

Fareast Finance & Investment Limited
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Dividend Declaration & Distribution Policy

Version: 1.00

Approval Authority: Board of Directors
Approval Date: August 02, 2022

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1. Introduction :

As per directive of the Bangladesh Securities & Exchange Commission bearing No. BSEC/CMRRCD/2021-386/03 dated January 14, 2021. This dividend declaration & distribution policy is formulated and shall be disclosed in the Annual Report and official website of the Company.

2. Mode of dividend :

There are various forms of dividends that are paid out to the shareholders:

2.1 Cash Dividend :

A Cash dividend is the most common form of the dividend. A cash dividend is the distribution of funds or money paid to shareholders generally as part of the corporation's current earnings or accumulated profits. A company's Board of Directors announces a cash dividend on a declaration date, which entails paying a certain amount of money per common share. After that notification, the record date is established, which is the date on which a company determines its shareholders on record who are eligible to receive the payment. The dividends are allotted to the shareholders after the dividend is approved in Annual General Meeting (AGM).

2.2 Stock Dividend :

Stock dividend also known as scrip dividend or bonus shares is a distribution of shares to existing shareholders in lieu of a cash dividend. This type of dividend may be made when a company wants to reward its investors but doesn't have the spare cash or wants to preserve its cash for other investments. Bonus shares are issued by the company when they have low operating cash, but still want to keep the investors happy. Each equity shareholder receives a certain number of additional shares depending on the number of shares originally owned by the shareholder. The market price, EPS, DPS etc. will be adjusted due to diluted effect.

2.3 Other modes of Dividend :

There are other forms of dividend also subject to the regulatory approval and with in legal framework.

3. Determinants of dividend policy :

Some determinants of dividend policy are discussed below:

3.1 Dividend pay-out ratio :

Dividend pay-out ratio is calculated by dividing the dividend per share by earnings per share. It indicates the proportion of earnings distributed as dividend. Lower dividend pay-out ratio indicates conservative dividend policy. However, high dividend pay-out ratio shows liberal dividend policy which may put a question mark over financing of future projects.

3.2 Stability of Dividend:

Shareholders prefer a stable dividend policy which means they require a certain minimum percentage of dividends to be paid regularly to them. Therefore, dividend policy should be devised taking into account this aspiration of the shareholders.

3.3 Liquidity:

The liquidity position of a company affects the dividend policy. Payment of dividend requires availability of cash resources. Future investment opportunities should also be taken into consideration.

3.4 Divisible Profit:

Dividends can be declared out of revenue profits but not out of capital profit. This means dividend can be declared out of divisible profit, i.e. the profit which is legally available for distribution as dividend to the shareholders. In certain cases, capital profit may be distributed as dividend if it is realized in cash and it is permitted by the articles of association.

3.5 Shareholder's Consideration:

Tax statuses of shareholders, availability of investment opportunities, ownership dilutions, etc., are the different factors that affect shareholders. These factors should be taken into consideration while devising a dividend policy.

4. Impact of Key financials:

Financial ratios have a significant impact on dividend declaration. Management analyzes the key financials and based on that; dividend payout ratio is determined. Some common financials are responsible for dividend pay-out:

- Net profit
- Earnings per Shares (EPS)
- Capital Adequacy
- Maintenance of sufficient provision against classified loans and advances
- Return on Equity
- Retained Earnings
- Paid up capital
- Shareholder's Equity
- Others

5. Process of Dividend Declaration:

The management will determine the financial ability that defines how much dividend FFIL should distribute to its shareholders, what the impact will be on share prices of the company and what will happen if the

amount of dividend changes from year to year. Based on the financial analysis, the mode of dividend is determined whether it will be cash or stock and rules & regulations of Bangladesh Bank, Bangladesh Securities & Exchange Commission and the National Board of Revenue. Capital adequacy is another key factor for determining the dividend mode. The dividend is proposed hereby by the Board of directors meeting and subsequently declared at Annual General Meeting (AGM).

6. Role of the Board:

The Board of directors plays an integral role regarding dividend proposition. The recommendations made by the Board should be aligned with the greater interest of ordinary shareholders and the company. The Board proposes cash or stock form of dividend subject to approval in Annual General Meeting (AGM).

7. Role of the Shareholders:

Ordinary Shareholders are the ultimate beneficiary of dividend. In line with the Board proposition, shareholders are responsible to give their prudential recommendation of dividend in Annual General Meeting (AGM). Once the shareholders approve the proposed dividend in AGM, the dividend becomes declared dividend.

8. Accounting treatment regarding dividend:

Dividends are taxable income for shareholders. Depending on the entity, tax is deducted from the final dividend payment. Relevant accounting entries are made in accounting book and financial statements as per IAS and IFRS.

9. Dividend Distribution Policy:

FFIL shall follow the rules and guidelines regarding distribution of dividend as prescribed by the regulatory authorities. Cash dividend shall be paid directly to the entitled shareholders' bank accounts as available in the BO accounts maintained with the depository participant (DP), or the bank accounts as provided by the shareholders or unit holders in paper form, through BEFTN with 30 days of final approval by the shareholders in the AGM. Upon receiving the detail information and claim on cash dividend from a stock broker or a merchant banker or a portfolio manager for the margin client or customer who has debit balance or margin loan, the cash dividend shall be paid to the Consolidated Customers' Bank Account (CCBA) of the stock broker or to the separate bank account of the merchant banker or portfolio manager. Cash dividend shall be paid off to the non-resident sponsor, director, shareholder, unit holder or foreign portfolio investor (FPI) through the security custodian in compliance with the rules or regulations in this regard. In case of non-availability of a valid bank account or not possible to distribute cash dividend through BEFTN or any electronic payment system, cash dividend warrants shall be issued and sent by post to the respective shareholders' addresses. For the purpose of paying dividend, a separate bank account shall be maintained from which all the dividend payments are being

made. Again, any unpaid or unclaimed cash dividend including accrued interest (after adjustment of bank charge, if any) thereon, if remains, shall be transferred to a separate bank account of the issuer as maintained for this purpose, within 01 (one) year from the date of declaration or approval or record date, as the case may be. Stock dividend shall be directly credited to the BO accounts of respective shareholders within 30 days of AGM (final approval) or record date, as the case may be subject to clearance of the exchange(s) and Central Depository Bangladesh Limited (CDBL). The stock dividend shall be allotted within 60 days of AGM. The company shall inform its shareholders through publication in the newspaper after the dividend is being disbursed or credited. Besides shareholders on record date shall be intimated through short message service (SMS) to the mobile numbers or email addresses as provided in the BO account.

10. Conclusion:

This policy described here is solely created as internal dividend policy of Fareast Finance & Investment Limited. Authority has the right to change any clause of the policy if required