

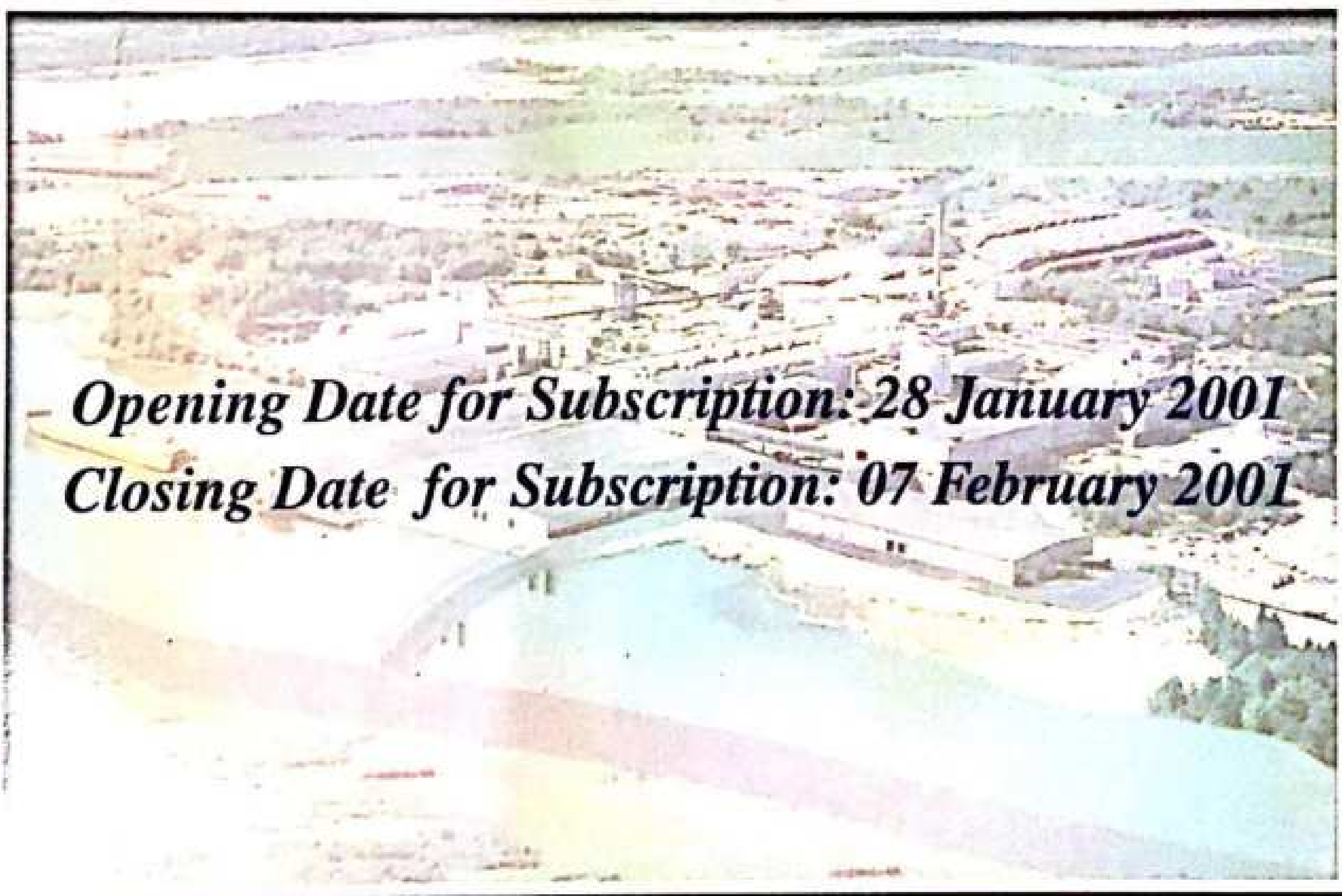
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PROSPECTUS

FOR

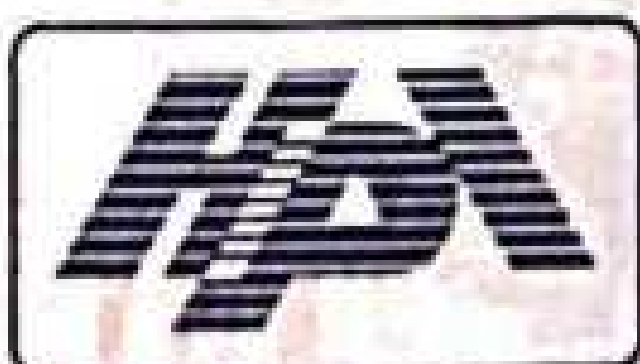
Issue of 8,000,000 ordinary shares of Tk. 10.00 each (at par) totalling Tk. 80,000,000.00 of which 3,000,000 ordinary shares of Tk. 10.00 (at par) totalling Tk. 30,000,000.00 have been subscribed by local investors under Pre-IPO private placement arrangement.

Public offering of 5,000,000 ordinary shares of Tk. 10.00 each (at par) totalling Tk. 50,000,000.00



Opening Date for Subscription: 28 January 2001

Closing Date for Subscription: 07 February 2001



হাক্কানী পাল্প এন্ড পেপার মিলস্ লিঃ
HAKKANI PULP & PAPER MILLS LTD.

(A PUBLIC COMPANY LIMITED BY SHARES)
2/10 D.T. Road, North Pahartali, Chittagong, Bangladesh.

(Date of Publication of the Prospectus: 31 December, 2000 In the Dally Star)

If you have any queries about this document, you may consult your stock broker or dealer, bank manager, lawyer, professional accountant or other professional adviser.

PROSPECTUS

FOR

Issue of 8,000,000 ordinary shares of Tk. 10.00 each (at par) totalling Tk. 80,000,000.00 of which 3,000,000 ordinary shares of Tk.10.00 (at par) totalling Tk. 30,000,000.00 have been subscribed by local investors under Pre-IPO private placement arrangement,

*Public offering of 5,000,000 ordinary shares of Tk. 10.00 each (at par)
totalling Tk. 50,000,000.00*

OPENING DATE FOR SUBSCRIPTION: 28 January 2001

CLOSING DATE FOR SUBSCRIPTION: 07 February 2001

Manager to the Issue

AAA Consultants & Financial Advisers
Amin Court, 4th Floor, 62-63, Motijheel C/A., Dhaka-1000.

*Date of Publication of the Prospectus
31 December, 2000 in the Daily Star*

HAKKANI PULP & PAPER MILLS LIMITED

(A PUBLIC COMPANY LIMITED BY SHARES)

2/10, D.T. Road, North Pahartali, Chittagong, Bangladesh.

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HAKKANI PULP & PAPER MILLS LIMITED

(A PUBLIC COMPANY LIMITED BY SHARES)

PROSPECTUS

FOR

Issue of 8,000,000 ordinary shares of Tk. 10.00 each (at par) totalling Tk. 80,000,000.00 of which 3,000,000 ordinary shares of Tk.10.00 (at par) totalling Tk. 30,000,000.00 have been subscribed by local investors under Pre-IPO private placement arrangement,

Public offering of 5,000,000 ordinary shares of Tk. 10.00 each (at par) totalling Tk. 50,000,000.00

Underwriting Commission @ 2.5% on Tk. 50,000,000.00 aggregating Tk. 1,250,000.00

OPENING DATE FOR SUBSCRIPTION: 28 January 2001

CLOSING DATE FOR SUBSCRIPTION: 07 February 2001

Underwriters

Name of Underwriters

Address

Investment Corporation of Bangladesh

8 DIT Avenue (12-15th Floor), Dhaka
PABX-9563455-7; 9563495-7

Bangladesh Shilpa Rin Sangstha

BIWTA Bhaban, (5th Floor), 141-143 Motijheel
C.A., Dhaka. Phone: 9565818, 9565046, 9558397.

Peoples Insurance Company Limited

Sena Kalyan Bhaban(Floor#3), Motijheel C/A.
Dhaka. Phone:9564166

Raspit Securities and Management Limited

House#55A (1st Floor), Road#4A, Dhanmondi,
Dhaka-1209, Phone#8619048

Manager to the Issue

AAA Consultants & Financial Advisers

Amin Court, 4th Floor, 62-63, Motijheel C/A., Dhaka-1000.

Date of Publication of the Prospectus 31 December, 2000 in the Daily Star

"CONSENT OF THE SECURITIES AND EXCHANGE COMMISSION HAS BEEN OBTAINED TO THE ISSUE/OFFER OF THESE SECURITIES UNDER THE SECURITIES AND EXCHANGE ORDINANCE, 1969; AND PUBLIC ISSUE RULES 1998. IT MUST BE DISTINCTLY UNDERSTOOD THAT IN GIVING THIS CONSENT THE COMMISSION DOES NOT TAKE ANY RESPONSIBILITY FOR THE FINANCIAL SOUNDNESS OF THE COMPANY, ANY OF ITS PROJECTS OR THE ISSUE PRICE OF ITS SHARES OR FOR THE CORRECTNESS OF ANY OF THE STATEMENTS MADE OR OPINION EXPRESSED WITH REGARD TO THEM, RESPONSIBILITY FOR WHICH LIES WITH THE ISSUER, ITS DIRECTORS, INVESTMENT ADVISER, ISSUE MANAGER, VALUER AND/OR AUDITOR.

IT IS, HOWEVER, THE SECURITIES AND EXCHANGE COMMISSION'S RESPONSIBILITY TO ENSURE THAT FULL AND FAIR DISCLOSURES ARE MADE IN THE PROSPECTUS IN TERMS OF THE PUBLIC ISSUE RULES, 1998, SO THAT THE INVESTORS CAN MAKE INFORMED INVESTMENT DECISION."

Table of Contents

| | <u>Page No.</u> |
|--|-----------------|
| Condition under Section 2CC of Securities and Exchange Ordinance, 1969 | 1 |
| Declaration | 2 |
| Availability of Prospectus | 5 |
| Risk Factors | 6 |
| Use of Proceeds | 8 |
| Description of Business | 11 |
| Description of Property | 16 |
| Plan of Operation and Discussion of Financial Condition | 25 |
| Directors and Officers | 32 |
| Certain relationship and related transactions | 34 |
| Executive Compensation | 36 |
| Transaction with Promoters | 36 |
| Ownership of the Company's securities | 36 |
| Plan of Distribution | 38 |
| Market for the Securities being Offered | 39 |
| Description of Securities Outstanding or being Offered | 39 |
| Auditors' Report | 41 |
| Financial Structure | 53 |
| Condition of Offer and Allotment of Shares | 54 |
| Application for Subscription | 55 |
| Classified Information | 58 |
| Application forms | 60 |

CONDITION UNDER SECTION 2CC OF SECURITIES AND EXCHANGE ORDINANCE, 1969

1. The Company shall not account for any upward revaluation of its fixed assets creating reserve without clearance from Securities and Exchange Commission;
2. Directors from "sponsor group" shall be proportionate to their actual shareholding in the paid up capital of the company. Directors shall be elected from amongst the institutional investors proportionate to their holding of shares. If holding is more than 5% but less than 10% it will have at least one director in the Board. Representative of the general investors who do not fall under above categories shall elect their director in the annual general meeting (AGM) proportionate to their share holdings;
3. Jumbo share certificate of the sponsors/directors shall be in the custody of a schedule bank. No splitting of shares shall be made without prior intimation to the Commission.
4. Private placement of shares shall be subject to a lock-in for one year (excepting mutual fund, portfolio manager and other financial institutions). Shares in private placement if falls under the category of sponsors shall be locked-in for 3(three) years.
5. Allotment letters shall not be traded and endorsement/renunciation shall not be permissible;
6. Share certificate shall be issued within 90 (ninety) days from the close of subscription;
7. The account of the Company shall be audited within 120 (one hundred twenty) days of the close of the financial year of the Company. Annual general meeting (AGM) shall be held within 6 (six) months from close of the financial year;
8. Dividend if declared shall be payable within 60(sixty) days of its declaration, failing which interest shall be payable @18% from the date of declaration and penal provision will also attract under the Securities and Exchange Ordinance 1969. If no dividend is proposed by the Company with profit, an agenda shall be placed in the Annual General Meeting requiring a special resolution;
9. If the Company fails to make any profit for two consecutive years, Securities and Exchange Commission (SEC) may appoint auditor(s) for special audit investigation for the affairs of the company. The Company shall bear the cost of such audit;

GENERAL INFORMATION

- The Prospectus has been prepared by AAA Consultants & Financial Advisers from information supplied by Hakkani Pulp & Paper Mills Limited (the company) which is publicly available and also several discussion with Managing Director and related executives of the company. The Directors of Hakkani Pulp & Paper Mills Limited and Partners of AAA Consultants & Financial Advisers collectively and individually, having made all reasonable inquiries, confirm that to the best of their knowledge and belief, the information contained herein are true and correct in all material respects and that there are no other material facts the omission of which would make any statement herein misleading.
- No person is authorised to give any information or to make any representation not contained in this Prospectus and if given or made, any such information or representation must not be relied upon as having been authorised by the company or AAA Consultants & Financial Advisers.

- The Issue, as contemplated in this document, is made in Bangladesh and is subject to the exclusive jurisdiction of the courts of Bangladesh. Forwarding this Prospectus to any person resident outside Bangladesh in no way implies that the issue is made in accordance with the laws of that country or is subject to the jurisdiction of the laws of the country.
- A copy of this Prospectus can be obtained from the office of AAA Consultants & Financial Advisers, the underwriters that are named on the front page of this Prospectus and the stock exchange where the securities will be traded.

Declaration

DECLARATION ABOUT THE RESPONSIBILITY OF THE DIRECTORS AND OFFICERS OF THE COMPANY "HAKKANI PULP & PAPER MILLS LIMITED" IN RESPECT OF PROSPECTUS.

This prospectus has been prepared, seen and approved by us; and we collectively and individually accept full responsibility for the authenticity and accuracy of the statement, information given in the prospectus, documents, financial statements exhibits, annexures, papers submitted to the Commission in support thereof; and confirm, after making all reasonable inquiries, that all conditions and requirements 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 action against us as it may deem fit.

We also confirm that full and fair disclosure has been made in this prospectus, to enable the investors to make an informed decision for investment.

| | | | |
|--|---|---------------------------------------|---------------------------------------|
| Sd/ (M .A. Kader) Chairman | Sd/ (Md. Golam Mostafa) Managing Director | Sd/ (Md. Abdullah) Director | Sd/ (Hoshna Ara Begum) Director |
| Sd/ (Ferodous Ara Begum) Director | Sd/ (Md. Golam Hayder) Director | Sd/ (Md. Golam Kibria) Director | Sd/ (Md. Golam Sarwar) Director |
| Sd/ (Md. Ahmedur Rahman) Company Secretary | Sd/ (Md. Solaiman) Manager(Accounts) | | |

DECLARATION ABOUT FILING OF PROSPECTUS WITH THE REGISTRAR OF JOINT STOCK COMPANIES

A dated and signed copy of this prospectus has been filed for registration with the Registrar of Joint Stock Companies and firms, Bangladesh, as required by Section 138(1) of the Companies Act 1994 vide RJSC's Receipt No. 0048319 dated 26 December 2000.

DECLARATION BY THE ISSUE MANAGER ABOUT THE APPROVAL FROM SEC FOR ANY MATERIAL CHANGES.

In case of any material changes in any, agreement, contract, instrument, facts and figures, operational circumstances and statement made in the Prospectus subsequent to the preparation of the prospectus and prior to its publication shall be incorporated in the prospectus and the said prospectus should be published with the approval of the Commission.

For Manager to the Issue

Sd/-

Managing Partner

AAA Consultants & Financial Advisers.

DECLARATION BY THE ISSUER ABOUT THE APPROVAL FROM SEC FOR ANY MATERIAL CHANGES.

In case of any material changes in any, agreement, contract, instrument, facts and figures, operational circumstances and statement made in the Prospectus subsequent to the preparation of the prospectus and prior to its publication shall be incorporated in the prospectus and the said prospectus should be published with the approval of the Commission.

For Issuer

Sd/-

Managing Director

Hakkani Pulp & Paper Mills Limited

DUE DILIGENCE CERTIFICATE OF THE ISSUE MANAGER

To

Securities and Exchange Commission

Dhaka.

Dear Sir,

Sub : Public Offer of 5,000,000 Ordinary Shares of Taka 10.00 each at par by Hakkani Pulp & Paper Mills Limited.

We, the under-noted Issue Manager to the above mentioned forthcoming issue, state as follows:

1. We, while finalizing the draft prospectus pertaining to the said issue, have examined various documents and other materials (as per list attached) as relevant for adequate disclosures to the investors;
2. On the basis of such examination; and the discussion with the Company; its directors and other 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 Company;

WE CONFIRM that :

- the draft prospectus forwarded to the Commission is in conformity with the documents, materials and papers to the issue;
- all the legal requirements connected with the said issue have been duly complied with;
- the disclosures made in the draft prospectus are true, fair and adequate to enable the investors to make a well informed decision as to investment in the proposed issue.

For Manager to the Issue

Sd/-

Managing Partner

AAA Consultants & Financial Advisers

DUE DILIGENCE CERTIFICATE OF THE UNDERWRITERS

To
Securities and Exchange Commission
Dhaka.

Dear Sir,

Sub: Public Offer of 5,000,000 Ordinary Shares of Taka 10.00 each at par by Hakkani Pulp & Paper Mills Ltd.

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

- We, while underwriting the above mentioned-Issue on a firm commitment basis, have examined the draft prospectus, other documents and materials as relevant for our underwriting decision;
- On the basis of such examination; and the discussion with the Company; its directors and other officers, and other agencies; and the contents of the documents and other materials furnished by the Company; and our underwriting agreement(s) dated 29 May, 4 June, 23 July, 26 September, 2000.

WE CONFIRM that :

- all information as are relevant for our underwriting decision has been received by us and that the draft prospectus forwarded to the Commission has been approved by us;
- we shall take up on payment any under-subscribed securities against the above-mentioned public issue within 15(fifteen) days of calling up thereof by the issuer.
- this underwriting commitment is unequivocal and irrevocable.

For Underwriter(s)

Sd/-

Investment Corporation of Bangladesh
Bangladesh Shilpa Rin Sangstha
Peoples Insurance Company Limited
Raspit Securities and Management Limited.

AVAILABILITY OF PROSPECTUS

Prospectus of the Company will be available at the following address:

| Name & Address | Contact Person | Tel. No. |
|---|--|-------------------------------|
| Issuer: Hakkani Pulp & Papers Mills Limited 2/10, D.T. Road, North Pahartali, Chittagong. | Mr. Md. Golam Mostafa Managing Director | 751463-5 |
| Issue Manager: AAA Consultants & Financial Advisers Suite # 404, Amin Court, 62-63 Motijheel C.A., Dhaka. | Mr. Khwaja Arif Ahmed Managing Partner | 9559602 9567726 |
| Underwriters: <i>Investment Corporation of Bangladesh</i> 8 DIT Avenue (12-15 th Floor), Dhaka. | Mrs. Zeenat Iftikhar Assistant General Manager | 9563455-7 9563495-7 |
| <i>Bangladesh Shilpa Rin Sangstha</i> BIWTA Bhaban, (5 th floor), 141-143 Motijheel C.A., Dhaka. | Mr. Md. Mosharraf Hossain Assistant General Manager | 9553555 9565046 9553546 |
| <i>Peoples Insurance Company Limited</i> Sena Kalyan Bhaban(Floor#3), Motijheel C/A. Dhaka | Mr. Iqbal Hussain Manager(R/I) | 9564166 |
| <i>Raspit Securities and Management Limited</i> House#55A (1 st Floor), Road#4A, Dhanmondi, Dhaka. | Mr. Md. Abdur Razzak Managing Director | 8619048 |
| Stock Exchanges: Dhaka Stock Exchange Limited (DSE) 9/F, Motijheel C.A., Dhaka. | DSE Library | 9564601-7 |
| Chittagong Stock Exchange Limited (CSE) CSE Building, 1080, Sk. Mujib Road, Agrabad C.A., Chittagong. | CSE Library | 714632-3 720871-3 |

Prospectus is also available on the web site (www.secbd.org) or of the Securities and Exchange Commission (SEC).

RISK FACTORS

1. Imported pulp and chemical will be used for manufacturing of offset and writing and printing paper. 82.79% of the total raw material consumption is pulp and chemical which will be procured abroad origin. Only 17.21% of the total raw material is locally available. Therefore any change in the prices of imported raw materials may adversely affect adversely profitability of the company;
2. Any adverse fluctuation in the exchange rate of Taka may increase foreign exchange liability;
3. Any imposition of duties/taxes either on finished product or on imported chemical by the Government of Bangladesh may have adverse effect on production;
4. The project is located near the river Karnaphuli, as such flood or tidal bore may damage plant and machinery of the project;
5. Failure of power supply is a common phenomenon in Bangladesh. Loss of working hours due to power failure may occur;
6. As major portion of raw material will be imported from abroad and be cleared through Chittagong Port, port congestion may disrupt the smooth operation of the project;
7. If general demand of paper falls in the market, the company may face adverse situation to market its product;
8. A part of the machinery of the project is second hand and reconditioned which may adversely affect production and profitability;
9. Investment in equity security involves risk. Investors should keep in mind that there is a difference between equity security and debt security. As a residual owner, the claim of an equity shareholder comes last and in an extreme situation he/she may lose his/her enter investment;
10. No Bank or financial institutions have appraised cost of the project for which the funds are being raised;
11. At present the company is a closely held family company. All the directors are member of the same family;
12. Company may be delisted which may affect liquidity;
13. At present the company has only one paper expert who is also engaged for other paper and board mill of the same management. The project may face lack of technical support due to shortage of technical people;
14. The project is under implementation and is a green field. As such it may not declare dividend for next 2/3 years;
15. At present, assets of the company have no insurance coverage from any insurance company.

MANAGEMENT PERCEPTION OF RISK FACTORS

1. Major portion of the raw materials, imported from foreign origin, is adequate for meeting the production. Raw materials are also available in different foreign sources, Viz; USA, Canada, Switzerland, Germany, Malaysia, Finland. Beside management is thinking to establish buffer stock to prevent raw material crisis or short supply;
2. Fluctuation rate of Taka in comparison with Dollar is a common phenomenon in Bangladesh. Business community as well as our economy is habituated with the fluctuation. It is expected that the company also will not face any serious problem with this fluctuation;
3. Our Government is pursuing proactive industrial policy that has laid solid foundation and is expected to continue;
4. The project building are being designed and constructed in a manner that the plinth level has sufficient height and out of reach of flood level. Therefore it is unlikely to enter floodwater into factory building;
5. From past experience it is known that everyday load shedding occurs for 3-4 hours. To meet the power problem, management is contemplating to procure a standby generator;
6. Present Government and Port Authority always try to enter the factors that cause port congestion. As Chittagong Port is the main inlet of imported goods, it is expected that the Government will also take special care, if any port problem sustain for long;
7. Entire demand of offset and writing and printing grade of paper which the project is going to produce is currently meeting by import from Indonesia, Malaysia, Japan etc. Beside there is no other mill which is presently producing such grade of paper and also there is no other alternative to use these type of writing/printing and offset paper. It is also unlikely to setup another mills to produce such grade of paper overnight. Therefore, management is very much optimistic that the project will face least problem to market its product and demand of paper will increase day by day;
8. Generally paper machineries are second hand and reconditioned. Most of the paper mills of Bangladesh having reconditioned machineries are performing satisfactorily without any failure. It is expected that machineries of Hakkani Pulp & Paper Mills Limited will run satisfactorily;
9. The management is successfully managing another paper and board mill for more than a decade. Besides another chemical factory and other trading and service oriented business are operating successfully by the same management. Therefore it is not likely to go the company to a situation of liquidation;
10. As the company has no long terms project loan from any Bank or Financial Institution, no appraisal was made for project cost accordingly. However the IPO has been underwritten by Investment Corporation of Bangladesh (ICB), Bangladesh Shilpa Rin Sangstha (BSRS), Peoples Insurance Company Limited and Rasmit Securities Management Limited for an amount of Tk.25.00 million, 20.00 million, 2.50 million and 2.50 million. All the underwriters specially ICB and BSRS has thoroughly appraised the project and found justified and issued Due Diligence Certificate;
11. The Director of the company are experienced and energetic and are capable of managing other projects and businesses within the group. However with the induction of new directors as per conditions of SEC the board of the company will be broad based;
12. The management is aware of the present rules and regulations of Stock and Exchange Commission and will take care regarding regulation;
13. Though the project has only one paper expert presently working with the group the management is contemplating to recruit few more technical experts immediately after implementation of the project. Besides the German Consultant, PP-Consult is also available for all sorts of technical support;
14. Project implementation work is progressing in full swing and the management is expecting to complete the project within a short period;
15. After successful implementation all assets of the company will be insured.

USE OF PROCEEDS

Sources:

The total proceeds of Tk. 80.0 million, Tk.30 million from pre-IPO private placement and Tk.50 million from Initial Public Offering, will be used to meet the balance cost of project implementation, working capital, IPO expenses etc. The break-up of the above is shown below:

| Sources of Funds | Tk. in '000 |
|-------------------------------|---------------|
| Pre-IPO private placement | 30,000 |
| Initial Public Offering (IPO) | 50,000 |
| Total | 80,000 |

Uses of Pre-IPO Funds

(Tk. in '000)

| Particulars | Funds used | Funds yet to be used | Total |
|---|---------------|----------------------|---------------|
| 1. a) Land & Land Development | 600 | 0 | 876 |
| b) Outstanding Bills for Land Development | | 276 | |
| 2. <u>Building & Other Civil Works</u> | | | |
| a) Main Machine House(factory) | 5,170 | 3,073 | 9,996 |
| b) Outstanding Bills for Construction Materials | | 1,753 | |
| <u>Other Civil Works (in progress)</u> | | | |
| c) Workshop | | 2,139 | 12,651 |
| d) Boiler House | | 1,130 | |
| e) Power House | | 413 | |
| f) Chemical Storage House | | 592 | |
| g) Hydro Pulp House | | 876 | |
| h) Bittern House | | 2,311 | |
| i) Digester House | | 1,261 | |
| j) Washing Power House | | 1,807 | |
| k) Pump House | | 153 | |
| l) Labour House | | 215 | |
| m) Boundary Wall | | 1,254 | |
| n) Overhead Tank | | 500 | |
| 3. Equipment etc. | 90 | - | 90 |
| 4. Office Furniture | - | 450 | 450 |
| 5. a) Office Equipment | 119 | - | 199 |
| b) Outstanding Bills for Office Equipment | - | 80 | |
| 6. Machinery(Pulper & Super Calender) | | | |
| a) L/C Margin to Bank | 1,211 | - | 2,421 |
| b) Balance Payment to Bank | - | 1,210 | |
| 7. Security Deposit (PDB) | 12 | - | 12 |
| 8. a) Pre-production Expenses. | 249 | - | 415 |
| b) Outstanding expenses for Pre-production | - | 166 | |
| 9. Repayment of loan to HPBML | 2,635 | - | 2,635 |
| 10. Gas Line Installation | - | 255 | 255 |
| Total uses of Pre-IPO Funds | 10,086 | 19,914 | 30,000 |

(Tk. in '000)

| Uses of IPO Funds | | | |
|--|--------------|--------------|---------------|
| Particulars | Sub total | Sub total | Total |
| 1. <u>Land & Land development</u> | | | |
| a) Earth cutting for road & leveling | | 325 | |
| b) Sand & Soil | | 970 | |
| c) Labour & supervision | | <u>53</u> | 1,348 |
| 2. <u>Building & Civil Works :</u> | | | |
| a) Laboratory, Store Building etc. | | 4,207 | |
| b) Finished Godown | | 2,889 | |
| c) Raw Materials Godown | | 2,486 | |
| d) Guard Room, Security office, Labour office, Guest Room, Toilet | | <u>213</u> | 9,795 |
| 3. <u>Erection & Installation for Plant & Machinery :</u> | | | |
| a) Fees for Foreign Technician | 5,683 | | |
| b) Local Employees & Staff | 606 | | |
| c) Cost of Fittings, Fixing, pipes etc. | <u>5,610</u> | 11,899 | |
| 4. <u>Cost of Boiler:</u> | | | |
| a) Gas Fire Boiler | 1,810 | | |
| b) Auto Burner, Panel Board | 1,200 | | |
| c) Installation charges of Boiler | <u>1,100</u> | 4,110 | |
| 5. <u>Cost of Deep Tube Well :</u> | | | |
| a) Boring & Soil test | 510 | | |
| b) Cost of Pump & Motor | 924 | | |
| c) Pipes, Fittings & Installation | <u>656</u> | <u>2,090</u> | <u>18,099</u> |
| 6. <u>Cost of Electrical Installation & Substation:</u> | | | |
| a) Transformer, HT, LT Switchgear, and other accessories | | 4,325 | |
| b) HT, LT Cable & Fitting | | <u>395</u> | 4,720 |
| 7. Office Equipment | | | 205 |
| 8. Security Deposit and Guaranty | | | 2,488 |
| 9. IPO Expenses | | | 5,450 |
| 10. Initial Working Capital (partial) | | | 7,895 |
| Total uses of IPO Funds | | | 50,000 |
| Total IPO and Pre-IPO Funds | | | 80,000 |

Above tables do not show total cost of each individual items. Only programme of expenses against Pre-IPO and IPO funds are shown. For detailed complete picture of the project cost please also see section "Plan of Operation and Discussion of Financial Condition" under heading "Project Cost and Financial Plan".

IMPLEMENTATION SHCHEDULE

| Item of Works | Date of Completion | Target date of Completion | Percentage of Completion (%) |
|---|--------------------|---------------------------|------------------------------|
| a. Land and Land Development | -- | 1 month after IPO | 83% |
| b. Construction of Building & Civil Works | -- | 8 months after IPO | 22% |
| c. Erection & Installation of Machinery | -- | 10 months after IPO | Nil |
| d. Trial Operation | -- | 11 months after IPO | Nil |
| e. Commercial Operation | -- | 12 months after IPO | Nil |

Details of IPO expenses are shown as follows:

| Particulars | Taka in Lacs |
|---|--------------|
| Manager to the Issue fee | 8.00 |
| Underwriting Commission | 12.50 |
| Fees to Securities & Exchange Commission | 2.40 |
| Brokerage Commission | 5.00 |
| Banker to the Issue | 1.25 |
| Printing of prospectus and forms | 1.00 |
| Advertisement in two daily news papers(full prospectus) | 6.50 |
| Advertisement of abridged version of prospectus and notices, etc. | 1.15 |
| Listing fee to DSE & CSE | 9.50 |
| Stamp Fee | 3.20 |
| Post Issue Expenses | 3.00 |
| Others | 1.00 |
| Total | 54.50 |

DESCRIPTION OF BUSINESS

COMPANY BACKGROUND & THE PROJECT

Hakkani Pulp & Paper Mills Ltd. was incorporated as a Public Limited Company with the Registrar of the Joint Stock Companies, Government of the People's Republic of Bangladesh in the year 1996. The authorized capital of the Company is Tk. 500.00 million comprising of 50 million ordinary shares of Tk. 10.00 each.

The project envisages setting up of a pulp and paper mill having an annual production capacity of 12,000 M.T. at Mouza : Halim Khnarchar, P.S. Potia, Chittagong. The project will produce Offset, Writing and Printing paper. Paper consumption are increasing day by day with the increase of population, mass education as well as its diversified use. A new dimension has been added as one of the major packing materials with the emergence of the export oriented Ready-made Garments Industries. Beside significant quantity of special paper like writing and printing paper, off-set paper, Bond paper and Kraft paper, etc. are imported every year to meet the requirement of the country at a cost of substantial amount of foreign exchange.

In the back drop of the above situation Hakkani Pulp & Paper Mills Limited has undertaken setting up of a pulp and paper mill in Bangladesh with the technical assistance of PP Consultant of Germany to produce different grammage of papers from 57 GSM to 150 GSM.

THE PRODUCT

The project will be capable of producing Offset, Writing and Printing paper in different grammage. Production capacity of the project based on 3 shifts operation of 8 hourly per day and 300 working days in a year is given below:

| <u>Items</u> | <u>Annual Capacity</u> | <u>% of Total Capacity</u> |
|--------------------------|------------------------|----------------------------|
| Off-set paper | 6,000 M.T. | 50% |
| Writing & Printing paper | 6,000 M.T. | 50% |
| Total | 12,000 M.T. | 100% |

Utilization of Capacity

Capacity utilization is projected to be in

| Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|--------|--------|--------|--------|--------|
| 60% | 65% | 70% | 70% | 70% |

PRODUCT DIVERSIFICATION

The plant is capable of producing mentioned products above in different capacities, which can meet buyer's specification and requirement.

TECHNOLOGY AND PROCESS

The technology and production process of paper is complicated. The production process of the project is mainly divided into two sections viz. a) Pulp section and b) Paper processing section.

a) Pulp Section

The raw materials of pulp are green & waste jute, jute yarn, cane caddies, paddy straw, rugs and waste paper. In the beginning of the process, the above raw materials are to make very small pieces which are mixed with chemicals and are put into a moving digester where vapour is passed to make it pulp. It is very initial stage where pulp come in the form of clay. The clay is then passed through dumping chest where biting and dilution is made. The diluted clay is then passed through screen, sand cleaner and washing decker by turns to remove out the dust, sand, mud etc. After removing the dust, the pulp is then move along refiner and stock chest with chemicals to make it brighten and color. The processed pulp is then stored in the machine head box.

b) Paper Processing Section

For the process of paper, pulp is passed on the surface of wire net to widen the size of the paper. For squeezing water from pulp the widened wet paper then move on press no. 1, press no. 2 and press no. 3. For dry and sizing up of paper, it is to move on 1st part dryer, sizing press and 2nd part dryer where pulp come in the shape of fine paper.

PRODUCTION PROCESS

FLOW CHART

Raw Materials

Digester

Hydropulper

Beater

Stock Chest

Washing Portcher

Stainer

High Density Cleaner

Turbo Separator

Sand Trap

C.C. Pit

Centri Cleaner

Decker Thickner

Thickner Chest

Stock Chest

Refiner

Blending Chest/Stock Chest

Pressure Screen

Machine Chest

Cylinder Mould/Mc/Wire

Press

Dryer

MG/Dryer

Calender

Pope Reel

Rewinding

Finished Godown

SCOPE OF BUSINESS

Paper is a major consumer product used more or less by all level of literate persons for the purpose of writing. The main users of the product are students, officials, writers and other general users. For writing use, a wide range of production is consumed every day. Moreover, a significant amount of consumption is used for printing Books, Newspapers, Magazines and other official Registers, Forms, Bills, Vouchers, etc. Beside a huge quantity of offset paper is used for computer printing, computer billing etc. by different utility organization. Computer, a modern device, which is widely used in almost every business, non-business, Govt. and non-Govt. organizations. Like other papers demand for offset paper is increasing substantially with the increasing usefulness of Photocopies and Computers as well as increasingly decreasing of manual works. In the backdrop of the situation HPPML is considering the project actively.

DISTRIBUTION CHANNEL

The company will market and sell entire products through its agents. Agents will be employed after successful start of commercial operation.

COMPETITIVE CONDITION IN BUSINESS

A very few number of paper mills are producing Offset paper insignificantly in respect of country's demand. A sizeable quantity of specially paper like offset paper, bond paper, Kraft paper etc. are imported every year to meet the requirement of the country at the cost of a substantial amount of foreign exchange. Recognizing above scenario, the country needs proper utilization of installed capacity of the existing paper mills and establishment of new paper mills with large production capacity. It reveals from statistics that the country has 26 Paper and Board Mills in existence, both in the private and public sector.

Table - F

| Sl. No. | Paper Mills in Bangladesh | Installed capacity (in M. Ton) | Maximum attainable capacity 70% (average) (in M. Ton) |
|----------------------------------|--|-----------------------------------|---|
| 1. | Karnaphuli Paper Mills Ltd. | 30,000 | 21,000 |
| 2. | Khulna Newsprint Mills Ltd. | 48,000 | 33,600 |
| 3. | North Bengal Paper Mills Ltd. | 15,000 | 10,500 |
| 4. | Sylhet Pulp & Paper Mills Ltd. | 30,000 | 21,000 |
| 5. | Bashundhara Paper Mills Ltd. | 30,000 | 21,000 |
| 6. | T. K Paper Mills Ltd. | 30,000 | 21,000 |
| 7. | Magura Paper Mills Ltd. | 9,000 | 6,300 |
| 8. | Maq Paper Mills Ltd. | 9,000 | 6,300 |
| 9. | Ashraf Paper Mills Ltd. | 6,000 | 4,200 |
| 10. | Illiash Brothers Paper Mills Ltd. | 18,000 | 12,600 |
| 11. | Dhaka Paper Mills Ltd. | 3,000 | 2,100 |
| 12. | Supreme Paper Mills Ltd. | 1,000 | 700 |
| 13. | O. D Paper Mills Ltd. | 9,000 | 6,300 |
| 14. | Universal Paper Mills Ltd. | 3,000 | 2,100 |
| 15. | Komola Ushuf Paper Mills Ltd. | 15,500 | 10,800 |
| 16. | Sonali Newsprint Mills Ltd. | 18,000 | 12,000 |
| 17. | Hossain Pulp & Paper Mills | 7,500 | 5,250 |
| 18. | Bangladesh Paper Mills Ltd. | 2,400 | 1,680 |
| | Total | 2,84,400 | 1,99,080 |
| Board Mills in Bangladesh | | | |
| 1. | Sonali Paper & Board Mills Ltd. | 18,000 | 12,600 |
| 2. | Hossain Paper & Board Mills Ltd. | 10,000 | 7,000 |
| 3. | Hakkani Paper & Board Mills Ltd. | 9,000 | 6,300 |
| 4. | Tongi Board Mills Ltd. | 300 | 210 |
| 5. | Eastern Straw Board & Paper Mills Ltd. | 200 | 140 |
| 6. | Millat Board Mills | 30 | 21 |
| 7. | Madina Board Mills | 450 | 315 |
| 8. | Shannewaj Board Mills | 180 | 126 |
| | Total | 38,160 | 26,712 |

Source: Bangladesh Chemical Industries Corporation.

Major paper and board mills shown above were established in the decade 1980-1990. A few mills in public sector were established immediately after liberation. Though the sector seems have sufficient capacity to meet the local demand but it was very unfortunate that it could not attain capacity at desired level. Rather a very poor production capacity was performed for different factors. Besides performance are decreasing every year which may be shown in Table-3 below. Some of the existing mills are not at all in operation. In the year 1993-94 it reveals that only 41% of the attainable capacity was produced which was very insignificant against corresponding demand of the respective year.

The use and demand of paper:

There is a very limited number of paper mills those who are producing Offset Paper insignificantly in respect of country's demand.

In recent years, it is also observed that interest is growing day by day among the general public of using computers and as such demands of off-set paper is increasing substantially with the increasing usefulness of photocopies and computers. The consumption of these types of papers along with fax paper is also a significant quantity.

Bangladesh Chemical Industries Corporation has made a report of projected demand of paper for Third Five-Year Plan (Table-2).

| | 1994-95 | 1995-96 | 1996-97 | 1997-98 | 1998-99 | 1999-00 |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Items | | | | | | |
| Paper all types except Newsprint | 130,000 | 141,000 | 152,000 | 163,000 | 174,000 | 185,000 |
| Newsprint | 22,000 | 22,600 | 23,200 | 23,800 | 24,400 | 25,000 |
| Paper Board | 39,000 | 45,000 | 51,000 | 57,000 | 63,000 | 69,000 |
| Total | 191,000 | 208,600 | 226,200 | 243,800 | 261,400 | 279,000 |

The following table shows the local production of different grade papers (Table-3).

| | 1993-94 | 1994-95 | 1995-96 | 1996-97 | 1997-98 |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|
| Paper & Paper Product | | | | | |
| Writing | 12,920 | 10,598 | 8,435 | 10,128 | 9,408 |
| Printing | 25,083 | 21,915 | 24,897 | 22,422 | 22,400 |
| Packing & Others | 6,285 | 7,223 | 8,497 | 7,290 | 6,400 |
| Newsprint | 46,527 | 43,062 | 43,972 | 27,675 | 7,673 |
| Total | 90,815 | 82,798 | 85,801 | 67,515 | 45,881 |

(Source: Statistical year book 1998; published in Dec'99)

It reveals from Table-2 that the projected demand for the year 1997-98 was 243,800 M.Ton as against the production achieved at only 45,881 M. Ton. It indicates that there is an unbelievable supply gap of 197,919 M.Ton. Only a considerable part of the supply gap can be meet by import of particular items.

Following table shows import value of paper items.

| | 1993-94 | 1994-95 | 1995-96 | 1996-97 | 1997-98 |
|--|-----------|-----------|-----------|-----------|-----------|
| Items | | | | | |
| Paper, Newsprint, Kraft paper, Paper Board, Paper like paper | 1,215,923 | 2,182,327 | 3,094,881 | 6,932,513 | 4,314,525 |

(Source: Statistical year book 1998; published in Dec'99)

From the scenario shown above it is obvious that the project HPPML will not face any problem to market its product in Bangladesh.

SOURCES AND AVAILABILITY OF RAW MATERIALS

The main raw materials of pulp are green and waste jute, jute yarn, cane caddies, paddy straw, rags and waste paper, which are locally available. The other raw materials are chemicals for pulp and paper those are available at local and foreign sources. Initially, the pulp will be procured from local market and also from foreign origin.

RELATIVE CONTRIBUTION TO SALES AND INCOME (PROJECTED)

| Particulars | 1 st year | 2 nd year | 3 rd year | 4 th year | 5 th year |
|--------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Offset Paper | 193,380 | 224,821 | 254,253 | 267,411 | 280,782 |
| Writing & Printing Paper | 126,576 | 147,155 | 166,420 | 175,033 | 183,785 |
| Total Sales | 319,956 | 371,976 | 420,673 | 442,444 | 464,566 |
| VAT @ 15% | 47,993 | 55,796 | 63,101 | 66,367 | 69,685 |
| Net Sales | 271,963 | 316,180 | 357,572 | 376,078 | 394,882 |
| Net Profit | 37,958 | 46,429 | 58,015 | 64,977 | 72,581 |
| Net Profit/Net Sales | 13.96% | 14.68% | 16.22% | 17.28% | 18.38% |

The financials shown above are extracts from calculation of Techno-economic Feasibility Report of the project.

SOURCES AND REQUIREMENT OF POWER, GAS AND WATER

Power

The project requires a connected load of 2000 KW, which will be supplied by the BPDB for distribution of power. The project also requires electrical sub-station equipment of 2500 KVA to be installed in the factory site.

Gas

To operate boiler, the project requires about 2.00 million cubic meter of gas annually at 100% capacity. The required gas will be supplied by the Titas Gas Transmission & Distribution Co. Ltd.

Water

A huge quantum of water is required for producing pulp and paper. The required water has to be obtained by installing two deep tube wells. The project also requires an underground water reservoir; overhead water tank and motor pump.

MANPOWER

The requirement of technical, managerial and other staffs of the project are as follows:

| Sl. No. | Particulars | No. of Employee |
|---------|----------------------|-----------------|
| 01. | Secretary | 1 |
| 02. | Manager | 2 |
| 03. | Officers & Engineers | 26 |
| 04. | Other staff | 46 |
| 05. | Workers | 103 |
| | Total | 178 |

DESCRIPTION OF PROPERTY

LOCATION OF THE PROJECT AND PROPERTY

PROJECT LOCATION

The project is located at Mouza - Halim Khnarchar, P.S- Potia; Dist.- Chittagong on Chittagong -Cox's Bazar Highway where all infrastructural facilities like water, power, gas and internal roads are arranged. The project is set up on 5.71 acres of land.

REGISTERED OFFICE/HEAD OFFICE

Hakkani is a prominent group in Chittagong. Group head office and registered office of HPPML is at their own 3 storied building on the main road of Pahartoli, bearing holding no. 2, North Pahartoli, Chittagong.

LAND AND LAND DEVELOPMENT

The land is situated at Mouza - Halim Khnarchar, P.S.- Potia, Dist.- Chittagong, measuring area of about 5.71 acres, where all infrastructural facilities like water, power, gas, electricity and internal roads are available. The cost of land is amounting to Tk.8.00 million including land development. The details of land and land development is as follows:

Details of Land and Land Development:

| | | | |
|----|---|-----|---------------------|
| 1. | Value of land | Tk. | 5,000,000.00 |
| 2. | Value of stamp | Tk. | 500,000.00 |
| 3. | Registration charge | Tk. | 275,000.00 |
| 4. | Soil & sand for land development | Tk. | |
| | Including labour expenses 7,00,000 cft. | Tk. | 1,846,450.00 |
| 5. | Earth cutting for Road & labeling | Tk. | |
| | 2,10,000 cft. X 1.55 per cft. | Tk. | 325,500.00 |
| 6. | Labour & Suppression | Tk. | 53,050.00 |
| | | Tk. | <u>8,000,000.00</u> |

BUILDING AND OTHER CIVIL WORKS

The total construction cost of Factory Building including boundary wall, water reservoir, electrification and sanitation has been estimated at Tk. 325.51 lac. Factory building is designed by Union Technical Consult Ltd., House#G/22, Pallabi Extension, Dhaka-1221. There is no relationship between directors and Union Technical Consult Ltd.

Details of Building & Other Civil Works:

| | | | |
|-----|---|------------------|----------------|
| 1. | Machine House. R.C.C Framed structure with R.C.C. roof. Area 261'-4" x 51'-0"= 13,327.83 sft. | @ Tk. 750/- sft. | Tk. 99.96 lacs |
| 2. | Workshop R.C.C. Framed structure with R.C.C Roof. Area 70'-2" X 51'-8"= 5,625.17 sft. | @ Tk. 590/- sft | Tk.21.39 lacs |
| 3. | Laboratory, Office and Store Building (One storied) R.C.C. framed structure. Area : 255'-0"X 30'-0"= 7,650 sft. | @ Tk. 550/-sft | Tk. 42.07 lacs |
| 4. | Boiler House, R.C.C. Framed structure. Area : 61'-8"X 36'-8"= 2,264.44 sft. | @ Tk. 500/- sft | Tk. 11.30 lacs |
| 5. | Finished Godown Building. R.C.C. Framed structures. Area : 101'-8"X 51'-8"= 5,253.28 sft. | @ Tk. 550/- sft. | Tk. 28.89 lacs |
| 6. | Power House Building. R.C.C. Framed Structure. Area: 25'-0"= 30'-0"= 750 sft. | @ Tk. 550/- sft. | Tk. 4.13 lacs |
| 7. | Chemical Storage Building. R.C.C. Framed. Area: 51'-8"X 20'-10"= 1,076.29 sft. | @ Tk. 550/- sft | Tk. 5.92 lacs |
| 8. | Hydro Pulp Building, R.C.C Framed structures. Area: 51'-8" X 30'-10" = 1,593 sft. | @ Tk. 550/-sft. | Tk. 8.76 lacs |
| 9. | Bitter Building. R.C.C. Framed structures. Area: 45'-10" X 91'-8" = 4,201.24 sft. | @ Tk. 550/- sft. | Tk. 23.11 lacs |
| 10. | Construction of Digester House. R.C.C. Framed structure (single storied). Area: 91'-8"X 25'-0" = 2,291.75 sft. | @ Tk. 550/- sft | Tk. 12.61 lacs |
| 11. | Washing PowerHouse. R.C.C. Framed structures. Area: 91'-8" X 35'-10" = 3,284.53 sft. | @ Tk. 550/- sft | Tk.18.07 lacs |
| 12. | Construction of Pump House. R.C.C. Framed structure with R.C.C. roof (single Storied) Area: 16'-8"X 16'-8"=277.88 sft. | @ Tk.550/- sft. | Tk. 1.53 lacs |
| 13. | Construction of Raw Materials Godown with R.C.C. Framed structure (one storied). Area: 101'-8" X 44'-8" = 4,519.92 sft. | @ Tk. 550/- sft | Tk. 24.86 lacs |
| 14. | Constructions of labour Toilet (one storied). Area:36'-6"X 15'-0"=549 sft. | @ Tk. 440/- sft | Tk.2.42 lacs |
| 15. | Construction of Guard Room, security Office, Labour Office, Guest Room and Toilet.Area:44'-6"X12'= 534 sft | @ Tk. 400/- sft | Tk.2.13 lacs |

Boundary Wall

| | | | | |
|----|---|--------------|-----------------|------------------------|
| a. | Brick Work | -14,297 cft. | @ Tk. 80/- cft. | Tk.11.44 lacs |
| b. | Plain C.C. Work | -814 cft. | @ Tk. 75/- cft. | Tk.0.61 lacs |
| c. | Brick Soiling | -3,257 sft. | @ Tk.15/- sft. | Tk. 0.49 lacs |
| | Overhead Tank 20,000 Gallon Capacity | | | Tk. 5.00 lacs |
| | Consultancy & Design Charges (Architectural, Structural, Electrical etc.) | | | Tk .80 lacs |
| | Total : | | | Tk. 325.51 lacs |

PLANT, MACHINERY AND EQUIPMENTS**PLANT, MACHINERY AND EQUIPMENTS**

The capital machinery of Japan origin worth at Tk.1,198.25 lac have already been procured locally and transferred to company vide vendors agreement dated 30 December 1996, and machinery of EEC origin for an amount of Tk.339.19 lac have been imported. According to IPO Rules 1998 of Securities and Exchange Commission a survey was performed by SGS Bangladesh Limited. According to survey report the machinery of Japan origin are unused/new and apparently in sound condition. The machineries are likely to have an estimated economic working life of 20(twenty) years. The machinery of EEC origin are procured in second hand condition. A survey was also performed by SGS Germany regarding economic life and price competitiveness of the machinery of EEC country origin but not duly certified by the Chamber of Commerce of the exporting country or the country of origin. A boiler amount to Tk.17.89 lac was also procured locally in second hand condition. In addition to the above, an amount of Tk. 180.99 lac is estimated to be incurred for local machinery and installation purpose.

A. Machinery of Japan origin (already procured)

| Sl.# | Description of Machinery/Oty. | Value/Price |
|------|---|--|
| 1. | <u>GLOBE DIGESTER</u> Type Diameter Capacity Roteryspeed Body Journal Bearing Drive system Complete with | 1 NO : Globe Rotary Type Motor 11 Kw X 4P-2 : 4267 mm : 40 m : 0.5 pm : Welded mild steel. pressure limit 9Kg/CM : Cast Iron : Gun metal plain type : Major gear pinion, Intermediate gear pinion Shaft bearing : safety valve, Pressure Gauge, Steam joint. TK. 8,311,125.00 |
| 2. | <u>GLOBE DIGESTER =</u> Type Diameter Capacity Roteryspeed Body Journal Bearing Drive system Complete with | 1 NO : Rotery Globe Type (Motor 3.7 Kw X 4P-1) : 2438 mm : 7.5 m : 0.5 rpm : Welded mild steel, Pressure limit 9Kg/CM : Cast Iron : Gun metal plain type. : Major gear pinion, Intermediate gear Pinion, Shaft bearing : safety valve, Pressure Gauge, Steam joint TK. 5,376,007.00 |
| 3. | <u>DISC REFINER =</u> Type Disc. Reg. Drive Bearing Complete with | 1 SET : Disc type (Motor 37 KW X 4P-2) : 610 m dia, Special Cast Iron. : 1450 rpm Directly connected : Spherical Roller Bearing : Casing cover, frame, shaft. TK. 1,661,586.75 |

| | | | |
|-----|--|---|------------------|
| 4. | <u>DISC REFINER</u> = Type Disc. Reg. Drive Bearing Complete with | 1 SET : Disc. Type (Motor 75 KW X 6P-1) : 700 m dia, Special Cast Iron. : 1000 rpm : Directly connected : Spherical Roller Bearing : <i>Casing cover, frame, shaft.</i> | TK. 1,954,904.25 |
| 5. | <u>JANSON SCREEN</u> = Type Screen Plate Consistency Rev. Body Support Bearing Vat | 2 SETS : Janson Type (Motor 3.7 KW X 4P-1) : 1000m X 2000m Stainless Plate with hole. : 0.5-1 % : 1450 rpm : Welded Mild Steel : Rubber cushion type : Spherical roller Bearing : Concrete(to be made) | TK. 985,125.00 |
| 6. | <u>SUPER CLONE</u> = (Cleaning Device) Type Model Capacity Stuff food pressure Chamber body Junk Box Motor | 1 SETS : Volute type : K-2000(Patent 313401) : 2000 L/Min 2.5-3.5 Kg/ cm : Special glass & Cast Iron : Cast Iron : 3.7 KW X 4P | TK. 1,173,825.00 |
| 7. | <u>SUPER CLONE</u> = (Cleaning Device) Capacity Other Particulars | 1 SET : 500 L/Min : As above | TK. 499,500.00 |
| 8. | <u>SUPER CLONE</u> = (Cleaning Device) Capacity Other Particulars | 1 SET : 1000 L/Min : As above | TK. 654,900.00 |
| 9. | <u>HYDROPULPER</u> = Type Capacity Runner Tube Stand Frame Bearing Shaft Strainer Motor | 1 SET : Vertical Batch type : 2.6 m : 480 rpm Carbon Steel for Uredium structural use Collapsible Type. : 1800 mm dia Steel Plate : Steel Pipe(4 Pcs.) Spherical Roller Bearing. : Steel Plate : Steel Plate with hole : 5.7 Kw X 6P-1 | TK. 2,541,345.00 |
| 10. | <u>BEATER</u> Type Capacity Ply Bar Roll Dia metre Washing Drum Tube Fly Bar Roll shaft Fly Bar Bed Bar Fly Bar Roll Moving Device Washing Drum Shaft Motor | 2 SETS : Ordinary type : 800 lbs. : 120 rpm : 1220 m dia X 122 m long : 1220m X 1400m long wooden make : Concrete(To be made) : Steel : Carbon Steel : Carbon Steel : Carbon Steel : Hand Type : Steel : 22 KW X 8P-2 | TK. 4,105,335.00 |

| | | | |
|-----|--|--|-------------------|
| 11. | DRYPART = 1 st Dry Part 2 nd Dry Part Paper Dryer Dryer Bearing Dryer Gear Steel Joint Canvas Stretcher Doctor Carrier Ventilator Hood Motor Windo volume Revolution Bore | 1 SET : 1524mm X 2400mm-8 Pcs. : 1524mm X2400mm-8 Pcs. Pressure-4 Kg./cm- 1 set Cell-Semi Steel, Grind Finished Drain Device Cyphone type : Spherical Roller-32 Pcs. Bearing : Cast Iron Blade-16 Pcs. : Rotary Joint - 16 Pcs. : Cast Iron-4 sets : Steel Plate Blade : Welded Steel Plate- 1 set : 7.5 Kw X 4P-1 : 500m3/Min. : 1450 rpm : 900mm dia | TK. 37,323,750.00 |
| 12. | CALENDER (8 Station) Chilled Roll(Over75) Bottom Roll-407mm X2140mm2) 2 nd Bottom Roll-(336mmQ X 2140mm2) Middle Roll-252mmQ X 2140 mm2 Top Roll-356mmQ X 2140 mm2 Sole Plate - Cast Iron Frame -Welded Mild Steel Plate Upper Frame Roll moving device (Motor-3.7 KW X 6P-1) Warm Gear Drive Doctor Cast Iron Body Steel plate blade Pressure Device Lever Type | 1 SET : 1 Pc : 1 Pc. : 5 Pcs. : 1 set : 1 set : 1 set : 1 set : 1 set : 8 sets | TK. 41,538,975.00 |
| 13. | POPE REEL = Drum Bearing Sole Plate Frame Primary Arm Secondary Arm Grinding Roll Roll Shell Bearing | : 1 set 1 SET : Semi- Steel Grinded finished 916mm diaX 2140mm3-Pc : Spherical Roller Bearing : Cast Iron made - 1 set : Cast Iron made - 1 set : Cast Iron made Air pressure type - 1 set : Cast Iron made : Air pressure type - 1 set :165mm diaX2140mm2-10 Pc : Steel Pipe :Gun metal made, plain type | TK. 1,061,437.00 |
| 14. | VERTICAL SCREEN = Type Screen Cylinder Rev Screen Cylinder Scraper Rotar Sole | 1 SET : Vertical Centrifugal type (Motor-11 KW X 6P-1) : 610mm dia X 610mm long : 300 rpm : 5.5 mm plate with hole : Hand Chromed Cast Iron : Steel Shaft, Cast Iron Rotar : Cast Iron | TK. 1,172,937.00 |

15. HIGH DENSITY TILTER =
Capacity : 5 SET TK. 2,941,500.00
Intel Consistency : 15 T/day
Outlet Consistency : (Motor 3.7 KW X 4P-1)
Drum : 0.8-1.2% (Motor-1.5 KW X P-1)
Screen Plate : 10-12%
Cylinder : 2000mm dia 1500 mm long
Bearing : Welded Mild Steel
Vat : 5/5 with hole
Screw Conveyer : Spherical Roler Bearing
Shower pipe : Mild Steel with ew coat
125 MM CONVEYER PUMP = 1 SET TK. 152,625.00
(Motor 5.5 KW X 4P-1)
Type : Centrifugal Type
Bore : 100mm
Rev. : 1,450 rpm
Head : 10 meters
Capacity with : 1.1 m3/min
Complete with : Sole Plate, Casting, Shaft
Bearing : Ball Bearing
Runner : Gun Metal
17. 100 MM CONVEYER PUMP = 6 SETS TK. 832,500.00
(Motor : 5.5 KW X 4P-1)
Type : Centrifugal Type
Bore : 100 mm
Rev. : 1,450 rpm
Head : 10 metres
Capacity with : 1.1 m3/min
Complete with : Sole Plate, Casting, Shaft
Bearing : Ball Bearing
Runner : Gun Metal
18. 80 MM CONVEYER PUMP = 8 SETS TK. 777,000.00
(Motor : 3.7 KW X 4P-1)
Type : Centrifugal Type
Bore : 80 mm
Rev. : 1,450 rpm
Head : 10 metres
Capacity with : 0.5m3/min
Bearing : Ball Bearing
Complete with : Sole Plate, Casting, unner, Shaft
19. 125 MM HIGH PRESSURE PUMP = 2 SETS TK. 222,000.00
(Motor 22 KW X 4P-1)
Type : Centrifugal Type
Bore : 150 mm X 125 mm
Rev. : 1,450 rpm
Head : 30 metres
Capacity with : 2.0m3/min
Bearing : Ball Bearing
Complete with : Sole Plate, Casting, Shaft, Runner.
20. 100 MM HIGH PRESSURE PUMP = 1 SETS TK. 97,819.00
(Motor: 15 KW X 4P-1)
Type : Centrifugal Type
Bore : 150 mm X 125 mm
Rev. : 1,450 rpm
Head : 30 mm
Capacity : 0.5 m3/min
Bearing : Ball Bearing
Complete with : Sole Plate, Casting, Shaft, Runner

| | | | |
|-----|---|--|----------------|
| 21. | 80 MM HIGH PRESSURE PUMP = (Motor : 11 KW X 4P-1) | 2 SETS | TK. 188,700.00 |
| | Type | : Centrifugal Type | |
| | Rev. | : 1,450 rpm | |
| | Head | : 30 mm | |
| | Capacity | : 0.5m ³ /min | |
| | Bearing | : Ball Bearing | |
| | Complete with | : Sole Plate, Casting, Shaft, Runner | |
| 22. | STRAW BELT CONVEYER = (Motor : 3.7 KW X 4P-1) | 1 SETS | TK. 291,375.00 |
| | Belt width | : 610 mm | |
| | Conveyer Speed | : 30m/min | |
| | Main Frame | : Welded Gas Pipe | |
| | Conveyer Roll | : Steel Pipe | |
| | Drive Roll | : Steel Pipe | |
| | Return Roll | : Steel Pipe | |
| | Belt Stretcher | : Screw type | |
| 23. | BELT CONVEYER = (Motor : 2.2 KW X 4P-1) | 3 SETS | TK. 792,540.00 |
| | Belt | : 610 mm width x 15 metres | |
| | Belt Speed | : 30m/min | |
| | Main Frame | : Welded Gas Pipe | |
| | Conveyer Roll | : Gas tube | |
| | Bearing | : Ball Bearing | |
| | Drive Roll | : Steel Pipe | |
| | Return Roll | : Steel Pipe | |
| | Belt Stretcher | : Screw type | |
| 24. | RAG BELT CONVEYER = (Motor : 3.7 KW X 4P-1) | 2 NOS | TK. 582,750.00 |
| | Type | : Inclined type | |
| | Belt | : 610 mm width X 15 mtrs. | |
| | Conveyer Speed | : 30m/min | |
| | Main Frame | : Welded Gas Pipe | |
| | Conveyer Roll | : Steel Pipe | |
| | Bearing | : Ball Bearing | |
| | Return Roll | : Steel Pipe | |
| | Belt Stretcher | : Screw type | |
| 25. | 150 MM BACK WATER PUMP = (Motor : 5.5 KW X 4P-1) | 3 SETS | TK. 198,967.00 |
| | Type | : Centrifugal Type | |
| | Bore | : 100 mm | |
| | Rev. | : 1,450 rpm | |
| | Head | : 10 mm | |
| | Capacity | : 1.1m ³ /min | |
| | Bearing | : Ball Bearing | |
| | Complete with | : Sole Plate, Casting, Shaft | |
| 26. | MIXER(ALKALL) = 1 SET (Motor- 11 KW X 6P-1) | | TK. 388,500.00 |
| | Type | : Horizontal type | |
| | Casting | : 300 mm dia X 350 mm dia X 1,500 mm long | |
| | Shaft | : Welded stainless plate | |
| | Bearing | : Spherical Roller Bearing | |
| | Head Pipe | : Gas Pipe | |
| | Nozzle | : Stainless Steel | |
| | Rev. | : 300 rpm | |
| 27. | MIXER(Hypo Mixer) = 1 SET (Motor- 11KW X 6P-1) | | TK. 391,275.00 |
| | Type | : Horizontal | |
| | Casing | : 300 mm dia X 350 mm dia X 1,500 mm long, Welded Stainless steel pipe | |
| | Shaft | : Steel pipe & steel stainless, Lining on liquid contact part. | |
| | Bearing | : Spherical Roller Bearing | |
| | Head Pipe | : Gas Pipe | |
| | Nozzle | : Stainless Steel | |
| | Rev. | : 300 rpm | |

| | | | |
|-----------|---|--------------------------|---------------------------|
| 28. | DRAIN PUMP = 1 SET (Motor-3.7 KW X 4P-1) | | TK. 195,637.00 |
| | Type | : Vertical Type | |
| | Bore | : 100 mm X 80 mmQ | |
| | Rev. | : 1,450 rpm | |
| | Head | : 13 metres | |
| | Capacity | : 0.3m ³ /min | |
| 29. | STEAM DRAIN PUMP = 1 SET (Motor: 3.7 KW X 4P-1) | | TK. 146,654.00 |
| | Type | : Centrifugal | |
| | Bore | : 100 mm dia X 40 mm dia | |
| | Rev. | : 1,450 rpm | |
| | Head | : 20 mm | |
| | Stole plate | : Cast Iron | |
| | Bearing | : Ball Bearing | |
| | Shaft | : Steel | |
| | Runner | : Gun Metal | |
| 30. | NASH PUMP = 2 SETS (Motor 3.7 KW X 6P-2) 150 mmQ | | TK. 342,102.00 |
| | Vacuum Degree | : 4400m/Hg. | |
| | Wind Volume | : 15m ³ /min | |
| | Rev. | : 550 rpm | |
| 31. | HOISTER = 1 NO (Lifting vehicle) | | TK. 390,970.00 |
| 32. | BAILING PRESS = 8 NOS. | | TK. 1,172,715.00 |
| 33. | <u>LABORATORY EQUIPMENT</u> | | TK. 1,359,113.00 |
| a) | Analytical Balance | = 1 set | |
| b) | Quadrant Scale | = 1 set | |
| c) | Bursting Strength Tester 9 Mullen Type | = 1 set | |
| d) | Electrical Moisture Tester(aqua boy) | = 1 set | |
| e) | Tearing Resistance Tester(Elemen dorf type) | = 1 set | |
| f) | Brightness, Opacity & Gloss Tester | = 1 set | |
| g) | PH Indicator | = 1 set | |
| h) | Cobb Tester | = 1 set | |
| i) | Thickness Micro Tester | = 1 set | |
| j) | Bearing 7 Freeness Tester(S.R) | = 1 set | |
| k) | Consistency Determination Apparatus | = 1 set | |
| l) | Combustion Furnace For Ash Contents | = 1 set | |
| | Sub total | | TK. 119,825,499.00 |
| B. | Machineries of German origin (already procured) | | |
| a) | <u>C & F value:</u> | | Tk. 29,676,310.00 |
| | Drier complete set, Press(1 st , 2 nd , 3 rd) | - 1 set | |
| | Size Press with Chemical size Kitchen complete set | - 1 set | |
| | Rewinder complete set | - 1 set | |
| | Sheet Cutter complete set | - 1 set | |
| | Flow Box with wire part complete set | - 1 set | |
| | Mechanical, Electrical Drives for Driers, etc | | Tk. 348,645.00 |
| b) | L/C Charges | | Tk. 839,341.00 |
| c) | Bank interest, insurance and C&F exps. | | Tk. 3,054,395.00 |
| d) | Duty, Carrying cost, others etc. | | Tk. 33,918,691.00 |
| | Sub - Total | | TK. 33,918,691.00 |
| C. | Details of Erection & Installation | | |
| i) | <u>Foreign Technician(German)</u> | | |
| | 3 persons for 1 year @ DM. 5785.00 per month | | Tk. 56,83,000.00 |
| | per head total DM. 2,08,260.00 | | |
| ii) | <u>Local Employees</u> | | |
| a) | Technician and General Staff for one year | | Tk. 396,000.00 |
| | @ 2,200.00 per month per head 15 persons | | |
| b) | Security Staff for one year 9 persons | | Tk. 2,10,000.00 |
| | @ 1,950.00 per month per head | | |
| | Sub - Total | | TK. 62,89,000.00 |

| | | | |
|-----------|---|--------------------|----------------------------------|
| D. | Cost of Fittings, Fixing for Machinery Erection | | |
| i) | M.S. Pipe-6" 5000 rft | @ 400.00 | Tk. 20,00,000.00 |
| ii) | M.S. Pipe-4" 6000 rft | @ 400.00 | Tk. 24,00,000.00 |
| iii) | Gate Valve-6" 100 Nos. | @ 2500.00 | Tk. 2,50,000.00 |
| iv) | Gate Valve-4" 200 Nos. | @ 1500.00 | Tk. 3,00,000.00 |
| v) | Welding Rod. 1000 Pack. | @ 260 | Tk. 2,60,000.00 |
| vi) | Flange Bend, Elbow, Fee, Rubber Sheet, etc. | | <u>Tk. 4,00,000.00</u> |
| | | Sub - Total | <u>Tk. 56,10,000.00</u> |
| E. | COST OF BOILER | | |
| i) | Package type with fire tubes Gas fire Bioler, 8000 Kg P/hour. made in UK, 2 Nos. @ Tk. 18,00,000.00 | | Tk. 36,00,000.00 |
| ii) | 2 Nos. Package type Auto Burner, Panel Board complete and installation charge. @ Tk. 6,00,000.00 | | Tk. 12,00,000.00 |
| iii) | Installation charge of 2 nos. 8 tons capacity package, Boiler, gas fire including supply of stop valve, pressure, Reducing valve, Safety valve, Header pipe, reducing socket, Elbow, steam trap and all other fitting fixing. @ Tk. 5,50,000.00 | | Tk. 11,00,000.00 |
| | | Sub-Total | <u>Tk. 5,900,000.00</u> |
| F. | COST OF DEEP TUBE WELL | | |
| i) | Test boaring & soil test cost upto 800 ft. | | Tk. 60,000.00 |
| ii) | Final boring & installation cost for 2 Nos. Tubewell upto 800 ft. | | <u>Tk. 450,000.00</u> |
| | | | Tk. 510,000.00 |
| iii) | Prices of 2 Nos pump set @ Tk. 2,84,000.00 each and 2% discount | | Tk. 556,640.00 |
| iv) | 60 H.P 1450 RPM, Siemens VHS Motor@ Tk. 184,000.00 each | | Tk. 368,000.00 |
| v) | M.S pipe-8" with socket 1600 rft @ Tk. 400.00 per ft | | Tk. 640,000.00 |
| vi) | Installation/erection charge per pump @ Tk. 8,000.00 each | | <u>Tk. 16,000.00</u> |
| | | Sub-Total | <u>Tk. 2,090,640.00</u> |
| | Total (A+B+C+D+E+F) | | <u>Tk. 173,633,830.00</u> |

OWNERSHIP OF THE PROPERTY

The land is situated at Mouza - Halim Khnarchar, P.S- Potia, Dist.- Chittagong, measuring area of about 5.71 acres. The land is fully owned by the Company vide registered deed no. 3032, registered in Sub-Registry office at Patia, Chittagong, dated 18.06.1997.

LIEN ON THE PROPERTY

The property of the company is not under lien with any Bank or with any Financial Institution.

LEASEHOLD PROPERTY

No property has been taken by the company on lease.

PLAN OF OPERATION AND DISCUSSION OF FINANCIAL CONDITION

PAST PERFORMANCE

Past Performance are shown in the Company's operational period through Balance Sheet, and Cash Flow Statement. These are given below:-

HAKKANI PULP & PAPER MILLS LTD. BALANCE SHEET

For the years ending 30th June, 2000, 1999, 1998 & 1997.

| | <u>TAKA.</u> <u>30.06.2000</u> | <u>TAKA.</u> <u>30.06.1999</u> | <u>TAKA.</u> <u>30.06.1998</u> | <u>TAKA.</u> <u>30.06.1997</u> |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| I. SOURCES OF FUNDS | | | | |
| <u>Shareholders Fund:</u> | | | | |
| Issued, Subscribed and paid-up capital | 110,000,000 | 110,000,000 | 110,000,000 | 5,000,000 |
| Share Money Deposit | - | - | - | 105,000,000 |
| Share Money Deposit against pre-IPO private placement | 30,000,000 | - | - | - |
| <u>Loan Fund:</u> | | | | |
| Directors Loan | 39,770,000 | 39,770,000 | 39,770,000 | 30,901,015 |
| TOTAL= | 179,770,000 | 149,770,000 | 149,770,000 | 140,901,015 |
| II. APPLICATION OF FUNDS | | | | |
| <u>Fixed Assets (At cost)</u> | | | | |
| | 169,469,119 | 161,301,108 | 127,335,599 | 125,600,499 |
| <u>Current Assets</u> | | | | |
| Advance, Deposit & Prepayments | 1,967,726 | 825,000 | 33,881,423 | 14,669,045 |
| Cash and Bank Balances | 19,918,608 | 4,984 | 13,487 | 462,136 |
| | 21,886,334 | 829,984 | 33,894,910 | 15,131,181 |
| <u>Less: Current Liabilities:</u> | | | | |
| Liabilities for Expenses | 166,302 | 16,055 | - | - |
| Liabilities for Goods Supplied | 2,109,000 | - | - | - |
| Liabilities for other finance | 10,309,609 | 12,945,037 | 12,004,600 | - |
| | 12,584,911 | 12,961,092 | 12,004,600 | - |
| Net Current Assets | 9,301,423 | (12,131,108) | 21,890,310 | 15,131,181 |
| <u>Miscellaneous</u> | | | | |
| Preliminary Expenses | 99,335 | 99,335 | 99,335 | 99,335 |
| Pre-production Expenses | 900,123 | 500,665 | 444,756 | 70,000 |
| | 999,458 | 600,000 | 544,091 | 169,335 |
| TOTAL= | 179,770,000 | 149,770,000 | 149,770,000 | 140,901,015 |

Sd/-
MANAGING DIRECTOR.

Sd/-
DIRECTOR.

Sd/-
COMPANY SECRETARY

Sd/-
(Khan Wahab Shafique Rahman & Co.)
Chartered Accountants.
M. ENAYET ULLAH, FCA

Chittagong: August 20, 2000.

HAKKANI PULP & PAPER MILLS LTD.**CASH FLOW STATEMENT**

For the years ending 30th June, 2000, 1999, 1998 & 1997.

| | <u>30.06.2000</u> | <u>30.06.1999</u> | <u>30.06.1998</u> | <u>30.06.1997</u> |
|---|---------------------|-------------------|--------------------|---------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES: | Nil. | Nil. | Nil. | Nil. |
| B. CASH FLOW FROM INVESTING ACTIVITIES: | | | | |
| Acquisition of Fixed Assets | (8,168,011) | (134,486) | (1,735,100) | (20,600,499) |
| Preliminary Expenses | - | - | - | (99,335) |
| Pre-Production Expenses | (399,458) | (55,909) | (374,756) | (70,000) |
| (Increase)/decrease of Current Assets | (1,142,726) | (774,600) | (19,212,378) | (14,669,045) |
| Increase/(decrease) of Current Liabilities | (376,181) | 956,492 | 12,004,600 | - |
| TAKA= | <u>(10,086,376)</u> | <u>(8,503)</u> | <u>(9,317,634)</u> | <u>(35,438,879)</u> |
| C. CASH FLOW FROM FINANCING ACTIVITIES: | | | | |
| Share Capital | - | - | - | 5,000,000 |
| Share Money Deposit against Pre-IPO Private Placement | 30,000,000 | - | - | - |
| Increase of Loan Fund | - | - | 8,868,985 | 30,901,015 |
| TAKA= | <u>30,000,000</u> | <u>-</u> | <u>8,868,985</u> | <u>35,901,015</u> |
| Net Cash inflow/(outflow) for the year (A-B+C) | 19,913,624 | (8,503) | (448,649) | 462,136 |
| Opening Cash and Bank Balances | 4,984 | 13,487 | 462,136 | - |
| Closing Cash and Bank Balances | <u>19,918,608</u> | <u>4,984</u> | <u>13,487</u> | <u>462,136</u> |

Sd./-
MANAGING DIRECTORSd./-
DIRECTORSd./-
COMPANY SECRETARYSd./
Khan Wahab Shafique Rahman & Co.

Chartered Accountants.

M. ENAYET ULLAH, FCA

Chittagong: August 20, 2000.

INTERNAL AND EXTERNAL SOURCES OF CASH

| <i>Internal & External Sources of Cash</i> | <i>As on 30.06.2000 (Tk. In. 000)</i> |
|--|---|
| <i>Internal Sources of Cash</i> | |
| Share capital | 110,000 |
| Loan from Director | 39,770 |

MATERIAL COMMITMENT FOR CAPITAL EXPENDITURE

The Company has made a commitment on capital expenditure for setting up of a Pulp and Paper manufacturing project. The cost incurred and the cost to be incurred along with the sources of fund are summarized below:

WORKSHEET SHOWING DETAILS OF PROJECT COST AND FINANCING PLAN**PROJECT COST :**

(Taka in '000)

| Particulars | Cost incurred | | Cost to be incurred/financed from IPO fund | Total |
|--|----------------------------|--------------------|--|----------------|
| | Balance Sheet on 30.6.2000 | Yet to be incurred | | |
| a. Land & Land development | 6,651 | | 1,349 | 8,000 |
| b. Building & Civil Works | 7,032 | 15,724 | 9,795 | 32,551 |
| c. Plant, Machinery & Equipment | 155,534 | | 18,099 | 173,633 |
| d. Electrical Installation | - | | 4,720 | 4,720 |
| e. Gas Line Installation | - | 255 | - | 255 |
| f. Office Furniture | 24 | 450 | - | 474 |
| g. Office Equipment | 228 | - | 205 | 433 |
| h. Total | 169,469 | 16,429 | 34,168 | 220,066 |
| i. Security Deposit & Guaranty | 757 | - | 2,488 | 3,245 |
| j. L/C (for pulper & calender machine) | 1,211 | 1,210 | - | 2,421 |
| k. Liabilities for Goods supplied | (2,109) | 2,109 | - | 0 |
| l. Liabilities for expenses | (166) | 166 | - | 0 |
| m. Cash and Bank balances | 19,919 | (19,914) | - | 5 |
| n. Total Cost | 189,081 | - | 36,656 | 225,737 |
| o. Initial Working Capital | - | - | 18,519 | 18,519 |
| p. Preliminary & Pre Produc. Exp. | 999 | - | - | 999 |
| q. IPO Expenses. | - | - | 5,450 | 5,450 |
| r. Total Cost | 190,080 | - | 60,625 | 250,705 |

MEANS OF FINANCE :

| Particulars | Funds Raised | | Funds to be raised | Total |
|---|----------------|--|--------------------|----------------|
| | | | | |
| s. Sponsors / Directors | 110,000 | | - | 110,000 |
| t. Pre IPO Private Placement | 30,000 | | - | 30,000 |
| u. Public Offer | - | | 50,000 | 50,000 |
| v. Total Share Capital | 140,000 | | 50,000 | 190,000 |
| w. Directors' Loan | 39,770 | | - | 39,770 |
| x. Loan from Hakkani Paper & Board Mills Ltd. | 10,310 | | - | 10,310 |
| y. Bank Loan(for initial Working Cap.) | - | | 10,625 | 10,625 |
| z. Total Finance | 190,080 | | 60,625 | 250,705 |

Notes:

Amount shown in row 'm' for Tk.19,914,000.00 is the bank balance stands on 30.06.2000. The amount also shown in the Section "Use of Proceeds" under heading 'Uses of Pre-IPO Funds'.

Amount shown in row 'b' for Tk.15,724,000.00 represents amount shown in 2(a) and in 2(c)-(n) for amount of Tk.3,073,000.00 and Tk.12,651,000.00 respectively in the section "Use of Proceeds" under heading "Uses of Pre-IPO Funds"

Amount shown in row 'k' for Tk. 2,109,000.00 represents the amounts shown in 1(b), 2(b) and 5(b) for Tk. 276,000.00, Tk.1,753,000.00 and Tk.80,000.00 respectively in the section "Use of Proceeds" under heading "Uses of Pre-IPO Funds"

SEASONAL ASPECT

In general there is no major seasonal impact on the business of the Company.

KNOWN TRENDS, EVENTS OR UNCERTAINTIES

Political unrest, hartal and flood are the known events that may affect Company's business.

CHANGE IN THE ASSETS OF THE COMPANY USED TO PAY OFF ANY LIABILITIES

No asset of the Company has been disposed off to pay the liabilities.

FUTURE CAPITAL EXPENDITURE

The Company does not plan any future capital expenditure in the near term after completion of the project.

VAT, INCOME TAX, CUSTOM DUTY OR OTHER TAX LIABILITIES

No VAT and custom duty are payable by the company.

LEASE AGREEMENT

There is no lease agreement with any organization.

PERSONNEL RELATED SCHEME

The Company will have the following personnel related schemes :

- a) Training to staff for computerization of accounting and selling system.
- b) Training to production staff to attain the "zero defect" product for the consumers.

BREAK DOWN OF EXPENSES FOR ISSUE MANAGER AND UNDERWRITERS

Issue Management fee @ 1.00% of total Public Issue aggregating Tk.8,00,000.00

Underwriting Commission @ 2.5% on Tk. 50,000,000.00 aggregating Tk. 1,250,000.00

In the event of under subscription, take-up commission @ 2.5% will be paid to the underwriter.

REVALUATION

There has been no revaluation performed on any assets of the company. A valuation was performed by SGS Bangladesh on locally procured machinery of Japan origin.

TRANSACTION BETWEEN HOLDING COMPANY AND THE ISSUER

There is no subsidiary to the issuer company, hence inter group transactions are not applicable.

General and Financial Information of the sister concerns/Associates of Hakkani Group

| Name of the Company | Hakkani Paper & Board Mills Ltd. | S Moazam Chemical Ind. (Pvt.) Ltd. | Hakkani Filling Station | Hakkani (Transport) | M A Kader & Co. | Tech Fountain (Pvt.) Ltd. |
|--------------------------------------|----------------------------------|------------------------------------|-------------------------|---------------------|------------------|---------------------------|
| Key Indicators | | | | | | |
| Nature of the Company | Private Co. Ltd. | Private Co. Ltd. | Proprietorship | Proprietorship | Proprietorship | Private Co. Ltd. |
| Year ended | 30 June 2000 | 30 June 2000 | 30 June'00 | 30 June'00 | 30 June'00 | 30 June'00 |
| Authorized Capital | 15,000,000.00 | 1,000,000.00 | --- | --- | --- | 5,000,000.00 |
| Paid-up Capital | 1,800,000.00 | 400,000.00 | 3,987,075.00 | 1,109,500.00 | 1,275.85 0.00 | 1,400,000.00 |
| Fixed Assets (without Invest) | 3,473,929.00 | 280,541.00 | 2,400,000.00 | 1,200.00 | 950,000. 00 | 133,427.00 |
| Investment | --- | --- | --- | --- | --- | --- |
| Current Liabilities | --- | --- | --- | --- | --- | 924,951.00 |
| <u>Shareholders Equity:</u> | | | | | | |
| Share Capital | 1,800,000.00 | 400,000.00 | --- | --- | --- | 1,400,000.00 |
| Share premium | --- | --- | --- | --- | --- | --- |
| <u>Reserve and Surplus:</u> | | | | | | |
| Tax holiday | --- | --- | --- | --- | --- | --- |
| General | --- | --- | --- | --- | --- | --- |
| Capital | --- | --- | --- | --- | --- | --- |
| Dividend Equalization | --- | --- | --- | --- | --- | --- |
| Others | --- | --- | --- | --- | --- | --- |
| Retained Earnings | 3,161,505.62 | 845,282.73 | 188,350.00 | --- | --- | 103,390.00 |
| Long Term Loan | --- | --- | --- | --- | --- | --- |
| Gross Profit | 2,701,606.00 | 907,547.12 | --- | --- | --- | 346,851.00 |
| Net Profit (after Tax) | 875,680.00 | 352,166.00 | 188,350.00 | 109,500.00 | 102,500. 00 | 103,390.00 |
| Dividend % | --- | --- | --- | --- | --- | --- |
| Earning per Share | 48.65 | 8,804.15 | --- | --- | --- | 7.39 |
| Debt Equity Ratio | 0:1 | 0:1 | 0:1 | 0:1 | 0:1 | 0:1 |
| Net Asset Value per Share | 275.64 | 31,132.07 | --- | --- | --- | 107.39 |
| Listed with Stock Exchanges (yes/no) | No | No | No | No | No | No |

| | | | | | | |
|-------------------------------|--|---|--|---|---|--|
| Market price of share | N/A | N/A | N/A | N/A | N/A | N/A |
| Types of product manufactured | Fluting Media, Liner, Raping Paper | Sodium Silicate, Sodium Gum | Fuel oil | Heavy transportation service and trading | Fuel oil | Computer Accessories |
| Majors Customers | Carton Nirman Ltd., Signate Box Ltd., G C Box Ltd., Rupali Box Ltd., | Hazi Nurali & Co., Shapla Soap Factory Ltd | General Users | General Users | General Users | General Users |
| Major Suppliers | M S Enterprise, Sorwar Suppliers, Harun Enterprise | Agrani Drum Suppliers., Mofizur Rahman Patwary, Al Mamun & Brothers | Meghna Petroleum | N/A | Meghna Petroleum | Global Brand Pvt. Ltd., Index Ltd., |
| Chairman | N/A | N/A | N/A | N/A | N/A | Golam Mostafa |
| Managing Director | M Abdullah | M Abdullah | M A Kader (Proprietor) | M Abdullah M.A. Kader (Proprietor) | M Abdullah (Proprietor) | Golam Kibria |
| Postal Address with Fax | 2 D T North Pahartoli, Chittagong | 2 D T North Pahartoli, Chittagong | Port Connection Road, Rampur, Chittagong | 1/A North Pahartoli, D T Road, Chittagong | 1/A North Pahartoli, D T Road, Chittagong | 3, IIBT Building, Probortok Moor, Chittagong |
| Stake of Sponsors | 100% | 100% | 100% | 100% | 100% | 85.71% |

LOAN WITH ANY OTHER BANK

The company does not have any loan/advance with any other bank.

DECLARATION

This is to declare that to best of our knowledge and belief no information, facts, circumstance, which are disclosable has been suppressed that can change the terms and conditions under which the offer has been made to the public.

Sd./-

Managing Director
Hakkani Pulp & Paper Mills Limited

AUDITORS REPORT ABOUT ISSUE OF SHARES OTHERWISE THAN FOR CASH**SPECIAL REPORT FROM THE AUDITORS**

This is to certify that present capital structure of Hakkani Pulp & Paper Mills Limited having its registered office at 2/10 D. T. Road, Pahartoli, Chittagong, Bangladesh is as follows:-

A. Authorized Capital:

5,00,00,000(Five Crore) Ordinary Shares of Tk.10/- each. Tk. 50,00,00,000

B. Issued, Subscribed and Paid-up Capital:

5,00,000 Ordinary Shares of Tk. 10/-each issued for cash and fully paid up. Tk. 50,00,000

1,05,00,000 Ordinary Shares of Tk. 10/-each issued/allotted for consideration otherwise than in cash (date of allotment: 18-01-1998) Tk. 10,50,00,000

1,10,00,000 Shares Tk. 11,00,00,000

C. All the above shares have been issued/allotted to local share holders/directors of the Company.

D. The Company had in its Balance Sheet at 30.06.1997 an amount of Tk.10,50,00,000 as share money deposit from its sponsors/promoters Shares Holders/Directors. Shares have been allotted on 18.1.1998 out of share money deposit for consideration otherwise than in cash.

Sd./-

Khan Wahab Shafiq Rahman & Co.

Chartered Accountants

M. ENAYET ULLAH, FCA

Chittagong, Aug. 20, 2000.

BANK LOAN STATUS

According to CIB report of Bangladesh Bank, Hakkani Pulp & Paper Mills Limited and its directors are not loan defaulter upto quarterly report as on 30 June 2000 and monthly report as on 30 September 2000.

DIRECTORS AND OFFICERS

OFFICERS PROFILE:

Mr. Md. Ahmedur Rahman-M.Com., Age-60 years, Service length-30 years.

Mr. Rahman has been serving in the company since 2000. He has wide experience in the field of Managerial and Secretarial job. At present he is holding the position of Company Secretary of the Company.

Mr. Md. Solaiman- M.Com.(Accounting), Age-33 years, Service length-8 years.

Mr. Solaiman has been serving in the Company since 2000. He has gathered vast experience in maintaining and preparing accounts. Presently, he is holding the position of Manager (Accounts).

Mr. Dulal Roy- B.Com., Age-54 years, Service length-34 years.

Mr. Roy has been servicing in the Company since 2000. Actually, he has been working with this Group since 1987. Before joining with the group he was a Senior Administration Officer of Anowara Jute Mills Ltd. Mr. Roy has gathered diversified experience in administrative job. Beside this, he participated in a course on Personnel Management from BMDC and in service training on labour laws under ILO. At present he is holding the position of Manager (Admin.).

APPOINTED NOMINATED DIRECTOR

There is no appointed or nominated Director in the Company.

FAMILY RELATIONSHIP BETWEEN DIRECTOR AND OFFICERS

There is no family relationship between the Directors and Officers.

RETIREMENT OF DIRECTORS

| Name of Directors | Date of becoming Director | Date of Expiry |
|-------------------------|---------------------------|----------------|
| Mr. Md. Golam Mostafa | 28-12-1996 | 27-12-2001 |
| Mr. M. A. Kader | 28-12-1996 | 27-12-2001 |
| Mr. Md. Abdullah | 31-03-2000 | 30-03-2002 |
| Mrs. Hoshna Ara Begum | 31-03-1999 | 30-03-2001 |
| Mrs. Ferodous Ara Begum | 31-03-1999 | 30-03-2001 |
| Mr. Md. Golam Hayder | 31-03-2000 | 30-03-2002 |
| Mr. Md. Golam Kibria | 31-03-2000 | 30-03-2002 |
| Mr. Md. Golam Sarwar | 31-03-1999 | 30-03-2001 |

FAMILY RELATIONSHIP AMONG THE DIRECTORS

| Name of Directors | Family relationship among the Directors |
|-------------------------|---|
| Mr. Md. Abdullah | Family head |
| Mr. M. A. Kader | Brother |
| Mrs. Hoshna Ara Begum | Wife |
| Mrs. Ferodous Ara Begum | Sister-in-law |
| Mr. Md. Golam Mostafa | Son |
| Mr. Md. Golam Hayder | Son |
| Mr. Md. Golam Kibria | Son |
| Mr. Md. Golam Sarwar | Nephew |

INVOLVEMENT OF OFFICERS AND DIRECTORS IN CERTAIN LEGAL PROCEEDING

BANKRUPTCY POSITION

There is no Bankruptcy petition filed by any person or organization against the company and its directors or officers during the last 10 years.

CONVICTION

There is no conviction against any Directors/Officers of the company. There is no criminal case is pending against them for disposal.

LEGAL EMBARGO FOR IPO

There is no restriction from the Securities & Exchange Commission or from any other regulatory bodies against of the Company for going public. Directors & Officers are also not wanted by police or any investigating authorities.

CERTAIN RELATIONSHIP AND RELATED TRANSACTIONS

TRANSACTION BETWEEN COMPANY & DIRECTORS

There is no monetary transaction between the company and its Directors or their nominees/ others during last two years.

It is also stated that no such transaction took place with any of the persons owning 5% stock of the company.

INTER FAMILY TRANSACTION

No such record is evidenced in the book of accounts of the Company.

SPECIAL ARRANGEMENT OF DIRECTORS WITH THE COMPANY

The Company did not have any special arrangement/commitment with its Directors and there was no such transaction during last 3 years.

LOAN GIVEN/TAKEN

The Company has taken Tk.3,97,70,000.00 as loan from Directors. Company did not pay any loan to any director. Beside an amount of Tk.10,309,609.00 (amount shown in Balance Sheet as on 30.06.2000) was taken from Hakkani Paper and Board Mills Limited (a sister concern of HPPML) as loan.

DIRECTORS' INVOLVEMENT IN ORGANIZATION

| Name of Directors | Name of the Company/Business | Position |
|-------------------------|--|---|
| Mr. M. A. Kader | a) Hakkani Pulp & Paper Mills Ltd. b) Hakkani Paper & Board Mills Ltd. c) S Moazam Chemical Ind. (Pvt.) Ltd. d) Hakkani (Transport) e) M. A. Kader & Co. f) Hakkani Filling Station | Chairman Deputy Managing Director Deputy Managing Director Partner Partner Partner |
| Mr. Md. Golam Mostafa | a) Hakkani Pulp & Paper Mills Ltd. b) S Moazam Chemical Ind. (Pvt.) Ltd. c) Tech Fountain(Pvt.) Ltd. | Managing Director Director Chairman |
| Mr. Md. Abdullah | a) Hakkani Pulp & Paper Mills Ltd. b) Hakkani Paper & Board Mills Ltd. c) S Moazam Chemical Ind. (Pvt.) Ltd. d) Hakkani (Transport) e) M. A. Kader & Co. f) Hakkani Filling Station | Director Managing Director Managing Director Partner Partner Partner |
| Mrs. Hoshna Ara Begum | a) Hakkani Pulp & Paper Mills Ltd. | Director |
| Mrs. Ferodous Ara Begum | a) Hakkani Pulp & Paper Mills Ltd. | Director |
| Mr. Md. Golam Hayder | a) Hakkani Pulp & Paper Mills Ltd. b) Tech Fountain(Pvt.) Ltd. | Director |
| Mr. Md. Golam Kibria | a) Hakkani Pulp & Paper Mills Ltd. b) S Moazam Chemical Ind. (Pvt.) Ltd. c) Tech Fountain(Pvt.) Ltd. | Director Director Managing Director |
| Mr. Md. Golam Sarwar | a) Hakkani Pulp & Paper Mills Ltd. b) Tech Fountain(Pvt.) Ltd. | Director Director |

DIRECTORS FACILITIES DURING PROSPECTUS PUBLICATION

Facilities whether pecuniary or non-pecuniary enjoyed by the Directors will remain unchanged during the publication of the Prospectus.

SHORT BIO-DATA OF EACH DIRECTOR**Mr. M. A. Kader**

Mr. M. A. Kader, H.S.C, age 47, is the Chairman of the proposed project. He has an excellent track record of business particularly in the field of Paper & Paper Board and Chemicals manufacture. Mr. Kader started his business career two decades ago by establishing a soap manufacturing Industry in Chittagong. Within a short course of time, he became enable to keep his enormous contribution in establishment of another Paper and Paper Board manufacturing unit. He is also engaged with heavy transport business and filling stations. Mr. Kader is well educated, experienced, enthusiastic, ambitious, prudent and a man of Industrial commitment. He is a widely traveled person.

Mr. Md. Golam Mostafa

Md. Golam Mostafa, B. Com.(Hons.), age 27, is the Managing Director of the Company. He has sufficient knowledge and long experience in the management of both Industrial and trading business. After successful completion of his graduation Mr. Mostafa engaged himself as a key implementor of the project.

Mr. Mostafa also looks after the overall production of Industrial concerns of Hakkani Group from the very beginning and meanwhile he has gathered immense experience in Paper technology. He is enthusiastic, prudent and a young of entrepreneurial thinking.

Mr. Md. Abdullah

Mr. Md. Abdullah, Matriculate, age 56, is a sponsor director of the Company and a key policy maker of HAKKANI GROUP. He is in the business for more than 20 years. His immensurable entrepreneurial capacity has made him capable to establish a good number of industrial and business unit in the group. He has acquired a long of experience particularly in manufacturing paper & paper board and chemical manufacturing. With his experience and background, Mr. Abdullah is expected to infuse dynamism in successful implementation and profitable operation of the proposed project. Mr. Abdullah is a widely traveled person and an illustrious academic patron in Chittagong. Under his financial assistance, a good number of educational Institutions and religious organizations are carrying on their institutional activities.

Mrs. Hoshna Ara Begum

Mrs. Hoshna Ara Begum, S.S.C, age 48, is a sponsor director of the Company. She is actively involved in different managerial activities of Hakkani Group since long. She gathered much knowledge in Industrial management and business policy making. Her knowledge will also be of immense assistance for the Company.

Mrs. Ferodous Ara Begum

Mrs. Ferodous Ara Begum, H.S.C, age 38, another the Sponsor Director of the Company. She is involved with various organizational activities of Hakkani Group. She has gathered much knowledge and experience in Industrial Management and other business activities.

Mr. Golam Hayder

Mr. Golam Hayder, B.A, age 23, is a director of the Company. He has gathered sufficient knowledge in industrial management and production technology and is working at different level of responsibilities in the group.

Mr. Golam Kibria

Mr. Golam Kibria, M.A, age 25, is a director of the Company. He is also the director of M/S. S. Moazzam Chemical Industries (Pvt.) Ltd. He has gathered sufficient knowledge in industrial management and production technology and is working at different level of responsibilities. He has skill in computer software application and related technology. He has also diploma degree in Computer Science.

Mr. Golam Sarwar

Mr. Golam Sarwar, B.B.A, age 20, is a director of the Company. He is working at different level of responsibilities in industrial management and production technology.

EXECUTIVE COMPENSATION

REMUNERATION PAID TO TOP THREE EXECUTIVES

| Name | Designation | Salary per Month |
|-------------------|--------------------|------------------|
| Mr. Md. Loqman | Company Secretary | Tk. 9,500.00 |
| Mr. Md. Solaiman | Manager (Accounts) | Tk. 9,500.00 |
| Mr. Md. Dulal Ray | Manager (Admin.) | Tk. 7,500.00 |

AGGREGATE AMOUNT OF REMUNERATION PAID TO OFFICERS & DIRECTORS UPTO 30-06-2000.

| Group | Amount Paid |
|-----------------------|----------------|
| a) Staff and Officers | Tk. 146,504.00 |
| b) Directors | Nil |

- The Company did not pay under category above any amount to any body who was not Officer/Director of the Company during the last year.
- There is no contract with any Director /Officer for further compensation.

OPTION GRANTED TO OFFICERS, DIRECTORS AND EMPLOYEES.

The company has not offered any option for issue of shares to any to the officers, directors and employees or to any outsiders.

TRANSACTION WITH PROMOTERS

BENEFIT FROM THE COMPANY

After successful implementation of the project, the Company expects a better revenue earnings and thereby profitability by starting full-fledged commercial production. Therefore, the entrepreneurs expect a better return on their stock with the Company in the days to come.

PROMOTERS ASSETS TO COMPANY

The sponsors transferred Japan origin machineries to the company, against which shares were issued in due course. The company also acquired other assets by investing the funds of its own.

OWNERSHIP OF THE COMPANY'S SECURITIES

OWNERSHIP OF COMPANY'S SECURITIES

Following are the details of sponsors' equities @ Tk. 10.00 per share.

| Name of the Sponsors/Directors | | No. of Shares | Amount | Share holding in % |
|---|---------------------------|-------------------|-----------------------|--------------------|
| 1. | Mr Md. Golam Mostafa | 1,100,000 | 11,000,000.00 | 10.00% |
| 2. | Mr. M. A. Kader | 1,650,000 | 16,500,000.00 | 15.00% |
| 3. | Mr. Md. Abdullah | 550,000 | 5,500,000.00 | 5.00% |
| 4. | Mrs. Hoshna Ara Begum | 550,000 | 5,500,000.00 | 5.00% |
| 5. | Mrs. Ferodous Ara Begum | 1,100,000 | 11,000,000.00 | 10.00% |
| 6. | Mr. Md. Golam Hayder | 1,100,000 | 11,000,000.00 | 10.00% |
| 7. | Mr. Md. Golam Kibria | 1,100,000 | 11,000,000.00 | 10.00% |
| 8. | Mr. Md. Golam Sarwar | 1,650,000 | 16,500,000.00 | 15.00% |
| 9. | Mr. Md. Golam Murshed | 1,100,000 | 11,000,000.00 | 10.00% |
| 10. | Mr. Golam Rastul Muktadir | 1,100,000 | 11,000,000.00 | 10.00% |
| Total Share holdings of the Sponsors | | 11,000,000 | 110,000,000.00 | 100.00% |

SECURITIES OWNED BY THE OFFICERS.

There is no share owned by the officers of the company.

DETERMINATION OF OFFERING PRICE

The offering price of the common stock of the company has been determined by assessing the *Net Asset Value (NAV)*. The numbers presented below are from the financials of 30-06-2000.

| | | | |
|----|----|---|-----------------------|
| A. | 1. | Fixed Assets (including preliminary and pre-production Exps.) | 170,468,577.00 |
| | 2. | Current Assets | 21,886,334.00 |
| | | Total Assets | <u>192,354,911.00</u> |
| B. | 1. | Directors' loan | 39,770,000.00 |
| | 2. | Current Liabilities | 12,584,911.00 |
| | | | <u>52,354,911.00</u> |
| | | Net Assets Value (NAV) (A-B) | 140,000,000.00 |

| | |
|--|--------------|
| No. of paid up shares of Tk.10.00 each (Sponsors capital + Equivalent shares against Pre-IPO Private Placement) | 14,000,000 |
| Net asset value per share Tk. 10.00 each | 10.00 |

PLAN OF DISTRIBUTION

UNDERWRITING OF SHARES

The public offer of 8,000,000 Ordinary shares of Tk. 10.00 each have been under-written by the following Financial Institutions:

| Sl. No. | Name, Address & Phone Number | No. of Shares Underwritten | Underwriting amount in Tk |
|---------|---|----------------------------|---------------------------|
| 1. | Investment Corporation of Bangladesh 8 DIT Avenue(12-15 th Floor), Dhaka PABX: 9563455-7; 9563495-7 | 2,500,000 | 25,000,000.00 |
| 2. | Bangladesh Shilpa Rin Sangstha(BSRS) BIWATA Bhaban (5 th Floor) 141-143 Motijheel C.A. Dhaka Phone: 9565818, 9565046, 9558397 | 2,000,000 | 20,000,000.00 |
| 3. | Peoples Insurance Company Limited Sena Kalyan Bhaban(Floor#3), Motijheel C/A. Dhaka. Phone:9564166 | 250,000 | 2,500,000.00 |
| 4. | Raspit Securities and Management Limited House # 55A (1 st Floor), Road # 4A, Dhanmondi Dhaka-1209. Phone # 8619048. | 250,000 | 2,500,000.00 |
| | Total | 500,000 | 50,000,000.00 |

TERMS & CONDITIONS

- 1) If and to the extent that the shares offered to the public through a prospectus authorized hereunder shall not have been subscribed and paid for in cash in full by the closing date, the company shall within 10 (ten) days of the closure of subscription call upon the underwriter in writing to subscribe the shares not so subscribed and ask the underwriters to pay for them in cash in full within 15 (fifteen) days of the date of said notice and the said amount shall have to be credited into shares subscription account within the said period.
- 2) If payment is made by Cheque/Bank Draft by the underwriter it will be deemed that the underwriter has not fulfilled his obligation towards underwriting commitment under his Agreement, until such time as the Cheque/Bank Draft has been encashed and the Company's account credited.
- 3) In any case within 7 (seven) days after the expiry of the aforesaid 15 (fifteen) days, the Company shall send proof of subscription and payment by the underwriters, to the commission.
- 4) 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 fulfills his underwriting commitment under this Agreement and also other penalties as may be determined by the Commission.

COMMISSION FOR UNDERWRITERS

- 1) Underwriters will be paid an underwriting commission @ 2.5% of the nominal value of shares underwritten by them out of the public issue.
- 2) Simultaneously with calling upon an underwriter to subscribe or procure subscriber, and pay for any number of shares, the Company shall pay to that underwriter an additional commission @ 2.5% of the nominal amount of the shares required to be subscribed by it.

UNDERWRITERS RIGHT TO HAVE REPRESENTATIVE IN COMPANY'S BOARD

Underwriters have not acquired the right to have their Representative in the Board of Directors of the Company.

UNDERWRITERS REPRESENTATIVE IN COMPANY'S BOARD

The present Board of Directors has been constituted from the existing sponsors of the Company.

MARKET FOR THE SECURITIES BEING OFFERED**THE SECURITIES WILL BE TRADED AT**

- | | |
|--|--|
| <ol style="list-style-type: none"> a) Dhaka Stock Exchange Limited 9/F, Motijheel C/A., Dhaka-1000. | <ol style="list-style-type: none"> b) Chittagong Stock Exchange Ltd. CSE Building, 1080, Sk. Mujib Road, Agrabad, Chittagong. |
|--|--|

DECLARATION ABOUT LISTING OF SECURITIES WITH RECOGNIZED STOCK EXCHANGE(S)

Application will be made to the Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. within ten days of the first issuance of the prospectus as per requirement under Section 140 of the Companies Act, 1994, for admission of the shares of the company for dealing in the stock market and for their quotation on the DSE and CSE.

If for any reason, the application for listing is not accepted by the Stock Exchanges, within 6 (six) weeks of the closing of the subscription lists, any allotment in terms of this prospectus shall be void, and the company shall refund the subscription money within 30 (thirty) days from the expiry of 6 (six) weeks of the closing of subscription lists. In case of non-refund of the subscription money within the aforesaid 30 days, the Directors, in addition to the company shall be collectively and severally liable to pay interest at 5% above the Bank rate.

DESCRIPTION OF SECURITIES OUTSTANDING OR BEING OFFERED**DIVIDEND, VOTING, PREEMPTION RIGHT**

In case of any declaration of cash dividend by the company or distribution of any property of the company in special or kind, all the shareholders shall be entitled to it in proportion to their shareholdings on the date of book closure for the purpose. The Company will follow a dividend policy which will allow it to provide a fair return on its shareholders' investment and simultaneously allow for building up of the retained earnings and reserve as a rule that would sustain projected growth of the Company.

The share capital of the Company is divided into ordinary shares carrying equal rights to vote and receive dividends in terms of the relevant provisions of the Companies Act, 1994 and the Articles of Association of the Company. Shareholders shall have the usual voting right in person or by proxy in connection with among others, election of Directors and Auditors and other usual agenda of General Meeting - Ordinary or Extra-ordinary. On a show of hand, every shareholder present 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 in person or by proxy shall have one vote for every share held by him.

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 SEC from time to time.

CONVERSION & LIQUIDATION RIGHT

If the company at any time issues convertible, preference shares or debentures, with the consent of the SEC, such holders of Securities shall be entitled to convert such securities into Ordinary Shares if it is so determined by the Company.

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 freely transferable. The Company shall not charge any fee for registration transfer of shares. No transfer shall be made to minor or persons of unsound mind.

DIVIDEND POLICY

- a) The profit of the Company, subject to any special rights relating thereto created or authorized to be created by the Memorandum of Association subject to the provisions of the Articles of Association, shall be divisible among the members in proportion to the amount of capital paid up on the shares held by them respectively.
- b) No larger dividend shall be declared than is recommended by the Directors, but the Company in its General Meeting may declare a smaller dividend. The declaration of Directors as to the amount of net profit of the company shall be conclusive.
- c) No dividend shall be payable except out of profits of the Company or any other undistributed profits. Dividend shall not carry interest as against the company.
- d) The Directors may from time to time pay to the members such interim dividend as in their judgment the financial position of the Company may justify.
- e) A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.

OTHER RIGHTS OF STOCK HOLDERS

The shareholders shall have the right to receive all periodical reports and statements, audited as well as un-audited, published by the company from time to time. The Directors shall present the financial statements as required under the law and International Accounting Standards. Financial Statements will be prepared in accordance with International Accounting Standards consistently applied through out the subsequent periods and present with the objective of providing maximum disclosures as per law and International Accounting Standards to the shareholders regarding the financial and operational position of the Company.

In case of any declaration of stock dividend by issue of Bonus Shares, all shareholders shall be entitled to it in proportion to their share holdings on the date of book closure for the purpose.

The shareholders holding not less than 10% of the issued/fully paid-up capital of the company shall have the right to requisition extra-ordinary general meeting of the Company as provided for under Section 84 of the Companies Act, 1994.

AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the accompanying Balance Sheet of Hakkani Pulp & Paper Mills Limited as at 30th June, 2000 and Cash Flow Statement for the year then ended.

Respective responsibilities of the Management and Auditors:

The preparation of these financial statements together with notes thereto is the responsibility of the Company's management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

Basis of Opinion:

We conducted our audit in accordance with Auditing Standard issued by the Institute of Chartered Accountants of Bangladesh. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examination, on a test check basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting principles used and the significant estimates and judgements made by the management in the preparation of these financial statements, of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed and as well as evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Opinion:

In our opinion, the financial statements, prepared in accordance with Bangladesh Accounting Standard, give a true and fair view of the state of the Company's affairs as at 30th June, 2000 and its cash flow 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 accounts 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 Balance Sheet dealt with by the report is in agreement with the books of account maintained by the company as examined by us.

Sd./-

KHAN WAHAB SHAFIQUE RAHMAN & CO.
CHARTERED ACCOUNTANTS.

M. ENAYET ULLAH, FCA

Chittagong : August 20, 2000.

HAKKANI PULP & PAPER MILLS LIMITED
Balance Sheet as at 30th June, 2000

| | <u>Notes.</u> | <u>TAKA.</u> <u>30 June, 2000.</u> | <u>TAKA.</u> <u>30 June, 1999.</u> |
|---|---------------|---------------------------------------|---------------------------------------|
| I SOURCES OF FUNDS | | | |
| <u>SHAREHOLDERS FUND:</u> | | | |
| Share Capital | 3.00 | 110,000,000 | 110,000,000 |
| Share money deposit against pre-IPO Private Placement | 4.00 | 30,000,000 | |
| | | 140,000,000 | 110,000,000 |
| <u>LOAN FUND:</u> | | | |
| Directors Loan | 5.00 | 39,770,000 | 39,770,000 |
| Total = | | 179,770,000 | 149,770,000 |
| II. APPLICATION OF FUNDS | | | |
| <u>FIXED ASSETS:</u> (At Cost) | 6.00 | 169,469,119 | 161,301,108 |
| <u>CURRENT ASSETS:</u> | | | |
| Advances, Deposits & Prepayments | 7.00 | 1,967,726 | 825,000 |
| Cash and Bank Balances | 8.00 | 19,918,608 | 4,984 |
| | | 21,886,334 | 829,984 |
| Less: <u>CURRENT LIABILITIES:</u> | | | |
| Liabilities for Expenses | 9.00 | 166,302 | 16,055 |
| Liabilities for Goods Supplied | 10.00 | 2,109,000 | - |
| Liabilities for Other Finance | 11.00 | 10,309,609 | 12,945,037 |
| | | 12,584,911 | 12,961,092 |
| NET CURRENT ASSETS | | 9,301,423 | (12,131,108) |
| <u>MISCELLANEOUS:</u> | | | |
| Preliminary Expenses | 12.00 | 99,335 | 99,335 |
| Pre-Production Expenses | 13.00 | 900,123 | 500,665 |
| | | 999,458 | 600,000 |
| Total = | | 179,770,000 | 149,770,000 |

Note: The annexed notes form the integral part of the accounts.

Sd./-

MANAGING DIRECTOR

Chittagong: August 20, 2000.

Sd./

DIRECTOR

Subject to our Separate report of even date.

Sd./-

COMPANY SECRETARY

Sd./-

KHAN WAHAB SHAFIQUE RAHMAN & CO.

CHARTERED ACCOUNTANTS

M. ENAYET ULLAH, FCA

Chittagong: August 20, 2000.

HAKKANI PULP & PAPER MILLS LIMITED
CASH FLOW STATEMENT
For the year ended 30th June, 2000

| | Taka |
|--|-------------------|
| A. Cash Flow from Pre-operating activities: | |
| Cash Payment to employee & suppliers | (249,211) |
| Payment for other activities | (1,222,726) |
| Net cash from pre-operating activities | (1,471,937) |
| B. Cash flows from investing activities : | |
| Acquisition of fixed assets | (5,979,011) |
| | (5,979,011) |
| C. Cash flows from financing activities : | |
| Pre IPO Money Received | 30,000,000 |
| Decrease in long term loan | (2,635,428) |
| Net cash from financing activities | 27,364,572 |
| Net increase in cash (A+B+C) | 19,913,624 |
| Cash at beginning of the year | 4,984 |
| Cash at end of the year | 19,918,608 |

HAKKANI PULP & PAPER MILLS LTD.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30TH JUNE, 2000.

1.0. SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATERIAL INFORMATION:

1.1. Legal form of the Company:

Hakkani Pulp & Paper Mills Ltd. has been incorporated in Bangladesh on 28th December, 1996 as a Public Limited Company under the Companies Act, 1994 and obtained certificate for commencement of business on the same date having its registered office 2/10, DT. Road, North Pahartali, Chittagong and Factory at Khanrchar, Patiya, Chittagong

1.2. Nature of Business:

The Company has not started any business activities yet. The Company will manufacture Pulp & Paper of different kinds in future.

1.3. Accounting Convention and Basis:

The accounts have been prepared under the historical cost convention in accordance with the International Accounting Standards as are adopted in Bangladesh and as per requirements of Companies Act, 1994

1.4. Fixed Assets:

These are stated at historical cost.

1.5. Depreciation:

No depreciation has been provided as there has not been any production and trading during the year under review.

1.6. General:

a) During the year under audit there were 8 Directors on the Board.

b) Previous year's figures have been re-arranged wherever considered necessary to conform the current year's presentation. Figures have been rounded-off to the nearest taka

2.00 TRADING AND PROFIT AND LOSS ACCOUNT

No Trading and Profit & Loss Account has been prepared as there has not been any production and Trading during the year under review.

3.00 SHARE CAPITAL

3.01 Authorised

5,00,00,000 Ordinary shares of Tk. 10 each. 30.06.2000. 30.06.1999.

500,000,000 500,000,000

* Share denomination price of Tk. 100/= has been converted into Tk. 10/= per share vide Board resolution dated 20th December, 1999.

3.02. Issued, Subscribed and Paid-up:

1,10,00,000 Ordinary Shares of Tk. 10 each Taka = 30-06-2000 30-06-1999

110,000,000 110,000,000

This is made up as follows:

| | Number of Shares | Face Value per Share | Mode of Subscription | Taka |
|------|-------------------|----------------------|----------------------|--------------------|
| (i) | 500,000 | Tk. 10.00 | Cash | 5,000,000 |
| (ii) | <u>10,500,000</u> | Tk. 10.00 | Other than Cash | <u>105,000,000</u> |
| | 11,000,000 | Shares | Taka | 110,000,000 |

The above 10,500,000 shares were issued to Mr. M. Abdullah and Mr. M.A. Kader against purchase consideration of Plant & Machinery. Subsequently substantial amount of shares were transferred to the remaining share holders as such the holding of shares have been arrived at in the following manner:

Name of Shareholders:

| | <u>No. of Shares</u> |
|----------------------------|----------------------|
| (a) Md. Abdullah | 550,000 |
| (b) M.A. Kader | 1,650,000 |
| (c) Mrs, Hoshna Ara Begum | 550,000 |
| (d) Md. Golam Mostofa | 1,100,000 |
| (e) Md. Golam Hayder | 1,100,000 |
| (f) Md. Golam Kibria | 1,100,000 |
| (g) Md. Golam Sarwar | 1,650,000 |
| (h) Md. Golam Murshed | 1,100,000 |
| (I) Mrs. Ferdous Ara Begum | 1,100,000 |
| (j) Md. Golam Muktader | <u>1,100,000</u> |
| Total | <u>11,000,000</u> |

Consent of the Securities and Exchange Commission was accorded for raising capital to Tk. 220.00 million vide letter No. SEC/Section-2/CI-41/97/01 dated January 13, 1998.

4.00. SHARE MONEY DEPOSIT AGAINST PRE-IPO PRIVATE PLACEMENT: TK. 30,000,000

This represents the amount received from 9(Nine) investors against their participation in the pre-IPO private placement.

5.00 DIRECTORS LOAN ACCOUNT: TK. 39,770,000

This represents interest free temporary loan from the following Directors:

| | <u>30.06.2000</u> | <u>30.06.1999</u> |
|----------------------|-------------------|-------------------|
| Mr. M. Abdullah | 22,862,000 | 22,862,000 |
| Mr. M. A. Kader | 15,908,000 | 15,908,000 |
| Mr. M. Golam Mostafa | <u>1,000,000</u> | <u>1,000,000</u> |
| TAKA= | <u>39,770,000</u> | <u>39,770,000</u> |

6.00. FIXED ASSETS: TK. 169,469,119

The above amount is made up as follows:

| | <u>30.06.2000</u> | <u>30.06.1999</u> |
|-------------------------|--------------------|--------------------|
| Land & Land Development | 6,651,450 | 5,775,000 |
| Factory Building | 7,031,475 | 28,418 |
| Plant & Machinery | 155,533,746 | 155,444,190 |
| Furniture & Fixtures | 24,100 | 24,100 |
| Office Equipments | <u>228,348</u> | <u>29,400</u> |
| TAKA= | <u>169,469,119</u> | <u>161,301,108</u> |

6.01 Land and Land Development includes Tk. 5,000,000 cost of 5.71 acres of Land purchased on 18-6-97 from Mr. Md. Abdullah and Mr. M.A. Kader Directors of the company.

6.02 Factory Building is being constructed under direct supervision of the Sponsors/Directors of the Company without engaging any contractor The Directors are assisted by qualified and experienced paper expert who is engaged to supervise overall group activity. Besides two other engineers are involved in assisting construction work on full time basis.

6.03 Plant & Machinery exhibits an amount of Tk. 155,533,746.00 which is detailed below:

(a) Plant & Machinery of Japan origin amounting to Tk. 119,825,499.00 were purchased on 30.12.96 from the sponsors Mr. Md. Abdullah and Mr. M. A. Kader and the purchase consideration has been settled by 10,500,000 ordinary shares @ Tk.10 each of the company and the balance Tk.14,825,499 remained interest free loan from Directors. The plant was procured locally by the above sponsors before incorporation of the company and later it was inspected, valued and certified on 29/05/97 by SGS Bangladesh Limited as per advise of Securities and Exchange Commission vide letter No. SEC/Section- I/CI-41/97-398 dated 21.04.97. According to report the machineries were found unused/new and apparently in sound condition. The economic working life was estimated for 20(twenty) years. Details of plant and machineries have been shown in schedule-1A.

(b) Machineries of EEC country origin amounting Tk. 33,918,691.00 was imported through L/C in second hand condition. Breakup of the above is shown in the following manner:

DETAILS

| | Taka |
|---|--------------------------|
| (i) C&F value of machineries in BDT (C&F value of machineries in DM 1,136,000) | 29,676,310 |
| (ii) LC Bank Charge | 348,645 |
| (iii) Bank Interest | 306,978 |
| (iv) Insurance premium | 10,385 |
| (v) C&F Expenses | 521,978 |
| (vi) Duty, Carrying cost, others etc. | <u>3,054,395</u> |
| Total | <u>33,918,691</u> |

(c) Boiler amounting Tk. 1,789,555.00 was procured locally in second hand condition.

6.04 Details of fixed assets have been shown in the enclosed Schedule-I.

7.00 ADVANCE, DEPOSITS & PREPAYMENTS: TK. 19,67,726

| | <u>30.06.2000</u> | <u>30.06.1999</u> |
|---------------------------------------|--------------------------|--------------------------|
| This is made up as under: | | |
| Union Technical Consultant Ltd. | --- | 80,000 |
| Security Deposit (T & T) | 2,000 | 2,000 |
| Margin Against L/G . | | |
| National Bank Ltd. Agrabad Br. Ctg. | 345,000 | 345,000 |
| Margin Against L/G. | | |
| National Bank Ltd. Pahartoli Br. Ctg. | 398,000 | 398,000 |
| Security Deposit (PDB) | 12,000 | - |
| L/C 26/WF/27066/2000 | 589,068 | - |
| L/C 26/WF/2712/7/2000 | <u>621,658</u> | - |
| TAKA= | <u>1,967,726</u> | <u>825,000</u> |

8.00. CASH AND BANK BALANCES: TK. 1,99,18,608

The break up of the above amount is as under:

| | <u>30.06.2000</u> | <u>30.06.1999</u> |
|------------------------------|--------------------------|--------------------------|
| Cash in Hand | 112,365 | 2,341 |
| Bangladesh Krishi Bank, | | |
| Agrabad Br. CD A/C NO-1480 | 19,749,950 | - |
| Pubali Bank Ltd. | | |
| CDA Br. Ctg. CD A/C NO- 9205 | 56,293 | 447 |
| National Bank Ltd. | | |
| Agrabad Br. A/C NO- STD 96 | | <u>2,196</u> |
| TAKA= | <u>19,918,608</u> | <u>4,984</u> |

The above bank balances have been reconciled with the balances as per Bank Statement and as confirmed by the Banks. The Cash in hand balance was physically verified by the management

9.00 LIABILITIES FOR EXPENSES: TK. 166,302

This is made up as under:-

| | <u>30.06.2000.</u> | <u>30.06.1999</u> |
|-------------------|---------------------------|--------------------------|
| Salary | 142,696 | --- |
| Audit Fee | 20,000 | 10,000 |
| Telephone Charges | <u>3,606</u> | <u>6,055</u> |
| TAKA= | <u>166,302</u> | <u>16,055</u> |

10.00 LIABILITIES FOR GOODS SUPPLIED: TK. 2,109,000

The amount is payable to different suppliers and contractors for supply of construction materials and for construction works.

11.00 LIABILITIES FOR OTHER FINANCE: TK. 10,309,609

The amount is payable to Hakkani Paper & Board Mills Ltd.(A sister concern of the company).

12.00 PRELIMINARY EXPENSES: TK. 99,335

The amount consist of registration expenses, printing and other expenses concerning formation of the Company

13.00 PRE-PRODUCTION EXP. TK. 900,123

| | <u>30.06.2000</u> | <u>30.06.1999</u> |
|--------------------------------|-------------------|-------------------|
| Salary | 289,200 | --- |
| Travelling & Conveyance | 126,194 | 121,660 |
| Paper & Periodicals | 507 | 507 |
| Entertainment | 20,467 | 12,748 |
| Medical Expenses | 988 | --- |
| Printing & Stationery | 23,527 | 20,174 |
| Donation & Subscription | 5,700 | 5,000 |
| Electrical Charges | 17,837 | --- |
| Telephone Charges | 53,431 | 37,717 |
| Postage, Stamp & Telegram | 18,121 | 10,764 |
| Carrying Expenses | 5,052 | - |
| Advertisement | 193,595 | 193,285 |
| Chamber Fee | 812 | 812 |
| I. R. C Fee | 6,000 | 5,000 |
| License Fee | 8,309 | 6,305 |
| L/C Commission & Other Charges | 9,565 | - |
| Soil Test | 35,000 | 35,000 |
| Fuel and Lubricants | 3,857 | - |
| Legal & Professional Fee | 12,000 | 1,000 |
| Audit Fee | 30,000 | 20,000 |
| Miscellaneous Expenses | 22,161 | 13,316 |
| Bank Charges | <u>17,800</u> | <u>17,377</u> |
| TAKA= | <u>900,123</u> | <u>500,665</u> |

14.00 OTHERS:

- 14.01 5 Nos of employees were engaged from middle of the year drawing remuneration of Tk. 3,000 and above per month.
- 14.02 Factory Building construction is going on smoothly and expected to have ready for erection of plant and machinery within the shortest period.
- 14.03 The company will produce 12000 MT off-set and writing and printing paper per annum utilising its 100% capacity.
- 14.04 The rate at which the directors are entitled to draw board meeting attendance fee is Tk. 500/= per director per meeting.

SCHEDULE-I

HAKKANI PULP & PAPER MILLS LIMITED.

SCHEDULE OF FIXED ASSETS AS AT 30TH JUNE, 2000

| Particulars | C Balance As on 1-7-99 | O | | S | | T | Total Cost As on 30-06-2000 |
|-------------------------|---------------------------------|-------------------------|----------------------|-------------------------|-------------------------|-------------------------|-----------------------------------|
| | | Cash | Adjustment | Addition | | | |
| | | | | Adjustment | Credit | | |
| Land & Land Development | 5,775,000 | 600,000 | - | - | 276,450 | 876,450 | 6,651,450 |
| Factory Building | 28,418 | 5,170,507 | 80,000 | - | 1,752,550 | 7,003,057 | 7,031,475 |
| Plant & Machinery | 155,444,190 | 89,556 | - | - | - | 89,556 | 155,533,746 |
| Furniture & Fixture | 24,100 | - | - | - | - | - | 24,100 |
| Office Equipment | 29,400 | 118,948 | - | - | 80,000 | 198,948 | 228,348 |
| TAKA | <u>161,301,108</u> | <u>5,979,011</u> | <u>80,000</u> | <u>2,109,000</u> | <u>8,168,011</u> | <u>8,168,011</u> | <u>169,469,119</u> |

HAKKANI PULP & PAPER MILLS LTD.

SCHEDULE-1A

SCHEDULE OF PLANT & MACHINERY
FOR THE YEAR ENDED 30TH JUNE, 2000.

| Sl. No. | Name of the Machineries | Brand Name | Origin | Quantity | Value Taka |
|---------|-------------------------|------------|--------|----------|------------|
|---------|-------------------------|------------|--------|----------|------------|

| | | | | | |
|-----|--------------------------|---------|-------|----------|---------------|
| 01. | Globe Digister | FUYO | Japan | 2 Nos. | 13,687,132.00 |
| 02. | Disc. Refiner | TOSHIBA | " | 2 Sets. | 3,616,491.00 |
| 03. | Jansson Screen | TAKAGI | " | 2 " | 985,125.00 |
| 04. | Super Clone | " | " | 3 " | 2,328,225.00 |
| 05. | Hydropulper | FUYO | " | 1 " | 2,541,345.00 |
| 06. | Beater | " | " | 2 " | 4,105,335.00 |
| 07. | Dry Part | " | " | 1 " | 37,323,750.00 |
| 08. | Calender | " | " | 1 " | 41,538,975.00 |
| 09. | Pope Reel | " | " | 1 " | 1,061,437.00 |
| 10. | Vertical Screen | TAKAGI | " | 1 " | 1,172,937.00 |
| 11. | High Density Filter | " | " | 5 " | 2,941,500.00 |
| 12. | 125 MM Conveyer Pump | TOSHIBA | " | 1 " | 152,625.00 |
| 13. | 100MM Conveyer Pump | " | " | 6 " | 832,500.00 |
| 14. | 80MM Conveyer Pump | " | " | 8 " | 777,000.00 |
| 15. | 125MM High Pressure Pump | " | " | 2 " | 222,000.00 |
| 16. | 100MM High Pressure Pump | " | " | 1 " | 97,819.00 |
| 17. | 80MM High Pressure Pump | " | " | 2 " | 188,700.00 |
| 18. | Straw Belt Conveyer | TAKAGI | " | 1 " | 291,375.00 |
| 19. | Belt Conveyer | " | " | 3 " | 792,540.00 |
| 20. | Rag Belt Conveyer | " | " | 2 " | 582,750.00 |
| 21. | 150MM Rack Water Pump | TOSHIBA | " | 3 " | 198,967.00 |
| 22. | Mixer (Alkali) | TAKAGI | " | 1 " | 388,500.00 |
| 23. | Mixer (Hypo Mixer) | " | " | 1 " | 391,275.00 |
| 24. | Drain Pump | TOSHIBA | " | 2 " | 195,637.00 |
| 25. | Steam Drain Pump | " | " | 1 " | 146,659.00 |
| 26. | Nash Pump | " | " | 2 " | 342,102.00 |
| 27. | Hoister | FUYO | " | 1 No. | 390,970.00 |
| 28. | Bailing Press | TAKAGI | " | 8 Nos. | 1,172,715.00 |
| 29. | Laboratory Equipment | " | " | 12 Sets. | 1,359,113.00 |

TOTAL TAKA

119,825,499.00

30. Drier complete set (Press 1, 2 & 3)

Re Drier "

Sheet Cutter "

Flow BOX "

Drives "

33,918,691.00

31. One complete Calender

32. Lathe machine

34. vacuum pump & m.s Tank.

32. one complete pulper

13,955,81.00

24,35,658.00

744,848.00

14,54,033.00

= 15,92,74,310.00

AUDITOR'S REPORT UNDER PARA 24(D) OF PART II OF SCHEDULE 3 OF THE COMPANIES ACT. 994

We, as the auditors, having examined the financial statements of Hakkani Pulp & Paper Mills Ltd. for the period from 1st July, 1999 to 30th June, 2000, CERTIFY, pursuant to section 135(1) and paragraph 24(1) of part II of Schedule-3 of the Companies Act, 1994 THAT.

1.0. The Statement of Assets and Liabilities of the Company is as under:

| Particulars | 30th June, 2000. Taka. | 30th June, 1999. Taka. | 30th June, 1998. Taka. | 30th June, 1997. Taka. |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| SOURCES OF FUNDS | | | | |
| Share Capital | 110,000,000 | 110,000,000 | 110,000,000 | 5,000,000 |
| Share Money Deposit | - | - | - | 105,000,000 |
| Share Money Deposit against pre-IPO private placement | 30,000,000 | - | - | - |
| Loan Fund | 39,770,000 | 39,770,000 | 39,770,000 | 30,901,015 |
| Total= | 179,770,000 | 149,770,000 | 149,770,000 | 140,901,015 |
| APPLICATION OF FUNDS | | | | |
| Fixed Assets (At Cost) | 169,469,119 | 161,301,108 | 127,335,599 | 125,600,499 |
| Net Current Assets | 9,301,423 | (12,131,108) | 21,890,310 | 15,131,181 |
| Preliminary Expenses | 99,335 | 99,335 | 99,335 | 99,335 |
| Pre-Production Expenses | 900,123 | 500,665 | 444,756 | 70,000 |
| Total= | 179,770,000 | 149,770,000 | 149,770,000 | 140,901,015 |

2. The Company did not declare any dividend in any of the aforesaid year(s).

3. The Company did not prepare any accounts for any period subsequent to 30th June, 2000.

4. No proceed or any part of the proceed of the issue of Shares has been applied directly or indirectly by the company in the purchase of any business.

Sd./-

Khan Wahab Shafique Rahman & Co.

Chartered Accountants.

M. ENAYET ULLAH, FCA.

Chittagong: July 16, 2000.

Additional disclosure of audited accounts of Hakkani Pulp and Paper Mills Ltd.
for the year ended 30th June 2000

Note - 5.00(a)

Loan from directors of the company amounting to Tk. 39,770,000.00 was utilized as noted below :

| | | |
|-------|---|---------------|
| (i) | Unpaid purchase Consideration of Plant & Machinery :- (Tk.119,825,499.00-105,000,000.00) | 14,825,499.00 |
| (ii) | Loan utilized for imported Machinery :- | 23,517,630.00 |
| (iii) | Loan utilized for land registration | 775,000.00 |
| (iv) | Loan utilized for land development | 651,871.00 |
| | Total= | 39,770,000.00 |

This is an interest free loan repayable after smooth commercial operation of the company as and when the company becomes financially sound.

Note 6.03 (d)

Plant and Machinery amounting to Tk. 119,825,499.00 as mentioned in note 6.03(a) was purchased by the vendors i.e. Mr. Md. Abdullah and Mr. M.A Kader from renowned Machinery merchant M/S Chittagong Machinery, 36, Sadarghat Road, Kalibari, Chittagong. The purchase price was paid to the supplier in cash consideration on following dates :-

| <u>Date</u> | <u>Amount(Tk.)</u> |
|-------------|-----------------------|
| 30/06/1996 | 20,000,000.00 |
| 10/07/1996 | 15,000,000.00 |
| 20/07/1996 | 18,000,000.00 |
| 28/07/1996 | 15,000,000.00 |
| 07/08/1996 | 17,500,000.00 |
| 15/08/1996 | 15,000,000.00 |
| 20/08/1996 | 10,000,000.00 |
| 27/08/1996 | 9,325,499.00 |
| | Total= 119,825,499.00 |

Note - 11.00

Liabilities for other finance as at 30th June 2000 has been utilized as noted Below :

| | |
|--|--------------------|
| <u>Balance as at 30th June 1999</u> | |
| Boiler Acquisition :- | 1,700,000.00 |
| Imported Machinery acquisition :- | 10,363,838.08 |
| Factory Building Construction :- | 80,000.00 |
| Office Equipment Acquisition :- | 21,000.00 |
| Furniture Acquisition :- | 24,100.00 |
| Administrative Expenses :- | 13,098.92 |
| L/G Margin :- | 743,000.00 |
| | 12,945,037.00 |
| Less :- Net re-payment during (1999-2000) | 2,635,428.00 |
| Balance as at 30th June 2000 | Tk.= 10,309,609.00 |

No interest will be charged on this balance and this is repayable after commercial operation as and when the company becomes financially sound.

SD./-

Chittagong : 06.12.2000

KHAN WAHAB SHAFIQUE RAHMAN & CO
CHARTERED ACCOUNTANTS.

FINANCIAL STRUCTURE

Taka**AUTHORIZED CAPITAL**

500,000,000 Ordinary Shares of Tk. 10.00 each.

500,000,000.00**1. SPONSORS****Local Sponsors have Subscribed**

11,000,000 Ordinary Shares of Tk. 10.00 each have been subscribed and paid in full by the sponsors.

110,000,000.00

The shares which are subscribed by the sponsors as described in the prospectus, shall be subject to a Lock-in-period as under.

"Three years in case of companies intending to go for Initial Public Offering (IPO) from the date of its approval thereof by the commission or from the start of its commercial production whichever comes later".

A 'Jumbo' share Certificate (one for each existing sponsors/ Directors/Existing shareholder) are to be issued covering their respective total holdings. Their share holdings may be converted with market lot only after the expiry of the Lock-in-Period of 3 (three) years.

Total110,000,000.00**2. PLACEMENT**

3,000,000 ordinary shares of Tk. 10.00 each at par have been placed with the following local/ individuals/institutions.

30,000,000.00

| Sl. | Name & Address | Occupation | No. of Shares | Amount (Tk.) |
|-----|---|------------|------------------|----------------------|
| 1. | Md. Subbir Ahamed S/O. Md. Jumman Ali Haji Belayet Ali Mistry Road Saraipara, Pahartoli, Chittagong | Business | 300,000 | 3,000,000.00 |
| 2. | Sayed Abdul Hadi S/O. Haji Nejamat Ali Haji Ashraf Ali Road Saraipara, Pahartoli, Chittagong | Business | 300,000 | 3,000,000.00 |
| 3. | Moinul Hudha Bhuyain S/O. Samsul Hudha Bhuyain Feroze Shah Colony, Pahartoli Chittagong | Business | 300,000 | 3,000,000.00 |
| 4. | Md. Yusuf S/O. Late Badsha Meah Mistry Para, Askarabad P.S.-Doublemooring, Chittagong | Business | 400,000 | 4,000,000.00 |
| 5. | Md. Mosleh Uddin Bhuyain S/O.-Late Abul Basar Bhuyain Vill-Mayani, P.O.-Abutorap, P.S.-Mirsarai, Chittagong | Business | 500,000 | 5,000,000.00 |
| 6. | Haji Abul Haiz S/O.-Late Sabid Ali Vill.-Tulatali, P.O.-Bhatiari P.S.-Sitakunda, Chittagong | Business | 400,000 | 4,000,000.00 |
| 7. | Showkat Osman S/O.-Late M.A. Aziz 40, Dewan Bari Hill Dewan Bazar, Chittagong | Business | 400,000 | 4,000,000.00 |
| 8. | Md. Nizamuddin S/O. Late Abul Basar Bhuyan Jolar Hat,(Abdul Ali Hat) P.O.-Feroze Shah Colony P.S. Pahartoli, Chittagong | Business | 200,000 | 2,000,000.00 |
| 9. | Badiul Alam Sowdagar S/O.-Late Haji Badsha Miah South Pahartoli(Near Haji Camp) P.O./P.S-Pahartoli, Chittagong | Business | 200,000 | 2,000,000.00 |
| | Total | | 3,000,000 | 30,000,000.00 |

The private placement holders have no relation with sponsors of the Company. Private placement of shares shall be subject to a lock-in for 1(one) year (excepting mutual fund, portfolio manager and other financial institutions) from the date of Consents for Issue of prospectus by the Commission. Shares in private placement if they fall under the category of sponsors shares shall be lock-in for 3(three) years.

3. INITIAL PUBLIC OFFERING (IPO):

Issue of 5,000,000 Ordinary Shares of Tk. 10.00 each at par,

Out of which:

- | | |
|---|-----------------------------|
| a) 500,000 Ordinary shares of Tk. 10.00 each are hereby being offered at par to Non Resident Bangladeshis for subscription in cash in full on application. In case of over-subscription, the allotment will be made by the Company through public lottery. | 5,000,000.00 |
| b) 4,500,000 Ordinary Shares of Tk. 10.00 each at par are hereby being offered at par to the General public for subscription in cash in full on application. In case of over-subscription, the allotment will be made by the Company through public lottery. | <u>45,000,000.00</u> |
| Total | <u>80,000,000.00</u> |

CONDITIONS OF OFFER AND ALLOTMENT OF SHARES

1. SHARES

| | <i>Particulars</i> | <i>Number of Shares</i> | <i>Amount in Taka</i> |
|-----|--|-------------------------|-----------------------|
| (a) | 10% of the Issue i.e., 500,000 Ordinary Shares shall be reserved for Non-resident Bangladeshi. | 500,000 | 5,000,000 |
| (b) | 90% of the Issue i.e., 4,500,000 Ordinary Shares shall be open for subscription by the general public. | 4,500,000 | 45,000,000 |
| | Total | 5,000,000 | 50,000,000 |

2. All shares as stated in clause 1(a) and 1(b) shall be offered for subscription and subsequent allotment by the issue manager, subject to any restriction, which may be imposed, from time to time, by the Securities and Exchange Commission.
3. In case of over-subscription of both the categories mentioned in the clause 1(a) and 1(b) the Issue Manager shall conduct an open lottery of all the applications received under each category separately.
4. In case of under subscription of both the categories mentioned in clause 1(a) and 1(b) the unsubscribed portion of share shall be taken up by the underwriters.
5. In case of under subscription under the 10% category as mentioned in clause 1(a) and 1(b) the unsubscribed portion shall be added to the general public category and if after such addition there is over subscription in the general public category the Issue Manager shall conduct an open lottery of all the applicants added together taken up by the underwriters.
6. In case of over subscription under 10% category as mentioned in clause 1(a) and 1(b) the over subscription portion shall be added to the general public category and if after such addition there is over subscription in the general public category the Issue Manager shall conduct an open lottery of all the applicants added together.
7. The lottery as stated in clause (3), (5) and (6) shall be conducted in the presence of authorized representatives of DSE, CSE, Members of the Board of the Company and Issue Manager and the applicants if present.
8. Applications must not be for less than 500 shares and must be multiple of 500 shares. Any application not meeting the criteria will not be considered for allotment purpose.
9. There are no founders' management or deferred shares. It is also not presently intended to issue any preference shares.
10. No payment has been or is intended to be made to the promoters, directors or other persons for promotion of the company.
11. The minimum subscription on which Directors will proceed to allotment is the full amount of the amount of the present issue, which on the opinion of the Directors must be raised in order to provide fund required by the Company.
12. The NRB Applicants, after completing and signing will submit the application form along with foreign drafts in US Dollar/UK Pound Sterling drawn and payable in Dhaka, to the Issuer Company's office directly.

ALLOTMENT

1. The Company reserves the right to the accepting any application either in whole or in part. Successful applicants will be notified by the dispatch of an Allotment Letter by registered post/courier. Letters of Allotment and Refund Warrants will be issued within 40 (forty) days from the closing of subscription list and the Share Certificates will be issued within 90 (ninety) days from the closing of subscription list.
2. Where an application is rejected or is not accepted in full, the entire amount or the balance of the amount, as the case may be, received with the application will be refund to the concerned applicant within 40 (forty) days of closing of subscription lists by cheques without interest. Interest @ 5.% p.a. above the Bank rate will be refunded to the unsuccessful applicants whose application money is paid after 40 (forty) days from the date of closing of subscription lists.
3. Where allotment is made in whole or in part in respect of joint application, the allotment letter will be dispatched to the person whose name appears first in the application form, notwithstanding that the shares have been allotted to the joint applicants. Where joint application is accepted in part, the balance of any amount paid on application will be refunded without interest to the person named first in the application form.

APPLICATION FOR SUBSCRIPTION

1. Application for shares may be made for a minimum lot of 500 (five hundred) ordinary shares to the value of Tk. 5,000.00 and should be made on the Company's Printed Application forms. Application forms and the Prospectus may be obtained from the Registered Office of the Company, members of the Dhaka Stock Exchange Ltd., Chittagong Stock Exchange Ltd. or from the Bankers to the Issue. In case adequate forms are not available, applicants may use photocopied/cyclostyled/typed/handwritten/typed copies of the forms. Application must not be for less than 500 shares. Any application not meeting the criterion will not be considered for allotment purpose.
2. Joint application form for more than two persons will not be accepted. In the case of a joint application each party must sign the application form.
3. Application must be in full name of individuals or limited companies or trusts or societies and not in the name of firms, minors or persons of unsound mind. Applications from insurance, financial and market intermediary companies must be accompanied by Memorandum and Articles of Association.
4. An applicant can submit not more than two applications, one in his own name and another jointly with another person. In case an applicant makes more than two applications, those in excess of two applications shall not be considered for allotment purpose.
5. Bangladeshi Nationals (including Non-Resident Bangladeshi Nationals residing/working abroad) and Foreign National shall be entitled to apply for shares.
6. Payment for subscription by investors other than Non-Resident Bangladeshi may be made to the said branches/office of the banks mentioned below in Cash/Cheque/Pay Order/Bank Draft. The Cheque or Pay Order or Bank Draft shall be made payable to the bank to which it is sent and be marked "*Hakkani Pulp & Paper Mills Ltd.*" and shall bear the crossing "*Account Payee Only*" and must be drawn on a bank in the same town of the bank to which application form is deposited.
7. All completed application forms together with remittance for the full amount payable on application shall be lodged by investors other than Non-Resident Bangladeshis with any of the branches of the following Bankers to the Issue :

BANKERS TO THE ISSUE

Investment Corporation of Bangladesh

Head Office, 8 Rajuk Av., Dhaka
Chittagong Br., 100 Agrabad C/A., Ctg.
Rajshahi Br., Shaheb Bazar, Rajshahi
Khulna Br., Shilpa Bank Bhaban, Khulna
Barisal Br., 87 Hamayet Uddin Rd., Brsl
Sylhet Br., Chamber Bld. Jail Rd., Sylhet
Bogra Br., Station Rd., Bogra
Local Office, Nayapaltan, Dhaka

IFIC Bank Limited

Federation Br., Dhaka
Elephant Rd. Br., Dhaka
Dhanmondi Br., Dhaka
Shantinagar Br., Dhaka
Gulshan Br., Dhaka
Naya Paltan Br., Dhaka
Agrabad Br., Chittagong
Comilla Br., Comilla
Brahmanbaria Br., Brahmanbaria
Feni Br., Feni
Cox's Bazar Br., Cox's Bazar
Sylhet Br., Sylhet
Khulna Br., Khulna
Jessore Br., Jessore
Kushtia Branch, Kushtia
Barisal Br., Barisal
Faridpur Br., Faridpur
Mymensing Br., Mymensing
Rajshahi Br., Rajshahi
Bogra branch, Bogra

Pubali Bank Limited

Local Office, Dhaka
Motijheel Branch, Dhaka
Mohakhali Branch, Dhaka
Elephant Road Branch, Dhaka
Asad Avenue Branch, Dhaka
Mirpur Branch, Dhaka
Agrabad Branch, Chittagong
C.D.A. Branch, Chittagong
Narayangonj Branch, Narayangonj
Khulna Branch, Khulna

Islami Bank Bangladesh Limited

Local Office, Dhaka
Foreign Exchange Branch, Dhaka
Farmgate Br., Dhaka
Sadarghat Br., Dhaka
Nawabpur Br., Dhaka
Gulshan Br., Dhaka
Narayangonj Br.,
Agrabad Br., Chittagong
Khulna Branch
Barisal Branch
Sylhet Branch
Rajshahi Branch
Bogra Branch
Cox's Bazar Branch

Dutch-Bangla Bank Limited

Local Office, 1, Dilkusha C/A., Dhaka
Banani Branch, Banani, Dhaka
Nawabpur Br., 165, Nawabpur Rd., Dhk.
Motijheel F. Ex. Br., 55 M. C/A. Dhaka
Narayangonj Br., Tanbazar, Narayangonj
Kawranbazar Br., 12 K. Bazar, Dhaka
Agrabad Br., 37 Agrabad C/A, Ctg.

United Commercial Bank Ltd.

Local Office, 58 Motijheel C/A., Dhaka
Elephant Road Br., 19 Elephant Road, Dhaka
Islampur Br., Islampur Road, Dhaka
Gulshan Br., Gulshan North C/A, Dhaka
Malibagh Br., 238/1 Outer circular Road, Dhaka
Kawran Bazar Br., 11 Kawran Bazar, Dhaka
Mohammadpur Br., 14/12 Block-A, Dhaka
Foreign Exchange Br., 20 Dilkusha C/A, Dhaka
Agrabad Br., 91 Agrabad C/A, Chittagong
Khatungonj Br., 601 Ramjoy Mohajan Lane, Ctg.
Jublee Road Br., Chittagong
Mohakhali Br., 28 Mohakhali C/A, Dhaka

The City Bank Limited

Principal Office, 10 Dilkusha C/A., Dhaka
B. B. Avenue, Br., Dhaka
Imamgonj Branch, 72 Mitford Rd, Dhaka
Islampur Rd. Br., 108 Islampur Rd., Dhaka
Johnson Rd. Br., Johnson Rd., Dhaka
New Market Br., Mirpur Rd., Dhaka
Gulshan Br., Gulshan South R/A., Dhaka
Bangshal Branch, Bangshal Road, Dhaka
Kawran Bazar Br., Kawran Bazar, Dhaka
Begum Bazar Branch, Begum Bazar, Dhaka
Mouchak Branch, Malibagh, Dhaka
Foreign Ex., Br., Dilkusha C/A. Dhaka
Mirpur Br., Mirpur 1, Dhaka
Nawabpur Branch, Nawabpur, Dhaka
Sadarghat Branch, Sadarghat, Dhaka
Dhaka Chamber Br., Motijheel C/A., Dhaka
Tanbazar Branch, Narayangonj
Tongi Br., Tongi, Gazipur
Mymensing Br., Choto Bazar, Mymensing
Agrabad Br., Agrabad C/A., Chittagong
Khatungonj Br., Khatungonj, Chittagong
Comilla Br., Monohorpur Kandipar, Comilla
Bandarbazar Br., Bandarbazar, Sylhet
Rajshahi Br., Shaheb Bazar, Rajshahi
Khulna Br., Sir Iqbal Rd., Khulna
Barisal Br., Maulana Enayetur Rd., Barisal

Bangladesh Shilpa Rin Sangstha

Motijheel (Commercial Banking) Br. Dhaka
Arab Bangladesh Bank Limited
Principal Br., 30-31 Dilkusha C/A., Dhaka
New Elephant Rd. Br., Dhaka
Nawabpur Road Branch, Nawabpur, Dhaka
Modhuban Br., Bandar Bazar, Sylhet
Agrabad Br., Agrabad C/A., Chittagong
Khatungonj Br., Khatungonj, Chittagong

Prime Bank Limited

Motijheel Br., 119-120 Motijheel C/A., Dhaka
Moulvibazar Br., 77-3 Moulvi Bazar, Dhaka
Mohakhali Br., 11 Mohakhali, Dhaka
Islamic Banking Br., 19 Dilkusha C/A., Dhaka
Kawran Bazar Br., 54 Kawran Bazar, Dhaka
Khatungonj Br., 232 Nabi Market, Chittagong
Khulna Br., 76 K. A. Sabur Rd., Khulna
Barisal Br., Barisal
Sylhet Br., Laldigirpar, Sylhet.
Rajshahi Br., Shaheb Bazar, Rajshahi.
Elephant Rd. Br., 218 Elephant Rd., Dhaka
Moulvibazar Br., Court Rd., Moulvibazar.
Islamic Banking Br., Ambarkhana, Sylhet
Mouchak Br., 240 Outer Circular Rd., Dhaka
Gulshan Br., 28 Gulshan North C/A, Dhaka
Narayangonj Br., Narayangonj
Agrabad Br., 38 Agrabad C/A, Chittagong
Jublee Rd. Br., 214 Jublee Rd., Chittagong
Banshal Br., 43 Malitola North South Rd, Dhak
Jessore Br., 47 Netazi Suvash Chandra Rd., Jes.

Bangladesh Krishi Bank

Local Principal Office, Dhaka
Kawran Bazar Branch., Dhaka
Shamoli Branch, Dhaka
Zurain Branch, Dhaka
Malakartola Branch, Dhaka
Chakbazar Branch, Dhaka
Agrabad Branch, Chittagong
Chittagong Branch, Chittagong
Soloshahor Branch, Chittagong
Korbanigonj Branch, Chittagong
Chalpotri Branch, Chittagong
Comilla Branch, Comilla
Police Line Branch, Comilla
Sylhet Branch, Sylhet
Ambarkhana Branch, Sylhet
Bondor Bazar Branch, Sylhet
Barisal Branch, Barisal
Faridpur Branch, Faridpur
Khulna Branch, Khulna
K. D. A. Branch, Khulna
Mymensing Branch, Mymensing.

8. A Non-Resident Bangladeshi (NRB) shall apply against the IPO either directly by enclosing a foreign demand draft drawn on a bank payable at Dhaka, or through a nominee (including a Bank or a Company) by paying out of foreign currency deposit account maintained in Bangladesh, for the value of securities applied for. The value of securities applied for may be paid in Taka, US Dollar or UK Pound Sterling at the rate of exchange mentioned in the Share Application Form. Refund against over subscription of shares shall be made in the currency in which the value of shares applied for was paid by the applicant. Share Application Form against the quota for NRB shall be sent by the applicant directly along with a draft or cheque to the Company at its registered office. Copies of Application Form and Prospectus shall be available with Bangladesh Embassy/High Commission in USA, UK, Saudi Arabia, UAE, Qatar, Kuwait, Oman, Bahrain, Malaysia and South Korea and web site of the SEC.
9. The subscription money collected from investors (other than Non-Resident Bangladeshis is in US Dollar or UK Pound Sterling) by the bankers to the issue will be remitted to the **STD Account No.49**, Bangladesh Krishi Bank, Agrabad Branch, Chittagong, for the purpose. Funds received under Pre-IPO placement of shares has been deposited in the **CD Account No. 1480**, Bangladesh Krishi Bank, Agrabad Branch, Chittagong.

10. The subscription money collected from Non-Resident Bangladeshis in US Dollar or UK Pound Sterling shall be deposited to "FC Account for IPO". In case of over subscription, refund shall be made by the Company out of the "FC Account for IPO". The Company shall open only one "FC Account for IPO" in US Dollar or UK Pound Sterling with a Bank on approval of Prospectus by SEC and close these accounts after refund of over-subscription, if any.

APPLICATIONS NOT IN CONFORMITY WITH THE ABOVE REQUIREMENTS AND THE INSTRUCTIONS PRINTED ON THE APPLICATION FORM ARE LIABLE TO BE REJECTED.

UNDERWRITERS OBLIGATION

If and to the extent that the shares offered to the public through a prospectus authorized hereunder shall not have been subscribed and paid for in cash in full by the closing date, the company shall within 10 (ten) days of the closure of subscription call upon the underwriter in writing with a copy of the said writing to the Securities and Exchange Commission, to subscribe the shares not so subscribed within the closing date and to pay for in cash in full, inclusive of any premium, if applicable, for such unsubscribed shares within 15 (fifteen) days after being called upon to do so. If payment is made by Cheque/Bank Draft by the underwriter it will be deemed that the underwriter has not fulfilled his obligation towards 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 expiry of the aforesaid 15 (fifteen) days, the Company shall send proof of subscription and payment by the underwriters, 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 fulfills his underwriting commitment under this Agreement and also other penalties as may be determined by the Commission.

UNDERWRITING COMMISSION

Each underwriter will be paid underwriting commission @ 2.5% of the nominal value of shares underwritten by them out of the public issue. Simultaneously, with the calling upon an underwriter to subscribe or procure subscriber and pay for any number of shares, the company will pay to that underwriter an additional commission @ 2.5% of the nominal value of shares required to be subscribed by them.

COMMISSION TO THE BANKER TO THE ISSUE

Commission @ 1/4th of 1% of the amount collected will be paid to the Bankers to the Issue for the services to be rendered by them.

MANAGER TO THE ISSUE

AAA Consultants & Financial Advisers, Amin Court, 4th Floor, 62-63 Motijheel C/A., Dhaka-1000, is the Manager to the Issue. The Issue Manager will be paid a fee @ 1.00% of the Public Issue.

BROKERAGE

The Company shall pay brokerage @ 1% only on the paid up value of shares allotted to the members of recognized Stock Exchanges on applications bearing their rubber stamp. Neither the brokerage to the members of the Dhaka & Chittagong Stock Exchange nor the commission to the Bankers shall be payable in respect of the shares taken up by the underwriters in discharge of their underwriting obligation.

CLASSIFIED INFORMATION

AUDITORS

Khan Wahab Shafique Rahman & Co.
Chartered Accountants
Head Office:
55 Dilkusha C/A
Dhaka-1000

Branch in Chittagong:
Ibrahim Building
60, Agrabad C/A
Chittagong.

BANKER

Pubali Bank Limited
CDA Branch, Chittagong

ISSUE MANAGER

AAA Consultants & Financial Advisers
Suite # 404, Amin Court,
62-63, Motijheel C/A., Dhaka-1000.

MATERIAL CONTRACTS

The following are material contracts in the ordinary course of business which have been entered into by the Company.

- Underwriting Agreement between the Company and the Underwriters.
- Issue Management Agreement between the Company and the Manager to the Issue, AAA Consultants & Financial Advisers.
- Technical agreement (for erection of the plant) between the Company and German Consultant 'PP Consult'.

Copies of the aforementioned contracts and documents and a copy of Memorandum and Articles of Association of the Company and the Consent Order from the Securities and Exchange Commission may be inspected on any working day during office hours at the Company's Registered Office.

Extract of contract between Hakkani Pulp & Paper Mills Ltd. and PP Consult.

This Contract is made on the day 29th November, 1996 Between the below named Companies:
Messrs. P.P. Consult, GMBH, 52372, Kreuzan, Germany -1st Part and Messrs. Hakkani Pulp & Paper Mills Ltd, 2/10, D.T.Road, North Pahartali, Chittagong, Bangladesh.- 2nd Part.

Whereas the 2nd Part has bought Machinery for set up a Mill for manufacturing Writing-Printing and Off-Set Paper and Whereas the 1st Part has agreed to conduct Erection of the Plant to manufacture the said Paper in the range from 57 gsm to 150 gsm,

Whereas the 1st Part has carried out a physical survey of the Machinery bought by the 2nd Part which are found to be new one and super conditional and present value of the same is above DM 42,26,650.00.

Whereas the 1st Part has suggested to add some other Machinery named below to increase the efficiency and high up the quality of the products and the 1st Part will supply those additional Machinery valuing DM 13,00,000.00 subject to following terms and conditions:-

- 1) That the 1st Part will make the Plant ready for Commercial Production within 12(twelve) months for manufacturing fine paper in general for Writing-Printing and Off-Set Paper.
- 2) That the 2nd Part will established Irrevocable Letter of Credit for the additional Machinery on C&F Chittagong basis within 6(six) months of his Contract allowing Partial Shipment,
- 3) That the 1st Part will supply the Machinery within 6(six) months of getting Letter of Credit and under no circumstances any enhancement of prices will be acceptable to the 2nd Part;
- 4) That all Bank commission/charges for establishment, amendment, extension, confirmation of advice of L/C will be borne by the 2nd Part and the 1st Part will be charged for such causes of action happened for their faults;
- 5) That transit/marine insurance will be covered by the 2nd Part at their cost before opening of L/C for the additional Machinery to protect the goods from all risks of whatever nature under the L/C and expenses will be borne by the 2nd Part;
- 6) That Pre-shipment Inspection by SGS for the Machinery under L/C has to be arranged by the 1st Part at their cost and a copy of the Inspection Certificate should be send to the 2nd Part prior effecting the shipment;
- 7) That the prices since quoted C&E Chittagong basis, freight upto Chittagong will be in the 1st Part account;
- 8) That the 1st Part will provide Erection Supervision of the Plant by the qualified personnel from Europe for which expenses will be borne by the 2nd Part including up down air passage, free accomodation, food locally;
- 9) That the start-up assistance for trial production will be provided by the 1st Part but expenses will be borne by the 2nd Part, if so required;
- 10) That the raw materials considered for given capacity and product range of (I) 60% AI Standard White Waste Paper and (ii) 40% Virgin Pulp, Short/long fibres sulphate pulp which are to be arranged by the 2nd Part;
- 11) That the under mentioned additional Machinery will be supplied by the 1st Part:

| | | | |
|-----------------------------|--------|----------------------------------|-------|
| 1) Dries complete.... | 7 sets | 5) Sheet Cutter complete... | 1 set |
| 2) Press(1st,2nd,3rd).... | 1 set | 6) Flow Box complete... | 1 set |
| 3) Size Press with Chemical | | 7) Mechanical, Electrical Drives | |
| Size kitchen complete | 1 set | for Driers, Calender, Pope Reel | |
| 4) Rewinder complete... | 1 set | | |
- 12) That the 1st Part will also give engineering service for the Machinery held by the 2nd Part;
- 13) That the 1st Part will arrange training on Paper Technology for the Director or nominated person of the 2nd Part from Germany or any suitable European Country at the expenses of the 1st Part.

| | |
|---------------------------------|------------------------------------|
| For & on behalf of the 1st Part | For & on behalf of the 2nd Part. |
| Sd./- | Sd./- |
| PP-Consult, GMBH | Hakkani Pulp & Paper Mills Limited |
| | |

Hakkani Pulp & Paper Mills Limited APPLICATION FORM

APPLICATION FOR SHARES BY INVESTORS OTHER THAN NON-RESIDENT BANGLADESHI

WARNING : Please read the instructions on the back of the form. Incorrectly filled applications may be rejected.

The Directors
Hakkani Pulp & Paper Mills Limited
2/10, D.T. Road, North Pahartoli, Chittagong

| |
|----------------|
| Bankers Sl No. |
|----------------|

| |
|----------------|
| Brokers Sl No. |
|----------------|

Dear Sir(s),

I/we apply for and request you to allot the following number of shares and I/we agree to accept the same or any smaller number that may be allotted to me/us upon terms of the Company is approved Prospectus and subject to the Memorandum and Articles of Association of the Company. Further, I/we authorize you to place my/our name(s) on the Register of Member(s) of the Company as the holder(s) of .. Ordinary shares allotted to me/us pursuant to this application and to send Allotment Letter in respect thereof and/or a crossed (Account Payee only) cheque in respect of any application money returnable by post/courier at my/our risk to the first applicant's address stated below :

1. No. of Ordinary Sharesof Tk. 10.00 each at par.
2. Amount Tk. (in figure), Taka (in words) only deposited vide Cash/Cheque/Draft/
Pay Order No Date on Bank
.....Branch.....
3. I/we agree to fully abide by the instructions given herein.
4. Particulars of Applicant(s) :

| | |
|---|---------------|
| Sole/First Applicant : Mr./Mrs./Ms. | |
| Father's/Husband's Name : | |
| Postal Address : | |
| Occupation : | Nationality : |
| For Refund Warrant : Applicant's Bank A/C No. : | |
| Name of the Bank : | Branch : |
| Second Applicant : Mr./Mrs./Ms. | |
| Father's/Husband's Name : | |
| Postal Address : | |
| Occupation : | Nationality : |

5. I/we hereby declare that I/we have read the Prospectus of **Hakkani Pulp & Paper Mills Limited**, Published in the dated and have willingly subscribed for No. of Shares of Tk. 10.00 each on this form.
6. **Specimen Signature(s) :**

| | |
|------------------------------|-------------|
| (i) Name (in Block Letterd) | Signature : |
| (ii) Name (in Block Letters) | Signature: |

BANKER'S ACKNOWLEDGEMENT

Certified that this Bank has received Tk. (in word.....) only from Mr./Mrs./Ms./ being application money for Nos. of ordinary shares of **Hakkani Pulp & Paper Mills Limited**.

Banker's SL. No.

Seal & Date

Authorized Signature
(Name & Designation)

INSTRUCTIONS

1. All information must be typed or written in full (in Block letters) in English or in Bengali and must NOT be abbreviated.
2. Application must be made on the Company's printed form/photocopy or typed copy/hand written form thereof.
3. Application must not be for less than 500 shares and must be for a multiple of 500 Ordinary shares. Any application not meeting this criterion will not be considered for allotment purpose.
4. Remittance for the full amount of the shares must accompany each application and must be forwarded to any of the Bankers to the Issue. Remittance should be in the form of Cash/Cheque/Bank Draft/Pay Order payable to one of the Bankers to the Issue "A/C Hakkani Pulp & Paper Mills Limited" and crossed "A/C Payee only" and must be drawn on a bank in the same town as the Bank to which the application form has been sent.
5. In the case of Joint Application Form, the Allotment Letter will be despatched to the person whose name appears first on this Application Form and where any amount is refundable in whole or in part the same will be refunded by Account Payee Cheque by post/courier service to the person named first on this Application Form in the manner prescribed in the prospectus.
6. Joint Application form for more than two persons will not be accepted. In case of joint application each party must sign the Application Form.
7. Application must be in full name of individuals or companies or societies or trusts and not in the name of firms, minors or persons of unsound mind. Application from financial and market intermediary companies must be accompanied by Memorandum of Association and Articles of Association and Certificate of Incorporation.
8. An applicant can submit NOT more than two applications, one in his/her own name and another jointly with another person. In case an applicant makes more than two applications, those in excess of two applications shall NOT be considered for allotment purposes.
9. No receipt will be issued for the payment made with application but a provisional acknowledgment will be issued by the Bankers to the Issue for application lodged with them.
10. Refund will be made only through "ACCOUNT PAYEE" Cheque(s) with Bank A/C No. and name of Bank Branch as mentioned in the application payable at Dhaka or Chittagong, as the case may be.
11. Allotment shall be made solely in accordance with the instructions of the Securities and Exchange Commission (SEC).
12. Making of any false statement in the application or supplying of incorrect information therein or suppressing any relevant information will make the application liable to rejection and subject to forfeiture of application money. The said application money will be deposited in account specified by the SEC. This may be in addition to any other penalties as may be provided for by law.
13. Applications, which do not meet the above requirements, or applications which are incomplete, shall NOT be considered for allotment purpose.

BANKERS TO THE ISSUE**Investment Corporation of Bangladesh**

Head Office, 8 Rajuk Av., Dhaka
Chittagong Br., 100 Agrabad C/A., Ctg.
Rajshahi Br., Shaheb Bazar, Rajshahi
Khulna Br., Shilpa Bank Bhaban, Khulna
Barisal Br., 87 Hamayet Uddin Rd., Brsl
Sylhet Br., Chamber Bld. Jail Rd., Sylhet
Bogra Br., Station Rd., Bogra
Local Office, Nayapaltan, Dhaka

IFIC Bank Limited

Federation Br., Dhaka
Elephant Rd. Br., Dhaka
Dhanmondi Br., Dhaka
Shantinagar Br., Dhaka
Gulshan Br., Dhaka
Naya Paltan Br., Dhaka
Agrabad Br., Chittagong
Comilla Br., Comilla
Brahmanbaria Br., Brahmanbaria
Feni Br., Feni
Cox's Bazar Br., Cox's Bazar
Sylhet Br., Sylhet
Khulna Br., Khulna
Jessore Br., Jessore
Kushtia Branch, Kushtia
Barisal Br., Barisal
Faridpur Br., Faridpur
Mymensing Br., Mymensing
Rajshahi Br., Rajshahi
Bogra branch, Bogra

Pubali Bank Limited

Local Office, Dhaka
Motijheel Branch, Dhaka
Mohakhali Branch, Dhaka
Elephant Road Branch, Dhaka
Asad Avenue Branch Dhaka
Mirpur Branch, Dhaka
Agrabad Branch, Chittagong
C.D.A. Branch, Chittagong
Narayangonj Branch, Narayangonj
Khulna Branch, Khulna.

Islami Bank Bangladesh Limited

Local Office, Dhaka.
Foreign Exchange Branch, Dhaka
Farmgate Br., Dhaka
Sadarghat Br., Dhaka
Nawabpur Br., Dhaka
Gulshan Br., Dhaka
Narayangonj Br.,
Agrabad Br., Chittagong
Khulna Branch
Barisal Branch
Sylhet Branch
Rajshahi Branch
Bogra Branch
Cox's Bazar Branch

Dutch-Bangla Bank Limited

Local Office, 1, Dilkusha C/A., Dhaka
Banani Branch, Banani, Dhaka
Nawabpur Br., 165, Nawabpur Rd., Dhk.
Motijheel F. Ex. Br., 55 M. C/A. Dhaka
Narayangonj Br., Tanbazar, Narayangonj
Kawranbazar Br., 12 K. Bazar, Dhaka
Agrabad Br., 37 Agrabad C/A, Ctg.

United Commercial Bank Ltd.

Local Office, 58 Motijheel C/A., Dhaka
Elephant Road Br., 19 Elephant Road, Dhaka
Islampur Br., Islampur Road, Dhaka
Gulshan Br., Gulshan North C/A, Dhaka
Malibagh Br., 238/1 Outer circular Road, Dhaka
Kawran Bazar Br., 11 Kawran Bazar, Dhaka
Mohammadpur Br., 14/12 Block-A, Dhaka
Foreign Exchange Br., 20 Dilkusha C/A, Dhaka
Agrabad Br., 91 Agrabad C/A, Chittagong
Khatungonj Br., 601 Ramjoy Mohajan Lane, Ctg.
Jublee Road Br., Chittagong
Mohakhali Br., 28 Mohakhali C/A, Dhaka

The City Bank Limited

Principal Office, 10 Dilkusha C/A., Dhaka
B. B. Avenue. Br., Dhaka
Imamgonj Branch, 72 Mitford Rd, Dhaka
Islampur Rd. Br., 108 Islampur Rd., Dhaka
Johnson Rd. Br., Johnson Rd., Dhaka
New Market Br., Mirpur Rd., Dhaka
Gulshan Br., Gulshan South R/A., Dhaka
Bangshal Branch, Bangshal Road, Dhaka.
Kawran Bazar Br., Kawran Bazar, Dhaka
Begum Bazar Branch, Begum Bazar, Dhaka
Mouchak Branch, Malibagh, Dhaka.
Foreign Ex., Br., Dilkusha C/A. Dhaka
Mirpur Br., Mirpur 1, Dhaka
Nawabpur Branch, Nawabpur, Dhaka
Sadarghat Branch, Sadarghat, Dhaka
Dhaka Chamber Br., Motijheel C/A., Dhaka
Tanbazar Branch, Narayangonj
Tongi Br., Tongi, Gazipur
Mymensing Br., Choto Bazar, Mymensing
Agrabad Br., Agrabad C/A., Chittagong
Khatungonj Br., Khatungonj, Chittagong
Comilla Br., Monohorpur Kandipar, Comilla
Bandarbazar Br., Bandarbazar, Sylhet
Rajshahi Br., Shaheb Bazar, Rajshahi
Khulna Br., Sir Iqbal Rd., Khulna
Barisal Br., Maulana Enayetpur Rd., Barisal

Bangladesh Shilpa Rin Sangstha

Motijheel (Commercial Banking) Br. Dhaka
Arab Bangladesh Bank Limited
Principal Br., 30-31 Dilkusha C/A., Dhaka
New Elephant Rd. Br., Dhaka
Nawabpur Road Branch, Nawabpur, Dhaka
Modhuban Br., Bandar Bazar, Sylhet
Agrabad Br., Agrabad C/A., Chittagong
Khatungonj Br., Khatungonj, Chittagong

Prime Bank Limited

Motijheel Br., 119-120 Motijheel C/A., Dhaka
Moulvibazar Br., 77-3 Moulvi Bazar, Dhaka
Mohakhali Br., 11 Mohakhali, Dhaka
Islamic Banking Br., 19 Dilkusha C/A., Dhaka
Kawran Bazar Br., 54 Kawran Bazar, Dhaka
Khatungonj Br., 232 Nabi Market, Chittagong
Khulna Br., 76 K. A. Sabur Rd., Khulna
Barisal Br., Barisal
Sylhet Br., Laldigirpar, Sylhet.
Rajshahi Br., Shaheb Bazar, Rajshahi.
Elephant Rd. Br., 218 Elephant Rd., Dhaka
Moulvibazar Br., Court Rd., Moulvibazar.
Islamic Banking Br., Ambarkhana, Sylhet
Mouchak Br., 240 Outer Circular Rd., Dhaka
Gulshan Br., 28 Gulshan North C/A, Dhaka
Narayangonj Br., Narayangonj
Agrabad Br., 38 Agrabad C/A, Chittagong
Jublee Rd. Br., 214 Jublee Rd., Chittagong
Banshal Br., 43 Malitola North South Rd, Dhak
Jessore Br., 47 Netazi Suvash Chandra Rd., Jes.

Bangladesh Krishi Bank

Local Principal Office, Dhaka
Kawran Bazar Branch., Dhaka
Shamoli Branch, Dhaka
Zurain Branch, Dhaka
Malakartola Branch, Dhaka
Chakbazar Branch, Dhaka
Agrabad Branch, Chittagong
Chittagong Branch, Chittagong
Soloshahor Branch, Chittagong
Korbanigonj Branch, Chittagong
Chalpotri Branch, Chittagong
Comilla Branch, Comilla
Police Line Branch, Comilla
Sylhet Branch, Sylhet
Ambarkhana Branch, Sylhet
Bondor Bazar Branch, Sylhet
Barisal Branch, Barisal
Faridpur Branch, Faridpur
Khulna Branch, Khulna
K. D. A. Branch, Khulna
Mymensing Branch, Mymensing.

| Particulars | Shares (Tk.) |
|--|--------------------------|
| 100% to applicants for 500 Ordinary Shares | Tk. 45,000,000.00 |
| Total | Tk. 45,000,000.00 |

Hakkani Pulp & Paper Mills Limited

APPLICATION FORM

APPLICATION FOR SHARES BY NON-RESIDENT BANGLADESHIS

(To be sent to the Company's Head Office)

WARNING : Please read the instructions at the back of this form. Incorrectly filed applications may be rejected.

The Directors

Hakkani Pulp & Paper Mills Limited

2/10, D.T. Road,

North Pahartoli, Chittagong

Dear Sir(s),

I/We apply for and request you to allot me/us the following number of shares and I/we agree to accept the same or any smaller number that may be allotted to me/us upon terms of the Company's approved Prospectus and subject to the Memorandum and Articles of Association of the Company. Further, I/we authorize you to place my/our name(s) on the Register of Members of the Company as the holder(s) of ordinary shares allotted to me/us pursuant to this application and to send Allotment Letter in respect thereof and/or a crossed (account payee only) Cheque in respect of any application money returnable by post/courier at my/our risk to the first applicant's address stated below :

1. No. of shares of Tk. 10.00 each at par.
2. Amount of Tk. (in figure) Tk. (in words) only convertible into US Dollar 1.00 = Tk.53.56 and UK Pound Sterling 1.00 = Tk.78.8836
3. Payment by Draft/Cheque No. date drawn on Bankbranch of.....
4. I/we agree to fully abide by the instructions given herein.
5. **Particulars of Applicant(s)**

Sole/First Applicant : Mr./Mrs./Ms.

Father's/Husband's Name :

Mailing Address :

Occupation :

Nationality :

Passport No. :

Date of Birth :

For Refund Warrant : Applicant's Bank A/C No. :

Name of the Bank :

Branch :

Second Applicant : Mr./Mrs./Ms.

Father's/Husband's Name :

Mailing Address :

Occupation :

Nationality :

Passport No. :

Valid upto :

Date of Birth :

Nominee

Name :

Mailing Address :

Specimen Signature(s) :

Sole/First Applicant :

Second Applicant :

Nominee :

INSTRUCTIONS

1. All information must be written or typed or in Block Letters in English and must NOT be abbreviated.
2. Application must not be for less than 500 Ordinary shares and must be for a multiple of 500 Ordinary Shares. Any application not meeting this criteria will not be considered for allotment purpose.
3. Application must be accompanied by a foreign demand draft drawn on a Bank payable at Dhaka or cheque drawn out of foreign currency deposit account maintained in Bangladesh for the full value of shares favoring "*Hakkani Pulp & Paper Mills Limited*" and crossed "*ACCOUNT PAYEE ONLY*".
4. Application shall be sent by the applicant directly to the Company within **7 February 2001** so as to reach the Company within **17 February 2001**. No application sent after **7 February 2001** or received by the Company after **17 February 2001** will be considered for allotment purpose.
5. Refund against over-subscription shall be made in the currency in which the value of shares was paid for by the applicant through Account Payee Cheque payable at Dhaka with Bank account number, Bank's name and Branch.
6. In case of over-subscription, allotment shall be made proportionately solely in accordance with the instructions by SEC.
7. Money receipt on clearance of draft or cheque, as the case may be, shall be sent by post to the applicant by the Company.
8. Joint application by two persons will be acceptable. In such a case, allotment or refund shall be made by post to the first applicant.
9. Application must be made by an individual, a corporation or company, a trust or a society and not by a firm, minor or persons of unsound mind.
10. Making of any false statement or supplying incorrect information or suppressing any relevant information in the application shall make it liable to rejection and subject to forfeiture of the application money.
11. The intending NRB applicants shall deposit share money by US \$/GB Pound draft drawn on and payable in Dhaka, Bangladesh, so that the issuer collecting Bank can clear that proceeds and deposit the same into issuer Bank account in time.

THE NRB APPLICATION ALONG WITH THE FOREIGN DRAFT, AS ABOVE, IS TO BE SUBMITTED TO THE COMPANY'S HEAD OFFICE DIRECT.



হাক্কানী পাল্প এন্ড পেপার মিলস্ লিঃ
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