

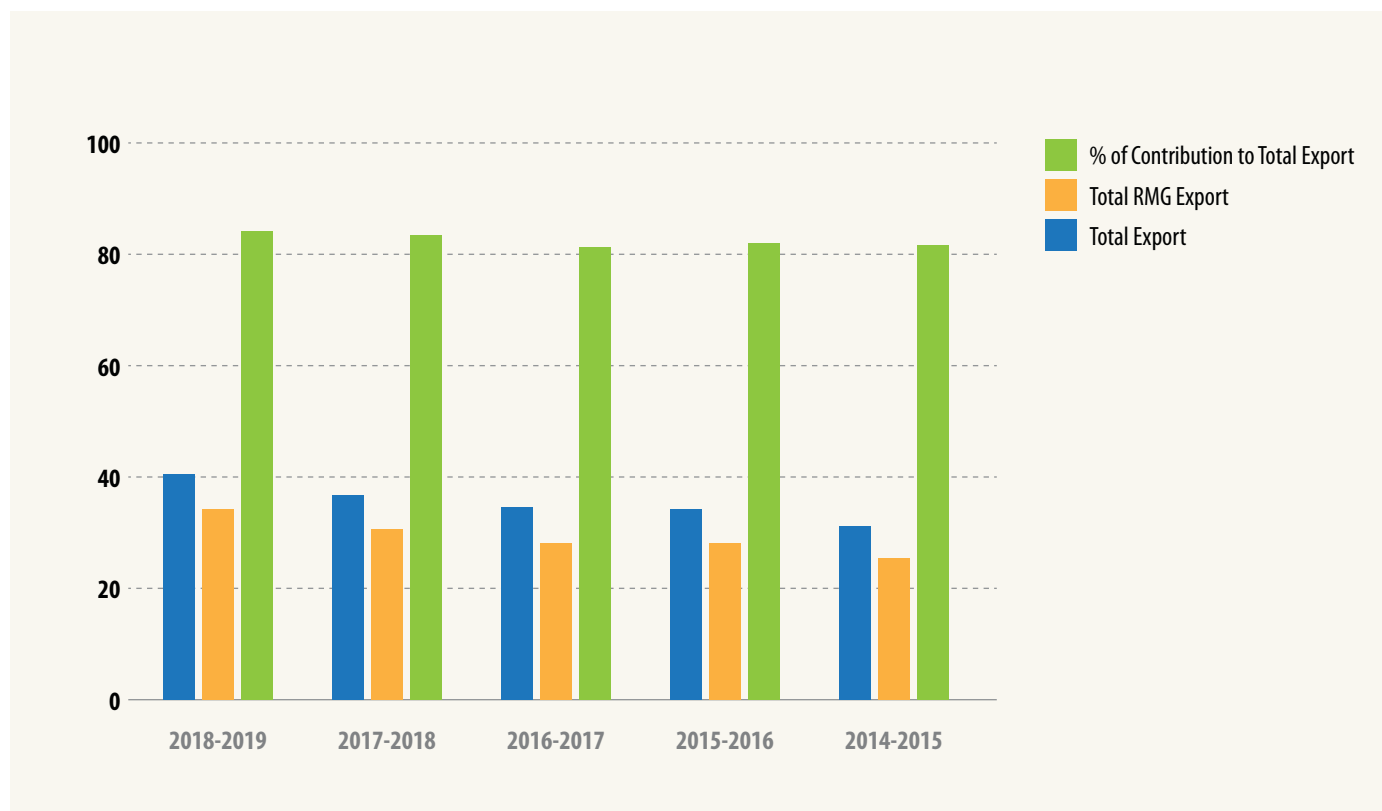
DIRECTOR'S REPORT TO THE SHAREHOLDERS

Dear Shareholders:

In terms of provision of section 184 of the Companies Act 1994, Rule 12 (and the schedule thereunder) of the Securities and Exchange Rules 1987 and Bangladesh Securities and Exchange Commission Notification BSEC/CMRRCD/2006-158/207admin/80 dated 3rd June 2018 on compliance of corporate governance code. It is the pleasure of the Board of Directors to submit its report to the Shareholders for the year ended 30 June, 2019 in the followings paragraphs:

INDUSTRY OUTLOOK

The textile and clothing industries provide the single source of growth in Bangladesh's rapidly developing economy. This year amongst the total export form the country, more than 84% came from RMG exports that made the sector the principal source of foreign exchange earnings and plays major role in the growth of economy. Exports of textiles and garments are the lifeline of the economy, has contributed US\$ 34.13 billion or 11.16% of GDP and 84.21% of total export of Bangladesh which is together a comforting and an alarming issue. Comforting because it indicates that the export growth of RMG is steady and alarming because the over dependence of the country's economy on one income source is becoming more evident.



According to the Bangladesh Bureau of Statistics (BBS), the contribution of merchandise exports to the country's GDP came down to 11.16% in fiscal year 2018-2019 from 13.37% in fiscal year 2017-18.

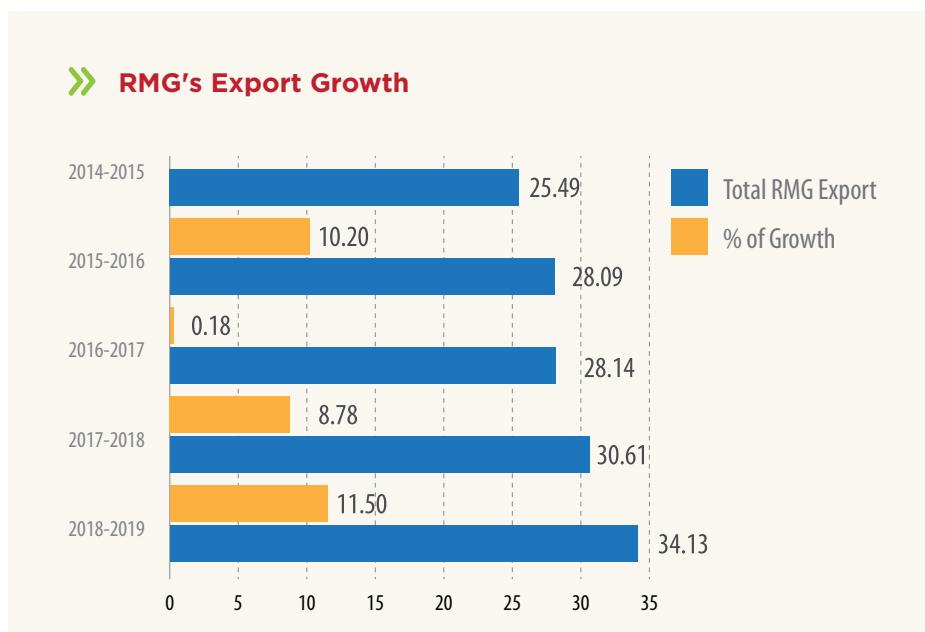
Sluggish private sector investment, discriminatory lack of policy support for the non-RMG export sector, higher dependence on certain products, and lack of business diversification are blamed for the downward trend in the contribution of exports to GDP.

BUSINESS OUTLOOK

Bangladesh Government set the apparel export target at \$37.42 billion for fiscal year 2019-20, with a 7.03% growth in export earnings, the overall export target from goods to be set at \$44.40 billion, with a 6.76% growth target in export earnings.

According to the EPB proposed export target, \$37.42 billion out of \$44.4 billion will come from the country's apparel sector, which is over 84% of the total target. For the RMG sector, the growth target is proposed at 7.03%.

Of the total, \$18.47 billion is expected from Knitwear and \$18.94 billion from woven products and the expected growth rate is 9.92% and 7.15% respectively. Bangladesh already witnessed double-digit growth during July-May period of the immediate past fiscal year. So considering the trend, the target of \$37.42 billion is achievable.



Exports to the US market has increased and if the US-China trade war perception helped further, the export target will exceed, in capitalizing the opportunity, the government has to come up with the policy support and importance should be given on the value addition.

Meanwhile, trade analysts and economist opined that the target is achievable but the sector people and the government have to come up with steps to attract buyers, who are relocating the business from China. But there are challenges to this end. In overcoming the challenges, sector people and the government have to move attracting investment from China and capture work orders from global.

THE STATE OF THE COMPANY'S AFFAIRS

Esquire Knit Composite Limited is a cent percent export oriented knit garments factory having a composite facilities of knitting, fabric dyeing, yarn dyeing, cutting, sewing, industrial laundry, embroidery and printing. The company is fully automated state of art eco-friendly machinery, own design studio certified by ONLY for best design innovation, accredited lab by NABL, ESPRIT, C&A, NEXT which covered one stop solution for all kinds of knitted garments.

In addition, the company earned certificate for confidence in Textile by Oeko-Tex Standard 100 for usage of Environmental dyes stuffs 1st in Bangladesh. Since inception Esquire Knit Composite Limited has commenced its business with a view to developing high quality and sophisticated products to the international market. The company's accessible optimum running capacity in Textile 8,030 MT (Kg) and in Apparels 24.96 million (pcs)

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CAPACITY AND UTILIZATION

Particulars	2018-2019	2017-2018	2016-2017	2015-2016	January 2015 to December 2015
Textile (Kg)	8,030,000	8,030,000	8,030,000	8,030,000	8,030,000
Actual Production (Kg)	5,969,502	5,969,502	5,969,502	5,959,501	5,913,000
Capacity utilization (%)	74.34	74.34	74.34	74.22	73.64
Apparels (Pcs)	24,960,000	24,960,000	24,960,000	24,960,000	23,840,000
Actual Production (Pcs)	22,464,000	17,808,384	17,808,384	18,264,192	17,880,000
Capacity utilization (%)	90.00	71.35	71.35	73.17	75.00

RISK AND CONCERN

Since the Bangladesh's garments industry is a cent percent export-oriented, its growth is always dependent on importing country preferences and standards. Bangladesh will graduate to middle-income country status in 2024, which means it could lose EU trade preferences if it does not continue on the path of legislative reforms in compliance with international standards.

The company is concern and ready to take up- coming challenges and aware of its various following risks.

Industry Market Risk- Bangladesh needs to ward off competition. As the garments industry keeps searching for competitive production hubs worldwide; emerging countries like Cambodia, Vietnam, Myanmar and now Ethiopia present new challenges for the local industries. This year, the government has raised the minimum monthly wage for 4.4 million garment workers by around 51 percent to Tk 8,000 from the existing Tk 5,300 which has drastically affected the entire apparel industries in Bangladesh, resulting in closing down of several factories.

Business Risk- In the current scenario, RMG buyers specially the large buyers are extremely demanding and constantly raising the bar for meeting compliance criteria. EKCL has always been in the forefront of complying the safety measures among the RMG exporters in the county. The company meets all the criteria of standards like - having compliant plants with effluent water treatment facility, childcare facility, adequate ventilation, spacious infrastructure lay out, etc. Till now they were able to meet all the compliance challenge in their 30-year plus business experience and is likely to do so in the coming years. EKCL mitigates compliance risk since it is WRAP certified and passed other audits from Department of Environment (DOE) and overseas buyers.

Financial Risk- the Company's risk management policies have been established to identify and analyze the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies, procedures and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company has exposure to the following risks from its use of financial instruments.

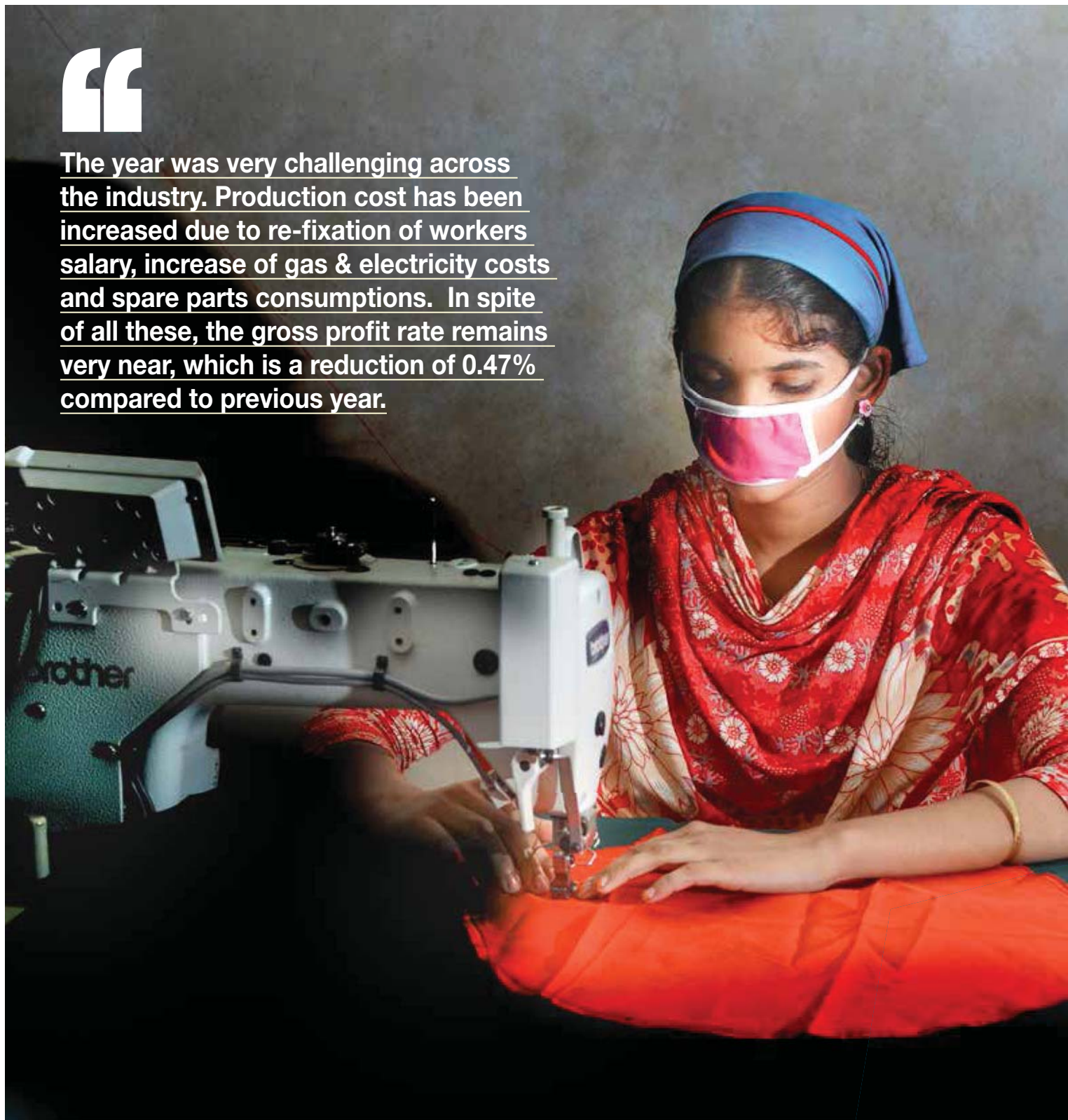
Raw Material Risk- Esquire Knit Composite Ltd. is self-sufficient due to having its' strong backward linkage including yarn dyeing, knitting, fabric dyeing and testing lab facilities. However, the company source yarn as well as dyestuff from local & international suppliers to meet the customers demand. Lately, dyeing and finishing processes have piqued attention owing to the emerging concept of eco-friendly and more sustainable garments and textile. This gave impetus to the increasing demand for ecofriendly chemicals and sustainable dyes. The price & supply of yarn in the local and global market is unsteady while the price of dyestuff also continued to rise as the major dyestuff suppliers are affected by the environmental regulations.



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The year was very challenging across the industry. Production cost has been increased due to re-fixation of workers salary, increase of gas & electricity costs and spare parts consumptions. In spite of all these, the gross profit rate remains very near, which is a reduction of 0.47% compared to previous year.





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On the strength of our IDM model, we are building a strong and diversified customer base across the world, with strategic product positioning with different brands, which coupled with the infrastructure investment already begun in buildings, machinery and people, is laying our foundations for a continued growth year on year for the next 5 years, through our expansion, and become an even more dominant player in the apparel industry.

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Import based supplies are likely to be affected by any uncontrollable event like- country risk to transaction or political barrier. Since inception the company did not face any such uncontrollable events so far for maintaining strong supply chain relationship with the suppliers of raw materials and in exceptional cases, it is confident to make alternative arrangement at shorter notice.

Foreign Exchange Risk- Exchange rate risk arises from currency fluctuation in international trade. If Bangladeshi Taka is devalued and/or foreign currency revalued than the price of imported raw materials will go up which will decrease the overall profit margin. As the company is dependent upon the import for yarn, dyes, chemicals & accessories and in future it will be the same, volatility of exchange rate will have an impact on profitability of the company. For last couple of years, Bangladeshi Taka found carrying floated value and expected to follow the same which expose the company to significant exchange rate risk.

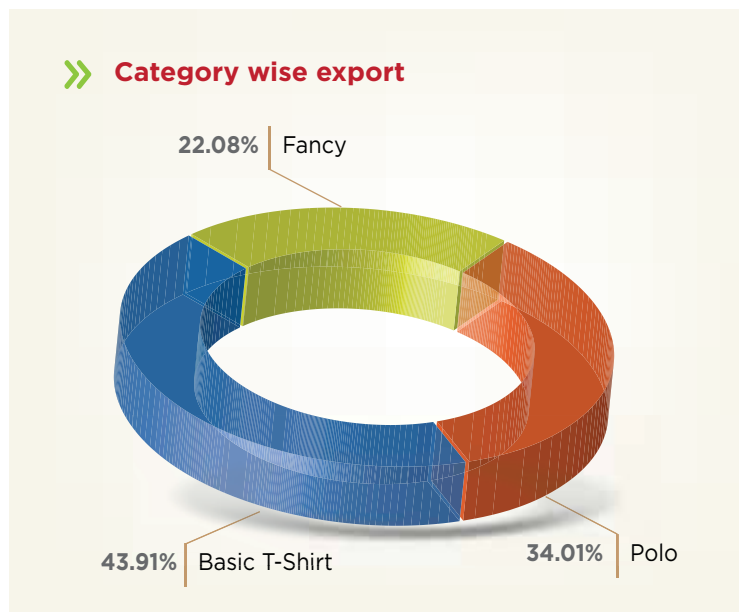
Power Generation Risk- The industrial bases of Bangladesh are mainly aided by natural gas-driven power generation which causes disruption occasionally and the weaving industry is not an exception. Smooth availability of gas will ensure the maximum functioning of the machineries. EKCL uses natural gas to produce power from captive power plant. Currently a circular from government has emerged to arrange alternate of gas due to recent acute gas crisis. The company is connected with 15 PSI gas line and currently does not any problem of gas pressure. So other things being constant, EKCL does not foresee significant risk for power generation.

Interest Risk- The Company is enjoying banks finance in the form of working capital as well as term loan. As a bank fund borrower, the entity has to pay a significant amount of loan interests and charges. Bangladesh Bank has moved to remove the interest rate ceiling on lending in the wake of a massive liquidity crisis in the financial market letting the price to be determined by functioning of demand-supply interaction. This measure may invite interest rate instability, which may create volatility in the profitability of business like EKCL. It is the company risk of gain or losses on assets and liabilities due to changes in interest rates.

OPERATIONAL PERFORMANCE:

Product-Wise Performance

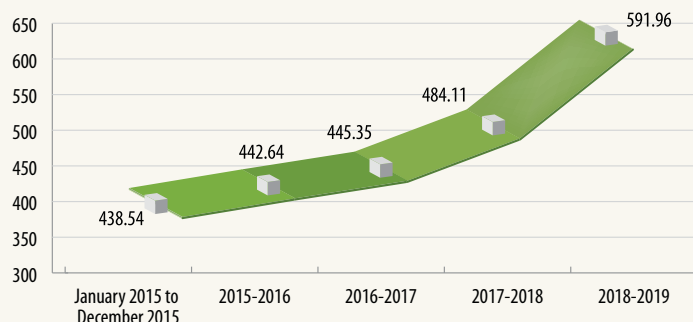
The Company offers three categories of production like Polo Shirt, Basic T-Shirt and Fancy Shirt. In the financial year of 2018-2019, 'Polo shirt' has contributed 37.4% or equivalent Tk. 2,214 million to the total revenue, which was highest contribution. The contribution of polo shirt was 39.97% or equivalent Tk. 1,935 million respectively in last year. 'Basic t-shirt' is the second highest contributing product @31.14% or equivalent Tk. 1,861 million in the FY of 2018-2019 and previously generated 36.66% equivalent Tk. 1,775 million in the FY of 2017-2018. Finally, Fancy T- shirt share the revenue 31.16% or equivalent Tk. 1,845 million and 23.38% or equivalent Tk. 1,132 million in the FY of 2018-2019 and 2017-2018 respectively.



Sales and Profitability

In the financial year 2018- 2019, the company had earned a revenue of BDT 5,919.58 million (Equivalent to US\$ 70.56 million) as against budgeted BDT 6,040.38 million (Equivalent to US\$ 72 million) which was 22.28% higher than the previous financial year 2017-2018 revenue.

Revenue Growth in taka (in Crore)

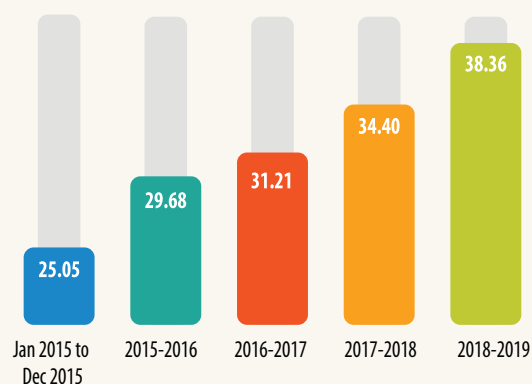


The sales revenue during the FY 2018-2019 was Tk. 5,919.58 million compared to Tk. 4,841.13 million of previous FY 2017-2018. By volume the company's export of knit garments also increase significantly @11.74% from 18,051,389 pcs to 20,170,866 pcs of FY 2018-2019. The sales price realization per pcs increased to Tk. 275 from Tk. 262 of FY 2017-2018. The gross profit has increased by Tk. 203.31 million i.e. 19.60%. Gross profit % over turnover slightly decreased from 21.42% to 20.95%. The operating expenses have increased @ 22.42% due to increase of salary, license renewal & registration, utility expenses, bank charges, C&F Expenses and Carrying charges. Though the financing expenses increased than last year, net profit also increased by 11.52% compared to previous financial year. The net profit of the financial year 2018-2019 is Tk. 383.61 million as against Tk. 343.97 million of financial year 2017-2018. Involving management efficiency and cost controlling, the net profit has increased by 11.52%.

KEY OPERATING AND FINANCIAL INFORMATION

The key operating and financial information for the year along with the preceding four years are presented below:

Net Profit After Tax in Taka (in Crore)



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Continuity of Extraordinary gain or loss

There was no any extraordinary gain or loss in the Financial Statements.

Related party transactions

Related party transactions are depicted in note-31 in the notes to the Financial Statements.

Utilization of proceeds raised through public issue (IPO)

The Company has raised Taka 150 crore from the market and as mentioned in the prospectus, it is committed to spend the fund for expansion the business and equity collection cost. The IPO proceeds has been utilized in line with the condition of the commission's consent letter. As of November 2019, the Company has utilized the IPO proceeds as follows:

Sl. No.	Purpose Mentioned in the Prospectus	Status of Utilization		Status of Un-tilization		Remarks
		Upto this month	Utilized (%)	Total Un-utilized Amount	Un-utilized (%)	
1	Building and civil construction	414,387,306	41.26	589,828,194	58.74	
2	Machineries	-	-	431,396,000	100.00	
3	IPO Expenses	64,388,500	100.00	-	-	
	Total	478,775,806		1,021,224,194		

Explanation if the financial result deteriorates after the Company goes for Initial Public Offering (IPO) :

The Company's financial performance did not deteriorate after IPO listing; however, recent past years performances are quite consistent.

Explanation of significant variance occurs between Quarterly Financial Performance and Annual Financial Statements

No significant variance between Quarterly Financial Performances and Annual Financial Statements has been arisen.

Remuneration to Directors including Independent Directors

Remuneration of Directors has been shown in Note-34 in the notes to the financial statements. No such remuneration is given to the Independent Directors.

Fair presentation of Financial Statement

The financial statements prepared by the management of the Company present fairly its state of affairs, result of its operations, cash flows, and changes in equity.

Maintenance of proper books of account

Proper books of account of the Company have been maintained.

Adoption of appropriate accounting policies and estimates

Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.

IAS and IFRS in preparation of Financial Statements

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 there from has been adequately disclosed.

Internal Control System

The Board of Directors assures the shareholders that the Company has a risk management process to ensure that the system of internal control is sound in design and has been effectively implemented and monitored. Although it is possible that all risks to the business are not known at present, the Company takes reasonable steps to identify material risks that may hamper business results and systematically reviews these risks in light of the changing internal and external environment in order to assess that the controls in place are adequate to address these risks.

Minority shareholder interest

As being the Company's has no any subsidiary or associate so that there has no activities to protect the interest of minority shareholders.

GOING CONCERN

The Company has adequate resources to continue its operation for foreseeable future and hence, the Financial Statement have been prepared on going concern basis. As per management's assessment there are no significant doubts about the Company's ability to continue as a going concern.

DIVIDEND

The Board of Directors have recommended 15% Cash Dividend per share for the year ended 30 June 2019 for shareholders' subject to approval by the shareholders in the 19th Annual General Meeting.

INTERIM DIVIDEND

No bonus or stock dividend was declared during the period under review as interim dividend

BOARD MEETINGS

During the period from 01.07.2018 to 30.06.2019 six board meetings were held. The attendance status of all the meetings is as follows:



DIRECTOR'S REPORT TO THE SHAREHOLDERS

<i>Name of Directors</i>	<i>Position</i>	<i>Meeting Held</i>	<i>Attended</i>
Md. Mofazzal Hossain	Chairman	4	4
Md. Ehsanul Habib	Managing Director	4	4
Arifur Rahman	Director	4	4
Md. Muddasar Hossain	Director	4	4
Mrs. Peara Begum	Director	4	4
Swapan Kumar Sarkar	Independent Director	4	4
Placid Gomes, FCA	Independent Director	4	4

DIRECTORS' APPOINTMENT AND RE-APPOINTMENT

With regard to the appointment, retirement and re-appointment of Directors, the company is governed by its Articles of Association, the Company Act 1994 and other related legislation. Mr. Arifur Rahman and Mrs. Peara Begum, will retire and re-elected by rotation at the 19th Annual General Meeting (AGM).

Mr. Arifur Rahman

Director

Mr. Arifur Rahman, born in 1977, is a Director of Esquire Knit Composite Ltd. He is a graduate in Business Administration from UK. He has 17 years of business experience in textile and electronics field. His particulars of Directorship are narrated in note-31 (ii) at notes to the Financial Statements.

Mrs. Peara Begum

Director

Mrs. Peara Begum has long experience to run industrial unit successfully. She has contributed the Group through her leadership skill and acumen in managerial decision-making. She has successful track record of managing business. She has been contributing a lot for the development of the Group.

Her particulars of Directorship are narrated in note-31 (ii) at notes to the Financial Statements.

AUDITORS

The existing auditor's M/S ACNABIN, Chartered Accountants, BDDL Bhawan (Level 13-14) 12 Karwan Bazar C/A, Dhaka-1215, Bangladesh. As per Bangladesh Securities and Exchange Commission's Notification No. SEC/CMRRCD/2009-193/174/Admin/61 dated July 8, 2015 they are eligible for re-appointment. The company received proposal from M/S ACNABIN, Chartered Accountants for



re-appointment which was placed in the board meeting. The Board of Directors recommended them for re-appointed as Auditor of the Company for the year ended 30 June 2020 at a remuneration as per rules of ICAB plus VAT and to continue till conclusion of the 20th AGM.

REPORT ON COMPLIANCE OF THE CORPORATE GOVERNANCE CODE

Corporate Governance practices described on page no. 57 to 65 of the Annual Report.

In compliance with the BSEC notification dated 3 June 2018, Chowdhury Bhattacharjee & Co., Chartered Accountants in practice issued the Corporate Governance Compliance Certificate, which is shown on page no. 56 of this report.

ACKNOWLEDGMENT

The Board of Directors expresses their heartfelt appreciation and gratitude for the continued support and patronage of the valued shareholders to run the Company. The Board also extends its appreciation to the regulators, government agencies and stakeholders especially Bangladesh Securities and Exchange Commission, Bangladesh Bank, Central Depository Bangladesh, Dhaka Stock Exchange, Chittagong Stock Exchange, Department of Customs, Income Tax, Bankers, Insurers, Vendors, press and media and customers. The Board also extends felicitations to the management and employees for their dedication and working hard despite all adversity. We look forward to continue support of all concerned for marching towards better performance.



Md. Ehsanul Habib
Managing Director