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PROGRESS REPORT

Review Period: February 2018 – April 2018

TRI STAR POLYESTER LIMITED

June, 2018

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Contents

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TRI-STAR POLYESTER LTD.

Background for Issuing Right Shares

The planned growth required a total capital outlay of approximately PKR 281.5 million:

- Investment was to be made in Plant and Machinery amounting to an approximate value of PKR 101.5 million. This includes the cost of purchase of two Schifli Embroidery Machines and the procurement of fifty Stitching Machines during the financial year ending 30^{th} of June, 2018.
- Establishment of six retail outlets was planned for the years ending 30^{th} of June, 2018 and 2019. It was estimated that capital expenditure for each outlet would amount to approximately PKR 30 million. The cost included expenditure on furniture and fixtures, air conditioning, computer equipment and software, electrical equipment, and firefighting and safety equipment.

As per the financial plan, of the total loan of PKR 163 million from sponsors, directors, associated undertakings and related parties, PKR 118 million was to be converted into equity with 11.8 million ordinary shares issued to the creditors at a par value of PKR 10 per share, during the financial year ending in 2018.

In order to fund the capital outlay to support the company's growth plan, the management planned a 1:1 rights issue by the end of calendar year 2017. The issue of shares was to be based on pre bonus share issue paid up share capital levels. The shares were to be issued at a par value of PKR 10 per share and the issue was expected to generate PKR 214.6 million with complete exercise of rights. It was envisioned that the rights issue of shares would be the primary contributor in funding capital expenditure requirement of PKR 221.5 million in the financial year ending 30^{th} of June, 2018, with remaining being funded by internal cash generation, whereas, it was estimated that sufficient cash will be generated during this year to fully fund the capital expenditure requirement of PKR 60 million in the following financial year.

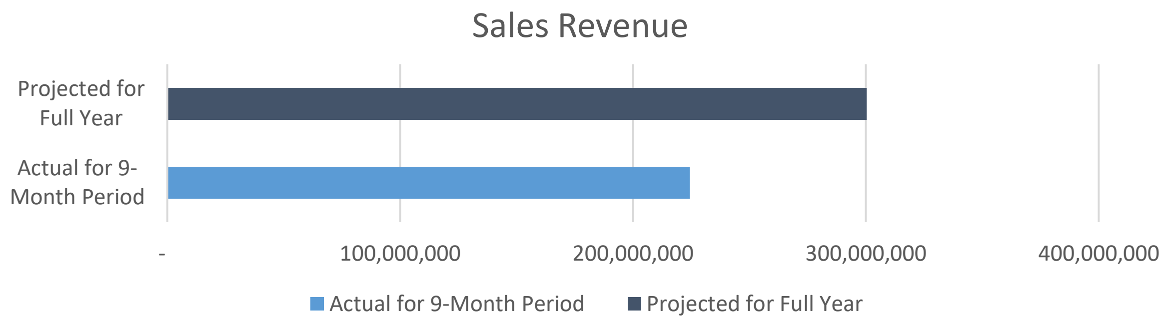
Progress till Date

The progress is being measured for the 3-month period from February, 2018 to April, 2018 against the financial plan containing projections for the planned expansion.

Operationally, the company made significant growth and expansion of its new business operations dealing in unstitched value added embroidered fabric and stitched garments under the brand name "Image". The company made capital expenditure amounting to PKR 71.5 million (see ahead) during the current financial year. The expenditure includes the acquisition of 50 stitching machines as planned. In addition to this, the company managed to establish 2 new retail outlets by the end of June, 2018 of the planned total of 6 outlets for the financial years ending in 2018 and 2019. The company continues to aggressively seek ideal locations for the remaining outlets and hopes to achieve the target of 6 outlets by the end of financial year 2019. The total number of retail outlets at present is 6. Of the planned acquisition of 2 Schifli embroidery machines, the company has already purchased 1 machine and signed the purchase contract and made a down payment for another machine; shipment for which is expected during the last quarter of the calendar year.

Revenue and Costs

During the period July, 2017 to March 2018, the company has managed to generate sales revenue of PKR 224,387,561. In comparison to the corresponding period in the previous financial year (PKR 150,941,422), this is an increase of 48.66%. Extrapolating the figure to the complete financial year for comparison purposes, the sales revenue amounts to PKR 299,183,415 – a figure almost equal to the initially projected sales figure of PKR 300,181,917 for the year.

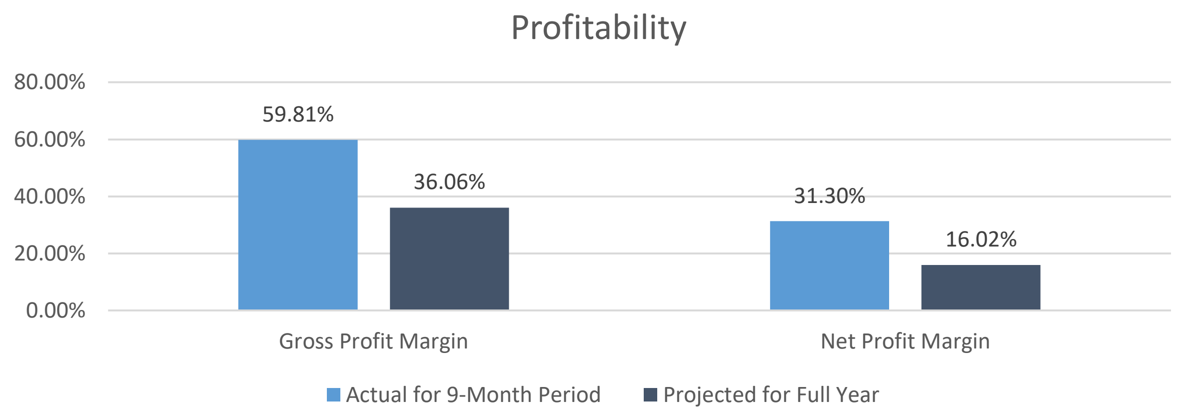


The company is on the path to achieving its projected targets in terms of sales revenue. This, coupled with the lower than projected cost of sales figure, has led to a gross profit for the 9 months from July, 2017 to March 2018 of PKR 134,207,417. The company, during this 9-month period, has already achieved its projected full year's gross profit target of PKR 108,233,267.

As expected, the company's operating costs, including distribution and selling expenses as well as administrative and general expenses, have risen sharply from approximately PKR 4 million in the corresponding period previous year to PKR 53 million during the period July, 2017 to March, 2018. These operating costs, however, have already exceeded the projected full year's figures of PKR 52,601,905.

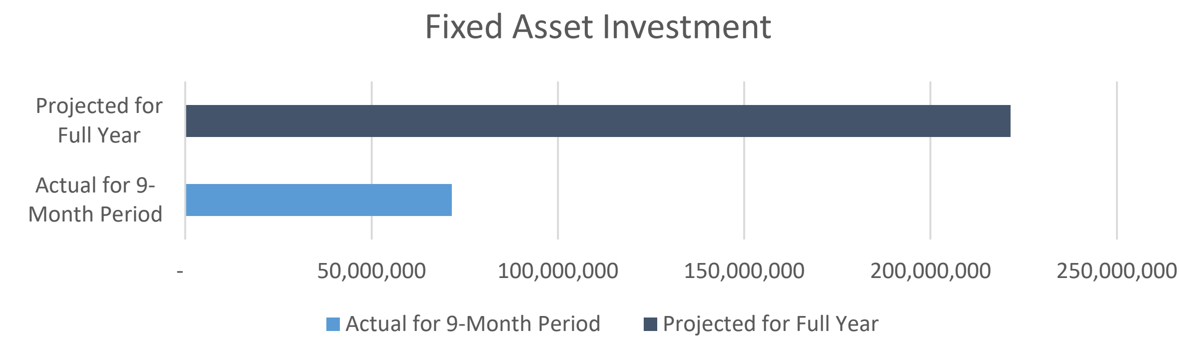
Profitability

As discussed earlier, the company's gross profit margin of 59.81% is far higher than the projected margin for the year of 36.06%. Although, the operating costs have exceeded the projections, the increased gross margin has more than absorbed these, leading to a total profit after tax for the 9 months (July, 2017 to March, 2018) of PKR 70,236,501 in comparison to the full year's projected after tax profits of 48,089,253. Comparing the net profit margin which is 31.30% for the 9 months against the projected full year's net profit margin of 16.02%, it is clear that the company has not only managed to achieve its revenue targets, but has also successfully curbed its costs.



Non-Current Asset Investment

The book value of the company's overall non-current assets has increased significantly primarily due to an increase in the book value of its property, plant and equipment by PKR 45 million. The company has made significant investment in fixed assets as part of its expansion plans, making a total cash outlay of PKR 71,526,978 during the period July, 2017 to March, 2018. The company continues to make progress towards its investment plans for the year which projected a total investing cash outlay of PKR 221,525,000. As discussed earlier, the capital expenditure, thus far, includes acquisition of 1 Schifli Embroidery machine, 50 stitching machines, establishment of 2 new retail outlets and a down payment for the second embroidery machine.



Equity and Liabilities

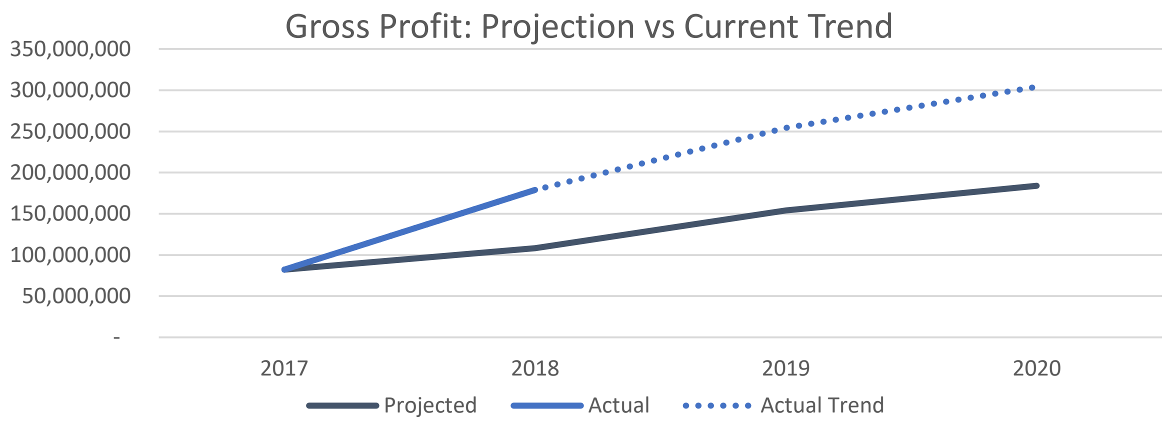
The company's accumulated loss has fallen to PKR 94,621,007 by the end of March, 2018 owing to a higher than projected net profit for the 9-month period. As per the initial financial plan, this loss was projected to fall to PKR 137,005,975 by the end of the full financial year ending June, 2018.

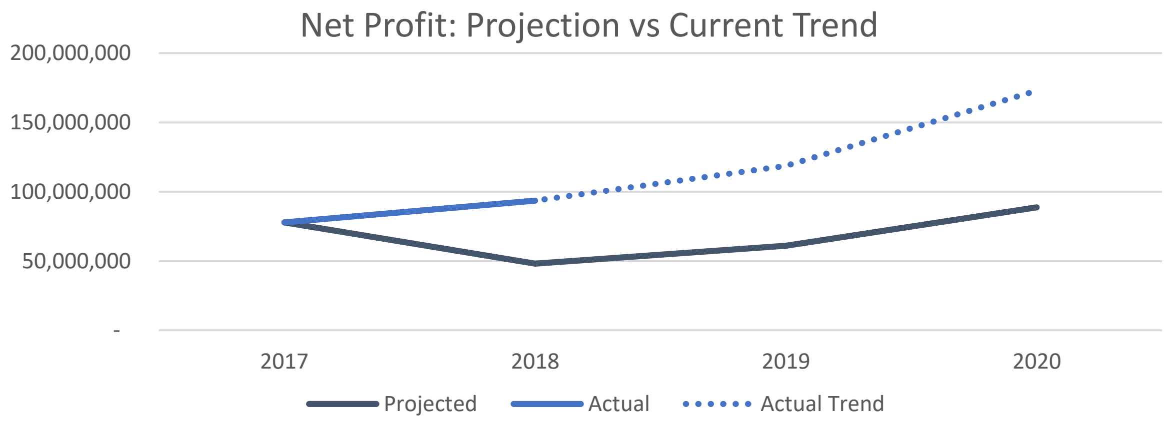
The company, in line with its expansion plan, made a one for one rights issue of shares during the year (in January, 2018), raising total capital of PKR 214,657,330. In addition to this, the company made a bonus issue of shares at 10% leading to a balance of PKR 450,780,390 in the paid up share capital head. The conversion of long term loan from associated and related parties into equity has not yet been completed and efforts are being made to complete the conversion by the end of the financial year.

Details of Share Capital	**PKR**
Balance as at 01 July, 2017	214,657,330
Bonus Issue of Shares at 10%	21,465,730
Rights Issue of Shares 1:1	214,657,330
Balance as at 31 March, 2018	450,780,390

Conclusion

The company has made significant progress towards achieving its planned expansion and has more than achieved the projected performance for the year. The company has managed to stay in line with sales targets while continuing to control costs effectively, thereby, leading to higher than projected margins. A trend analysis presented below shows that the company is likely to continue to considerably outperform its projected figures.





The company has successfully raised the funding required through a rights issue of shares and has made significant investment in its property, plant and equipment. However, a slowdown in capital expenditure was faced due to rapid growth in operations and ultimately in working capital requirements. Although, based on performance to date, it is expected that the company will be able to generate sufficient cash flow with conversion of current assets to cash to meet the required capital expenditure in the coming periods.