



Report of the Board of Directors to the Shareholders for the Year 2019-2020

Bismillahir Rahmanir Rahim

Dear Valued Shareholders,
Assalamualaikum Warahmatullahi Wabarakatuh,

Alhamdulillah, I, on behalf of the Board of Directors of CVO Petrochemical Refinery Limited I would like to very warm welcome you all to the 35th Annual General Meeting (AGM) of the Company. At the same time, I 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 Flows and Statement of Changes in Equity for the year ended June 30, 2020.

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. But due to the outbreak of COVID-19 pandemic situation, lock down, general holiday and transport movement restriction the demand of petroleum products has been decreased from March 2020 to June 2020. This is evident from the under mentioned table showing year wise sales of petroleum products of BPC from the last 05 (five) years:

Particulars	Financial Year				
	2015-16	2016-17	2017-18	2018-19	2019-20
Total Sales of BPC (in MT)	5,256,020	5,888,730	6,948,336	6,549,597	5,503,091
Increase/(Decrease) (in %)	-1.23%	12.04%	17.99%	-5.74%	-15.98

After all, 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.

Industrial Outlook & Possible Future Developments

CVO Petrochemical Refinery Limited is the only listed company among the other private condensate fractionation plants in Bangladesh. The production capacity of the fractionation plant is 50,000 M.T per year i.e. 150 M.T per day. The raw materials (Condensate) used by the Company are procured locally from various Gas fields of Bangladesh Oil, Gas & Mineral Corporation (Petrobangla) and also the finished products are sold to Bangladesh Petroleum Corporation (BPC) through Padma Oil Company Limited, Meghna Petroleum Limited and Jamuna Oil Company Limited. The main products of the Company are MS (Motor Spirit), HSD (High Speed Diesel) and MTT (Mineral Turpentine).

As per agreement, CVO Petrochemical Refinery Limited (CVOPRL) is procuring raw materials from Sylhet Gas Fields Limited (SGFL) under Petrobangla. The Board of Directors and management of the company are trying hard to restart and increase the allotment of raw materials (Condensate) so that the Company can utilize its maximum production capacity & increase overall earnings. Overall industry is projected to grow in a steady way in the upcoming years and the company will be in expected position if the Energy and Mineral Resources Division of Govt. of Bangladesh increase the allotment and uninterrupted supply of raw materials (Condensate).

Product wise Performance

Supply of Condensate from Petrobangla and Sales of finished products to BPC during the financial year 2019-20 of CVOPRL has been shown in the under mentioned table:

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CVO Petrochemical Refinery Limited

Condensate Received from Petrobangla for the financial year 2019-20

Month	Quantity (in Liter)
July'19	1,354,500
August'19	1,354,500
September'19	1,309,500
October'19	1,354,500
November'19	1,309,500
December'19	-
January'20	1,354,500
February'20	1,264,500
March'20	1,354,500
April'20	1,107,000
May'20	1,336,500
June'20	1,309,500
Total	14,409,000

Sales to BPC for the financial year 2019-20

Month	Products			Total Sales (in Liter)
	Motor Spirit (MS)	High Speed Diesel (HSD)	Mineral Turpentine (MTT)	
July'19	963,000	396,000	189,000	1,548,000
August'19	855,000	234,000	117,000	1,206,000
September'19	918,000	261,000	153,000	1,332,000
October'19	900,000	225,000	126,000	1,251,000
November'19	837,000	261,000	144,000	1,242,000
December'19	45,000	45,000	18,000	108,000
January'20	810,000	225,000	90,000	1,125,000
February'20	864,000	261,000	99,000	1,224,000
March'20	1,053,000	216,000	135,000	1,404,000
April'20	297,000	63,000	-	360,000
May'20	828,000	162,000	9,000	999,000
June'20	1,269,000	351,000	90,000	1,710,000
Total	9,639,000	2,700,000	1,170,000	13,509,000

In Bangladesh, annual domestic demand of petroleum products is around 55 (fifty five) Lac MT (apprx.). Out of this demand, Eastern Refinery Limited the only state-owned Refinery in Bangladesh is producing only 15 (fifteen) Lac MT (apprx.) per year and other government & private condensate fractionation plants are producing approximately 05 (five) Lac MT of Petro Products. Remaining gap has been filled up through import by BPC. In this regard government is spending a huge amount of foreign currency for import of Petro Products.

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 and contributing a lot to national exchequer.

Risks & Concerns

Details are discussed in Note No. 4.0 of the Financial Statements.

Business Performance

As per the last order of Energy and Mineral Resources Division (EMRD), the Company has been allotted for the time being 275 barrels of Condensate per day from the Sylhet Gas Fields Limited (SGFL) under Petrobangla up to 30th June 2020. Subsequently by the order from Energy and Mineral Resources Division (EMRD), Petrobangla has suspended the supply of Condensate

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temporarily under its all private Condensate fractionation plants from 1st July 2020 and as a result the production of the Company has been remained closed since 7th July 2020 to till date.

After getting allotment of Condensate from Energy and Mineral Resources Division (EMRD), agreement between Bangladesh Petroleum Corporation (BPC) and CVO Petrochemical Refinery Limited will be renewed for sale of finished products to BPC through the marketing company Padma Oil Company Limited, Meghna Petroleum Limited & Jamuna Oil Company Limited.

Utilization of Capacity		
Financial Year	Actual Capacity Utilized (MT)	Capacity Utilization (%)
2019-20	11,527	23.05%
2018-19	12,600	25.20%

The Board of Directors expressed disappointment to observe that the financial position of the Company shows unsatisfactory result during the financial year 2019-20 due to insufficient supply of raw materials (Condensate) by Petrobangla, the Company has utilized only 23.05% of its total production capacity. In a nutshell it was comparatively downward than previous year. In view of the above prospective trading agreement the Board of Directors expect a bright business activity of the Company for the coming years.

Discussion on Cost of Goods Sold, Gross Profit Margin & Net Profit Margin

Particulars	2019-20 (Tk.)	2018-19 (Tk.)	Growth %
Cost of Goods Sold	635,791,333	683,056,049	-6.92%
Gross Profit	49,463,563	46,587,881	6.18%
Net Profit	(12,865,301)	3,141,737	-509.50%

Cost of Goods Sold (COGS)

Cost of Goods Sold is the cost of manufacturing the products that a Company sells during the period, so the only costs included in the measure are those that are directly tied to the production of the products. It includes the purchase price of the raw materials, Carrying cost, Fuel and factory overhead. COGS vary directly with sales and production; the more finished goods we produce, the more stock or components we need to buy.

During the financial year 2019-20 Cost of Goods Sold has been decreased by -6.92% compared to the previous financial year 2018-19 due to insufficient supply of raw materials (Condensate) by Petrobangla.

Gross Profit Margin Ratio

Gross Profit is the difference between Net Turnover and the Cost of Goods Sold.

Gross Profit = Net Turnover - Cost of Goods Sold.

The gross profit margin is one of indicator of the financial health of a business. Larger gross profit margins are better for business, the higher the percentage, the more the business retains of each Taka of sales for other expenses and net profit.

Gross Profit Margin % = (Gross Profit / Net Turnover) X 100

During the financial year 2019-20, Gross Profit Margin has been increased by 6.18% compared to the previous financial year 2018-19 due to minimization of factory overhead and the sales price increase of Mineral Turpentine (MTT).

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Net Profit Margin Ratio

Net profit is calculated by subtracting expenses, including tax and WPPF from the gross profit, showing what the business has earned in a given period of time.

Net Profit = Gross Profit – Operating Expenses with Tax & WPPF

Net Profit of the Company during the financial year 2019-20 has been decreased by -509.50% compared to the previous financial year 2018-19 due to incurring financial expenses.

Extra-Ordinary Gain/Loss

There was no extra-ordinary gain/loss occurred during the reporting year.

Related Party Transactions

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

Related Party Name	Opening Balance (Tk.)	Received/Adj. during the year (Tk.)	Payment/Adj. during the year (Tk.)	Closing Balance (Tk.)	Nature of Transaction
M/S. Alhaj Md. Younus & Co.	1,269,580	5,477,769	(6,747,349)	-	Day to day transaction
Mr. Shamsul Alam Shamim, Chairman of the Board of Directors	258,000,000	254,649,931	(512,649,931)	-	Short term loan
Mr. Shamsul Alam Shamim, Chairman of the Board of Directors	150,000	-	-	150,000	Office Rent/Security money of Dhaka Office
Mr. Shamsul Alam Shamim, Chairman of the Board of Directors	-	-	(10,704,610)	20,390	Interest on short term loan

Internal Control System

The internal audit team monitors & evaluates the efficacy & adequacy of internal control systems in the company on regular basis. Based on the report of the internal audit team the management undertakes necessary action in their respective functions.

Directors' Remuneration

The details of the remuneration paid to the Directors during the financial year 2019-20 are given in Note No. 21.1 in the Financial Statements.

Management Discussion & Analysis

Details are discussed in Annexure-E.



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Protection of Minority Shareholders Interest

The Board of Directors of the Company always gives the highest level of priority to protect the interest of the minority shareholders. Considering the greater interest of the minority shareholders, the Board proposed the decision and the shareholders approved the proposal by their voting power. They reserve the right to give their vote, dividend, collect information and review of any kind of changes in Memorandum and Articles.

Significant Variance between Quarterly & Annual Financial Statements

Particulars	1 st Quarter	2 nd Quarter	3 rd Quarter	Annual
Net Revenue	Tk. 206,812,403	Tk. 131,850,231	Tk. 190,598,799	Tk. 685,254,896
Gross Profit	Tk. 17,315,527	Tk. 382,369	Tk. 18,944,725	Tk. 49,463,563
Net Profit/(Loss)	Tk. 2,469,847	Tk. (12,943,938)	Tk. 976,544	Tk. (12,865,301)
Gross Profit Ratio	8.37%	0.29%	9.94%	7.22%
Net Profit Ratio	1.19%	-9.82%	0.51%	-1.88%
EPS	Tk. 0.10	Tk. (0.51)	Tk. 0.04	Tk. (0.51)
NAV	Tk. 14.65	Tk. 14.01	Tk. 14.05	Tk. 13.90
NOCFPS	Tk. 0.55	Tk. 2.76	Tk. 2.03	Tk. 1.64

Corporate & Financial Reporting Frame Work

The Board of Directors comply with the Bangladesh Securities & Exchange Commission's notification No. BSEC/CMRRCD/2006-158/207/Admin/80, dated: 03 June 2018 and confirm compliance with the financial reporting frame work for the following:

- The financial statements prepared by the management of CVO Petrochemical Refinery Limited present fairly its state of affairs, the result of operations, cash flows & changes in equity.
- Company have 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 a going concern.

Going Concern

As per Directors assessment the Company has adequate resources to continue its operation for foreseeable future and there is no significant doubt upon the Company's ability to continue as a going concern. Accordingly, Financial Statements of the Company have been prepared on a going concern basis.



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Significant Deviation in Operating Results Compare to Previous Year

Significant deviation in operating results has been occurred due to insufficient supply of raw materials (Condensate) by Petrobangla and incurring financial expenses during the financial year compared to the previous period.

Code of Conduct

The Board of Directors of the company has adopted a Code of Conduct for the Chairperson, other Board members and MD/CEO of the Company based on the recommendation of the Nomination and Remuneration Committee (NRC). All the Directors have signed as acceptance to its compliance.

Key Operating and Financial Data of Last 05 (five) years

Particulars	Financial Year				
	2019-20	2018-19	2017-18	2016-17	2015-16
Authorized Capital	1,500,000,000	1,500,000,000	1,500,000,000	1,500,000,000	1,500,000,000
Paid up Capital	252,450,000	252,450,000	252,450,000	247,500,000	247,500,000
Net Turnover	685,254,896	729,643,930	660,793,691	55,621,273	1,262,371,356
Gross Profit/(Loss)	49,463,563	46,587,881	49,890,099	(40,080,227)	221,233,687
Operating Profit/(Loss)	(1,220,618)	13,496,404	18,086,989	(70,226,356)	189,606,953
Profit Before Tax	(1,893,603)	15,871,677	20,886,581	(68,211,722)	195,780,167
Net Profit/(Loss) after Tax	(12,865,301)	3,141,737	6,550,769	(84,704,276)	183,154,279
Non-Current Assets	451,683,228	475,413,409	471,862,346	499,553,402	535,126,946
Current Assets	215,891,165	214,130,775	173,456,749	62,573,551	158,269,636
Current Liabilities	272,014,427	283,991,294	247,843,396	183,164,068	183,430,612
Shareholders' Equity	350,943,401	367,807,309	368,141,901	360,649,159	507,470,661
Dividend	No Dividend	02% Cash	02% Cash	02% Stock	25% Cash
EPS	(0.51)	0.12	0.26	(3.42)	7.40
Net Asset Value Per Share	13.90	14.57	14.58	14.57	20.50
Net Operating Cash Flows Per Share	1.64	(1.08)	(1.58)	(0.64)	9.92
Number of Shares	25,245,000	25,245,000	25,245,000	24,750,000	24,750,000
DSE	115.40	159.40	207.40	263.90	256.80
CSE	115.50	158.60	206.10	264.80	256.90
Sponsors'/Directors'	50%	50%	50%	50%	50%
General Public, Institutions & NRB	50%	50%	50%	50%	50%

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Board Meeting & Attendance

Name of Directors	Position	No. of Board Meeting	
		Held	Present
Mr. Shamsul Alam Shamim	Chairman	09	09
Mr. A.H.M. Habib Ullah	MD & CEO		09
Mr. Md. Amin	Director		09
Mr. Md. Ali Mortuza ^[N-1]	Director		03
Mr. Md. Emranul Hoq	Director		09
Mr. Mohammad Mohsin Saky	Director		09
Mr. Nure Habib Noman ^[N-1]	Director		03
Mr. Morshedul Alam Quaderi	Independent Director		09
Mr. Engr. A.F.M. Ishaque	Independent Director		09
Mr. Ekramul Haq, FCA	Independent Director		09

Note:

1. Mr. Md. Ali Mortuza and Mr. Nure Habib Noman have joined in the Board of Directors on 07.01.2020

Shareholders Pattern

The Shareholders pattern of the Company at the year ended on June 30, 2020 is shown as follows:

Name of the Shareholders	Status	Share Held	% of Shareholding
A) Sponsors & Directors			
Mr. Shamsul Alam Shamim	Chairman	2,350,168	9.31
Mr. A.H.M. Habib Ullah	MD & CEO	1,767,151	7.00
Mr. Md. Amin	Director	1,199,136	4.75
Mr. Md. Ali Mortuza	Director	1,199,136	4.75
Mr. Md. Emranul Hoq	Director	1,199,136	4.75
Mr. Mohammad Mohsin Saky	Director	1,199,137	4.75
Mr. Nure Habib Noman	Director	1,199,138	4.75
Mr. Md. Mansur Alam	Sponsor	1,184,136	4.69
Mrs. Jubeda Khanam Safi	Sponsor	536,456	2.12
Mrs. Joynab Rifat	Sponsor	536,456	2.12
Mrs. Fazilatun Nahar	Sponsor	252,450	1.00
Mr. Engr. A.F.M Ishaque	Independent Director	-	-
Mr. Ekramul Haq, FCA	Independent Director	-	-
Total Sponsors & Directors (A)		12,622,500	50.00
B) Others			
General Public		7,367,005	29.18
Institutions		5,193,693	20.57
Foreign (NRB)		61,802	0.25
Total Others (B)		12,622,500	50.00
Total Shareholdings (A+B)		25,245,000	100.00

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Name of the Shareholders	Status	Share Held	% of Shareholding
i) Parent/Subsidiary/Associated Companies & Other Related Parties			
NOT APPLICABLE			
ii) Sponsors & Directors	Details are mentioned at above table	12,622,500	50.00
iii) Chief Financial Officer, Head of Internal Audit & Company Secretary			
Mr. Nizam Uddin Mahmood Hossain	DMD & Acting CFO	0	0
Mr. Ahmadul Haq Hasan	ED & Chief Auditor	0	0
Mr. Mowin Hossain	Company Secretary	0	0
iv) Executives (Top Five Employees other than CFO, HIA & CS)			
Mr. Md. Abdus Samad	DGM - Shares	0	0
Mr. Mohammad Abu Taleb	AGM - Tax & Legal & Corporate Affairs	0	0
Mr. Mohammed Saiful Islam	Sr. Manager - QC	0	0
Mr. Mohammed Faruk	Manager - F&A	0	0
Mr. Rana Chowdhury	Manager - P&O	0	0
v) Shareholders holding 10% or more			
NOT APPLICABLE			

Dividend

The Board of Directors is continuously making efforts to uphold and protect the interest of the valued shareholders. The Board have expressed dissatisfaction to observe that the Turnover of the Company has been decreased during the year due to insufficient supply of raw materials (Condensate) by Petrobangla as well as the Earnings Per Share (EPS) of the Company has been decreased and resulted negative due to incurring loss by the Company. Considering loss of the company for the financial year 2019-20 the Board of Directors have therefore decided to recommend no dividend declaration to the shareholders subject to approval by the shareholders in the 35th Annual General Meeting (AGM).

Rotation of Directors

The Board of Directors of the Company now consists of 09 (nine) members including 02 (two) Independent Directors. 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 Annual General Meeting (AGM).

Accordingly, the 03 (three) retiring directors from the Board this year in 35th Annual General Meeting (AGM) are Mr. Shamsul Alam Shamim, Mr. Md. Amin & Mr. Md. Emranul Hoq who have been longest in office since their last election and being eligible offer themselves for re-election. Their short resume is stated in Annexure-D.



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Audit Committee

The Audit Committee has been constituted by the Board of Directors of the Company with the following members:

Mr. Ekramul Haq, FCA, Independent Director	- Chairman
Mr. Md. Emranul Hoq, Director	- Member
Mr. Nure Habib Noman, Director	- Member
Mr. Khwaza Mowin Uddin Hossain, Company Secretary	- Member Secretary

The detail roles & responsibilities, activities carried out and number of meeting of the Audit Committee have been provided in the Report of Audit Committee enclosed in Annexure-G.

Nomination & Remuneration Committee (NRC)

The Nomination and Remuneration Committee (NRC) has been formed by the Board of Directors of the Company with the following members:

Mr. Engr. A.F.M Ishaque, Independent Director	- Chairman
Mr. Md. Ali Mortuza, Director	- Member
Mr. Md. Emranul Hoq, Director	- Member
Mr. Khwaza Mowin Uddin Hossain, Company Secretary	- Member Secretary

The detail roles & responsibilities, activities carried out and number of meeting of the NRC have been provided in the Policy of NRC enclosed in Annexure-H.

Appointment of Independent Director

Due to resignation of the existing Independent Director Mr. Ekramul Haq, FCA before expiration of the 03 (three) years term of service the post will be fallen vacant in the ensuing Annual General Meeting (AGM). In order to fill up the vacancy the Board of Directors of the Company nominated Engr. Md. Mizbahur Rahman for appointment as Independent Director in place of Mr. Ekramul Haq, FCA for a period of 03 (three) years subject to approval by the shareholders in the 35th Annual General Meeting (AGM). In pursuance of Corporate Governance Code of BSEC Notification Mr. Engr. Md. Mizbahur Rahman shall act as Chairperson of the Audit Committee of the Company.

Appointment of Statutory Auditors

Company's existing Statutory Auditors M/S. K. M. Hasan & Co., Chartered Accountants shall retire at 35th Annual General Meeting (AGM). The firm, being eligible has expressed their interest for re-appointment. The Board of Directors of the Company recommended their re-appointment for the financial year 2020-21 subject to approval by the shareholders in the 35th Annual General Meeting (AGM).

Appointment of Compliance Auditors

Company's existing Compliance Auditors M/S. Khan Wahab Shafique Rahman & Co., Chartered Accountants shall retire at 35th Annual General Meeting (AGM). The firm, being eligible has expressed their interest to be re-appointed as Compliance Auditors for the financial year 2020-21 to certify on the compliance of Corporate Governance Code as issued by the BSEC. The Board of Directors of the Company recommended their re-appointment for the financial year 2020-21 subject to approval by the shareholders in the 35th Annual General Meeting (AGM). Certificate on the compliance of Corporate



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Governance Code issued by the Compliance Auditors as required under condition No. 9(1) enclosed in Annexure-B.

Certification by the CEO & the CFO

Declaration or certification by the CEO and the CFO to the Board of Directors of the Company as required under condition No. 3(3)(c) enclosed in Annexure-A.

Status of Compliance

The directors hereby report that the conditions imposed by the BSEC's Notification No. BSEC/CMRRCD/2006-158/207/Admin/80, dated: 03 June 2018 issued under section 2CC of the Securities and Exchange Ordinance, 1969 have been duly complied with as per status of Compliance set forth in Annexure-C.

Website

The company maintains an official website namely www.cvopetro.com which is linked with the websites of the stock exchanges and the Company keeps its website functional from the date of listing. All detailed disclosures of the Company are available on its website in pursuant to the listing regulations of the concerned stock exchanges.

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 02 (two) years are shown below:

Particulars	Financial Year	
	2019-20 (Tk.)	2018-19 (Tk.)
VAT	105,567,923	112,542,566
Tax	31,486,256	61,814,578

During the financial year, the Company has contributed an amount of Tk. 137,054,179 (including VAT & Tax) to national exchequer as against Tk. 174,357,144 in the previous financial year.

Contribution to national exchequer has been decreased by Tk. 37,302,965 during the financial year 2019-20 due to decrease of supply of raw materials (Condensate) from Petrobangla and also decrease of Turnover of the Company.

Appreciation

The Board of Directors of the Company expressed their deepest gratitude to the 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), Bangladesh Oil, Gas & Mineral Corporation (Petrobangla), Sylhet Gas Fields Limited (SGFL), Bangladesh Petroleum Corporation (BPC), Padma Oil Company Limited (POCL), Meghna Petroleum Limited (MPL), Jamuna Oil Company Limited (JOCL), Department of Environment (DOE), Department



সিভিও পেট্রোক্যামিকেল রিফাইনারী লিমিটেড
CVO Petrochemical Refinery Limited

of Explosive, Bangladesh Fire Service & Civil Defense, Department of Inspection for Factories and Establishments (DIFE), 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 Limited (DSE), Chittagong Stock Exchange Limited (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

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