

Directors' Report

to the Shareholders for the year ended December 31, 2010

Dear Shareholders,

Assalmu-alaykum and very good morning.

The Board of Directors of Summit Alliance Port Limited (SAPL) welcomes you all to the 07th Annual General Meeting of the company. We are pleased to submit before you the operational activities and audited financial statements of the company for the year that ended on December 31, 2010.

The Directors' Report is prepared in compliance with section 184 of the Companies Act 1994, Securities & Exchange Commission's notification no- SEC/CMRRCD/2006-158/Admin/02-08 dated 20th February 2006 and other applicable laws and regulations.

BUSINESS ACTIVITIES

Established in December 2003 the Company is located on around 30 acres of free hold land in Patenga Industrial Area on International Airport Road Chittagong. The principal activity of the Company is to provide Off-Dock services as Inland Container Depot with facility for Empty Container Storage and Container Freight Station for handling of both Import and Export Cargo. The Company has two subsidiaries whose profile, in brief, is as under:

- Ocean Containers Limited (OCL), a leading Land Container Port in the private sector of the Country and located at Patenga Industrial Area of Chittagong on the International Airport road, is only 6 km from the country's largest seaport, Chittagong Port. Established in 1987, the Company has around 15 Acres of Custom bonded free hold land and the principal activity of the Company is to provide Off-Dock services as Inland Container Depot (ICD) with facilities for Empty Container Storage and Container Freight Station (CFS) for stuffing of Export cargo and transportation of the same to the Chittagong Port yard for shipment as well as for unstuffing of import cargo on behalf of its clients. OCL is the first Off-Dock in Bangladesh to have the Global Security Verification (GSV) certification which is the leading international business network for supporting the development and implementation of measures for enhancing global supply chain security. With this GSV certificate OCL has been determined by an independent 3rd party expert as having the appropriate security measures in place, as published by the U.S. Bureau of Customs and Border Protection, and that these measures are implemented and maintained throughout the facility. OCL's valued clientele includes Maersk, APL, Hapag-Lloyd, Shipping Corporation of India, Yang Ming Line, China Shipping, Norasia, DSV, Danzas. OCL was listed under provisions of Dhaka/Chittagong Stock Exchange (Direct Listing) Regulations, 2006 and its shares are traded in both the bourses of the country effective from 4th March 2010.
- Cemcor Limited (Cemcor) is a private company limited by shares, incorporated in Bangladesh under the Companies Act, 1994 on 26 February 1998, and its subsidiary, Wahid Spinning Mills Limited (WSM) was incorporated on 6th September 1999 under the Companies' Act 1994. Neither Cemcor nor its subsidiary WSM is presently operative. SAPL acquired the companies, with the purpose

of establishing a Riverine Port on the 14 acres of land owned by the two companies and situated on the bank of river Dholeshwari in Mukterpur under Munshigonj District. The work of development has already been taken in hand and it is expected to commence operation from 1st Quarter 2012. Once operational this River Terminal will offer an attractive alternative for the Importers and Exporters of the country who are presently fully dependent on the congested Dhaka – Chittagong highway.

Carry over effect of global economic meltdown coupled with intense competition that arose due to influx of a few more off-docks during 2008-09 resulting in substantial reduction of tariff for off-dock services had taken its toll on the performance of the year under report as well. Combined operating revenue of the company with its subsidiary for the year reduced by 5.5% compared to year 2009 in spite of 49% growth in the volume of export cargo handling and that of import cargo by 45% over same period last year. It may, however, be mentioned that even with the influx of new entrants your company has successfully managed to retain its valued customers that helped in substantial increase in the annual throughput and, in turn reduced as much as possible the downward pressure on revenue. Business growth projected by our valued clients with gradual recovery from the impact of recession gives us the confidence to expect improved revenue and profitability for the year 2011 and beyond.

FINANCIAL RESULTS

Consolidated net profit of the Company after Tax and minority interest amounted to Tk.1,114.7 million for the year under report as compared to Tk. 353.6 million of the year 2009. Profit for the year includes an amount of Tk.928.5m on account of capital gain on disposal of Company's investment in Ocean Containers Limited (OCL) on Direct Listing of OCL as per provisions of Dhaka/Chittagong Stock Exchange (Direct Listing) Regulations 2006. Fund so raised will be utilized for development works of expansion/new projects of the Company.

Directors of the Company would like to report the company's financial results for the year ended 31st December 2010 with the recommendations for appropriation as follows:





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Appropriation of Profit	Figure in thousand taka
	2010
Net Profit of SAPL after Tax and Tax-Holiday Reserve	1,040,404
Retained earnings of the Company as on 01-01-10 brought forward	228,503
Controlling interest in the Retained Earnings of Ocean Containers as on 31-12-10	60,521
Loss of the non-operating subsidiary, Cemcor Limited	(2,382)
Consolidated Net Profit after Tax with Subsidiaries	1,327,046
30% Dividend Paid on 2009 Accounts (20% Stock & 10% cash):	(263,704)
Balance available for Appropriation	1,063,342
Less: 30% Interim Cash Dividend Paid	290,075
Retained Earnings per Statement of Financial Position as on 31-12-10	773,267
Final Dividend proposed for the year:	
• Cash dividend: 50% (including 30% interim paid earlier)	193,383
• Stock Dividend: 25%	241,729
Total Appropriation	(435,112)
Retained Earnings	338,155

DIVIDEND

Your Board recommends 25% Stock Dividend and 50% Cash Dividend (including 30% interim paid earlier), subject to approval by the shareholders at the 07th Annual General Meeting and SEC's approval for the Stock Dividend.

DIRECTORS

• Directors' meeting & attendance

During the year ended December 31, 2010, the Board of Directors held 10 (Ten) meetings. Name of the Directors and the number of meetings attended by each are given below:

Name of Directors	Attended
Mr. Muhammed Aziz Khan	10
Mrs. Anjuman Aziz Khan	08
Mr. Syed Ali Jowher Rizvi	05
Mrs. Sobera Ahmed Rizvi	04
Mr. Md. Latif Khan	09
Ms. Ayesha Aziz Khan	08
Ms. Azeeza Aziz Khan	09
Mr. Faisal Karim Khan	09
Mr. Syed Yasser Haider Rizvi	09
Mr. Syed Nasser Haider Rizvi	08
Mr. Syed Fazlul Haque	07
Captain Asif Mahmood	07

Alternate to Ms. Adeeba Aziz Khan who is on leave

Appointed by Board in its meeting dated 30-04-10

Appointed by Board in its meeting dated 30-04-10

The Directors who could not attend the meetings were granted leave of absence.

• Re-appointment of Mr. Syed Ali Jowher Rizvi as Managing Director

On expiry of the existing term, your Board, re-appointed Mr. Syed Ali Jowher Rizvi as Managing Director of the Company for a further period of five years ending on 31st December 2014 in its meeting held on 30th April 2010 subject to confirmation of shareholders in Annual General Meeting. The



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matter will therefore be placed in the ensuing 07th Annual General Meeting of the Company for confirmation.

• Directors' Election & re-appointment

As per Article 42 of the Articles of Association Mr. Muhammed Aziz Khan Mr. Faisal Karim Khan and Ms. Adeebe Aziz Khan shall retire in the 07th Annual General Meeting by rotation and being eligible, offer them for re-election.

Your Board, in exercise of its power vested in Article-41 of the Company's Articles of Association, appointed Mr. Syed Fazlul Haque, FCA and Captain Asif Mahmood a Directors of the Company in its meeting held on 30th April 2010. Both the directors so appointed by the Board shall retire in the ensuing 07th AGM and being eligible offer themselves for election.

• Auditors

The present auditors, Messrs Basu Banerjee Nath & Co, Chartered Accountants retire and being eligible, offered themselves for re-appointment for the year 2011 with request for a reasonable increase of fees. Your Board recommended the re-appointment of Basu Banerjee Nath & Co as auditor of the Company for the year 2011 and Board's recommendation will be placed at the forthcoming Annual General Meeting for approval.

BUSINESS EXPANSION

Established in December 2003, your company is the first Off-Dock company in the private sector that has gone public on 16th October 2008. The company commenced its commercial operation in February 2007 and your Board has been continuously striving to expand facilities and improve performance standard to accommodate the increased demand that arose from the confidence and trust our valued customers reposed on our high standard services. In order to accommodate the growing business volume, the Company has, today, 24.72 acres of freehold land which has been developed with Warehouse facility of 205,500 sft and import cargo warehouse of 19,500 sft besides having other related facilities to provide necessary services to our valued clients, viz, Kuehne+Nagel, APL Bangladesh Limited and so on.

BUSINESS RISK & UNCERTAINTIES

Off-Dock operation is highly dependent on the efficiency of handling exports and imports by Chittagong Port that generate from International trade of the Country. Therefore any disruption in Chittagong Port operation will have adverse impact on the trade volume of the Country and have consequential effect on the business of the Company. However given the importance of Chittagong Port as the gateway for over 90% of the country's containerized export and import cargo we do not foresee the Government allowing such a situation arising Besides the dependency on Chittagong Port, the project is closed to the Bay of Bengal and thereby risking the possibility of being affected by sea driven natural calamities. However the

recently constructed protection embankment by the Bangladesh Water Development Board has reduced this risk greatly. Furthermore the same embankment has been earmarked to be part of the Asian Super Highway which should lead to further strengthening of the structure and thereby minimizing any potential risk from sea driven calamities. Finally, all Off-Dock Companies are dependent on renewing permission / clearance from Chittagong Custom House (NBR), Chittagong Port Authority and various other relevant Government Agencies. Delay at any stage can have consequential effect in smooth continuation of the operation.

GOING CONCERN

While approving the financial statements, Directors have made appropriate enquiries and analyzed the significant financial, operating as well as other indicators for enabling them to understand the ability of the company to continue its operations for a foreseeable period. Directors are convinced and have a reasonable expectation that the company has adequate resources to continue its operation consistently for the foreseeable future. Therefore the company adopted the going concern basis in preparing these financial statements

CORPORATE GOVERNANCE

Corporate Governance is the system through which companies are directed, guided and controlled by the Board, keeping in view its accountability to the shareholders. Your company strives to maintain full compliance with the laws, rules and regulations that govern the business and to uphold the highest standards.

Since corporate governance is not a static process, we always continue to improve our practices. A separate chapter on corporate governance has been reported before.

CORPORATE SOCIAL RESPONSIBILITY

As part of the ongoing commitment to the society and environment in which the Company conducts its business, SAPL remains promise bound to perform its obligation. We shall continue our drive to further promote social and environmental improvements whenever opportunity arises.

HUMAN RESOURCES MANAGEMENT

Your company recognizes that People are the most important resource and key to the success of any organization. To develop and equip the employees with key skills, the company places great emphasis on the development of its people and hence we strive to send our people to various courses and workshop as well as we also arrange in house workshops for updating knowledge on the respective functional areas.

STATUS OF COMPLIANCE

In accordance with the requirement stipulated in condition No-5.00 of the Securities & Exchange Commission's notification no-SEC/



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CMRRCD/2006-158/Admin/02-08 dated February 20, 2006 the Corporate Governance Compliance Report is shown in **Annexure - I**.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

International Financial Reporting Standards (IFRS) as adopted by Institute of Chartered Accountants of Bangladesh and other applicable laws and regulations require presenting fairly the financial position of the company and its performance for the period. To adhere to the requirements, the following salient issues have been considered in preparing the financial statements of the Company:—

- I. Selection of suitable accounting policies and then applying them consistently
- II. Making judgments and estimates that are reasonable and prudent
- III. Ensure that the financial statements have been prepared in accordance with Bangladesh Financial Reporting Standards and comply with applicable regulations.
- IV. Preparation of financial statements on going concern basis

Apropos SEC Notification dated 20th February 2006, Directors are also pleased to make the following declaration in their Report:

- a. The Financial Statement prepared by the management of the Company present fairly its State of Affairs, the result of its Operations, Cash Flows and Changes in Equity.
- b. Proper Books of Accounts have been maintained.
- c. Appropriate Accounting Policies have been consistently applied in preparation of the Financial Statements and that the Accounting estimates are based on reasonable and prudent judgment.
- d. International Financial Reporting Standards (IFRS), as applicable in Bangladesh have been followed in preparation of the Financial Statements.
- e. The Company maintains a sound Internal Control System which gives reasonable assurance against any material misstatement of loss. The internal control system is regularly reviewed by the Company's Internal Audit Team.
- f. There are no significant doubts upon the Company's ability to continue as a going concern.
- g. Significant deviations from the last year's operating results of the Company, if any have been highlighted under the headings Appropriation of Profit, Financial Performance and Summery Balance Sheet herein before and the reasons are stated in the Chairman's Statement and Directors' Report.
- h. Key operating and financial data of at least immediately preceding three years has been summarized;
- i. Significant plans and decisions, such as corporate restructuring, business expansion and discontinuance of operations as appropriate,

future prospects, risks and uncertainties surrounding the company has been outlined under the related captions of this report;

- j. The number of Board meetings held during the year and attendance by each director has been disclosed;
- k. The pattern of shareholding has been reported to disclose the aggregate number of shares.

KEY OPERATING & FINANCIAL DATA

The summarized key data for last three years is set out in **Annexure-2**.

SHAREHOLDING INFORMATION

The shareholding information as at 31st December 2010 with other related information are set out in **Annexure-3**.

ACKNOWLEDGEMENT

Your Directors would like to put on record its deep appreciation of the efforts made by the employees of the Company. Their commitment and passion, both individually and through teamwork, have helped achieve OCL that it is today. The Board also recognizes and appreciates the critical support provided by the families of the employees which enables them to focus on their work in OCL.

The trust and confidence that our valued customers bestow in OCL is our main driving force. We accept this trust in all humility and shall continue to strive to live up to the expectations. Board expresses its heartfelt thanks and gratitude to all the stakeholders including Investors, Clients, Suppliers, Banks & Financial Institutions, Insurance Companies, Service Providers, the Securities & Exchange Commission, Registrar of Joint Stock Companies & Firms, Central Depository of Bangladesh Limited, Dhaka/Chittagong Stock Exchanges, various Government Authorities and agencies as well as Individuals who have helped us achieve what we are today.

We look forward to seeing you at our 07th Annual General Meeting.

On behalf of the Board of Directors,



Syed Ali Jowher Rizvi
Managing Director