Sinobangla Industries Ltd.

9th Floor, Suite 901, Navana, D. H. Tower,
6 Panthapath, Dhaka 1215.

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AUDITOR'S REPORT

On Right Issue (RI) Proceeds Utilization

For the period ended Novmber 01, 2024 to January 31, 2025

AUDITORS' REPORT

On Rights Issue Proceeds Utilization

We have audited the annexed statement of Rights Issue Proceeds Utilization of **Sinobangla Industries Ltd.** on January 31, 2025.

Management's Responsibility for the Rights Issue Proceeds Utilization

Management is responsible for the preparation and fair presentation of these Rights Issue proceeds utilization statements in accordance with Bangladesh Securities and Exchange Commission (BSEC) guidelines.

Auditors' Responsibility

Our responsibility is to express an independent opinion on these Rights Issue proceeds utilization statement based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA) and Bangladesh Securities and Exchange Commission (BSEC) guidelines.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Statement of Rights Issue proceeds utilization, prepared in accordance with Bangladesh Securities and Exchange Commission (BSEC) guidelines, gives a true and fair view of the statement as on January 31, 2025 and complies with the Rights Issue Approval Letter.

Audit Observation

As per term no. 19 of approval letter for the issuance of rights shares issued by the Bangladesh Securities and Exchange Commission (BSEC), the management needs to submit an audit report on the utilization of right issue proceeds for each quarter until the fund is fully utilized. According to the Right Share Offer Document (ROD), the date of close of subscription is February 15, 2024, so the company required to submit the audit report for the quarter ended May 31, 2024.

However, the company opines that, due to an inquiry pending from the end of BSEC regarding the right share settlement, the company under compulsion unable to utilize the fund until June. As a result, they couldn't submit the utilization report. The company used the funds from July, 2024 as a result they were considering the quarter ending in July. The company consistently followed the policy, therefore, this report has been prepared for the quarter ended January 31, 2025.

We draw attention to the following matter:

1) The Company has received an amount of BDT 208,455,120 as subscription money for the right issue through its designated bank account against the offered amount of BDT 201,965,660 (10,098,283 shares at BDT 20 each, including a premium of BDT 10). The excess amount of BDT 6,489,460 was transferred to the company's another bank account (United Commercial Bank PLC CD- 0171101000000714) to return the money to the concerned shareholders.

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As of January 31, 2025, the company has returned BDT 6,296,960 (6,285,960 + 11,000) to the shareholders, after deducting the bank charges of BDT 5,345 reconciled balance of BDT 187,155 kept in the bank account (United Commercial Bank PLC, CD AC # 0171101000000714). Due to technical reasons, the company was unable to transfer the money via bank. Recipients separate cheques were issued in the name of the shareholders, yet to collect by them.

2) As reported earlier, as per Rights Share Offers Document (ROD) the closing date of subscription was February 15, 2024. At the time of the audit, we have observed that the company received subscription till March 12, 2024. The company received subscription amounts through bank up to 15th February 2024. After that, they received pay orders from shareholders who failed to deposit the money through the bank and as per approval of the company in line with the clause 6 of approval letter from BSEC, the company deposit and clear the instrument till 6th march, 2024. On 11th and 12th March of 2024 the company received under-subscription amount from the underwriter. The company also sent an intimation letter to BSEC, reference no. SIBL/BSEC/7.02/24 dated March 05, 2024, regarding the list of shareholders who subscribed after the closing of the subscription period.

3) The company has utilized total amount of BDT 193,000,438 from RI proceeds as described in the ROD in the following manner:

   a) In respect of Term Loan Repayments, as of January 31, 2025 the company has utilized an amount of BDT 106,034,778 to repay loans of Eastern Bank PLC, IPDC Finance PLC and United Finance Limited.

      As reported earlier, the company has utilized an amount of BDT 96,968,120 to repay loans of Eastern Bank PLC & IPDC Finance PLC.

      As reported in previous quarter audit report, "as of July 31, 2024 the company has also utilized an amount of BDT 642,634 to repay lease finance to United Finance Limited. In respect of repayment of lease finance with United Finance Limited, we observed the following:

      After payment of the above mentioned loans, the remaining available funds from the Rights Issue Proceeds was BDT 18,031,880 (115,000,000 - 96,968,120). However, the outstanding balance with United Finance Limited was BDT 33,960,919.10. Therefore, the company was unable to settle the full liability with available funds. The company state that, as per terms and condition of the lease, United Finance Limited was reluctant to accept partial payment of the liabilities, so the company is paying the liability through monthly installments. During the quarter ended July 31, 2024, the company paid an amount of BDT 642,634 as a partial payment of an installment of United Finance Limited out of funds from the Rights Issue Proceeds."

      As reported earlier, during the quarter ended October 31, 2024 the company has utilized an amount of BDT 4,212,012 (comprising three monthly installments) to repay lease financing to United Finance Limited.

      During the quarter ended January 31, 2025 the company has utilized an amount of BDT 4,212,012 (comprising three monthly installments) to repay lease financing to United Finance Limited.

      Therefore, as of January 31, 2025 the company has utilized total amount of BDT 9,066,658 to repay lease financing to United Finance Limited.

   b) In respect of Payment against purchase of Capital Machinery, as of July 31, 2024 the company has utilized an amount of BDT 86,965,660. Annexed report shows detailed breakdown.

      i) In the case of "Payment against purchase of Plastic Tape Extrusion Line with Winder and Standard Accessories" for BDT 63,703,860, the Company purchased the machinery for USD 690,900 through LC No. 147121020418 on February 24, 2022 (Bill of entry date). On January 15, 2024, a term loan of BDT 70,129,804.50 was generated against the said LC. On July 03, 2024, the company transferred BDT 63,703,860 to its own account (Eastern Bank PLC, CD AC# 1011060478177) and settled the liability totaling BDT 68,623,448.19. The excess amount of BDT 4,919,588 sourced from their own fund.

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ii) In the case of "Payment against purchase of Circular Loom Machines with Standard Accessories" for BDT 23,261,800, the Company purchased the machinery for USD 217,400 on January 10, 2022 (Bill of entry date) and settled the liability on May 31, 2023. On July 03, 2024, the company transferred an amount of BDT 23,261,800 to its own account (Eastern Bank PLC, CD AC# 1011060478177) to compensate own fund of Company.

4) The company has been maintaining Bank Account with United Commercial Bank PLC Vide AC No. 0441101000001281 to manage the proceed from Right Share Issue. As on January 31, 2025 the bank balance of the account was BDT 8,912,152.36.

We also state that referred to above:

a) Rights Issue proceeds have been utilized for the purposes/ heads as specified in the Rights Share Offer Documents (ROD) and BSEC's approval letter;

b) Rights Issue proceeds have been utilized in line with the condition of BSEC's approval letter for rights issue;

c) Utilization of Rights Issue proceeds is being under completion within the time schedule as specified in the BSEC's approval letter;

d) Utilization of Rights Issue proceeds is accurate and for the purpose of the company as mentioned / specified in the Rights Share Offer Documents (ROD) and BSEC's approval letter;

e) (i) Assets are being procured/imported/constructed maintaining proper/required procedures as well as at a reasonable price; and

(ii) Audit report has been made on verification of all necessary documents/papers/vouchers in support of utilization of Rights Issue proceeds making reconciliation with Bank Statement.

Date: February 13, 2025
Place: Dhaka, Bangladesh

G. KIBRIA & CO.
Chartered Accountants

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Report on Utilization of Fund of Right Issue (RI) Proceeds for the period November 01, 2024 to January 31, 2025

Name of the Company	:	**Sinobangla Industries Ltd.**
Amount (BDT) of Capital Raised Through RI	:	201,965,660
Date of Close Subscription	:	February 15, 2024
Proceeds Receiving Date	:	February 15, 2024
Last Date of Full Utilization of Fund as Per ROD	:	Three to six months after receiving right issue fund

All the Figures are in BDT

Sl. No	Date of Subscription	Amount of Subscription (In BDT)	Purpose of issue	Item wise budgeted amount of Rights Share (as per ROD)			Investment made so far				Investment yet to be made		Remarks
				Item	Amount (In BDT)	Estimate time for completing scheme	Up to October 31, 2024 (In BDT)	During the Quarter (In BDT)	Total Utilized Amount (In BDT)	%	Total Un-Utilized Amount (In BDT)	%	
1	15-Feb-24	201,965,660	Term Loan Repayments	Eastern Bank PLC, IPDC Finance PLC and United Finance Ltd.	115,000,000	Immediate after receiving Right issue fund.	101,822,766	4,212,012	106,034,778	92.20%	8,965,222	7.80%	
2			Capital Machinery	Payment against purchase of Plastic Tape Extrusion Line With Winder and Standard	63,703,860	Three to six months after receiving right issue fund.	63,703,860	-	63,703,860	100.00%	-	0.00%	
				Payment against purchase of Circular Loom Machines with Standard Accessories.	23,261,800		23,261,800	-	23,261,800	100.00%	-	0.00%	
					201,965,660		**188,788,426**	**4,212,012**	**193,000,438**		**8,965,222**		

Total Un-Utilized RI Proceeds	8,965,222
Net Interest on RI Proceeds (excluding AIT & Bank charges) current quarter	(50,760)
Net Interest on RI Proceeds (excluding AIT & Bank charges) previous quarters	(2,310)
	8,912,152

Percentage	
Net Interest on RI Proceeds (Current Quarter)	-0.03%
Net Interest Income with RI Proceeds	-0.03%

Note:

A) As per term no. 19 of approval letter for the issuance of rights shares issued by the Bangladesh Securities and Exchange Commission (BSEC), the company needs to submit an audit report on the utilization of right issue proceeds for each quarter until the fund is fully utilized. According to the Right Share Offer Document (ROD), the date of close of subscription is February 15, 2024, so the company required to submit the audit report for the quarter ended May 31, 2024. However, due to an inquiry pending from the end of BSEC regarding the right share settlement, the company under compulsion unable to utilize the fund until June. As a result, the company couldn't submit the utilization report. The company used the funds from July, 2024 as a result the company was considering the quarter ending in July. The company consistently followed the policy, therefore, this report has been prepared for the quarter ended January 31, 2025.

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Ref: GKC/24-25/M/065

C) As per Rights Share Offers Document (ROD) the closing date of subscription was February 15, 2024. The company received subscription till March 12, 2024. The company received subscription amounts through bank up to 15th February 2024. After that, the company received pay orders from shareholders who failed to deposit the money through the bank and as per approval of the company in line with the clause 6 of approval letter from BSEC, the company deposit and clear the instrument till 6th march, 2024. On 11th and 12th March of 2024 the company received under-subscription amount from the underwriter. The company also sent an intimation letter to BSEC, reference no. SIBL/BSEC/7.02/24 dated March 05, 2024, regarding the list of shareholders who subscribed after the closing of the subscription period.

D) As reported in previous quarter audit report, As of July 31, 2024 the company has also utilized an amount of BDT 642,634 to repay lease finance to United Finance Limited. After payment of the loans with Eastern Bank PLC and IPDC Finance PLC, the remaining available funds from the Rights Issue Proceeds was BDT 18,031,880 (115,000,000 - 96,968,120). However, the outstanding balance with United Finance Limited was BDT 33,960,919.10. Therefore, the company was unable to settle the full liability with available funds. As per terms and condition of the lease, United Finance Limited was reluctant to accept partial payment of the liabilities, so the company is paying the liability through monthly installments. During the quarter ended July 31, 2024, the company paid an amount of BDT 642,634 as a partial payment of an installment of United Finance Limited out of funds from the Rights Issue Proceeds.

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Vice Chairman | **Managing Director** | **Chief Financial Officer**

G. KIBRIA & CO.
Chartered Accountants

Date: February 13, 2025
Place: Dhaka

G.KIBRIA & CO. ★ Dhaka ★ Chartered Accountant