Zaheen SPINNING LTD.
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DIVIDEND DISTRIBUTION POLICY

1. PURPOSE

In compliance with the provisions of the Companies Act, 1994 and rules made there under (the 'Act') and Listing Regulations of the Bangladesh Securities and Exchange Commission, as amended from time to time, this Policy provides guidance for declaration of dividend and its pay-out by the Company. The Board of Directors (the 'Board') will consider the Policy while declaring / recommending dividend on behalf of the Company. The Policy is not an alternative to the decision of the Board for recommending / declaring dividend, which takes into consideration all the relevant circumstances enumerated hereunder or other factors as may be decided by the Board.

2. REGULATORY FRAMEWORK

The Bangladesh Securities and Exchange Commission (BSEC) on January 14, 2021 vide its directive No. BSEC/CMRRCD/2021-386/03 directs that every listed companies to formulate and disclose a Dividend Distribution Policy.

Zaheen Spinning Limited being one of the listed companies frames this policy to comply with the requirements of the BSEC.

3. CONCEPT OF DIVIDEND

Dividend is the share of the profit that a company decides to distribute among its shareholders. The profits earned by the company can either be retained in the business or can be distributed among the shareholders as dividend.

4. TYPES OF DIVIDEND

The Act deals with two types of dividend - Interim and Final.

Interim dividend is the dividend declared by the Board between two Annual General Meetings as and when considered appropriate. The Board shall have the absolute power to declare interim dividend during the financial year, as and when deemed fit. The Act authorises the Board to declare 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.

Normally, the Board could consider declaring an interim dividend after finalization of quarterly (or half yearly) financial statements.

Final dividend is recommended for the financial year at the time of approval of the annual financial statements. The Board shall have the power to recommend final dividend to the shareholders for their approval at the Annual General Meeting of the Company.

- Interim Dividend
- Final Dividend

5. DECLARATION OF DIVIDEND

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 and B both.

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Before 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, a company may declare dividend out of free reserves subject to the compliance with the Act.

6. 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 shareholders and amount of profit to be retained circumstances for dividend pay-out decision depends on various internal and external factors:

Internal Factors:

The Board of Directors of the Company would consider the following financial parameters before declaring or recommending dividend to shareholders:

- Consolidated net operating profit after tax;
- Working capital requirements;
- Capital expenditure requirements;
- Resources required to fund acquisitions and / or new businesses
- Cash flow required to meet contingencies;
- Outstanding borrowings;
- Past Dividend Trends

External Factors:

The Board shall consider various external factors while declaring dividend including the following:

- Economic Scenario - The Board shall endeavour to retain a larger portion of profits to build up reserves, in case of adverse economic scenario.
- Competitive / Market Scenario - 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.
- Regulatory Restrictions / Obligations - In order to ensure compliance with the applicable laws, the Board shall consider the restrictions, if any, imposed by the Act and other applicable laws with regard to declaration of dividend.
    - Statutory obligations under the Companies Act, 1994 to transfer a certain portion of profits to any specific reserve such as Debenture Redemption Reserve, Capital Redemption Reserve, etc. may impact the decision with regard to dividend declaration.
    - Dividend distribution tax or any tax deduction at source as required by tax authorities in Bangladesh, applicable at the time of declaration of dividend may impact the decision with regard to dividend declaration.

Other Factors - Other factors beyond control of the Management like natural calamities, fire, etc. effecting operations of the Company may impact the decision with regard to dividend declaration.

7. FINANCIAL PARAMETERS FOR DECLARING DIVIDEND

The Company is committed to deliver sustainable value to its stakeholders. The Company shall strive to distribute an optimal and appropriate level of the profits among the shareholders in the form of dividend.

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To keep investment attractive and to ensure capital appreciation for the shareholders, the Company shall also endeavour to provide consistent return over a period of time. While deciding on the dividend, micro and macroeconomic parameters for the country in general and the Company in particular shall also be considered.

Taking into consideration the aforementioned factors, the Board shall endeavour to maintain a dividend pay-out.

8. UTILISATION OF RETAINED EARNINGS

Subject to the provisions of the Act and other applicable laws, retained earnings may be utilised as under:

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

9. 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.

10. CIRCUMSTANCES IMPACTING DIVIDEND PAYMENT

Given below are some of the circumstances in which shareholders of the Company may or may not expect dividend pay-out:

May expect dividend:

- Adequate profits and liquidity;
- Accumulated profits not warranted for immediate business needs.

May not expect dividend:

- Non availability of profits for dividend distribution;
- Funds available for dividend but need to be conserved due to:
- Business needs;
- Adverse economic /market scenario expected in near future;
- Augmenting internal resources.

11. PROCEDURE

- The Chief Financial Officer in consultation with the MD & CEO of the Company shall recommend any amount to be declared/ recommended as Dividend to the Board of Directors of the Company.
- The agenda of the Board of Directors where Dividend declaration or recommendation is proposed shall contain the rationale of the proposal.
- Pursuant to the provisions of applicable laws and this Policy, interim Dividend approved by the Board of Directors and final Dividend, if any, recommended by the Board of Directors, will be subject to shareholders' approval, at the ensuing Annual General Meeting of the Company.

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- The Company shall ensure compliance of provisions of Applicable Laws and this Policy in relation to Dividend declared by the Company.

12. DISCLOSURE

This Dividend Distribution Policy shall be disclosed in the Annual Report of the Company and on the Company's website www.zaheenspinningltd.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.

13. EFFECTIVE DATE

This Policy shall be effective and applicable for dividend, if any, declared for the Financial Year 2020-2021 onwards.

14. 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.

This Policy has been approved by the Board of Directors of the Company at its meeting held on August 05, 2021.

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