



Dividend Distribution Policy

Queen South Textile Mills Ltd.

1. Introduction

The Dividend Distribution Policy is prepared and adopted in compliance with the provisions of the Directive No. BSEC/CMRRCD/2021-386/03 dated 14 January 2021 of the Bangladesh Securities and Exchange Commission (BSEC) about dividend declaration, payoff, disbursement, and compliance.

The Board of Directors (the Board) will consider the directive while declaring/recommending dividend on behalf of the Company. The Policy is not an alternative to the decision of the Board for declaring/recommending dividend, which takes into consideration all the relevant circumstances enumerated hereunder or other factors as may be decided by the Board.

2. Definitions

“the Act” means Companies Act 1994

“the Company” means Queen South Textile Mills Ltd.

“AGM” means Annual General Meeting

“Board” means Board of Directors of Queen South Textile Mills Ltd.

“Record Date” means the cut-off date established in order to determine which shareholders are eligible to receive a dividend or distribution;

“Shareholders” means Members whose name is registered in the Member Register of the Company.

“Shares” means Ordinary Equity Shares.

3. Objective

The objective of this Policy is to specify the criteria to be considered by the Board when declaring/recommending dividends for a financial year and to provide clarity to shareholders on the profit distribution of the Company and the circumstances under which shareholders may or may not expect a dividend.

4. Dividend Eligibility

As at the date of this Policy, the Company has no other classes of shares other than equity shares with a value of BDT 10 each. Hence, shareholders will be considered eligible for dividends if their names appear in the members' register of the Company on the Record Date as declared by the Board for a particular financial year.

5. Concept of Dividend

A Dividend is the share of the profit that a Company decides to distribute among its Shareholders in proportion to the amount paid-up on shares they hold in the form of Cash and/or Stock (Bonus). The profits earned by the Company can either be retained in the business or can be distributed among the Shareholders as dividend.

6. Types of Dividend

Queen South Textile Mills Limited may pay Dividend by the following types:



Cash Dividend:

A cash dividend is the distribution of funds or money paid to the shareholders generally as part of the company's current earnings or accumulated profits based on the shareholding of the shareholders as on record date declared by the Board.

Stock Dividend:

Stock dividend is those paid out in the forms of additional shares issued to the shareholders by converting the earnings with paid-up capital.

7. Dividend Distribution Policy:

Dividend may be distributed in 2 forms

- Interim and Final.
- **Interim** dividend is the dividend declared by the Board between two AGMs as and when considered appropriate. The Act authorizes the Board to declare an interim dividend during any financial year out of the profits for the financial year in which the dividend is sought to be declared and/or out of the surplus in the profit and loss account.
- **Final** dividend is recommended for the financial year at the time of approval of the annual financial statements as well as the appropriation of profit. The Board shall have the power to recommend the final dividend to the shareholders for their approval at the AGM of the Company. Dividend recommended by the Board of Directors cannot be changed prior to the holding of the AGM.

8. Parameters to be considered while declaring dividends

8.1 The following financial parameters may be considered by the Board while recommending/declaring dividend:

- a) Adequacy of profits calculated in accordance with the applicable provisions of the Act and Accounting Standards. The Board of Directors may, in exceptional circumstances, consider utilizing retained earnings for the declaration of dividend subject to the provisions of the law.
- b) The Board may consider the following financial parameters while recommending/declaring dividend, namely:
 - Financial Performance for the year for which dividend is recommended;
 - Accumulated Reserves;
 - Earnings stability;
 - Any interim dividend paid;
 - Impact of dividend pay-out on Return on Equity;
 - Future capital expenditure;



- Internal capital planning framework/policy;
- Cash flow position;
- Tax implications if any, on the distribution of dividends;
- Cost of raising funds from alternate sources of capital;
- Corporate actions including mergers/demergers, acquisitions, and additional investments including expansion plans and investment in subsidiaries/associates;
- Leverage profile and debt repayment schedules and, under exceptional circumstances, the amount of contingent liabilities;
- Such other factors and/or material events that the Board may consider.

8.2 The following non-financial factors may also be considered by the Board while recommending/declaring dividend:

- Shareholder expectations;
- Economic environment;
- Industry outlook;
- Inorganic growth plans;
- Stage of the business cycle;
- Dividend payout history;
- Trend of Interest rate and Monetary Policy;
- Reinvestment opportunities;
- The economic, legal and regulatory framework, government policies, etc.

9. Declaration of Dividend

The Board in each financial year has the absolute discretion to recommend dividends out of the year's profits after setting off carried-over losses of the previous year(s) and depreciation not provided in the previous year(s) or out of any undistributed profits or any retained earnings subject to the approval of the shareholders at the Company's AGM. No dividend shall be declared or paid out of the capital reserve account or the revaluation reserve account or any unrealized gain or through reducing paid-up capital.

Subject to the provisions of the Act, dividend shall be declared and paid out of:

- a. Profits of the Company for the year for which the dividend is to be paid after setting off carried over previous losses and depreciation not provided in the previous year(s);
- b. Undistributed profits of the previous financial years after providing for depreciation in accordance with law and remaining undistributed.
- c. Out of a & b both.

Before the declaration of dividend, the Company may transfer a portion of its profits to reserves of the Company as may be considered appropriate by the Board at its discretion.

In the event of inadequacy or absence of profits in any financial year, the Company may declare dividend out of free reserves subject to compliance with the Act and Rules.



10. Factors Governing Declaration of Dividend

The decision regarding dividend pay-out is a crucial decision as it determines the amount of profit to be distributed among the shareholders and the amount of profit to be retained in the business.

The circumstances for dividend pay-out decision depend on various external and internal factors which the Board of Directors shall consider while recommending/declaring dividend including the following:

10.1 External Factors:

- The Board shall endeavor to retain a larger portion of profits to build up reserves, in case of an Adverse Economic Scenarios.
- The Board shall evaluate the market trends in terms of technological changes mandating investments, competition impacting profits, etc., which may require the Company to conserve resources.
- The Board shall consider the restrictions, if any, imposed by the Act and other applicable laws with regard to the declaration of dividend in order to ensure compliance with the applicable laws.
- Dividend distribution tax or any tax deduction at source as required by tax regulations, applicable at the time of declaration of dividend may impact the decision with regard to dividend declaration.
- Other factors beyond the control of the Management like natural calamities, fire, etc. affecting the operations of the Company may impact the decision with regard to dividend declaration.

10.2 Internal Factors:

- Profitability
- Availability and Liquidity of Funds
- Capital Expenditure needs for the existing businesses
- Expansion/Modernization of the business
- Additional investments in subsidiaries/associates of the Company
- Cost of raising funds from alternate sources
- Cost of servicing outstanding debts
- Funds for meeting contingent liabilities
- Mergers and Acquisitions
- Any other factor as deemed appropriate by the Board.

Apart from the above factors, the Board also considers past dividend history and sense of shareholders' expectations while determining the rate of dividend. The Board may additionally recommend special dividend in special circumstances.

11. Utilization of Retained Earnings

Subject to the provisions of the Act and other applicable laws, retained earnings may be utilized



as under:

- Issue of fully paid-up bonus shares
- Declaration of dividend-Interim or Final
- Augmenting internal resources
- Funding for capital expenditure/expansion plans/acquisition;
- Repayment of debt
- Any other permitted use as may be decided by the Board.

12. Parameters for Various Classes of Shares

Currently, the Company has only one class of shares - Equity Shares. There is no privilege amongst Equity Shareholders of the Company with respect to dividend distribution.

13. Income Tax Impact on Dividend Declaration

listed companies in Bangladesh are required to pay a dividend tax on the distributed amount and their dividend income is subject to the corporate income tax rate as per applicable law. Individual shareholders of listed companies are also subject to income tax on their dividend income.

14. Disclosure

This Dividend Distribution Policy shall be disclosed in the Annual Report of the Company and on the Company's website <http://www.qstmills.com/>

If the Company proposes to declare dividend on the basis of any additional parameters apart from those mentioned in the Policy or proposes to change the parameters contained in this Policy, it shall disclose such changes along with the rationale for the same in the Annual Report and on the website.

15. Effective Date

This Policy has been approved by the Board of Directors of the Company at its meeting held on 1st February 2021 and shall be effective and applicable for dividend, if any, declared for the Financial Year 2020-21 onwards.

16. Review/Amendment

The Board may amend, abrogate, modify or revise any or all provisions of this Policy. However, amendments in the Act or in the Listing Regulations shall be binding even if not incorporated in this Policy.