



সিভিও পেট্রোক্যামিকেল রিফাইনারী লিমিটেড CVO Petrochemical Refinery Limited

Report of the Board of Directors to the Shareholders for the Year 2016-17

Bismillahir Rahmanir Rahim

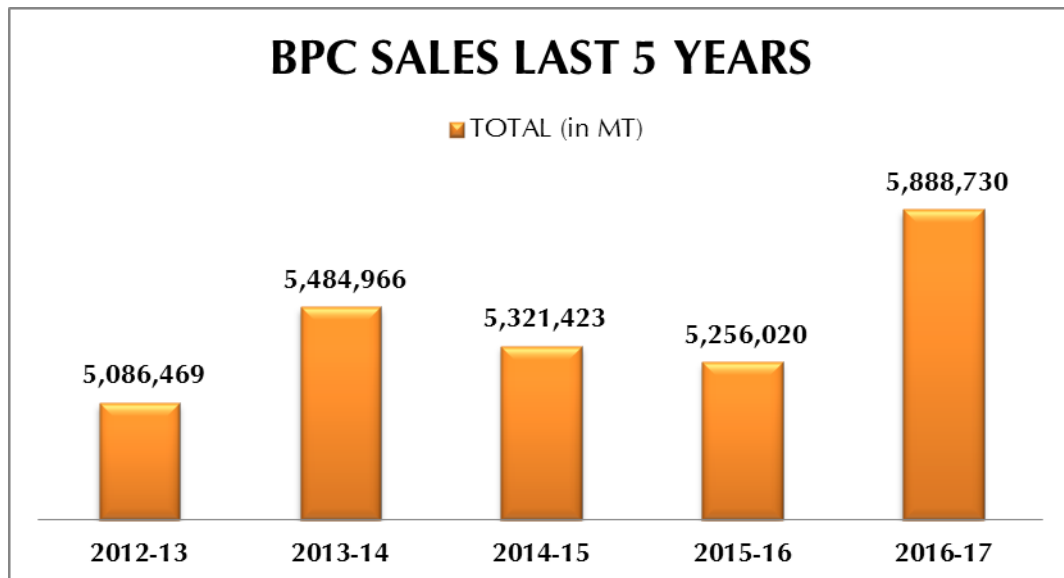
Dear Shareholders,
Assalamualaikum Warahmatullahi Wabarakatuh,

I, on behalf of the Board of Directors of CVO Petrochemical Refinery Ltd. extend a very warm welcome to you all on the occasion of 32nd Annual General Meeting of the Company. At the same time, I would also like to express my heartfelt thanks and gratitude to all of you for your continuous support and trust reposed on us. I take this occasion to share with you the pleasure of success as well as highlight the business performance of the Company.

It is an honor for the Board of Directors to present the Directors' Report together with the Audited Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Cash Flow and Statement of Changes in Equity for the year ended on June 30, 2017.

Petroleum Product Market in Bangladesh

The Petroleum Product market has been growing very rapidly in recent years driven by strong demand from industrial sector, agro division and increase of automobile for vehicular transport. This is evident from the under mentioned graph showing the rise of year wise sales of petroleum products from the last five years:



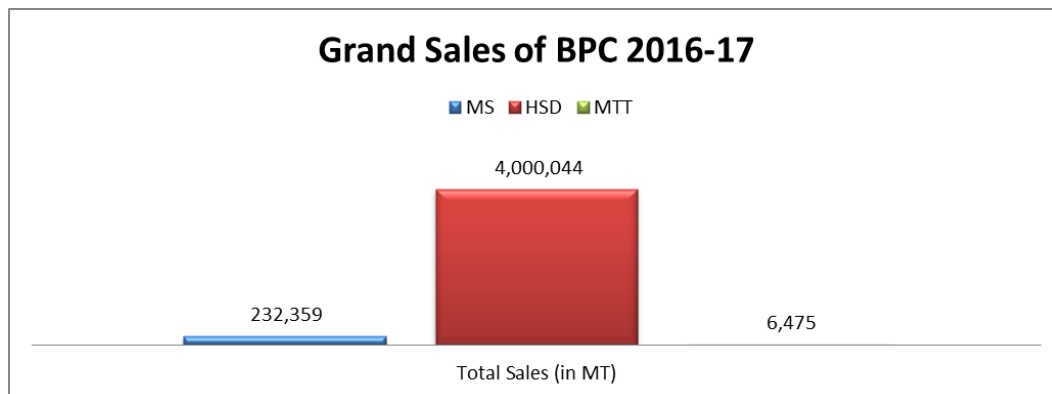
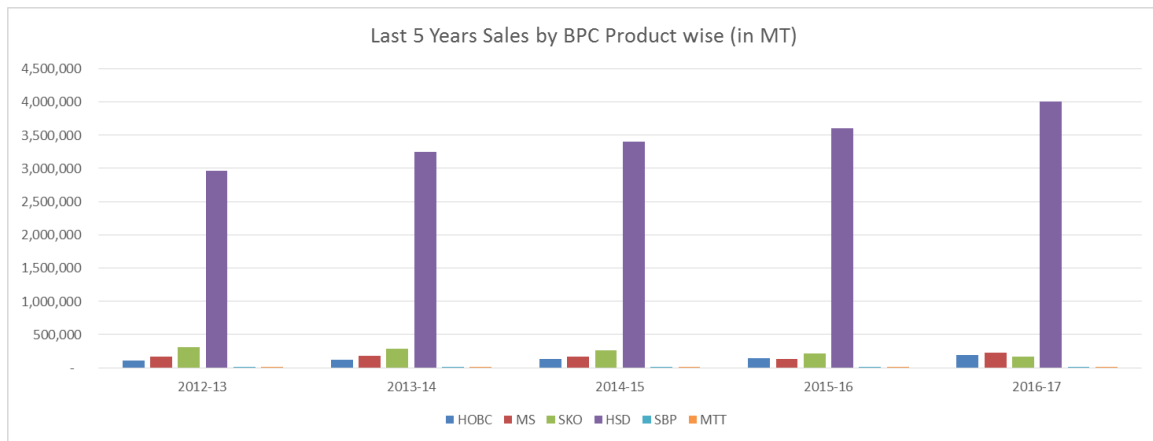


সিভিও পেট্রোক্যামিকেল রিফাইনারী লিমিটেড

CVO Petrochemical Refinery Limited

This growth in economy has led to increase in vehicle for personal as well as commercial use. The fast-growing industrial sector which includes the power, energy, agro, manufacturing & processing sector is accelerating the demand for Petroleum Products.

PRODUCT	2012-13	2013-14	2014-15	2015-16	2016-17
HOBC	110,850	117,452	126,114	147,557	186,911
MS	169,710	178,674	166,823	137,360	232,359
SKO	314,876	289,871	263,029	213,685	170,993
HSD	2,964,604	3,242,554	3,396,061	3,606,404	4,000,044
SBP	800	368	234	207	865
MTT	9,875	7,821	7,038	2,037	6,475
TOTAL	3,570,715	3,836,740	3,959,299	4,107,250	4,597,647



In Bangladesh, annual domestic demand of petroleum products is around 60 Lac MT (apprx.). Out of this demand, Eastern Refinery Limited the only state-owned Refinery in Bangladesh is producing only 15 Lac MT (apprx.) per year and other government & private condensate fractionation plants are producing approximately 5 Lac MT of Petro Products. Remaining gap has been filled up by import. In this regards government is spending a huge amount of foreign currency for import of Petro Products.



সিভিও পেট্রোক্যামিকেল রিফাইনারী লিমিটেড

CVO Petrochemical Refinery Limited

CVO Petrochemical Refinery Limited is that kind of Company which is producing petroleum products as import substitute for local consumption and the Company is saving a huge amount of foreign currency contributing a lot to national exchequer.

Industrial outlook, Production, Sales, Risk & Concern

CVO Petrochemical Refinery Limited is the only public limited company in Bangladesh among other private Condensate Fractionation Plants listed in DSE & CSE. The Company is potential because the raw materials used by the company are procured from various Gas fields of Sylhet Gas Fields Limited & also the finished products are sold to Bangladesh Petroleum Corporation (BPC) only. Company is producing Motor Spirit (MS), High Speed Diesel (HSD) and Mineral Turpentine (MTT).

As per agreement, CVO Petrochemical Refinery Limited (CVOPRL) is procuring raw materials from Sylhet Gas Fields Limited (SGFL) who is the only Condensate supplier. They have enough stock of Condensate and they are looking for new wells. As per report of SGFL there will be no scarcity of Condensate for the next 15 to 20 years.

Financial Risk Management are mentioned in the Financial Statement Note no. 4, If any time is there shortage of Condensate, CVOPRL can import Condensate from abroad with the permission from Ministry.

Business Performance

As per directive of Energy and Mineral Resources Division (EMRD) an amended agreement between Sylhet Gas Fields Limited (SGFL) and CVO Petrochemical Refinery Limited has been signed for sale and purchase of 90,000 M.T. in August 2015 for the next two years which has already been renewed on August 08, 2017 for 45,000 M.T. up to December 2017. After expiration of this agreement new agreement will be signed between CVOPRL & SGFL.

Agreement has been signed between Bangladesh Petroleum Corporation (BPC) and CVO Petrochemical Refinery Limited on October 10, 2017 for the next three years from the date of signing for sale of finished products to Meghna Petroleum Limited, Padma Oil Company Limited and Jamuna Oil Company Limited through BPC.

But unfortunately a setback had occurred in running the commercial operation smoothly due to stoppage of production caused by suspension of the supply of raw material (Condensate) by Sylhet Gas Fields Limited abruptly from 17 July 2016 without any prior information to us. Which has resulted in reducing the turnover considerably during the financial year 2016-17. This has led to the negative results of the financial statements for the year under review. After prolonged deliberations Sylhet Gas Fields Limited however has re-started the supply of Condensate from 19.06.2017 thereby enabling the Company to resume its production from 21.06.2017.

Registered & Corporate Office: 37, Katalgonj, Panchlaish, Chittagong.

Phone: +88 031 650525-6, 650533, 2557201-2, Fax: +88 031 650134, 2557203. Email : info@cvopetro.com

Dhaka Share Office: "Anima Vista" 3rd Floor, Flat No # A-3, 30 Topkhana Road, Paltan, Dhaka – 1000.

Phone: +88 02 9551968, Fax: +88 02 9560374



সিভিও পেট্রোক্যামিকেল রিফাইনারী লিমিটেড

CVO Petrochemical Refinery Limited

The Board of Directors however expects a bright business activity of the Company for the coming years.

It is also mentionable that the Company has been awarded Tax Holiday for five years from April 02, 2014 to April 01, 2019.

Related Party Transactions

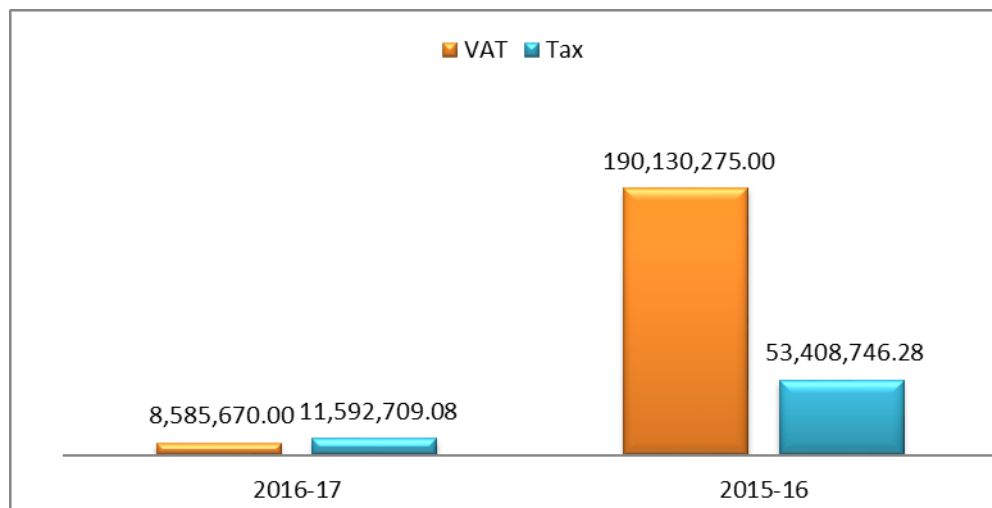
The related party's transaction is given below during this financial year:

Related Party Name	Opening Balance	Received during the year	Payment/Adj. during the year	Closing Balance	Nature of Transaction
M/S. Alhaj Md. Younus & Co.	143,126,617	1,900,092	(43,232,648)	101,794,061	Short term loan
M/S. Alhaj Md. Younus & Co.	211,720	3,961,661	(3,599,050)	574,331	Day to day transaction
Mr. Shamsul Alam Shamim, Chairman of the Board of Directors	-	65,392,656	-	65,392,656	Temporary loan
Mr. Shamsul Alam Shamim, Chairman of the Board of Directors	-	80,000	160,000	80,000	Office Rent/Security money of Dhaka Office

Contribution to National Exchequer

The Company is regularly paying VAT and Tax on time. The deposit of VAT and Tax to National Exchequer for the last couple of years is shown below:

Particulars	Financial Year	
	2016-17	2015-16
VAT	Tk. 8,585,670.00	Tk. 190,130,275.00
Tax	Tk. 11,592,709.08	Tk. 53,408,746.28



Registered & Corporate Office: 37, Katalgonj, Panchlaish, Chittagong.

Phone: +88 031 650525-6, 650533, 2557201-2, Fax: +88 031 650134, 2557203. Email : info@cvopetro.com

Dhaka Share Office: "Anima Vista" 3rd Floor, Flat No # A-3, 30 Topkhana Road, Paltan, Dhaka – 1000.

Phone: +88 02 9551968, Fax: +88 02 9560374



সিভিও পেট্রোক্যামিকেল রিফাইনারী লিমিটেড

CVO Petrochemical Refinery Limited

The Company could not make remarkable contribution to national exchequer during the financial year 2016-17 for closure of production from 21.07.2016 to 20.06.2017 due to suspension of supply of Condensate by the Sylhet Gas Fields Limited.

Corporate & Financial Reporting Frame Work

The Board of Directors comply with the Bangladesh Securities & Exchange Commission's notification No. SEC/CMRRCD/2006-158/134/Admin/44, dated: August 07, 2012 and confirm compliance with the financial reporting frame work for the following:

- The financial statements prepared by the management of CVO Petrochemical Refinery Limited presents fairly its state of affairs, the result of operations, cash flow & changes in equity.
- Company has been maintaining proper books of accounts.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements.
- International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) as applicable in Bangladesh have been applied in preparation of financial statements and disclosures have been given properly.
- There is no significant doubt upon the issue of the company's ability to continue as going concern.

Shareholders Pattern

The Shareholders pattern of the company at the year ended on June 30, 2017 is shown as follows:

Directors/Sponsors					
Particulars	Position	Physical	Demated	Total	%
Mr. Shamsul Alam Shamim	Chairman	-	2,289,376	2,289,376	9.25
Mr. A.H.M. Habib Ullah	MD & CEO	-	1,732,501	1,732,501	7.00
Mr. Md. Amin	Director	-	1,175,624	1,175,624	4.75
Mr. Md. Emranul Hoq	Director	-	1,175,624	1,175,624	4.75
Mr. Mohammad Mohsin Saky	Director	-	1,175,625	1,175,625	4.75
Mr. Md. Mansur Alam	Sponsor	-	1,175,624	1,175,624	4.75
Mr. Md. Ali Mortuza	Sponsor	-	1,175,624	1,175,624	4.75
Mr. Md. Nure Habib Noman	Sponsor	-	1,175,626	1,175,626	4.75
Mrs. Jubeda Khanam Safi	Sponsor	-	525,938	525,938	2.13
Mrs. Joynab Rifat	Sponsor	-	525,938	525,938	2.13
Mrs. Fazilatun Nahar	Sponsor	-	247,500	247,500	1.00
Mr. Morshedul Alam Quaderi	Independent Director	-	-	-	-

Registered & Corporate Office: 37, Katalgonj, Panchlaish, Chittagong.

Phone: +88 031 650525-6, 650533, 2557201-2, Fax: +88 031 650134, 2557203. Email : info@cvopetro.com

Dhaka Share Office: "Anima Vista" 3rd Floor, Flat No # A-3, 30 Topkhana Road, Paltan, Dhaka – 1000.

Phone: +88 02 9551968, Fax: +88 02 9560374



সিভিও পেট্রোক্যামিকেল রিফাইনারী লিমিটেড

CVO Petrochemical Refinery Limited

Total Directors/Sponsors (A)		12,375,000	12,375,000	50.00
Others:				
General Public	138,300	7,360,086	7,498,386	30.30
Institutions	-	4,586,142	4,586,142	18.53
Foreign (NRB)	-	290,472	290,472	1.17
Total Others (B)		138,300	12,236,700	50.00
Total Shareholdings (A+B)		138,300	24,611,700	100.00

Key Management Team					
Particulars	Position	Physical	Demated	Total	%
Mr. Nizam Uddin Mahmood Hossain	DMD	-	0	0	0
Mr. Ahmadul Haq Hasan	ED & Chief Auditor	-	0	0	0
Mr. Mowin Hossain	Company Secretary	-	0	0	0
Mr. Mizanur Rahman Zaved	CFO	-	0	0	0
Mr. Md. Abdus Samad	DGM - Shares	-	0	0	0
Mr. Md. Idrish Meah Talukder	Sr. AGM - O&P	-	0	0	0
Mr. Mohammad Abu Taleb	AGM - Tax, Legal & Corporate Affairs	-	0	0	0
Mr. Mohammed Saiful Islam	Manager - QC	-	0	0	0
Mr. Mohammed Faruk	Manager - F&A	-	0	0	0
Mr. Serajul Islam	Manager - PR	-	0	0	0

Board Meeting & Attendance

Name of Directors	Position	No. of Board Meeting	
		Held	Present
Mr. Shamsul Alam Shamim	Chairman	13	12
Mr. A.H.M. Habib Ullah	MD & CEO		13
Mr. Nurul Alam Ansari ^[Note: 1]	Director		5
Mr. Md. Amin	Director		13
Mr. Md. Emranul Hoq	Director		13
Mr. Mohammad Mohsin Saky	Director		13
Professor Md. Hossain Imam Chowdhury ^[Note: 2]	Independent Director		5
Captain (Retd.) Hasan Sayeed Monirul Alam, Psc, BN ^[Note: 2]	Independent Director		5
Mr. Morshedul Alam Quaderi ^[Note: 3]	Independent Director		5

Note:

1. The Director Mr. Nurul Alam Ansari Expired on 29.10.2016
2. The Independent Directors Professor Md. Hossain Imam Chowdhury and Captain (Retd.) Hasan Sayeed Monirul Alam, Psc, BN completed tenure of office for three years.
3. Mr. Morshedul Alam Quaderi was appointed as Independent Director on 27.12.2016 in 31st AGM.



সিভিও পেট্রোক্যামিকেল রিফাইনারী লিমিটেড

CVO Petrochemical Refinery Limited

Audit Committee Meeting & Attendance

Name of Members	Position	No. of Meeting	
		Held	Present
Professor Md. Hossain Imam Chowdhury [Note: 1]	Chairman	5	3
Mr. Morshedul Alam Quaderi [Note: 2]	Chairman		2
Mr. A.H.M. Habib Ullah	Member		5
Mr. Md. Emranul Hoq	Member		5
Mr. Kaikobad Ahmed [Note: 3]	Member Secretary		4
Mr. Mowin Hossain [Note: 3]	Member Secretary		1

Note:

1. The Independent Director Professor Md. Hossain Imam Chowdhury completed tenure of office for three years.
2. Mr. Morshedul Alam Quaderi was appointed as Independent Director on 27.12.2016 in 31st AGM and became the de facto Chairman of the Audit Committee in pursuance of BSEC Notification.
3. The present Company Secretary Mr. Kaikobad Ahmed release from his duty and handed over his charge to Mr. Mowin Hossain who was appointed as new Company Secretary effective from 01.03.2017 and became the Member Secretary of the Audit Committee in pursuance of BSEC Notification.

(Report of Audit Committee enclosed in Annexure-iii)

Going Concern

The Directors are of the opinion that the Company is a going concern and there are no significant doubts upon the Company's ability to continue as a going concern. Accordingly, Financial Statements of the Company has been prepared on a going concern basis.

Directors' Remuneration

Directors are taking Remuneration from the financial year 2015-16 as reviewed and approved by the Board of Directors. The details of the remuneration paid to the Directors during the financial year 2016-17 are given in Notes no. 21.1 of the Financial Statements.

Rotation of Directors

The Board of Directors of the Company now consists of 6 (Six) members including one Independent Director. As per Article 119 of the Articles of Association of the Company one third (1/3) of the number of directors retire by rotation from the Board every year in AGM (Annual General Meeting). Accordingly, the two retiring directors from the Board in this 32nd Annual General Meeting are Mr. Shamsul Alam Shamim and Mr. A.H.M. Habib Ullah who are eligible for re-election. Their short resume is stated in (Annexure-II).

Registered & Corporate Office: 37, Katalgonj, Panchlaish, Chittagong.

Phone: +88 031 650525-6, 650533, 2557201-2, Fax: +88 031 650134, 2557203. Email : info@cvopetro.com

Dhaka Share Office: "Anima Vista" 3rd Floor, Flat No # A-3, 30 Topkhana Road, Paltan, Dhaka – 1000.

Phone: +88 02 9551968, Fax: +88 02 9560374



সিভিও পেট্রোক্যামিকেল রিফাইনারী লিমিটেড

CVO Petrochemical Refinery Limited

Dividend

The Board expressed dissatisfaction to observe the negative results of the financial statements of the Company for the year under review due to stoppage of production caused by suspension of supply of raw material (Condensate) by Sylhet Gas Fields Limited. The Board of Directors is continuously making efforts to uphold the interest of the valued shareholders. Keeping this in mind the Board of Directors decided to recommend 02% stock dividend for the year 2016-17 subject to approval by the shareholders in 32nd AGM.

Appointment of Statutory Auditor

Company's statutory auditors **M/S. K.M. Hasan & Co., Chartered Accountant** shall retire at 32nd AGM. The firm, being eligible has expressed their interest for re-appointment. The Board recommends their re-appointments for the year 2017-18. The shareholders therefore have to approve their re-appointment to hold office as External Auditors for the year 2017-18.

Extension of tenure of service of the Managing Director

Pursuant to section 110 of the Company's Act 1994 the term of office of Mr. A.H.M. Habib Ullah as Managing Director of the Company has expired. Being eligible he offers himself for re-appointment as Managing Director and seeks for extension of the tenure of service for another term of five years extending up to December 2022.

Status of Compliance

The directors hereby report that the condition imposed by BSEC notification no. SEC/CMRRCD/2006-158/134/Admin/44, dated: August 07, 2012 and subsequent amendment thereof have been duly complied with as per status of Compliance set forth in (Annexure-I).

Appreciation

The Board of Directors of the Company express their deepest gratitude to respected shareholders and all stakeholders of the Company for continuing their support which has paved the way for success of the Company. The Board is grateful to the Government of Bangladesh, Ministry of Power, Energy & Mineral Resources, Board of Investment (BOI), National Board of Revenue (NBR), PETROBANGLA, Sylhet Gas Fields Limited (SGFL), Bangladesh Petroleum Corporation (BPC), Department of Environment (DOE), Department of Explosive, Bangladesh Fire Service & Civil Defence, Bangladesh University of Engineering & Technology (BUET), Eastern Refinery Limited (ERL), Bangladesh Energy Regulatory Commission (BERC), Bangladesh Standard and Testing Institute (BSTI), Bangladesh Securities & Exchange Commission (BSEC), Dhaka Stock Exchange Ltd. (DSE), Chittagong Stock Exchange Ltd. (CSE), Central Depository Bangladesh Limited (CDBL), The Registrar of Joint Stock Companies & Firms (RJSC), our bankers, auditors and legal advisors and many more.

On behalf of The Board of Directors

Shamsul Alam Shamim

Chairman

Registered & Corporate Office: 37, Katalgonj, Panchlaish, Chittagong.

Phone: +88 031 650525-6, 650533, 2557201-2, Fax: +88 031 650134, 2557203. Email : info@cvopetro.com

Dhaka Share Office: "Anima Vista" 3rd Floor, Flat No # A-3, 30 Topkhana Road, Paltan, Dhaka – 1000.

Phone: +88 02 9551968, Fax: +88 02 9560374