 2017 Taka | 2016 Taka |
|---|--------------------|-------------------|
| Deferred tax liability at the beginning of the year | 31,118,960 | 22,708,524 |
| Deferred tax expenses for the year (note - 17.1) | 62,971,965 | 8,410,436 |
| Deferred tax on revaluation surplus (note - 15) | 12,787,824 | - |
| Deferred tax liability at the end of the year | 106,878,749 | 31,118,960 |

17.1 Deferred tax expenses

| | Carrying amount on balance sheet date | Tax Base | Taxable/ (deductible) temporary difference |
|--|---|---------------|---|
| Deferred tax expenses for the year ended 31 December 2017 | | | |
| Property, plant and equipment (excluding land) | 3,162,093,116 | 2,013,699,000 | 1,148,394,116 |
| Provision for gratuity | 34,553,034 | | (34,553,034) |
| Carried forward loss (unabsorbed depreciation) | - | 486,568,247 | (486,568,247) |
| | | | 627,272,835 |
| Applicable tax rate | | | 15% |
| Deferred tax liability as on 31 December 2017 | | | 94,090,925 |
| Deferred tax liability as on 31 December 2016 | | | 31,118,960 |
| Deferred tax expenses for the year ended 31 December 2017 | | | 62,971,965 |

18 Retirement benefit obligations- gratuity scheme

| | | |
|-------------------------------------|-------------------|-------------------|
| Opening balance | 19,434,560 | 12,804,727 |
| Add: Provision made during the year | 16,264,371 | 8,451,157 |
| | 35,698,931 | 21,255,884 |
| Less: Paid during the year | 1,145,897 | 1,821,324 |
| | 34,553,034 | 19,434,560 |

19 Redeemable cumulative preference shares - net off current portion

Pursuant to consent letter # BSEC/CI/CPLC-528/2015/323 dated 12 June 2016 Bangladesh Securities and Exchange Commission has accorded approval for issuance of 9.75% redeemable cumulative preference shares of Taka 950,000,000 out of which Preference shares worth Taka 815,000,000 have been issued in the following manner:

| Name of Preference Shareholders | % | Number of Shares | 2017 Taka | 2016 Taka |
|--|-------------|-------------------|--------------------|--------------------|
| United Finance Limited | 18.40% | 15,000,000 | 150,000,000 | 150,000,000 |
| Shimanto Bank Limited | 13.50% | 11,000,000 | 110,000,000 | 110,000,000 |
| National Credit and Commerce Bank Limited | 12.27% | 10,000,000 | 100,000,000 | 100,000,000 |
| IPDC of Bangladesh Limited | 9.20% | 7,500,000 | 75,000,000 | 75,000,000 |
| Meghna Bank Limited | 8.59% | 7,000,000 | 70,000,000 | 70,000,000 |
| Standard Bank limited | 8.59% | 7,000,000 | 70,000,000 | 70,000,000 |
| Delta Brac Housing Finance Corporation Limited | 6.13% | 5,000,000 | 50,000,000 | 50,000,000 |
| NRB Bank Limited | 6.13% | 5,000,000 | 50,000,000 | 50,000,000 |
| Prime Bank Limited | 4.91% | 4,000,000 | 40,000,000 | 40,000,000 |
| Ashok Kumar Saha | 4.91% | 4,000,000 | 40,000,000 | 40,000,000 |
| Grameen One: Scheme Two | 3.68% | 3,000,000 | 30,000,000 | 30,000,000 |
| AIMS of Bangladesh Limited | 2.45% | 2,000,000 | 20,000,000 | 10,000,000 |
| Reliance Insurance Mutual Fund | 1.23% | 1,000,000 | 10,000,000 | 10,000,000 |
| MTB First Mutual Fund | 0.00% | - | - | 10,000,000 |
| Total redeemable cumulative preference shares | 100% | 81,500,000 | 815,000,000 | 815,000,000 |
| Less: Current portion | | | 407,500,000 | - |
| | | | 407,500,000 | 815,000,000 |

50% of the issued amount will be repaid in year 2018 and remaining 50% will be repaid in year 2019.

20 Long term loan - net off current portion

| | | |
|-------------------------------------|----------------------|----------------------|
| The City Bank Limited (note - 20.1) | 1,625,472,466 | 1,715,271,297 |
| Less: Current portion | 613,229,250 | 647,951,636 |
| | 1,012,243,216 | 1,067,319,661 |

20.1 The City Bank Limited

- i) Nature of loan : Term loan.
Date of agreement : 30 January 2017.
Facility limit : Taka
1,700,000,000.
Drawdown : Taka
1,700,000,000.
Repayment of loan : Equal quarterly installments.
Purpose of Loan : To take over Term loan liabilities from all other syndicated lenders.
Security : i) Registered mortgage over 2208.50 decimal project land & building of the company located at Mouza, Shahapur under Madhabpur Police Station, District: Habigonj with RJSC along with RIGPA executed by the customer empowering the Lender to sell the mortgaged assets.
ii) 1st charge by way of hypothecation over fixed assets including machinery, furniture, fixture, equipment and all other fixed assets (present & future) of the project along with NIGPA to be executed by the customer empowering the Lender to sell the hypothecated assets.

- ii) Nature of loan : Term loan.
Date of agreement : 01 November 2017.
Facility limit : Taka 430,000,000.
Drawdown : Taka 430,000,000.
Repayment of loan : Equal quarterly installments.
Purpose of Loan : i) To finance purchase of 25,340 sft floor spaces @ Taka 14,000 per sft at Bijoy Rakeen City, Mirpur, Dhaka at a total cost of Taka 358,000,000;
ii) To finance construction & decoration of (a) 3 buildings totaling 56,550 sft at the factory premises, (b) decoration of new head office at Rakeen city and (c) establishment cost of 4 showrooms.
Security : Registered mortgage & related 1st charge with RJSC along with registered RIGPA of the following property:
Registered mortgage of over 25,340 sft commercial space with 6,594 decimal undivided and un-demarcated proportionate land located at Bijoy Rakeen City, Mirpur, Dhaka in the name of Star Ceramics Limited with RJSC along with RIGPA executed by the customer empowering the lender to sell the mortgaged assets. The mortgage to be completed covering proposed term loan of Taka 430,000,000 only.

| 2017 | 2016 |
|--------------------|--------------------|
| Taka | Taka |
| 203,898,820 | 138,852,545 |
| 58,198,904 | 4,574,802 |
| 190,393,188 | 5,286,256 |
| 199,169,075 | - |
| 151,823,961 | - |
| - | 52,712,867 |
| - | 12,598,398 |
| 803,483,948 | 214,024,869 |

21 Bank overdrafts

| | | |
|---|--------------------|--------------------|
| Prime Bank Limited (note - 21.1) | 203,898,820 | 138,852,545 |
| The City Bank Limited (note - 21.2) | 58,198,904 | 4,574,802 |
| Trust Bank Limited (note - 21.3) | 190,393,188 | 5,286,256 |
| Uttara Bank Limited (note - 21.4) | 199,169,075 | - |
| Midland Bank Limited (note - 21.5) | 151,823,961 | - |
| One Bank Limited (note - 21.6) | - | 52,712,867 |
| Mutual Trust Bank Limited (note - 21.7) | - | 12,598,398 |
| | 803,483,948 | 214,024,869 |

Facilities limit under Bank overdraft and Letter of Trust Receipts (LTR) are mutually interchangeable. However, Cash Credit (Hypothecation) limit is to be remained within Taka 300,000,000 and Taka 200,000,000 at any point of time as per facility letter issued by the Prime Bank Limited and Trust Bank Limited respectively. Overdraft amount from Midland Bank Limited includes accrued interest amounting to Taka 2,286,687 and thereby loan balance is within the limit approved by the bank.

The terms and conditions of the bank overdraft are as follows:

21.1 Prime Bank Limited

- Nature of loan : Cash Credit (Hypothecation).
Date of agreement : 02 April 2017.
Facility limit : Taka 170,000,000.
Purpose : To meet working capital requirement.
Expiry : 31 March 2018.
Mode of repayment : From the sales proceeds or from own source of the Company.
Security : i) Hypothecation of stock-in-trade duly insured covering the risks of fire & RSD with bank's mortgage clause for a sum exceeding 10% above the sanction limit or stock under hypothecation under whichever is higher at the cost of the customer;
ii) Irrevocable general power of Attorney (duly notarized) favoring the Bank authorizing the Bank to sell the inventory/ stock under hypothecation without further reference to the court in case of default.

21.2 The City Bank Limited

| | |
|-------------------|--|
| Nature of loan | : Overdraft. |
| Date of agreement | : 30 January 2017. |
| Facility limit | : Taka 60,000,000. |
| Purpose | : To meet working capital requirement. |
| Tenor | : 1 year. |
| Mode of repayment | : From the sales proceeds or from own source of the Company. |
| Security | : i) First ranking charge by way of hypothecation over the floating assets (present and future) of the Company on pari-passu security sharing basis with the working capital facility lenders; ii) A notarized irrevocable general power of Attorney to be executed by the customer empowering the Lenders to sell the hypothecated assets. |

21.3 Trust Bank Limited

| | |
|-------------------|---|
| Nature of loan | : Cash Credit (Hypothecation). |
| Date of agreement | : 9 July 2017. |
| Facility limit | : Taka 100,000,000. |
| Purpose | : To meet working capital requirement. |
| Expiry | : 01 May 2018. |
| Mode of repayment | : From the sales proceeds or from own sources of the Company. |
| Security | : i) First ranking charge with RJSC by way of hypothecation over the floating assets (present and future) of the Company on pari-passu security sharing basis with the working capital facility lenders; ii) Personal guarantee of all local directors of Star Ceramics Limited. |

21.4 Uttara Bank Limited

| | |
|-------------------|---|
| Nature of loan | : Cash Credit (Hypothecation). |
| Date of agreement | : 17 September 2017. |
| Facility limit | : Taka 200,000,000. |
| Purpose | : To meet working capital requirement. |
| Repayment period | : 1 year upto 31 July 2018. |
| Mode of repayment | : From the sales proceeds or from own sources of the Company. |
| Security | : i) First ranking charge by way of hypothecation over the floating assets (present & future) of the company on pari-passu security sharing basis; ii) Personal guarantee of all directors of the company. |

21.5 Midland Bank Limited

| | |
|-------------------|--|
| Nature of loan | : Overdraft. |
| Date of agreement | : 28 February 2017. |
| Facility limit | : Taka 150,000,000. |
| Purpose | : To meet working capital requirement. |
| Validity | : 28 February 2018. |
| Mode of repayment | : From the sales proceeds or from own sources of the Company. |
| Security | : i) Title of goods; ii) First ranking pari-passu charge registered with RJSC with other lenders on floating assets of Star Ceramics Limited. |

21.6 One Bank Limited

| | |
|-------------------|--|
| Nature of loan | : Overdraft. |
| Date of agreement | : 30 August 2016. |
| Facility limit | : Taka 200,000,000. |
| Purpose | : To meet working capital requirement. |
| Validity | : 31 May 2017. |
| Mode of repayment | : From operating cash flow and/or from own sources of the company. |

- Security : i) 1st ranking Pari-passu charge among Prime, MTBL, Trust, City & OBL with RJSC on floating assets of the Company along with NIGPA to sell the assets;
ii) Registered Pari-passu mortgage on 2.208 decimal project lands along with factory building & structures thereon owned by Star Ceramic Ltd at Riaznagar, Madhabpur, Habigonj.

21.7 Mutual Trust Bank Limited

- Nature of loan : Cash Credit (Hypothecation).
Date of agreement : 25 January 2017.
Facility limit : Taka 150,000,000.
Purpose : To procure raw materials and to meet up working capital requirement.
Validity : 31 December 2017.
Mode of repayment : From operating cash flow and/or from own sources of the company.
Security : i) Pari-passu charge (registered hypothecation) over imported items to be stored in Star Ceramics Limited warehouse, duly insured with bank clause covering all possible risks at Star Ceramics Limited's own cost;
ii) Pari-passu charge on floating assets including book debts of Star Ceramics Limited.

| 2017 | 2016 |
|------|------|
| Taka | Taka |

22 Short term bank loans

22.1 Short term loan

| | | |
|--|----------------------|----------------------|
| The City Bank Limited (note - 22.1.1) | 526,631,441 | 460,291,168 |
| United Commercial Bank Limited (note - 22.1.2) | 203,083,333 | - |
| Dhaka Bank Limited (note - 22.1.3) | 41,294,562 | - |
| Eastern Bank Limited (note - 22.1.4) | 350,000,000 | - |
| One Bank Limited | - | 174,685,004 |
| Prime Bank Limited | - | 817,068,000 |
| | 1,121,009,337 | 1,452,044,172 |

22.2 Letter of trust receipt

| | | |
|--|----------------------|----------------------|
| Prime Bank Limited (note - 22.2.1) | 27,904,460 | 89,641,204 |
| The City Bank Limited (note - 22.2.2) | 3,293,217 | 147,735,770 |
| United Commercial Bank Limited (note - 22.2.3) | 109,470,438 | - |
| Dhaka Bank Limited (note - 22.2.4) | 57,866,309 | - |
| Eastern Bank Limited (note - 22.2.5) | 11,775,419 | - |
| One Bank Limited | - | 47,422,951 |
| Trust Bank Limited | - | 10,860,039 |
| Mutual Trust Bank Limited | - | 9,662,570 |
| | 210,309,843 | 305,322,534 |
| | 1,331,319,180 | 1,757,366,706 |

The terms and conditions of the short term loans are as follows:

22.1.1 The City Bank Limited

- Nature of loan : Short term loan.
Date of agreement : 02 April 2017.
Facility limit : Taka 500,000,000.
Purpose : To meet working capital requirement.
Tenor : 360 days
Mode of repayment : From the sales proceeds or from own source of the Company.
Security : i) Board resolutions;
ii) Personal guarantees of all the directors of the company.

22.1.2 United Commercial Bank Limited

| | |
|-------------------|---|
| Nature of loan | : Short term corporate loan in the form of Time loan. |
| Date of agreement | : 20 March 2017. |
| Facility limit | : Taka 200,000,000. |
| Purpose | : To meet working capital requirement. |
| Tenor | : 180 days. |
| Mode of repayment | : From the sales proceeds or from own source of the Company. |
| Security | : i) Post dated MICR cheque covering the Time Loan of Tk. 20.00 crore to be submitted in favor of the bank through an undertaking to the effect that this has been provided by you for repayment purpose; ii) Personal guarantee of the local directors and shareholders of the company. |

22.1.3 Dhaka Bank Limited

| | |
|-------------------|---|
| Nature of loan | : Short term loan. |
| Date of agreement | : 07 May 2017. |
| Facility limit | : Taka 350,000,000. |
| Purpose | : To meet working capital requirement. |
| Tenor | : 180 days. |
| Mode of repayment | : From the sales proceeds or from own source of the Company. |
| Security | : i) First ranking pari-passu charge by way of hypothecation on the floating assets of the company with other lenders (PBL, OBL, The City Bank Limited, MTBL, Trust Bank); ii) Personal guarantee of Syed A K Anwaruzzaman, MD of Star Ceramics Limited and Syed Ahmed, director of Star Ceramics Limited. |

22.1.4 Eastern Bank Limited

| | |
|-------------------|--|
| Nature of loan | : Demand loan. |
| Date of agreement | : 21 September 2017. |
| Facility limit | : Taka 350,000,000. |
| Purpose | : To meet working capital requirement. |
| Tenor | : 180 days. |
| Mode of repayment | : From the sales proceeds or from own source of the Company. |
| Security | : i) Registered hypothecation (pari-passu-1st charge) over floating assets (present & future) of the company with other lenders; ii) Personal guarantees of all the directors of the company. |

The terms and conditions of the letter of trust receipt are as follows:

22.2.1 Prime Bank Limited

| | |
|-------------------|--|
| Nature of loan | : Letter of Trust Receipt (LTR). |
| Date of agreement | : 02 April 2017. |
| Facility limit | : Taka 300,000,000. |
| Purpose | : To retire the documents of L/C that will be opened for raw materials, spare parts, accessories, packing materials & other things related to production of the company. |
| Settlement | : 1 year but each LTR should have specific validity not exceeding 150 days from the date of disbursement. |
| Mode of repayment | : Each LTR shall be adjusted from the sale proceeds within 150 days from the date of creation or from their own sources. |
| Security | : Letter of trust receipt, post dated cheque covering Taka 30 crore favoring PBL. |

22.2.2 The City Bank Limited

| | |
|-------------------|--|
| Nature of loan | : Import loan. |
| Date of agreement | : 30 January 2017. |
| Facility limit | : Taka 665,000,000. |
| Purpose | : To retire sight LC of raw materials, packing materials, spare parts & accessories etc. for existing and expansion project. |
| Tenor | : 180 days. |
| Mode of repayment | : From the sales proceeds or from own source of the Company. |
| Security | : i) First ranking charge by way of hypothecation over the floating assets (present and future) of the Company on pari-passu security sharing basis with the working capital facility lenders; ii) A notarized irrevocable general power of Attorney to be executed by the customer empowering the Lenders to sell the hypothecated assets. |

22.2.3 United Commercial Bank Limited

| | |
|-------------------|---|
| Nature of loan | : Letter of Trust Receipt (LTR). |
| Date of agreement | : 20 March 2017. |
| Facility limit | : Taka 200,000,000. |
| Purpose | : To retire sight LC related documents. |
| Tenor | : 180 days. |
| Mode of repayment | : From the sales proceeds or from own source of the Company. |
| Security | : i) Trust receipts duly stamped and filled in; ii) First ranking pari-passu security sharing agreement to be created with the existing lenders and charge to be created with RJSC on floating assets (present & future) of the company. |

22.2.4 Dhaka Bank Limited

| | |
|-------------------|--|
| Nature of loan | : Letter of Trust Receipt (LTR). |
| Date of agreement | : 07 May 2017. |
| Facility limit | : Taka 200,000,000. |
| Purpose | : For retirement of import documents against LC. |
| Tenor | : 180 days. |
| Mode of repayment | : From the sales proceeds or from own source of the Company. |
| Security | : i) First ranking pari-passu charge by way of hypothecation on the floating assets of the company with other lenders (PBL, OBL, The City Bank Limited, MTBL, Trust Bank); ii) Personal guarantees of Syed A K Anwaruzzaman, MD of Star Ceramics Limited and Syed Ahmed, director of Star Ceramics Limited. |

22.2.5 Eastern Bank Limited

| | |
|-------------------|--|
| Nature of loan | : Import loan. |
| Date of agreement | : 21 September 2017. |
| Facility limit | : Taka 285,000,000. |
| Purpose | : To adjust the liability of sight LC. |
| Tenor | : 180 days. |
| Mode of repayment | : From the sales proceeds or from own source of the Company. |
| Security | : i) Registered hypothecation (pari-passu - 1st charge) over floating assets (present & future) of the company with other lenders; ii) Personal guarantees of all the directors of the company. |

| | 2017 | 2016 |
|---|----------------------|----------------------|
| | Taka | Taka |
| 23 Provision for taxation | | |
| Opening balance | 6,183,474 | 32,044,525 |
| Add: Provision made during the year | 10,826,872 | 6,183,474 |
| | 17,010,346 | 38,227,999 |
| Less: Adjusted during the year | - | 32,044,525 |
| | 17,010,346 | 6,183,474 |
| 24 Trade and other payables | | |
| Accounts payable | 387,524,991 | 263,657,711 |
| Provident fund payable | 1,833,762 | 1,668,998 |
| Payable to service providers | 19,595,496 | 28,006,055 |
| TDS payable | 9,602,734 | 10,366,209 |
| VAT payable | 3,838,292 | 4,209,296 |
| Advance received from customers | 8,454,356 | 18,943,470 |
| Accrued expenses (note - 24.1) | 71,389,180 | 60,675,670 |
| Share money deposits payable/ refunded to- Star Bangladesh Holding Ltd. | 307,889 | - |
| Engr. Syed Ahmed | - | 7,078 |
| Md. Imtiaz Hossain | - | 3,539 |
| Md. Jahirul Reza | - | 4,000 |
| Md. Mahabubur Rahman | - | 3,539 |
| Fazle Hasan Akber | - | 7,078 |
| | 502,546,700 | 387,552,643 |
| 24.1 Accrued expenses | | |
| Salary and wages | 21,480,726 | 16,792,739 |
| Electricity, gas and telephone | 21,012,933 | 19,947,031 |
| Provision for delivery transport | 5,986,142 | - |
| Foreign technician expenses | - | 15,480 |
| Security and other expenses | 1,540,502 | 2,675,173 |
| Provision for interest | 20,109,377 | 20,198,747 |
| Office rent | 351,500 | 351,500 |
| Professional fees | 908,000 | 695,000 |
| | 71,389,180 | 60,675,670 |
| 25 Provision for workers' profit participation fund (WPPF) | | |
| Opening balance | 8,161,920 | 7,148,673 |
| Add: Provision made during the year | 14,018,166 | 4,531,784 |
| | 22,180,086 | 11,680,457 |
| Less: Paid during the year | 3,345,643 | 3,518,537 |
| | 18,834,443 | 8,161,920 |
| The above noted closing balance represents amount to be invested pursuant to Bangladesh Labour (Amendment) Act, 2013. | | |
| 26 Net Assets Value (NAV) per share with Revaluation reserve | | |
| Total assets | 7,604,645,655 | 6,542,238,282 |
| Total liabilities | (5,255,098,865) | (4,954,114,428) |
| | 2,349,546,789 | 1,588,123,854 |
| Number of outstanding shares | 150,200,000 | 114,865,685 |
| NAV per share | 15.64 | 13.83 |

27 Net Assets Value (NAV) per share without Revaluation reserve

| | 2017 Taka | 2016 Taka |
|------------------------------|----------------------|----------------------|
| Total assets | 7,604,645,655 | 6,542,238,282 |
| Total liabilities | (5,255,098,865) | (4,954,114,428) |
| Revaluation reserve | (626,603,346) | - |
| | 1,722,943,443 | 1,588,123,854 |
| Number of outstanding shares | 150,200,000 | 114,865,685 |
| NAV per share | 11.47 | 13.83 |

28 Revenue

| | 01 Jan 2017 to 30 Jun 2017 Taka | 01 Jul 2017 to 31 Dec 2017 Taka | 2017 Taka | 2016 Taka |
|----------------------------------|--|---------------------------------------|----------------------|----------------------|
| Sales - local | 2,305,734,200 | 2,648,056,514 | 4,953,790,714 | 4,741,976,391 |
| Less: Supplementary duty and VAT | 535,607,182 | 617,934,568 | 1,153,541,750 | 1,107,368,116 |
| Sales - local (net) | 1,770,127,018 | 2,030,121,947 | 3,800,248,964 | 3,634,608,276 |
| Sales - export | 17,963,211 | 3,765,323 | 21,728,533 | 16,294,140 |
| | 1,788,090,229 | 2,033,887,269 | 3,821,977,498 | 3,650,902,416 |

Disclosure as per requirement of Schedule XI, Part II, Para 3 (a) of the Companies Act,1994.

| Name of category | UOM | Opening | Purchase/ Production | In Quantity | |
|--------------------|-----|-----------|-------------------------|-------------|-----------|
| | | | | Sales | Closing |
| Tiles:- | | | | | |
| 60x60 | SFT | 2,205,842 | 18,729,880 | 17,980,105 | 2,955,617 |
| 40x40 | SFT | 2,062,267 | 13,349,674 | 12,517,393 | 2,894,548 |
| 50x50 | SFT | 255,233 | 13,116,690 | 12,540,254 | 831,669 |
| 33x50 | SFT | 1,177,971 | 9,423,970 | 7,839,030 | 2,762,911 |
| 20x30 | SFT | 528,639 | 6,458,943 | 6,302,813 | 684,769 |
| SWD:- | | | | | |
| Wash Basin | PCS | 39,505 | 93,445 | 84,483 | 48,467 |
| Asian Water Closet | PCS | 10,150 | 92,516 | 91,049 | 11,617 |
| Pedestal | PCS | 36,318 | 87,156 | 76,960 | 46,514 |
| Water Closet | PCS | 8,516 | 68,441 | 55,404 | 21,553 |
| Water Tank | PCS | 24,633 | 52,576 | 59,023 | 18,186 |

29 Cost of sales

| | | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| Opening stock of finished goods | 516,284,988 | 691,630,970 | 516,284,988 | 388,301,579 |
| Add: Cost of goods manufactured (note - 29.1) | 1,339,353,625 | 1,483,380,436 | 2,822,734,061 | 2,627,872,297 |
| Cost of finished goods available for sale | 1,855,638,613 | 2,175,011,406 | 3,339,019,049 | 3,016,173,876 |
| Less: Closing stock of finished goods | 691,630,970 | 810,477,186 | 810,477,186 | 516,284,988 |
| | 1,164,007,643 | 1,364,534,220 | 2,528,541,863 | 2,499,888,888 |

| | 01 Jan 2017 to 30 Jun 2017 | 01 Jul 2017 to 31 Dec 2017 | 2017 | 2016 |
|--|-------------------------------|-------------------------------|------|------|
| | Taka | Taka | Taka | Taka |

29.1 Cost of goods manufactured

| | | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| Raw material consumed (note - 29.1.1) | 638,796,624 | 703,643,479 | 1,342,440,102 | 1,322,140,184 |
| Salary and wages | 124,533,206 | 124,791,115 | 249,324,321 | 211,292,352 |
| Power and gas | 132,483,384 | 147,814,515 | 280,297,899 | 246,207,152 |
| Insurance | 2,208,298 | 2,227,941 | 4,436,239 | 4,649,838 |
| Polishing charges | 25,529,466 | 36,699,241 | 62,228,707 | 38,899,097 |
| Repairs and maintenance | 60,117,799 | 84,620,301 | 144,738,100 | 105,104,875 |
| Packing material consumed (note - 29.1.2) | 108,845,797 | 141,367,536 | 250,213,333 | 218,308,709 |
| Foreign technician expenses | 504,027 | 458,433 | 962,460 | 4,389,464 |
| Depreciation (note - 4.1) | 220,156,281 | 220,158,461 | 440,314,742 | 436,987,268 |
| Other expenses (note - 29.1.3) | 26,178,744 | 21,599,415 | 47,778,159 | 39,893,356 |
| | 1,339,353,624 | 1,483,380,437 | 2,822,734,061 | 2,627,872,296 |

29.1.1 Raw materials consumed

| | | | | |
|--------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Opening stock of raw materials | 435,796,789 | 504,014,117 | 435,796,789 | 707,774,155 |
| Add: Purchase made during the year | 727,013,952 | 620,855,466 | 1,347,869,418 | 1,052,178,350 |
| | 1,162,810,741 | 1,124,869,584 | 1,783,666,207 | 1,759,952,504 |
| Less: Closing stock of raw materials | 504,014,117 | 431,001,342 | 431,001,342 | 435,796,789 |
| | 658,796,624 | 693,868,242 | 1,352,664,865 | 1,324,155,715 |
| Add: Opening work in process | 80,560,771 | 100,560,771 | 80,560,771 | 78,545,240 |
| | 739,357,395 | 794,429,013 | 1,433,225,636 | 1,402,700,955 |
| Less: Closing work in process | 100,560,771 | 90,785,534 | 90,785,534 | 80,560,771 |
| | 638,796,624 | 703,643,479 | 1,342,440,102 | 1,322,140,184 |

Disclosure as per requirement of Schedule XI, Part II, Para 3 (d - ii) of the Companies Act, 1994.

| Particulars | Opening | Purchase | Available for use | Consumption | Closing |
|-----------------------|------------|-------------|-------------------|-------------|------------|
| Malaysian Clay | 93,828,034 | 251,048,267 | 344,876,301 | 272,652,503 | 72,223,797 |
| Potash Feldspar Chips | 82,719,851 | 221,272,196 | 303,992,047 | 230,328,861 | 73,663,186 |
| Soda Feldspar Chips | 45,032,997 | 201,062,219 | 246,095,216 | 209,911,057 | 36,184,160 |
| Sodium Silicate | 232,998 | 39,594,768 | 39,827,766 | 39,287,227 | 540,540 |

29.1.2 Packing materials consumed

| | | | | |
|--|--------------------|--------------------|--------------------|--------------------|
| Opening stock of packing materials | 51,559,712 | 47,100,370 | 51,559,712 | 51,609,738 |
| Add: Purchase made during the year | 104,386,455 | 150,430,389 | 254,816,844 | 218,258,683 |
| | 155,946,167 | 197,530,759 | 306,376,556 | 269,868,421 |
| Less: Closing stock of packing materials | 47,100,370 | 56,163,223 | 56,163,223 | 51,559,712 |
| | 108,845,797 | 141,367,536 | 250,213,333 | 218,308,709 |

| | 01 Jan 2017 to 30 Jun 2017 | 01 Jul 2017 to 31 Dec 2017 | 2017 | 2016 |
|--|-------------------------------|-------------------------------|-------------------|-------------------|
| | Taka | Taka | Taka | Taka |
| 29.1.3 Other expenses | | | | |
| Dies and mould | 13,265,431 | 8,440,192 | 21,705,623 | 15,504,886 |
| Office maintenances | 937,095 | 1,041,169 | 1,978,264 | 1,531,987 |
| Equipment rental | 992,011 | 1,088,388 | 2,080,399 | 2,076,753 |
| Chemical consumption | 1,425,844 | 1,152,721 | 2,578,565 | 2,825,499 |
| Medical expenses | 123,484 | 120,453 | 243,937 | 284,941 |
| Loading and unloading expenses | 2,036,516 | 1,149,539 | 3,186,055 | 3,195,927 |
| Accommodation expenses | 663,234 | 730,347 | 1,393,581 | 1,686,996 |
| Factory maintenance | 110,921 | 184,323 | 295,244 | 241,462 |
| Security guard expenses | 3,023,159 | 3,115,291 | 6,138,450 | 5,774,705 |
| Travelling and conveyance expenses | 57,130 | 44,435 | 101,565 | 121,181 |
| Accommodation and fooding expenses | 861,918 | 851,694 | 1,713,612 | 1,765,533 |
| Vehicle repair expenses | 256,953 | 230,416 | 487,369 | 411,089 |
| Vehicle fuel expenses | 425,042 | 513,431 | 938,473 | 727,714 |
| Printing and stationary expenses | 1,401,046 | 2,217,849 | 3,618,895 | 2,574,072 |
| Internet expenses | 219,508 | 258,520 | 478,029 | 454,906 |
| Factory fooding expenses | 312,946 | 389,424 | 702,370 | 550,641 |
| Mobile expenses | 27,950 | 20,200 | 48,150 | 56,600 |
| Vehicle running expenses | 38,555 | 51,023 | 89,578 | 108,463 |
| | 26,178,744 | 21,599,415 | 47,778,159 | 39,893,356 |
| 30 Other income | | | | |
| Scrap sales | 1,365,891 | 1,980,843 | 3,346,734 | 3,253,367 |
| Other charges | 124,880 | 330,914 | 455,793 | 530,828 |
| Interest income on term deposit | 120,978 | 146,618 | 267,596 | 666,248 |
| Revaluation loss | - | (734,564) | (734,564) | - |
| Gain on disposal of fixed asset | - | - | - | 45,690 |
| | 1,611,748 | 1,723,811 | 3,335,559 | 4,496,133 |
| 31 Office and administrative expenses | | | | |
| Salary and allowances | 29,461,182 | 29,771,582 | 59,232,764 | 51,988,076 |
| Travelling and conveyance bills | 1,150,445 | 841,200 | 1,991,645 | 2,684,866 |
| Office rent | 1,725,000 | 1,725,000 | 3,450,000 | 3,390,000 |
| Vehicle maintenance | 1,986,539 | 2,431,876 | 4,418,415 | 4,202,162 |
| Miscellaneous expenses | 557,995 | 878,144 | 1,436,139 | 2,919,790 |
| Printing and stationery | 899,739 | 1,220,951 | 2,120,689 | 1,589,292 |
| Repair and maintenance of office equipment | 816,238 | 1,813,107 | 2,629,345 | 1,982,608 |
| Registration and renewal | 1,358,386 | 1,577,066 | 2,935,452 | 3,619,208 |
| Electricity, gas and WASA bills | 644,180 | 550,399 | 1,194,579 | 1,482,028 |
| Business promotion | 865,398 | 147,368 | 1,012,767 | 1,109,639 |
| Telephone and mobile bills | 565,921 | 598,990 | 1,164,911 | 1,098,845 |
| Staff welfare | 65,560 | 192,217 | 257,777 | 121,960 |
| House rent | 1,153,322 | 1,264,350 | 2,417,672 | 1,059,113 |
| Audit fee | - | 658,000 | 658,000 | 470,000 |
| Professional fees | 1,655,463 | 2,130,000 | 3,785,463 | 1,669,295 |
| ISO expenses | 351,000 | - | 351,000 | 428,479 |
| Internet charges | 200,818 | 189,218 | 390,035 | 382,638 |
| Insurance premium | 278,640 | 293,148 | 571,788 | 508,826 |
| Security guard expenses | 135,960 | 135,960 | 271,920 | 754,269 |
| Donation | 100,000 | 40,000 | 140,000 | 30,000 |
| Guest house maintenance expenses | 299,501 | 766,588 | 1,066,089 | 28,425 |
| Entertainment expenses | 130,206 | 129,142 | 259,348 | 324,162 |
| Fuel and maintenance for generator | 24,031 | 24,106 | 48,137 | 49,671 |
| Amortization of intangible | 110,008 | 183,192 | 293,200 | 61,356 |
| Visa charges | 117,510 | 76,478 | 193,988 | 20,098 |
| Books and periodicals expenses | 800 | 10,850 | 11,650 | 5,120 |
| Advertisement expenses | 25,000 | 25,000 | 50,000 | 30,000 |

| | 01 Jan 2017 to 30 Jun 2017 | 01 Jul 2017 to 31 Dec 2017 | 2017 | 2016 |
|----------------------------------|-------------------------------|-------------------------------|--------------------|-------------------|
| | Taka | Taka | Taka | Taka |
| Depreciation(note - 4.1) | 4,807,101 | 5,011,478 | 9,818,579 | 8,869,004 |
| Loss on disposal of fixed assets | 2,551,727 | - | 2,551,727 | - |
| Freight inward | 14,000 | 34,000 | 48,000 | 60,500 |
| Medical expenses | 242 | 300 | 542 | 1,880 |
| Share issue expenses | - | - | - | 5,000 |
| Recruitment expenses | - | - | - | 68,800 |
| | 52,051,910 | 52,719,709 | 104,771,620 | 91,015,111 |

32 Selling and distribution expenses

| | | | | |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|
| Delivery expenses | 96,944,877 | 101,942,823 | 198,887,700 | 190,547,578 |
| Dealers commission | 51,679,509 | 58,305,186 | 109,984,695 | 108,013,442 |
| Breakage commission | 19,678,889 | 23,217,971 | 42,896,860 | 42,183,626 |
| Discount | 2,982,321 | 1,373,695 | 4,356,016 | 48,712,784 |
| Showroom rent and display expenses | 4,279,479 | 6,044,583 | 10,324,062 | 11,643,843 |
| Salary and allowances | 14,414,680 | 15,353,926 | 29,768,606 | 23,751,644 |
| Samples expenses | 7,923,904 | 6,761,297 | 14,685,202 | 6,224,520 |
| Dealers incentive | 17,805,952 | 12,444,888 | 30,250,840 | - |
| Business promotion | 7,877,859 | 9,859,521 | 17,737,380 | 28,232,861 |
| Advertisement expenses | 3,487,758 | 5,471,976 | 8,959,734 | 9,616,718 |
| Dealers meeting expenses | 7,212,136 | 1,450,507 | 8,662,643 | 7,819,967 |
| Vehicle maintenance | 1,653,680 | 1,353,148 | 3,006,828 | 2,614,648 |
| Entertainment expenses | 82,466 | 218,271 | 300,737 | 313,020 |
| Travelling and conveyance bills | 1,201,018 | 1,513,143 | 2,714,161 | 1,816,612 |
| Office maintenance | 58,448 | 118,602 | 177,050 | 303,094 |
| Breakage tiles | 184,223 | 350,081 | 534,304 | 13,810,498 |
| Export sales expenses | 111,899 | 435,380 | 547,279 | 111,199 |
| Office rent and expenses | 365,990 | 346,730 | 712,720 | 891,899 |
| Miscellaneous expenses | 1,644,563 | 1,015,342 | 2,659,906 | 1,147,596 |
| House rent expenses | 120,873 | 123,500 | 244,373 | 230,107 |
| Staff welfare | 564,554 | 802,417 | 1,366,971 | 1,171,324 |
| Postage and courier | 2,990 | 18,219 | 21,209 | 32,867 |
| Tiles and testing | 44,480 | 31,613 | 76,093 | 75,190 |
| Quality claim | 3,855,292 | 778,204 | 4,633,495 | 4,437,977 |
| Printing and stationeries | 84,791 | 63,894 | 148,685 | 633,654 |
| Internet charges | 8,400 | 7,950 | 16,350 | 17,400 |
| Donation | - | 60,000 | 60,000 | 120,000 |
| Sales incentive | - | - | - | 3,725,357 |
| Loading and unloading expenses | - | - | - | 3,394,832 |
| | 244,271,029 | 249,462,869 | 493,733,898 | 511,594,257 |

33 Finance cost

| | | | | |
|---|--------------------|--------------------|--------------------|--------------------|
| Interest expenses | 148,141,633 | 143,528,174 | 291,669,807 | 428,757,602 |
| Redeemable preference share interest expenses | 39,731,252 | 41,482,187 | 81,213,439 | 20,198,747 |
| Loan processing fees | 3,062,765 | 446,710 | 3,509,475 | 11,827,525 |
| Bank charges | 479,572 | 799,437 | 1,279,010 | 880,576 |
| | 191,415,222 | 186,256,509 | 377,671,731 | 461,664,449 |

34 Earnings per share

There is no dilutive effect on the basic earnings per share of the Company. The computation of basic earnings per share for the year ended 31 December 2017 and 2016 is as follows:

Numerator

| | | |
|----------------------------|-------------|------------|
| Profit for the year (Taka) | 206,564,490 | 76,041,770 |
|----------------------------|-------------|------------|

Denominator

| | | |
|--|-------------|-------------|
| Weighted average number of shares outstanding | 150,200,000 | 114,865,685 |
| Basic and diluted earnings per share (Taka) | 1.38 | 0.66 |

35 Related party disclosures

i) During the year, the Company carried out a number of transactions with related parties in the normal course of business on arms' length basis. The names of these related parties and their value have been set out in accordance with the provision of BAS 24: "Related Party Disclosures".

| Name of the party | Relationship | Nature of transactions | Amount in Taka | | | |
|---------------------------------------|-------------------------|-------------------------|--|-----------------------------------|--|---|
| | | | Receivable / (Payable) as on 01 January 2017 | Transaction value during the year | Amount (received) / paid during the year | Receivable / (Payable) as on 31 December 2017 |
| Kea Printing & Packaging Industries | Common Shareholder | Purchase of goods | (5,497,702) | (1,810,812) | 7,100,000 | (208,514) |
| Green Planet Communications Pvt. Ltd. | Common Shareholder | Purchase of services | (1,054,247) | (20,220,396) | 17,500,000 | (3,774,643) |
| Sky Bird Travel Agents (Pvt.) Ltd. | Common Shareholder | Purchase of services | (92,848) | (2,109,063) | 2,051,049 | (150,862) |
| RAK Paints Pvt. Limited | Common Shareholder | Purchase of goods | (93,453) | (578,673) | 657,932 | (14,194) |
| RAK Security & Services Pvt. Ltd. | Common Shareholder | Security services | (2,455,829) | (7,955,626) | 8,526,004 | (1,885,451) |
| Mrs. Sylina Jaman Akbar | Relative of Shareholder | Head office rent | (345,000) | (4,427,500) | 4,427,500 | (345,000) |
| Pelikan Plastic & Packaging | Common Shareholder | Purchase of goods | (17,132,535) | (159,558,182) | 157,502,698 | (19,188,019) |
| Speedway International Pvt. Ltd. | Common Shareholder | Purchase of goods | (250,085) | (40,375,584) | 34,955,685 | (5,669,984) |
| Rakeen Development Company (BD) Ltd. | Common Directorship | Purchase of floor space | 229,768,535 | (246,832,384) | (70,809,479) | (87,873,327) |
| Mohammad Trading | Common Shareholder | Sale of goods | 85,217,656 | 1,434,258,386 | (1,289,985,679) | 229,490,364 |
| Pally Enterprise | Common Shareholder | Sale of goods | 34,755,152 | 77,384,468 | (112,139,620) | - |
| Ipsheeta Enterprise | Common Shareholder | Sale of goods | 23,767,409 | 31,802,311 | (55,569,720) | - |
| Future Trading Company | Common Shareholder | Sale of goods | 47,158,905 | 129,464,828 | (176,623,733) | - |
| Term Trading | Common Shareholder | Sale of goods | 30,072,985 | 194,791,434 | (188,821,771) | 36,042,647 |
| Star Porcelain Pvt. Ltd | Common Directorship | Sale of goods | (230,638) | (3,892,864) | 3,783,523 | (339,979) |

ii) For the year ended on 31 December 2017, no payment has been made to the directors of the Company (part of "key management personnel").

36 Commitments and contingencies

| | 2017 Taka | 2016 Taka |
|--|--------------|--------------|
| a) Outstanding letter of credits | 367,977,529 | 462,892,609 |
| b) Capital expenditure commitments | 156,391,740 | 133,984,060 |
| c) Bank guarantee given to Jalalabad Gas T & D System Ltd. | 50,007,435 | 50,007,435 |
| d) Contracted but not accounted for | - | - |
| e) Approved but not contracted for | - | - |

37 Number of employees

The total number of employees drawing remuneration at the end of the year or part thereof was as follows:

| | 2017 | 2016 |
|----------------------------|------------|------------|
| Above Taka 3,000 per month | 712 | 662 |
| Below Taka 3,000 per month | - | - |
| | 712 | 662 |

38 Director's, managers and officer's remunerations

Disclosure as per requirement of Schedule XI, Part II, Para 4 of the Companies Act, 1994.

- a) Managerial remuneration paid or payable during the year to the directors including managing director, a managing agent or manager, if any for the year ended 31 December 2017- Nil
- b. Expense reimbursed to the managing agent- Nil
- c. Commission or other remuneration payable separately to a managing agent or his associate- Nil
- d. Commission received or receivable by the managing agent or his associate as selling or buying - Nil
- e. The money value of the contracts for the sale or purchase of goods and materials or supply of - Nil
- f. Any other perquisites or benefits in cash or in kind - Nil
- g. Other allowances and commission including guarantee commission- Nil

Pensions etc.-

- 1) Pensions- Nil
- 2) Gratuity- Nil
- 3) Payment from Provident Fund- Nil
- 4) Compensation for loss of office- Nil
- 5) Consideration with retirement from office- Nil

39 Disclosure as per requirement of schedule XI, Part II, Para-8 of the Companies Act, 1994

CIF value of raw materials and packing materials:

| Particulars | Taka | | | | Consumption percentage (%) |
|-------------------|--------------------|----------------------|----------------------|----------------------|----------------------------|
| | Local purchase | Import purchase | Total purchase | Consumption | |
| Raw Materials | 98,488,679 | 1,191,641,571 | 1,290,130,250 | 1,294,925,697 | 83.81% |
| Packing Materials | 254,816,844 | - | 254,816,844 | 250,213,333 | 16.19% |
| Total | 353,305,523 | 1,191,641,571 | 1,544,947,094 | 1,545,139,030 | 100% |

40 Financial risk management

Star Ceramics Limited's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and operational risks are an inevitable consequence of being in business. Star Ceramics Limited's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on Star Ceramics Limited's financial performance.

Star Ceramics Limited's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information system. Star Ceramics Limited regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices.

40.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted, it mainly comprises of advances to employees, trade receivables, advances to suppliers, trade deposits and bank balances. The Company's maximum exposure to credit risk at the reporting date is as follows:

| | 2017 | 2016 |
|-------------------------------|--------------------|--------------------|
| | Taka | Taka |
| Advance to employees | 1,346,788 | 1,996,285 |
| Advance income tax | 220,012,212 | 162,058,493 |
| Advance for purchase of goods | 10,184,700 | 2,370,915 |
| Advance to service providers | 32,744,501 | 23,801,146 |
| Advance VAT | 9,619,223 | 9,822,285 |
| Advance for IPO expenses | 2,300,000 | - |
| Supplementary duty on sales | 4,311,565 | 2,919,476 |
| Trade receivables | 471,122,238 | 332,025,785 |
| Other receivables | 3,962,683 | 1,027,472 |
| | 755,603,911 | 536,021,856 |

To mitigate the credit risk against trade receivables, the Company has a system of specific credit line period to the customers. The outstanding period and amount are regularly monitored. The Company endeavors to cover the credit risks on all other receivables, where possible, by restricting credit facility and stringent monitoring.

40.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The table below summarizes the maturity profile of Company's financial liabilities as at the reporting date.

| Financial liabilities | | Less than 12 months | 1 to 2 years | Carrying amount |
|-----------------------|---------------------------|---------------------|--------------|-----------------|
| 2017 | Trade and others payables | 500,529,382 | 2,017,318 | 502,546,700 |
| 2016 | Trade and others payables | 386,516,736 | 1,035,907 | 387,552,643 |

Maintaining sufficient cash, the availability of funding through an adequate amount of committed bank facilities, the Company manages the liquidity risk.

40.3 Market risk

Market risk is the risk that the fair value of future cash flows will fluctuate because of changes in market price such as foreign exchange rates, interest rates and other price risks. The objective of market risk management is to manage and control market risk exposure within and acceptable range.

40.4 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rate relates primarily to the Company's term loan, loan against trust receipt and bank overdraft.

At the reporting date, the average interest rates of the Company's interest bearing financial instruments were as follows:

| Financial liabilities | Effective interest rate | |
|----------------------------------|-------------------------|-------------|
| | 2017 | 2016 |
| Term loan | 8.50% | 8.5%-11.25% |
| Loan against trust receipt (LTR) | 8%-10.5% | 8.5%-11.75% |
| Bank overdraft | 8%-10.5% | 8.5%-11.75% |
| Short term loan | 7.75%-10% | 8%-11.75% |

40.5 Other price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price, (other than those arising from interest rate risk and currency risk). The Company is not exposed to any equity price risk, as the Company does not have any investment in equity shares. The Company also is not exposed to commodity price risk.

41 Production capacity (three shift basis) and utilization

Production capacity and current utilization as required by the Companies Act, 1994, Schedule-XI Para-7. The Company operates multi-products plants. As a result, plant utilization is not comparable with capacity due to variation of product mix. However, actual production and utilization for major products groups are as follows:

| Major Product | Unit | Actual Capacity | | Actual Utilization | | Actual Utilization (%) | |
|---------------|-------------|-----------------|------|--------------------|------|------------------------|------|
| | | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Tiles | Million Sqm | 7.92 | 7.92 | 6.84 | 6.58 | 86% | 83% |
| SWD | Million Pcs | 0.43 | 0.43 | 0.40 | 0.40 | 93% | 93% |

Sd/-
Company Secretary

Sd/-
Chief Financial Officer

Sd/-
Managing Director

Sd/-
Chairman

Audited Financial Statements
of
Star Ceramics Limited
For the year ended 31 December 2016

Hoda Vasi Chowdhury & Co
Chartered Accountants

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF
Star Ceramics Limited

We have audited the accompanying financial statements of Star Ceramics Limited (the “Company”) which comprise the statement of financial position as at 31 December 2016, the related statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other relevant explanatory notes thereon.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS)) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements prepared in accordance with the Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), give a true and fair view of the financial position of Star Ceramics Limited as at 31 December 2016 and the results of its financial performance and its cash flows for the year then ended and comply with the Companies Act 1994 and other applicable laws and regulations.

We also report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;
- c) the company’s statement of financial position, statement of profit or loss and other comprehensive income along with the annexed notes 1 to 32 dealt with by the report are in agreement with the books of account; and
- d) the expenditure incurred and payments made were for the purposes of the company’s business.

Dhaka, 26 Feb 2017

Sd/-
Hoda Vasi Chowdhury & Co
Chartered Accountants

Star Ceramics Limited
Statement of Financial Position
As at 31 December 2016

| Particulars | Notes | 2016 | 2015 |
|--|-------|---------------|---------------|
| | | Taka | Taka |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment- net | 5 | 3,921,533,313 | 4,151,850,328 |
| Capital work- in progress | 6 | 295,136,071 | |
| Intangible asset | 7 | 163,443 | 224,799 |
| | | 4,216,832,827 | 4,152,075,127 |
| Current assets | | | |
| Inventories | 8 | 1,670,932,572 | 1,685,982,704 |
| Trade receivables | 9 | 332,025,785 | 390,201,904 |
| Other receivables | 10 | 1,027,472 | 2,455,944 |
| Advances, deposits and prepayments | 11 | 119,403,168 | 174,279,645 |
| Advance income tax | 12 | 162,058,493 | 142,909,500 |
| Cash and cash equivalents | 13 | 39,957,965 | 49,100,219 |
| | | 2,325,405,455 | 2,444,929,915 |
| TOTAL ASSETS | | 6,542,238,282 | 6,597,005,042 |
| EQUITY AND LIABILITIES | | | |
| Shareholders' equity | | | |
| Share capital | 14 | 1,502,000,000 | 731,069,490 |
| Share money deposits | 15 | 399,902 | 799,555,646 |
| Retained earnings | | 85,723,952 | 74,202,193 |
| | | 1,588,123,854 | 1,604,827,328 |
| Non-current liabilities | | | |
| Long term loans - net of current portion | 16 | 1,067,319,661 | 1,996,627,730 |
| Redeemable cumulative preference shares | 17 | 815,000,000 | - |
| Deferred tax liabilities | 18 | 31,118,960 | 22,708,524 |
| | | 1,913,438,621 | 2,019,336,254 |
| Current liabilities | | | |
| Trade and other payables | 19 | 415,149,123 | 514,267,910 |
| Short term bank loan | 20 | 1,757,366,706 | 1,259,293,375 |
| Long term loans - current portion | 16 | 647,951,636 | 764,754,707 |
| Bank overdraft | 21 | 214,024,869 | 402,480,943 |
| Income tax payable | 22 | 6,183,474 | 32,044,525 |
| | | 3,040,675,808 | 2,972,841,460 |
| TOTAL EQUITY AND LIABILITIES | | 6,542,238,282 | 6,597,005,042 |

The accompanying notes 1 to 32 form an integral part of these financial statements

Sd/-
Director

Sd/-
Managing Director

As per our report of same date

Dhaka, 26 Feb 2017

Sd/-
Hoda Vasi Chowdhury & Co.
Chartered Accountants

Star Ceramics Limited
Statement of profit or Loss and Other Comprehensive Income
For the year ended 31 December 2016

| Particulars | Notes | 2016 | 2015 |
|---|-------|----------------------|----------------------|
| | | Taka | Taka |
| Revenue | 23 | 3,650,902,416 | 3,379,863,356 |
| Cost of sales | 24 | (2,499,888,888) | (2,184,241,431) |
| Gross profit | | 1,151,013,528 | 1,195,621,925 |
| Other income | 25 | 4,496,133 | 4,970,907 |
| Office and administrative expenses | 26 | (91,015,111) | (90,409,351) |
| Selling and distribution expenses | 27 | (511,594,257) | (453,315,364) |
| | | (598,113,235) | (538,753,808) |
| Operating profit | | 552,900,293 | 656,868,117 |
| Finance costs | 28 | (461,664,449) | (563,720,420) |
| Foreign exchange gain | | 3,931,620 | 7,303,612 |
| | | (457,732,829) | (556,416,808) |
| Profit before contribution to WPPF | | 95,167,464 | 100,451,309 |
| Contribution to WPPF | | (4,531,784) | (4,783,396) |
| Net profit before tax | | 90,635,680 | 95,667,913 |
| Income tax expenses | | | |
| Current tax | 22 | (6,183,474) | (13,365,562) |
| Deferred tax expenses | 18 | (8,410,436) | (12,204,546) |
| | | (14,593,910) | (25,570,108) |
| | | 76,041,770 | 70,097,805 |
| Net profit after tax | | - | - |
| Other comprehensive income | | 76,041,770 | 70,097,805 |
| Total comprehensive income | | 76,041,770 | 70,097,805 |

The accompanying notes 1 to 32 form an integral part of these financial statements

Sd/-
Director

Sd/-
Managing Director

As per our report of same date

Dhaka, 26 Feb 2017

Sd/-
Hoda Vasi Chowdhury & Co.
Chartered Accountants

Star Ceramics Limited
Statement of Changes in Equity
For the year ended 31 December 2016

Amount in Taka

| Particulars | Share capital | Share money deposits | Retained earnings | Total |
|------------------------------------|----------------------|----------------------|-------------------|----------------------|
| Balance at 31 December 2014 | 731,069,490 | 799,531,499 | 66,245,295 | 1,596,846,284 |
| Dividend paid | | | (62,140,907) | (62,140,907) |
| Share money deposits received | - | 24,147 | - | 24,147 |
| Net profit after tax for the year | - | - | 70,097,805 | 70,097,805 |
| Balance at 31 December 2015 | 731,069,490 | 799,555,646 | 74,202,193 | 1,604,827,329 |
| Excess provision written back | | | 4,931,591 | 4,931,591 |
| Dividend paid | | | (69,451,602) | (69,451,602) |
| Shares issued | 770,930,510 | | | 770,930,510 |
| Share money deposits received | - | (799,130,510) | - | (799,130,510) |
| Transferred to other payables | | (25,234) | | (25,234) |
| Net profit after tax for the year | - | - | 76,041,770 | 76,041,770 |
| Balance at 31 December 2016 | 1,502,000,000 | 399,902 | 85,723,952 | 1,588,123,854 |

Sd/-
Director

Sd/-
Managing Director

Star Ceramics Limited
Statement of Cash Flows
For the year ended 31 December 2016

| Particulars | 2016 Taka | 2015 Taka |
|---|----------------------|----------------------|
| A. Cash flows from operating activities | | |
| Net profit before tax for the year | 90,635,680 | 95,667,913 |
| Add: Non-cash items | | |
| Depreciation on property, plant and equipment | 445,856,272 | 417,258,289 |
| Amortization of intangible asset | 61,356 | 61,356 |
| Gain on disposal of PPE | (45,690) | (23,876) |
| | 445,871,938 | 417,295,769 |
| Cash generated from operation | 536,507,618 | 512,963,682 |
| Changes in working capital | | |
| Decrease / (increase) in inventories | 15,050,133 | (232,807,566) |
| Decrease / (increase) in trade receivables | 58,176,119 | (26,644,449) |
| Decrease in other receivables | 1,428,472 | 1,729,541 |
| Decrease / (increase) in advances, deposits and prepayment | 54,876,476 | (48,981,903) |
| (Decrease) / increase in trade and other payables | (99,118,787) | 106,065,202 |
| | 30,412,413 | (200,639,175) |
| Tax paid - tax deducted at sources | (46,261,927) | (46,095,263) |
| Net cash from operating activities | 520,658,104 | 266,229,244 |
| B. Cash flows from investing activities | | |
| Acquisition of property, plant and equipment | (510,854,038) | (235,347,457) |
| Cash proceeds of disposal of PPE | 224,400 | 224,400 |
| Net cash (used in) investing activities | (510,629,639) | (235,123,057) |
| C. Cash flows from financing activities | | |
| Issuance of share capital | 770,930,510 | - |
| Dividend paid | (69,451,602) | (62,140,907) |
| Redeemable Preference Shares | 815,000,000 | |
| Share issued from share money deposits and refund | (799,155,744) | 24,147 |
| Repayment of long term bank loans | (1,046,111,140) | (566,312,397) |
| Receipt of short term bank loans | 498,073,330 | 484,242,329 |
| Receipt of bank overdrafts | (188,456,073) | 130,882,222 |
| Net cash (used in) financing activities | (19,170,719) | (13,304,606) |
| Net (decrease) / increase in cash flows (A+B+C) | (9,142,254) | 17,801,580 |
| Cash and cash equivalents at the beginning of the year | 49,100,219 | 31,298,640 |
| Cash and cash equivalents at the end of the year | 39,957,965 | 49,100,219 |

Sd/-
Director

Sd/-
Managing Director

Star Ceramics Limited
Notes to the Financial Statements
For the year ended 31 December 2016

1 About the Company

Star Ceramics Pvt. Limited (hereinafter referred to as "the Company") was incorporated on 21 September 2010 under the Companies Act, 1994 with an authorized capital of Taka 1,500 million divided into 150 million ordinary shares of Taka 10 each. In the year 2013, the Company has been converted into public limited company and renamed as Star Ceramics Limited with increase in authorized capital to Taka 2,500 million divided into 250 million ordinary shares of Taka 10 each.

2 Nature of business

The main objective of the Company is to manufacture all kind of tiles, sanitary ware, bathroom fittings and faucets and undertake activities relating to detailed design, procurement and erection of machines, commissioning of such machines for the purpose of operating, managing, manufacturing and marketing of said products.

3 Summary of significant policies

3.1 Basis of accounting

These financial statements have been prepared on going concern basis under the historical cost convention in accordance with the Bangladesh Financial Reporting Standards (BFRSs), Bangladesh Accounting Standards (BAS), the Companies Act, 1994 and other applicable laws and regulations prevailing in Bangladesh.

3.2 Recognition of property, plant and equipment (PPE)

Property, plant and equipment have been stated at cost less accumulated depreciation except freehold land which is stated at cost. Cost includes expenditure directly attributed to the acquisition and installation of the assets. Repair and maintenance expenses are charged to the statement of profit or loss and other comprehensive income during the year when these are incurred.

3.3 Depreciation of property, plant and equipment

The Company uses straight line method for charging depreciation except freehold land. Depreciation is charged on addition of the assets from acquisition date and depreciation is to be charged on disposal up to the date of retirement / disposal. Depreciation rates are as follows:

| Items | Rate |
|-------------------------|------|
| Factory building | 5% |
| Plant and machinery | 10% |
| Equipment | 10% |
| Furniture and fixtures | 10% |
| Motor vehicles | 10% |
| Tools and appliance | 10% |
| Office decoration | 10% |
| Electrical installation | 10% |
| Gas pipe line | 10% |

3.4 Capital work- in progress

Capital work in progress is recorded at cost to the extent of expenditure incurred upto the date of statement of financial position. The amount of capital work in progress will be transferred to appropriate asset category and depreciated accordingly when the same is ready for intended use.

3.5 Inventories

Inventories are valued at lower of cost and net realizable value. Inventories comprise of raw materials, WIP and finished goods. Cost is determined on weighted average cost method in the case of raw materials. Cost of finished goods and work in process include total cost of materials, all direct costs and an attributable proportion of overheads.

3.6 Long term loan

The Company has availed term loan from The City Bank Limited for repayment of syndication term loan. Loan repayable after twelve months from the statement of financial position date are classified as long term liabilities whereas amount of loan repayable within twelve months from the statement of financial position date are classified as current liabilities. However, borrowing costs are charged in the statement of profit or loss and other comprehensive income unless the portion of qualifying assets.

3.7 Borrowing costs

Borrowing costs relating for acquisition of fixed assets is capitalized as per Bangladesh Accounting Standard (BAS) - 23: Borrowing Costs at the weighted average cost of borrowings. During the year, borrowing costs amounting Taka 25,034,722 has been capitalized. However, capitalization of borrowing costs is ceased when acquisition of relevant assets are ready for intended use.

3.8 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognised directly in the equity, in which case it is recognised in equity.

Current Tax

The Company is enjoying reduced rate of income tax approved by the Tax Authority vide letter dated 4 July 2012 effective from 1 July 2011 to 30 June 2018. The reduced rates for a period of seven years is as follows:

| Years | Rate of income tax |
|----------------|--------------------|
| First to third | 5% |
| Forth to sixth | 10% |
| Seventh year | 15% |

3.9 Deferred Tax

Deferred tax has been recognised in accordance with Bangladesh Accounting Standard (BAS) – 12: Income Taxes. Deferred tax is provided using the liability method for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purpose. Deferred tax is determined at the effective income tax rate prevailing at the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.10 Foreign currency transactions

Foreign currency transactions have been converted into Bangladesh Taka at the exchange rates prevailing on the transaction dates. Assets and liabilities outstanding at 31 December 2016 denominated in foreign currencies have been translated in Taka at the rate ruling on the statement of financial position date. Foreign exchange fluctuation gain/ (loss) are charged to the statement of profit or loss and other comprehensive income.

3.11 Revenue recognition

- a) Revenue is recognized when invoices are raised upon delivery of goods.
- b) Interest on short term deposits (FDRs) is recognized on completed day basis.

3.12 Employees' benefit schemes

- i) The Company operates a contributory provident fund scheme equally contributing @ 10% of basic salary. The fund has been duly recognized by the National Board of Revenue (NBR) on 23 July 2013;
- ii) The Company operates an approved gratuity scheme for its employees with a minimum requirement of three (03) years continuous service and calculated based on 30 days for more than five years, 21 days for three to less than five years of last basic salary for every completed year of service as well as service in excess of eight months shall be counted a full year for the computation purpose and accordingly provision has been made in the accompanying financial statements. The fund has been duly recognized by the National Board of Revenue (NBR) on 17 December 2013.

3.13 Workers' profit participation Fund (WPPF)

The Company provides 5% of its net profit before tax after charging such expenses as WPPF in accordance with "The Bangladesh Labour Act 2006" (amended in 2013).

4 General

- a) Amounts appearing in these financial statements have been rounded off to the nearest Taka; and
- b) Previous year's figure have been rearranged, where necessary, to conform to current year's presentation.

5 Property, plant and equipment - net

Amount in Taka

| Particulars | Cost | | | Depreciation | | | | Written down value as at 31 December 2016 | Written down value as at 31 December 2015 |
|-------------------------|------------------------------|---------------------------|----------------------|--------------------------------|--------|----------------------|----------------------|---|---|
| | Balance as at 1 January 2016 | Additions during the year | Disposal/ adjustment | Balance as at 31 December 2016 | Rate % | Charged for the year | Disposal/ adjustment | Balance as at 31 December 2016 | |
| Freehold land | 270,488,430 | 56,975,700 | - | 327,464,130 | - | - | - | 327,464,130 | 270,488,430 |
| Factory building | 914,795,606 | 2,687,588 | - | 917,483,194 | 5% | 45,797,001 | - | 769,835,279 | 812,944,692 |
| Plant and machinery | 3,382,362,089 | 136,712,313 | - | 3,519,074,401 | 10% | 349,146,590 | - | 2,469,336,111 | 2,681,770,388 |
| Furniture and fixture | 5,436,829 | 84,489 | - | 5,521,318 | 10% | 546,604 | - | 3,479,479 | 3,941,594 |
| Equipment | 29,593,058 | 2,143,483 | - | 31,736,541 | 10% | 3,105,536 | - | 20,868,406 | 21,830,459 |
| Motor vehicles | 37,117,025 | 5,223,849 | 237,984 | 42,102,890 | 10% | 4,032,475 | 59,275 | 27,592,108 | 26,579,443 |
| Tools and appliance | 7,896,048 | 29,700 | - | 7,925,748 | 10% | 790,596 | - | 5,050,744 | 5,811,640 |
| Office decoration | 11,666,326 | 569,300 | - | 12,235,626 | 10% | 1,184,389 | - | 8,388,489 | 9,003,578 |
| Electrical installation | 294,000,864 | 5,656,825 | - | 299,657,689 | 10% | 29,709,875 | - | 207,283,670 | 231,336,720 |
| Gas pipe line | 111,955,406 | 5,634,720 | - | 117,590,126 | 10% | 11,543,206 | - | 82,234,897 | 88,143,383 |
| Total 2016 | 5,065,311,679 | 215,717,967 | 237,984 | 5,280,791,662 | | 445,856,272 | 59,275 | 3,921,533,313 | 4,151,850,328 |
| Total 2015 | 4,303,670,249 | 761,879,414 | 237,984 | 5,065,311,679 | | 417,258,289 | 37,460 | 4,151,850,328 | 3,807,429,726 |

Allocation of depreciation

| | 2016 | 2015 |
|--|--------------------|--------------------|
| | Taka | Taka |
| Cost of goods manufactured (note - 24.1) | 436,987,268 | 409,236,994 |
| Office and administrative expenses (note - 26) | 8,869,004 | 8,021,295 |
| | 445,856,272 | 417,258,289 |

| | 2016 | 2015 |
|--|----------------------|----------------------|
| | Taka | Taka |
| 6 Capital work in progress | | |
| Building | 294,349,414 | - |
| Plant and machinery | 786,657 | - |
| | 295,136,071 | - |
| Borrowing cost during construction period will be allocated to respective qualifying assets after completion of their construction and ready for intended use. | | |
| 7 Intangible asset – software Cost: | | |
| Opening balance | 306,776 | 306,776 |
| Add: Additions during the year | - | - |
| | 306,776 | 306,776 |
| Accumulated amortization | 81,977 | 20,621 |
| Opening balance | 61,356 | 61,356 |
| Add: Charged during the year | 143,333 | 81,977 |
| | 163,443 | 224,799 |
| Software cost amortized @ 20% p.a. from the date of acquisition by using the straight line method. | | |
| 8 Inventories | | |
| This is made up as follows: | | |
| Raw materials - Tiles | 394,779,842 | 620,719,230 |
| Raw materials - SWD | 41,016,947 | 87,054,925 |
| Stores and spares | 411,652,444 | 382,600,152 |
| Packing materials | 51,559,712 | 51,609,738 |
| Work in process | 80,560,771 | 78,545,240 |
| Finished goods - Tiles | 329,809,054 | 285,491,296 |
| Finished goods - SWD | 186,475,934 | 102,810,283 |
| | 1,495,854,703 | 1,608,830,864 |
| Goods in transit | 175,077,869 | 77,151,840 |
| | 1,670,932,572 | 1,685,982,704 |
| 9 Trade receivables | | |
| Receivables - local (note - 9.1) | 332,025,785 | 370,802,652 |
| Receivable - export | - | 19,399,252 |
| | 332,025,785 | 390,201,904 |
| 9.1 Receivables - local | | |
| Future Trading Company | 47,158,905 | 169,551,662 |
| Mohammed Trading | 85,217,656 | 83,147,592 |
| Pally Enterprise | 34,755,153 | 28,506,807 |
| Term Trading | 30,072,986 | 21,416,022 |
| Ipsheetta Trade | 23,767,408 | 14,966,915 |
| Receivable from other parties | 111,053,678 | 53,213,654 |
| | 332,025,785 | 370,802,652 |
| Receivables outstanding more than six (06) months is Taka 2,015,682. | | |
| 10 Other receivables | | |
| Insurance claim receivables | 593,681 | 1,420,467 |
| Accrued interest on short term deposits (FDR) | 70,310 | 850,789 |
| Receivable - others | 363,481 | 184,688 |
| | 1,027,472 | 2,455,944 |

11 Advances, deposits and prepayments

Advances

| | | |
|-------------------------------|-------------------|--------------------|
| Advance for purchase of goods | 2,370,915 | 80,984,809 |
| Advance VAT | 9,822,285 | 5,449,776 |
| Advance to employees | 1,996,285 | 1,949,618 |
| Supplementary duty on sales | 2,919,476 | 3,651,365 |
| Advance to service providers | 23,801,146 | 10,684,059 |
| | 40,910,106 | 102,719,627 |

Deposits

| | | |
|---------------------|-------------------|-------------------|
| L/C margin deposits | 26,114,948 | 18,648,770 |
| Security deposits | 46,709,697 | 44,953,222 |
| | 72,824,645 | 63,601,992 |

Prepayments

| | | |
|-------------------|--------------------|--------------------|
| Prepaid Expenses | 3,262,438 | 5,410,734 |
| Prepaid insurance | 2,405,980 | 2,547,292 |
| | 5,668,417 | 7,958,026 |
| | 119,403,168 | 174,279,645 |

12 Advance income tax

| | | |
|--------------------------------|--------------------|--------------------|
| Opening balance | 142,909,500 | 96,814,237 |
| Add: Additions during the year | 46,261,927 | 46,095,263 |
| | 189,171,427 | 142,909,500 |
| Less: Adjusted during the year | 27,112,934 | - |
| Closing balance | 162,058,493 | 142,909,500 |

This represents advance income tax paid on import stage and deducted by banks from interest on short term deposits.

13 Cash and cash equivalents

| | | |
|--|-------------------|-------------------|
| Cash in hand | 4,524,375 | 904,525 |
| Cash at banks - Current accounts with: | | |
| Prime Bank Limited | 4,959,422 | 4,210,891 |
| Dhaka Bank Limited | 3,119,537 | 1,280,405 |
| Dutch Bangla Bank Limited | 6,395,404 | 1,287,654 |
| Mutual Trust Bank Limited | 623,731 | 1,425 |
| One Bank Limited | - | 1,047,771 |
| The City Bank Limited | 46,842 | 2,790 |
| Trust Bank Limited | 107,352 | 9,655 |
| Mercantile Bank Limited | 82,227 | 127,874 |
| NCC Bank Limited | 12,904 | 14,169 |
| Eastern Bank Limited | 4,205,633 | 1,622,205 |
| Sonali Bank Limited | 209,555 | 5,905 |
| Dutch Bangla Bank PF | - | 2,318,080 |
| Meghna Bank Limited | 6,078 | 200 |
| Standard Bank Limited | 1,837,661 | 913,026 |
| BRAC Bank Limited | 3,274,440 | 523,564 |
| | 24,880,785 | 13,365,613 |

Term deposit (FDR) with:

| | | |
|---------------------------|-------------------|-------------------|
| Meghna Bank Limited | - | 28,982,150 |
| Mutual Trust Bank Limited | 5,848,263 | 4,695,458 |
| Prime Bank Limited | 4,704,543 | 1,152,473 |
| | 10,552,806 | 34,830,081 |
| | 39,957,965 | 49,100,219 |

14 Share capital

Authorized capital

250,000,000 ordinary shares of Taka 10 each

| 2016 | 2015 |
|------|------|
| Taka | Taka |

Issued, subscribed and fully paid-up capital

150,200,000 ordinary shares of Taka 10 each

| | |
|---------------|---------------|
| 2,500,000,000 | 2,500,000,000 |
| 1,502,000,000 | 731,069,490 |

The composition of shareholding position of the Company is as follows:

| Name of Shareholders | Nationality/ Incorporated in | Number of Shares | 2016 | 2015 |
|------------------------------|---------------------------------|---------------------|---------------|-------------|
| | | | Taka | Taka |
| Star Bangladesh Holding Ltd. | British Virgin Islands | 65,337,000 | 653,370,000 | 318,015,230 |
| S.A.K Ekramuzzaman | Bangladeshi | 60,080,000 | 600,800,000 | 292,427,800 |
| Syed A.K Anwaruzzaman | Bangladeshi | 15,020,000 | 150,200,000 | 73,106,950 |
| Md. Amir Hossain | Bangladeshi | 4,506,000 | 45,060,000 | 21,932,080 |
| Engr. Syyed Ahmed | Bangladeshi | 1,502,000 | 15,020,000 | 7,310,690 |
| Fazle Hasan Akber | Bangladeshi | 1,502,000 | 15,020,000 | 7,310,690 |
| Md. Imtiaz Hossain | Bangladeshi | 751,000 | 7,510,000 | 3,655,350 |
| Md. Jahirul Reza | Bangladeshi | 751,000 | 7,510,000 | 3,655,350 |
| Md. Mahabubur Rahman | Bangladeshi | 751,000 | 7,510,000 | 3,655,350 |
| | | | 1,502,000,000 | 731,069,490 |

15 Share money deposits

| | | |
|------------------------------|---------|-------------|
| Star Bangladesh Holding Ltd. | 307,889 | 335,662,659 |
| S.A.K Ekramuzzaman | - | 336,572,200 |
| Syed A.K Anwaruzzaman | 70,779 | 77,163,829 |
| Md. Amir Hossain | 21,234 | 23,149,154 |
| Engr. Syyed Ahmed | - | 7,716,388 |
| Md. Imtiaz Hussain | - | 3,858,189 |
| Md. Jahirul Reza | - | 3,858,650 |
| Md. Mahabubur Rahman | - | 3,858,189 |
| Fazle Hasan Akber | - | 7,716,388 |
| | 399,902 | 799,555,646 |

Pursuant to consent letter dated 12 June 2016 from the Bangladesh Securities & Exchange Commission, the Board of Directors in the meeting held on 9 November 2015 allotted 77,093,051 ordinary shares of Taka 10 each to its existing shareholder.

After allotment of ordinary shares to Engr. Syyed Ahmed; Md. Imtiaz Hossain; Md. Jahirul Reza; Md. Mahabubur Rahman and Fazle Hasan Akber and their remaining small amount of share money deposits, as detailed below, have been transferred to Other payables.

| | | |
|----------------------|--------|---|
| Engr. Syyed Ahmed | 7,078 | - |
| Md. Imtiaz Hossain | 3,539 | - |
| Md. Jahirul Reza | 4,000 | - |
| Md. Mahabubur Rahman | 3,539 | - |
| Fazle Hasan Akber | 7,078 | - |
| | 25,234 | - |

16 Long term loans - net of current portion

The City Bank Limited (note-16.1)
 Prime Bank Limited
 Mercantile Bank Ltd.
 Meghna Bank Ltd.
 Mutual Trust Bank Ltd.
 NCC Bank Ltd.
 One Bank Ltd.
 SABINCO
 Trust Bank Ltd.

Less: Current portion

| 2016 | 2015 |
|----------------------|----------------------|
| Taka | Taka |
| 1,715,271,297 | 268,557,598 |
| - | 1,044,166,050 |
| - | 178,987,065 |
| - | 119,367,508 |
| - | 387,853,703 |
| - | 149,176,323 |
| - | 117,996,929 |
| - | 137,291,028 |
| - | 357,986,233 |
| 1,715,271,297 | 2,761,382,437 |
| 647,951,636 | 764,754,707 |
| 1,067,319,661 | 1,996,627,730 |

The above loan includes interest Taka 15,271,297 which has subsequently been repaid on 24 February 2017 and thereby loan balance is within the limit approved by the bank.

16.1 The City Bank Limited

Loan limit : Taka 1,700,000,000

Drawdown : Taka 1,700,000,000

Repayment of loan : Equal quarterly installments

Purpose of Loan : To take over Term loan liabilities from all other syndicated lenders.

Security : i) Registered mortgage over approximate 2208.50 decimal project land& building of the company located at Mouza: Shahapur under Madhabpur Police Station, District: Habigonj with RJSC Valued BDT 125.63 crore and BDT 93.32 crore.
 ii) 1st charge by way of hypothecation over fixed assets including machinery, furniture, fixture, equipment and all other fixed assets (present & future) of the project along with NIGPA to be executed.

17 Redeemable cumulative preference shares

Pursuant to consent letter # BSEC/CI/CPLC-528/2015/323 dated 12 June 2016 Bangladesh Securities and Exchange Commission has accorded approval for issuance of 9.75% redeemable cumulative preference shares of Taka 950,000,000 out of which Preference shares worth Taka 815,000,000 have been issued in the following manner:

| Name of Preference Shareholders | Number of Shares | 2016 Taka | 2015 Taka |
|--|------------------|--------------------|--------------|
| Delta Brac Housing Finance Corporation Limited | 5,000,000 | 50,000,000 | - |
| IPDC of Bangladesh Limited | 7,500,000 | 75,000,000 | - |
| National Credit and Commerce Bank Limited | 10,000,000 | 100,000,000 | - |
| NRB Bank Limited | 5,000,000 | 50,000,000 | - |
| United Finance Limited | 15,000,000 | 150,000,000 | - |
| Grameen One: Scheme Two | 3,000,000 | 30,000,000 | - |
| Reliance Insurance Mutual Fund | 1,000,000 | 10,000,000 | - |
| AIMS of Bangladesh Limited | 1,000,000 | 10,000,000 | - |
| MTB First Mutual Fund | 12,000,000 | 120,000,000 | - |
| Prime Bank Limited | 4,000,000 | 40,000,000 | - |
| Meghna Bank Limited | 7,000,000 | 70,000,000 | - |
| Standard Bank Limited | 7,000,000 | 70,000,000 | - |
| Ashok Kumar Saha | 4,000,000 | 40,000,000 | - |
| | | 815,000,000 | - |

| | 2016 | 2015 |
|---|--|----------------------|
| | Taka | Taka |
| 18 Deferred tax liabilities | | |
| Deductible temporary difference - Total tax loss | 820,833,646 | 739,880,086 |
| And gratuity provision | | |
| Taxable temporary difference - Property, plant and equipment | (1,132,023,246) | (966,965,326) |
| Net taxable temporary difference | (311,189,600) | (227,085,240) |
| Deferred tax liabilities at the year end | (31,118,960) | (22,708,524) |
| Less: Opening deferred tax liabilities | (22,708,524) | (10,503,979) |
| Deferred tax expense for the year | (8,410,436) | (12,204,546) |
| 19 Trade and other payables | | |
| This is made up as follows: | | |
| Accounts payable | 263,657,711 | 306,193,493 |
| Provident fund payable | 1,668,998 | 33,540,030 |
| Gratuity payable | 19,434,560 | 12,804,727 |
| Payable to service providers | 28,006,055 | 39,477,156 |
| TDS payable | 10,366,209 | 9,872,286 |
| VAT payable | 4,209,296 | 4,955,501 |
| Advance received from customers | 18,943,470 | 46,041,125 |
| Share money deposits payable | 25,234 | - |
| Accrued expenses (note - 19.1) | 68,837,590 | 61,383,591 |
| | 415,149,123 | 514,267,910 |
| 19.1 Accrued expenses | | |
| This is made up as follows: | | |
| Salary and wages | 16,792,739 | 14,350,284 |
| Electricity, gas and telephone | 19,947,031 | 18,445,093 |
| Workers profit participation fund | 8,161,920 | 7,148,673 |
| Provision for dealer's commission | - | 6,811,137 |
| Foreign technician expenses | 15,480 | 8,236,392 |
| Security and other expenses | 2,675,173 | 1,763,717 |
| Provision for Interest | 20,198,747 | 3,000,000 |
| Provision for breakage | - | 902,687 |
| Office rent | 351,500 | 218,356 |
| Professional fees | 695,000 | 507,252 |
| | 68,837,590 | 61,383,591 |
| 20 Short term bank loans | | |
| Prime Bank Limited (note - 20.1) | 906,709,204 | 597,719,384 |
| One Bank Limited (note - 20.2) | 222,107,955 | 156,814,068 |
| The City Bank Limited (note - 20.3) | 608,026,938 | 105,648,973 |
| Trust Bank Limited (note - 20.4) | 10,860,039 | 56,300,320 |
| Mutual Trust Bank Limited (note - 20.5) | 9,662,570 | 342,810,630 |
| | 1,757,366,706 | 1,259,293,375 |
| The terms and conditions of the short term loans are as follows: | | |
| 20.1 Prime Bank Limited | | |
| Facility amount | : Taka 300,000,000 | |
| Purpose | : To retire the documents of L/C that will be opened for raw materials, spare parts, accessories, packing materials & other things related to production of the company. | |
| Security | : Letter of trust receipt, post dated cheque covering Taka 30 crore favoring PBL. | |
| Mode of repayment | : Each LTR shall be adjusted from the sale proceeds within 150 days from the date of creation or from their own source. | |
| Settlement time | : 1 year but each LTR should have specific validity not exceeding 150 days from the date of disbursement. | |

20.2 One Bank Limited

| | |
|--------------------------|---|
| Facility amount | : Taka 237,500,000 |
| Purpose | : To procure raw materials from local sources. |
| Security | : Letter of trust receipt |
| Mode of repayment | : From operating cash flow and/or from own sources of the company. |
| Settlement time | : 1 year but each LTR should have specific validity not exceeding 150 days from the date of disbursement. |

20.3 The City Bank Limited

| | |
|--------------------------|---|
| Facility amount | : Taka 480,000,000 |
| Purpose | : To retire acceptance liability created against ULC opened of raw materials, packing materials, spare parts & accessories etc. for existing and expansion project and to meet working capital requirements. |
| Security | : i) Pari passu 1st charge by way of hypothecation over fixed assets including machinery, furniture, fixture, equipment and all other fixed assets of the project. ii) First ranking charge by way of hypothecation over the floating assets (present & future) of the company on pari-passu security sharing basis. |
| Mode of repayment | : Each LTR shall be adjusted from the sale proceeds within 180 days from the date of creation or from their own sources. |
| Settlement time | : 1 year but each LTR should have specific validity not exceeding 180 days from the date of disbursement. |

20.4 Trust Bank Limited

| | |
|--------------------------|---|
| Facility amount | : Taka 200,000,000 |
| Purpose | : To retire the shipping documents against Sight L/C that will be opened to import raw materials to be utilized in Tiles & Sanitary Ware manufacturing company. |
| Security | : Letter of trust receipt |
| Mode of repayment | : Each LTR shall be adjusted from the sale proceeds within 150 days from the date of creation or from their own sources. |
| Settlement time | : 1 year but each LTR should have specific validity not exceeding 150 days from the date of disbursement. |

20.5 Mutual Trust Bank Limited

| | |
|--------------------------|--|
| Facility amount | : Taka 200,000,000 |
| Purpose | : To retire the import bills under the L/Cs only issued from MTB counter. |
| Security | : Letter of trust receipt |
| Mode of repayment | : Each LTR shall be adjusted from the sale proceeds within 150 days from the date of creation or from their own sources. |
| Settlement time | : 1 year but each LTR should have specific validity not exceeding 150 days from the date of disbursement. |

21 Bank overdrafts

| | 2016 | 2015 |
|---|--------------------|--------------------|
| | Taka | Taka |
| Prime Bank Limited (note - 21.1) | 138,852,545 | 179,556,995 |
| One Bank Limited (note - 21.2) | 52,712,867 | - |
| The City Bank Limited (note - 21.3) | 4,574,802 | 11,332,379 |
| Mutual Trust Bank Limited (note - 21.4) | 12,598,398 | 124,538,792 |
| Trust Bank Limited (note - 21.5) | 5,286,256 | 87,052,776 |
| | 214,024,869 | 402,480,943 |

The terms and conditions of the bank overdraft are as follows:

21.1 Prime Bank

| | |
|--------------------------|--|
| Facility limit | : Taka 170,000,000 |
| Purpose | : To meet working capital requirement. |
| Settlement time | : 1 year |
| Security | : i) Hypothecation of stock-in-trade duly insured covering the risks of fire & RSD with bank's mortgage clause for a sum exceeding 10% above the sanction limit or stock under hypothecation under whichever is higher at the cost of the customer. ii) Irrecoverable general power of Attorney (duly notarized) favoring the Bank authorizing the Bank to sale the inventory/ stock under hypothecation without further reference to the court in case of default. |
| Mode of repayment | : From the sales proceeds or from own source of the Company. |

21.2 One Bank Limited

| | |
|--------------------------|---|
| Facility limit | : Taka 200,000,000 |
| Purpose | : To meet working capital requirement. |
| Settlement time | : 1 year. |
| Security | : i) 1st ranking Pari-passu charge among Prime, MTBL, Trust, City & OBL with RJSC on floating assets of the Company along with NIGPA to sell the assets. ii) Registered Pari-passu mortgage on 2.208 decimal project lands along with factory building & structures thereon owned by Star Ceramic Ltd at Riaznagar, Madhabpur, Habigonj. |
| Mode of repayment | : From operating cash flow and/or from own sources of the company. |

21.3 The City Bank Limited

| | |
|--------------------------|--|
| Facility limit | : Taka 60,000,000 |
| Purpose | : To meet up overhead expenses of the company. |
| Settlement time | : 1 year |
| Security | : i) Hypothecation of stock-in-trade duly insured covering the risks of fire & RSD with bank's mortgage clause for a sum exceeding 10% above the sanction limit or stock under hypothecation under whichever is higher at the cost of the customer. ii) Irrecoverable general power of Attorney (duly notarized) favoring the Bank authorizing the Bank to sale the inventory/ stock under hypothecation without further reference to the court in case of default. |
| Mode of repayment | : From the sales proceeds or from own source of the Company. |

21.4 Mutual Trust Bank Limited

| | |
|--------------------------|---|
| Facility limit | : Taka 150,000,000 |
| Purpose | : To procure raw materials and to meet up working capital requirement. |
| Settlement time | : 1 year |
| Security | : i) Hypothecation of stock-in-trade duly insured covering the risks of fire & RSD with bank's mortgage clause for a sum exceeding 10% above the sanction limit or stock under hypothecation under whichever is higher at the cost of the customer. ii) Irrecoverable general power of Attorney (duly notarized) favoring the Bank authorizing the Bank to sale the inventory / stock under hypothecation without further reference to the court in case of default. |
| Mode of repayment | : Each drawing to be adjusted 120 days from the date of advance and account outstanding to be adjusted in full on or before the expiry. |

21.5 Trust Bank Limited

| | |
|--------------------------|--|
| Facility limit | : Taka 100,000,000 |
| Purpose | : Working capital requirement. |
| Settlement time | : 1 year |
| Security | : i) Hypothecation of stock-in-trade duly insured covering the risks of fire & RSD with bank's mortgage clause for a sum exceeding 10% above the sanction limit or stock under hypothecation under whichever is higher at the cost of the customer. ii) Irrecoverable general power of Attorney (duly notarized) favoring the Bank authorizing the Bank to sale the inventory/ stock under hypothecation without further reference to the court in case of default. |
| Mode of repayment | : From the sales proceeds or from own sources of the Company. |

22 Income tax payable

| | | |
|-------------------------------------|-------------------|-------------------|
| Opening balance | 32,044,525 | 18,678,963 |
| Add: Provision made during the year | 6,183,474 | 13,365,562 |
| | 38,227,999 | 32,044,525 |
| Less: Adjusted during the year | 32,044,525 | - |
| Closing balance | 6,183,474 | 32,044,525 |

23 Revenue

| | | |
|----------------------------------|----------------------|----------------------|
| Sales - local | 4,741,976,391 | 4,406,892,092 |
| Less: Supplementary duty and VAT | 1,107,368,116 | 1,069,331,780 |
| Sales - local (net) | 3,634,608,276 | 3,337,560,312 |
| Sales - export | 16,294,140 | 42,303,044 |
| | 3,650,902,416 | 3,379,863,356 |

24 Cost of sales

| | | |
|---|----------------------|----------------------|
| Opening stock of finished goods | 388,301,579 | 563,283,179 |
| Add: Cost of goods manufactured (note - 24.1) | 2,627,872,297 | 2,009,259,831 |
| Cost of finished goods available for sale | 3,016,173,876 | 2,572,543,010 |
| Less: Closing stock of finished goods | 516,284,988 | 388,301,580 |
| | 2,499,888,888 | 2,184,241,431 |

| | 2016 | 2015 |
|--|----------------------|----------------------|
| | Taka | Taka |
| 24.1 Cost of goods manufactured | | |
| This is made up as follows: | | |
| Raw material consumed (note - 24.1.1) | 1,322,140,185 | 839,631,963 |
| Salary and wages | 211,292,352 | 213,300,235 |
| Power and gas | 246,207,152 | 191,255,338 |
| Insurance | 4,649,838 | 6,082,432 |
| Polishing Charges | 38,899,097 | 18,552,194 |
| Repair and maintenance | 105,104,875 | 106,044,777 |
| Packing material consumed | 218,308,710 | 161,069,890 |
| Foreign technician expenses | 4,389,464 | 16,546,856 |
| Depreciation (note -5) | 436,987,268 | 409,236,994 |
| Other expenses | 39,893,356 | 47,539,151 |
| | 2,627,872,297 | 2,009,259,831 |
| 24.1.1 Raw materials consumed | | |
| Opening stock of raw materials | 707,774,155 | 445,386,072 |
| Add: Purchase during the year | 1,052,178,350 | 1,150,638,758 |
| | 1,759,952,504 | 1,596,024,830 |
| Less: Closing stock of raw materials | 435,796,789 | 707,774,155 |
| | 1,324,155,715 | 888,250,675 |
| Add: Opening work in process | 78,545,240 | 29,926,528 |
| | 1,402,700,956 | 918,177,203 |
| Less: Closing work in process | 80,560,771 | 78,545,240 |
| | 1,322,140,184 | 839,631,963 |
| 25 Other income | | |
| Scrap sales | 3,253,367 | 2,728,850 |
| Other charges | 530,828 | 1,444,677 |
| Interest income on term deposit | 666,248 | 773,504 |
| Gain on disposal of fixed assets | 45,690 | 23,876 |
| | 4,496,133 | 4,970,907 |
| 26 Office and administrative expenses | | |
| This is made up as follows: | | |
| Salary and allowances | 51,988,076 | 51,371,293 |
| Depreciation | 8,869,004 | 8,021,295 |
| Travelling and conveyance bills | 2,684,866 | 2,420,587 |
| Office rent | 3,390,000 | 3,270,000 |
| Vehicle maintenance | 4,202,162 | 3,137,376 |
| Miscellaneous expenses | 2,919,790 | 3,682,122 |
| Printing and stationery | 1,589,292 | 2,009,318 |
| Repair and maintenance of office equipment | 1,982,608 | 2,791,003 |
| Registration and renewal | 3,619,208 | 3,260,750 |
| Electricity, gas and WASA bills | 1,482,028 | 1,003,665 |
| Business promotion | 1,109,639 | 1,733,064 |
| Telephone and mobile bills | 1,098,845 | 1,033,581 |
| Staff welfare | 1,181,073 | 903,761 |
| Professional fees | 2,139,295 | 863,690 |
| ISO expenses | 428,479 | 703,505 |
| Internet charges | 382,638 | 415,306 |
| Insurance premium | 508,826 | 451,404 |
| Security guard expenses | 754,269 | 312,124 |
| Donation | 30,000 | 50,000 |
| Guest House maintenance expenses | 28,425 | 20,094 |
| Entertainment expenses | 324,162 | 248,589 |

Fuel and maintenance for generator
Amortization of intangible
Visa Charges
Recruitment Expenses
Books and Periodicals Expenses
Freight Inward
Medical Expenses
Share issue expenses
Advertisement expense
Rent, rates and taxes
Fine, tax and penalty
Trademark expenses

| 2016 | 2015 |
|-------------------|-------------------|
| Taka | Taka |
| 49,671 | 84,646 |
| 61,356 | 61,356 |
| 20,098 | 76,147 |
| 68,800 | 126,581 |
| 5,120 | 2,895 |
| 60,500 | 109,500 |
| 1,880 | 24,059 |
| 5,000 | 5,000 |
| 30,000 | - |
| - | 70,000 |
| - | 2,096,640 |
| - | 50,000 |
| 91,015,111 | 90,409,351 |

27 Selling and distribution expenses

This is made as follows:

| | | |
|------------------------------------|-------------|-------------|
| Delivery expenses | 190,547,578 | 189,028,363 |
| Dealers commission | 108,013,442 | 97,331,981 |
| Breakage commission | 42,183,626 | 48,128,680 |
| Discount | 48,712,784 | 4,706,443 |
| Showroom rent and display expenses | 11,643,843 | 9,560,942 |
| Salary and allowances | 23,751,644 | 19,327,227 |
| Samples expenses | 6,224,520 | 10,619,348 |
| Loading and unloading expenses | 3,394,832 | 17,444,156 |
| Business promotion | 28,232,861 | 20,456,710 |
| Sales incentive | 3,725,357 | - |
| Advertisement expenses | 9,616,718 | 6,238,047 |
| Dealers meeting expenses | 7,819,967 | 4,455,042 |
| Vehicle maintenance | 2,614,648 | 1,855,224 |
| Entertainment expenses | 313,020 | 277,281 |
| Travelling and conveyance bills | 1,816,612 | 1,615,208 |
| Office maintenance | 303,094 | 319,918 |
| Breakage tiles | 13,810,498 | 9,293,988 |
| Export sales expenses | 111,199 | 233,109 |
| Office rent and expenses | 891,899 | 670,250 |
| Donation | 120,000 | 2,000 |
| Miscellaneous expenses | 1,147,596 | 975,668 |
| House rent expenses | 230,107 | 215,369 |
| Staff welfare | 1,171,324 | 1,016,638 |
| Postage and Courier | 32,867 | 36,080 |
| Tiles and Testing | 75,190 | - |
| Quality claim | 4,437,977 | - |
| Printing and stationeries | 633,654 | 84,443 |
| Internet charges | 17,400 | 23,250 |
| Dealers incentive | - | 9,400,000 |

28 Finance costs

| | | |
|----------------------|--------------------|--------------------|
| Interest expenses | 448,956,349 | 553,420,864 |
| Loan processing fees | 11,827,525 | 9,254,892 |
| Bank charges | 880,576 | 1,044,664 |
| | <u>461,664,449</u> | <u>563,720,420</u> |

Related party disclosures

i) During the year, the Company carried out a number of transactions with related parties in the normal course of business on arms' length basis. The names of these related parties and their value have been set out in accordance with the provision of BAS 24: "Related Party Disclosures".

Figures in Taka

| Name of the party | Relationship | Nature of transactions | Receivable / (Payable) as on 31 December 2015 | Transaction value during the year | Amount (received) / paid during the year | Receivable / (Payable) as on 31 December 2016 |
|---------------------------------------|-------------------------|-------------------------|---|-----------------------------------|--|---|
| Kea Printing & Packaging Industries | Common Shareholder | Purchase of goods | (51,098,597) | 116,649,561 | 162,250,456 | (5,497,702) |
| Green Planet Communications Pvt. Ltd. | Common Shareholder | Purchase of services | (1,043,829) | 18,957,370 | 18,946,952 | (1,054,247) |
| Sky Bird Travel Agents (Pvt.) Ltd. | Common Shareholder | Purchase of services | (372,313) | 1,270,535 | 1,550,000 | (92,848) |
| RAK Paints Pvt. Limited | Common Shareholder | Purchase of goods | (54,464) | 220,654 | 181,665 | (93,453) |
| RAK Security & Services Pvt. Ltd. | Common Shareholder | Security services | (3,691,645) | 10,964,184 | 12,200,000 | (2,455,829) |
| Mrs. Sylina Jaman Akbar | Relative of Shareholder | Head office rent | (211,856) | 4,068,000 | 3,934,856 | (345,000) |
| Pelikan Plastic & Packaging | Common Shareholder | Purchase of goods | - | 38,488,001 | 21,355,466 | (17,132,535) |
| Speedway International Pvt. Ltd. | Common Shareholder | Purchase of goods | - | 21,650,085 | 21,400,000 | (250,085) |
| Rakeen Development Ltd. | Common Directorship | Purchase of floor space | 80,000,000 | 506,739 | 150,275,274 | 229,768,535 |
| Mohammad Trading | Common Shareholder | Sale of goods | 83,147,592 | 1,267,652,562 | (1,265,582,498) | 85,217,656 |
| Pally Enterprise | Common Shareholder | Sale of goods | 28,506,807 | 175,256,824 | (169,008,479) | 34,755,152 |
| Ipshta Enterprise | Common Shareholder | Sale of goods | 14,966,915 | 86,091,869 | (77,291,375) | 23,767,409 |
| Future Trading Company | Common Shareholder | Sale of goods | 169,551,662 | 152,442,285 | (274,835,042) | 47,158,905 |
| Term Trading | Common Shareholder | Sale of goods | 21,416,022 | 193,396,158 | (184,739,195) | 30,072,985 |
| Star Porcelain Pvt. Ltd | Common Directorship | Sale of goods | (211,478) | 1,136,360 | (1,155,520) | (230,638) |
| | | | 340,904,816 | 2,088,751,187 | (1,580,517,440) | 423,588,305 |

ii) For the year ended on 31 December 2015, no payment has been made to the directors of the Company (part of "key management personnel").

30 Commitments and contingencies

| | 2016 | 2015 |
|---|-------------|------------|
| | Taka | Taka |
| i) Outstanding letter of credits | 462,892,609 | 52,133,720 |
| ii) Capital expenditure commitments | 133,984,060 | - |
| iii) Syndication term loan (details in note - 16) | | - |
| iii) Claims against the Company not acknowledged as debts | - | - |
| iv) Bank guarantee given to Jalalabad Gas T & D System Ltd. | 41,506,488 | 41,947,688 |

31 Number of employees

The total number of employees drawing remuneration at the end of the year or part thereof was as follows:

| | | |
|----------------------------|------------|------------|
| Above Taka 3,000 per month | 662 | 650 |
| Below Taka 3,000 per month | - | - |
| | 662 | 650 |

32 Events after the reporting period

No material events occurred from the date of the financial position to the date of issue of these financial statements, which could materially affect the values stated in the Statement of Financial Position.

Sd/-

Director

Sd/-

Managing Director

Audited Financial Statements
of
Star Ceramics Limited
For the year ended 31December 2015

Hoda Vasi Chowdhury & Co
Chartered Accountants

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF
Star Ceramics Limited

We have audited the accompanying financial statements of Star Ceramics Limited (the “Company”) which comprise the statement of financial position as at 31 December 2015, the related statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other relevant explanatory notes thereon.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS)) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Bangladesh Standards on Auditing (BSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements prepared in accordance with the Bangladesh Accounting Standards (BAS) and Bangladesh Financial Reporting Standards (BFRS), give a true and fair view of the financial position of Star Ceramics Limited as at 31 December 2015 and the results of its financial performance and its cash flows for the year then ended and comply with the Companies Act 1994 and other applicable laws and regulations.

We also report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books;
- c) the company’s Statement of Financial Position and Statement of Profit or Loss and other Comprehensive Income along with the annexed notes 1 to 31 dealt with by the report are in agreement with the books of account and returns; and
- d) the expenditure incurred and payments made were for the purpose of the Company’s business.

Dhaka, 22 Feb 2016

Sd/-
Hoda Vasi Chowdhury & Co
Chartered Accountants

Star Ceramics Limited
Statement of Financial Position
As at 31 December 2015

| Particulars | Notes | 2015 | 2014 |
|--|-------|----------------------|----------------------|
| | | Taka | Taka |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment, net | 5 | 4,151,850,328 | 3,807,429,726 |
| Capital work-in-progress | 6 | - | 526,531,957 |
| Intangible asset | 7 | 224,799 | 286,155 |
| | | 4,152,075,127 | 4,334,247,837 |
| Current assets | | | |
| Inventories | 8 | 1,685,982,704 | 1,453,175,138 |
| Trade receivables | 9 | 390,201,904 | 363,557,455 |
| Other receivables | 10 | 2,455,944 | 4,185,485 |
| Advances, deposits and prepayments | 11 | 174,279,645 | 125,297,742 |
| Advance income tax | 12 | 142,909,500 | 96,814,237 |
| Cash and cash equivalents | 13 | 49,100,219 | 31,298,640 |
| | | 2,444,929,915 | 2,074,328,696 |
| TOTAL ASSETS | | 6,597,005,042 | 6,408,576,534 |
| EQUITY AND LIABILITIES | | | |
| Shareholders' equity | | | |
| Share capital | 14 | 731,069,490 | 731,069,490 |
| Share money deposits | 15 | 799,555,646 | 799,531,499 |
| Retained earnings | | 74,202,193 | 66,245,295 |
| | | 1,604,827,328 | 1,596,846,284 |
| Non-current liabilities | | | |
| Long term loans - net of current portion | 16 | 1,996,627,730 | 2,698,494,835 |
| Deferred tax liabilities | 17 | 22,708,524 | 10,503,979 |
| | | 2,019,336,254 | 2,708,998,813 |
| Current liabilities | | | |
| Trade and other payables | 18 | 514,267,910 | 408,202,707 |
| Short term bank loans | 19 | 1,259,293,375 | 775,051,046 |
| Long term loans - current portion | 16 | 764,754,707 | 629,200,000 |
| Bank overdrafts | 20 | 402,480,943 | 271,598,720 |
| Income tax payable | 21 | 32,044,525 | 18,678,963 |
| | | 2,972,841,460 | 2,102,731,437 |
| TOTAL EQUITY AND LIABILITIES | | 6,597,005,042 | 6,408,576,534 |

The accompanying notes 1 to 31 form an integral part of these financial statements

Sd/-
Director

Sd/-
Managing Director

As per our report of same date

Dhaka, 22 Feb 2016

Sd/-
Hoda Vasi Chowdhury & Co.
Chartered Accountants

Star Ceramics Limited
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2015

| Particulars | Notes | 2015 | 2014 |
|---|-------|----------------------|--------------------|
| | | Taka | Taka |
| Revenue | 22 | 3,379,863,356 | 2,455,740,741 |
| Cost of sales | 23 | (2,184,241,431) | (1,491,243,607) |
| Gross profit | | 1,195,621,925 | 964,497,134 |
| Other income | 24 | 4,970,907 | 5,748,739 |
| Office and administrative expenses | 25 | (90,409,351) | (75,981,063) |
| Selling and distribution expenses | 26 | (453,315,364) | (293,433,990) |
| | | (538,753,809) | (363,666,314) |
| Operating profit | | 656,868,117 | 600,830,820 |
| Finance costs | 27 | (563,720,420) | (426,091,790) |
| Foreign exchange gain | | 7,303,612 | 16,092,499 |
| | | (556,416,808) | (409,999,291) |
| Profit before contribution to WPPF | | 100,451,309 | 190,831,530 |
| Contribution to WPPF | | (4,783,396) | (9,087,216) |
| Net profit before tax | | 95,667,913 | 181,744,314 |
| Income tax expenses | 21 | (13,365,562) | (9,690,074) |
| Deferred tax expenses | 17 | (12,204,546) | (10,503,979) |
| | | (25,570,108) | (20,194,053) |
| Net profit after tax | | 70,097,805 | 161,550,261 |
| Other comprehensive income | | - | - |
| Total comprehensive income | | 70,097,805 | 161,550,261 |

The accompanying notes 1 to 31 form an integral part of these financial statements

Sd/-
Director

Sd/-
Managing Director

As per our report of same date

Dhaka, 22 Feb 2016

Sd/-
Hoda Vasi Chowdhury & Co.
Chartered Accountants

Star Ceramics Limited
Statement of Changes in Equity
For the year ended 31 December 2015

| Particulars | Share capital | Share money deposits | Retained earnings | Total |
|------------------------------------|--------------------|----------------------|-------------------|----------------------|
| Balance at 31 December 2013 | 731,069,490 | 719,951,499 | (95,304,966) | 1,355,716,023 |
| Share money deposits received | - | 79,580,000 | - | 79,580,000 |
| Net profit after tax for the year | - | - | 161,550,261 | 161,550,261 |
| Balance at 31 December 2014 | 731,069,490 | 799,531,499 | 66,245,295 | 1,596,846,283 |
| Dividend paid | | | (62,140,907) | (62,140,907) |
| Share money deposits received | - | 24,147 | - | 24,147 |
| Net profit after tax for the year | - | - | 70,097,805 | 70,097,805 |
| Balance at 31 December 2015 | 731,069,490 | 799,555,646 | 74,202,193 | 1,604,827,328 |

Sd/-
Director

Sd/-
Managing Director

Star Ceramics Limited
Statement of Cash Flows
For the year ended 31 December 2015

| Particulars | 2015 Taka | 2014 Taka |
|---|----------------------|------------------------|
| A. Cash flows from operating activities | | |
| Net profit before tax for the year | 95,667,913 | 181,744,314 |
| Add: Non-cash items | | |
| Depreciation on property, plant and equipment | 417,258,289 | 298,518,392 |
| Amortization of intangible asset | 61,356 | 20,621 |
| Gain on disposal of PPE | (23,876) | - |
| | 417,295,769 | 298,539,013 |
| Cash generated from operation | 512,963,682 | 480,283,327 |
| Changes in working capital | | |
| (Increase) in inventories | (232,807,566) | (651,952,786) |
| (Increase) in trade receivables | (26,644,449) | (222,188,459) |
| Decrease / (increase) in other receivables | 1,729,541 | (1,516,063) |
| (Increase) / decrease in advances, deposits & prepayment | (48,981,903) | 62,658,478 |
| Increase / (decrease) in trade and other payables | 106,065,202 | (663,614,765) |
| | (200,639,175) | (1,476,613,596) |
| Tax paid- tax deducted at sources | (46,095,263) | (49,655,099) |
| Net cash flows/ (used in) from operating activities | 266,229,244 | (1,045,985,367) |
| B. Cash flows from investing activities | | |
| Acquisition of property, plant and equipment | (235,347,457) | (1,196,484,778) |
| Acquisition of intangible asset | - | (306,776) |
| Cash proceeds of disposal of PPE | 224,400 | - |
| Net cash (used in) investing activities | (235,123,057) | (1,196,791,554) |
| C. Cash flows from financing activities | | |
| Dividend paid | (62,140,907) | - |
| Share money deposits received | 24,147 | 79,580,000 |
| Repayment of long term bank loans | (566,312,398) | 1,497,849,925 |
| Receipt of short term bank loans | 484,242,329 | 532,879,775 |
| Receipt of bank overdrafts | 130,882,222 | 103,953,856 |
| Net cash (used in) / flows from financing activities | (13,304,607) | 2,214,263,556 |
| Net increase / (decrease) in cash flows (A+B+C) | 17,801,579 | (28,513,365) |
| Cash and cash equivalents at the beginning of the year | 31,298,640 | 59,812,006 |
| Cash and cash equivalents at the end of the year | 49,100,219 | 31,298,640 |

Sd/-
Director

Sd/-
Managing Director

Star Ceramics Limited
Notes to the Financial Statements
For the year ended 31 December 2015

1 Background and introduction

Formation and legal status

Star Ceramics Pvt. Limited (hereinafter referred to as "the Company") was incorporated on 21 September 2010 under the Companies Act, 1994 with an authorized capital of Taka 1,500 million divided into 150 million ordinary shares of Taka 10 each. In the year 2013, the Company has been converted into Public Limited Company and renamed as Star Ceramics Limited with increase in authorized capital to Taka 2,500 million divided into 250 million ordinary shares of Taka 10 each.

2 Nature of business

The main objective of the Company is to manufacture all kind of tiles, sanitary ware, bathroom fittings and faucets and undertake activities relating to detailed design, procurement and erection of machines, commissioning of such machines for the purpose of operating, managing, manufacturing and marketing of said products.

3 Summary of significant policies

3.1 Basis of accounting

These financial statements have been prepared on going concern basis under the historical cost convention in accordance with the Bangladesh Financial Reporting Standards (BFRS), Bangladesh Accounting Standards (BAS), the Companies Act 1994 and other applicable laws and regulations prevailing in Bangladesh.

3.2 Recognition of property, plant and equipment (PPE)

Property, plant and equipment have been stated at cost less accumulated depreciation except freehold land which is stated at cost. Cost includes expenditure directly attributed to the acquisition and installation of the assets. Repair and maintenance expenses are charged to the statement of profit or loss and other comprehensive income during the year when these are incurred.

3.3 Depreciation of property, plant and equipment

The Company uses straight line method for charging depreciation. Depreciation is charged on addition of the assets from acquisition date while no depreciation is charged during the year of retirement / disposal. Depreciation rates are as follows:

| Items | Rate |
|-------------------------|------|
| Factory building | 5% |
| Plant and machinery | 10% |
| Equipment | 10% |
| Furniture and fixtures | 10% |
| Motor vehicles | 10% |
| Tools and appliance | 10% |
| Office decoration | 10% |
| Electrical installation | 10% |
| Gas pipe line | 10% |

3.4 Capital work in progress

Capital work in progress is recorded at cost to the extent of expenditure incurred upto the date of statement of financial position. The amount of capital work in progress will be transferred to appropriate asset category and depreciated accordingly when the same is ready for intended use.

3.5 Inventories

Inventories are valued at lower of cost and net realizable value. Inventories comprise of raw materials, WIP and finished goods. Cost is determined on weighted average cost method in the case of raw materials. Cost of finished goods and work in process include total cost of materials, all direct costs and an attributable proportion of overheads.

3.6 Long term loan

The Company has availed syndication term loan from various financial institutions for financing construction of factory building and acquisition of plant and machineries. Loan repayable after twelve months from the statement of financial position date are classified as long term liabilities whereas amount of loan repayable within twelve months from the statement of financial position date are classified as current liabilities. However, borrowing costs are charged in the statement of profit or loss and other comprehensive income unless the portion of qualifying assets.

3.7 Borrowing costs

Borrowing cost relating for acquisition of fixed assets is capitalized as per Bangladesh Accounting Standard (BAS) - 23, Borrowing Costs at the weighted average cost of borrowings. During the year, borrowing costs amounting Taka 17,711,196 has been capitalized. However, capitalization of borrowing costs is ceased when acquisition of relevant assets are ready for intended use.

3.8 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognized directly in the equity, in which case it is recognized in equity.

Current Tax

The Company is enjoying reduced rate of income tax approved by the Tax Authority vide letter dated 4 July 2012 effective from 1 July 2011 to 30 June 2018. The reduced rates for a period of seven years is as follows:

| Years | Rate of income tax |
|----------------|--------------------|
| First to third | 5% |
| Forth to sixth | 10% |
| Seventh year | 15% |

3.9 Deferred Tax

Deferred tax has been recognised in accordance with Bangladesh Accounting Standard (BAS) – 12; Income Taxes. Deferred tax is provided using the liability method for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. Deferred tax is determined at the effective income tax rate prevailing at the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.10 Foreign currency transactions

Foreign currency transactions have been converted into Bangladesh Taka at the exchange rates prevailing on the transaction dates. Assets and liabilities outstanding at 31 December 2015 denominated in foreign currencies have been translated in Taka at the rate ruling on the statement of financial position date. Foreign exchange fluctuation gain/(loss) are charged to the statement of profit or loss and comprehensive income.

3.11 Revenue recognition

- a) Revenue is recognized when invoices are raised upon delivery of goods.
- b) Interest on short term deposits (FDR) is recognized on completed day basis.

3.12 Employees' benefit schemes

- i) The Company operates a contributory provident fund scheme equally contributing @ 10% of basic salary. The fund has been duly recognized by the National Board of Revenue (NBR) on 23 July 2013;
- ii) The Company operates an approved gratuity scheme for its employees with a minimum requirement of three (03) years continuous service and calculated based on 30 days for more than five years, 21 days for three to less than five years of last basic salary for every completed year of service as well as service in excess of eight months shall be counted a full year for the computation purpose and accordingly provision has been made in the accompanying financial statements. The fund has been duly recognized by the National Board of Revenue (NBR) on 17 December 2013.

3.13 Workers' Profit Participation fund (WPPF)

The Company provides 5% of its net profit before tax after charging such expenses as WPPF in accordance with "The Bangladesh Labour Act 2006, (amended in 2013).

4 General

- a) Amounts appearing in these financial statements have been rounded off to the nearest Taka; and
- b) Previous year's figure have been rearranged, where necessary, to conform to current year's presentation.

5 Property, plant and equipment - at cost less accumulated depreciation

Amount in Taka

| Particulars | Cost | | | | Depreciation | | | | Written down value as at 31 December 2015 | Written down value as at 31 December 2014 |
|-------------------------|------------------------------|-----------------------------|----------------------|--------------------------------|--------------|------------------------------|----------------------|----------------------|---|---|
| | Balance as at 1 January 2015 | Additions during the period | Disposal/ adjustment | Balance as at 31 December 2015 | Rate % | Balance as at 1 January 2015 | Charged for the year | Disposal/ adjustment | Balance as at 31 December 2015 | |
| Freehold land | 263,856,630 | 6,631,800 | - | 270,488,430 | - | - | - | - | - | 263,856,630 |
| Factory building | 748,356,891 | 166,438,715 | - | 914,795,606 | 5% | 58,132,477 | 43,718,437 | - | 101,850,914 | 690,224,414 |
| Plant and machinery | 2,864,083,254 | 518,278,835 | - | 3,382,362,089 | 10% | 375,005,837 | 325,585,862 | - | 700,591,699 | 2,489,077,415 |
| Furniture and fixture | 5,190,395 | 246,434 | - | 5,436,829 | 10% | 965,385 | 529,851 | - | 1,495,236 | 4,225,010 |
| Equipment | 27,064,327 | 2,528,731 | - | 29,593,058 | 10% | 4,869,511 | 2,893,088 | - | 7,762,599 | 22,194,816 |
| Motor vehicles | 29,141,929 | 8,213,080 | 237,984 | 37,117,025 | 10% | 7,142,694 | 3,432,348 | 37,460 | 10,537,582 | 21,999,235 |
| Tools and appliance | 7,690,727 | 205,321 | - | 7,896,048 | 10% | 1,302,184 | 782,224 | - | 2,084,408 | 6,388,543 |
| Office decoration | 11,214,038 | 452,288 | - | 11,666,326 | 10% | 1,496,740 | 1,166,008 | - | 2,662,748 | 9,717,298 |
| Electrical installation | 254,609,311 | 39,391,552 | - | 294,000,863 | 10% | 34,219,674 | 28,444,469 | - | 62,664,143 | 220,389,637 |
| Gas pipe line | 92,462,747 | 19,492,658 | - | 111,955,405 | 10% | 13,106,020 | 10,706,002 | - | 23,812,022 | 79,356,727 |
| Total 2015 | 4,303,670,249 | 761,879,414 | 237,984 | 5,065,311,679 | | 496,240,522 | 417,258,289 | 37,460 | 913,461,351 | 3,807,429,726 |
| Total 2014 | 2,413,584,371 | 1,890,085,878 | | 4,303,670,249 | | 197,722,131 | 298,518,392 | | 496,240,523 | 3,807,429,726 |

Allocation of depreciation

| | 2015 | 2014 |
|--|--------------------|--------------------|
| | Taka | Taka |
| Cost of goods manufactured (note - 23.1) | 409,236,994 | 291,968,570 |
| Office and administrative expenses (note - 25) | 8,021,295 | 6,549,822 |
| | 417,258,289 | 298,518,392 |

| | 2015 | 2014 |
|--|----------|--------------------|
| | Taka | Taka |
| 6 Capital work in progress | | |
| Land and land development | - | - |
| Building and wall | - | 102,315,944 |
| Plant and machinery | - | 346,005,454 |
| Gas connection | - | 11,170,710 |
| Electrical installation | - | 27,934,271 |
| Borrowing cost during construction period (note - 6.1) | - | 33,799,322 |
| Other capital expenditure for SWD unit | - | 5,306,255 |
| | <u>-</u> | <u>526,531,957</u> |

6.1 Borrowing cost for qualifying assets during construction period has been capitalized when they were ready for intended use.

7 Intangible asset - software

| | | |
|------------------------------------|----------------|----------------|
| Opening balance | 286,155 | - |
| Add: Additions during the year | - | 306,776 |
| | <u>286,155</u> | <u>306,776</u> |
| Less: Amortization during the year | 61,356 | 20,621 |
| Closing balance | <u>224,799</u> | <u>286,155</u> |

Software cost amortized @ 20% p.a. from the date of acquisition by using the straight line method.

8 Inventories

| | | |
|------------------------|----------------------|----------------------|
| Raw materials - Tiles | 620,719,230 | 371,255,166 |
| Raw materials - SWD | 87,054,925 | 73,753,828 |
| Stores and spares | 382,600,152 | 279,748,914 |
| Packing materials | 51,609,738 | 7,241,895 |
| Work in process | 78,545,240 | 29,926,529 |
| Finished goods - Tiles | 285,491,296 | 538,826,914 |
| Finished goods - SWD | <u>102,810,283</u> | <u>24,456,265</u> |
| | 1,608,830,864 | 1,325,209,511 |
| Goods in transit | <u>77,151,840</u> | <u>127,965,627</u> |
| | 1,685,982,704 | 1,453,175,138 |

9 Trade receivables

| | | |
|----------------------------------|--------------------|--------------------|
| Receivables - local (note - 9.1) | 370,802,652 | 362,978,763 |
| Receivable - export | <u>19,399,252</u> | <u>578,691</u> |
| | 390,201,904 | 363,557,455 |

9.1 Receivables - local

| | | |
|-------------------------------|--------------------|--------------------|
| Future Trading Company | 169,551,662 | 147,131,193 |
| Mohammed Trading | 83,147,592 | 114,442,962 |
| Pally Enterprise | 28,506,807 | 18,623,887 |
| Term Trading | 21,416,022 | 6,650,787 |
| Ipsheeta Trade | 14,966,915 | 24,668,175 |
| Receivable from other parties | <u>53,213,654</u> | <u>51,461,760</u> |
| | 370,802,652 | 362,978,763 |

Receivables outstanding more than six (06) months is Taka 160,573,359.

10 Other receivables

| | | |
|---|------------------|------------------|
| Insurance claim receivables | 1,420,467 | 2,693,865 |
| Accrued interest on short term deposits (FDR) | 850,789 | 734,382 |
| Receivable - others | <u>184,688</u> | <u>757,238</u> |
| | 2,455,944 | 4,185,485 |

11 Advances, deposits and prepayments

Advances

| | | |
|-------------------------------|--------------------|-------------------|
| Advance for purchase of goods | 80,984,809 | 33,187,182 |
| Advance VAT | 5,449,776 | 15,173,077 |
| Advance to employees | 1,949,618 | 1,385,602 |
| Supplementary duty on sales | 3,651,365 | 3,276,251 |
| Advance to service providers | 10,684,059 | 7,104,764 |
| | 102,719,627 | 60,126,876 |

Deposits

| | | |
|---------------------|-------------------|-------------------|
| L/C margin deposits | 18,648,770 | 20,416,674 |
| Security deposits | 44,953,222 | 42,136,632 |
| | 63,601,992 | 62,553,306 |

Prepayments

| | | |
|-------------------|--------------------|--------------------|
| Prepaid Expenses | 5,410,734 | - |
| Prepaid insurance | 2,547,292 | 2,617,560 |
| | 7,958,026 | 2,617,560 |
| | 174,279,645 | 125,297,742 |

12 Advance income tax

| | | |
|--------------------------------|--------------------|-------------------|
| Opening balance | 96,814,237 | 47,169,588 |
| Add: Additions during the year | 46,095,263 | 49,655,099 |
| | 142,909,500 | 96,824,687 |
| Less: Adjusted during the year | - | 10,450 |
| Closing balance | 142,909,500 | 96,814,237 |

This represents advance income tax paid on import stage and deducted by banks from interest on short term deposits.

13 Cash and cash equivalents

| | | |
|--|---------|-----------|
| Cash in hand | 904,525 | 1,896,691 |
| Cash at banks - Current accounts with: | | |

| | | |
|---------------------------|-------------------|-------------------|
| Prime Bank Limited | 4,210,891 | 1,345,898 |
| Dhaka Bank Limited | 1,280,405 | 1,121,282 |
| Dutch Bangla Bank Limited | 1,287,654 | 1,972,173 |
| Mutual Trust Bank Limited | 1,425 | 70,040 |
| One Bank Limited | 1,047,771 | 530,174 |
| The City Bank Limited | 2,790 | 13 |
| Trust Bank Limited | 9,655 | 7,977 |
| Mercantile Bank Ltd. | 127,874 | 148,547 |
| NCC Bank Ltd. | 14,169 | 15,559 |
| Eastern Bank Ltd. | 1,622,205 | 3,060,123 |
| Sonali Bank Limited | 5,905 | 8,675 |
| Dutch Bangla Bank PF | 2,318,080 | 2,150,754 |
| Meghna Bank Ltd. | 200 | 8,850 |
| Standard Bank | 913,026 | - |
| BRAC Bank Limited | 523,564 | 1,013,516 |
| | 13,365,613 | 11,453,582 |

Short term deposits (FDR) with:

| | | |
|---------------------------|-------------------|-------------------|
| Meghna Bank Limited | 28,982,150 | 12,000,000 |
| Mutual Trust Bank Limited | 4,695,458 | 4,872,495 |
| Prime Bank Limited | 1,152,473 | 1,075,872 |
| | 34,830,081 | 17,948,367 |
| | 49,100,219 | 31,298,640 |

Cash and cash equivalents include balance of employees' provident fund of Taka 33,540,030 which will be transferred to Fund accounts shortly.

14 Share capital

Authorized capital

250,000,000 ordinary shares of Taka 10 each

2,500,000,000 **2,500,000,000**

Issued, subscribed and fully paid-up capital

73,106,949 ordinary shares of Taka 10 each

731,069,490 **731,069,490**

The composition of shareholding position of the Company is as follows:

| Name of Shareholders | Nationality/ Incorporated in | Number of Shares | 2015 Taka | 2014 Taka |
|------------------------------|---------------------------------|---------------------|--------------------|--------------------|
| Star Bangladesh Holding Ltd. | British Virgin Islands | 31,801,523 | 318,015,230 | 318,015,230 |
| S.A.K Ekramuzzaman | Bangladeshi | 29,242,780 | 292,427,800 | 292,427,800 |
| Syed A.K Anwaruzzaman | Bangladeshi | 7,310,695 | 73,106,950 | 73,106,950 |
| Md. Amir Hossain | Bangladeshi | 2,193,208 | 21,932,080 | 21,932,080 |
| Engr. Syyed Ahmed | Bangladeshi | 731,069 | 7,310,690 | 7,310,690 |
| Fazle Hasan Akber | Bangladeshi | 731,069 | 7,310,690 | 7,310,690 |
| Md. Imtiaz Hussain | Bangladeshi | 365,535 | 3,655,350 | 3,655,350 |
| Md. Jahirul Reza | Bangladeshi | 365,535 | 3,655,350 | 3,655,350 |
| Md. Mahabubur Rahman | Bangladeshi | 365,535 | 3,655,350 | 3,655,350 |
| | | | 731,069,490 | 731,069,490 |

15 Share money deposits

| | | |
|------------------------------|--------------------|--------------------|
| Star Bangladesh Holding Ltd. | 335,662,659 | 335,662,659 |
| S.A.K Ekramuzzaman | 336,572,200 | 346,572,200 |
| Syed A.K Anwaruzzaman | 77,163,829 | 85,033,050 |
| Md. Amir Hossain | 23,149,154 | 11,857,920 |
| Engr. Syyed Ahmed | 7,716,388 | 7,452,410 |
| Md. Imtiaz Hussain | 3,858,189 | 1,974,650 |
| Md. Jahirul Reza | 3,858,650 | 1,974,650 |
| Md. Mahabubur Rahman | 3,858,189 | 504,650 |
| Fazle Hasan Akber | 7,716,388 | 8,499,310 |
| | 799,555,646 | 799,531,499 |

On 01 December 2015, the Board of Directors has decided to raise of Taka 950,000,000 by issuing 95,000,000 redeemable cumulative preference shares of Taka 10 each in cash from Banks/ Financial institutions / Corporate houses in Bangladesh other than existing shareholders in consideration of cash subject to approval of the Bangladesh Securities and Exchange Commission (BSEC) and other necessary formalities.

16 Long term loans - net of current portion

| | | |
|------------------------|----------------------|----------------------|
| Prime Bank Limited | 1,044,166,050 | 1,467,354,642 |
| The City Bank Ltd. | 268,557,598 | 290,773,087 |
| Mercantile Bank Ltd. | 178,987,065 | 193,841,945 |
| Meghna Bank Ltd. | 119,367,508 | 129,247,922 |
| Mutual Trust Bank Ltd. | 387,853,703 | 420,004,274 |
| NCC Bank Ltd. | 149,176,323 | 161,532,161 |
| One Bank Ltd. | 117,996,929 | 128,650,529 |
| SABINCO | 137,291,028 | 148,612,057 |
| Trust Bank Ltd. | 357,986,233 | 387,678,218 |
| | 2,761,382,437 | 3,327,694,835 |
| Less: Current portion | 764,754,707 | 629,200,000 |
| | 1,996,627,730 | 2,698,494,835 |

| | 2015 Taka | 2014 Taka |
|--|--------------|--------------|
| The lead arranger of the syndication term loan is Prime Bank Limited and participated by the above noted banks / financial institutions. The terms and conditions of the term loan are as follows: | | |

| | | |
|-------------------|---|--|
| Loan limit | : | Taka 3,384,075,340 |
| Drawdown | : | Taka 3,384,075,340 |
| Repayment of loan | : | Equal quarterly installments . |
| Purpose of Loan | : | Imported capital machineries, local capital machineries, construction for factory building, electrical installation. |
| Security | : | Land mortgage, plant machinery, personal guarantee of local directors of the company. |

17 Deferred tax liabilities

| | | |
|---|----------------------|----------------------|
| Deductible temporary difference - Total tax loss and gratuity provision | 739,880,086 | 555,366,332 |
| Taxable temporary difference - Property, plant and equipment | (966,965,326) | (660,406,117) |
| Net taxable temporary difference | (227,085,240) | (105,039,785) |
| Deferred tax liabilities at the year end | (22,708,524) | (10,503,979) |
| Less: Opening deferred tax liabilities | (10,503,979) | - |
| Deferred tax expense for the year | (12,204,546) | (10,503,979) |

18 Trade and other payables

| | | |
|---------------------------------|--------------------|--------------------|
| Accounts payable | 306,193,493 | 277,328,896 |
| Provident fund payable | 33,540,030 | 15,679,797 |
| Gratuity payable | 12,804,727 | 3,541,697 |
| Payable to service providers | 39,477,156 | 37,261,359 |
| TDS payable | 9,872,286 | 15,510,145 |
| VAT payable | 4,955,501 | 5,387,168 |
| Advance received from customers | 46,041,125 | 6,776,145 |
| Accrued expenses (note - 18.1) | 61,383,591 | 46,717,500 |
| | 514,267,910 | 408,202,707 |

18.1 Accrued expenses

| | | |
|------------------------------------|-------------------|-------------------|
| Salary and wages | 14,350,284 | 14,779,383 |
| Electricity, gas and telephone | 18,445,093 | 13,687,083 |
| Worker's profit participation fund | 7,148,673 | 9,087,216 |
| Provision for dealer's commission | 6,811,137 | 2,720,584 |
| Foreign technician expenses | 8,236,392 | 2,267,700 |
| Security and other expenses | 1,763,717 | 2,130,981 |
| Provision for Interest | 3,000,000 | - |
| Provision for breakage | 902,687 | 1,085,053 |
| Office rent | 218,356 | 614,500 |
| Professional fees | 507,252 | 345,000 |
| | 61,383,591 | 46,717,500 |

19 Short term bank loans

| | | |
|---|----------------------|--------------------|
| Prime Bank Limited (note - 19.1) | 597,719,384 | 89,065,650 |
| One Bank Limited (note - 19.2) | 156,814,068 | 161,319,803 |
| The City Bank Limited (note - 19.3) | 105,648,973 | 294,860,450 |
| Trust Bank Limited (note - 19.4) | 56,300,320 | 59,571,930 |
| Mutual Trust Bank Limited (note - 19.5) | 342,810,630 | 170,233,214 |
| | 1,259,293,375 | 775,051,046 |

The terms and conditions of the short term loans are as follows:

| | |
|---------------------------------------|---|
| 19.1 Prime Bank Limited | |
| Facility amount | : Taka 300,000,000 |
| Mode of repayment | : Each LTR shall be adjusted from the sale proceeds within 150 days from the date of creation or from their own sources. |
| Purpose | : To retire the documents of L/C that will be opened to import raw materials to be utilized in tiles manufacturing company. |
| Security | : Letter of trust receipt, post dated cheque covering Taka 30 crore favouring PBL. |
| Settlement time | : 1 year, but each LTR should have specific validity not exceeding 150 days from the date of disbursement. |
| 19.2 One Bank Limited | |
| Facility amount | : Taka 237,500,000 |
| Mode of repayment | : Each LTR shall be adjusted from the sale proceeds within 150 days from the date of creation or from their own sources. |
| Purpose | : To retire the documents of L/C that will be opened to import raw materials to be utilized in tiles manufacturing company. |
| Security | : Letter of trust receipt |
| Settlement time | : 1 year, but each LTR should have specific validity not exceeding 150 days from the date of disbursement. |
| 19.3 The City Bank Limited | |
| Facility amount | : Taka 460,000,000 |
| Mode of repayment | : Each LTR shall be adjusted from the sale proceeds within 180 days from the date of creation or from their own sources. |
| Purpose | : To retire the documents of L/C that will be opened to import raw materials to be utilized in tiles manufacturing company. |
| Security | : Letter of trust receipt |
| Settlement time | : 1 year, but each LTR should have specific validity not exceeding 180 days from the date of disbursement. |
| 19.4 Trust Bank Limited | |
| Facility amount | : Taka 200,000,000 |
| Mode of repayment | : Each LTR shall be adjusted from the sale proceeds within 150 days from the date of creation or from their own sources. |
| Purpose | : To retire the documents of L/C that will be opened to import raw materials to be utilized in tiles manufacturing company. |
| Security | : Letter of trust receipt |
| Settlement time | : 1 year, but each LTR should have specific validity not exceeding 150 days from the date of disbursement. |
| 19.5 Mutual Trust Bank Limited | |
| Facility amount | : Taka 200,000,000 |
| Mode of repayment | : Each LTR shall be adjusted from the sale proceeds within 150 days from the date of creation or from their own sources. |
| Purpose | : To retire the documents of L/C that will be opened to import raw materials to be utilized in tiles manufacturing company. |
| Security | : Letter of trust receipt |
| Settlement time | : 1 year, but each LTR should have specific validity not exceeding 150 days from the date of disbursement. |

20 Bank overdrafts

| | 2015 | 2014 |
|---|--------------------|--------------------|
| | Taka | Taka |
| Prime Bank Limited (note - 20.1) | 179,556,995 | 187,704,519 |
| The City Bank Limited (note - 20.2) | 11,332,379 | 60,496,341 |
| Mutual Trust Bank Limited (note - 20.3) | 124,538,792 | 3,224,651 |
| Trust Bank Limited (note - 20.4) | 87,052,776 | 20,173,209 |
| | 402,480,943 | 271,598,720 |

The terms and conditions of the bank overdraft are as follows:

20.1 Prime Bank Limited

- Facility limit** : Taka 170,000,000
- Purpose** : Working capital requirement.
- Settlement time** : 1 year
- Security** : i) Hypothecation of stock-in-trade duly insured covering the risks of fire & RSD with bank's mortgage clause for a sum exceeding 10% above the sanction limit or stock under hypothecation under whichever is higher at the cost of the customer.
ii) Irrecoverable general power of Attorney (duly notarized) favoring the Bank authorizing the Bank to sale the inventory/ stock under hypothecation without further reference to the court in case of default.
- Mode of repayment** : From the sales proceeds or from own source of the Company.

20.2 The City Bank Limited

- Facility limit** : Taka 60,000,000
- Purpose** : Working capital requirement.
- Settlement time** : 1 year
- Security** : i) Hypothecation of stock-in-trade duly insured covering the risks of fire & RSD with bank's mortgage clause for a sum exceeding 10% above the sanction limit or stock under hypothecation under whichever is higher at the cost of the customer.
ii) Irrecoverable general power of Attorney (duly notarized) favoring the Bank authorizing the Bank to sale the inventory/ stock under hypothecation without further reference to the court in case of default.
- Mode of repayment** : From the sales proceeds or from own source of the Company.

20.3 Mutual Trust Bank Limited

- Facility limit** : Taka 150,000,000
- Purpose** : Working capital requirement.
- Settlement time** : 1 year
- Security** : i) Hypothecation of stock-in-trade duly insured covering the risks of fire & RSD with bank's mortgage clause for a sum exceeding 10% above the sanction limit or stock under hypothecation under whichever is higher at the cost of the customer.
ii) Irrecoverable general power of Attorney (duly notarized) favoring the Bank authorizing the Bank to sale the inventory / stock under hypothecation without further reference to the court in case of default.
- Mode of repayment** : From the sales proceeds or from own source of the Company.

20.4 Trust Bank Limited

- Facility limit** : Taka 100,000,000
- Purpose** : Working capital requirement.
- Settlement time** : 1 year
- Security** : i) Hypothecation of stock-in-trade duly insured covering the risks of fire & RSD with bank's mortgage clause for a sum exceeding 10% above the sanction limit or stock under hypothecation under whichever is higher at the cost of the customer.
ii) Irrecoverable general power of Attorney (duly notarized) favoring the Bank authorizing the Bank to sale the inventory/ stock under hypothecation without further reference to the court in case of default.
- Mode of repayment** : From the sales proceeds or from own source of the Company.

| | 2015 Taka | 2014 Taka |
|---|----------------------|----------------------|
| 21 Income tax payable | | |
| Opening balance | 18,678,963 | 8,999,339 |
| Add: Provision made during the year | 13,365,562 | 9,690,074 |
| | 32,044,525 | 18,689,413 |
| Less: Adjusted during the year | - | 10,450 |
| Closing balance | 32,044,525 | 18,678,963 |
| 22 Revenue | | |
| Sales - local | 4,406,892,092 | 3,150,350,050 |
| Less: Supplementary duty and VAT | 1,069,331,780 | 768,535,052 |
| Sales - local (net) | 3,337,560,312 | 2,381,814,998 |
| Sales - export | 42,303,044 | 73,925,743 |
| | 3,379,863,356 | 2,455,740,741 |
| 23 Cost of sales | | |
| Opening stock of finished goods | 563,283,179 | 140,951,477 |
| Add: Cost of goods manufactured (note - 23.1) | 2,009,259,831 | 1,913,575,309 |
| Cost of finished goods available for sale | 2,572,543,010 | 2,054,526,786 |
| Less: Closing stock of finished goods | 388,301,580 | 563,283,179 |
| | 2,184,241,431 | 1,491,243,607 |
| 23.1 Cost of goods manufactured | | |
| Raw material consumed (note - 23.1.1) | 839,631,963 | 1,091,428,660 |
| Salary and wages | 213,300,235 | 132,892,306 |
| Power and gas | 191,255,338 | 139,517,080 |
| Insurance | 6,082,432 | 4,808,138 |
| Polishing Charges | 18,552,194 | 25,316,031 |
| Repair and maintenance | 106,044,777 | 48,361,002 |
| Packing material consumed | 161,069,890 | 141,488,254 |
| Foreign technician expenses | 16,546,856 | 6,271,704 |
| Depreciation | 409,236,994 | 291,968,570 |
| Other expenses | 47,539,151 | 31,523,564 |
| | 2,009,259,831 | 1,913,575,309 |
| 23.1.1 Raw materials consumed | | |
| Opening stock of raw materials | 445,386,072 | 457,033,946 |
| Add: Purchase during the year | 1,150,638,758 | 1,106,448,491 |
| | 1,596,024,830 | 1,563,482,438 |
| Less: Closing stock of raw materials | 707,774,155 | 445,386,072 |
| | 888,250,675 | 1,118,096,366 |
| Add: Opening work in process | 29,926,528 | 3,258,822 |
| | 918,177,203 | 1,121,355,188 |
| Less: Closing work in process | 78,545,240 | 29,926,528 |
| | 839,631,963 | 1,091,428,660 |
| 24 Other income | | |
| Scrap sales | 2,728,850 | 3,479,626 |
| Other charges | 1,444,677 | 1,331,155 |
| Interest income on term deposit | 773,504 | 907,958 |
| Other income | | 30,000 |
| Gain on disposal of fixed assets | 23,876 | |
| | 4,970,907 | 5,748,739 |

25 Office and administrative expenses

| | 2015 | 2014 |
|--|-------------------|-------------------|
| | Taka | Taka |
| Salary and allowances | 51,371,293 | 44,500,947 |
| Depreciation | 8,021,295 | 6,549,822 |
| Travelling and conveyance bills | 2,420,587 | 5,513,425 |
| Office rent | 3,270,000 | 3,270,000 |
| Vehicle maintenance | 3,137,376 | 2,826,430 |
| Miscellaneous expenses | 3,682,122 | 2,157,681 |
| Printing and stationery | 2,009,318 | 1,538,117 |
| Repair and maintenance of office equipment | 2,791,003 | 1,508,120 |
| Registration and renewal | 3,260,750 | 1,161,182 |
| Electricity, gas and WASA bills | 1,003,665 | 1,006,007 |
| Business promotion | 1,733,064 | 901,438 |
| Telephone and mobile bills | 1,033,581 | 859,055 |
| Staff welfare | 903,761 | 776,222 |
| Professional fees | 863,690 | 983,965 |
| ISO expenses | 703,505 | 467,141 |
| Internet charges | 415,306 | 428,141 |
| Insurance premium | 451,404 | 419,251 |
| Security guard expenses | 312,124 | 359,144 |
| Donation | 50,000 | 200,000 |
| Guest House maintenance expenses | 20,094 | 185,311 |
| Entertainment expenses | 248,589 | 139,908 |
| Fuel and maintenance for generator | 84,646 | 139,136 |
| Rent, rates & taxes | 70,000 | 70,000 |
| Amortization of intangible | 61,356 | 20,621 |
| Fine, Tax & Penalty | 2,096,640 | - |
| Visa Charges | 76,147 | - |
| Recruitment Expenses | 126,581 | - |
| Books & Periodicals Expenses | 2,895 | - |
| Freight inward | 109,500 | - |
| Trademark expenses | 50,000 | - |
| Medical expenses | 24,059 | - |
| Share issue expenses | 5,000 | - |
| | 90,409,351 | 75,981,063 |

26 Selling & distribution expenses

| | 2015 Taka | 2014 Taka |
|----------------------------------|--------------------|--------------------|
| Delivery expenses | 189,028,363 | 114,500,899 |
| Dealers commission | 97,331,981 | 68,047,414 |
| Breakage commission | 48,128,680 | 30,928,725 |
| Discount | 4,706,443 | 27,251,456 |
| Showroom rent & display expenses | 9,560,942 | 10,100,868 |
| Salary and allowances | 19,327,227 | 10,092,531 |
| Samples expenses | 10,619,348 | 7,903,313 |
| Dealers incentive | 9,400,000 | 6,270,000 |
| Loading and unloading expenses | 17,444,156 | 4,532,686 |
| Business promotion | 20,456,710 | 3,293,437 |
| Sales incentive | - | 3,000,000 |
| Advertisement expenses | 6,238,047 | 2,487,713 |
| Dealers meeting expenses | 4,455,042 | 1,429,376 |
| Vehicle maintenance | 1,855,224 | 1,109,082 |
| Entertainment expenses | 277,281 | 676,390 |
| Travelling and conveyance bills | 1,615,208 | 608,801 |
| Office maintenance | 319,918 | 273,658 |
| Breakage tiles | 9,293,988 | 235,964 |
| Export sales expenses | 233,109 | 230,626 |
| Office rent & expenses | 670,250 | 111,580 |
| Donation | 2,000 | 100,000 |
| Miscellaneous expenses | 975,668 | 95,882 |
| House rent expenses | 215,369 | 83,116 |
| Staff welfare | 1,016,638 | - |
| Postage & Courier | 36,080 | - |
| Printing and stationeries | 84,443 | 45,008 |
| Internet charges | 23,250 | 25,465 |
| | 453,315,364 | 293,433,990 |

27 Finance cost

| | | |
|----------------------|--------------------|--------------------|
| Interest expenses | 553,420,864 | 419,284,044 |
| Loan processing fees | 9,254,892 | 6,200,748 |
| Bank charges | 1,044,664 | 606,998 |
| | 563,720,420 | 426,091,790 |

28 Commitments and contingencies

| | | |
|---|------------|-------------|
| i) Outstanding letter of credits | 52,133,720 | 314,464,027 |
| ii) Capital expenditure commitments | - | - |
| iii) Syndication term loan (details in note - 16) | | 672,646,610 |
| iii) Claims against the Company not acknowledged as debts | - | - |
| iv) Bank guarantee given to Jalalabad Gas T & D System Ltd. | 41,947,688 | 31,757,532 |

29 Related party disclosures

i) During the year, the Company carried out a number of transactions with related parties in the normal course of business on arms' length basis. The names of these related parties and their value have been set out in accordance with the provision of BAS: 24 "Related Party Disclosures".

Figures in Taka

| Name of the party | Relationship | Nature of transactions | Receivable / (Payable) as on 31 December 2014 | Transaction value during the year | Amount (received) / paid during the year | Receivable / (Payable) as on 31 December 2015 |
|---------------------------------------|-------------------------|-------------------------|---|-----------------------------------|--|---|
| Kea Printing & Packaging Industries | Common Shareholder | Purchase of goods | (35,522,709) | 125,226,831 | 109,650,944 | (51,098,596) |
| Green Planet Communications Pvt. Ltd. | Common Shareholder | Purchase of services | (1,675,822) | 12,627,233 | 13,259,226 | (1,043,829) |
| Sky Bird Travel Agents (Pvt.) Ltd. | Common Shareholder | Purchase of services | (93,050) | 3,144,051 | 2,864,788 | (372,313) |
| RAK Paints Pvt. Limited | Common Shareholder | Purchase of goods | (78,243) | 577,568 | 601,347 | (54,464) |
| RAK Security & Services Pvt. Ltd. | Common Shareholder | Security services | (2,831,783) | 32,409,862 | 31,550,000 | (3,691,645) |
| Mrs. Sylina Jaman Akbar | Relative of Shareholder | Head office rent | (599,500) | 3,869,500 | 4,257,144 | (211,856) |
| Mohammad Trading | Common Shareholder | Sale of goods | 114,442,963 | 1,232,691,394 | (1,263,986,765) | 83,147,592 |
| Pally Enterprise | Common Shareholder | Sale of goods | 18,623,887 | 135,901,276 | (126,018,355) | 28,506,808 |
| Ipsheeta Enterprise | Common Shareholder | Sale of goods | 24,668,175 | 66,864,542 | (76,565,802) | 14,966,915 |
| Future Trading Company | Common Shareholder | Sale of goods | 147,131,194 | 297,727,997 | (275,307,529) | 169,551,662 |
| Rakeen Development Ltd. | Common Directorship | Purchase of floor space | 30,000,000 | - | 50,000,000 | 80,000,000 |
| Term Trading | Common Shareholder | Sale of goods | 6,650,787 | 133,593,986 | (118,828,751) | 21,416,022 |
| Star Porcelain Pvt. Ltd | Common Directorship | Sale of goods | 495,321 | 1,100,384 | (1,807,182) | (211,477) |
| | | | 301,211,220 | 2,045,734,624 | (1,650,330,935) | 340,904,819 |

ii) For the year ended on 31 December 2015, no payment has been made to the directors of the Company (part of "key management personnel").

30 Number of employees

The total number of employees drawing remuneration at the end of the year or part thereof was as follows:

| | 2015 Taka | 2014 Taka |
|----------------------------|--------------|--------------|
| Above Taka 3,000 per month | 650 | 536 |
| Below Taka 3,000 per month | - | - |
| | <u>650</u> | <u>536</u> |

31 Events after the reporting period

No material events occurred from the date of the financial position to the date of issue of these financial statements, which could materially affect the values stated in the Statement of Financial Position.

Sd/-
Director

Sd/-
Managing Director

(b) Information as is required under section 186 of the কোম্পানি আইন, ১৯৯৪ relating to holding company;

Not applicable for Star Ceramics Limited since the company has no subsidiary.

(c) Selected ratios as specified in Annexure-D:

Ratio Analysis

Star Ceramics Limited

Auditors' certificate regarding calculations of EPS and other ratios

We have examined the following ratios of Star Ceramics Limited (the "Company") for the years from 2013 to 2017. The preparation and calculation of the ratios are the responsibility of the Company's management. Our responsibility is to review them and certify as to whether these have been properly prepared using stated principles on the basis of audited financial statements and other books and records maintained by the Company and as produced to us.

Based on the audited financial statements for the years from 2013 to 2017, books of accounts and records maintained by the Company, we, being the auditors of Star Ceramics Limited for the years 2013 to 2017, certify that the Company has properly calculated the following ratios using stated principles on the basis of audited financial statements:

| Ratios | Formula | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|--|-------------|-------------|-------------|-------------|-------------|
| Liquidity Ratio | | | | | | |
| Current ratio (Times) | Current Assets | 0.79 | 0.77 | 0.83 | 0.99 | 0.62 |
| | Currents Liabilities | | | | | |
| Quick or quick asset or acid test ratio (Times) | Current Assets - Inventories | 0.24 | 0.22 | 0.26 | 0.30 | 0.22 |
| | Current Liabilities | | | | | |
| Operating Ratio | | | | | | |
| Accounts receivable turnover ratio (Times) | Sales | 9.52 | 10.11 | 8.97 | 9.73 | 19.13 |
| | Average Accounts Receivable | | | | | |
| Inventory turnover ratio (Times) | Cost of Sales | 1.36 | 1.49 | 1.39 | 1.32 | 1.52 |
| | Average Inventories | | | | | |
| Asset turnover ratio (Times) | Sales | 0.54 | 0.56 | 0.52 | 0.44 | 0.37 |
| | Average Total Assets | | | | | |
| Profitability Ratio | | | | | | |
| Gross margin ratio (%) | Gross Margin | 33.84 | 31.53 | 35.37 | 39.28 | 37.79 |
| | Sales | | | | | |
| Operating profit ratio (%) | Operating profit | 18.18 | 15.02 | 19.29 | 24.23 | 21.61 |
| | Sales | | | | | |
| Net profit ratio before tax (%) | Net Profit before Tax | 7.34 | 2.48 | 2.83 | 7.40 | 1.92 |
| | Net Sales | | | | | |
| Net profit ratio after tax (%) | Net Profit after Tax | 5.40 | 2.08 | 2.07 | 6.58 | 1.25 |
| | Net Sales | | | | | |
| Return on assets ratio (%) | Net Profit after Tax | 2.92 | 1.16 | 1.08 | 2.91 | 0.46 |
| | Average Total Assets | | | | | |
| Return on equity ratio (%) | Net Profit after Tax | 10.49 | 4.76 | 4.38 | 10.94 | 1.58 |
| | Average Shareholders' Equity | | | | | |
| Basic Earnings per share (Taka) | Net Profit Attributed to Shareholders of the Company | 1.38 | 0.66 | 0.96 | 2.21 | 0.30 |
| | Weighted Average No. of Ordinary Shares | | | | | |
| Diluted Earnings Per Share (Taka) | Net Profit Attributed to Shareholders of the Company | 1.38 | 0.66 | 0.47 | 2.21 | 0.30 |
| | Potential Number of Ordinary Shares | | | | | |
| EBITDA margin (%) | EBITDA | 29.00 | 27.34 | 31.86 | 36.91 | 35.55 |
| | Sales | | | | | |
| Ratios | Formula | 2017 | 2016 | 2015 | 2014 | 2013 |
| Solvency Ratio | | | | | | |
| Debt to total assets ratio (Times) | Total Debt | 0.69 | 0.76 | 0.76 | 0.75 | 0.71 |
| | Total Assets | | | | | |
| Debt service coverage Ratio (Times) | EBITDA | 1.08 | 0.81 | 0.90 | 0.97 | 0.93 |
| | Debt Service Cost | | | | | |
| Time interest earned ratio (Times) | Operating Profit | 1.74 | 1.20 | 1.17 | 1.43 | 1.10 |
| | Interest Expense | | | | | |
| Debt to equity ratio (Times) | Total Debt | 2.24 | 3.12 | 3.11 | 3.01 | 2.45 |
| | Shareholders' Equity | | | | | |
| Cash Flow | | | | | | |
| Net operating cash flow per share (Taka) | Net Operating Cash Flow | 4.38 | 8.40 | 11.31 | (8.42) | 8.47 |
| | Weighted Average Number of Ordinary Shares | | | | | |
| Net operating cash flow per share/ EPS (Taka) | Net Operating Cash Flow per Share | 3.18 | 12.69 | 11.80 | (3.81) | 27.93 |
| | EPS | | | | | |

Ratios pertinent to the prospectus are in pursuant to rule 4 (1) (d) /Annexure D of the Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015.

Place: Dhaka
Date: 20 February 2018

Sd/-
Hoda Vasi Chowdhury & Co.
Chartered Accountants

Ratio Analysis – Calculations

| Sl | Ratios | Formula | 31-Dec-17 | | 31-Dec-16 | | 31-Dec-15 | | 31-Dec-14 | | 31-Dec-13 | |
|--------------------------------------|--|---------|---------------|--------|---------------|--------|---------------|--------|---------------|--------|---------------|--------|
| | | | Calculation | Result | Calculation | Result | Calculation | Result | Calculation | Result | Calculation | Result |
| 1 Liquidity Ratios | | | | | | | | | | | | |
| a | Current Ratio (Times) | | 2,924,212,314 | 0.79 | 2,325,405,455 | 0.77 | 2,444,929,915 | 0.83 | 2,074,328,696 | 0.99 | 1,240,198,583 | 0.62 |
| | Current Liabilities | | 3,693,923,867 | | 3,021,241,248 | | 2,960,036,733 | | 2,099,189,739 | | 1,997,832,947 | |
| b | Quick Ratio (Times) | | 872,289,806 | 0.24 | 654,472,883 | 0.22 | 758,947,211 | 0.26 | 621,153,558 | 0.30 | 438,976,231 | 0.22 |
| | Current Liabilities | | 3,693,923,867 | | 3,021,241,248 | | 2,960,036,733 | | 2,099,189,739 | | 1,997,832,947 | |
| 2 Operating Efficiency Ratios | | | | | | | | | | | | |
| a | Accounts Receivable Turnover Ratio (Times) | | 3,821,977,498 | 9.52 | 3,650,902,416 | 10.11 | 3,379,863,356 | 8.97 | 2,455,740,741 | 9.73 | 1,352,097,736 | 19.13 |
| | Average Accounts Receivable | | 401,574,012 | | 361,113,845 | | 376,879,680 | | 252,463,225 | | 70,684,498 | |
| b | Inventory Turnover Ratio (Times) | | 2,528,541,863 | 1.36 | 2,499,888,888 | 1.49 | 2,184,241,431 | 1.39 | 1,491,243,607 | 1.32 | 841,111,466 | 1.52 |
| | Average Inventory | | 1,861,427,540 | | 1,678,457,638 | | 1,569,578,921 | | 1,127,198,745 | | 551,701,363 | |
| c | Asset Turnover Ratio (Times) | | 3,821,977,498 | 0.54 | 3,650,902,416 | 0.56 | 3,379,863,356 | 0.52 | 2,455,740,741 | 0.44 | 1,352,097,736 | 0.37 |
| | Average Total Assets | | 7,073,441,969 | | 6,569,621,662 | | 6,502,790,788 | | 5,542,385,207 | | 3,694,443,757 | |
| 3 Profitability Ratios | | | | | | | | | | | | |
| a | Gross Margin Ratio (%) | | 1,293,435,635 | 33.84% | 1,151,013,528 | 31.53% | 1,195,621,925 | 35.37% | 964,497,134 | 39.28% | 510,986,270 | 37.79% |
| | Sales | | 3,821,977,498 | | 3,650,902,416 | | 3,379,863,356 | | 2,455,740,741 | | 1,352,097,736 | |
| b | Operating Profit Ratio (%) | | 694,930,118 | 18.18% | 548,404,160 | 15.02% | 651,897,210 | 19.29% | 595,082,081 | 24.23% | 292,194,363 | 21.61% |
| | Sales | | 3,821,977,498 | | 3,650,902,416 | | 3,379,863,356 | | 2,455,740,741 | | 1,352,097,736 | |
| c | Net Profit Ratio after tax (%) | | 206,564,490 | 5.40% | 76,041,770 | 2.08% | 70,097,805 | 2.07% | 161,550,261 | 6.58% | 16,933,550 | 1.25% |
| | Sales | | 3,821,977,498 | | 3,650,902,416 | | 3,379,863,356 | | 2,455,740,741 | | 1,352,097,736 | |
| d | Net Profit Ratio before tax (%) | | 280,363,328 | 7.34% | 90,635,680 | 2.48% | 95,667,913 | 2.83% | 181,744,314 | 7.40% | 25,922,440 | 1.92% |
| | Sales | | 3,821,977,498 | | 3,650,902,416 | | 3,379,863,356 | | 2,455,740,741 | | 1,352,097,736 | |
| e | Return on Assets Ratio (%) | | 206,564,490 | 2.92% | 76,041,770 | 1.16% | 70,097,805 | 1.08% | 161,550,261 | 2.91% | 16,933,550 | 0.46% |
| | Average Total Assets | | 7,073,441,969 | | 6,569,621,662 | | 6,502,790,788 | | 5,542,385,207 | | 3,694,443,757 | |
| f | Return on Equity Ratio (%) | | 206,564,490 | 10.49% | 76,041,770 | 4.76% | 70,097,805 | 4.38% | 161,550,261 | 10.94% | 16,933,550 | 1.58% |
| | Average Shareholders' Equity | | 1,968,835,322 | | 1,596,475,591 | | 1,600,836,806 | | 1,476,281,154 | | 1,074,372,375 | |
| g | Earnings Per Share (EPS) (Tk.) | | 206,564,490 | 1.38 | 76,041,770 | 0.66 | 70,097,805 | 0.96 | 161,550,261 | 2.21 | 16,933,550 | 0.30 |
| | Weighted average no. of ordinary shares | | 150,200,000 | | 114,865,685 | | 73,106,949 | | 73,106,949 | | 55,817,374 | |
| h | Diluted Earnings Per Share (Tk.) | | 206,564,491 | 1.38 | 76,041,770 | 0.66 | 70,097,805 | 0.47 | 161,550,261 | 2.21 | 16,933,551 | 0.30 |
| | Potential Number of Shares | | 150,200,000 | | 114,865,685 | | 105,200,000 | | 73,106,949 | | 55,817,374 | |
| i | Earnings before interest, taxes, depreciation and amortization (EBITDA) margin (%) | | 1,108,461,580 | 29.00% | 998,217,757 | 27.34% | 1,076,707,978 | 31.86% | 906,375,117 | 36.91% | 480,732,800 | 35.55% |
| | Sales | | 3,821,977,498 | | 3,650,902,416 | | 3,379,863,356 | | 2,455,740,741 | | 1,352,097,736 | |
| 4 Solvency Ratios | | | | | | | | | | | | |
| a | Debt to Total Assets Ratio (Times) | | 5,255,098,865 | 0.69 | 4,954,114,429 | 0.76 | 4,992,177,714 | 0.76 | 4,811,730,249 | 0.75 | 3,321,786,493 | 0.71 |
| | Total Asset | | 7,604,645,655 | | 6,542,238,282 | | 6,597,005,042 | | 6,408,576,534 | | 4,676,193,880 | |
| b | Debt to Equity Ratio (Times) | | 5,255,098,865 | 2.24 | 4,954,114,429 | 3.12 | 4,992,177,714 | 3.11 | 4,811,730,249 | 3.01 | 3,321,786,493 | 2.45 |
| | Total Shareholders' Equity | | 2,349,546,789 | | 1,588,123,854 | | 1,604,827,328 | | 1,596,846,284 | | 1,355,716,023 | |
| c | Time Interest Earned Ratio (Times) | | 658,035,059 | 1.74 | 552,300,129 | 1.20 | 659,388,333 | 1.17 | 607,836,104 | 1.43 | 294,382,090 | 1.10 |
| | Interest Charge | | 377,671,731 | | 461,664,449 | | 563,720,420 | | 426,091,790 | | 268,459,651 | |
| d | Debt Service Coverage Ratio (Times) | | 1,108,461,580 | 1.08 | 998,217,757 | 0.81 | 1,076,707,978 | 0.90 | 906,375,117 | 0.97 | 480,732,800 | 0.93 |
| | Total Debt Service | | 1,025,623,367 | | 1,226,419,156 | | 1,192,920,420 | | 933,291,790 | | 517,059,651 | |
| 5 Cash Flow Ratios | | | | | | | | | | | | |
| a | Net Operating Cash Flow per Share (NOCFPS) | | 657,288,826 | 4.38 | 965,123,804 | 8.40 | 826,949,663 | 11.31 | (615,881,810) | (8.42) | 472,899,592 | 8.47 |
| | Weighted average no. of ordinary shares | | 150,200,000 | | 114,865,685 | | 73,106,949 | | 73,106,949 | | 55,817,374 | |
| b | NOCFPS to EPS Ratio | | 4.38 | 3.18 | 8.40 | 12.69 | 11.31 | 11.80 | (8.42) | (3.81) | 8.47 | 27.93 |
| | EPS | | 1.38 | | 0.66 | | 0.96 | | 2.21 | | 0.30 | |

Industry Average compared with Star Ceramics Limited:

| Sl. | Ratios | 31-Dec-17 | | 31-Dec-16 | | 31-Dec-15 | | 31-Dec-14 | | 31-Dec-13 | |
|----------|--|-----------|------------------|-----------|------------------|-----------|------------------|-----------|------------------|-----------|------------------|
| | | SCL | Industry Average | SCL | Industry Average | SCL | Industry Average | SCL | Industry Average | SCL | Industry Average |
| 1 | Liquidity Ratios | | | | | | | | | | |
| a | Current Ratio (Times) | 0.79 | 1.26 | 0.77 | 1.51 | 0.83 | 1.27 | 0.99 | 1.38 | 0.62 | 1.35 |
| b | Quick Ratio (Times) | 0.24 | 0.60 | 0.22 | 0.69 | 0.26 | 0.62 | 0.30 | 0.76 | 0.22 | 0.76 |
| 2 | Operating Efficiency Ratios | | | | | | | | | | |
| a | Accounts Receivable Turnover Ratio (Times) | 9.52 | 100.75 | 10.11 | 133.73 | 8.97 | 139.73 | 9.73 | 189.06 | 19.13 | 923.86 |
| b | Inventory Turnover Ratio (Times) | 1.36 | 2.19 | 1.49 | 2.45 | 1.39 | 2.47 | 1.32 | 2.31 | 1.52 | 2.16 |
| c | Asset Turnover Ratio (Times) | 0.54 | 0.53 | 0.56 | 0.60 | 0.52 | 0.55 | 0.44 | 0.52 | 0.37 | 0.52 |
| 3 | Profitability Ratios | | | | | | | | | | |
| a | Gross Margin Ratio (%) | 33.84% | 27.17% | 31.53% | 26.47% | 35.37% | 25.79% | 39.28% | 25.88% | 37.79% | 26.16% |
| b | Operating Profit Ratio (%) | 18.18% | 14.79% | 15.02% | 13.72% | 19.29% | 13.72% | 24.23% | 12.87% | 21.61% | 14.56% |
| c | Net Profit Ratio (%) | 5.40% | 5.94% | 2.08% | 6.60% | 2.07% | 6.19% | 6.58% | 3.35% | 1.25% | 4.71% |
| d | Return on Assets Ratio (%) | 2.92% | 2.40% | 1.16% | 3.93% | 1.08% | 3.57% | 2.91% | 1.94% | 0.46% | 2.85% |
| e | Return on Equity Ratio (%) | 10.49% | 3.85% | 4.76% | 6.48% | 4.38% | 6.25% | 10.94% | 3.05% | 1.58% | 4.46% |
| f | Earnings Per Share (EPS) (Tk.) | 1.38 | 0.66 | 0.66 | 0.94 | 0.96 | 1.05 | 2.21 | 0.51 | 0.30 | 0.77 |
| g | Earnings before interest, taxes, depreciation and amortization (EBITDA) margin (%) | 29.00% | 20.74% | 27.34% | 19.11% | 31.86% | 17.96% | 36.91% | 17.25% | 35.55% | 19.28% |
| 4 | Solvency Ratios | | | | | | | | | | |
| a | Debt to Total Assets Ratio | 0.69 | 4.66 | 0.76 | 4.33 | 0.76 | 3.55 | 0.75 | 3.18 | 0.71 | 2.71 |
| b | Debt to Equity Ratio (Times) | 2.24 | 10.29 | 3.12 | 9.18 | 3.10 | 7.73 | 3.01 | 6.13 | 2.45 | 5.18 |
| c | Time Interest Earned Ratio (Times) | 1.74 | 4.53 | 1.20 | 9.77 | 1.17 | 17.78 | 1.43 | 29.89 | 1.10 | 20.59 |
| d | Debt Service Coverage Ratio | 1.08 | 2.68 | 0.81 | 5.89 | 0.90 | 21.33 | 0.97 | 15.79 | 0.93 | 13.94 |
| 5 | Cash Flow Ratios | | | | | | | | | | |
| a | Net Operating Cash Flow per Share (NOCFPS) | 4.38 | 2.54 | 8.40 | (0.25) | 11.31 | 0.88 | (8.42) | 2.85 | 8.47 | 1.85 |
| b | NOCFPS to EPS Ratio | 3.18 | 16.75 | 12.69 | (17.61) | 11.80 | 4.01 | (3.81) | (69.95) | 27.93 | 0.29 |

| Sl. | Financial Ratio | 31-Dec-17 | | Remark/ Explanation |
|--------------------------------|--|-----------|---------------|---|
| | | SCL | Industry Avg. | |
| 1. Liquidity Ratio | | | | |
| a. | Current Ratio (Times) | 0.79 | 1.26 | SCL's Current Ratio is lower than the industry average current ratio because of relatively higher current liabilities. |
| b. | Quick Ratio (Times) | 0.24 | 0.60 | SCL's Ratio is lower than the industry average ratio as quick assets are relatively lower. |
| 2. Operating Efficiency Ratios | | | | |
| a. | Accounts Receivable Turnover Ratio (In times) | 9.52 | 100.75 | Though SCL's accounts receivable turnover ratio is relatively lower from that of industry, the company is gradually expanding its business widely it has gained loyal customers with whom, SCL has to maintain a good corporate relationship. |
| b. | Inventory Turnover Ratio (In times) | 1.36 | 2.19 | SCL's inventory Turnover Ratio is lower than that of industry average ratio because of its relatively high inventory level. |
| c. | Asset Turnover Ratio (In times) | 0.54 | 0.53 | SCL's Asset turnover Ratio is higher than the industry average ratio as SCL is generating sales with a relatively much amount of fixed assets. |
| 3. Profitability Ratios | | | | |
| a. | Gross Margin Ratio (%) | 33.84% | 27.17% | SCL's Ratio is higher than the industry average ratio because of its increased level of sales. |
| b. | Operating Profit Ratio (%) | 18.18% | 14.79% | SCL's Ratio is better than the industry average ratio because of higher operating profit. |
| c. | Net Profit Ratio (%) | 5.40% | 5.94% | SCL's Ratio is lower than the industry average ratio because of its relatively lower net profit to previous years. |
| d. | Return on Assets Ratio (ROA) (%) | 2.92% | 2.40% | SCL's Ratio has become higher than the industry average ratio because of its increased net profit. |
| e. | Return on Equity Ratio (%) | 10.49% | 3.85% | As the company's net profit has become higher, SCL's ROE Ratio has become higher than the industry average ratio. |
| f. | Earnings Per Share (EPS) (Tk.) | 1.38 | 0.66 | Because of higher net profit SCL's EPS has also become higher than that of industry average. |
| g. | Earnings before interest, taxes, depreciation and amortization (EBITDA) margin (%) | 29.00% | 20.74% | SCL's Ratio is higher than the industry average ratio because of higher operating profit. |
| 4. Solvency Ratios | | | | |
| a. | Debt to Total Assets Ratio | 0.69 | 4.66 | SCL's Ratio is lower than the industry average ratio as debt burden is lower. |
| b. | Debt to Equity Ratio (Times) | 2.24 | 10.29 | SCL's Ratio is lower the industry average ratio. |
| c. | Time Interest Earned Ratio (Times) | 1.74 | 4.53 | SCL's Ratio is lower than the industry average ratio as its finance cost is relatively higher due to increased debt level. |
| d. | Debt Service Coverage Ratio | 1.08 | 2.68 | SCL's Ratio is lower because of relatively higher debt level relative to operating profit. |
| 5. Cash Flow | | | | |
| a. | Net Operating Cash Flow per Share (NOCFPS) | 4.38 | 2.54 | SCL's Ratio is better than the industry average ratio as net operating cash flow is relatively higher. As well as the company has overcome its negative operating cash flow from previous year. |
| b. | NOCFPS to EPS Ratio | 3.18 | 16.75 | SCL's Ratio is better than the industry average ratio as net operating cash flow has become relatively higher and has become positive from previous year. |

| Financial Ratio | | | 31-Dec-16 | |
|---------------------------------------|--|--------|---------------|---|
| S/L | | SCL | Industry Avg. | Remark/ Explanation |
| 1. Liquidity Ratio | | | | |
| a. | Current Ratio (Times) | 0.77 | 1.51 | SCL's Current Ratio is lower than the industry average current ratio because of relatively higher current liabilities. |
| b. | Quick Ratio (Times) | 0.22 | 0.69 | SCL's Ratio is lower than the industry average ratio as quick assets are relatively lower. |
| 2. Operating Efficiency Ratios | | | | |
| a. | Accounts Receivable Turnover Ratio (In times) | 10.11 | 133.73 | Though SCL's collection period has become shorter compared to its previous years, yet its accounts receivable turnover ratio is relatively lower from that of industry. As the company is gradually expanding its business widely it has gained loyal customers with whom, SCL has to maintain a good corporate relationship. |
| b. | Inventory Turnover Ratio (In times) | 1.49 | 2.45 | SCL's inventory Turnover Ratio is lower than that of industry average ratio because of its relatively high inventory level. |
| c. | Asset Turnover Ratio (In times) | 0.56 | 0.60 | SCL's Asset turnover Ratio is lower than the industry average ratio as SCL is generating sales with a relatively much amount of fixed assets. |
| 3. Profitability Ratios | | | | |
| a. | Gross Margin Ratio (%) | 31.53% | 26.47% | SCL's Ratio is higher than the industry average ratio because of its increased level of sales. |
| b. | Operating Profit Ratio (%) | 15.02% | 13.72% | SCL's Ratio is better than the industry average ratio because of higher operating profit. |
| c. | Net Profit Ratio (%) | 2.08% | 6.60% | SCL's Ratio is lower than the industry average ratio. |
| d. | Return on Assets Ratio (ROA) (%) | 1.16% | 3.93% | SCL's Ratio is lower than the industry average ratio as the company's investment in its assets has increased relative to its net profit. |
| e. | Return on Equity Ratio (%) | 4.76% | 6.48% | SCL's ROE Ratio has become lower than the industry average ratio. |
| f. | Earning Per Share (EPS) (Tk.) | 0.66 | 0.94 | SCL's EPS has become lower than that of industry average. |
| g. | Earnings before interest, taxes, depreciation and amortization (EBITDA) margin (%) | 27.34% | 19.11% | SCL's Ratio is higher than the industry average ratio because of higher operating profit. |
| 4. Solvency Ratios | | | | |
| a. | Debt to Total Assets Ratio | 0.76 | 4.33 | SCL's Ratio is lower than the industry average ratio as debt burden is lower. |
| b. | Debt to Equity Ratio (Times) | 3.12 | 9.18 | SCL's Ratio is lower the industry average, as debt burden is higher than its equity. |
| c. | Time Interest Earned Ratio (Times) | 1.20 | 9.77 | SCL's Ratio is lower than the industry average ratio as its finance cost is relatively higher due to increased debt level. |
| d. | Debt Service Coverage Ratio | 0.81 | 5.89 | SCL's Ratio is lower because of relatively higher debt level relative to operating profit. |
| 5. Cash Flow | | | | |
| a. | Net Operating Cash Flow per Share (NOCFPS) | 8.40 | (0.25) | SCL's Ratio is better than the industry average ratio as net operating cash flow is relatively higher. As well as the company has overcome its negative operating cash flow from previous year. |
| b. | NOCFPS to EPS Ratio | 12.69 | (17.61) | SCL's Ratio is better than the industry average ratio as net operating cash flow has become relatively higher and has become positive from previous year. |

| Financial Ratio | | 31-Dec-15 | | Remark/ Explanation |
|--------------------------------|--|-----------|---------------|---|
| Sl. | | SCL | Industry Avg. | |
| 1. Liquidity Ratio | | | | |
| a. | Current Ratio (Times) | 0.83 | 1.27 | SCL's Current Ratio is lower than the industry average current ratio because of relatively higher current liabilities. |
| b. | Quick Ratio (Times) | 0.26 | 0.62 | SCL's Ratio is lower than the industry average ratio as quick assets are relatively lower. |
| 2. Operating Efficiency Ratios | | | | |
| a. | Accounts Receivable Turnover Ratio (In times) | 8.97 | 139.73 | SCL's Accounts Receivable Turnover Ratio is lower as collection period is longer than those of the other companies in the industry. |
| b. | Inventory Turnover Ratio (In times) | 1.39 | 2.47 | SCL's inventory Turnover Ratio is lower than that of industry average ratio because of its relatively high inventory level. |
| c. | Asset Turnover Ratio (In times) | 0.52 | 0.55 | SCL's Asset turnover Ratio is lower than the industry average ratio as SCL is generating sales with a relatively much amount of fixed assets. |
| 3. Profitability Ratios | | | | |
| a. | Gross Margin Ratio (%) | 35.37% | 26% | SCL's Ratio is higher than the industry average ratio because of its increased level of sales. |
| b. | Operating Profit Ratio (%) | 19.29% | 14% | SCL's Ratio is better than the industry average ratio because of higher operating profit. |
| c. | Net Profit Ratio (%) | 2.07% | 6% | SCL's Ratio is lower than the industry average ratio because of its relatively lower net profit to previous years. |
| d. | Return on Assets Ratio (ROA) (%) | 1.08% | 4% | SCL's Ratio is lower than the industry average ratio as the company's investment in its assets have increased relative to its net profit. |
| e. | Return on Equity Ratio (%) | 4.38% | 6% | As the company's net profit has become lower, SCL's ROE Ratio has become lower than the industry average ratio. |
| f. | Earnings Per Share (EPS) (Tk.) | 0.96 | 1.05 | Because of lower net profit SCL's EPS has also become lower than that of industry average. |
| g. | Earnings before interest, taxes, depreciation and amortization (EBITDA) margin (%) | 31.86% | 18% | SCL's Ratio is higher than the industry average ratio because of higher operating profit. |
| 4. Solvency Ratios | | | | |
| a. | Debt to Total Assets Ratio | 0.76 | 3.55 | SCL's Ratio is lower than the industry average ratio. |
| b. | Debt to Equity Ratio (Times) | 3.11 | 7.73 | SCL's Ratio is lower the industry average, as debt burden is higher than its equity. |
| c. | Time Interest Earned Ratio (Times) | 1.17 | 17.78 | SCL's Ratio is lower than the industry average ratio as its finance cost is relatively higher due to increased debt level. |
| d. | Debt Service Coverage Ratio | 0.90 | 21.33 | SCL's Ratio is lower because of relatively higher debt level relative to operating profit. |
| 5. Cash Flow | | | | |
| a. | Net Operating Cash Flow per Share (NOCFPS) | 11.31 | 0.88 | SCL's Ratio is better than the industry average ratio as net operating cash flow is relatively higher. As well as the company has overcome its negative operating cash flow from previous year. |
| b. | NOCFPS to EPS Ratio | 11.80 | 4.01 | SCL's Ratio is better than the industry average ratio as net operating cash flow has become relatively higher and has become positive from previous year. |

| Financial Ratio | | 31-Dec-14 | | Industry Avg. | Remark/ Explanation |
|--------------------------------|--|-----------|---------|--|---------------------|
| Sl. | | SCL | | | |
| 1. Liquidity Ratio | | | | | |
| a. | Current Ratio (Times) | 0.99 | 1.38 | SCL's Current Ratio is lower than the industry average current ratio because of relatively higher current liabilities. | |
| b. | Quick Ratio (Times) | 0.30 | 0.76 | SCL's Ratio is lower than the industry average ratio as quick assets are relatively lower. | |
| 2. Operating Efficiency Ratios | | | | | |
| a. | Accounts Receivable Turnover Ratio (In times) | 9.73 | 189.06 | SCL's Accounts Receivable Turnover Ratio is lower as collection period is longer at its initial stage of business, than those of the other companies in the industry. | |
| b. | Inventory Turnover Ratio (In times) | 1.32 | 2.31 | SCL's inventory Turnover Ratio is lower than that of industry average ratio because of its relatively high inventory level. | |
| c. | Asset Turnover Ratio (In times) | 0.44 | 0.52 | SCL's Asset turnover Ratio is lower than the industry average ratio as SCL is generating sales with a relatively much amount of fixed assets. | |
| 3. Profitability Ratios | | | | | |
| a. | Gross Margin Ratio (%) | 39.28% | 25.88% | SCL's Ratio is relatively higher than the industry average ratio because of its lower overhead cost. | |
| b. | Operating Profit Ratio (%) | 24.23% | 12.87% | SCL's Ratio is better than the industry average ratio because of higher operating profit. | |
| c. | Net Profit Ratio (%) | 6.58% | 3.35% | SCL's Ratio is higher than the industry average ratio as its net profit has improved than that of previous year. | |
| d. | Return on Assets Ratio (ROA) (%) | 2.91% | 1.94% | SCL's Ratio is higher than the industry average ratio as its net profit has improved than that of previous year. | |
| e. | Return on Equity Ratio (%) | 10.94% | 3.05% | SCL's Ratio has become better than the industry average ratio because of higher net profit. | |
| f. | Earnings Per Share (EPS) (Tk.) | 2.21 | 0.51 | Because of higher net profit SCL's EPS has also become better than that of industry average. | |
| g. | Earnings before interest, taxes, depreciation and amortization (EBITDA) margin (%) | 36.91% | 17.25% | SCL's Ratio is higher than the industry average ratio because of higher operating profit. | |
| 4. Solvency Ratios | | | | | |
| a. | Debt to Total Assets Ratio | 0.75 | 3.18 | SCL's Ratio is lower than the industry average ratio. | |
| b. | Debt to Equity Ratio (Times) | 3.01 | 6.13 | SCL's Ratio is lower the industry average, as debt burden is higher than its equity. | |
| c. | Time Interest Earned Ratio (Times) | 1.43 | 29.89 | SCL's Ratio is lower than the industry average ratio as its finance cost is relatively high due to increased debt. | |
| d. | Debt Service Coverage Ratio | 0.97 | 15.79 | SCL's Ratio is lower because of relatively higher debt level. | |
| 5. Cash Flow | | | | | |
| a. | Net Operating Cash Flow per Share (NOCFPS) | (8.42) | 2.85 | SCL's NOCFPS is negative relative to the industry average though it's maintaining higher level of profit. However in 2014 SCL's increased levels of inventory for higher production as well as higher level of receivables have made the net operating cash flow per share negative. | |
| b. | NOCFPS to EPS Ratio | (3.81) | (69.95) | SCL's Ratio has become negative as net operating cash flow has become negative. | |

| Financial Ratio | | | 31-Dec-13 | |
|---------------------------------------|--|--------|---------------|--|
| S/L | | SCL | Industry Avg. | Remark/ Explanation |
| 1. Liquidity Ratio | | | | |
| a. | Current Ratio (Times) | 0.62 | 1.35 | SCL's Current Ratio is lower than the industry average current ratio because of its relatively higher current liabilities at its initial stage of operation. |
| b. | Quick Ratio (Times) | 0.22 | 0.76 | SCL's Quick Ratio is lower than the industry average ratio as quick assets are relatively lower. |
| 2. Operating Efficiency Ratios | | | | |
| a. | Accounts Receivable Turnover Ratio (In times) | 19.13 | 923.86 | SCL's Accounts Receivable Turnover Ratio as collection period is lower than the average industry, because at initial stage its collection period was flexible compared to other companies in the industry to capture the market. |
| b. | Inventory Turnover Ratio (In times) | 1.52 | 2.16 | SCL's Inventory Turnover Ratio is lower than that of industry average because of its high inventory level. |
| c. | Asset Turnover Ratio (In times) | 0.37 | 0.52 | SCL's Asset turnover Ratio is lower than the industry average ratio as SCL is generating sales with a relatively much amount of fixed assets. |
| 3. Profitability Ratios | | | | |
| a. | Gross Margin Ratio (%) | 37.79% | 26.16% | SCL's Ratio is higher than the industry average ratio as lower overhead cost. |
| b. | Operating Profit Ratio (%) | 21.61% | 14.56% | SCL's Ratio is better than the industry average ratio as higher operating profit and lower operating costs. |
| c. | Net Profit Ratio (%) | 1.25% | 4.71% | SCL's Ratio is lower than the industry average ratio as lower net profit. |
| d. | Return on Assets Ratio (ROA) (%) | 0.46% | 2.85% | SCL's Ratio is lower than the industry average ratio as lower net profit. |
| e. | Return on Equity Ratio (%) | 1.58% | 4.46% | SCL's Ratio is lower than the industry average ratio as lower net profit. |
| f. | Earnings Per Share (EPS) (Tk.) | 0.30 | 0.77 | SCL's Ratio is lower than the industry average ratio as lower net profit. |
| g. | Earnings before interest, taxes, depreciation and amortization (EBITDA) margin (%) | 35.55% | 19.28% | SCL's Ratio is higher than the industry average ratio because of SCL's lower non-interest costs as well as higher profit margin relative to the other companies in the industry. |
| 4. Solvency Ratios | | | | |
| a. | Debt to Total Assets Ratio | 0.71 | 2.71 | SCL's Ratio is lower than the industry average ratio. |
| b. | Debt to Equity Ratio (Times) | 2.45 | 5.18 | SCL's Ratio is lower as debt burden is higher than equity. |
| c. | Time Interest Earned Ratio (Times) | 1.10 | 20.59 | SCL's Ratio is lower than the industry average ratio as SCL's operating profit is not sufficient to pay financial expense. However, at the beginning of its operation SCL is maintaining the minimal profit after repaying its finance cost. |
| d. | Debt Service Coverage Ratio | 0.93 | 13.94 | SCL's Ratio is lower because of relatively higher debt. |
| 5. Cash Flow | | | | |
| a. | Net Operating Cash Flow per Share (NOCFPS) | 8.47 | 1.85 | SCL's Ratio is better than the industry average ratio as net operating cash flow is relatively higher. |
| b. | NOCFPS to EPS Ratio | 27.93 | 0.29 | SCL's Ratio is better than the industry average ratio as net operating cash flow is relatively higher |

(d) Auditors report under Section 135(1), Paragraph 24(1) of Part II of Schedule III of the কোম্পানি আইন, ১৯৯৪. The report shall include comparative income statements and balance sheet and aforementioned ratios for immediate preceding five accounting years of the issuer. If the issuer has been in commercial operation for less than five years, the above mentioned inclusion and submission will have to be made for the period since commercial operation;

Star Ceramics Limited

Auditors' report under Section-135 (I), Para 24 (I), of Part - II of Schedule III to the Companies Act, 1994

(A) Statement of assets and liabilities

| Particulars | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment - net | 4,152,104,576 | 3,921,533,313 | 4,151,850,328 | 3,807,429,726 | 2,215,862,240 |
| Capital work-in-progress | 526,933,342 | 295,136,071 | - | 526,531,957 | 1,220,133,057 |
| Intangible assets | 1,395,423 | 163,443 | 224,799 | 286,155 | - |
| Total non-current assets | 4,680,433,341 | 4,216,832,827 | 4,152,075,127 | 4,334,247,837 | 3,435,995,297 |
| Current assets | | | | | |
| Inventories | 2,051,922,508 | 1,670,932,572 | 1,685,982,704 | 1,453,175,138 | 801,222,352 |
| Trade receivables | 471,122,238 | 332,025,785 | 390,201,904 | 363,557,455 | 141,368,995 |
| Other receivables | 3,962,683 | 1,027,472 | 2,455,944 | 4,185,485 | 2,669,422 |
| Advances, deposits and prepayments | 133,761,318 | 119,403,168 | 174,279,645 | 125,297,742 | 187,956,220 |
| Advance income tax | 220,012,212 | 162,058,493 | 142,909,500 | 96,814,237 | 47,169,588 |
| Cash and cash equivalents | 43,431,355 | 39,957,965 | 49,100,219 | 31,298,640 | 59,812,006 |
| Total current assets | 2,924,212,314 | 2,325,405,455 | 2,444,929,915 | 2,074,328,696 | 1,240,198,583 |
| Total assets | 7,604,645,655 | 6,542,238,282 | 6,597,005,042 | 6,408,576,534 | 4,676,193,880 |
| EQUITY AND LIABILITIES | | | | | |
| Share capital | 1,502,000,000 | 1,502,000,000 | 731,069,490 | 731,069,490 | 731,069,490 |
| Share money deposits | - | 399,902 | 799,555,646 | 799,531,499 | 719,951,499 |
| Revaluation reserve | 626,603,346 | - | - | - | - |
| Retained earnings | 220,943,443 | 85,723,952 | 74,202,193 | 66,245,295 | (95,304,965) |
| Total equity | 2,349,546,789 | 1,588,123,854 | 1,604,827,328 | 1,596,846,284 | 1,355,716,023 |
| Non-current liabilities | | | | | |
| Deferred tax liabilities | 106,878,749 | 31,118,960 | 22,708,524 | 10,503,979 | - |
| Retirement benefit obligations- gratuity scheme | 34,553,034 | 19,434,560 | 12,804,727 | 3,541,697 | 1,308,636 |
| Redeemable cumulative preference shares - net off current portion | 407,500,000 | 815,000,000 | - | - | - |
| Long term loan - net off current portion | 1,012,243,216 | 1,067,319,661 | 1,996,627,730 | 2,698,494,835 | 1,322,644,910 |
| Total non-current liabilities | 1,561,174,999 | 1,932,873,181 | 2,032,140,981 | 2,712,540,510 | 1,323,953,546 |
| Current liabilities | | | | | |
| Bank overdrafts | 803,483,948 | 214,024,869 | 402,480,943 | 271,598,720 | 167,644,864 |
| Short term bank loans | 1,331,319,180 | 1,757,366,706 | 1,259,293,375 | 775,051,046 | 242,171,271 |
| Redeemable cumulative preference shares - current portion | 407,500,000 | - | - | - | - |
| Long term loan - current portion | 613,229,250 | 647,951,636 | 764,754,707 | 629,200,000 | 507,200,000 |
| Provision for taxation | 17,010,346 | 6,183,474 | 32,044,525 | 18,678,963 | 8,999,339 |
| Trade and other payables | 502,546,700 | 387,552,643 | 494,314,510 | 395,573,794 | 1,070,508,837 |
| Provision for workers' profit participation fund (WPPF) | 18,834,443 | 8,161,920 | 7,148,673 | 9,087,216 | - |
| Total current liabilities | 3,693,923,867 | 3,021,241,248 | 2,960,036,733 | 2,099,189,740 | 1,996,524,311 |
| Total equity and liabilities | 7,604,645,655 | 6,542,238,282 | 6,597,005,042 | 6,408,576,534 | 4,676,193,880 |

Previous years' figures have been rearranged or reclassified whenever considered necessary for comparability of those financial statements.

Date: 20 February 2018

Sd/-
Hoda Vasi Chowdhury & Co
Chartered Accountants

(B) Statement of profit or loss

| Particulars | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Revenue | 3,821,977,498 | 3,650,902,416 | 3,379,863,356 | 2,455,740,741 | 1,352,097,736 |
| Cost of sales | (2,528,541,863) | (2,499,888,888) | (2,184,241,431) | (1,491,243,607) | (841,111,466) |
| Gross profit | 1,293,435,635 | 1,151,013,528 | 1,195,621,925 | 964,497,134 | 510,986,270 |
| Other income | 3,335,559 | 4,496,133 | 4,970,907 | 5,748,739 | 8,603,595 |
| Office and administrative expenses | (104,771,620) | (91,015,111) | (90,409,351) | (75,981,063) | (64,116,454) |
| Selling and distribution expenses | (493,733,898) | (511,594,257) | (453,315,364) | (293,433,990) | (154,675,452) |
| Operating expenses | (595,169,959) | (598,113,235) | (538,753,809) | (363,666,314) | (210,188,312) |
| Operating profit | 698,265,676 | 552,900,293 | 656,868,117 | 600,830,820 | 300,797,958 |
| Finance costs | (377,671,731) | (461,664,449) | (563,720,420) | (426,091,790) | (268,459,651) |
| Foreign exchange (loss)/ gain | (26,212,451) | 3,931,620 | 7,303,612 | 16,092,499 | (6,415,867) |
| Profit before contribution to WPPF | 294,381,494 | 95,167,464 | 100,451,309 | 190,831,530 | 25,922,439 |
| Contribution to WPPF | (14,018,166) | (4,531,784) | (4,783,396) | (9,087,216) | - |
| Net profit before tax | 280,363,328 | 90,635,680 | 95,667,913 | 181,744,314 | 25,922,439 |
| Tax expenses: | | | | | |
| Current tax expense | (10,826,872) | (6,183,474) | (13,365,562) | (9,690,074) | (8,988,889) |
| Deferred tax expense | (62,971,965) | (8,410,436) | (12,204,546) | (10,503,979) | - |
| Net profit after tax | 206,564,490 | 76,041,770 | 70,097,805 | 161,550,261 | 16,933,550 |
| Other comprehensive income | | | | | |
| Items that will not be reclassified to profit or loss: | | | | | |
| Revaluation surplus | 639,391,170 | - | - | - | - |
| Income tax on revaluation surplus | (12,787,823) | - | - | - | - |
| Total other comprehensive income | 626,603,347 | - | - | - | - |
| Total comprehensive income | 833,167,837 | 76,041,770 | 70,097,805 | 161,550,261 | 16,933,550 |
| Basic Earnings per share (EPS) | 1.38 | 0.66 | 0.96 | 2.21 | 0.30 |
| Diluted Earnings per share (EPS) | 1.38 | 0.66 | 0.47 | 2.21 | 0.30 |

Date: 20 February 2018

Sd/-
Hoda Vasi Chowdhury & Co
Chartered Accountants

(C) Statement of cash flows

| Particulars | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|----------------------|----------------------|----------------------|------------------------|------------------------|
| Cash flows from operating activities: | | | | | |
| Collection from customers and others | 3,679,945,834 | 3,710,507,006 | 3,354,948,448 | 2,232,036,219 | 1,209,504,620 |
| Payments to suppliers, employees and others | (2,964,703,288) | (2,699,121,275) | (2,481,903,522) | (2,798,262,929) | (704,337,403) |
| Net cash generated from operating activities | 715,242,546 | 1,011,385,731 | 873,044,926 | (566,226,711) | 505,167,216 |
| Income tax paid | (57,953,719) | (46,261,927) | (46,095,263) | (49,655,099) | (32,267,624) |
| Net cash generated from/ (used in) operating activities | 657,288,826 | 965,123,804 | 826,949,663 | (615,881,810) | 472,899,592 |
| Cash flows from investing activities: | | | | | |
| Acquisition of property, plant and equipment | (276,413,964) | (510,854,037) | (235,347,457) | (1,196,484,778) | (1,389,770,289) |
| Disposal of property, plant and equipment | 16,988 | 224,400 | 224,400 | - | - |
| Acquisition of intangible assets | (1,525,180) | - | - | (306,776) | - |
| Net cash used in investing activities | (277,922,156) | (510,629,637) | (235,123,057) | (1,196,791,554) | (1,389,770,289) |
| Cash flows from financing activities: | | | | | |
| Long term loan received | 430,000,000 | 1,700,000,000 | 104,226,950 | 1,524,488,333 | 557,049,616 |
| Long term loan paid | (519,798,831) | (2,746,111,140) | (670,539,348) | (26,638,409) | (40,729,663) |
| Bank overdraft received/ (paid) | 589,459,078 | (188,456,073) | 130,882,222 | 103,953,856 | 104,792,351 |
| Short term loan received/ (paid) | (426,047,526) | 498,073,330 | 484,242,329 | 532,879,775 | 63,988,239 |
| Finance cost paid | (377,761,101) | (444,465,702) | (560,720,420) | (430,103,559) | (264,447,882) |
| Issuance of shares | - | 770,930,510 | - | - | 631,069,490 |
| Issuance of redeemable cumulative preference shares | - | 815,000,000 | - | - | - |
| Share money deposits received/ (transferred) | (399,902) | (799,155,744) | 24,147 | 79,580,000 | (85,315,744) |
| Dividend paid | (71,345,000) | (69,451,602) | (62,140,907) | - | - |
| Net cash flows from/ (used in) financing activities | (375,893,282) | (463,636,421) | (574,025,027) | 1,784,159,997 | 966,406,406 |
| Net increase/ (decrease) of cash and cash equivalents | 3,473,389 | (9,142,254) | 17,801,579 | (28,513,366) | 49,535,710 |
| Cash and cash equivalents at the beginning of the year | 39,957,965 | 49,100,219 | 31,298,640 | 59,812,006 | 10,276,296 |
| Cash and cash equivalents at the end of the year | 43,431,355 | 39,957,965 | 49,100,219 | 31,298,640 | 59,812,006 |

Date: 20 February 2018

Sd/-
Hoda Vasi Chowdhury & Co
Chartered Accountants

D. Dividend

The Company had declared dividend for the years ended on 31 December 2014, 2015, and 2016 during last five years as shows below:

| Particulars | 31-Dec-17 | 31-Dec-16 | 31-Dec-15 | 31-Dec-14 | 31-Dec-13 |
|--------------------|-----------|-----------|-----------|-----------|-----------|
| Cash Dividend (%) | nil | 4.75 | 9.50 | 8.50 | nil |
| Stock Dividend (%) | nil | nil | nil | nil | nil |

The Company had not declared any dividend for the years ended on 31 December 2013 and 2017.

E. Star Ceramics Limited (the "Company") is a public company limited by share is domiciled in Bangladesh. The address of the Company's registered office is at House-44, Road-10, Sector-11, Uttara, Dhaka-1230, Bangladesh. The Company was formed and incorporated with the Registered of Join Stock Companies and Firms in Bangladesh on 21 September 2010 under the Companies Act 1994 as private company limited by shares and subsequently converted to public limited company on 5 October 2013. The Company had no subsidiary as on the reporting date.

F. As assured by the management of the Company, no proceeds of the issue of share will be applied directly or indirectly by the Company in purchase of any other business and an interest thereon.

G. The Company did not prepare any financial statements after 31 December 2017.

H. Figures appearing previous year's column have been restated/rearranged, wherever necessary to ensure comparison and better presentation. Due to rounding off of the figures to the nearest Taka, some sub totals may differ by Taka 1 which appears immaterial.

Date: 20 February 2018

Sd/-
Hoda Vasi Chowdhury & Co
Chartered Accountants

(e) Financial spread sheet analysis for the latest audited financial statements:
Worksheet Analysis
For the year ended as at 31 December 2017

| Particulars | Unadjusted Trial Balance | | Adjustment | | Adjusted Trial Balance | | Statement of Profit or Loss and Other Comprehensive Income | | Statement of Changes in Equity | | Statement of Financial Position | |
|---|--------------------------|----------------|------------|--------|------------------------|----------------|--|---------------|--------------------------------|--------------------|---------------------------------|---------------|
| | Debit | Credit | Debit | Credit | Debit | Credit | Debit | Credit | Debit | Credit | Debit | Credit |
| Property, plant and equipment at cost | 4,152,104,576.2 | - | - | - | 4,152,104,576 | - | - | - | - | - | 4,152,104,576 | - |
| Capital work-in-progress | 526,933,341.9 | - | - | - | 526,933,342 | - | - | - | - | - | 526,933,342 | - |
| Intangible assets | 1,395,423.0 | - | - | - | 1,395,423 | - | - | - | - | - | 1,395,423 | - |
| Inventories | 2,051,922,507.6 | - | - | - | 2,051,922,508 | - | - | - | - | - | 2,051,922,508 | - |
| Trade receivables | 471,122,237.8 | - | - | - | 471,122,238 | - | - | - | - | - | 471,122,238 | - |
| Other receivables | 3,962,683.1 | - | - | - | 3,962,683 | - | - | - | - | - | 3,962,683 | - |
| Advances, deposits and prepayments | 133,761,318.0 | - | - | - | 133,761,318 | - | - | - | - | - | 133,761,318 | - |
| Advance income tax | 220,012,211.9 | - | - | - | 220,012,212 | - | - | - | - | - | 220,012,212 | - |
| Cash and cash equivalents | 43,431,355.2 | - | - | - | 43,431,355 | - | - | - | - | - | 43,431,355 | - |
| Share Capital | - | 1,502,000,000 | - | - | - | 1,502,000,000 | - | - | - | - | - | 1,502,000,000 |
| Share money deposit | - | - | - | - | - | - | - | - | - | - | - | - |
| Revaluation reserve | - | 626,603,346 | - | - | - | 626,603,346 | - | - | - | - | - | 626,603,346 |
| Retained earnings | - | 14,378,952 | - | - | - | 14,378,952 | - | - | 14,378,952 | - | - | 220,943,442 |
| Deferred tax liabilities | - | 106,878,749 | - | - | - | 106,878,749 | - | - | - | - | - | 106,878,749 |
| Retirement benefit obligations- gratuity scheme | - | 34,553,034 | - | - | - | 34,553,034 | - | - | - | - | - | 34,553,034 |
| Redeemable cumulative preference shares - net off current portion | - | 407,500,000 | - | - | - | 407,500,000 | - | - | - | - | - | 407,500,000 |
| Long term loan - net off current portion | - | 1,012,243,216 | - | - | - | 1,012,243,216 | - | - | - | - | - | 1,012,243,216 |
| Bank overdrafts | - | 803,483,948 | - | - | - | 803,483,948 | - | - | - | - | - | 803,483,948 |
| Short term bank loans | - | 1,331,319,180 | - | - | - | 1,331,319,180 | - | - | - | - | - | 1,331,319,180 |
| Redeemable cumulative preference shares - current portion | - | 407,500,000 | - | - | - | 407,500,000 | - | - | - | - | - | 407,500,000 |
| Long term loan - current portion | - | 613,229,250 | - | - | - | 613,229,250 | - | - | - | - | - | 613,229,250 |
| Provision for taxation | - | 17,010,346 | - | - | - | 17,010,346 | - | - | - | - | - | 17,010,346 |
| Trade and other payables | - | 502,546,700 | - | - | - | 502,546,700 | - | - | - | - | - | 502,546,700 |
| Provision for workers' profit participation fund (WPPF) | - | 18,834,443 | - | - | - | 18,834,443 | - | - | - | - | - | 18,834,443 |
| Revenue | - | 3,821,977,498 | - | - | - | 3,821,977,498 | - | 3,821,977,498 | - | - | - | - |
| Cost of sales | 2,528,541,863 | - | - | - | 2,528,541,863 | - | 2,528,541,863 | - | - | - | - | - |
| Other income | - | 3,335,559 | - | - | - | 3,335,559 | - | 3,335,559 | - | - | - | - |
| Office and administrative expenses | 104,771,620 | - | - | - | 104,771,620 | - | 104,771,620 | - | - | - | - | - |
| Selling and distribution expenses | 493,733,898 | - | - | - | 493,733,898 | - | 493,733,898 | - | - | - | - | - |
| Finance costs | 377,671,731 | - | - | - | 377,671,731 | - | 377,671,731 | - | - | - | - | - |
| Foreign exchange (loss)/ gain | 26,212,451 | - | - | - | 26,212,451 | - | 26,212,451 | - | - | - | - | - |
| Contribution to WPPF | 14,018,166 | - | - | - | 14,018,166 | - | 14,018,166 | - | - | - | - | - |
| Current tax | 10,826,872 | - | - | - | 10,826,872 | - | 10,826,872 | - | - | - | - | - |
| Deferred tax expenses | 62,971,965 | - | - | - | 62,971,965 | - | 62,971,965 | - | - | - | - | - |
| | 11,223,394,221 | 11,223,394,221 | - | - | 11,223,394,221 | 11,223,394,221 | 3,618,748,567 | 3,825,313,057 | - | 14,378,952 | 7,604,645,655 | 7,604,645,655 |
| Net Profit | | | | | | | 206,564,490 | | | 206,564,490 | | |
| Transferred to Retain Earnings | | | | | | | 3,825,313,057 | | | | | |
| Total | | | | | | | | | 220,943,442 | 220,943,442 | | |

A. Statement of Financial Position

| Particulars | As on 31.12.17 | | | As at 30.06.16 | | | As on 31.12.15 | | | As on 31.12.14 | | | As on 31.12.13 | | |
|--|----------------------|-------------------|----------------------|-------------------|----------------------|-------------------|----------------------|-------------------|----------------------|-------------------|--------------|-------------------|----------------|-------------------|--|
| | Amount (BDT) | % on Total Assets | Amount (BDT) | % on Total Assets | Amount (BDT) | % on Total Assets | Amount (BDT) | % on Total Assets | Amount (BDT) | % on Total Assets | Amount (BDT) | % on Total Assets | Amount (BDT) | % on Total Assets | |
| Non-Current Assets | 4,680,433,341 | 62 | 4,216,832,827 | 64 | 4,152,075,127 | 63 | 4,334,247,837 | 68 | 3,435,995,297 | 73 | | | | | |
| Property, plant and equipment | 4,152,104,576 | 54.60 | 3,921,533,313 | 59.94 | 4,151,850,328 | 62.94 | 3,807,429,726 | 59.41 | 2,215,862,240 | 47.39 | | | | | |
| Capital work in progress | 526,933,342 | 6.93 | 295,136,071 | 4.51 | - | - | 526,531,957 | 8.22 | 1,220,133,057 | 26.09 | | | | | |
| Intangible assets | 1,395,423 | 0.02 | 163,443 | 0.00 | 224,799 | 0.00 | 286,155 | 0.00 | - | - | | | | | |
| Current Assets | 2,924,212,314 | 38 | 2,325,405,455 | 36 | 2,444,929,915 | 37 | 2,074,328,697 | 32 | 1,240,198,583 | 27 | | | | | |
| Inventories | 2,051,922,508 | 26.98 | 1,670,932,572 | 25.54 | 1,685,982,704 | 25.56 | 1,453,175,138 | 22.68 | 801,222,352 | 17.13 | | | | | |
| Trade receivables | 471,122,238 | 6.20 | 332,025,785 | 5.08 | 390,201,904 | 5.91 | 363,557,455 | 5.67 | 141,368,995 | 3.02 | | | | | |
| Other receivables | 3,962,683 | 0.05 | 1,027,472 | 0.02 | 2,455,944 | 0.04 | 4,185,485 | 0.07 | 2,669,422 | 0.06 | | | | | |
| Advance, deposit and prepayment | 133,761,318 | 1.76 | 119,403,168 | 1.83 | 174,279,645 | 2.64 | 125,297,742 | 1.96 | 187,956,220 | 4.02 | | | | | |
| Advance income tax | 220,012,212 | 2.89 | 162,058,493 | 2.48 | 142,909,500 | 2.17 | 96,814,237 | 1.51 | 47,169,588 | 1.01 | | | | | |
| Cash and bank balances | 43,431,355 | 0.57 | 39,957,965 | 0.61 | 49,100,219 | 0.74 | 31,298,640 | 0.49 | 59,812,006 | 1.28 | | | | | |
| TOTAL ASSETS | 7,604,645,655 | 100 | 6,542,238,282 | 100 | 6,597,005,042 | 100 | 6,408,576,534 | 100 | 4,676,193,880 | 100 | | | | | |
| EQUITY & LIABILITIES | | | | | | | | | | | | | | | |
| Shareholders' Equity | 2,349,546,789 | 31 | 1,588,123,854 | 24 | 1,604,827,328 | 24 | 1,596,846,284 | 25 | 1,355,716,023 | 29 | | | | | |
| Share capital | 1,502,000,000 | 19.75 | 1,502,000,000 | 22.96 | 731,069,490 | 11.08 | 731,069,490 | 11.41 | 731,069,490 | 15.63 | | | | | |
| Share money deposit | - | - | 399,902 | 0.01 | 799,555,646 | 12.12 | 799,531,499 | 12.48 | 719,951,499 | 15.40 | | | | | |
| Revaluation reserve | 220,943,443 | 2.91 | 85,723,952 | 1.31 | 74,202,193 | 1.12 | 66,245,295 | 1.03 | (95,304,966) | (2.04) | | | | | |
| Retained earnings | 626,603,347 | 8.24 | - | - | - | - | - | - | - | - | | | | | |
| Non Current Liabilities | 1,561,174,999 | 21 | 1,932,873,181 | 30 | 2,032,140,981 | 31 | 2,712,540,511 | 42 | 1,323,953,546 | 28 | | | | | |
| Deferred Tax liabilities | 106,878,749 | 1.41 | 31,118,960 | 0.48 | 22,708,524 | 0.34 | 10,503,979 | 0.16 | 1,322,644,910 | 28.28 | | | | | |
| Retirement benefit obligation-gratuity scheme | 34,553,034 | 0.45 | 19,434,560 | 0.30 | 12,804,727 | 0.19 | 3,541,697 | 0.06 | 1,308,636 | 0.03 | | | | | |
| Redeemable cumulative preference shares-net of f current portion | 407,500,000 | 5.36 | 815,000,000 | 12.46 | - | - | - | - | - | - | | | | | |
| Long term loan- net off current maturity | 1,012,243,216 | 13.31 | 1,067,319,661 | 16.31 | 1,996,627,730 | 30.27 | 2,698,494,835 | 42.11 | - | - | | | | | |
| Current Liabilities | 3,693,923,867 | 49 | 3,021,241,248 | 46 | 2,960,036,733 | 45 | 2,099,189,739 | 33 | 1,996,524,311 | 43 | | | | | |
| Bank overdraft | 803,483,948 | 10.57 | 214,024,869 | 3.27 | 402,480,943 | 6.10 | 271,598,720 | 4.24 | 167,644,864 | 3.59 | | | | | |
| Short term banks loans | 1,331,319,180 | 17.51 | 1,757,366,706 | 26.86 | 1,259,293,375 | 19.09 | 775,051,046 | 12.09 | 242,171,271 | 5.18 | | | | | |
| Redeemable cumulative preference shares-current portion | 407,500,000 | 5.36 | - | - | - | - | - | - | - | - | | | | | |
| Long term loans - current portion | 613,229,250 | 8.06 | 647,951,636 | 9.90 | 764,754,707 | 11.59 | 629,200,000 | 9.82 | 507,200,000 | 10.85 | | | | | |
| Provision for taxation | 17,010,346 | 0.22 | 6,183,474 | 0.09 | 32,044,525 | 0.49 | 18,678,963 | 0.29 | 8,999,339 | 0.19 | | | | | |
| Trade and other payables | 502,546,700 | 6.61 | 387,552,643 | 5.92 | 494,314,510 | 7.49 | 395,573,794 | 6.17 | 1,070,508,837 | 22.89 | | | | | |
| Provision for workers' profit participation fund | 18,834,443 | 0.25 | 8,161,920 | 0.12 | 7,148,673 | 0.11 | 9,087,216 | 0.14 | - | - | | | | | |
| TOTAL EQUITY & LIABILITIES | 7,604,645,655 | 100 | 6,542,238,282 | 100 | 6,597,005,042 | 100 | 6,408,576,534 | 100 | 4,676,193,880 | 100 | | | | | |

B. The Statement of profit or loss and other comprehensive income is as under:

| Particulars | 2017 | | 2016 | | 2015 | | 2014 | | 2013 | |
|---|----------------------|---------------|----------------------|---------------|----------------------|---------------|----------------------|---------------|----------------------|---------------|
| | Amount (BDT) | % on Sales | Amount (BDT) | % on Sales | Amount (BDT) | % on Sales | Amount (BDT) | % on Sales | Amount (BDT) | % on Sales |
| Revenue | 3,821,977,498 | 100 | 3,650,902,416 | 100 | 3,379,863,356 | 100 | 2,455,740,741 | 100 | 1,352,097,736 | 100 |
| Less: Cost of sales | 2,528,541,863 | 66.16 | 2,499,888,888 | 68.47 | 2,184,241,431 | 64.63 | 1,491,243,607 | 60.72 | 841,111,466 | 62.21 |
| Gross profit | 1,293,435,635 | 33.84 | 1,151,013,528 | 31.53 | 1,195,621,925 | 35.37 | 964,497,134 | 39.28 | 510,986,270 | 37.79 |
| Add: Other income | 3,335,559 | 0.09 | 4,496,133 | 0.12 | 4,970,907 | 0.15 | 5,748,739 | 0.23 | 8,603,595 | 0.64 |
| Less: Operating expenses | (598,445,518) | (15.66) | (602,609,368) | (16.51) | (543,724,715) | (16.09) | (369,415,053) | (15.04) | (218,791,906) | (16.18) |
| Operating profit for the year | 698,325,676 | 18.27 | 552,900,293 | 15.14 | 656,868,117 | 19.43 | 600,830,820 | 24.47 | 300,797,959 | 22.25 |
| Less: Financial expenses | (377,671,731) | (9.88) | (461,664,449) | (12.65) | (563,720,420) | (16.68) | (426,091,790) | (17.35) | (268,459,651) | (19.86) |
| Less: Foreign exchange gain/(loss) | (26,212,451) | (0.69) | 3,931,620 | 0.11 | 7,303,612 | 0.22 | 16,092,499 | 0.66 | (6,415,867) | (0.47) |
| Profit before WPPF & WF for the year | 294,381,494 | 7.70 | 95,167,464 | 2.61 | 100,451,309 | 2.97 | 190,831,529 | 7.77 | 25,922,441 | 1.92 |
| Less: Provision for contribution to WPPF & WF | (14,018,166) | (0.37) | (4,531,784) | (0.12) | (4,783,396) | (0.14) | (9,087,216) | (0.37) | - | - |
| Profit before tax for the year | 280,363,328 | 7.34 | 90,635,680 | 2.48 | 95,667,913 | 2.83 | 181,744,313 | 7.40 | 25,922,441 | 1.92 |
| Less: Income tax expenses | (10,826,872) | (0.28) | (6,183,474) | (0.17) | (13,365,562) | (0.40) | (9,690,074) | (0.39) | (8,988,889) | (0.66) |
| Less: Deferred tax expenses | (62,971,965) | (1.65) | (8,410,436) | (0.23) | (12,204,546) | (0.36) | (10,503,979) | (0.43) | - | - |
| Net profit/loss after tax for the year | 206,564,491 | 5.40 | 76,041,770 | 2.08 | 70,097,805 | 2.07 | 161,550,260 | 6.58 | 16,933,552 | 1.25 |
| Add: Other comprehensive income, net of tax | - | - | - | - | - | - | - | - | - | - |
| Revaluation surplus | 639,391,170 | 16.73 | - | - | - | - | - | - | - | - |
| Income tax on revaluation surplus | (12,787,823) | (0.33) | - | - | - | - | - | - | - | - |
| Other comprehensive income | 626,603,347 | 16.39 | - | - | - | - | - | - | - | - |
| Total comprehensive income | 833,167,838 | 21.80 | 76,041,770 | 2.08 | 70,097,805 | 2.07 | 161,550,260 | 6.58 | 16,933,552 | 1.25 |
| Earnings Per Share (EPS) - Basic | 1.38 | | 0.66 | | 0.96 | | 2.21 | | 0.30 | |

C. Statement of Cash Flows

| Particulars | 2017 | | 2016 | | 2015 | | 2014 | | 2013 | |
|---|-------------------|--|--------------------|--|-------------------|--|---------------------|--|-------------------|--|
| | Total | | Total | | Total | | Total | | Total | |
| Net cash flow from operating activities | 657,288,827 | | 965,123,804 | | 826,949,663 | | (615,881,810) | | 472,899,592 | |
| Net cash flow used in investing activities | (277,922,156) | | (510,629,637) | | (235,123,057) | | (1,196,791,554) | | (1,389,770,289) | |
| Net cash (used in)/flow from financing activities | (375,893,281) | | (463,636,421) | | (574,025,027) | | 1,784,159,997 | | 966,406,406 | |
| Net cash surplus during the year | 3,473,389 | | (9,142,254) | | 17,801,579 | | (28,513,367) | | 49,535,710 | |
| Cash and bank balances at beginning of the year | 39,957,965 | | 49,100,219 | | 31,298,640 | | 59,812,006 | | 10,276,296 | |
| Cash and bank balances at end of the year | 43,431,355 | | 39,957,965 | | 49,100,219 | | 31,298,639 | | 59,812,006 | |
| Net operating cash flow per share (NOCFPS) | 4.38 | | 8.40 | | 3.64 | | (14.31) | | 3.76 | |

(f) Earnings Per Share (EPS) on fully diluted basis (with the total existing number of shares) in addition to the weighted average number of shares basis. Future projected Net Income should not be considered while calculating the weighted average EPS

Earnings per Share (EPS) on fully diluted basis (with the total existing no. of shares):

| Particulars | Amount in BDT |
|--|---------------|
| Net profit after Tax for the year ended 31 December 2017 | 206,564,490 |
| Number of Ordinary Shares outstanding | 150,200,000 |
| Earnings per Share (EPS) | 1.38 |

Earnings Per Share (EPS) on weighted average number of shares basis:

| Particulars | Amount in BDT |
|--|---------------|
| Net profit after Tax for the year ended 31 December 2017 | 206,564,490 |
| Number of ordinary shares outstanding | 150,200,000 |
| Earnings per Share (EPS) | 1.38 |

(g) All extra-ordinary income or non-recurring income coming from other than core operations should be shown separately while showing the Net Profit as well as the Earnings Per Share:

Net Profit after tax excluding extra-ordinary income or non-recurring income from other than core operations:

| Particulars | Amount in BDT |
|--|--------------------|
| Net profit after Tax for the year ended 31 December 2017 | 206,564,490 |
| Less: other income | (3,335,559) |
| Net profit after tax except other income | 203,228,931 |

Earnings per shares excluding extra-ordinary income or non-recurring income coming from other than core operations:

| Particulars | Amount in BDT |
|--|--------------------|
| Net profit after Tax for the year ended 31 December 2017 | 206,564,490 |
| Less: other income | (3,335,559) |
| Net profit after tax except other income | 203,228,931 |
| Number of ordinary shares outstanding | 150,200,000 |
| Earnings Per Share (EPS) on fully diluted basis | 1.35 |

(h) Quarterly or half-yearly EPS should not be annualized while calculating the EPS:

Not applicable for Star Ceramics Limited.

(i) Net asset value (with and without considering revaluation Surplus or reserve) per unit of the securities being offered at the date of the latest audited statement of financial position

Net asset value (with and without considering revaluation surplus/reserve) per unit of the securities being offered at the date of the latest audited statement of financial position:

a) Net Assets Value per share with revaluation surplus as at 31 December 2017:

| Particulars | Amount in BDT |
|--|----------------------|
| Total assets | 7,604,645,655 |
| Less: Total liabilities | (5,255,098,865) |
| Net assets value | 2,349,546,789 |
| Number of ordinary shares outstanding | 150,200,000 |
| Net assets value per share with revaluation surplus | 15.64 |

b) Net Assets Value per share without revaluation surplus as at 31 December 2017:

| Particulars | Amount in BDT |
|--|----------------------|
| Total assets | 7,604,645,655 |
| Less: Total liabilities | (5,255,098,865) |
| Net Assets Value with revaluation surplus | 2,349,546,789 |
| Less: Revaluation surplus | (626,603,346) |
| Net assets value without revaluation surplus | 1,722,943,443 |
| Number of ordinary shares outstanding | 150,200,000 |
| Net assets value per share with revaluation surplus | 11.47 |

(j) The Commission may require the issuer to re-audit the audited financial statements, if any deficiency or anomaly is found in the financial statements. In such a case, cost of audit should be borne by the concerned issuer.

If required, SCL will be complied with this issue.

(k) Following statements for the last five years or any shorter period of commercial operation certified by the auditors:-

(i) Statement of long term and short term borrowings including borrowing from related party or connected persons with rate of interest and interest paid or accrued;

AUDITORS' CERTIFICATE REGARDING LONG AND SHORT TERM BORROWINGS

Based on our scrutiny of the books of accounts and records as well as relevant financial statements and disclosures thereto of Star Ceramics Limited (the "Company") for the years 2013 to 2017 which have been prepared by management and produced to us for review, we, being the auditors of Star Ceramics Limited for the years 2013 to 2017, certify that the Company took the following long term and short term borrowings during the last five years:

| | | | | | (Amount in Taka) |
|------------------------|--|------------------------|------------------|------------------|------------------------------|
| Year | Name of bank/ lender | Nature of Relationship | Type of loan | Rate of interest | Balance as on reporting date |
| As at 31 December 2017 | The City Bank Limited | Lender | Long term | 8.50% | 1,625,472,466 |
| | Total long term loan | | | | 1,625,472,466 |
| | Delta Brac Housing Finance Corporation Limited | Lender | Preference Share | 9.75% | 50,000,000 |
| | Industrial Promotion and Development Company of Bangladesh Limited | Lender | Preference Share | 9.75% | 75,000,000 |
| | National Credit and Commerce Bank Limited | Lender | Preference Share | 9.75% | 100,000,000 |
| | NRB Bank Limited | Lender | Preference Share | 9.75% | 50,000,000 |
| | United Finance Limited | Lender | Preference Share | 9.75% | 150,000,000 |
| | Grameen One: Scheme Two | Lender | Preference Share | 9.75% | 30,000,000 |
| | Reliance Insurance Mutual Fund | Lender | Preference Share | 9.75% | 10,000,000 |
| | AIMS of Bangladesh Limited | Lender | Preference Share | 9.75% | 20,000,000 |
| | Prime Bank Limited | Lender | Preference Share | 9.75% | 40,000,000 |
| | Meghna Bank Limited | Lender | Preference Share | 9.75% | 70,000,000 |
| | Standard Bank Limited | Lender | Preference Share | 9.75% | 70,000,000 |
| | Shimanto Bank Limited | Lender | Preference Share | 9.75% | 110,000,000 |
| | Ashok Kumar Saha | Lender | Preference Share | 9.75% | 40,000,000 |
| | Total Preference Share | | | | 815,000,000 |
| | Prime Bank Limited (OD) | Lender | Short term | 9.00%-8.50% | 203,898,820 |
| | The City Bank Limited (OD) | Lender | Short term | 10.50%-8.50% | 58,198,904 |
| | Trust Bank Limited (OD) | Lender | Short term | 10.50%-9.00% | 190,393,188 |
| | Midland Bank Limited (OD) | Lender | Short term | 9.25%-9.00% | 151,823,961 |
| | Uttara Bank Limited (OD) | Lender | Short term | 8.00% | 199,169,075 |
| | Total Overdraft | | | | 803,483,948 |
| | Prime Bank Limited | Lender | Short term | 9.00%-8.50% | 27,904,460 |
| | The City Bank Limited | Lender | Short term | 10.00%-7.75% | 529,924,658 |
| | United Commercial Bank Limited | Lender | Short term | 8.50%-7.50% | 312,553,771 |
| | Dhaka Bank Limited | Lender | Short term | 9.50%-8.50% | 99,160,871 |
| | Eastern Bank Limited | Lender | Short term | 8.00% | 361,775,419 |
| | Total short term loan | | | | 1,331,319,180 |
| | Total loan | | | | 4,575,275,593 |
| As at 31 December 2016 | The City Bank Limited | Lender | Long term | 8.50% | 1,715,271,297 |
| | Total long term loan | | | | 1,715,271,297 |
| | Delta Brac Housing Finance Corporation Limited | Lender | Preference Share | 9.75% | 50,000,000 |
| | Industrial Promotion and Development Company of Bangladesh Limited | Lender | Preference Share | 9.75% | 75,000,000 |
| | National Credit and Commerce Bank Limited | Lender | Preference Share | 9.75% | 100,000,000 |
| | NRB Bank Limited | Lender | Preference Share | 9.75% | 50,000,000 |
| | United Finance Limited | Lender | Preference Share | 9.75% | 150,000,000 |
| | Grameen One: Scheme Two | Lender | Preference Share | 9.75% | 30,000,000 |
| | Reliance Insurance Mutual Fund | Lender | Preference Share | 9.75% | 10,000,000 |
| | AIMS of Bangladesh Limited | Lender | Preference Share | 9.75% | 10,000,000 |
| | MTB First Mutual Fund | Lender | Preference Share | 9.75% | 10,000,000 |
| | Prime Bank Limited | Lender | Preference Share | 9.75% | 40,000,000 |
| | Meghna Bank Limited | Lender | Preference Share | 9.75% | 70,000,000 |
| | Standard Bank Limited | Lender | Preference Share | 9.75% | 70,000,000 |
| | Shimanto Bank Limited | Lender | Preference Share | 9.75% | 110,000,000 |
| | Ashok Kumar Saha | Lender | Preference Share | 9.75% | 40,000,000 |
| | Total Preference Share | | | | 815,000,000 |
| | Prime Bank Limited (OD) | Lender | Short term | 11.00 %-9.00% | 138,852,545 |
| | The City Bank Limited (OD) | Lender | Short term | 12.50%-10.50% | 4,574,802 |

| (Amount in Taka) | | | | | |
|------------------------|--------------------------------|------------------------|--------------|------------------|------------------------------|
| Year | Name of bank/ lender | Nature of Relationship | Type of loan | Rate of interest | Balance as on reporting date |
| | Trust Bank Limited (OD) | Lender | Short term | 11.25%-10.50% | 5,286,256 |
| | Mutual Trust Bank Limited (OD) | Lender | Short term | 11.75%-10.75% | 12,598,398 |
| | One Bank Limited (OD) | Lender | Short term | 11.50%-9.50% | 52,712,867 |
| | Total Overdraft | | | | 214,024,869 |
| | Prime Bank Limited | Lender | Short term | 11.00%- 8.00% | 906,709,204 |
| | The City Bank Limited | Lender | Short term | 12.50%-8.25% | 608,026,938 |
| | Trust Bank Limited | Lender | Short term | 11.25%-10.50% | 10,860,039 |
| | Mutual Trust Bank Limited | Lender | Short term | 11.75%-10.75% | 9,662,570 |
| | One Bank Limited | Lender | Short term | 11.50%-9.50% | 222,107,955 |
| | Total short term loan | | | | 1,757,366,706 |
| As at 31 December 2015 | Total loan | | | | 4,501,662,872 |
| | Prime Bank Limited | Lender | Long term | 13.50%-12.50% | 1,044,166,050 |
| | Mutual Trust Bank Limited | Lender | Long term | 13.50%-12.50% | 387,853,703 |
| | Trust Bank Limited | Lender | Long term | 13.50%-12.50% | 357,986,233 |
| | The City Bank Limited | Lender | Long term | 13.50%-12.50% | 268,557,598 |
| | Mercantile Bank Limited | Lender | Long term | 13.50%-12.50% | 178,987,065 |
| | NCC Bank Limited | Lender | Long term | 13.50%-12.50% | 149,176,323 |
| | SABINCO | Lender | Long term | 13.50%-12.50% | 137,291,028 |
| | Meghna Bank Limited | Lender | Long term | 13.50%-12.50% | 119,367,508 |
| | One Bank Limited | Lender | Long term | 13.50%-12.50% | 117,996,929 |
| | Total long term loan | | | | 2,761,382,437 |
| | Prime Bank Limited (OD) | Lender | Short term | 12.50%-11.00% | 179,556,995 |
| | The City Bank Limited (OD) | Lender | Short term | 13.50%-11.50% | 11,332,379 |
| | Trust Bank Limited (OD) | Lender | Short term | 13.00%-11.25% | 87,052,776 |
| | Mutual Trust Bank Limited (OD) | Lender | Short term | 13.75%-11.75% | 124,538,792 |
| | Total Overdraft | | | | 402,480,943 |
| | Prime Bank Limited | Lender | Short term | 12.50%-9.60% | 597,719,384 |
| | The City Bank Limited | Lender | Short term | 13.50%-12.50% | 105,648,973 |
| | Trust Bank Limited | Lender | Short term | 13.00%-11.25% | 56,300,320 |
| | Mutual Trust Bank Limited | Lender | Short term | 13.75%-11.00% | 342,810,630 |
| | One Bank Limited | Lender | Short term | 13.50%-11.50% | 156,814,068 |
| | Total short term loan | | | | 1,259,293,375 |
| | Total loan | | | | 4,423,156,754 |
| As at 31 December 2014 | Prime Bank Limited | Lender | Long term | 15.50%-13.50% | 1,467,354,642 |
| | Mutual Trust Bank Limited | Lender | Long term | 15.50%-13.50% | 420,004,274 |
| | Trust Bank Limited | Lender | Long term | 15.50%-13.50% | 387,678,218 |
| | The City Bank Limited | Lender | Long term | 15.50%-13.50% | 290,773,087 |
| | Mercantile Bank Limited | Lender | Long term | 15.50%-13.50% | 193,841,945 |
| | NCC Bank Limited | Lender | Long term | 15.50%-13.50% | 161,532,161 |
| | SABINCO | Lender | Long term | 15.50%-13.50% | 148,612,057 |
| | Meghna Bank Limited | Lender | Long term | 15.50%-13.50% | 129,247,922 |
| | One Bank Limited | Lender | Long term | 15.50%-13.50% | 128,650,529 |
| | Total long term loan | | | | 3,327,694,835 |
| | Prime Bank Limited (OD) | Lender | Short term | 15.00%-12.50% | 187,704,519 |
| | The City Bank Limited (OD) | Lender | Short term | 15.50%-13.50% | 60,496,341 |
| | Trust Bank Limited (OD) | Lender | Short term | 13.75%-13.00% | 20,173,209 |
| | Mutual Trust Bank Limited (OD) | Lender | Short term | 14.75%-13.75% | 3,224,651 |
| | Total Overdraft | | | | 271,598,720 |
| | Prime Bank Limited | Lender | Short term | 15.00%-12.50% | 89,065,650 |
| | The City Bank Limited | Lender | Short term | 15.50%-13.50% | 294,860,450 |
| | Trust Bank Limited | Lender | Short term | 13.75%-13.00% | 59,571,930 |
| | Mutual Trust Bank Limited | Lender | Short term | 14.75%-13.75% | 170,233,214 |
| | One Bank Limited | Lender | Short term | 15.50%-13.50% | 161,319,803 |
| | Total short term loan | | | | 775,051,046 |
| | Total loan | | | | 4,374,344,601 |

| (Amount in Taka) | | | | | |
|------------------------|------------------------------|------------------------|--------------|------------------|------------------------------|
| Year | Name of bank/ lender | Nature of Relationship | Type of loan | Rate of interest | Balance as on reporting date |
| As at 31 December 2013 | Prime Bank Limited | Lender | Long term | 15.50% | 1,625,037,824 |
| | Mutual Trust Bank Limited | Lender | Long term | 15.50% | 46,223,560 |
| | Trust Bank Limited | Lender | Long term | 15.50% | 42,667,638 |
| | The City Bank Limited | Lender | Long term | 15.50% | 32,001,760 |
| | Mercantile Bank Limited | Lender | Long term | 15.50% | 21,332,032 |
| | NCC Bank Limited | Lender | Long term | 15.50% | 17,781,456 |
| | SABINCO | Lender | Long term | 15.50% | 16,353,880 |
| | Meghna Bank Limited | Lender | Long term | 15.50% | 14,225,880 |
| | One Bank Limited | Lender | Long term | 15.50% | 14,220,879 |
| | Total long term loan | | | | 1,829,844,910 |
| | Prime Bank Limited (OD) | Lender | Short term | 15.50%-15.00% | 111,951,958 |
| | The City Bank Limited (OD) | Lender | Short term | 15.50% | 55,692,907 |
| | Total Overdraft | | | | 167,644,864 |
| | Prime Bank Limited | Lender | Short term | 15.50% | 160,699,294 |
| | The City Bank Limited | Lender | Short term | 15.50% | 5,749,547 |
| | One Bank Limited | Lender | Short term | 16.00%-15.50% | 75,722,430 |
| | Total short term loan | | | | 242,171,271 |
| | Total loan | | | | 2,239,661,045 |

This certificate is issued at the request of the management for the purpose of proposed Initial Public Offering (IPO) under the Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015.

Date: 20 February 2018

Sd/-
Hoda Vasi Chowdhury & Co
Chartered Accountants

(ii) Statement of principal terms of secured loans and assets on which charge have been created against those loans with names of lenders, purpose, sanctioned amount, rate of interest, primary security, collateral or other security, re-payment schedule and status;

AUDITORS' CERTIFICATE REGARDING PRINCIPAL TERMS OF SECURED LOANS AND ASSETS ON WHICH CHARGES HAVE BEEN CREATED AGAINST THOSE LOANS

Based on our verification of the related offer letters/ sanction advices from concerned lenders and other related documents produced to us by the management of Star Ceramics Limited (the "Company"), we certify that the following statement of secured loans and related principal terms including assets on which charges have been created against those loans are consistent with the copies of related offer letters/ sanction advices and other related documents as produced to us for scrutiny.

| Particulars | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|--|---|--|--|--|
| Name of lender: Prime Bank Limited | | | | | |
| Principal terms: | | | | | |
| Nature of facility | N/A | Term Loan | Loan (Gen) | N/A | N/A |
| | Cash Credit (CC) (Hypo) | Cash Credit (CC) (Hypo) | Cash Credit (CC) (Hypo) | Cash Credit (CC) (Hypo) | Cash Credit (CC) (Hypo) |
| | Loan Against Trust Receipt (LATR) | Loan Against Trust Receipt (LATR) | Loan Against Trust Receipt (LATR) | Loan Against Trust Receipt (LATR) | Loan Against Trust Receipt (LATR) |
| | N/A | Short Term Loan/ Time Loan | Short Term Loan | N/A | N/A |
| | Bank Guarantee (BG) | Bank Guarantee (BG) | Bank Guarantee (BG) | Bank Guarantee (BG) | Bank Guarantee (BG) |
| | Letter of Credit (LC) (Sight/DP/UPAS) | Letter of Credit (LC) (Sight/DP/UPAS) | Letter of Credit (LC) (Sight/DP/UPAS) | Letter of Credit (LC) (Sight/DP/UPAS) | Letter of Credit (LC) (Sight/DP/UPAS) |
| Purpose | N/A | Term Loan: To retire the LC documents of capital machineries and equipment for SCL. | Loan (Gen): To retire the LC related shipping document of capital machinery for the project. | N/A | N/A |
| | Cash Credit (Hypo): To meet the working capital requirement of the business. | Cash Credit (Hypo): To meet the working capital requirement of the business. | Cash Credit (Hypo): To meet the working capital requirement of the business. | Cash Credit (Hypo): To meet the working capital requirement of the business. | Cash Credit (Hypo): To meet the working capital requirement of the business. |

| | | | | | |
|-----------------------|--|--|--|--|--|
| | Loan against trust receipt (LATR): To retire L/C documents for raw materials, spare parts, accessories, packing materials & other things. | Loan against trust receipt (LATR): To retire L/C documents for raw materials, spare parts, accessories, packing materials & other things. | Loan against trust receipt (LATR): To retire L/C documents. | Loan against trust receipt (LATR): To retire L/C documents. | Loan against trust receipt (LATR): To retire L/C documents. |
| | N/A | Time Loan-Specific: To adjust working capital liabilities with other working capital lenders. | Short Term Loan: To settle working capital liabilities of other Bank(s), and to procure raw materials/ stock for working capital requirement. | N/A | N/A |
| | BG: To provide Bank Guarantee for Utility connections, customs duty VAT & other requirements. | BG: To provide Bank Guarantee for Utility connections, customs duty VAT & other requirements. | BG: To provide Bank Guarantee for Utility connections, customs duty VAT & other requirements. | BG: To provide Bank Guarantee for Utility connections, customs duty VAT & other requirements. | BG: To provide Bank Guarantee for Utility connections, customs duty VAT & other requirements. |
| | LC (Sight/DP/UPAS): To import/procure raw materials (foreign/local), capital machinery, spare parts, accessories, packing materials & other things required for production of the company. | LC (Sight/DP/UPAS): To import/procure raw materials (foreign/local), capital machinery, spare parts, accessories, packing materials & other things required for production of the company. | LC (Sight/DP/UPAS): To import/procure raw materials (foreign/local), capital machinery, spare parts, accessories, packing materials & other things required for production of the company. | LC (Sight/DP/UPAS): To import/procure raw materials (foreign/local), capital machinery, spare parts, accessories, packing materials & other things required for production of the company. | LC (Sight/DP/UPAS): To import/procure raw materials (foreign/local), capital machinery, spare parts, accessories, packing materials & other things required for production of the company. |
| Facility limit | 790,000,000 | 1,640,000,000 | 1,240,000,000 | 790,000,000 | 790,000,000 |

| | | | | | |
|-----------------------|---|---|---|---|---|
| Interest rates | LATR: 9.00% - 8.50% p.a. | LATR: 11.00 % - 9.00% p.a. | LATR: 12.50%-11.00% p.a. | LATR: 15.00%-12.50% p.a. | LATR: 15.50%-15.00% p.a. |
| | UPAS: Libor + Mark up interest but not exceeding 6.00% p.a. | UPAS: Libor + Mark up interest but not exceeding 6.00% p.a. | N/A | N/A | N/A |
| | Cash credit (Hypo): 9.00 %-8.50% p.a. | Cash credit (Hypo): 11.00 %-9.00% p.a. | Cash credit (Hypo): 12.50%-11.00% p.a. | Cash credit (Hypo): 15.00%-12.50 % p.a. | Cash credit (Hypo): 15.50%-15.00% p.a. |
| | N/A | Short Term Loan/Time Loan specific: 8.75%-8.00% p.a. | Short Term Loan: 9.60% p.a. | N/A | N/A |
| | N/A | Term Loan: 10.25% p.a. | Loan (Gen): 12.50% p.a. | N/A | N/A |
| | LC Commission: 0.20% p.q. BG Commission: 0.25% p.q. | LC Commission: 0.20% p.q. BG Commission: 0.25% p.q. | LC Commission: 0.20% p.q. BG Commission: 0.25% p.q. | LC Commission: 0.20% p.q. BG Commission: 0.25% p.q. | LC Commission: 0.20% p.q. BG Commission: 0.25% p.q. |
| Repayment | N/A | Term loan: 20 nos. of quarterly installments. | Term loan: 20 nos. of quarterly installments. | N/A | N/A |
| | Cash Credit(Hypo): 31 March 2018. | Cash Credit (Hypo): 31 March 2017. | Cash Credit (Hypo): 31 March 2016. | Cash Credit (Hypo): 31 March 2015. | Cash Credit (Hypo): 31 March 2014. |
| | Loan against trust receipt (LATR): 31 March 2018. | Loan against trust receipt (LATR): 31 March 2017. | Loan against trust receipt (LATR): 31 March 2016. | Loan against trust receipt (LATR): 31 March 2015. | Loan against trust receipt (LATR): 31 March 2014. |
| | N/A | Time Loan-Specific: 180 days from the date of first disbursement. | Time Loan-Specific: 180 days from the date of first disbursement. | N/A | N/A |
| | LATR-UPAS: 150 days from the date of disbursement, incase of DP L/C, aggregate tenor of DP L/C and LTR validity should not exceed 150 days under any circumstances. | LATR-UPAS: 150 days from the date of disbursement, incase of DP L/C, aggregate tenor of DP L/C and LTR validity should not exceed 150 days under any circumstances. | LATR-UPAS: 150 days from the date of disbursement, incase of DP L/C, aggregate tenor of DP L/C and LTR validity should not exceed 150 days under any circumstances. | LATR-UPAS: 150 days from the date of disbursement, incase of DP L/C, aggregate tenor of DP L/C and LTR validity should not exceed 150 days under any circumstances. | LATR-UPAS: 150 days from the date of disbursement, incase of DP L/C, aggregate tenor of DP L/C and LTR validity should not exceed 150 days under any circumstances. |

| Securities | | | | | |
|--------------------------|--|--|--|--|--|
| Status of Assets charged | Securities for the facilities are as follows: | Securities for the facilities are as follows: | Securities for the facilities are as follows: | Securities for the facilities are as follows: | Securities for the facilities are as follows: |
| | i) First ranking charge by way of hypothecation over the floating assets (present & future) of the company on paripassu security sharing basis with the working capital facility lenders. | i) First ranking charge by way of hypothecation over the floating assets (present & future) of the company on paripassu security sharing basis with the working capital facility lenders. | i) First ranking charge by way of hypothecation over the floating assets (present & future) of the company on paripassu security sharing basis with the working capital facility lenders. | i) First ranking charge by way of hypothecation over the floating assets (present & future) of the company on paripassu security sharing basis with the working capital facility lenders. | i) First ranking charge by way of hypothecation over the floating assets (present & future) of the company on paripassu security sharing basis with the working capital facility lenders. |
| | ii) Hypothecation of stock-in-trade duly insured covering the risks of Fire & RSD with Bank's mortgage clause for a sum exceeding 10% above the sanction limit or stock under hypothecation, whichever is higher at your cost. | ii) Hypothecation of stock-in-trade duly insured covering the risks of Fire & RSD with Bank's mortgage clause for a sum exceeding 10% above the sanction limit or stock under hypothecation, whichever is higher at your cost. | ii) Hypothecation of stock-in-trade duly insured covering the risks of Fire & RSD with Bank's mortgage clause for a sum exceeding 10% above the sanction limit or stock under hypothecation, whichever is higher at your cost. | ii) Hypothecation of stock-in-trade duly insured covering the risks of Fire & RSD with Bank's mortgage clause for a sum exceeding 10% above the sanction limit or stock under hypothecation, whichever is higher at your cost. | ii) Hypothecation of stock-in-trade duly insured covering the risks of Fire & RSD with Bank's mortgage clause for a sum exceeding 10% above the sanction limit or stock under hypothecation, whichever is higher at your cost. |
| | iii) Notarized irrevocable general power of attorney to be executed by the customer empowering the working capital lenders to sell the hypothecated assets. | iii) Notarized irrevocable general power of attorney to be executed by the customer empowering the working capital lenders to sell the hypothecated assets. | iii) Notarized irrevocable general power of attorney to be executed by the customer empowering the working capital lenders to sell the hypothecated assets. | iii) Notarized irrevocable general power of attorney to be executed by the customer empowering the working capital lenders to sell the hypothecated assets. | iii) Notarized irrevocable general power of attorney to be executed by the customer empowering the working capital lenders to sell the hypothecated assets. |

| | | | | | |
|------------------|---|---|---|---|---|
| Other securities | i) Personal guarantee of the local directors only. | i) Personal guarantee of the local directors only. | i) Personal guarantee of the local directors only. | i) Personal guarantee of the local directors only. | i) Personal guarantee of the local directors only. |
| | ii) Post dated cheque covering the limit favoring the bank. | ii) Post dated cheque covering the limit favoring the bank. | ii) Post dated cheque covering the limit favoring the bank. | ii) Post dated cheque covering the limit favoring the bank. | ii) Post dated cheque covering the limit favoring the bank. |
| | iii) Usual charge documents. | iii) Usual charge documents. | iii) Usual charge documents. | iii) Usual charge documents. | iii) Usual charge documents. |
| | iv) Letter of trust receipt. | iv) Letter of trust receipt. | iv) Letter of trust receipt. | iv) Letter of trust receipt. | iv) Letter of trust receipt. |
| | v) Letter of credit related shipping documents. | v) Letter of credit related shipping documents. | v) Letter of credit related shipping documents. | v) Letter of credit related shipping documents. | v) Letter of credit related shipping documents. |
| | vi) Acceptance of UPAS letter of credit. | vi) Acceptance of UPAS letter of credit. | vi) Acceptance of UPAS letter of credit. | vi) Acceptance of UPAS letter of credit. | vi) Acceptance of UPAS letter of credit. |

| Name of lender: The City Bank Limited | | | | | |
|---------------------------------------|---|---|---|---|---|
| Principal terms: | | | | | |
| Nature of facility | Term Loan | Term Loan | N/A | N/A | N/A |
| | Overdraft (OD) | Overdraft (OD) | Overdraft (OD) | Overdraft (OD) | Overdraft (OD) |
| | Import Loan | Import Loan | Import Loan | Import Loan | Import Loan |
| | Short Term Loan | Short Term Loan | Short Term Loan | Short Term Loan | Short Term Loan |
| | Bank Guarantee (BG) | Bank Guarantee (BG) | Bank Guarantee (BG) | Bank Guarantee (BG) | N/A |
| | Usance Letter of Credit-(ULC) (Sight/ Import/ Acceptance) | Usance Letter of Credit-(ULC) (Sight/ Import/ Acceptance) | Usance Letter of Credit-(ULC) (Sight/ Import/ Acceptance) | Usance Letter of Credit-(ULC) (Sight/ Import/ Acceptance) | Usance Letter of Credit-(ULC) (Sight/ Import/ Acceptance) |

| | | | | | |
|----------------|---|--|--|--|---|
| Purpose | Term Loan: i) To take over term loan liabilities from all other syndicated lenders; ii) To finance purchase of 25,340 sft floor spaces @ Taka 14,000 at Bijoy Rakeen City, Mirpur-15, Dhaka; iii) To finance construction & decoration of (a) 3 buildings totaling 56,550 sft at the factory premises, (b) decoration of new head office at Rakeen city and (c) establishment cost of 4 showrooms. | Term Loan: To take over term loan liabilities from all other syndicated lenders. | N/A | N/A | N/A |
| | Overdraft (OD): To meet up overhead expenses of the company. | Overdraft (OD): To meet up overhead expenses of the company. | Overdraft (OD): To meet up overhead expenses of the company. | Overdraft (OD): To meet up overhead expenses of the company. | Overdraft (OD): To meet up overhead expenses of the company. |
| | Import Loan : To retire sight LC of raw materials, packing materials, spare parts and accessories etc. for their existing and expansion project. | Import Loan : To retire sight LC of raw materials, packing materials, spare parts and accessories etc. for their existing and expansion project. | Import Loan : To retire sight LC of raw materials, packing materials, spare parts and accessories etc. for their existing and expansion project. | Import Loan : To retire sight LC of raw materials, packing materials, spare parts and accessories etc. for their existing and expansion project. | Import Loan : To retire sight LC of raw materials, packing materials, spare parts and accessories etc. for their existing and expansion project. |
| Purpose | Bank Guarantee (BG): To issue payment guarantee, advance payment guarantee, Bid bonds, performance guarantee, security deposit etc. and all other types of guarantee to suppliers and different authorities for obtaining utility connection as well as different stakeholders as and when required. | Bank Guarantee (BG): To issue payment guarantee, advance payment guarantee, Bid bonds, performance guarantee, security deposit etc. and all other types of guarantee to suppliers and different authorities for obtaining utility connection as well as different stakeholders as and when required. | Bank Guarantee (BG): To issue payment guarantee, advance payment guarantee, Bid bonds, performance guarantee, security deposit etc. and all other types of guarantee to suppliers and different authorities for obtaining utility connection as well as different stakeholders as and when required. | Bank Guarantee (BG): To issue payment guarantee, advance payment guarantee, Bid bonds, performance guarantee, security deposit etc. and all other types of guarantee to suppliers and different authorities for obtaining utility connection as well as different stakeholders as and when required. | N/A |
| | Short Term Loan: To meet up emergency working capital requirements. | Short Term Loan: To meet up working capital requirements. | Short Term Loan: To meet up working capital requirements. | Short Term Loan: To meet up working capital requirements. | Short Term Loan: To meet up working capital requirements. |
| | ULC (Sight/ Import/ Acceptance): To import of raw materials, packing materials, spare parts & accessories etc. of their existing and expansion project. | ULC (Sight/ Import/ Acceptance): To import of raw materials, packing materials, spare parts & accessories etc. of their existing and expansion project. | ULC (Sight/ Import/ Acceptance): To import of raw materials, packing materials, spare parts & accessories etc. of their existing and expansion project. | ULC (Sight/ Import/ Acceptance): To import of raw materials, packing materials, spare parts & accessories etc. of their existing and expansion project. | ULC (Sight/ Import/ Acceptance): To import of raw materials, packing materials, spare parts & accessories etc. of their existing and expansion project. |
| Facility limit | 3,330,000,000 | 2,560,000,000 | 560,000,000 | 560,000,000 | 560,000,000 |
| Interest rates | Term Loan: 8.50% p.a. | Term Loan: 8.50% p.a. | N/A | N/A | N/A |
| | Import Loan: 10%-8.50% p.a. | Import Loan: 12.50%-10% p.a. | Import Loan : 13.50%-12.50% p.a. | Import Loan: 15.50%-13.50% p.a. | Import Loan: 15.50% p.a. |
| | Overdraft (OD): 10.50%-8.50% p.a. | Overdraft (OD): 12.50%-10.50% p.a. | Overdraft (OD): 13.50%-12.50% p.a. | Overdraft (OD): 15.50%-13.50% p.a. | Overdraft (OD): 15.50% p.a. |
| | Short Term Loan : 8.25%-7.75% p.a. | Short Term Loan : 11.50%-8.25% p.a. | Short Term Loan : 13.50%-11.50% p.a. | Short Term Loan : 15.50%-13.50% p.a. | Short Term Loan : 15.50% p.a. |

| | | | | | |
|------------------|--|--|--|--|--|
| | ULC Commission: 0.25% p.q. for first quarter and 0.20% for subsequent quarter. | ULC Commission: 0.25% p.q. for first quarter and 0.20% for subsequent quarter. | ULC Commission: 0.25% p.q. for first quarter and 0.20% for subsequent quarter. | ULC Commission: 0.25% p.q. for first quarter and 0.20% for subsequent quarter. | ULC Commission: 0.25% p.q. for first quarter and 0.20% for subsequent quarter. |
| | Acceptance commission 0.25% p.q. | Acceptance commission 0.25% p.q. | Acceptance commission 0.25% p.q. | Acceptance commission 0.25% p.q. | Acceptance commission 0.25% p.q. |
| | BG Commission: 0.40% p.q. | BG Commission: 0.40% p.q. | BG Commission: 0.40% p.q. | BG Commission: 0.40% p.q. | BG Commission: 0.40% p.q. |
| Repayment | Term loan: Equal quarterly installments starting from the following quarter of first disbursement. | Term loan: Equal quarterly installments starting from the following quarter of first disbursement. | N/A | N/A | N/A |
| | Overdraft (OD): 31 January 2018. | Overdraft (OD): 31 January 2017. | Overdraft (OD): 31 January 2016. | Overdraft (OD): 31 January 2015. | Overdraft (OD): 31 January 2014. |
| | Import Loan: 31 January 2018. | Import Loan: 31 January 2017. | Import Loan : 31 January 2016. | Import Loan : 31 January 2015. | Import Loan : 31 January 2014. |
| | Short Term Loan : 31 March 2018. | Short Term Loan : 31 January 2017. | Short Term Loan : 31 January 2016. | Short Term Loan : 31 January 2015. | Short Term Loan : 31 January 2014. |
| | Short Term Loan : 360 days from the date of first disbursement. | Short Term Loan : 180 days from the date of first disbursement. | Short Term Loan : 180 days from the date of first disbursement. | Short Term Loan : 180 days from the date of first disbursement. | Short Term Loan : 180 days from the date of first disbursement. |
| | Import Loan-ULC: 180 days. | Import Loan-ULC: 180 days. | Import Loan-ULC: 180 days. | Import Loan-ULC: 180 days. | Import Loan-ULC: 180 days. |

| Securities | | | | | |
|---------------------------------|--|--|--|---|---|
| Status of Assets Charged | Securities for the facilities are as follows: | Securities for the facilities are as follows: | Securities for the facilities are as follows: | Securities for the facilities are as follows: | Securities for the facilities are as follows: |
| | i) Registered mortgage over 2208.50 decimal project land and building of the company. | i) Registered mortgage over 2208.50 decimal project land and building of the company. | N/A | N/A | N/A |
| | ii) First ranking charge by way of hypothecation over the floating assets (present & future) of the company on pari passu security sharing basis with the working capital facility lenders. | ii) First ranking charge by way of hypothecation over the floating assets (present & future) of the company on pari passu security sharing basis with the working capital facility lenders. | i) First ranking charge by way of hypothecation over the floating assets (present & future) of the company on pari passu security sharing basis with the working capital facility lenders. | ii) First ranking charge by way of hypothecation over the floating assets (present & future) of the company on pari passu security sharing basis with the working capital facility lenders. | ii) First ranking charge by way of hypothecation over the floating assets (present & future) of the company on pari passu security sharing basis with the working capital facility lenders. |
| | iii) A Notarized irrevocable general of attorney to be executed by the customer empowering the lenders to sell the hypothecated assets. | iii) A Notarized irrevocable general of attorney to be executed by the customer empowering the lenders to sell the hypothecated assets. | ii) A Notarized irrevocable general of attorney to be executed by the customer empowering the lenders to sell the hypothecated assets. | iii) A Notarized irrevocable general of attorney to be executed by the customer empowering the lenders to sell the hypothecated assets. | iii) A Notarized irrevocable general of attorney to be executed by the customer empowering the lenders to sell the hypothecated assets. |
| | iv) First charge by way of hypothecation over the fixed assets including machinery, furniture, fixture, equipment and all other fixed assets (present & future) of the project along with NIGPA to be executed by the customer empowering the lenders to sell the hypothecated assets. | iii) First ranking charge by way of registered mortgage over project land and building (present and future) of the company on pari-passu security sharing basis with other lenders, with RJSC. | iii) First ranking charge by way of registered mortgage over project land and building (present and future) of the company on pari-passu security sharing basis with other lenders, with RJSC. | iv) First ranking charge by way of registered mortgage over project land and building (present and future) of the company on pari-passu security sharing basis with other lenders, with RJSC. | iv) First ranking charge by way of registered mortgage over project land and building (present and future) of the company on pari-passu security sharing basis with other lenders, with RJSC. |

| | | | | | |
|--|---|--|--|---|---|
| | N/A | iv) Pari passu first charge by way of hypothecation over fixed assets including machinery, furniture, fixture, equipment and all other fixed assets (present and future) of the project. | iv) Pari passu first charge by way of hypothecation over fixed assets including machinery, furniture, fixture, equipment and all other fixed assets (present and future) of the project. | v) Pari passu first charge by way of hypothecation over fixed assets including machinery, furniture, fixture, equipment and all other fixed assets (present and future) of the project. | v) Pari passu first charge by way of hypothecation over fixed assets including machinery, furniture, fixture, equipment and all other fixed assets (present and future) of the project. |
| | N/A | v) A registered Irrevocable General Power of Attorney to be executed by the customer empowering the lenders to sell the mortgaged assets. | v) A registered Irrevocable General Power of Attorney to be executed by the customer empowering the lenders to sell the mortgaged assets. | vi) A registered Irrevocable General Power of Attorney to be executed by the customer empowering the lenders to sell the mortgaged assets. | vi) A registered Irrevocable General Power of Attorney to be executed by the customer empowering the lenders to sell the mortgaged assets. |
| | iv) Charge on benefits under all insurance policies insuring the relevant movable and immovable assets of the customer. | vi) Charge on benefits under all insurance policies insuring the relevant movable and immovable assets of the customer. | vi) Charge on benefits under all insurance policies insuring the relevant movable and immovable assets of the customer. | vi) Charge on benefits under all insurance policies insuring the relevant movable and immovable assets of the customer. | vi) Charge on benefits under all insurance policies insuring the relevant movable and immovable assets of the customer. |

| | | | | | |
|------------------|--|---|---|---|---|
| Other securities | i) Personal guarantee of all local directors of Star Ceramics Limited. | i) Personal guarantee of all local directors of Star Ceramics Limited. | i) Personal guarantee of all local directors of Star Ceramics Limited. | i) Personal guarantee of all local directors of Star Ceramics Limited. | i) Personal guarantee of all local directors of Star Ceramics Limited. |
| | ii) An undated cheque covering term loan facility amount with letter of authority to insert date on. | ii) An undated cheque covering term loan facility amount with letter of authority to insert date on. | ii) An undated cheque covering term loan facility amount with letter of authority to insert date on. | ii) An undated cheque covering term loan facility amount with letter of authority to insert date on. | ii) An undated cheque covering term loan facility amount with letter of authority to insert date on. |
| | iii) Sub ordination agreement on local shareholders loan. | iii) Separate undated cheque covering LC, LTR, OD, and STL limit against working capital facility with letter of authority to insert date on. | iii) Separate undated cheque covering LC, LTR, OD, and STL limit against working capital facility with letter of authority to insert date on. | iii) Separate undated cheque covering LC, LTR, OD, and STL limit against working capital facility with letter of authority to insert date on. | iii) Separate undated cheque covering LC, LTR, OD, and STL limit against working capital facility with letter of authority to insert date on. |
| | iv) Usual charge documents. | iv) Usual charge documents. | iv) Other usual charge documents. | iv) Other usual charge documents. | iv) Other usual charge documents. |

| | | | | | |
|---|-----|--|--|--|---|
| Name of lender: One Bank Limited | | | | | |
| Principal terms: | | | | | |
| Nature of facility | N/A | Overdraft (OD) | N/A | N/A | N/A |
| | N/A | Loan Against Trust Receipt (LATR) | Loan Against Trust Receipt (LATR) | Loan Against Trust Receipt (LATR) | Loan Against Trust Receipt (LATR) |
| | N/A | Time Loan (Revolving) | Time Loan (Revolving) | Time Loan (Revolving) | Time Loan (Revolving) |
| | N/A | Letter of Credit - LC (Sight/Usance) (Revolving) | Letter of Credit - LC (Sight/Usance) (Revolving) | Letter of Credit - LC (Sight/Usance) (Revolving) | Letter of Credit - LC (Sight/Usance) (Revolving) |
| Purpose | N/A | Overdraft (OD): To meet working capital requirement. | N/A | N/A | N/A |
| | N/A | Loan against trust receipt (LATR): To refinance import LC. | Loan against trust receipt (LATR): To refinance import LC. | Loan against trust receipt (LATR): To refinance import LC. | Loan against trust receipt (LATR): To retire shipping documents of imported raw materials for tiles and sanitary ware factory, against SLC, under LC. |

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|-----------------------|-----|--|---|---|--|
| | N/A | Time Loan: To procure raw materials from local sources. | Time Loan: For local procurement of raw materials and others payments. | Time Loan: For local procurement of raw materials and others payments. | Time Loan: To procure raw material for tiles and sanitary ware factory. |
| | N/A | LC (Sight/Usance) (Revolving): To import raw materials viz, different types of clays, natural minerals, quartzes, limestone, chemical additives, fittings etc. for factory use only. | LC (Sight/Usance) (Revolving): To import capital machineries, including ancillary infrastructure and equipments for establishing the Project. | LC (Sight/Usance) (Revolving): To import raw materials for Tiles and Sanitary ware project. | LC (Sight/Usance) (Revolving): To import raw materials for tiles and sanitary ware factory viz. different types of clays, natural minerals, quartzes, limestone, chemical additives, fittings etc. |
| Facility limit | N/A | 450,000,000 | 250,000,000 | 250,000,000 | 250,000,000 |
| Interest rates | N/A | LATR: 11.50%-9.50% p.a. | LATR: 13.50%-11.50% p.a. | LATR: 15.50%-13.50% p.a. | LATR: 16.00%-15.50% p.a. |
| | N/A | Overdraft (OD): 11.50%-9.50% p.a. | N/A | N/A | N/A |
| | N/A | Time Loan : 11.50%-9.50% p.a. | Time Loan : 13.50%-11.50% p.a. | Time Loan : 15.50%-13.50% p.a. | Time Loan : 16.00%-15.50% p.a. |
| | N/A | LC Commission: 0.25% p.q. | LC Commission: 0.25% p.q. | LC Commission: 0.25% p.q. | LC Commission: 0.25% p.q. |

| | | | | | |
|------------------|-----|--|--|--|--|
| Repayment | N/A | Overdraft (OD): One year. | N/A | N/A | N/A |
| | N/A | Loan against trust receipt (LATR): 31 May 2017 | Loan against trust receipt (LATR): 31 May 2016 | Loan against trust receipt (LATR): 31 May 2015 | Loan against trust receipt (LATR): One year from the date of availing the credit facility. |
| | N/A | Time Loan: 150 days. | Time Loan: 150 days. | Time Loan: 150 days. | Time Loan: Up to 120 days. |
| | N/A | LATR-Usance: Maximum 150 days. | LATR-Usance: Maximum 150 days. | LATR-Usance: Maximum 150 days. | LATR-Usance: Maximum 150 days. |

| | | | | | |
|---------------------------------|-----|--|---|--|--|
| Securities | | | | | |
| Status of Assets charged | N/A | Securities for the facilities are as follows: | Securities for the facilities are as follows: | Securities for the facilities are as follows: | Securities for the facilities are as follows: |
| | N/A | i) First ranking pari-passu charge with RJSC on fixed assets of the Company favoring syndication lenders along with NIGPA to sell the assets. | i) First ranking pari-passu charge with RJSC on fixed assets of the company favoring syndication lenders along with NIGPA to sell the assets. | i) First ranking pari-passu charge with RJSC over all floating assets (both present and future) of Star Ceramics Limited to be created in favor of OBL, along with Notarized IGPA to sale the hypothecated assets with the working capital facility lenders. | i) First ranking pari-passu charge with RJSC over all floating assets (both present and future) of Star Ceramics Limited to be created in favor of OBL, along with Notarized IGPA to sale the hypothecated assets with the working capital facility lenders. |
| | N/A | ii) First ranking Pari-passu charge among Prime, MTBL, Trust, City & OBL with RJSC on floating assets of Company along with NIGPA to sell the assets. | ii) First ranking Pari-passu charge with RJSC on floating assets of the company favoring syndication lenders along with NIGPA to sell the assets. | ii) Notarized irrevocable general power of attorney to sell the above assets. | ii) One cheque covering working capital facility amount of Taka 25,00,00,000.00 along with Memorandum of deposit of cheque. |
| | N/A | iii) Registered charge (inferior) with RJSC by way of hypothecation on floating assets of the borrower with NIGPA against Overdraft credit limit of BDT 20,00,00,000 (Taka Twenty Crore) only. | iii) First ranking pari-passu security sharing agreement with other lenders. | N/A | N/A |

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|-------------------------|-----|---|---|---|---|
| | N/A | iv) Registered pari-passu mortgage on 2,208 decimal project lands along with factory building & structures thereon owned by Star Ceramics Limited at Riaznagar, Madhabpur, Hobigonj. | iv) Registered pari-passu mortgage on 2,208 decimal project land along with factory building & structures thereon owned by Star Ceramics Limited at Riaznagar, Madhabpur, Hobigonj. | N/A | N/A |
| Other securities | N/A | i) Personal guarantee of the following Directors of the company for Taka. 45,00,00,000.00 duly supported by personal net worth statement and ITXB: a) Syed A. K. Anwaruzzaman, b) Engr. Syed Ahmed. | i) Personal guarantee of the following Directors of the company for Taka 25,00,00,000.00 duly supported by personal net worth statement and ITXB : a) Syed A. K. Anwaruzzaman, b) Engr. Syed Ahmed. | i) Personal guarantee of the following Directors of the company for Taka 25,00,00,000.00 duly supported by personal net worth statement and ITXB : a) Syed A. K. Anwaruzzaman, b) Engr. Syed Ahmed. | i) Personal guarantee of the following Directors of the company for Taka 25,00,00,000.00 duly supported by personal net worth statement and ITXB : a) Syed A. K. Anwaruzzaman, b) Engr. Syed Ahmed. |
| Other securities | N/A | ii) Cheque covering entire working capital limit of BDT 45,00,00,000 (Taka Forty Five Crore) only. | ii) Cheque covering entire working capital limit. | N/A | N/A |
| | N/A | iii) Board resolution of the company to avail credit facilities and to execute loan documents. | iii) Board resolution of the company to avail credit facilities and to execute loan documents. | ii) Board resolution of the company to avail credit facilities and to execute loan documents. | ii) Board resolution of the company to avail credit facilities and to execute loan documents. |
| | N/A | iv) Title of shipping documents. | iv) Title to the shipping documents. | iii) Title of shipping documents. | N/A |
| | N/A | v) Other usual charge documents as necessary. | v) Other usual charge documents as necessary. | iv) Other usual charge documents as necessary. | iii) Other usual charge documents as necessary. |
| | N/A | vi) Demand promissory note and letter of continuity for Taka. 45,00,00,000.00 each. | vi) Demand promissory note and letter of continuity for Taka. 25,00,00,000.00 each. | v) Demand promissory note and letter of continuity for Taka. 25,00,00,000.00 each. | iv) Demand promissory note and letter of continuity for Taka. 25,00,00,000.00 each. |
| | N/A | vii) General letter of lien and right to set off. | vii) General letter of lien and right to set off. | vi) General letter of lien and right to set off. | v) General letter of lien and right to set off. |
| | N/A | viii) Letter of disbursement for Taka. 45,00,00,000.00. | viii) Letter of disbursement for Taka. 25,00,00,000.00. | vi) Letter of disbursement for Taka. 25,00,00,000.00. | N/A |
| | N/A | ix) Letter of arrangement for Taka. 45,00,00,000.00. | ix) Letter of arrangement for Taka. 25,00,00,000.00. | vii) Letter of arrangement for Taka. 25,00,00,000.00. | N/A |

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|--|---|---|---|---|-----|
| Name of lender: Mutual Trust Bank Limited | | | | | |
| Principal terms: | | | | | |
| Nature of facility | Cash Credit (CC) (Hypo) | Cash Credit (CC) (Hypo) | Cash Credit (CC) (Hypo) | Cash Credit (CC) (Hypo) | N/A |
| | Loan Against Trust Receipt (LTR) | Loan Against Trust Receipt (LTR) | Loan Against Trust Receipt (LTR) | Loan Against Trust Receipt (LTR) | N/A |
| | N/A | N/A | Short Term Loan | Short Term Loan/SOD | N/A |
| | Bank Guarantee (BG) : (BB/PG/Customs) | Bank Guarantee (BG) | Bank Guarantee (BG) | Bank Guarantee (BG) | N/A |
| | Letter of Credit-LC (Sight/Deferred (180/360) days)/UPAS) | Letter of Credit-LC (Sight/Deferred/UPAS) | Letter of Credit-LC (Sight/Deferred/UPAS) | Letter of Credit-LC (Sight/Deferred) | N/A |
| Purpose | Cash Credit (CC) (Hypo): To procure industrial raw materials and commercial items from local sources. | Cash Credit (CC) (Hypo): To procure industrial raw materials and commercial items from local sources. | Cash Credit (CC) (Hypo): To procure industrial raw materials and commercial items from local sources. | Cash Credit (CC) (Hypo): To procure industrial raw materials and commercial items from local sources. | N/A |

| | | | | | |
|----------------|--|--|--|---|-----|
| | Loan against trust receipt (LTR): To retire the import bills under the L/Cs only issued from MTB counter. | Loan against trust receipt (LTR): To retire the import bills under the L/Cs only issued from MTB counter. | Loan against trust receipt (LTR): To retire the import bills under the L/Cs only issued from MTB counter. | Loan against trust receipt (LTR): To retire the import bills under the L/Cs only issued from MTB counter. | N/A |
| | N/A | N/A | Short Term Loan: For local procurement and to facilitate short term financial requirement. | Short Term Loan/ SOD: For payment of customs duty/taxes/VAT to clear the goods from port of discharge imported under the approved L/Cs issued from MTB counter at the request of the borrower. | N/A |
| Purpose | BG: To facilitate Star Ceramics Limited to furnish bid bond/performance guarantee in different agencies say, Titas Gas, Customs authority etc. relating to business requirement of Star Ceramics Limited. | BG: To facilitate Star Ceramics Limited to furnish bid bond/performance guarantee in different agencies say, Titas Gas, Customs authority etc. relating to business requirement of Star Ceramics Limited. | BG: To facilitate Star Ceramics Limited to furnish bid bond/performance guarantee in different agencies say, Titas Gas, Customs authority etc. relating to business requirement of Star Ceramics Limited. | BG: To facilitate Star Ceramics Limited to furnish bid bond/performance guarantee in different agencies say, Titas Gas, Customs authority etc. relating to business requirement of Star Ceramics Limited. | N/A |
| | LC (Sight/deferred (180/360) days)/UPAS) : To import industrial raw materials, capital machinery, spare parts or any item related to the business of Star Ceramics Limited and commercial items from abroad/local sources. | LC (Sight/ Deferred/ UPAS) : To import industrial raw materials, capital machinery, spare parts or any item related to the business of Star Ceramics Limited and commercial items from abroad/local sources. | LC (Sight/ Deferred/ UPAS) : To import industrial raw materials, capital machinery, spare parts or any item related to the business of Star Ceramics Limited and commercial items from abroad/local sources. | LC (Sight/ Deferred): To import industrial raw materials, capital machinery, spare parts or any item related to the business of Star Ceramics Limited and commercial items from abroad/local sources. | N/A |
| Facility limit | 730,000,000 | 730,000,000 | 1,030,000,000 | 680,000,000 | N/A |
| Interest rates | LATR: 9.00% p.a. | LATR: 11.75%-10.75% p.a. | LATR: 13.75%-11.75% p.a. | LATR: 14.75%-13.75% p.a. | N/A |
| | Cash credit (Hypo): 9.00% p.a. | Cash credit (Hypo): 11.75%-10.75% p.a. | Cash credit (Hypo): 13.75%-11.75% p.a. | Cash credit (Hypo): 14.75%-13.75% p.a. | N/A |
| | N/A | N/A | Short Term Loan: 11.00% p.a. | Short Term Loan/SOD: 14.75%-13.75% p.a. | N/A |
| | LC Commission: 0.25% p.q. for first quarter or part thereof and 0.20% for each subsequent quarter. | LC Commission: 0.25% p.q. for first quarter or part thereof and 0.20% for each subsequent quarter. | LC Commission: 0.25% p.q. for first quarter or part thereof and 0.20% for each subsequent quarter. | LC Commission: 0.25% p.q. for first quarter or part thereof and 0.20% for each subsequent quarter. | N/A |
| | BG Commission: 0.25% p.q. | BG Commission: 0.25% p.q. | BG Commission: 0.25% p.q. | BG Commission: 0.25% p.q. | N/A |
| Repayment | Cash Credit(Hypo): 31 December 2017. | Cash Credit(Hypo): 31 December 2016. | Cash Credit(Hypo): 31 December 2015. | Cash Credit(Hypo): 31 December 2014. | N/A |
| | Loan against trust receipt (LATR): 31 December 2017. | Loan against trust receipt (LATR): 31 December 2016. | Loan against trust receipt (LATR): 31 December 2015. | Loan against trust receipt (LATR): 31 December 2014. | N/A |
| | N/A | N/A | Short Term Loan: 120 days from the date of availing. | Short Term Loan/SOD: Before the maturity date of respective SOD. | N/A |
| | LTR-UPAS/SLC: Maximum 150 days from the date of creation. | LTR-SLC: Maximum 150 days from the date of creation. | LTR-SLC: Maximum 150 days from the date of creation. | LTR-SLC: Maximum 150 days from the date of creation. | N/A |

| Securities | | | | | |
|--------------------------|--|--|--|--|-----|
| Status of Assets charged | Securities for the facilities are as follows: | Securities for the facilities are as follows: | Securities for the facilities are as follows: | Securities for the facilities are as follows: | N/A |
| | i) Pari-passu charge (Registered Hypothecation) over imported items to be stored in Star Ceramics Limited godown located at Factory duly insured with bank clause covering all possible risks at Star Ceramics Limited own cost. | i) Pari-passu charge (Registered Hypothecation) over imported items to be stored in Star Ceramics Limited godown located at Factory duly insured with bank clause covering all possible risks at Star Ceramics Limited own cost. | i) Pari-passu charge (Registered Hypothecation) over imported items to be stored in Star Ceramics Limited godown located at Factory duly insured with bank clause covering all possible risks at Star Ceramics Limited own cost. | i) Pari-passu charge (Registered Hypothecation) over imported items to be stored in Star Ceramics Limited godown located at Factory duly insured with bank clause covering all possible risks at Star Ceramics Limited own cost. | N/A |
| | ii) Pari-passu charge on floating assets including book debts of Star Ceramics Limited. | ii) Pari-passu charge on floating assets including book debts of Star Ceramics Limited. | ii) Pari-passu charge on floating assets including book debts of Star Ceramics Limited. | ii) Pari-passu charge on floating assets including book debts of Star Ceramics Limited. | N/A |
| Other securities | i) Personal guarantee of all (local) directors of the company. | i) Personal guarantee of all (local) directors of the company. | i) Personal guarantee of all (local) directors of the company. | i) Personal guarantee of all (local) directors of the company. | N/A |
| | ii) LC margin and lien on shipping documents. | ii) LC margin and lien on shipping documents. | ii) LC margin and lien on shipping documents. | ii) LC margin and lien on shipping documents. | N/A |
| | iii) BG margin. | iii) BG margin. | iii) BG margin. | iii) BG margin. | N/A |
| | iv) Deferred note, Trust Receipt and other usual charge documents. | iv) Deferred note, Trust Receipt and other usual charge documents. | iv) Deferred note, Trust Receipt and other usual charge documents. | iv) Deferred note, Trust Receipt and other usual charge documents. | N/A |
| | v) Counter guarantee as executed by the principal debtor for 100% guarantee value. | v) Counter guarantee as executed by the principal debtor for 100% guarantee value. | v) Counter guarantee as executed by the principal debtor for 100% guarantee value. | v) Counter guarantee as executed by the principal debtor for 100% guarantee value. | N/A |
| | vi) Post dated cheque covering total loan amount. | vi) Post dated cheque covering total loan amount. | vi) Post dated cheque covering total loan amount. | vi) Post dated cheque covering total loan amount. | N/A |

| Name of lender: Trust Bank Limited | | | | | |
|------------------------------------|--|--|--|--|-----|
| Principal terms: | | | | | |
| Nature of facility | Revolving Cash Credit (CC) (Hypo) | Revolving Cash Credit (CC) (Hypo) | Revolving Cash Credit (CC) (Hypo) | Revolving Cash Credit (CC) (Hypo) | N/A |
| | Revolving Loan Against Trust Receipt (LTR) | Revolving Loan Against Trust Receipt (LTR) | Revolving Loan Against Trust Receipt (LTR) | Revolving Loan Against Trust Receipt (LTR) | N/A |
| | Revolving Letter of Credit (LC) | Revolving Letter of Credit (LC) | Revolving Letter of Credit (LC) | Revolving Letter of Credit (LC) | N/A |
| Purpose | Revolving Cash Credit (Hypo): For working capital purposes to meet salary, promotional expenses, utility bills, and advance payments to various local suppliers in Star Ceramics Limited ceramic tiles and sanitary-ware manufacturing industry. | Revolving Cash Credit (Hypo): For working capital purposes to meet salary, promotional expenses, utility bills, and advance payments to various local suppliers in Star Ceramics Limited ceramic tiles and sanitary-ware manufacturing industry. | Revolving Cash Credit (Hypo): For working capital purposes to meet salary, promotional expenses, utility bills, and advance payments to various local suppliers in Star Ceramics Limited ceramic tiles and sanitary-ware manufacturing industry. | Revolving Cash Credit (Hypo): For working capital purposes to meet salary, promotional expenses, utility bills, and advance payments to various local suppliers in Star Ceramics Limited ceramic tiles and sanitary-ware manufacturing industry. | N/A |

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|-----------------------|---|---|---|---|-----|
| Purpose | Revolving LTR: To retire the import documents against LC to be opened to import raw materials, spare parts, accessories & packing materials under facility of revolving LC. | Revolving LTR: To retire the shipping documents against sight LC to be opened to import raw materials under facility of revolving LC. | Revolving LTR: To retire the shipping documents against sight LC to be opened to import raw materials under facility of revolving LC. | Revolving LTR: To retire the shipping documents against sight LC to be opened to import raw materials under facility of revolving LC. | N/A |
| | Revolving Letter of Credit: To import/procure to import raw materials, spare parts, accessories & packing materials for Star Ceramics tiles and sanitary-ware manufacturing industry. | Revolving Letter of Credit: To import/procure to import raw materials, spare parts, accessories & packing materials for Star Ceramics tiles and sanitary-ware manufacturing industry. | Revolving Letter of Credit: To import/procure to import raw materials, spare parts, accessories & packing materials for Star Ceramics tiles and sanitary-ware manufacturing industry. | Revolving Letter of Credit: To import/procure raw materials for producing Ceramic tiles and sanitary-ware for Star Ceramics tiles and sanitary-ware manufacturing industry. | N/A |
| Facility limit | 600,000,000 | 600,000,000 | 600,000,000 | 600,000,000 | N/A |
| Interest rates | LTR: 10.50%-9.00% p.a. | LTR: 11.25%-10.50% p.a. | LTR: 13.00%-11.25% p.a. | LTR: 13.75%-13% p.a. | N/A |
| | Cash credit (Hypo): 10.50%-9.00% p.a. | Cash credit (Hypo): 11.25%-10.50% p.a. | Cash credit (Hypo): 13.00%-11.25% p.a. | Cash credit (Hypo): 13.75%-13.00% p.a. | N/A |
| | LC Commission: 0.25% p.q. first quarter and 0.20% for each subsequent quarters. | LC Commission: 0.25% p.q. first quarter and 0.20% for each subsequent quarters. | LC Commission: 0.25% p.q. first quarter and 0.20% for each subsequent quarters. | LC Commission: 0.25% p.q. first quarter and 0.20% for each subsequent quarters. | N/A |

| | | | | | |
|------------------|--|--|--|--|-----|
| Repayment | Cash Credit (Hypo): 01 May 2018. | Cash Credit (Hypo): 01 May 2017. | Cash Credit (Hypo): 01 May 2016. | Cash Credit (Hypo): 31 March 2015. | N/A |
| | Loan against trust receipt (LATR): 01 May 2018. | Loan against trust receipt (LATR): 01 May 2017. | Loan against trust receipt (LATR): 01 May 2016. | Loan against trust receipt (LATR): 31 March 2015. | N/A |
| | LTR-SLC: Maximum 180 days from the date of creation. | LTR-SLC: Maximum 180 days from the date of creation. | LTR-SLC: Maximum 180 days from the date of creation. | LTR-SLC: Maximum 180 days from the date of creation. | N/A |

| | | | | | |
|---------------------------------|---|--|--|---|-----|
| Securities | | | | | |
| Status of Assets charged | Securities for the facilities are as follows: | Securities for the facilities are as follows: | Securities for the facilities are as follows: | Securities for the facilities are as follows: | N/A |
| | i) First raking charge with RJSC by way of hypothecation over the floating assets (present and future) of the company on pari passu security sharing basis with the working capital facility lenders. | i) First raking charge by way of hypothecation over the floating assets (present and future) of the company on pari passu security sharing basis with the working capital facility lenders. | i) First raking charge by way of hypothecation over the floating assets (present and future) of the company on pari passu security sharing basis with the working capital facility lenders. | i) First raking charge by way of hypothecation over the floating assets (present and future) of the company on pari passu security sharing basis with the working capital facility lenders. | N/A |
| | N/A | ii) First ranking charge by way of registered mortgage over project land & building (present and future) of Star Ceramics Limited on pari-passu security sharing basis with other lender, with RJSC & F. | ii) First ranking charge by way of registered mortgage over project land & building (present and future) of Star Ceramics Limited on pari-passu security sharing basis with other lender, with RJSC & F. | N/A | N/A |
| | N/A | iii) Pari-passu first charge with IGPA by way of hypothecation over fixed assets including machinery, furniture, fixture, equipment and all other fixed assets (present and future) of the project. | iii) Pari-passu first charge with IGPA by way of hypothecation over fixed assets including machinery, furniture, fixture, equipment and all other fixed assets (present and future) of the project. | N/A | N/A |

| | | | | | |
|------------------|--|---|---|--|-----|
| Other securities | N/A | iv) Hypothecation of raw materials, goods in process and finished goods stored/ to be stored from time to time with notarized IGPA to sell the hypothecated stocks duly insured under bank's mortgage clause. | iv) Hypothecation of raw materials, goods in process and finished goods stored/ to be stored from time to time with notarized IGPA to sell the hypothecated stocks duly insured under bank's mortgage clause. | ii) Hypothecation of raw materials, goods in process and finished goods with notarized IGPA to sell the hypothecated stocks duly insured under bank's mortgage clause. | N/A |
| | i) Personal guarantee of all the local directors of Star Ceramics Limited. | i) Personal guarantee of all the local directors of Star Ceramics Limited. | i) Personal guarantee of all the local directors of Star Ceramics Limited. | i) Personal guarantee of all the local directors of Star Ceramics Limited. | N/A |
| | ii) Undated/Post dated cheque covering full facility amount. | ii) Undated cheque covering full facility amount with a letter of authorization to insert date. | ii) Undated cheque covering full facility amount with a letter of authorization to insert date. | ii) Undated cheque covering full facility amount with a letter of authorization to insert date. | N/A |
| | N/A | N/A | iii) 5% cash margin for L/C and 10% cash margin (under syndication facility). | iii) 5% cash margin for L/C. | N/A |
| | iv) Standard set of charge documents. | iv) Standard set of charge documents. | iv) Standard set of charge documents. | iv) Standard set of charge documents. | N/A |

| Particulars | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|------|------|------|------|
| Name of lender: Midland Bank Limited | | | | | |
| Principal terms: | | | | | |
| Nature of facility | Overdraft | N/A | N/A | N/A | N/A |
| | Loan Against Trust Receipt (LTR) | N/A | N/A | N/A | N/A |
| | One off Time Loan | N/A | N/A | N/A | N/A |
| | Letter of Credit (LC) (Sight/Deferred/ UPAS) | N/A | N/A | N/A | N/A |
| Purpose | Overdraft: To meet working capital requirement and SGA expenses for payment of duty & taxes | N/A | N/A | N/A | N/A |
| | Loan against trust receipt (LATR) : For adjustment of L/C liabilities against sight L/Cs opened through MDB. | N/A | N/A | N/A | N/A |
| | One off Time Loan: To offset high cost liabilities of the customer with other banks. | N/A | N/A | N/A | N/A |
| | LC (Sight/ Deferred/ UPAS): To import raw materials, spare parts, and other business related items. | N/A | N/A | N/A | N/A |
| Facility limit | 900,000,000 | N/A | N/A | N/A | N/A |
| Interest rates | LATR: 9.25%-8.75% p.a. | N/A | N/A | N/A | N/A |
| | Overdraft: 9.25%-9% p.a. | N/A | N/A | N/A | N/A |
| | One off Time Loan: 8.75% p.a. | N/A | N/A | N/A | N/A |
| | LC Commission: 0.15% p.q. | N/A | N/A | N/A | N/A |
| Repayment | Overdraft: 28 February 2018 | N/A | N/A | N/A | N/A |
| | Loan against trust receipt (LTR): 28 February 2018 | N/A | N/A | N/A | N/A |
| Repayment | One off Time Loan: 180 days from the date of disbursement. | N/A | N/A | N/A | N/A |
| | LATR-UPAS: Maximum 180 days from the date of creation. | N/A | N/A | N/A | N/A |
| Securities | | | | | |
| Status of Assets charged | Securities for the facilities are as follows: | N/A | N/A | N/A | N/A |
| | i) Title to goods | N/A | N/A | N/A | N/A |
| | ii) First raking pari-passu charge registered with RJSC with other lenders on floating assets of Star Ceramics Limited. | N/A | N/A | N/A | N/A |
| | iii) Simple hypothecation on fixed and floating assets of Star Ceramics Limited. | N/A | N/A | N/A | N/A |
| Other securities | i) Personal guarantee of Syed A.K. Anwaruzzaman, Managing Director | N/A | N/A | N/A | N/A |
| | ii) Personal guarantee of Engr. Syeed Ahmed, Director | | | | |
| | iii) Undated cheque covering debt with memorandum of deposit of cheque. | N/A | N/A | N/A | N/A |
| | iv) DP note and other standard charge documents. | N/A | N/A | N/A | N/A |

| | | | | | |
|---|---|-----|-----|-----|-----|
| Name of lender: United Commercial Bank Limited | | | | | |
| Principal terms: | | | | | |
| Nature of facility | Loan of Trust Receipt (LTR) | N/A | N/A | N/A | N/A |
| | Time Loan | N/A | N/A | N/A | N/A |
| | Letter of Credit (SLC/ULC/UPAS) | N/A | N/A | N/A | N/A |
| Purpose | LTR: To retire SLC and ULC related documents. | N/A | N/A | N/A | N/A |
| | Time Loan: To meet working capital requirement. | N/A | N/A | N/A | N/A |
| | LC(SLC/ULC/UPAS): To procure of raw materials, packing materials, other materials, spare parts & accessories for own utilization. | N/A | N/A | N/A | N/A |
| Facility limit | 650,000,000 | N/A | N/A | N/A | N/A |
| Interest rates | LTR: 8.50% p.a. | N/A | N/A | N/A | N/A |
| | Time Loan: 7.50% p.a. | N/A | N/A | N/A | N/A |
| | LC Commission: 0.20% p.q. | N/A | N/A | N/A | N/A |
| Repayment | Loan against trust receipt (LATR): 31 March 2018 | N/A | N/A | N/A | N/A |
| | Time Loan: Maximum 180 days from the date of disbursement. | N/A | N/A | N/A | N/A |
| | LTR-UPAS: 180 days from the date of creation. | N/A | N/A | N/A | N/A |
| Securities | | | | | |
| Status of Assets charged | Securities for the facilities are as follows: | N/A | N/A | N/A | N/A |
| | i) First ranking pari-passu security sharing agreement to be created with the existing lenders and charge to be created with RJSC&F and floating assets (present and future) of the company. | N/A | N/A | N/A | N/A |
| Other securities | i) Personal guarantee of the local directors & shareholders (S.A.K. Ekramuzzaman, Md. Amir Hossain, Fazle Hasan Akber, Md. Jahirul Reza, Imtiaz Hossain & Md. Mahbubur Rahman) of the company. | N/A | N/A | N/A | N/A |
| | ii) Post dated MICR cheque. | N/A | N/A | N/A | N/A |
| | iii) Fresh usual charge documents duly stamped and filled in. | | | | |
| | iv) Letter of trust receipt. | N/A | N/A | N/A | N/A |
| | v) 5% cash margin for L/C. | N/A | N/A | N/A | N/A |
| | vi) LC related shipping documents. | N/A | N/A | N/A | N/A |
| Name of lender: Dhaka Bank Limited | | | | | |
| Principal terms: | | | | | |
| Nature of facility | Fresh Cash Credit | N/A | N/A | N/A | N/A |
| | Fresh Revolving LTR | N/A | N/A | N/A | N/A |
| | Fresh Revolving Short Term Loan | N/A | N/A | N/A | N/A |
| | Fresh Revolving LC | N/A | N/A | N/A | N/A |
| Purpose | Fresh Cash Credit: To procure raw materials from local sources and also to meet working capital requirement for your factory. | N/A | N/A | N/A | N/A |
| | Fresh Revolving LTR: For retirement of import documents against LC under Facility Fresh revolving LC. | N/A | N/A | N/A | N/A |
| | Fresh Revolving Short Term Loan: To meet working capital requirement for payment of miscellaneous expenses like salaries, wages, overhead expenses & to meet up others contingencies. | N/A | N/A | N/A | N/A |
| | Fresh Revolving LC: To import/procure raw materials, small scale capital machineries, spare parts, accessories for routine replacement, packing materials and other related items to be utilized in tiles and sanitary ware production company. | N/A | N/A | N/A | N/A |
| Facility limit | 750,000,000 | N/A | N/A | N/A | N/A |
| Interest rates | Fresh Revolving LTR : 8.50%-9.50% p.a. | N/A | N/A | N/A | N/A |
| | Fresh Cash Credit: 9.00%-9.50% p.a. | N/A | N/A | N/A | N/A |
| | Short Term Loan: 8.5%-9.50% p.a. | N/A | N/A | N/A | N/A |
| | LC Commission: 0.20% p.q.. and 0.15% for sub. Quarter. | N/A | N/A | N/A | N/A |
| | Acceptance commission 0.10% p.q. | N/A | N/A | N/A | N/A |

| | | | | | |
|---------------------------------|--|-----|-----|-----|-----|
| Repayment | Cash Credit(Hypo): 30 April 2018 | N/A | N/A | N/A | N/A |
| | Fresh Revolving LTR : 30 April 2018 | N/A | N/A | N/A | N/A |
| | Fresh Revolving Short Term Loan: 180 days from the date of its disbursement. | N/A | N/A | N/A | N/A |
| | Fresh Revolving LTR-UPAS: Each LTR will be up to 180 days from the date of creation. | N/A | N/A | N/A | N/A |
| Securities | | | | | |
| Status of Assets charged | Securities for the facilities are as follows: | N/A | N/A | N/A | N/A |
| | i) First ranking pari-passu charge by way of hypothecation on the floating assets of the company with other existing lenders. | N/A | N/A | N/A | N/A |
| Other securities | i) Personal guarantee of Syed A. K. Anwaruzzaman, MD of Star Ceramics Limited and Syed Ahmed, Director of Star Ceramics Limited. | N/A | N/A | N/A | N/A |
| | ii) Undated cheque covering the facility along with authority to insert date. | N/A | N/A | N/A | N/A |
| | ii) Standard charge documents. | N/A | N/A | N/A | N/A |

| | | | | | |
|---|---|-----|-----|-----|-----|
| Name of lender: Uttara Bank Limited | | | | | |
| Principal terms: | | | | | |
| Nature of facility | Cash Credit (Hypo) | N/A | N/A | N/A | N/A |
| | Loan Against Trust Receipt (LTR) | N/A | N/A | N/A | N/A |
| | Letter of Credit (LC) (including PAD) | N/A | N/A | N/A | N/A |
| Purpose | Cash Credit (Hypo): Working capital for smooth running and expansion of the present business. | N/A | N/A | N/A | N/A |
| | LTR: For retirement of import documents against LCs to be opened under the proposed LC (including PAD) limit of Tk 30.00 crore (Thirty crore only). | N/A | N/A | N/A | N/A |
| | LC (including PAD): Import of raw materials for own use from International Market. | N/A | N/A | N/A | N/A |
| Facility limit | 500,000,000 | N/A | N/A | N/A | N/A |
| Interest rates | LTR: 8.00% p.a. | N/A | N/A | N/A | N/A |
| | Cash credit (Hypo): 8.00% p.a. | N/A | N/A | N/A | N/A |
| | LC Commission: 0.20% p.q. | N/A | N/A | N/A | N/A |
| Repayment | Cash Credit (Hypo): 31 July 2018 | N/A | N/A | N/A | N/A |
| | Loan against trust receipt (LTR): 31 July 2018 | N/A | N/A | N/A | N/A |
| | LTR-LC (PAD): Within 180 days from the date of creation. | N/A | N/A | N/A | N/A |
| Securities | | | | | |
| Status of Assets charged | Securities for the facilities are as follows: | N/A | N/A | N/A | N/A |
| | i) First ranking Pari passue sharing. | N/A | N/A | N/A | N/A |
| | ii) First charge on company's (both existing and future) fixed & floating assets to be created with the registrar of Joint Stock Companies & Firms (RJSC). | N/A | N/A | N/A | N/A |
| Other securities | i) Personal guarantee of all directors of the company as per your prayer with personal Net worth, photograph & National ID to be submitted. | N/A | N/A | N/A | N/A |
| | ii) Personal guarantee of S.A.K. Ekramuzzaman, Proprietor of Mohammad Trading with personal net worth, photograph and National ID to be submitted. | N/A | N/A | N/A | N/A |
| Name of lender: Eastern Bank Limited | | | | | |
| Principal terms: | | | | | |
| Nature of facility | Overdraft | N/A | N/A | N/A | N/A |
| | Import Loan | N/A | N/A | N/A | N/A |
| | Demand Loan | N/A | N/A | N/A | N/A |
| | Letter of Guarantee | N/A | N/A | N/A | N/A |
| | Usance Letter of Credit | N/A | N/A | N/A | N/A |
| Purpose | Overdraft : Working capital finance for meeting up the day-to-day factory overhead and operational and administrative expenses for smooth operation of the business/production. | N/A | N/A | N/A | N/A |
| | Import Loan : To adjust the liability of SLC under line usance letter of Credit. | N/A | N/A | N/A | N/A |
| | Demand Loan: For urgent requirement for business operation/ working capital requirement/local procurement of raw materials/for payment of supplementary duty, VAT, tax etc. | N/A | N/A | N/A | N/A |
| | Letter of Guarantee: To issue Bid Bonds and performance bond required by Government bodies of Bangladesh and other corporate buyers for participation of tenders and to customs authority for duty assessment purposes. | N/A | N/A | N/A | N/A |

| | | | | | |
|---|---|-----|-----|-----|-----|
| | Usance Letter of Credit: For import of raw materials, accessories, spare parts etc. & others from local sources and abroad. | N/A | N/A | N/A | N/A |
| Facility limit | 620,000,000 | N/A | N/A | N/A | N/A |
| Interest rates | Import Loan: 8% p.a. | N/A | N/A | N/A | N/A |
| | Overdraft : 8% p.a. | N/A | N/A | N/A | N/A |
| | Demand Loan : 8% p.a. | N/A | N/A | N/A | N/A |
| | LC Commission: 0.15% p.q.. | N/A | N/A | N/A | N/A |
| Repayment | Overdraft : 31 July 2018 | N/A | N/A | N/A | N/A |
| | Import Loan : 31 July 2018 | N/A | N/A | N/A | N/A |
| | Demand Loan: 180 days | N/A | N/A | N/A | N/A |
| | Import Loan : 180 days | N/A | N/A | N/A | N/A |
| Securities | | | | | |
| Status of Assets charged | Securities for the facilities are as follows: | N/A | N/A | N/A | N/A |
| | i) Registered Hypothecation (Pari-passu First charge) over floating assets (present and future) of the company with other lenders of PPSSA. Charge to be created with RJSC for BDT 620,000,000. | N/A | N/A | N/A | N/A |
| | ii) Insurance of Inventory i.e. Raw Materials, Work-in-process & Finished Goods, covering Fire and/or Lightening Risks to be obtained from any EBL nominated Insurance Company. | N/A | N/A | N/A | N/A |
| Other securities | i) Personal guarantee of all the Directors of the Company for BDT 620.00 Million. A) Syed A.K. Anwaruzzaman B) Engr. Syeed Ahmed. | N/A | N/A | N/A | N/A |
| | ii) Standard charge documents as per Bank's format. | N/A | N/A | N/A | N/A |
| | iii) An un-dated cheque supported by Irrevocable Letter of Authority and Memorandum of Deposit of Cheque to be obtained covering 110% of composite limit amount. | N/A | N/A | N/A | N/A |
| Name of lender: NRB Bank Limited | | | | | |
| Principal terms: | | | | | |
| Nature of facility | Overdraft | N/A | N/A | N/A | N/A |
| | Revolving LTR | N/A | N/A | N/A | N/A |
| | Revolving BG | N/A | N/A | N/A | N/A |
| | L/C (Local/Foreign) (Sight/DP/UPAS) | N/A | N/A | N/A | N/A |
| Purpose | Overdraft : To meet overhead expenses of the company. | N/A | N/A | N/A | N/A |
| | LTR Revolving: To retire L/C documents for raw materials, spare parts, accessories, packing materials and other things related to production of the company. | N/A | N/A | N/A | N/A |
| | Revolving BG: To provide Bank Guarantee for utility connections, customs duty, VAT and Other requirements as required. | N/A | N/A | N/A | N/A |
| | LC (Sight/DP/UPAS): To import/procure raw materials (foreign/local), capital machinery, spare parts, accessories, packing materials and others things required for production of the company. | N/A | N/A | N/A | N/A |
| Facility limit | 150,000,000 | N/A | N/A | N/A | N/A |
| Interest rate | Revolving LTR: 9.50% p.a. | N/A | N/A | N/A | N/A |
| | Overdraft : 9.50% p.a. | N/A | N/A | N/A | N/A |
| | LC Commission: 0.20% p.q. | N/A | N/A | N/A | N/A |
| | UPAS Interest rate: Libor+Mark up interest but all-together shall not exceeding 6% p.a. | N/A | N/A | N/A | N/A |
| | BG Commission: 0.20% p.q. | N/A | N/A | N/A | N/A |
| Repayment | Overdraft : 11 April 2018 | N/A | N/A | N/A | N/A |
| | Revolving LTR: 11 April 2018 | N/A | N/A | N/A | N/A |
| | LTR-L/C (Local/Foreign) : LTR should have specific validity not exceeding 150 days from the date of disbursement. | N/A | N/A | N/A | N/A |
| Securities | | | | | |
| Status of Assets charged | Securities for the facilities are as follows: | N/A | N/A | N/A | N/A |
| | i) First ranking charge on pari-passu security sharing basis with other working capital lenders by way of hypothecation over the floating asset (present and Future) of the company registered with RJSC&F. | N/A | N/A | N/A | N/A |
| | ii) Notarized irrevocable general power of attorney to be executed by the customer empowering the bank to sell the hypothecated assets. | N/A | N/A | N/A | N/A |
| Other securities | i) Personal guarantee of all local Directors of Star Ceramics Ltd.. | N/A | N/A | N/A | N/A |
| | ii) Undated cheque covering each limit/facility. | N/A | N/A | N/A | N/A |
| | iii) Relevant charge documents. | N/A | N/A | N/A | N/A |

| Particulars | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|------|------|--|--|--|
| Nature of facility: Syndication Term Loan | | | | | |
| Name of the Issuer: Star Ceramics Limited | | | | | |
| Name of the Arranger: Prime Bank Limited | | | | | |
| Name of Co-Arranger: Mutual Trust Bank Limited | | | | | |
| Principal terms: | | | | | |
| Nature of facility | N/A | N/A | Syndication Term Loan | Syndication Term Loan | Syndication Term Loan |
| Purpose | N/A | N/A | i) Letter of Credit Facility shall be granted to import capital machineries including ancillary infrastructure and equipment for the purpose of setting up the project. | i) Letter of Credit Facility shall be granted to import capital machineries including ancillary infrastructure and equipment for the purpose of setting up the project. | i) Letter of Credit Facility shall be granted to import capital machineries including ancillary infrastructure and equipment for the purpose of setting up the project. |
| | N/A | N/A | ii) Term Loan Facility: Term Loan Facility shall be granted to: a. Retire L/C documents in relation to the L/Cs opened under the Letter of Credit Facility for importation of capital machineries including ancillary infrastructure and equipment for the Project. iii) Procure machinery and equipment from local source. iv) Meet up civil construction cost of the Project | ii) Term Loan Facility: Term Loan Facility shall be granted to: a. Retire L/C documents in relation to the L/Cs opened under the Letter of Credit Facility for importation of capital machineries including ancillary infrastructure and equipment for the Project. iii) Procure machinery and equipment from local source. iv) Meet up civil construction cost of the Project | ii) Term Loan Facility: Term Loan Facility shall be granted to: a. Retire L/C documents in relation to the L/Cs opened under the Letter of Credit Facility for importation of capital machineries including ancillary infrastructure and equipment for the Project. iii) Procure machinery and equipment from local source. iv) Meet up civil construction cost of the Project |
| Facility limits | | | | | |
| Prime Bank Limited | N/A | N/A | 1,615,000,000 | 1,615,000,000 | 1,615,000,000 |
| Mutual Trust Bank Limited | N/A | N/A | 529,130,000 | 529,130,000 | 529,130,000 |
| Trust Bank Limited | N/A | N/A | 488,430,000 | 488,430,000 | 488,430,000 |
| The City Bank Limited | N/A | N/A | 366,320,000 | 366,320,000 | 366,320,000 |
| Mercantile Bank Limited | N/A | N/A | 244,210,000 | 244,210,000 | 244,210,000 |
| NCC Bank Limited | N/A | N/A | 203,510,000 | 203,510,000 | 203,510,000 |
| SABINCO | N/A | N/A | 187,230,000 | 187,230,000 | 187,230,000 |
| Meghna Bank Limited | N/A | N/A | 162,810,000 | 162,810,000 | 162,810,000 |
| One Bank Limited | N/A | N/A | 162,810,000 | 162,810,000 | 162,810,000 |
| Total Limit | N/A | N/A | 3,959,450,000 | 3,959,450,000 | 3,959,450,000 |
| Interest rates | N/A | N/A | Term Loan: 13.50% - 12.50% p.a. | Term Loan: 15.50% - 13.50% p.a. | Term Loan: 15.50% p.a. |
| | N/A | N/A | LC Commission: 0.25% in the first quarter and 0.20% for subsequent quarters. | LC Commission: 0.25% in the first quarter and 0.20% for subsequent quarters. | LC Commission: 0.25% in the first quarter and 0.20% for subsequent quarters. |
| | N/A | N/A | Acceptance commission 0.25% per quarter. | Acceptance commission 0.25% per quarter. | Acceptance commission 0.25% per quarter. |
| Repayment | N/A | N/A | Term loan: Total of 18 (eighteen) equal consecutive quarterly instalments commencing on the last Business Day of the first calendar quarter after the 18th month from the first Drawdown date and thereafter on last day of each quarter. | Term loan: Total of 18 (eighteen) equal consecutive quarterly instalments commencing on the last Business Day of the first calendar quarter after the 18th month from the first Drawdown date and thereafter on last day of each quarter. | Term loan: Total of 18 (eighteen) equal consecutive quarterly instalments commencing on the last Business Day of the first calendar quarter after the 18th month from the first Drawdown date and thereafter on last day of each quarter. |
| Securities | | | | | |
| Status of Assets charged | N/A | N/A | Securities for the facilities are as follows: | Securities for the facilities are as follows: | Securities for the facilities are as follows: |
| | N/A | N/A | i) Registered mortgage over the project land of 2208.50 decimal and all civil construction thereon supported by registered General power of attorney. | i) Registered mortgage over the project land of 2208.50 decimal and all civil construction thereon supported by registered General power of attorney. | i) Registered mortgage over the project land of 2208.50 decimal and all civil construction thereon supported by registered General power of attorney. |

| | | | | | |
|------------------|-----|-----|--|--|--|
| | N/A | N/A | ii) First priority charge, registered with RJSC, by way of hypothecation over all machinery, plant, equipment, furniture, fixture and all other fixed assets, both present and future, of the Borrower along with notarized IGPA to sell the same. | ii) First priority charge, registered with RJSC, by way of hypothecation over all machinery, plant, equipment, furniture, fixture and all other fixed assets, both present and future, of the Borrower along with notarized IGPA to sell the same. | ii) First priority charge, registered with RJSC, by way of hypothecation over all machinery, plant, equipment, furniture, fixture and all other fixed assets, both present and future, of the Borrower along with notarized IGPA to sell the same. |
| | N/A | N/A | iii) Sponsors' undertaking the inject necessary equity funds to finance any cost overrun of the project. | iii) Sponsors' undertaking the inject necessary equity funds to finance any cost overrun of the project. | iii) Sponsors' undertaking the inject necessary equity funds to finance any cost overrun of the project. |
| | N/A | N/A | i) Personal guarantee of all local Directors of the Borrower. | i) Personal guarantee of all local Directors of the Borrower. | i) Personal guarantee of all local Directors of the Borrower. |
| Other securities | N/A | N/A | ii) An on demand promissory notes in favor of all the Lenders and a Letter of Continuity in support of the Promissory Note. | ii) An on demand promissory notes in favor of all the Lenders and a Letter of Continuity in support of the Promissory Note. | ii) An on demand promissory notes in favor of all the Lenders and a Letter of Continuity in support of the Promissory Note. |
| | N/A | N/A | iii) Assignment of insurance policies along with power to collect insurance proceeds. | iii) Assignment of insurance policies along with power to collect insurance proceeds. | iii) Assignment of insurance policies along with power to collect insurance proceeds. |
| | N/A | N/A | | | |

| Particulars | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|---|---|------|------|------|
| Nature of facility: Cumulative Redeemable Preference Shares | | | | | |
| Name of the Issuer: Star Ceramics Limited | | | | | |
| Name of the Arranger: Mutual Trust Bank Limited (MTB) | | | | | |
| Issue Manager: MTB Capital Limited | | | | | |
| Principal terms: | | | | | |
| Nature of facility | Cumulative Redeemable Preference Shares | Cumulative Redeemable Preference Shares | N/A | N/A | N/A |
| Purpose | i) Purchase office building (Tk. 133.98 million) for supporting future expansion of the company | i) Purchase office building (Tk. 133.98 million) for supporting future expansion of the company | N/A | N/A | N/A |
| | ii) Repay high cost debt (Tk. 816.02 million) | ii) Repay high cost debt (Tk. 816.02 million) | N/A | N/A | N/A |
| Facility limit | | | | | |
| Delta Brac Housing Finance Corporation Limited | 50,000,000 | 50,000,000 | N/A | N/A | N/A |
| Industrial Promotion and Development Company of Bangladesh Limited | 75,000,000 | 75,000,000 | N/A | N/A | N/A |
| National Credit and Commerce Bank Limited | 100,000,000 | 100,000,000 | N/A | N/A | N/A |
| NRB Bank Limited | 50,000,000 | 50,000,000 | N/A | N/A | N/A |
| United Finance Limited | 150,000,000 | 150,000,000 | N/A | N/A | N/A |
| Grameen One: Scheme Two | 30,000,000 | 30,000,000 | N/A | N/A | N/A |
| Reliance Insurance Mutual Fund | 10,000,000 | 10,000,000 | N/A | N/A | N/A |
| AIMS of Bangladesh Limited | 20,000,000 | 10,000,000 | N/A | N/A | N/A |
| MTB First Mutual Fund | - | 10,000,000 | N/A | N/A | N/A |
| Prime Bank Limited | 40,000,000 | 40,000,000 | N/A | N/A | N/A |
| Meghna Bank Limited | 70,000,000 | 70,000,000 | N/A | N/A | N/A |
| Standard Bank Limited | 70,000,000 | 70,000,000 | N/A | N/A | N/A |
| Shimanto Bank Limited | 110,000,000 | 110,000,000 | N/A | N/A | N/A |
| Ashok Kumar Saha | 40,000,000 | 40,000,000 | N/A | N/A | N/A |

| | | | | | |
|----------------------|---|---|-----|-----|-----|
| Total Limit | 815,000,000 | 815,000,000 | N/A | N/A | N/A |
| Dividend rate | Dividend Rate: 9.75% per year | Dividend Rate: 9.75% per year | N/A | N/A | N/A |
| Repayment | Tenor: Three (3) years from the date of subscription. | Tenor: Three (3) years from the date of subscription. | N/A | N/A | N/A |
| | Dividend: Half yearly payable in arrears commencing from first Half of Year-1 | Dividend: Half yearly payable in arrears commencing from first Half of Year-1 | N/A | N/A | N/A |
| | Principal: Equal installments commencing at the end of 24 months and 36 months from the date of disbursement. | Principal: Equal installments commencing at the end of 24 months and 36 months from the date of disbursement. | N/A | N/A | N/A |
| Securities | Share retention and put option agreement between the Sponsors of Star Ceramics Limited and the Preference Shareholders. | Share retention and put option agreement between the Sponsors of Star Ceramics Limited and the Preference Shareholders. | N/A | N/A | N/A |

| Particulars | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|------|------|---|------|------|
| Nature of facility: Commercial Paper Note | | | | | |
| Name of the Issuer: Star Ceramics Limited | | | | | |
| Name of the Issuing & Paying Agent: Prime Bank Limited | | | | | |
| Name of the Subscriber: BRAC | | | | | |
| Principal terms: | | | | | |
| Nature of facility | N/A | N/A | Commercial Paper Note | N/A | N/A |
| Purpose | N/A | N/A | Commercial Paper: To meet working capital requirement. | N/A | N/A |
| Facility limit | N/A | N/A | 300,000,000 | N/A | N/A |
| Total Limit | N/A | N/A | 300,000,000 | N/A | N/A |
| Interest rates | N/A | N/A | Commercial Paper (Rate of Interest): 10% p.a. | N/A | N/A |
| Repayment | N/A | N/A | 180 days from the date of issue of the commercial paper. | N/A | N/A |
| Securities | N/A | N/A | Securities for the facilities are as follows: | N/A | N/A |
| | N/A | N/A | i) The Commercial paper shall be secured by a Bank Guarantee to be issued by Prime Bank Limited in favor of the subscriber securing the Principal amount and the aggregate interest payable against each the commercial paper notes. | N/A | N/A |
| | N/A | N/A | ii) In case of failure of the issuer to repay the maturity amount in the maturity date and/or interest on any interest payment date as per the schedule-I of this agreement, the subscriber shall be entitled to encash the Bank Guarantee and once claimed stating the reason of non-payment by the issuer, the Guarantor shall be obliged to make payment as per the terms of the Bank Guarantee to the subscriber for the maturity amount. | N/A | N/A |

This certificate is issued at the request of the management for the purpose of the proposed Initial Public Offering (IPO) under the Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015.

Sd/-

Hoda Vasi Chowdhury & Co
Chartered Accountants

Date: 20 February 2018

(iii) Statement of unsecured loans with terms and conditions;

AUDITORS' CERTIFICATE REGARDING UNSECURED LOANS

Based on our scrutiny of the books of accounts and records as well as relevant financial statements and disclosures thereto of Star Ceramics Limited (the "Company") for the years 2013 to 2017 which have been prepared by management and produced to us for review, we, being the auditors of Star Ceramics Limited for the years 2013 to 2017, certify that the Company did not take any unsecured loans from any company or financial institution or individual.

This certificate is issued at the request of the management for the purpose of proposed Initial Public Offering (IPO) under the Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015.

Date: 20 February 2018

Sd/-
Hoda Vasi Chowdhury & Co
Chartered Accountants

(iv) Statement of inventories showing amount of raw material, packing material, stock-in-process and finished goods, consumable items, store and spares parts, inventory of trading goods etc.;

AUDITORS' CERTIFICATE REGARDING INVENTORIES

We, being the auditors of Star Ceramics Limited (the "Company") for the years 2013 to 2017, certify that the Company has disclosed the following figures in relation to inventories as reflected in the audited financial statements for the years from 2013 to 2017:

(Amount in Taka)

| Particulars | 31-Dec-17 | 31-Dec-16 | 31-Dec-15 | 31-Dec-14 | 31-Dec-13 |
|-----------------------|----------------------|----------------------|----------------------|----------------------|--------------------|
| Raw materials - Tiles | 363,551,731 | 394,779,841 | 620,719,230 | 371,255,166 | 457,033,946 |
| Raw materials - SWD | 67,449,611 | 41,016,947 | 87,054,925 | 73,753,828 | 20,843,150 |
| Work-in-process | 90,785,534 | 80,560,771 | 78,545,240 | 29,926,529 | 3,258,823 |
| Finished goods-Tiles | 571,619,212 | 329,809,054 | 285,491,296 | 538,826,914 | 140,951,477 |
| Finished goods-SWD | 238,857,975 | 186,475,934 | 102,810,283 | 24,456,265 | - |
| Stores and spares | 487,494,164 | 411,652,444 | 382,600,152 | 279,748,914 | 72,096,751 |
| Packing materials | 56,163,223 | 51,559,712 | 51,609,738 | 7,241,895 | 5,904,376 |
| Goods in transit | 176,001,058 | 175,077,869 | 77,151,840 | 127,965,627 | 101,133,829 |
| Total | 2,051,922,508 | 1,670,932,572 | 1,685,982,704 | 1,453,175,138 | 801,222,352 |

This certificate is issued at the request of the management for the purpose of proposed Initial Public Offering (IPO) under the Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015.

Date: 20 February 2018

Sd/-
Hoda Vasi Chowdhury & Co
Chartered Accountants

(v) Statement of trade receivables showing receivable from related party and connected persons;

AUDITORS' CERTIFICATE REGARDING TRADE RECEIVABLE

Based on our scrutiny of the books of accounts and records as well as relevant financial statements and disclosures thereto of Star Ceramics Limited (the "Company") for the years 2013 to 2017 which have been prepared by management and produced to us for review, we, being the auditors of Star Ceramics Limited for the years 2013 to 2017, certify that the Company had following amount of trade receivables including receivables from related parties or connected for the years from 2013 to 2017:

| (Amount in Taka) | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Particulars | 31-Dec-17 | 31-Dec-16 | 31-Dec-15 | 31-Dec-14 | 31-Dec-13 |
| Trade receivable (other than receivable from related parties) | 159,932,119 | 110,014,708 | 71,573,936 | 51,545,128 | 20,178,859 |
| Related parties | | | | | |
| Mohammed Trading | 229,490,364 | 85,217,656 | 83,147,592 | 114,442,963 | 92,621,326 |
| Palli Enterprise International | - | 34,755,152 | 28,506,807 | 18,623,887 | 12,808,417 |
| Ipsheta Trade | - | 23,767,409 | 14,966,915 | 24,668,175 | 12,112,295 |
| Future Trading | - | 47,158,905 | 169,551,662 | 147,131,194 | 3,648,098 |
| Term Trading | 36,042,647 | 30,072,985 | 21,416,022 | 6,650,787 | - |
| Rakeen Development Company (BD.) Ltd. | 44,618,138 | - | - | - | - |
| Star Porcelain Pvt. Ltd. | 1,038,970 | 1,038,970 | 1,038,970 | 495,321 | - |
| Grand total | 471,122,238 | 332,025,785 | 390,201,904 | 363,557,455 | 141,368,995 |

This certificate is issued at the request of the management for the purpose of proposed Initial Public Offering (IPO) under the Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015.

Date: 20 February 2018

Sd/-
Hoda Vasi Chowdhury & Co
Chartered accountants

(vi) Statement of any loan given by the issuer including loans to related party or connected persons with rate of interest and interest realized or accrued;

AUDITORS' CERTIFICATE REGARDING LOAN GIVEN BY THE ISSUER

Based on our scrutiny of the books of accounts and records as well as relevant financial statements and disclosures thereto of Star Ceramics Limited (the "Company") for the years 2013 to 2017 which have been prepared by management and produced to us for review, we, being the auditors of Star Ceramics Limited for the years 2013 to 2017, certify that the Company had not given any loan to any company, individual or related party.

This certificate is issued at the request of the management for the purpose of proposed Initial Public Offering (IPO) under the Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015.

Date: 20 February 2018

Sd/-
Hoda Vasi Chowdhury & Co
Chartered Accountants

(vii) Statement of other income showing interest income, dividend income, discount received, other non operating income;

AUDITORS' CERTIFICATE REGARDING OTHER INCOME

Based on our scrutiny of the books of accounts and records as well as relevant financial statements and disclosures thereto of Star Ceramics Limited (the "Company") for the years 2013 to 2017 which have been prepared by management and produced to us for review, we, being the auditors of Star Ceramics Limited for the years 2013 to 2017, certify that the Company had the following other income for the years from 2013 to 2017:

| (Amount in Taka) | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|
| Particulars | 31/Dec/17 | 31/Dec/16 | 31/Dec/15 | 31/Dec/14 | 31/Dec/13 |
| Interest income | 267,596 | 666,248 | 773,504 | 907,958 | 6,291,039 |
| Scrap sales | 3,346,734 | 3,253,367 | 2,728,850 | 3,479,626 | 1,015,995 |
| Damage charges | - | - | - | - | 358,179 |
| Other charges | 455,793 | 530,828 | 1,444,677 | 1,331,155 | 238,382 |
| Other income | - | - | - | 30,000 | 700,000 |
| Gain on sale of assets | - | 45,690 | 23,876 | - | - |
| Revaluation loss | (734,564) | - | - | - | - |
| Other income as disclosed in the audited financial statements | 3,335,559 | 4,496,133 | 4,970,907 | 5,748,739 | 8,603,595 |

This certificate is issued at the request of the management for the purpose of proposed Initial Public Offering (IPO) under the Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015.

Sd/-

Hoda Vasi Chowdhury & Co

Chartered Accountants

Date: 20 February 2018

(viii) Statement of turnover showing separately in cash and through banking channel;

AUDITORS' CERTIFICATE REGARDING TURNOVER

We, being the auditors of Star Ceramics Limited (the "Company") for the years 2013 to 2017, after due verification of the statement of turnover prepared and produced to us by management, we certify that the Company has disclosed the following figures in relation to sales as reflected in the audited financial statements for the years from 2013 to 2017:

| (Amount in Taka) | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Particulars | 31-Dec-17 | 31-Dec-16 | 31-Dec-15 | 31-Dec-14 | 31-Dec-13 |
| In cash | 36,844,608 | 52,871,333 | 56,791,673 | 25,016,795 | 38,949,711 |
| Through banking channel | 4,466,691,969 | 4,395,214,606 | 4,136,311,298 | 2,783,819,684 | 1,513,748,130 |
| Adjustment (dealer & breakage commissions, dealer incentives, payable adj, transport, etc.) | 322,397,104 | 341,263,056 | 268,712,695 | 193,248,183 | 101,770,969 |
| Credit Sales | 149,585,566 | (31,078,464) | (12,620,530) | 222,191,131 | 134,590,178 |
| Total sales | 4,975,519,247 | 4,758,270,531 | 4,449,195,136 | 3,224,275,793 | 1,789,058,988 |

We also confirm that Star Ceramics Limited provides its goods to dealers on account of breakage commissions, dealers commission and incentives payable to them.

This certificate is issued at the request of the management for the purpose of proposed Initial Public Offering (IPO) under the Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015.

Sd/-

Hoda Vasi Chowdhury & Co

Chartered Accountants

Date: 20 February 2018

(ix) Statement of related party transaction;

AUDITORS' CERTIFICATE REGARDING RELATED PARTY TRANSACTIONS

Based on our scrutiny of the books of accounts and records as well as relevant financial statements and disclosures thereto of Star Ceramics Limited (the "Company") for the years 2013 to 2017 which have been prepared by management and produced to us for review, we, being the auditors of Star Ceramics Limited for the years 2013 to 2017, certify that the Company entered into the following transactions during the last five years with entities and persons who fall into certain category as listed below:

- (i) Any director or sponsor or executive officer of the issuer;
- (ii) Any person holding 5% or more of the outstanding shares of the issuer; and
- (iii) Any related party or connected person of any of the above persons.

(Amount in Taka)

| Name of Related Parties | Relationship | Nature of transactions | 31/Dec/2017 | | 31/Dec/2016 | | 31/Dec/2015 | |
|---------------------------------------|-------------------------|-------------------------|--------------------------------|-------------------------------|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | | | Transactions during the period | Closing receivable/ (payable) | Transactions during the period | Closing receivable/ (payable) | Transactions during the period | Closing receivable/ (payable) |
| Kea Printing & Packaging Industries | Common shareholder | Purchase of Goods | 1,810,812 | (208,515) | 116,649,561 | (5,497,702) | 125,226,831 | (51,098,597) |
| Green Planet Communications Pvt. Ltd. | Common shareholder | Purchase of services | 20,220,396 | (3,774,643) | 18,957,370 | (1,054,247) | 12,627,233 | (1,043,829) |
| Sky Bird Travel Agents (Pvt) Ltd. | Common shareholder | Purchase of services | 2,109,063 | (150,862) | 1,270,535 | (92,848) | 3,144,051 | (372,313) |
| Rak Paints Pvt. Limited | Common shareholder | Purchase of goods | 578,673 | (14,194) | 220,654 | (93,453) | 577,568 | (54,464) |
| Rak Security & Services Pvt. Ltd. | Common shareholder | Purchase of services | 7,955,626 | (1,885,451) | 10,964,184 | (2,455,829) | 32,409,862 | (3,691,645) |
| Mrs. Sylina Jaman Akbar | Relative of Shareholder | Head office rent | 4,427,500 | (345,000) | 4,068,000 | (345,000) | 3,869,500 | (211,856) |
| Pelikan Plastic & Packaging | Common shareholder | Purchase of goods | 159,558,182 | (19,188,019) | 38,488,001 | (17,132,535) | - | - |
| Speedway International Pvt. Ltd. | Common shareholder | Purchase of services | 40,375,584 | (5,669,984) | 21,650,085 | (250,085) | - | - |
| Rakeen Development Company (BD) Ltd. | Common shareholder | Purchase of floor space | 362,260,000 | (132,260,000) | - | 230,000,000 | - | 80,000,000 |
| | | Sale of goods | 115,427,616 | 44,618,137 | - | - | - | - |
| | | Common expense | - | (231,465) | 231,465 | (231,465) | - | - |
| Mohammad Trading | Common shareholder | Sale of goods | 1,434,258,386 | 229,490,364 | 1,267,652,562 | 85,217,656 | 1,232,691,394 | 83,147,592 |
| Palli Enterprise | Common shareholder | Sale of goods | 77,384,468 | - | 175,256,824 | 34,755,152 | 135,901,276 | 28,506,807 |
| Ipsheetta Enterprise | Common shareholder | Sale of goods | 31,802,311 | - | 86,091,869 | 23,767,409 | 66,864,542 | 14,966,915 |
| Future Trading Company | Common shareholder | Sale of goods | 129,464,828 | - | 152,442,285 | 47,158,905 | 297,727,997 | 169,551,662 |
| Term Trading | Common shareholder | Sale of goods | 194,791,434 | 36,042,647 | 193,396,158 | 30,072,985 | 133,593,986 | 21,416,022 |
| Star Porcelain Pvt. Ltd. | Common shareholder | Purchase of goods | 3,881,087 | (1,306,975) | 792,206 | (925,888) | 773,682 | (773,682) |
| | | Sale of goods | - | 1,038,970 | - | 1,038,970 | 1,080,584 | 1,038,970 |
| | | Common expense | (271,746) | (71,974) | (133,046) | (343,720) | 456,966 | (476,766) |

(Amount in Taka)

| Name of related parties | Relationship | Nature of transactions | 31/Dec/2014 | | 31/Dec/2013 | |
|---------------------------------------|-------------------------|-------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| | | | Transactions during the period | Closing receivable/(payable) | Transactions during the period | Closing receivable/(payable) |
| Kea Printing & Packaging Industries | Common shareholder | Purchase of Goods | 96,667,430 | (35,522,709) | 60,247,641 | (27,355,279) |
| Green Planet Communications Pvt. Ltd. | Common shareholder | Purchase of services | 4,038,002 | (1,675,822) | 4,473,706 | (428,540) |
| Sky Bird Travel Agents (Pvt) Ltd. | Common shareholder | Purchase of services | 4,821,778 | (93,050) | 4,941,067 | (90,069) |
| Rak Paints Pvt. Limited | Common shareholder | Purchase of goods | 1,102,654 | (78,243) | 1,102,474 | (77,920) |
| Rak Security & Services Pvt. Ltd. | Common shareholder | Purchase of services | 24,359,052 | (2,831,783) | 14,551,149 | (1,072,731) |
| Mrs. Sylina Jaman Akbar | Relative of Shareholder | Head office rent | 3,324,500 | (599,500) | 2,990,000 | (280,000) |
| Pelikan Plastic & Packaging | Common shareholder | Purchase of goods | - | - | - | - |
| Speedway International Pvt. Ltd. | Common shareholder | Purchase of services | - | - | - | - |
| Rakeen Development Company (BD) Ltd. | Common shareholder | Purchase of floor space | - | 30,000,000 | - | 10,000,000 |
| | | Sale of goods | - | - | - | - |
| | | Common expense | - | - | - | - |
| Mohammad Trading | Common shareholder | Sale of goods | 791,144,469 | 114,442,963 | 593,548,953 | 92,621,326 |
| Palli Enterprise | Common shareholder | Sale of goods | 98,601,461 | 18,623,887 | 30,358,996 | 12,808,417 |
| Ipsheeta Enterprise | Common shareholder | Sale of goods | 103,987,053 | 24,668,175 | 27,746,811 | 12,112,295 |
| Future Trading Company | Common shareholder | Sale of goods | 240,445,324 | 147,131,194 | 13,088,475 | 3,648,098 |
| Term Trading | Common shareholder | Sale of goods | 40,068,762 | 6,650,787 | - | - |
| Star Porcelain Pvt. Ltd. | Common shareholder | Purchase of goods | - | - | - | - |
| | | Sale of goods | 495,321 | 495,321 | - | - |
| | | Common expense | 328,274 | - | - | - |

This certificate is issued at the request of the management for the purpose of proposed Initial Public Offering (IPO) under the Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015.

Date: 20 February 2018

Sd/-
Hoda Vasi Chowdhury & Co
Chartered Accountants

(x) Reconciliation of business income shown in tax return with net income shown in audited financial statements;

AUDITORS' CERTIFICATE REGARDING RECONCILIATION OF BUSINESS INCOME

Based on our review of the audited financial statements and related income tax returns of Star Ceramics Limited (the "Company") which have been prepared by management of the Company and produced to us for our verification, we, being the auditors of Star Ceramics Limited for the years 2013 to 2017, certify that the following reconciliation of business income as shown in income tax returns with income as shown in audited financial statements of the Company during the last five years extracted from those documents and returns:

| Particulars | | 31-Dec-17 | 31-Dec-16 | 31-Dec-15 | 31-Dec-14 | 31-Dec-13 |
|---|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| Net income before tax shown in audited financial Statements | | 280,363,328 | 90,635,680 | 95,667,913 | 181,744,314 | 25,922,440 |
| Add: | Sample expenses as per accounts | - | 6,224,520 | 10,619,348 | 7,903,313 | 8,167,128 |
| | Accounting depreciation | - | 445,856,272 | 417,258,289 | 298,518,392 | 186,350,710 |
| Less: | Sample expenses as per U/R 65/C | - | (4,000,902) | (10,619,348) | (7,903,313) | (7,646,471) |
| | Depreciation as per tax base | - | (610,815,685) | (723,750,925) | (715,836,046) | (429,592,562) |
| | Business loss carry forward | - | - | - | (100,856,645) | - |
| | Unabsorbed depreciation | - | (625,312,287) | (170,898,357) | - | - |
| Net income shown in income tax return | | Not submitted | (697,412,402) | (381,723,080) | (336,429,985) | (216,798,755) |

Income tax return for the year 2017-2018 is yet to be submitted.

This certificate is issued at the request of the management for the purpose of proposed Initial Public Offering (IPO) under the Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015.

Sd/-

Hoda Vasi Chowdhury & Co

Chartered Accountants

Date: 20 February 2018

(xi) Confirmation that all receipts and payments of the issuer above Tk.5,00,000/- (five lac) were made through banking channel;

AUDITORS' CERTIFICATE REGARDING TRANSACTION THROUGH BANKING CHANNEL

The management of the Star Ceramics Limited (the "Company") has prepared and maintained various records including statements and ledgers of cash receipts and payments and produced to us for verification. We have examined those records and documents. We have also inquired the management of major cash transactions and sought information and explanations in this connection where necessary. Based on the documents, accounting books and records, information and explanations given to us, we conclude that the Company did not make cash transactions above Taka 500,000 either receipts or payments made by the Company during the years from 2013 to 2017 except for the cash transactions over Taka 500,000 as per list attached which came to our notice during the review.

This certificate is issued at the request of the management for the purpose of proposed Initial Public Offering (IPO) under the Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015.

List of Cash Receipts and Payments over Taka 500,000

| Date | Purpose | Amount (Taka) |
|------------------------|---------------------------------|-------------------|
| 2017 - Receipts | | |
| 10/06/2017 | For tiles sales | 1,300,000.00 |
| 23/09/2017 | For tiles sales | 970,000.00 |
| 25/11/2017 | For tiles sales | 850,000.00 |
| 16/09/2017 | For tiles sales | 800,000.00 |
| 09/12/2017 | For tiles sales | 680,000.00 |
| 02/02/2017 | For tiles sales | 650,000.00 |
| 09/09/2017 | For tiles sales | 650,000.00 |
| 04/02/2017 | For tiles sales | 600,000.00 |
| 18/03/2017 | For tiles and sanitary sales | 550,000.00 |
| 18/03/2017 | For tiles sales | 545,000.00 |
| 22/07/2017 | For tiles sales | 544,000.00 |
| Total | | 8,139,000 |
| 2017 - Payments | | |
| 10/12/2017 | For business development | 700,000.00 |
| 18/04/2017 | For business promotion | 638,000.00 |
| 30/11/2017 | For registration cost | 576,000.00 |
| Total | | 1,914,000 |
| 2016 - Receipts | | |
| 23/01/2016 | For tiles sales | 600,000 |
| 14/05/2016 | For tiles sales | 920,000 |
| 09/06/2016 | For tiles sales | 1,150,000 |
| 22/06/2016 | For tiles sales | 700,000 |
| 23/06/2016 | For tiles sales | 550,000 |
| 23/06/2016 | For tiles sales | 510,000 |
| 23/07/2016 | For tiles sales | 850,000 |
| 25/08/2016 | For tiles sales | 1,250,000 |
| 08/10/2016 | For tiles sales | 547,167 |
| 22/10/2016 | For tiles sales | 1,650,000 |
| 26/10/2016 | For tiles sales | 870,000 |
| 19/11/2016 | For tiles sales | 750,000 |
| 26/11/2016 | For tiles sales | 800,000 |
| 31/12/2016 | For tiles sales | 535,000 |
| 31/12/2016 | For tiles sales | 1,000,000 |
| Total | | 12,682,167 |
| 2016 - Payments | | |
| 26/06/2016 | For supplementary duty on sales | 1,200,000 |
| 22/09/2016 | For salary payment | 600,000 |
| 17/10/2016 | For business promotion | 603,878 |
| Total | | 2,403,878 |

| Date | Purpose | Amount (Taka) |
|------------------------|-----------------|-------------------|
| 2015 - Receipts | | |
| 05/12/2015 | For tiles sales | 1,100,000.00 |
| 03/05/2015 | For tiles sales | 1,008,812.00 |
| 03/05/2015 | For tiles sales | 860,000.00 |
| 28/11/2015 | For tiles sales | 850,000.00 |
| 05/09/2015 | For tiles sales | 800,000.00 |
| 05/07/2015 | For tiles sales | 763,840.00 |
| 12/07/2015 | For tiles sales | 700,000.00 |
| 19/12/2015 | For tiles sales | 698,500.00 |
| 12/12/2015 | For tiles sales | 649,000.00 |
| 17/01/2015 | For tiles sales | 600,000.00 |
| 28/03/2015 | For tiles sales | 580,000.00 |
| 08/10/2015 | For tiles sales | 575,000.00 |
| 18/04/2015 | For tiles sales | 570,000.00 |
| 31/05/2015 | For tiles sales | 550,000.00 |
| 08/08/2015 | For tiles sales | 527,270.00 |
| 21/03/2015 | For tiles sales | 516,150.00 |
| 19/10/2015 | For tiles sales | 515,000.00 |
| 11/04/2015 | For tiles sales | 503,000.00 |
| Total | | 12,366,572 |

| | | |
|------------------------|------------------|------------------|
| 2015 - Payments | | |
| 06/09/2015 | For VAT on sales | 1,000,000.00 |
| Total | | 1,000,000 |

| | | |
|------------------------|-----------------|------------------|
| 2014 - Receipts | | |
| 30/04/2014 | For tiles sales | 1,000,000.00 |
| 13/09/2014 | For tiles sales | 1,000,000.00 |
| 03/04/2014 | For tiles sales | 687,000.00 |
| 28/09/2014 | For tiles sales | 600,000.00 |
| 27/12/2014 | For tiles sales | 583,460.00 |
| 25/08/2014 | For tiles sales | 540,000.00 |
| 06/12/2014 | For tiles sales | 513,765.00 |
| 13/09/2014 | For tiles sales | 510,620.00 |
| Total | | 5,434,845 |

| | | |
|------------------------|---|------------------|
| 2014 - Payments | | |
| 02/02/2014 | For remuneration | 2,591,905.00 |
| 16/11/2014 | For supplementary duty and VAT on sales | 1,700,000.00 |
| 23/11/2014 | For supplementary duty on sales | 1,500,000.00 |
| 01/12/2014 | For salary | 788,545.00 |
| Total | | 6,580,450 |

| | | |
|------------------------|------------------------------|------------------|
| 2013 - Receipts | | |
| 19/09/2013 | For tiles sales | 1,200,000.00 |
| 21/07/2013 | For tiles sales | 909,000.00 |
| 13/07/2013 | For tiles sales | 839,750.00 |
| 18/07/2013 | For tiles sales | 831,300.00 |
| 24/08/2013 | For tiles sales | 800,000.00 |
| 18/08/2013 | For tiles sales | 622,000.00 |
| 20/08/2013 | For tiles and sanitary sales | 613,200.00 |
| 20/07/2013 | For tiles sales | 611,560.00 |
| 05/12/2013 | For tiles sales | 530,000.00 |
| 05/09/2013 | For tiles and sanitary sales | 523,200.00 |
| 18/11/2013 | For tiles and sanitary sales | 518,500.00 |
| 15/07/2013 | For tiles sales | 512,800.00 |
| 17/08/2013 | For tiles sales | 501,445.00 |
| Total | | 9,012,755 |

| Date | Purpose | Amount (Taka) |
|------------------------|---------------------------------|------------------|
| 2013 - Payments | | |
| 30/04/2013 | For customs duty and C&F bill | 1,000,000.00 |
| 12/05/2013 | For supplementary duty on sales | 1,000,000.00 |
| 19/08/2013 | For supplementary duty on sales | 1,000,000.00 |
| 25/08/2013 | For supplementary duty on sales | 1,000,000.00 |
| 16/03/2013 | For salary | 880,720.00 |
| 26/08/2013 | For salary | 511,125.00 |
| Total | | 5,391,845 |

(xii) Confirmation that Bank Statements of the issuer are in conformity with its books of accounts;

AUDITORS' CERTIFICATE REGARDING CONFORMITY OF BANK STATEMENTS WITH BOOKS OF ACCOUNT

The management of Star Ceramics Limited prepared and maintained accounting books and records, bank reconciliation statements and other relevant documents, and produced those documents to us for our verification. Bank statements given by the banks were also produced to us by the management. Based on our examination of those statements and documents, we, being the auditors of Star Ceramics Limited for the years 2013 to 2017, certify that bank balances of the Company as disclosed in those financial statements are in conformity with the related bank statements.

This certificate is issued at the request of the management for the purpose of proposed Initial Public Offering (IPO) under the Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015.

Sd/-
Hoda Vasi Chowdhury & Co
Chartered Accountants

Date: 20 February 2018

(xiii) Statement of payment status of TAX, VAT and other taxes or duties

AUDITORS' CERTIFICATE ON STATEMENT OF PAYMENT STATUS OF TAX, VAT AND OTHER TAXES/ DUTIES

Based on our scrutiny of related income tax assessment orders, value added tax returns and statement of import prepared and maintained by Star Ceramics Limited (the "Company") and produced to us for verification, we, being the auditors of Star Ceramics Limited for the years 2013 to 2017, certify that the Company has disclosed the following payments of income tax, value added tax (VAT) and other taxes/ duties in those returns/ statements for the years from 2013 to 2017:

| Particulars | 31-Dec-17 | 31-Dec-16 | 31-Dec-15 | 31-Dec-14 | 31-Dec-13 |
|---|----------------------|----------------------|----------------------|--------------------|--------------------|
| Tax | 57,953,719 | 46,261,927 | 46,095,263 | 49,655,099 | 32,267,624 |
| Supplementary Duty (SD) & Value Added Tax (VAT) | 1,154,566,678 | 1,110,111,639 | 1,059,967,207 | 785,553,069 | 392,786,734 |
| Other taxes/ duties | 90,055,470 | 69,686,457 | 70,890,915 | 72,278,719 | 61,329,332 |
| Total | 1,302,575,867 | 1,226,060,023 | 1,176,953,385 | 907,486,887 | 486,383,690 |

In addition to above, as per VAT returns, VAT has been withheld and subsequently deposited/adjusted by the Company for an aggregate amount of Taka 152,007,629, year wise make-up of which is as follows:


| (Amount in Taka) | | | | | |
|------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Particulars | 31-Dec-17 | 31-Dec-16 | 31-Dec-15 | 31-Dec-14 | 31-Dec-13 |
| VAT Deducted at Source | 35,957,994 | 33,414,350 | 35,211,756 | 30,670,220 | 16,753,309 |
| Total | 35,957,994 | 33,414,350 | 35,211,756 | 30,670,220 | 16,753,309 |

This certificate is issued at the request of the management for the purpose of proposed Initial Public Offering (IPO) under the Bangladesh Securities and Exchange Commission (Public Issue) Rules, 2015.

Sd/-
Hoda Vasi Chowdhury & Co
Chartered Accountants

Date: 20 February 2018

SECTION: XXVII CREDIT RATING REPORT



Setting global standard at national level

Credit Rating Report

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Entity Rating
Long Term: A
Short Term: ST-3

Outlook: Stable

**STAR CERAMICS
LIMITED**

ACTIVITY
Ceramic tiles and
sanitary ware
manufacturer

**DATE OF
INCORPORATION**
September 21, 2010

CHAIRMAN
Syed A.K Anwaruzzaman

MANAGING DIRECTOR
Qamar-Uz-Zaman

EQUITY
Tk. 2,349.55 million

TOTAL ASSETS
Tk. 7,604.65 million

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Founder Member, Association of Credit Rating Agencies in Asia (ACRAA), Manila, Philippines
Joint Venture with JCR VIS Credit Rating Company Ltd, Pakistan
www.crisltd.com

CREDIT RATING REPORT On STAR CERAMICS LIMITED

REPORT: RR/18584/18

This is a credit rating report as per the provisions of the Credit Rating Companies Rules 1996. CRISL's entity rating is valid one year for long-term rating and 6 months for short term rating. CRISL's Bank loan rating (blr) is valid one year for long term facilities and up-to 365 days (according to tenure of short term facilities) for short term facilities. After the above periods, these ratings will not carry any validity unless the entity goes for surveillance.

CRISL followed Corporate Rating Methodology published in CRISL website www.crisltd.com

| | | |
|--|---------------------------------------|-------------------|
| Date of Rating: February 27, 2018 | Valid up to: February 26, 2019 | |
| | Long Term | Short Term |
| Entity Rating | A | ST-3 |
| Outlook | Stable | |

1.0 RATIONALE

CRISL has upgraded the Long Term Rating to A (pronounced as single A) and reaffirmed "ST-3" in the Short Term to Star Ceramics Limited (SCL). This has been done on the basis of its audited financials ended on December 31, 2017 and other relevant qualitative and quantitative information up to the date of rating. The above ratings have been assigned after due consideration to its fundamentals such as improving business performance, good infrastructural facilities, experienced management team, good distribution network etc. The above rating is, however constrained, to some extent, by significant loan burden, moderate solvency, moderate profitability etc.

The Long Term rating indicates that entities rated in this category are adjudged to offer adequate safety for timely repayment of financial obligations. This level of rating indicates a corporate entity with an adequate credit profile. Risk factors are more variable and greater in periods of economic stress than those rated in the higher categories. The Short Term rating indicates good certainty of timely repayment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to financial markets is good with small risk factors.

CRISL also placed the entity with "Stable Outlook" considering that the existing fundamentals may remain same in the near future.

2.0 CORPORATE PROFILE

2.1 The Genesis

Star Ceramics Limited, a closely held public limited company has been operating with paid up capital of Tk. 1,502.00 million against the authorized capital of Tk. 3,500.00 million. SCL was established with an objective of manufacturing ceramic products including ceramic tiles and sanitary-ware. The daily production capacity of SCL at present stood at 22,000 square meters (sqm) for ceramic tiles, 1,200 pieces for sanitary-ware. The company also continues its production of resin mould for sanitary items. SCL ensured 86.36 percent capacity utilization in ceramic tiles production and 93.02 percent capacity utilization in sanitary-ware production during 2017. Mr. Syed A.K Anwaruzzaman, a visionary business personality, has been looking after the affair as the Chairman of the company. According to the audited account, the company reported net turnover of Tk. 3,821.98 million during 2017 against which it made net profit of Tk. 206.56 million. The Head Office of the company is located at H# 44, R# 10, Sector# 11, Uttara, Dhaka-1230 and the factory is located at Riaznagar, Baghasura, Hobiganj-3300.

2.2 Ownership Pattern

Some changes have been noticed in the shareholding pattern of the company during the surveillance period. Total number of outstanding shares of the company remained unchanged to 150.20 million as on December 31, 2017. SCL shares are mainly held by the Sponsors, Directors, and foreign institutional shareholder. The composition of updated shareholding position of the company is delineated below:


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| Name | Present | | Previous | |
|--|--------------------|---------------|--------------------|---------------|
| | No. of shares | % of share | No. of shares | % of share |
| Star Bangladesh Holding Limited (SBHL) | 65,337,000 | 43.50 | 65,337,000 | 43.50 |
| Mr. S.A.K Ekramuzzaman | 52,570,000 | 35.00 | 60,080,000 | 40.00 |
| Mr. Qamar-Uz-Zaman | 7,510,000 | 5.00 | - | - |
| Mr. Syed A.K. Anwaruzzaman | 15,020,000 | 10.00 | 15,020,000 | 10.00 |
| Mr. Md. Amir Hossain | 4,506,000 | 3.00 | 4,506,000 | 3.00 |
| Mr. Engr. Syeed Ahmed | 1,502,000 | 1.00 | 1,502,000 | 1.00 |
| Mr. Fazle Hasan Akbar | 1,502,000 | 1.00 | 1,502,000 | 1.00 |
| Mr. Md. Imtiaz Hossain | 751,000 | 0.50 | 751,000 | 0.50 |
| Mr. Md. Jahirul Reza | 751,000 | 0.50 | 751,000 | 0.50 |
| Mr. Md. Mahabubur Rahman | 751,000 | 0.50 | 751,000 | 0.50 |
| Total | 150,200,000 | 100.00 | 150,200,000 | 100.00 |

2.3 Product & Market Position

As mentioned earlier, the company was established with an objective of manufacturing ceramic products including ceramic tiles and sanitary-ware. The company has been continuing its production of ceramic tiles and wall tiles of different sizes and categories including Ceramics, Combination or Geometric design, Non-Skid Floor, Salt & Pepper, Rustic, Gres Porcellanato, and Wall tiles matching with Decors & Borders. During the surveillance period, newly introduced products included wash basin (wall mounted & pedestal), bidet, water closet with tank, urinal, squat toilet, soap holder, towel holder etc. SCL also continues its production of Classic Crystal polished tiles and Nano Crystal Polished tiles. Besides, SCL became the sole manufacturer of Resin Moulds for sanitary items in Bangladesh. Notable competitors in the market are RAK Ceramics Ltd, Great Wall Ceramics Industry Ltd, Mir Ceramics Ltd, Fu-Wang Ceramics Ind. Ltd, China Bangla Ceramics Ltd, Madhumoti Ceramics Ltd, ATI Ceramics Ltd, Akij Ceramics Ltd etc. Although SCL is a newly established company, the company's net turnover has reached to 3,821.98 million in 2017 representing around 17 percent market share in ceramic tiles and sanitary-ware industry (based on turnover). SCL also exported sanitary-ware resin molds to Saudi Arabia and Nigeria worth of Tk. 21.73 million during 2017.

3.0 BUSINESS ANALYSIS
3.1 Infrastructural Facilities:

SCL has been continuing its operation with its State-Of-The-Art fully automated production facilities (SACMI brand) which are situated on 2,738.75 decimals of land. The factory runs on 3 shifts daily having 8 hours in each shift. At present, the company has been running on daily production capacity of 22,000 square meters of ceramics tiles and 1,200 pieces of sanitary-ware. The production plant (Shed) used for manufacturing tiles occupies 46,000 square meters of area. Within the same premise, the production facility (Shed) for its sanitary-ware has been built on 15,500 square meters of area. The stages in production of ceramic tiles include Crashing, Feeding, Grinding, Slip Preparation, Spray drier, Pressing, Drying, Glazing, Firing, and Packaging. At present, SCL has two box feeders with a capacity of 30 MT per loading each. The company has thirteen ball mills each having capacity of 20 MT which can be used 2-3 times a day, thus can produce 780 MT slip / slurry per day. The present capacity of SCL's spray drier is 28 MT / hour. The company also has 4 pressing machines with capacity of 3,020 MT. SCL is also equipped with 2 dryers with capacity of 250 MT, 4 glaze lines with capacity of 7,500 square meters per day, 2 Kilns with capacity of 13,500 square meters each per day, and fully automated packaging facilities. For better tracking of the products, different color packets are used along with details of the production date and inspected person's code on the top of the packet. SCL has also established a production facility for resin moulds which occupies 6,200 square feet of areas along with 1,000 pieces of annual capacity. The company has obtained 0.5 MW electricity line from Habiganj PBS (Pali Bidut Samity) which is used for general electrification and for the running of utility equipments. The company has 5 captive gas-run generators having capacity of 6.09 MW. The company uses two separate gas lines for its captive power plants for burners, and Industrial Utilization. The gas lines have been obtained from Jalalabad Gas Transmission & Distribution System Ltd. The daily treatment capacity of ETP and WTP stood at 35 cubic meters per hour and 500 cubic meters per hour.

Good infrastructural facilities

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3.2 Procurement Strategy

The company has been continuing its production with the same raw materials which are procured from both the local sources and from abroad. The raw materials used in the production of ceramic tiles include Soda Feldspar, Potash Feldspar, Malaysian Clay, Ball Clay / Fire Clay, Silica Sand, Quartz, Zirconium, Red Clay, and Lime Stone. All of these raw materials are procured from Thailand, India, Indonesia, Malaysia, Spain, France, UK, and Italy. Some local raw materials are also used in the ceramic production, which include Keolin, Sodium Silicate, Sherpur Clay, Chatak Clay, and Bijoy Nagar Clay. The packaging materials are also procured locally. The company usually stock 6 months of raw materials which are procured from the abroad and also requires to stock 2 months of raw materials which are procured locally.

3.3 Sales and Distribution

As a new entry in the market, the company is currently selling its products in the local market through distributors mainly targeting the areas like Dhaka, Narayanganj, Faridpur, Mymensingh, Tangail, Kishorganj, Jamalpur, Chittagong, Feni, Comilla, Brahmanbaria, Cox's Bazar, Sylhet etc. During the surveillance period, SCL has increased the number of dealers to 179 from 150 as a part of its market coverage extension strategy. The dealers' commission ranges between 01 percent to 05 percent depending on the performance and relationship with the dealers. Besides, the company has a set of experienced marketing team, who involves with the targeted sales and also participates in government construction projects. The company uses third party transportation services in order to deliver its final products.

3.4 Quality Assurance and Compliance

An independent quality control team has been established in the company for checking the quality of raw materials, slip quality (i.e. Density, Viscosity, and Iron contents), powder quality, and quality of Green tiles (MOR, Thickness, Moisture etc). At the final stage, finished products are checked with some quality standard; finished products are then categorized as 'A' grade, 'B' grade, and Rejection accordingly. Since the company uses fully automated State-Of-The-Art production equipments, the rejection rate at the final stage has been found at only 1.5 percent. Most of the raw materials used by the company are of mineral kinds. Thus, water contamination does not pose as a major threat for the environment. Nevertheless, the company has ETP as well as Water Treatment Plant (WTP) facility running in full-fledge.

4.0 IPO PROCEEDS UTILIZATION

SCL has been planning to go for IPO under book-building method. For this, the company has appointed Rooks Investment Limited and ICB Capital Management Limited as the Issue managers. Total issue size has been set to Tk. 600.00 million. The proceeds from the IPO will be utilized as follows:

| Utilization of IPO fund | Amount Tk. in million |
|----------------------------------|-----------------------|
| Repayment of Bank Loan | 131.00 |
| Expansion of Sanitary-ware plant | 434.00 |
| IPO Expenses (approx.) | 35.00 |
| Total | 600.00 |

5.0 INDUSTRY OVERVIEW

Ceramic industry of Bangladesh is a booming sector and the growth potential of both domestic and foreign market indicates that it may become one of big foreign currency earners for the country. The country's ceramic industry is now in the boom as the sector has grown up around 25 percent during FY2015-16. Bangladesh is perfectly positioned to expand rapidly in this sector with its high quality, cost ratio and creative human resource base. Traditionally, ceramic industry is a labor-intensive sector and companies in developed countries experience difficulties in remaining competitive due to rising labor cost and recent global financial crisis. Bangladesh, being a gas rich, low-labor cost economy and having advanced with 'bone china'

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technology, is perfectly positioned to be a strategic partner in production and supply of ceramic goods. The ceramics industry of Bangladesh consists of different products namely tableware, tiles and sanitary ware. Of the products, ceramic table wares are being exported to about 50 countries including, the US and Canada, tiles to India, Nepal and Bhutan, and sanitary wares to the Middle East, specially the UAE. According to industry insiders, At least 75 percent of the total exports of the products go to Europe, about 15 percent to the US market and remaining 10 percent to other markets.

According to Bangladesh Ceramic Manufacturers & Exporters Association (BCMEA), there are around 62 ceramic manufacturers operating in this industry producing tableware, sanitary ware and tiles; this number is believed to be at around 80 by 2018. At present, total investment (Local & Foreign) in this sector is more than 1 Billion US\$ and this sector employs around 0.5 million workers. Shinepukur, Monno, Bengal Fine, Standard, Peoples and National Ceramic are considered as major players in ceramic tableware market. RAK, Fu Wang, China-Bangla, Madhumoti, ATI, Sunflower, Great Wall, Dhaka-Sanghai and Mir Ceramic are considered as major manufacturers of tiles and sanitary wares. The tableware ceramic industry annually produces 250 million pieces of items, while tiles industry produces 70 million square meters, and sanitary-ware industry produces around 7 million pieces.

According to BCMEA, total local sales of ceramic industry stood at around Tk. 32.00 billion in FY2016-17 in which the majority portion (75.31%) came from the sale of tiles followed by sanitary-ware (13.66%) and tableware (11.02%). According to Export Promotion Bureau (EPB), ceramic exports slightly increased to \$39.14 million in FY2016-17 (July to June) from \$37.69 million in FY2015-16 (July to June). Despite prospective export opportunities, some industry insiders think that Bangladesh ceramic products are likely to face some stiff competition in the international market, especially, in the USA following withdrawal of GSP (Generalized System of Preferences) facilities. Ceramic manufacturers also lamented that they had to lose a portion of the export market as its output witnessed a sharp decline, which resulted from low voltage of electricity, and low gas pressure. The ceramic industry faces stiff challenges from the hike of import duty on raw materials, hike of gas price and electricity price and lack of skilled manpower. Besides, the Government put an embargo on cutting hills in 2007 through a public notification, which stopped the ceramic manufacturers from procuring the raw materials from Mymensingh hills since. As a result, Bangladesh has to import superior quality clay from India and China, putting higher pressure on cost of production. In order to address those problems local manufacturers, urge that the government should ensure uninterrupted power and gas supply and reduce taxes on import of raw materials. Upon the assurance of resolving of those issues, industry experts are expecting a steady growth with a US \$100 million return from exports by 2018 as the global market favors more shipment from Bangladesh.

6.0 CORPORATE GOVERNANCE

6.1 Board of Directors

Some changes have been noticed in the Board of SCL which consists of five members including the Chairman and the Managing Director. The Board is led by Mr. Syed A.K. Anwaruzzaman as the Chairman of the Board with his prudence in the business arena. The company's other Board members include Mr. Qamar-Uz-Zaman, who acts as the Managing Director, Mr. Engr. Syed Ahmed (Director & Nominee of SBHL), Mr. Bernard Gilbert Massaad (Director & Nominee of SBHL), and Ms. Pratima Sarker (Independent Director). The Board mainly reviews the overall activities of the business and gives necessary strategic guidelines for onward policy implementation. The Board conducted 09 meetings during 2017.


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*Experienced
management team*

6.2 Corporate Management

During the surveillance period no changes took place in the company's top level management which is led by very competent and dynamic set of employees under the leadership of Mr. Qamar-Uz-Zaman. A brief description of the top level management is given below:

| Name | Designation | Educational Background | Experience (in years) | Previous working place |
|--------------------------------|-------------------------|---|-----------------------|---|
| Mr. Mohammad Moallimul Islam | CEO | Graduate | 24 | RAK Ceramics (UAE) |
| Mr. Ajay Kumar | CFO | CA | 12 | RAK (Gaoyao) Ceramics Co. Ltd, China |
| Mr. Anjaneyulu Kondamuri | AGM, Production-Tiles | Bachelor's in Ceramic Technology From Indian Institute of Ceramics, Kolkata | 18 | 1. Maiwa Mirage Ceramics, Pune, Maharashtra, (India) 2. Torrecid India Pvt. LTD, Mumbai, (India) 3. Nitco Tiles LTD, Alibaug, Maharashtra (India) |
| Mr. Devi Reddy Srinivasa Reddy | GM, Production-SWD | Diploma in Ceramics (Potteries & Refractories) | 31 | 1. RAK Ceramics (UAE) Ltd. 2. Hindustan Sanitary Ware (India) 3. Universal Ceramics (India) |
| Mr. Mahmudul Hasan Akhand | AGM-HR & Admin | MBA in HRM | 13 | 1. Anwar Group of Industries 2. Viyellatex Group 3. Envoy Group |
| Mr. Abdullah Al Jami | GM- Sales and Marketing | MBA | 27 | RAK Ceramics (BD) Ltd. |
| Mohammad Saiful Islam, ACMA | Head of Internal Audit | ACMA | 11 | BRAC Afghanistan Bank, RAK Group Bangladesh |

6.3 Human Resource Management

The company strives to create an attractive working-environment for its employees. Besides the yearly festival bonus, the employees are enjoying provident fund, gratuity, and Group insurance facilities. During the surveillance period, the total number of employees of the company increased to 712 from 650. The number of casual workers is also increased to 317 from 300 who ensured continuous production cycle. At SCL, average monthly salary of each employee stands at Tk. 25,000 (including both local and foreign employees working in Head Office and Factory).

6.4 Management Information System (MIS)

The company's daily production status, sales, average sales realization, inventory position, fund position and borrowing position are sent by the Chief Financial Officer (CFO) to the Chairman & the Chief Executive Officer (CEO). Monthly financial statements are prepared within 7 days of following month. Accordingly monthly functional review meeting is conducted by Review Committee headed by the CEO. Target Vs Roll over plans and deviations are discussed & time line is defined for corrective/remedial action.

6.5 Internal Control System

SCL formed a four-member Audit Committee (AC) at the near end of 2017 in order to keep the company on track. The AC is headed by Ms. Pratima Sarkar, Independent Director. SCL also appointed Head of Internal Audit as a part of Internal Control and Compliance. The details roles and responsibilities of AC have set forth by the Board of Directors. However, the finance department is under the close supervision of CFO to ensure customized internal control. Stocks and stores work under the control of Finance Division and daily status is sent to Head Office and updated accordingly. Sales orders are issued after the approval from the accounts dept according to credit limit of dealers and daily delivery notes are sent by Stock department. For every advance and purchase, requisitions are raised from respective department, which are proposed by respective department head, checked by CFO and finally approved by the CEO/Managing Director. Daily production status, sales, average sales realization, inventory position, fund position and borrowing position sent by the CFO to CEO.

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7.0 BUSINESS AND FINANCIAL PERFORMANCE ANALYSIS
7.1 Quality of Accounts

The quality of accounts seems to have adequate level of disclosure. While analyzing the financial performance of SCL, CRISL has considered the audited accounts along with other relevant quantitative and qualitative information of the company. Besides, CRISL also applied its own analytical framework and judgment while carrying out the rating task.

7.2 Operational Performance

| Key Indicators | 2017 | 2016 | 2015 |
|---|--------------|--------------|--------------|
| | Jan' to Dec' | Jan' to Dec' | Jan' to Dec' |
| Net Turnover (Tk. in million) | 3,821.98 | 3,650.90 | 3,379.86 |
| COGS (Tk. in million) | 2,528.54 | 2,499.89 | 2,184.24 |
| Gross Profit (Tk. in million) | 1,293.44 | 1,151.01 | 1,195.62 |
| Operating Profit (Tk. in million) | 694.93 | 548.40 | 651.90 |
| Post tax profit (Tk. in million) | 206.56 | 76.04 | 70.10 |
| Cost to Revenue Ratio (%) | 66.16 | 68.47 | 64.63 |
| Admin. Expense to Revenue Ratio (%) | 2.74 | 2.49 | 2.67 |
| Selling & Distribution Exp. to Revenue Ratio (%) | 12.92 | 14.01 | 13.41 |
| Finance Cost to Revenue Ratio (%) | 9.88 | 12.65 | 16.68 |
| Gross Profit Margin (%) | 33.84 | 31.53 | 35.37 |
| Operating Profit Margin (%) | 18.18 | 15.02 | 19.29 |
| Net Profit Margin (%) | 5.40 | 2.08 | 2.07 |
| Return on Average Assets After Tax (ROAA)% | 2.92 | 1.16 | 1.08 |
| Return on Average Equity After Tax (ROAE)% | 10.49 | 4.76 | 4.38 |
| Return on Average Capital Employed After Tax (ROACE)% | 5.56 | 2.13 | 1.77 |
| Earnings Per Share (EPS) | 1.38 | 0.66 | 0.96 |

The overall business performance of the company has been found to be improving in 2017. The net turnover of the company increased to Tk. 3,821.98 million in 2017 from Tk. 3,650.90 million in 2016 registering 4.69% sales growth. Due to increased acceptance of the brand, SCL charged higher markup during 2017. As a result, noticeable growth in gross profit was observed in the same period. The gross profit and net profit of the company stood at Tk. 1,293.44 and Tk. 206.56 million respectively during 2017 which was Tk. 1,151.01 million and Tk. 76.04 million respectively in the previous year.

Due to improved cost efficiency, the profitability of the company was found to be in the improving trend. The operating profit margin improved to 18.18% in 2017 from 15.02% in 2016. Due to lower interest rate, the finance cost noticeably declined to Tk. 377.67 million in 2017 from Tk. 461.66 million in 2016 resulting in improved net profit margin of 5.40% in 2017 which was 2.08% in 2016. The asset utilization of the company remained low in the same period as the company is yet to explore the full potential of the market throughout the country. The ROAA, ROAE and ROACE of the company stood at 2.92%, 10.49%, and 5.56% respectively in 2017.

8.0 CAPITAL STRUCTURE AND SOLVENCY

| Key Indicators | 2017 | 2016 | 2015 |
|---------------------------------------|--------------|--------------|--------------|
| | as of Dec'17 | as of Dec'16 | as of Dec'15 |
| Leverage Ratio (X) | 2.24 | 3.12 | 3.11 |
| Bank Borrowing to Equity (X) | 1.77 | 2.32 | 2.76 |
| Long Term Gearing/Leverage Ratio (X) | 0.66 | 1.22 | 1.26 |
| Short Term Gearing/Leverage Ratio (X) | 1.57 | 1.90 | 1.85 |
| Debt Service Coverage Ratio (X) | 1.08 | 0.81 | 0.90 |
| Interest Coverage Ratio (X) | 1.74 | 1.20 | 1.17 |

SCL is a levered company. Total equity of the company stood at Tk. 2,349.55 million against total liabilities of Tk. 5,255.10 million at the end of 2017 reflecting the leverage ratio of 2.24 times. Due to substantial inventory holding and subsequent short term bank finance, SCL's short term leverage is high. The capital employed of Tk. 3,910.72 million was financed by


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Improving business
performance

Debt based capital
structure

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shareholders' equity and long term loan of 60.08% and 39.92% respectively in 2017. The deficit in net current asset continued to increase and stood at Tk. 769.71 million in 2017.

Analysis revealed that profit generation of the company was moderate to discharge its financial obligations. Both Debt service coverage ratio and interest coverage ratio of the company stood at 1.08 times and 1.74 times respectively in 2017. Furthermore, as the company has noticeable financial burden of Tk. 1,020.73 million (which consists of current portion of long-term loan of Tk. 613.23 million and redemption of principal portion of preference shares valuing Tk. 407.50 million) that needs to be met in 2018, the solvency position of the company also has been found to be at moderate level considering that the company shall continue to grow with present fundamentals.

9.0 LIQUIDITY AND FUND FLOW ANALYSIS


| Key Indicators | 2017 | 2016 | 2015 |
|---|--------------|--------------|--------------|
| | as of Dec'17 | as of Dec'16 | as of Dec'15 |
| Current Ratio (X) | 0.79 | 0.77 | 0.82 |
| Quick Ratio (X) | 0.24 | 0.22 | 0.26 |
| Cash flow from operation (Tk. in million) | 657.29 | 965.12 | 826.95 |
| Cash Conversion Cycle (days) | 193 | 177 | 184 |

Overall liquidity position of the company was found to be average during the surveillance period. The current ratio and quick ratio of SCL stood at 0.79 times and 0.24 times respectively in 2017. However, analysis of cash flow revealed that the cash flow from operation decreased to Tk. 657.29 million during 2017 from Tk. 965.12 million in 2016 due to huge purchase of inventory. In view of business nature, the company needs to keep significant amount of inventory of raw materials. As a result the cash conversion cycle of the company has been found to be long and stood at 193 days in 2017. Fund flow analysis revealed that most of the working capital requirement of the company was financed through bank. Although the cash generation from operation of the company was not sufficient enough to discharge its financial obligations, SCL's financial flexibility has been found to be good to raise funds from different sources.

10.0 CREDIBILITY AND BANKING RELATIONSHIP
10.1 Liability Position

SCL has financial flexibility to avail fund from different local banks in the country and has been maintaining successful banking relationship with all these banks for the last 7 years. A summary picture of outstanding bank loan liabilities of the company is shown in the following table:

| Bank/FIs | Mode | Limit Sanctioned | | Outstanding as on 31/12/2017 | | Classification status |
|------------------|--------------------------|------------------|------------|------------------------------|------------|-----------------------|
| | | Funded | Non-funded | Funded | Non-funded | |
| City Bank Ltd | Term Loan-1 | 1,700 | | 1,192.48 | - | UC |
| | Term Loan-2 | 430 | | 432.99 | | |
| | LC, Accept, LTR, STL, BG | 1,165 | 700 | 529.92 | 16.65 | |
| | OD (inner) | (60) | | 58.19 | | |
| Dhaka Bank Ltd | LC | | 350 | | 12.36 | UC |
| | LTR (inner) | (200) | | 57.86 | | |
| | RSTL | 350 | | 41.29 | | |
| | CC (H) | 50 | | Nil | | |
| Eastern Bank Ltd | LC, Accept, BG, LTR | (285) | 300 | 11.77 | 83.27 | UC |
| | Demand Loan | 300 | | 350 | | |
| | OD | 20 | | Nil | | |
| Midland Bank Ltd | LC | | 300 | | 10.94 | UC |
| | LTR | 250 | | Nil | | |
| | OD | 150 | | 151.82 | | |


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| | | | | | | |
|----------------------------|----------------|--------------|--------------|-----------------|---------------|----|
| Mutual Trust Bank Ltd | LC | | 350 | | Nil | UC |
| | LTR | 200 | | Nil | | |
| | CC (H) | 150 | | Nil | | |
| | BG | | 30 | | 24.83 | |
| NRB Bank Ltd | LC | | 100 | | 2.99 | UC |
| | OD | 50 | | Nil | | |
| | LTR (inner) | (30) | | Nil | | |
| | BG (inner) | | (20) | | Nil | |
| Prime Bank Ltd | LC | | 300 | | 123.72 | UC |
| | LTR, CC (H) | 470 | | 222.11 | | |
| | BG | | 20 | | 16.33 | |
| Trust Bank Ltd | LC | | 300 | | 13.37 | UC |
| | LTR, CC (H) | 300 | | 190.39 | | |
| United Commercial Bank Ltd | LC | | 250 | | 45.70 | UC |
| | LTR | 200 | | 43.53 | | |
| | Time Loan | 200 | | 65.93 | | |
| | Time Loan (Sp) | (200) | | 203.08 | | |
| Uttara Bank Ltd | CC (H) | 200 | | 199.16 | | UC |
| | LC | | 300 | | 72.15 | |
| | LTR | 250 | | Nil | | |
| Total | | 6,435 | 3,300 | 3,750.52 | 422.31 | |

While analyzing the loan repayment history, it was found that the term loan (having sanctioned amount of Tk. 1,700 million) outstanding stood at Tk. 1,192.48 million as on December 31, 2017 which was Tk. 1,715.27 million as on January 31, 2017. Therefore, SCL repaid Tk. 522.79 million during the above period. Total funded & non-funded limit sharply increased to Tk. 7,605 million from Tk. 4,570 million during the above period. Besides, the City Bank Ltd also sanctioned another Term-Loan having sanctioned amount of Tk. 430 million to finance the purchase of 25,340 sq ft floor spaces at Bijoy Rakeen City, Mirpur-15, Dhaka and to finance the construction & decoration of 3 buildings totalling 56,550 sq ft at SCL's factory premise along with the decoration of new Head Office at Rakeen City, and the establishment cost of 4 (four) showrooms.

10.2 Security Arrangement against Bank Exposure

The mode of the security offered under each facility is summarized below:

| Bank/FIs | Security Arrangement |
|-------------------|---|
| City Bank Limited | <ul style="list-style-type: none"> RM with RIGPA over approximate 2,208.50 decimal project land & building of the company located at Mouza: Shahapur, PS: Madhebpur, Dist: Habiganj with RJSC having FSV of Tk. 933.20 million 1st charge by way of hypothecation over fixed assets including machinery, furniture, fixture, equipment and all other fixed assets (present & future) of the project along with NIGPA to be executed by SCL empowering the lender to sell the hypothecated assets Personal Guarantee of all local Directors of the company An Undated cheque covering Term Loan (Tk. 1,700 million) facility amount Charge on benefits under all Insurance policies insuring the relevant movable and immovable assets of the company Subordination Agreement on local shareholders loan Other usual charge documents RM and related 1st charge with RJSC along with RIGPA over 25,340 sq ft commercial spaces with 6,594 decimal undivided and un-demarcated proportionate land located at Bijoy Rakeen City, Plot-1/2, Block-D, Section-15, Mirpur, Dhaka in the name of SCL with RJSC empowering the lender to sell the mortgaged assets An undertaking from the borrower to the effect that the mortgage formalities of the floor spaces (25,340 sq ft) at Rakeen City will be completed within 60 days Separate UDC for each facility or one UDC covering total Term Loan limit (having total sanctioned amount of Tk. 430 million) along with letter of authority to insert date thereon |

**CREDIT RATING REPORT
On
STAR CERAMICS LIMITED**

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|---------------------------|---|
| | <ul style="list-style-type: none"> by the lender Cash margin of 5% for LC limit For Bank Guarantee, 10% cash for close ended; 100% cash for open ended First ranking charge by way of hypothecation over floating assets (present & future) of the company on pari passu security sharing basis with the working capital facility lenders. For enhanced amount, present ranking charge to be created. A notarized IGPA to be executed by the company empowering the lenders to sell the hypothecated assets Separate Undated cheque covering LC, LTR, OD & STL limit against working capital facility with letter of authority to insert date on. |
| Dhaka Bank Limited | <ul style="list-style-type: none"> Cash margin of 5% for LC limit 1st ranking Pari-passu charge by way of hypothecation on the floating assets of the company with other existing lenders (PBL, OBL, The City Bank Ltd, MTBL, Trust Bank) Personal Guarantee of Mr. Syed A K Anwaruzzaman (MD) and Mr. Syed Ahmed (Director) Undated cheque covering the facility along with authority to insert date Standard Charge documents |
| Eastern Bank Limited | <ul style="list-style-type: none"> Margin of 5% for ULC limit For BG, 10% margin (Cash/FDR), for up to 5 years; 100% margin (Cash/FDR) for open ended Registered Hypothecation (Pari-passu - 1st charge) over floating assets (present & future) of the company with other lenders of PPSSA. Charge to be created with RJSC for Tk. 620 million. Insurance of Inventory i.e. Raw materials, Work-in-process & Finished Goods, covering Fire &/or Lighting Risks to be obtained from any EBL nominated Insurance company Personal Guarantee of Mr. Syed A. K. Anwaruzzaman and Mr. Engr. Syed Ahmed for Tk. 620..00 million Standard Charge documents An un-dated cheque supported by Irrevocable Letter of Authority & Memorandum of Deposit of Cheque to be obtained covering 110% of Composite Limit amount |
| Midland Bank Limited | <ul style="list-style-type: none"> Margin of 5% in the form of FDR/cash for LC limit Title to goods 1st ranking Pari-Passu charge registered with RJSC with other lenders on floating assets of the company Personal Guarantee of Mr. Syed A K Anwaruzzaman (MD) and of Mr. Engr. Syed Ahmed (Director) Undated cheque covering debt with memorandum of deposit of cheque DP Note and other standard charge documents |
| Mutual Trust Bank Limited | <ul style="list-style-type: none"> Cash margin of 5% for LC limit Lien on related shipping documents Pari-passu charge [Registered Hypothecation] over imported items to be stored at SCL's factory premises Pari-passu charge with other lenders on floating assets including book debts of the company Usual charge documents Personal guarantee of all local directors of the company DP Note & Trust Receipt Margin of 10% on stock in trade for CC (H) limit 10% cash margin at the time of issuance of guarantee; in case of Customs Guarantee 100% cash margin to be maintained Counter Guarantee for 100% guarantee value Post dated cheque covering total loan amount |
| NRB Bank Limited | <ul style="list-style-type: none"> Cash margin of 5% for LC limit LC related shipping documents & Usual charge documents Letter of trust Receipt for total limit Margin of 20% on stock in trade for OD limit Hypothecation of stocks-in-trade duly insured |

**CREDIT RATING REPORT
On
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|--------------------------------|--|
| | <ul style="list-style-type: none"> • IGPA (duly notarized) favoring and authorizing the bank to sell the inventory/stock under hypothecation without further reference to the court in case of default • Margin of 10% (5% in cash and 5% in the form of FDR) for BG limit • Counter Guarantee for BG limit • First ranking charge on pari-passu security sharing basis with other working capital lenders by way of hypothecation over the floating asset (Present & Future) of the company registered with RJSC&F • Notarized IGPA to be executed by the company empowering the bank to sell the hypothecated assets • Personal Guarantee of all local Directors of the company • Undated cheque covering each limit/facility |
| Prime Bank Limited | <ul style="list-style-type: none"> • 5% cash margin for LC limit • LC related shipping documents • Letter of Trust Receipt for total limit • Post dated cheques covering the LTR limit, CC (H) limit and BG limit & Usual charge documents • Margin of 20% on stock in trade of the company • Hypothecation of stocks-in-trade duly insured • IGPA (duly notarized) favoring and authorizing the bank to sell the inventory/stock under hypothecation without further reference to the court in case of default • Margin of 10% (5% in cash/FDR) for BG limit; 100% margin in cash/FDR for Custom Guarantees • Counter Guarantee of the company for BG limit • Existing 1st ranking charge by way of hypothecation over the floating assets (present & future) of the company on pari-passu security sharing basis with the working capital facility lenders • Notarized IGPA to be executed by the company empowering the working capital lenders to sell the hypothecated assets • Personal guarantee of the Local Directors only • For Interchangeable CC (H) limit and LTR limit: A letter of approach, A letter of consent/acceptance and Separate charge documents |
| Trust Bank Limited | <ul style="list-style-type: none"> • Cash margin of 5% for LC limit • First ranking charge with RJSC by way of hypothecation over the floating assets (present & future) of the company on pari passu security sharing basis with the working capital facility lenders • Personal Guarantee of all local Directors of the company • Undated/Post dated Cheque covering full facility amount • Standard set of Charge Documents |
| United Commercial Bank Limited | <ul style="list-style-type: none"> • Cash margin of 5% for LC limit • Shipping documents and title of imported goods • Letter of acceptance • Trust Receipt duly stamped and filed in • Post dated MICR cheque covering the Time Loan of Tk. 200 million • Personal Guarantee of the local Directors & Shareholders of the company • Fresh usual charge documents duly stamped & filed in |
| Uttara Bank Limited | <ul style="list-style-type: none"> • Margin of 50% of stock in trade for CC (H) limit • Hypothecation of raw materials, work in process, and finished products stored/to be stored at the company's factory/godown • 5% cash margin for LC limit & Lien of import documents • 5% cash margin for LTR (including LC margin) • 1st Ranking Pari Passu Sharing • Personal guarantee of all directors of the company along with PNS, photograph & NID • Personal guarantee of Mr. S.A.K. Ekramuzzaman, Proprietor of Mohammad Trading, with PNS, photograph & NID • First charge on company's (both existing & future) fixed & floating assets to be created with the RJSC&F |

CREDIT RATING REPORT On STAR CERAMICS LIMITED

Susceptible to the risk of
changes in Govt. policy

11.0 RISK ANALYSIS

SCL is exposed to some risks by virtue of its business nature and the industry dynamics. CRISL reviewed the risk aspects of the organization which are given below:

11.1 Risk of Changes in Government Policy

Any changes in regulations or decisions taken by the Government may severely affect a company's business performance. New VAT and SD law may further reduce the standard duty on imported ceramic tiles from the current rate of 50% which will surely deplete the competitiveness of the local ceramic tiles producers. Besides, Govt. may raise gas and power tariff anytime in the foreseeable future. All of which make it challenging for the local manufacturers to compete with the imported items. Therefore, CRISL views that SCL is susceptible to the risk of changes in Government policy.

11.2 Market Competition Risk

There are a large number of players already operating in this line of business. The total number of tiles & sanitary-ware manufacturing companies is around 40. Besides, increasing investments in this sector is making it more competitive than ever. Now, professional marketing strategies are the keys to sell the products which will be quite challenging for the time being. Considering this, the company is exposed to market competition risk.

11.3 Product Handling Risk

The traded items that SCL deals-with require great care. While delivering the product, the traded items are greatly susceptible to the risk of breakage. Based on the latest account, SCL already paid Tk. 42.90 million as a breakage commission which constituted around 9 percent of SCL's total selling & distribution expenses. Proper control has to be established while delivering the products in order to avoid such incidents.

11.4 Interest Rate Risk

SCL is heavily financed by bank loan. The company has significant bank borrowing to establish the project. Moreover, it has to depend on bank finance for working capital management. Currently banks are revising the interest rates to the upper side. Thus, excessive dependency on bank finance may expose the company to interest rate risk.

11.5 Quality Control Risk

SCL manufactures ceramic tiles and sanitary wares using automated production facilities. As a result, 90% of its products are of 'A' graded and system loss is negligible. However, reported quality claims from the dealers still found high during 2017. Substandard product may lead to customer dissatisfaction which in turn may result in loss of customer. Stringent control over the manufacturing process including the usage of quality raw materials is required to be maintained in order to lower the quality claim.

11.6 Price Escalation Risk

Prices of raw materials of ceramic items often fluctuate in international market. SCL imports most of its required raw materials from foreign countries and vastly depends on raw material price in global market. Any adverse price escalation of raw materials (including the effect of exchange rate fluctuation) in global market may expose the company to price escalation risk as the company has little scope to adjust the selling price due to competitive market scenario.

11.7 Receivable Collection Risk

SCL provides the customers around 40 days credit period in order to ensure the sales. According to the latest accounts of the company, the receivable turnover of the company stood at 9.52 times which was 10.11 times in the previous year reflecting stable efficiency in credit collection. However, CRISL views that increasing competition as well as unrest political situation may lengthen this time frame and as a result, SCL may face liquidity crisis.

**CREDIT RATING REPORT
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11.8 Raw Material Supply Risk

SCL sources its basic raw materials for ceramic as well as gres porcelain tiles & sanitary wares from all over the globe. Supply of these raw materials cannot be ensured locally. The company procures the raw materials from different countries like Italy, Indonesia, Malaysia, Spain and India. Import based supplies are likely to be affected by any uncontrollable event or country risk to transaction or political barrier. Any changes in the government policy on import of raw materials will expose the company to raw material supply risk. However, SCL did not face any such uncontrollable event since its inception and is confident to have alternate arrangement at shorter notice.

11.9 Gas Supply Risk

Tiles production needs a certain standard level of temperature to get the expected quality regarding color, size, surface, strength etc. The company's Kiln requires firing at 1,200 Degree Celsius temperature. The company has two separate gas lines from Jalalabad Gas Transmission & Distribution System Ltd. The required standard pressure for power plant is 20 PSI while it needs 15 PSI for kiln burner. As the project location is just one kilometer away from Habiganj Gas Field, the company gets adequate gas load for smooth running of operations. Considering this, the company does not have much exposure to gas supply risk for the time being. However, if the Govt. goes for gas rationing it will create gas supply risk for the company.

11.10 Environmental Compliance Risk

SCL is committed to promoting sustainable developments while doing global businesses without compromising the protection and preservation of the environment for the future generation. The organization will carry out all its business activities towards the fulfillment of customer satisfaction on the quality of products and services and ensuring safe working conditions. SCL has already set up large scale Effluent Treatment Plant (ETP) & Water Treatment Plant (WTP) to reduce the environmental hazard.

12.0 OBSERVATION SUMMARY

| | |
|--|--|
| Rating Comforts: <ul style="list-style-type: none"> Improving Business performance Good infrastructural facilities Diversified product mix Good capacity utilization Experienced management team Good distribution network Good financial flexibility Adequate security arrangement | Rating Concerns: <ul style="list-style-type: none"> Significant loan burden Moderate solvency Moderate profitability Exposure to the risk of changes in Govt. policy Exposure to market competition risk Exposure to product handling risk Exposure to gas supply risk |
| Business Prospects: <ul style="list-style-type: none"> Product diversification Market growth Full Capacity Utilization Favorable Govt. standings | Business Challenges: <ul style="list-style-type: none"> Adverse changes in Govt. regulations Coping with international market rates for raw materials Increasing market competition |

END OF THE REPORT

(Information used herein is obtained from sources believed to be accurate and reliable. However, CRISL does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities. All rights of this report are reserved by CRISL. Contents may be used by news media and researchers with due acknowledgement)

[We have examined, prepared, finalized and issued this report without compromising with the matters of any conflict of interest. We have also complied with all the requirements, policy procedures of the BSEC rules as prescribed by the Bangladesh Securities and Exchange Commission.]


Muzaffar Ahmed, FCM, FCS
 President and CEO
 Credit Rating Information and Services Ltd.


**CREDIT RATING REPORT
On
STAR CERAMICS LIMITED**
**CIRISL RATING SCALES AND DEFINITIONS
LONG-TERM RATINGS OF CORPORATE**

| RATING | DEFINITION |
|---|---|
| AAA Triple A (Highest Safety) | Investment Grade Entities rated in this category are adjudged to be of best quality, offer highest safety and have highest credit quality. Risk factors are negligible and risk free, nearest to risk free Government bonds and securities. Changing economic circumstances are unlikely to have any serious impact on this category of companies. |
| AA+, AA, AA- (Double A) (High Safety) | Entities rated in this category are adjudged to be of high quality, offer higher safety and have high credit quality. This level of rating indicates a corporate entity with a sound credit profile and without significant problems. Risks are modest and may vary slightly from time to time because of economic conditions. |
| A+, A, A- Single A (Adequate Safety) | Entities rated in this category are adjudged to offer adequate safety for timely repayment of financial obligations. This level of rating indicates a corporate entity with an adequate credit profile. Risk factors are more variable and greater in periods of economic stress than those rated in the higher categories. |
| BBB+, BBB, BBB- Triple B (Moderate Safety) | Entities rated in this category are adjudged to offer moderate degree of safety for timely repayment of financial obligations. This level of rating indicates that a company is under-performing in some areas. Risk factors are more variable in periods of economic stress than those rated in the higher categories. These entities are however considered to have the capability to overcome the above-mentioned limitations. |
| BB+, BB, BB- Double B (Inadequate Safety) | Speculative Grade Entities rated in this category are adjudged to lack key protection factors, which results in an inadequate safety. This level of rating indicates a company as below investment grade but deemed likely to meet obligations when due. Overall quality may move up or down frequently within this category. |
| B+, B, B- Single B (Risky) | Entities rated in this category are adjudged to be with high risk. Timely repayment of financial obligations is impaired by serious problems which the entity is faced with. Whilst an entity rated in this category might be currently meeting obligations in time through creating external liabilities. |
| CCC+, CCC, CCC- Triple C (Vulnerable) | Entities rated in this category are adjudged to be vulnerable and might fail to meet its repayments frequently or it may currently meeting obligations in time through creating external liabilities. Continuance of this would depend upon favorable economic conditions or on some degree of external support. |
| CC+, CC, CC- Double C (High Vulnerable) | Entities rated in this category are adjudged to be very highly vulnerable. Entities might not have required financial flexibility to continue meeting obligations; however, continuance of timely repayment is subject to external support. |
| C+, C, C- Single C (Extremely Speculative) | Entities rated in this category are adjudged to be with extremely speculative in timely repayment of financial obligations. This level of rating indicates entities with very serious problems and unless external support is provided, they would be unable to meet financial obligations. |
| D (Default) | Default Grade Entities rated in this category are adjudged to be either already in default or expected to be in default. |

Note: For long-term ratings, CIRISL assigns + (Positive) sign to indicate that the issue is ranked at the upper-end of its generic rating category and - (Minus) sign to indicate that the issue is ranked at the bottom end of its generic rating category. Long-term ratings without any sign denote mid-levels of each group.

SHORT-TERM RATINGS OF CORPORATE

| | |
|-------------|---|
| ST-1 | Highest Grade Highest certainty of timely payment. Short-term liquidity including internal fund generation is very strong and access to alternative sources of funds is outstanding. Safety is almost like risk free Government short-term obligations. |
| ST-2 | High Grade High certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small. |
| ST-3 | Good Grade Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, access to capital markets is good. Risk factors are small. |
| ST-4 | Moderate Grade Moderate liquidity and other protection factors qualify an entity to be in investment grade. Risk factors are larger and subject to more variation. |
| ST-5 | Non-Investment/Speculative Grade Speculative investment characteristics. Liquidity is not sufficient to ensure discharging debt obligations. Operating factors and market access may be subject to a high degree of variation. |
| ST-6 | Default Entity is in default or is likely to default in discharging its short-term obligations. Market access for liquidity and external support is uncertain. |


 Muzaffar Ahmed, FCMA, FCS
 President and CEO
 Credit Rating Information and Services Ltd.

SECTION: XXVIII

PUBLIC ISSUE APPLICATION PROCEDURE

To be finalized after obtaining the consent letter from Bangladesh Securities and Exchange Commission.

Step-1 (Applicant)

1. An applicant for public issue of securities shall submit application/buy instruction to the Stockbroker/ Merchant Banker where the applicant maintains customer account, within the cut-off date (i.e. the subscription closing date), which shall be the **25th (twenty fifth) working day** from the date of publication of abridged version of Prospectus.
2. The application/buy instruction may be submitted in prescribed paper or electronic form, which shall contain the Customer ID, Name, BO Account Number, Number of Securities applied for, Total Amount and Category of the Applicant. At the same time:
 - a) Other than non-resident Bangladeshi (NRB) and Foreign applicants shall make the application money and service charge available in respective customer account maintained with the Stockbroker/Merchant Banker. No margin facility, advance or deferred payment is permissible for this purpose. In case the application is made through a margin account, the application money shall be deposited separately and the Stockbroker/Merchant Banker shall keep the amount segregated from the margin account, which shall be refundable to the applicant, if become unsuccessful.
 - b) Non-resident Bangladeshi (NRB) and Foreign applicants shall submit bank drafts (FDD), issued in favor of the Issuer for an amount equivalent to the application money, with their application to the concerned Stockbroker/Merchant Banker. A Non-resident Bangladeshi (NRB) and Foreign applicant may also submit a single draft against 02(two) applications made by him/her, i.e. one in his/her own name and the other jointly with another person. The draft (FDD) shall be issued by the Bank where the applicant maintains NITA/Foreign Currency account debiting the same account. No banker shall issue more than two drafts from any NITA/Foreign Currency account for any public issue. At the same time, the applicant shall make the service charge available in respective customer account maintained with the Stockbroker/Merchant Banker.

Step-2 (Intermediary)

3. The Stockbroker/Merchant Banker shall maintain a separate bank account only for this purpose namely “Public Issue Application Account”. The Stockbroker/Merchant Banker shall:
 - a) Post the amount separately in the customer account (other than NRB and Foreign applicants), and upon availability of fund, block the amount equivalent to the application money;
 - b) Accumulate all the application/buy instructions received up to the cut-off date, deposit the amount in the “Public Issue Application Account” maintained with its bank within the first banking hour of **next working day** of the cut-off date. In case of application submitted by the Stock-dealer or the Merchant Banker’s own portfolio, the application amount should also be transferred to the “Public Issue Application Account”;
 - c) Instruct the banker to block the account for an amount equivalent to the aggregate application money and to issue a certificate in this regard.
4. Banker of the Stockbroker/Merchant Banker shall block the account as requested for, issue a certificate confirming the same and handover it to the respective Stockbroker/Merchant Banker.
5. For Non-resident Bangladeshi (NRB) and Foreign applicants, the Stockbroker/Merchant Banker shall prepare a list containing the draft information against the respective applicant’s particulars.
6. The Stockbroker/Merchant Banker shall prepare category wise lists of the applicants containing Customer ID, Name, BO Account Number and Number of Securities applied for, and **within 03 (three) working days** from the cut-off date, send to the respective Exchange, the lists of applicants in electronic (text format with tilde ‘~’ separator) format, the certificate(s) issued by its banker, the drafts received from Non-resident Bangladeshi (NRB) and Foreign applicants and a copy of the list containing the draft information.
7. **On the next working day**, the Exchanges shall provide the Issuer with the information received from the Stockbroker/Merchant Bankers, the drafts submitted by Non-resident Bangladeshi (NRB) and Foreign applicants and the list containing the draft information. Exchanges shall verify and preserve the bankers’ certificates in their custody.

8. The application/buy instructions shall be preserved by the Stockbroker/Merchant Bankers up to 6 months from listing of the securities with exchange.

Step-3 (Issuer)

9. The Issuer shall prepare consolidated list of the applications and send the applicants' BO IDs in electronic (text) format in a CD ROM to CDBL for verification. The Issuer shall post the consolidated list of applicants on its website and websites of the Exchanges. CDBL shall verify the BO IDs as to whether the BO accounts of the applicants are active or not.
10. **On the next working day**, CDBL shall provide the Issuer with an updated database of the applicants containing BO Account Number, Name, Addresses, Parents' Name, Joint Account and Bank Account information along with the verification report.
11. After receiving verification report and information from CDBL, the Issuer shall scrutinize the applications, prepare category wise consolidated lists of valid and invalid applications and submit report of final status of subscription to the Commission and the Exchanges **within 10 (ten) working days** from the date of receiving information from the Exchanges.
12. The Issuer and the issue manager shall conduct category wise lottery with the valid applications **within 03 (three) working days** from the date of reporting to the Commission and the Exchanges, if do not receive any observation from the Commission or the Exchanges.
13. The Issuer and issue manager shall arrange posting the lottery result on their websites **within 06 (six) hours** and on the websites of the Commission and Exchanges **within 12 (twelve) hours** of lottery.
14. **Within 02 (two) working days** of conducting lottery, the Issuer shall:
- send category wise lists of the successful and unsuccessful applicants in electronic (text format with tilde '~' separator) format to the respective Exchange.
 - send category wise lists of unsuccessful applicants who are subject to penal provisions as per conditions of the Consent Letter issued by the Commission in electronic (text format with tilde '~' separator) format to the Commission and Exchanges mentioning the penalty amount against each applicant.
 - issue allotment letters in the names of successful applicants in electronic format with digital signatures and send those to respective Exchange in electronic form.
 - send consolidated allotment data (BO ID and number of securities) in electronic text format in a CD ROM to CDBL to credit the allotted shares to the respective BO accounts.

Step-4 (Intermediary)

15. **On the next working day**, Exchanges shall distribute the information and allotment letters to the Stockbroker/Merchant Bankers concerned in electronic format and instruct them to:
- remit the amount of successful (other than NRB and Foreign) applicants to the Issuer's respective Escrow Account opened for subscription purpose, and unblock the amount of unsuccessful applicants;
 - send the penalty amount of other than NRB and Foreign applicants who are subject to penal provisions to the Issuer's respective Escrow Accounts along with a list and unblock the balance application money;
16. On the next working day of receiving the documents from the Exchanges, the Stockbrokers/Merchant Banker shall request its banker to:
- release the amount blocked for unsuccessful (other than NRB and foreign) applicants;
 - remit the aggregate amount of successful applicants and the penalty amount of unsuccessful applicants (other than NRB and foreign) who are subject to penal provisions to the respective 'Escrow' accounts of the Issuer opened for subscription purpose.
17. **On the next working day** of receiving request from the Stockbrokers/Merchant Bankers, their bankers shall unblock the amount blocked in the account(s) and remit the amount as requested for to the Issuer's 'Escrow' account.

18. **Simultaneously**, the stockbrokers/Merchant Bankers shall release the application money blocked in the customer accounts; inform the successful applicants about allotment of securities and the unsuccessful applicants about releasing their blocked amounts and send documents to the Exchange evidencing details of the remittances made to the respective 'Escrow' accounts of the Issuer. The unblocked amounts of unsuccessful applicants shall be placed as per their instructions. The Stockbroker/Merchant Banker shall be entitled to recover the withdrawal charges, if any, from the applicant who wants to withdraw the application money, up to an amount of Tk.5.00 (five) per withdrawal.
19. All drafts submitted by NRB or Foreign applicants shall be deposited in the Issuer's respective 'Escrow' accounts and refund shall be made by the Issuer by refund warrants through concerned stockbroker or merchant banker or transfer to the applicant's bank account through banking channel within 10 (ten) working days from the date of lottery.

Miscellaneous:

20. The Issuer, Issue Manager(s), Stockbrokers and Merchant Bankers shall ensure compliance of the above.
21. The bank drafts (FDD) shall be issued considering TT Clean exchange rate of Sonali Bank Ltd. on the date of publication of abridged version of Prospectus.
22. Amount deposited and blocked in the "Public Issue Application Account" shall not be withdrawn or transferred during the blocking period. Amount deposited by the applicants shall not be used by the Stockbrokers/Merchant Bankers for any purpose other than public issue application.
23. The Issuer shall pay the costs related to data transmission, if claimed by the Exchange concerned up to an amount of Tk.2,00,000.00 (taka two lac) for a public issue.
24. The Stockbroker/Merchant Bankers shall be entitled to a service charge of Tk.5.00 (taka five) only per application irrespective of the amount or category. The service charge shall be paid by the applicant at the time of submitting application.
25. The Stockbroker/Merchant Banker shall provide the Issuer with a statement of the remittance and drafts sent.
26. The Issuer shall accumulate the penalty amount recovered and send it to the Commission through a bank draft/payment order issued in favor of the Bangladesh Securities and Exchange Commission.
27. The concerned Exchange are authorized to settle any complaints and take necessary actions against any Stockbroker/Merchant Banker in case of violation of any provision of the public issue application process with intimation to the Commission.

All eligible Stock Brokers and Merchant Bankers shall receive the IPO Subscription.

Application Form

“পুজিবাজারে বিনিয়োগ ঝুঁকিপূর্ণ। জেনে ও বুঝে বিনিয়োগ করুন”

APPLICATION FOR PUBLIC ISSUE

| | | | | | | | | | | | | | | | | | |
|-----------------------|---|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|
| Date | : | | | | | | | | | | | | | | | | |
| Name of applicant | : | | | | | | | | | | | | | | | | |
| Client Code | : | | | | | | | | | | | | | | | | |
| BO ID No. | : | | | | | | | | | | | | | | | | |
| Category of applicant | : | | | | | | | | | | | | | | | | |
| Name of the Company | : | | | | | | | | | | | | | | | | |
| Number of Shares | : | | | | | | | | | | | | | | | | |
| Total amount | : | | | | | | | | | | | | | | | | |
| Amount in word | : | | | | | | | | | | | | | | | | |

Signature of
Applicant(s)

Signature of
Authorized Officer

STAR CERAMICS LIMITED

Corporate Office:

House 44, Road 10, Sector 11,
Uttara, Dhaka 1230, Bangladesh
Phone : 88 02 48950384, Fax : 88 02 48955847

Chittagong Office:

C&F Tower (6th Floor),
1712 (New) Sk. Mujib Road, Agrabad ,
Chittagong 4100, Cell: 01709 632233

Factory :

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