



DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Fellow Shareholder(s),

It is my great pleasure to welcome you all at the 27th Annual General Meeting of **Hakkani Pulp and Paper Mills Limited** and on behalf of the Board of Directors I am presenting the Annual Report of the company which includes Directors' Report along with the Audited Financial Statements and Auditors' Report for the year ended 30 June 2023 for your kind consideration, adoption and approval.

This Annual Report has been prepared and presented under section 184 of the Companies Act, 1994 and in compliance with the Bangladesh Securities and Exchange Commission's (BSEC) Corporate Governance Code, notification No. BSEC/CMRRC/2006-158 /207/Admin/80 dated 03 June 2018.

1.0 Outlook of Global Economy:

Amid high inflation, aggressive monetary tightening and heightened uncertainties, the current downturn has slowed the pace of economic recovery from the COVID-19 crisis, threatening several countries both developed and developing with the prospects of recession in 2023. Growth momentum significantly weakened in the United States, the European Union and other developed economies in 2022, adversely impacting the rest of the global economy through a number of channels.

Tightening global financial conditions coupled with a strong dollar exacerbated fiscal and debt vulnerabilities in developing countries. Over 85 per cent of central banks worldwide tightened monetary policy and raised interest rates in quick succession since late 2021, to tame inflationary pressures and avoid a recession. Global inflation which reached a multi-decade high of about 9 percent in 2022 is projected to ease but remain elevated at 6.5 percent in 2023.

Most developing countries have seen a slower job recovery in 2022 and continue to face considerable employment slack. Disproportionate losses in women's employment during the initial phase of the pandemic have not been fully reversed, with improvements mainly arising from a recovery in informal jobs.

According to the report, slower growth, coupled with elevated inflation and mounting debt vulnerabilities, threatens to further set back hard-won achievements in sustainable development, deepening the already negative effects of the current crises. Already in 2022, the number of people facing acute food insecurity had more than doubled compared to 2019, reaching almost 350 million. A prolonged period of economic weakness and slow income growth would not only hamper poverty eradication, but also constrain countries' ability to invest in the SDGs more broadly.

The report calls for Governments to avoid fiscal austerity which would stifle growth and disproportionately affect the most vulnerable groups, affect progress in gender equality and stymie development prospects across generations. It recommends reallocation and reprioritization of public expenditures through direct policy interventions that will create jobs and reinvigorate growth. This will require strengthening of social protection systems, ensuring continued support through targeted and temporary subsidies, cash transfers, and discounts on utility bills, which can be complemented with reductions in consumption taxes or custom duties.

Strategic public investments in education, health, digital infrastructure, new technologies and climate change mitigation and adaptation can offer large social returns, accelerate productivity growth, and strengthen resilience to economic, social and environmental shocks.

Additional SDG financing needs in developing countries vary by source, but are estimated to amount to a few trillion dollars per year. Stronger international commitment is urgently needed to expand access to emergency financial assistance; to restructure and reduce debt burdens across developing countries; and scale up SDG financing.



2.0 Economic Scenario of Bangladesh:

Bangladesh has a strong track record of growth and development, even in times of elevated global uncertainty. A robust demographic dividend, strong ready-made garment (RMG) exports, resilient remittance inflows, and stable macroeconomic conditions have supported rapid economic growth over the past two decades.

Bangladesh tells a remarkable story of poverty reduction and development. From being one of the poorest nations at birth in 1971, Bangladesh reached lower-middle income status in 2015. It is on track to graduate from the UN's Least Developed Countries (LDC) list in 2026. Poverty declined from 11.8 percent in 2010 to 5.0 percent in 2022, based on the international poverty line of \$2.15 a day (using 2017 Purchasing Power Parity exchange rate). Moreover, human development outcomes improved along many dimensions.

Challenges

Despite these gains, inequality has slightly narrowed in rural areas and widened in urban areas. The country did make a rapid recovery from the COVID-19 pandemic supported by prudent macroeconomic policies with estimated GDP growth of 6.0 percent in FY 23. However, the economy faces considerable challenges with rising inflationary pressure, Dollar crisis, high dollar rate, war of Russia and Ukraine energy shortages, a balance-of-payments deficit, and a revenue shortfall. While the trade deficit narrowed in FY 23, a contraction in financial account deficit resulted in a Balance of Payments (BoP) deficit and a decline in foreign exchange reserves.

Real GDP growth is expected to slow in FY 24 as ongoing import suppression measures disrupt economic activity. Growth is expected to re-accelerate over the medium term, as inflationary pressure eases, external conditions improve, and reform implementation gains momentum. Over the medium term, the balance of payments is projected to return to a surplus as financial inflows recover and remittance inflows rise, supported by strong demand for workers in the Gulf region.

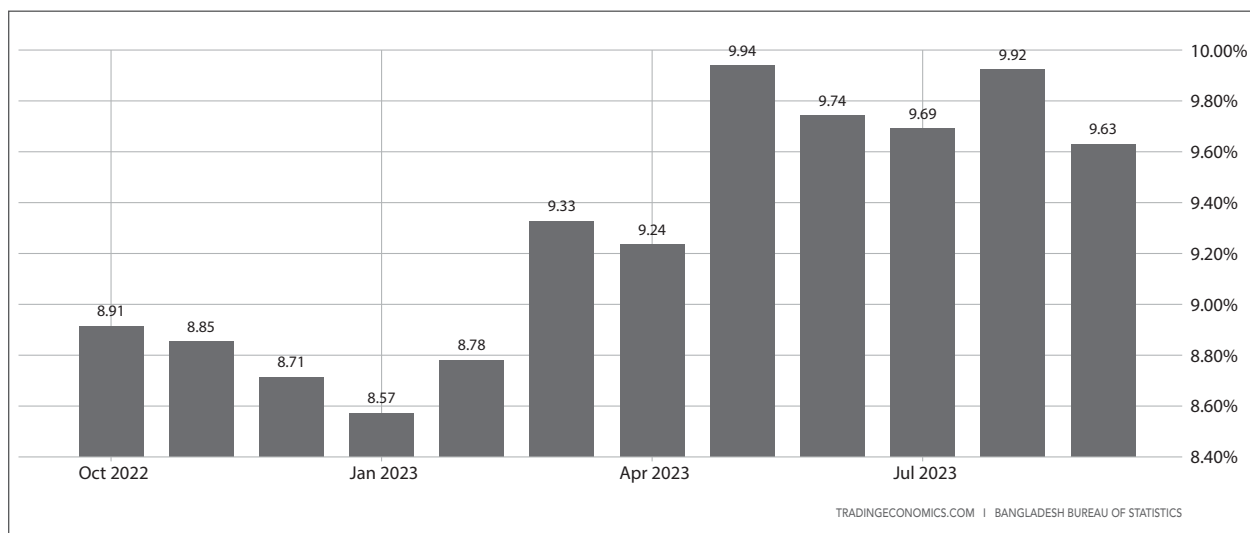
To achieve its vision of attaining upper middle-income status by 2031, Bangladesh needs to create jobs through a competitive business environment, increase human capital and build a skilled labor force, build efficient infrastructure, and establish a policy environment that attracts private investment.

Development priorities include diversifying exports beyond the RMG sector; resolving financial sector vulnerabilities; making urbanization more sustainable and strengthening public institutions, including fiscal reforms to generate more domestic revenue for development. Addressing infrastructure gaps would accelerate growth. Addressing vulnerability to climate change and natural disasters will help Bangladesh to continue to build resilience to future shocks. Pivoting towards green growth would support the sustainability of development outcomes for the next generation.

In FY 2023 (July 2022–June 2023), Bangladesh notched one of Asia's fastest growth rates, according to a provisional estimate by the statistical office. That said, the growth rate was softer than in the prior fiscal year, with private spending, fixed investment and exports all expanding more slowly. Additionally, the statistical office could revise down the FY 2023 growth rate ahead due to a power crisis at the tail-end of the fiscal year. Heading into FY 2024, merchandise exports rose 9% year on year in July–August, up from the 7% expansion seen in FY 2023.

Bangladesh Inflation

Inflation rose to 9.9% in August (July: 9.7%). After remaining roughly stable this calendar year (CY) compared to the prior one, inflation should ease in CY 2024. However, even next year, inflation will remain elevated, with the currency having weakened recently after the authorities loosened controls on the exchange market. Extreme weather is the key upside risk.



Bangladesh Economic Data

	2018	2019	2020	2021	2022
Population (million)	161	163	165	167	169
GDP (USD bn)	319	351	374	416	460
GDP per capita (USD)	1,977	2,153	2,269	2,499	2,729
GDP (BDT bn)	26,392	29,514	31,705	35,302	39,717
Economic Growth (Nominal GDP, ann. var. %)	13.5	11.8	7.4	11.3	12.5
Economic Growth (GDP, ann. var. %)	7.3	7.9	3.4	6.9	7.1
Private Consumption (ann. var. %)	9.4	4.9	3.0	8.0	7.5
Government Consumption (ann. var. %)	5.3	13.4	2.0	6.9	6.2
Total Investment (ann. var. %)	12.1	6.9	3.9	8.1	11.7
Industry (ann. var. %)	10.2	11.6	3.6	10.3	9.9
Unemployment (% of active population)	4.4	4.4	5.2	5.1	4.7
Fiscal Balance (% of GDP)	-4.1	-5.4	-4.8	-3.6	-4.1
Public Debt (% of GDP)	29.6	32.0	34.5	35.6	37.9
Money (ann. var. of M2 %)	9.2	9.9	12.6	13.6	9.4
Inflation (CPI, ann. var. %)	5.4	5.7	5.3	6.1	8.7
Inflation (CPI, ann. var. %)	5.5	5.6	5.7	5.5	7.7
Exchange Rate (BDT per USD)	83.90	84.90	84.75	85.80	102.67
Exchange Rate (BDT per USD)	83.60	84.48	84.90	85.07	93.40
Current Account Balance (USD bn)	-9.6	-4.5	-5.4	-4.6	-18.6



	2018	2019	2020	2021	2022
Current Account Balance (% of GDP)	-3.0	-1.3	-1.5	-1.1	-4.1
Merchandise Trade Balance (USD bn)	-16.0	-15.6	-16.4	-32.5	-28.9
Merchandise Exports (USD bn)	38.6	39.0	32.4	42.0	51.0
Merchandise Imports (USD bn)	54.6	54.6	48.8	74.5	79.9
Merchandise Exports (ann. var. %)	11.0	1.1	-17.0	29.5	21.6
Merchandise Imports (ann. var. %)	16.0	0.1	-10.6	52.5	7.3
Foreign Direct Investment (USD bn)	3.6	2.9	2.6	2.9	3.5
International Reserves (USD bn)	32.0	32.7	43.2	46.2	33.7
International Reserves (months of imports)	7.0	7.2	10.6	7.4	5.1
External Debt (USD bn)	57.1	62.4	73.5	91.4	-
External Debt (% of GDP)	17.9	17.8	19.7	22.0	-

Meanwhile, Bangladesh government has registered a growth rate of 7.2% for the current fiscal year. And also take many initiatives to addressing infrastructure gaps would accelerate growth and addressing vulnerability to climate change and natural disasters will help Bangladesh to continue to build resilience to future shocks. Pivoting towards green growth would support the sustainability of development outcomes for the next generation. Bangladesh is now one of the emerging economies of the world. The growth of this economy has a positive trend by a digit.

3.0 Outlook of Paper & Tissue Industry in Bangladesh Papers and allied products –

The paper as well as tissue industry has become a growing sector in Bangladesh and it has large potentiality of the country. Moreover, it will be a major foreign currency earner in Bangladesh very soon. After the readymade garments and leather industry, this sector is playing a vital role in our national economy. Private paper mills are producing export-oriented paper products. After meeting the local demand, they have started exporting to various countries, bringing in large amounts of foreign currency. Paper industry in Bangladesh has become a positive growth as the demand for paper rising on both the local and international markets. Only a few years before, imported paper met a large portion of domestic demand, but now the market share and the capacity of local manufacturers has grown significantly. The number of paper mills has now increased to 100 over from around 55 years back, while 15 or 20 more units are under process to go into operation soon. These paper mills produce different grades of paper including writing, printing, liner, media, simplex, duplex, board, newsprint, packaging products etc.

Tissue paper products are paper-based materials that are used for personal and household hygiene purposes, such as toilet paper, facial tissues, paper towels, napkins, etc. The tissue paper products market in Bangladesh is one of the fastest-growing segments in the paper industry, with a projected revenue of US\$3,684.00m in 2031.

One of the major trends in the tissue paper products market in Bangladesh is the “shift from newsprint and printing paper to tissue and hygiene paper” due to digital disruption. As more people consume digital media and online content, the demand for newsprint and printing paper has declined significantly. On the other hand, the demand for tissue paper and hygiene paper has increased as people seek more convenience and comfort in their daily lives.

According to Statistics, the revenue in the Paper Tissues segment amounts to US\$187.60m in 2023, and is expected to grow annually by 5.92% (CAGR 2023-2027). The revenue in the Toilet Paper segment amounts to US\$1,124.00m in



2023, and is expected to grow annually by 4.97% (CAGR 2023-2027).

Another trend in the tissue paper products market in Bangladesh is the “increasing demand for paper tissues”, especially facial tissues, as a result of “rising disposable income”, “urbanization”, and “hygiene awareness”. As more people move to urban areas and enjoy higher living standards, they tend to use more paper tissues for personal care and beauty purposes. Moreover, as people become more aware of the importance of hygiene and sanitation, they prefer to use disposable paper tissues instead of reusable cloth towels or handkerchiefs. According to Statistics, the average revenue per capita in the Paper Tissues segment is expected to amount to US\$1.11 in 2023. The average volume per person in the Paper Tissues segment is expected to amount to 0.32 kg in 2023.

4.0 The Segment wise or product wise Performances-

For the Management purpose, the company is organized into two business units based on its products and has two reportable segments as follows:

- 1) The Paper Unit Segment which produces different graded paper products and sell the same to several dealers.
- 2) The Tissue unit Segment which produces different kinds of tissue paper like facial tissue, napkin tissue, hand towel, toilet tissue, kitchen towel etc.

Detailed product wise performance is as follows:

Products	Production (M. Ton)		Sales (M. Ton)	
	2022-2023	2021-2022	2020-2021	2021-2022
News Print Paper	5,153	3,126	5,195	3,249
Tissue Paper	1,617	1,788	1,640	1,744
Total	6,770	4,914	6,835	4,993

5.0 Risk and concerns including internal and external risk factors, threat to sustainability and negative impact on environment if any

Every business is associated with risks. Among those risks some can be averted, others are beyond control. On the other hand, risk assessment and mitigation plans are the integral part of any business. Our operating context is characterized by an environment in which the Paper and Tissue industry is subject to high level risks in availability of power, gas and raw materials. Hakkani Pulp and Paper Mills Limited aims to address all kind of risks including internal and external which threat to business sustainability and negative impact on environment by developing appropriate risk mitigation measures. Moreover, the Board of Directors and Management of the Company are regularly monitoring, assessing and identifying the possible risks and threats on portability and sustainable growth of the business. In spite of that, Investors should take the risk factors into consideration before making any investment decision. A detailed articulation of some of the major risk factors that impact our business and our adjoining strategy and response are described in the **Note No. 39 of the Financial Statements of the Company.**

6.0 A discussion on cost of Goods Sold, Gross Profit Margin and Net Profit Margin:

Cost of Goods Sold (COGS) refers to the direct costs of producing the goods sold by the company. This cost includes the cost of direct materials, direct labor and production overheads used to producing the goods. During the year 2022-2023, Cost of Goods Sold was Tk. 94, 79, 83,786 while Tk. 48,32,82,489 in 2021-2022. Gross Profit Margin is a metric analyze used to assess a company's financial health by calculating the amount of money left over from product sales after subtracting the Cost of Goods Sold (COGS). During the year under review, it has seen that the Gross Profit Margin of the company was 12.66% while it was 10.21% in the previous year. Gross Profit Margin increased due to

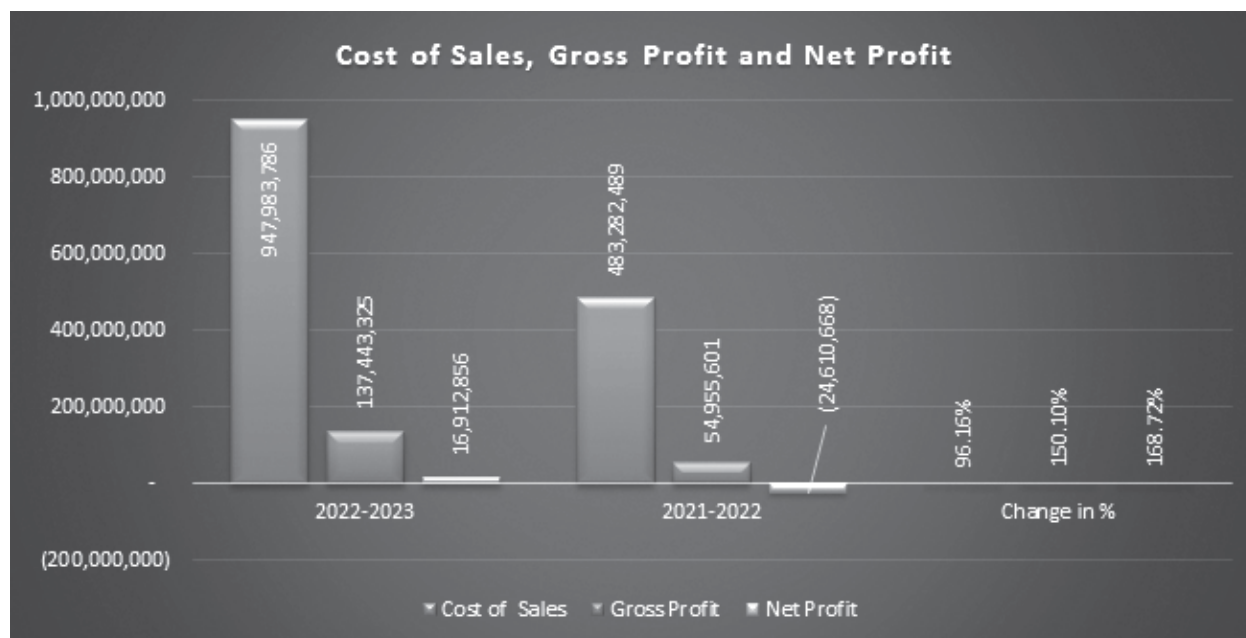


increase of sales compared to previous year. Net Profit Margin is the ratio of net profit to revenues from the business segment. Net Income is also called the bottom line of a company. The net profit margin for the year 2022-2023 was 1.56% while it was (4.57%) in the previous year. Profits after tax for the financial year 2022-2023 amounting Tk. 1,69,12,856 while it was Tk. (2,46,10,668) in the previous year.

A summary of cost of Goods Sold, Gross Profit Margin, and Net Profit Margin provided below:

Particulars	2022-2023	2021-2022	Change in %
Cost of goods sold	94,79,83,786	48,32,82,489	96.16%
Gross Profit	13,74,43,325	5,49,55,601	150.10%
Net Profit	1,69,12,856	(2,46,10,668)	168.72%

A comparative graphical presentation on cost of goods sold, gross profit margin, and net profit margin and provided below:



7.0 Extra-Ordinary Activities and their Implications (Loss or Gain):

Extraordinary items are gains or losses in a company's financial statements that are infrequent and unusual. Moreover, an item is deemed extraordinary if it is not part of a company's day-to-day operations and it has a material impact on the company. The year under review, HPPML has not been engaged in any kind of extra-ordinary activities and as a result there was no extra-ordinary gain or loss.

8.0 Discussion on Related Party Transaction:

Hakkani Pulp and Paper Mills Limited carried out a number of transactions with its related parties during the year and all transactions have been made in the normal course of business. The details of related party transactions along with a statement showing amount, nature of related party, nature of transactions and basis of transactions have been shown in the Audited Financial Statements **Note No-41**.



9.0 Utilization of Proceeds raised through Public Issues and Rights Issues:

There is no unutilized Public Issues Proceeds in Company's account as the proceeds were utilized fully during the year 2002-2003 and 2003-2004 respectively.

10.0 The Financial Results Deteriorate after the Company goes for Initial Public Offer (IPO) and Rights Share Offer:

No Financial results deteriorated or adverse situation has yet been arisen after the Company went for Initial Public Offering (IPO) Issue. Moreover, the Company was able to maintain a consistency earning consistent profitability since its inception.

11.0 Significant Variance between Quarterly Financial Performances and Annual Financial Statements:

In First Quarter (July-2022 to September-2022), the Earnings Per- Share of the company was (Tk.0.45), in Second Quarter (October-2022 to December-2022), the Earnings Per Share was (Tk.0.37), in Third Quarter (January-2023 to March-2023), the Earnings Per Share was Tk. 0.12 and the Annual Earning Per Share was Tk. 0.89.

It has seen that the company has been shown a consistent financial performance during the year and there was no significant variation between quarterly financial performances and annual financial statements.

12.0 Remuneration paid to the Directors including Independent Directors:

Managing Director, Deputy Managing Director and Executive Director were remunerated as per the Nomination and Remuneration Policy of the company and the approval of the Board of Directors meeting. Directors including Independent Directors were received only the Board Meeting attendance fee which is also approved by Board of Directors meeting. A statement of the Directors' Remuneration has shown in the Audited Financial Statements **Note No. 29**.

13.0 A statement that the financial statements prepared by the management of the company present fairly its state of affairs the result of its operations, cash flows and changes in equity:

The Board is responsible to present a true and fair view of the Company's financial performance and position as a part of good governance. In compliance with the Bangladesh Securities and Exchange Commission's Corporate Governance Code, notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated June 03, 2018 the Board of Directors confirms to the best of their knowledge as follows:

- The Financial Statements prepared by the management of the Company presented fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the Financial Statements and that the accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh, have been followed in preparation of the Financial Statements and any departure therefrom has been adequately disclosed.

14.0 System of Internal Control:

The Board of Directors of the Company ensures that the entity has an effective internal control system which ensures that the assets of the Company are safeguarded and appropriate systems are in place to minimize and detect fraud, errors and other irregularities. The Company has adopted Standard Operating Procedures for the betterment of internal control system. The Company has established a separate internal audit department to ensure internal control and compliance in place. On the other hand, Audit Committee regularly monitors and review the reports generated by the internal audit department and takes corrective measures.



As per the Corporate Governance Code, two sub-committees are in the Board of Directors; one is Audit Committee and another is Nomination and Remuneration Committee. Both Committees play an important role in overseeing the company's internal control processes.

During the year under review, the Audit Committee of the Company met quarterly to review the quarterly Financial Statements as well as Annual Financial Statements. They discussed all significant audit observations and ascertain their views on the Financial Statements, including the Financial Reporting System, compliance to accounting policies and procedures, the adequacy and effectiveness of the internal controls systems followed by the Company.

The Audit Committee's observations and suggestions were acted upon by the Company's Management. The Nomination and Remuneration Committee of the company met once a year to formulate the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of Directors and top level executive as well as a policy for formal process of considering remuneration of directors and top level executives.

15.0 Protection of Minority Shareholders' Interest:

The Board of Directors of the Company is always concerned about the minority Shareholders' interest. The Board ensures that the minority Shareholders' interest have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and has effective means of redress.

16.0 Ability to Continue as a Going Concern:

The company has adequate resources to continue its operation for foreseeable future. For this reason, the directors continue to adopt going concern principle in preparing the financial statements. The current revenue generations and resources of the company provide sufficient fund to meet the present requirements of its existing business and operations. So, there is no doubt upon the company's ability to continue as a going concern.

17.0 Significant Deviations from the last year's Operating Results:

The operating result arising from the statement of profit or loss and other comprehensive Income shows what the company has earned from its core business activities. HPPML was able to maintain a consistent growth and remarkable performances in operational perspective since its inception.

During the year under review, Hakkani Pulp and Paper Mills Limited (HPPML) reported Net Sales Revenues of Tk.108,54,27,111.00 for financial year 2022-2023 with 101.67% growth and Profit/ (Loss) after taxes were Tk. 1,69,12,856. Earnings per share (EPS) for the year stood at Tk. 0.89.

A comparative analysis on financial performance and position of the Company and reason of significant deviation with previous year has been set out in note no-04 of the financial statements:

The operating and financial review is intended to provide the Management's perspective on the financial and operating performance of the Company. During the year under review, the Company recorded a profit /(loss) after tax of Tk. 16,912,856 against previous year profit /(loss) of Tk. (24,610,668). The basic Earnings Per Share for the year ended 30 June 2023 is Tk. 0.89 against Tk. (1.30) for the same previous year. The analysis of major items of the financial statements is given below:

Revenue:

During the year under review total revenue was increased as compared to previous year due to increase of sales. Sales revenue is increased by the amount of Taka 547,189,021 as compared to previous year.

Cost of Sales:

During the year under review Cost of sales was increased as compared to the previous year due to increase of unit price raw materials, fluctuation of dollar rate, increase of rate of of gas bill, electricity bill, increase of salaries, wages and allowances and others.



Administrative Expenses

During the year under review, administrative expenses was increased significantly as compared to the previous year due to increase of employee salaries, remuneration and other related expenses and inflation.

Selling Expenses

During the year under review, selling expenses was increased significantly as compared to the previous year due to increase of marketing employee's salaries, sales promotion expenses, Carriage Outward expenses and inflation.

Financial Expenses:

The Company's financial expenses was increased as compared to previous year for increase of Bank interest on Bai-Muazzal Loan, UPAS Loan, Biam Wes Bills, LATR of Social Islami Bank Limited and CC Hypo Loan of Mercantile Bank Limited.

Earnings per Share (EPS):

During the year under review, the Company's Earnings Per Shares (EPS) was recorded Tk. 0.89 against previous year Tk. (1.30). Earnings Per Share (EPS) was increased due to increase of sales revenue.

Cash Flows from operating Activities (NOCFPS):

The Company's net operating cash flows per share (NOCFPS) of the company was recorded Tk. 4.63 against Tk. (0.08) of previous year. The company's net operating cash flows per share (NOCFPS) was increased due to increase of collection from customers.

18.0 Key Operating and Financial Data of Last Five Years:

A statement of key operating and financial data of last preceding 5 (five) year's has been tabulated below:

Key operating and financial data of preceding 5 (Five) years:

Particulars	Parameter	2022-2023	2021-2022	2020-2021	2019-2020	2018-2019
Operation and Market:						
Production Capacity	MT	13,500	13,500	13,500	13,500	11,250
Actual Production	MT	6,770	4,914	3,918	5,175	4,872
Sales Quantity	MT	6,835	4,993	3,881	4,702	4,030
Financial Results:						
Sales Revenue	TK	1,085,427,111	538,238,090	389,968,195	473,084,915	484,009,189
Gross Profit	TK	137,443,325	54,955,601	172,982,693	77,352,331	66,262,774
	%	12.66%	10.21%	18.72%	16.35%	13.69%
Operating Profit	TK	68,466,812	13,464,201	32,004,346	54,527,738	(7,750,761)
	%	6.31%	2.50%	8.21%	11.53%	(1.60%)



Net Profit before Tax	TK	15,773,401	(17,802,266)	(23,034,016)	10,735,119	(5,507,957)
	%	1.45%	(3.31)%	(5.91)%	2.27%	(1.14)%
Net Profit after Tax	TK	16,912,856	(24,610,668)	(24,306,924)	1,420,266	(21,135,213)
	%	1.56%	(4.57)%	(6.23)%	0.30%	(4.37)%
Earnings Per Share (EPS)	TK	0.89	(1.30)	(1.28)	0.07	(1.11)
Dividend (Cash)	%	2% Cash dividend to all shareholders	1% Cash dividend to only general shareholders	1% Cash dividend to only general shareholders	2% Cash dividend to only general shareholders	2% cash dividend on other than Sponsors

Financial Position:

Paid-up Capital	TK	190,000,000	190,000,000	190,000,000	190,000,000	190,000,000
Current Ratio		1.32:1	1.46:1	1.37:1	1.26:1	0.97:1
Non-Current Assets with Revaluation	TK	788,925,523	795,495,275	813,545,328	847,319,717	882,494,770
Current Assets	TK	663,371,090	609,601,670	640,110,861	528,263,576	421,535,574
Current Liability	TK	501,833,283	465,532,422	467,248,409	419,212,821	430,169,669
Net Current Assets	TK	161,537,807	144,069,248	172,862,452	109,050,755	(8,634,095)
Net Assets Value with Revaluation	TK	464,607,790	447,546,925	474,282,768	490,646,274	495,387,034
Net Assets Value without Revaluation	TK	214,705,715	188,880,440	206,252,742	212,611,673	206,661,925
Net Assets Value Per Share with Revaluation	TK	24.45	23.56	24.96	25.82	26.07
Net Assets Value Per Share without Revaluation	TK	11.30	9.94	10.86	11.19	10.88
Net Operating Cash Flow Per Share	TK	4.63	(0.08)	0.21	(0.75)	4.35

19.0 Dividend:

During the year under review 2022-2023, Hakkani Pulp and Paper Mills Limited (HPPML) earned Profit after Tax **Tk. 1,69,12,856** and Earnings Per Share stood Tk. 0.89. The Board of Directors recommended 2% (**Two Percent**) cash Dividend to all shareholders out of Net Profit for the year ended June 30, 2023.

The Board of Directors also confirmed that no bonus share or stock dividend has been or shall be declared as interim dividend.

20.0 Number of Board Meetings held and Attendance by Directors:

During the year under review 2022-2023, the Board of Directors of the company has called upon total six board meetings to consider and discuss the various agenda related to company's operation and others.



The total numbers of Board Meeting and attendance of the Directors have been shown below:

Sl. No.	Name of Directors	Position	Total Number of Board of Directors Meeting	Attendances of Directors
1	Mrs. Hosne Ara Begum	Chairman	6	6
2	Md. Golam Kibria	Managing Director	6	6
3	Md. Golam Haider	Ex-Vice Chairman	6	1
4	Md. Golam Morshed	Deputy Managing Director	6	6
5	Md. Golam Rasul Muktadir	Vice Chairman	6	6
6	Prof. S. M. Nasrul Quadir	Independent Director	6	6
7	Prof. Dr. Rafiuddin Ahmed	Independent Director	6	5

21.0 Shareholding Information:

The shareholding information of the company as on June 30, 2023 has been set out in the **Annexure-ii** of the Annual Report of the company.

22.0 Directors' Appointment, Retirement & Re-appointment:

Directors' appointment, retirement and re-appointment are governed by the Articles of Association of the Company and the Companies Act 1994. Accordingly, in the forthcoming Annual General Meeting the following Directors of the Board will retire and they will also be eligible for re-appointment-

1. Mrs. Hosne Ara Begum
2. Mr. Md. Golam Rasul Muktadir

A brief resume of the said Directors are set out in the Annual Report

It is mentioned here that Mr. Md. Golam Haider, Vice Chairman of Hakkani Pulp and Paper Mills Limited died on 4th September 2022. Due to death of Mr. Md. Golam Haider, the Board has been reconstituted by 4 (Four) Sponsor Directors and 2 Independent Directors in place of previous 5 (Five) Sponsor Directors and 2(Two) Independent Directors.

23.0 Independent Director:

According to the Bangladesh Securities and Exchange Commission's Corporate Governance Code as issued under the Notification no. BSEC/CMRRCD/2006-158/207/Admin/80 dated 03/06/2018 every listed company has to appoint the Independent Directors, to be 1/5th of the Board of Directors size, as the members of the Board of Directors. It is prescribed in the said Notification that the independent directors shall be knowledgeable with integrity to ensure compliance with financial, regulatory and corporate laws and can make significant and meaningful contributions to business operations and shall have at least 12 (twelve) years of corporate management or professional experiences. The company has appointed two experienced person having proven professional experiences as its independent directors under the directives of the Corporate Governance Code of BSEC previously.

A brief resume of the said Independent Directors are set out in the Annual Report.



24.0 Credit Rating:

Credit Rating Agency of Bangladesh Limited has assigned our Credit Rating for the year 2022-2023 which as follows:

Long Term Rating	Short Term Rating	Out Look
BBB1	ST-3	Stable

25.0 Management's Discussion and Analysis:

A detailed analysis presenting the Company's position and operations along with a brief discussion of changes in the Financial Statements and others for the year ended June 30, 2023 is attached in separate **Annexure**.

26.0 Audit Committee:

In accordance with the directives of the Bangladesh Securities and Exchange Commission regarding the Corporate Governance Code by its Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 03/06/2018, the Board of Directors of the company has an Audit Committee as sub-committee of the Board with specific Terms of Reference.

The committee reviews the results of the audit with management and external auditors, including matters required to be communicated to the committee under generally accepted auditing standards. The Audit Committee comprised by two Independent Directors and one non-executive Director. The Audit Committee was composed by Prof. S.M. Nasrul Quadir, Independent Director, Prof. Dr. Rafiuddin Ahmed, Independent Director and Mr. Md. Golam Rasul Muktadir, Non-Executive Director of the company during the year under review as the committee Members.

The Board designated Prof. S. M. Nasrul Quadir as the Chairman of the committee and Mr. Mohammad Musa, Company Secretary performed the responsibility as the Member Secretary of this committee. The Members of this committee of the Company have adequate experience and knowledge on business and trade, corporate laws, financially literacy, ability to analyze and interpret the financial statements for effective discharging of the duties and responsibilities as the members of the Audit Committee.

27.0 Nomination & Remuneration Committee:

In compliance with the Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 03/06/2018 regarding the Corporate Governance Code of Bangladesh Securities and Exchange Commission, Hakkani Pulp and Paper Mills Limited has Nomination and Remuneration Committee as a sub-committee of the Board.

The Committee during the period under review, the Nomination & Remuneration Committee's Terms of Reference (TOR) has been determined by the board as follows:

The committee consists with Prof. S. M. Nasrul Quadir, Independent Director, Prof. Dr. Rafiuddin Ahmed, Independent Director, Mr. Md. Golam Rasul Muktadir, Non-Executive Director.

The Board of Directors has designated Prof. S. M. Nasrul Quadir as the Chairman of the committee and Mr. Mohammad Musa, Company Secretary performed the responsibility and act as the Member Secretary of the committee.

28.0 Statutory Auditors:

The existing statutory auditors - M/S. Shafiq Basak & Co, Chartered Accountants who were appointed in the 26th Annual General Meeting and have completed their responsibilities during the year under review and going to complete their terms for three consecutive years.

In compliances of regulatory provisions, the new audit firm have to be appointed in this 27th Annual General Meeting for the next financial year for the company.



The Board of Directors of Hakkani Pulp and Paper Mills Limited has recommended for the appointment of M/S. Khan Wahab Shafique Rahman & Co, Chartered Accountants for the Financial Year 2023-2024. In view of this, the Board of Directors has decided to place the matter of appointment of the Statutory Auditors of the company for the Financial Year 2023-2024 at a fee of BDT 350,000/- (Three Lac Fifty Thousand) excluding VAT for its approval by the shareholders of this company in this 27th Annual General Meeting.

29.0 Appointment of Compliance Auditors:

The existing compliance auditors - M/S. Khan Wahab Shafique Rahman & Co., Chartered Accountants, who were appointed in the 26th Annual General Meeting and have completed their responsibilities during the year under reviewed and going to complete their terms for three consecutive years.

In compliances of regulatory provisions, the new compliance auditor have to be appointed in this 27th Annual General Meeting for the next financial year for the company.

Consequently, The Board of Directors of Hakkani Pulp and Paper Mills Limited has recommended for appointment of M/S. Shafiq Basak & Co, Chartered Accountants for the Financial Year 2023-2024 for issuance the corporate governance certification. In view of this, the Board of Directors has decided to place the matter of appointment of the Corporate Governance Compliance Auditors of the company for the Financial Year 2023-2024, with a fee of BDT 50,000/-(Fifty Thousand) excluding VAT for its approval by the shareholders of the company in this 27th Annual General Meeting.

30.0 Reporting and Compliance of Corporate Governance:

Status of compliance with the requirements / conditions of Bangladesh Securities and Exchange Commission (BSEC) Notification No: BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June, 2018 on corporate governance has been included in the Report in **Annexure-C**.

31.0 Subsequent Events:

There are no subsequent events after the date of Financial Position and till the date of this report which could affect the ability of the users of these financial statements to make an appropriate evaluation.

32.0 Declaration of the Board of Directors :

- The statement that the Financial Statements prepared by the management of the company present fairly its state of affairs;
- The statement that proper books of account of the issuer company have been maintained;
- The statement that appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment;
- The statement that IAS or IFRS, as applicable in Bangladesh, have been followed in preparation of the FY and any departure there from has been adequately disclosed;
- The statement that the system of internal control is sound in design and has been effectively implemented and monitored;
- The statement that minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress;



- The statement that there is no significant doubt upon the issuer company's ability to continue as a going concern, if the issuer company is not considered to be a going concern, the fact along with reasons there of shall be disclosed;
- The statement where key operating and financial data of at least preceding 5 (five) years shall be summarized;
- An explanation on the reasons if the issuer company has not declared dividend (cash or stock) for the year;
- No bonus shares or stock dividend has been or shall be declared as interim dividend;

33.0 Acknowledgements:

The Board would like to express its humble gratitude to all the employees, all investors/shareholders, bankers, financial institutions, insurance companies and all the Departments of Government of Bangladesh, related regulatory authorities i.e. BSEC, Dhaka Stock Exchange (DSE), Chittagong Stock Exchange (CSE), NBR, Bangladesh Bank, our customers, dealers for their continued and consistent support to the company during the year.

Allah Hafiz.

Thank you very much.

On behalf of Board of Directors.

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Hosne Ara Begum

Chairman