

SCHEME OF COMPROMISES, ARRANGEMENT AND RECONSTRUCTION  
(UNDER SECTION 279 TO 283 AND 285 OF THE COMPANIES ACT, 2017)

BETWEEN

SERVICE INDUSTRIES LIMITED

AND

SERVICE GLOBAL FOOTWEAR LIMITED

# **Notice of Extra-Ordinary General Meeting**



# Service Industries Limited

## Notice of Extra-Ordinary General Meeting

Notice is hereby given that pursuant to the Order dated 28 October, 2019 of the honorable Lahore High Court, Lahore passed in C.O. No. 63687 of 2019, an Extra-Ordinary General Meeting (hereinafter the '**EOGM**') of Service Industries Limited (hereinafter the '**Company**' or '**SIL**') will be held on Saturday, 14 December, 2019, at 10:30 A.M at Shalimar Tower Hotel, Adjacent Servis House, 2-Main Gulberg, Lahore to transact the following business:

### Special Business:

"To consider and if thought fit, to agree, approve and adopt the Scheme of Compromises, Arrangements and Reconstruction (the '**Scheme**') between Service Industries Limited and its wholly owned subsidiary, Service Global Footwear Limited by passing or otherwise, the following resolution, with or without modification(s), addition(s) or deletion(s):

**Resolved that** subject to sanction by the honorable Lahore High Court, Lahore and the provisions of Section 279 to 283 read with Section 285 of the Companies Act, 2017, the Scheme of Compromises, Arrangements and Reconstruction (the '**Scheme**') between Service Industries Limited (the '**Company**') and its wholly owned subsidiary, Service Global Footwear Limited, approved by the Board of Directors and placed before the members of the Company for inter alia the separation of the Muridke Footwear Undertaking with all its assets, rights, liabilities, entitlements and obligations as detailed in the Scheme and transferring the same to and vesting in and amalgamating the same with and into Service Global Footwear Limited in accordance with the Scheme be and is hereby agreed, approved and adopted subject to any modification(s) or conditions as may be required or imposed by the honorable Lahore High Court, Lahore".

**Resolved Further that**, the Chief Executive Officer and/or Company Secretary of the Service Industries Limited, singly, be and are hereby authorized to take any steps/ measures for the implementation and completion of the Scheme".

Chairperson of the meeting,  
**Mr. Wajahat Ali**

Advocate  
Room No. 4, 4th Floor,  
SAF Centre, 8-Fane Road, Lahore

**Waheed Ashraf**  
Company Secretary

Lahore  
22 November, 2019

## Notes:

1. The Statement under Section 281 of the Companies Act, 2017 (hereinafter the “**Act**”) read with the statement of material facts under Section 134(3) of the Act (hereinafter the ‘**Statement**’) setting forth, inter alia, the terms of the compromises, arrangements and reconstruction and explaining its effect, along with a copy of the Scheme of Compromises, Arrangements and Reconstruction (hereinafter the “**Scheme**”) are being circulated along with Notice of the EOGM to the members and other person(s) entitled to receive notice of EOGM.
2. Copies of the Scheme and the Statement can also be obtained, free of charge, from the Registered Office of the Company located at Service House, 2-Main Gulberg, Lahore during usual business hours by the members and other persons entitled to attend the EOGM by making application addressed to the Company Secretary, Service Industries Limited, Service House, 2-Main Gulberg, Lahore.
3. Copies of the Scheme, the Statement, the latest annual/quarterly audited financial statements of the Company along with all published or otherwise required financial statements of all prior periods of the Company along with copies of its Memorandum and Articles of Association and other related information/documents have been kept at the Registered Office of the Company which can be inspected during the business hours on any working day from the date of publication of this notice till the conclusion of the EOGM by the members and other persons entitled to attend the EOGM. In case of any difficulty, the same should be brought immediately to the notice of the mentioned Chairperson.
4. Notice of EOGM along with the Statement, the Scheme and the latest annual / half yearly audited financial statements have also been placed on website of the Company.
5. **The Shares Transfer Books of the Company will remain closed from 07 December, 2019 to 14 December, 2019 (both days inclusive).** Transfers received at Company’s Share Registrar and Transfer Agent’s Office, M/s Corplink (Private) Limited, Wing Arcade, 1-K, Commercial, Model Town, Lahore by the close of business hours on 06 December, 2019 will be treated as being in time for the purpose of attending and voting at EOGM.
6. A member eligible to attend and vote at EOGM may appoint another member as proxy to attend and vote in the EOGM. Proxies in order to be effective must be received at the Registered Office of the Company not later than 48 hours before the time for holding the EOGM. Proxy Form, both in English and Urdu language, is being separately sent to the members, along with Notice of EOGM.
7. Members are requested to immediately notify the change, if any, in their registered addresses to the Share Registrar and Transfer Agent of the Company.
8. Central Depository Company of Pakistan (“CDC”) Account holders will further have to follow the under mentioned guidelines as laid down by Circular No. 01, dated January 26, 2000, issued by the Securities and Exchange Commission of Pakistan:

### **Attending the Meeting:**

- i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original Computerized National identity card (“CNIC”) or original Passport at the time of attending EOGM.
- ii. In case of corporate entity, the Board of Directors’ resolution/power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of EOGM.

### **Appointment of Proxies:**

- i. In case of individuals, the account holder or sub-account holder and or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
- ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii. Attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv. The proxy shall produce his original CNIC or original passport at the time of EOGM.
- v. In case of corporate entity, the Board of Directors’ resolution/power of attorney with specimen signatures shall be submitted (unless it has been provided earlier with proxy form to the company).
9. Pursuant to the provisions of the Act, the shareholders residing in a city and holding at least 10% of the total paid up share capital may demand the Company to provide the facility of video-link for participating in EOGM. The demand for video-link facility shall be received by the Company Secretary at the Registered Office of Service Industries Limited, 2-Main Gulberg, Lahore at least seven (7) days prior to the date of EOGM on the Standard Request Form which is available on the Company’s website.

### **STATEMENT UNDER SECTION 281 (1) (a) READ WITH SECTION 134 (3) OF THE COMPANIES ACT, 2017**

This Statement set out the material facts concerning the special business to be transacted at the EOGM and the terms of the Scheme of Compromises, Arrangements and Reconstruction (hereinafter the ‘Scheme’) and explains its effect including the interests of the Directors / Chief Executive of the Company and the effect of the Scheme on those interests in so far as it is different from the effect on the like interest of other persons and other ancillary information.

Pursuant to the order dated 28 October, 2019 passed by the honorable Lahore High Court, Lahore (hereinafter the ‘Court’) in C.O No. 63687/2019 filed under Section 279 to 282 read

with Section 285 of the Companies Act, 2017 (hereinafter the 'Act') the honorable Court has directed inter alia that extraordinary meetings of the members of the Company, and Service Global Footwear Limited be convened for presenting the proposed Scheme to the shareholders of the companies for approval of the same or otherwise under the supervision of the Chairman appointed by the honorable Court.

A copy of the Scheme has been enclosed with the Notice of EOGM circulated to the members. A copy of the same can be obtained from the Registered Office of the Company, free of charge during usual business hours. The notice issued and published in the newspapers is for convening the special meeting of the members as directed by the honorable Court for the purpose of presenting the proposed Scheme to the members and passing inter alia of the resolution approving or otherwise the Scheme by a majority representing three-fourth in value of the issued ordinary shares held by the members as are present in person or by proxy and voting at the EOGM.

### **The Scheme:**

The objective of the Scheme is the bifurcation/separation/demerger of the Muridke Footwear Undertaking as defined in the Scheme from the Company and amalgamate/merger of the same with, transferred to, vested in, and be assumed by Service Global Footwear Limited a wholly owned subsidiary of the Company incorporated on 19th July, 2019, against issuance of shares by Service Global Footwear Limited to the Company and retention of the Retained Undertaking as defined in the Scheme as part of the Company.

Upon the merger & amalgamation and transfer of the Muridke Footwear Undertaking to Service Global Footwear Limited in the manner prescribed under this Scheme, the Company shall continue to own and operate the Retained Undertaking.

This Scheme, if approved by the respective members of the Company and its wholly owned subsidiary, Service Global Footwear Limited through resolutions to be passed with requisite majority and sanctioned by the honorable Court by an order passed in this respect, shall be binding on above companies, their shareholders, creditors, bankers, employees, customers, contracting parties, tax authorities, registrar / sub-registrar, registration offices and regulatory/statutory bodies of or with respect to above companies (as applicable) respectively.

### **Approval of the Scheme:**

The Board of Directors of the Company has approved the Scheme between the Company and Service Global Footwear Limited. The resolution specified in the Notice of EOGM has to be passed by a majority representing three-fourth in value of the issued shares held by the shareholders present in person or by proxy and voting at the EOGM. Notice of EOGM along with Statement under 281(1)(a) read with Section 134(3) of the Act, is being presented to members of the Company for considering, agreeing and approving the Scheme. The sanctioning of the Scheme and the making of other appropriate orders in connection therewith will be considered by the honorable Court after the members have approved the Scheme.

### **Filing of the Scheme:**

A copy of the Scheme has been filed with the Registrar, Company Registration Office, Securities and Exchange Commission of Pakistan, Lahore.

### **Proposed Terms of the Scheme:**

The Scheme contains the proposed terms of the compromise, arrangement and reconstruction for bifurcation/demerger of the Muridke Footwear Undertaking and its merger / amalgamation with and into the Company. The Scheme has been approved by the Board of Directors of the Company and Service Global Footwear Limited.

All the directors / Chief Executive of the Company are interested to the extent of their respective shareholdings (as mentioned herein) that are held by them in the Company and Service Global Footwear Limited. The directors who are performing full time executive functions (including Chief Executive) are also interested to the extent of remunerations, benefits and allowances as per the respective policies of the Company and Service Global Footwear Limited.

The effect of the Scheme on the interests of Directors/CEO does not differ from the effect on the like interest of other members except as stated herein and under the Scheme.

### **Effective Date:**

The Scheme although operative from the Effective Date i.e., 01 July, 2019 shall take effect finally upon and from the completion date as defined in Article 18 of the Scheme:

### **Consideration:**

In consideration for the transfer and vesting of the Muridke Footwear Undertaking by the Company to Service Global Footwear Limited, on the Completion Date, Service Global Footwear Limited shall issue and allot its 150,000,000 fully paid up ordinary shares of Rs.10/- each to the Company at Par out of the net assets determined by the management of the Company on the Completion Date and the balance amount shall be treated as revenue reserves of Service Global Footwear Limited. Service Global Footwear Limited, a wholly owned subsidiary of the Company has issued and paid up capital of Rs. 500,000 comprising 50,000 ordinary shares issued to the Company. It has issued right shares of Rs. 50 million at Par which will increase its paid-up share capital to Rs. 50.50 million comprising 5.05 million ordinary shares. The shares issued by Service Global Footwear Limited to the Company pursuant to the Scheme shall rank pari passu with the existing ordinary shares of Service Global Footwear Limited, in all respects.

### **Benefits of the Scheme:**

The Scheme would allow the Service Industries Limited to act as a holding company in respect of Service Global Footwear Limited accordingly, while the holding company can oversee, supervise and control the same (to the extent applicable), the management of the wholly owned subsidiary shall operate the businesses on a regular basis. This structure would result

in the businesses being managed and carried out in a more effective and efficient manner, thus benefiting the members of the Company.

**Report adopted by the Board of Directors as to effect of compromise on each class of members:**

The Company has only one class of members. The effect of the Scheme on the interests of Directors/CEO of the Company does not differ from the effect on the like interest of other members except as stated herein and under the Scheme and that the directors of the Company are members and directors of the Company and Service Global Footwear Limited and the directors/Chief Executive performing full time executive functions are also interested to the extent of remunerations, benefits and allowances as per the respective policies of the Company and Service Global Footwear Limited, therefore, they may be regarded as interested to that extent in the Scheme concerning the said companies.

**Report of Expert with regard to valuation:**

Auditors report dated 26 August, 2019 is attached herewith.

**Financial Statements:**

Audited financial statements of the Company for the period ended 30 June 2019 are attached herewith. Copy of the same and previous audited / interim unaudited/reviewed financial statements of the Company can be procured from the office of Company Secretary, Service Industries Limited, 2-Main Gulberg, Lahore during normal business hours.

**Interest of directors/Chief Executive:**

All the directors of the Company are interested to the extent of their respective shareholdings (as mentioned herein) and shareholding(s) of associated companies/related parties that are held by them in the Company and Service Global Footwear Limited. The directors who are performing full time executive functions are also interested to the extent of remunerations, benefits and allowances as per the respective policies of the Company and Service Global Footwear Limited

The effect of the Scheme on the interests of Directors/CEO does not differ from the effect on the like interest of other members except as stated herein and under the Scheme.

### Shareholding of Directors:

Following are the present shareholdings of Directors in Service Industries Limited and Service Global Footwear Limited

Sr. No.	Names of Directors	SHAREHOLDINGS	
		Service Industries Limited	Service Global Footwear Limited
1	Chaudhry Ahmed Javed	659,925	1
2	Mr. Arif Saeed & his spouse	1,605,529	1
3	Mr. Omar Saeed	1,560,870	1
4	Mr. Hassan Javed	2,898,448	1
5	Mr. Riaz Ahmed	5,625	-
6	Mr. Osman Saifullah Khan	125	-
7	Mr. Rehman Naseem	1,000	-
8	Mr. Muhammad Amin	50	-

SCHEME OF COMPROMISES, ARRANGEMENT AND RECONSTRUCTION

(UNDER SECTION 279 TO 283 AND 285 OF THE COMPANIES ACT, 2017)

BETWEEN

SERVICE INDUSTRIES LIMITED AND ITS MEMBERS

AND

SERVICE GLOBAL FOOTWEAR LIMITED AND ITS MEMBERS

FOR

The bifurcation / de-merger of Service Industries Limited's Muridke Footwear Undertaking inclusive of all assets, rights, liabilities, entitlements and obligations pertaining thereto and simultaneously transferring to, vesting in and amalgamating the same with and into Service Global Footwear Limited against the issue of shares by Service Global Footwear Limited to Service Industries Limited and retention of all other remaining assets and liabilities other than Muridke Footwear Undertaking in Service Industries Limited, along with all incidental and ancillary matters.

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SCHEME OF COMPROMISES, ARRANGEMENT AND RECONSTRUCTION  
UNDER SECTION 279 TO 283 AND 285 READ WITH OTHER ENABLING  
PROVISIONS OF THE COMPANIES ACT, 2017.

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RECITALS

WHEREAS, by this Scheme of Compromises, Arrangement and Reconstruction (the “Scheme”), it is, *inter alia*, proposed that:

1. The undertaking comprising the assets, liabilities, rights, entitlements and obligations of Service Industries Limited shall be split into two (2) separate segments i.e. the Muridke Footwear Undertaking and the Retained Undertaking.
2. The segment comprising all the assets, liabilities, rights, entitlements and obligations of the Muridke Footwear Undertaking shall be carved out / bifurcated and stand merged / amalgamated with, transferred to, vested in, and be assumed by Service Global Footwear Limited as at the Effective Date (as defined here below), against issuance of shares by Service Global Footwear Limited to Service Industries Limited in accordance with the Scheme.
3. Upon the merger / amalgamation, vesting and transfer of the Muridke Footwear Undertaking to Service Global Footwear Limited in the manner prescribed under this Scheme, Service Industries Limited shall continue to own and operate the Retained Undertaking.
4. The bifurcation / merger / amalgamation will allow Service Industries Limited to act as a holding company in respect of Service Global Footwear Limited accordingly, while the holding company can oversee, supervise and control the same (to the extent applicable), the management of the subsidiary shall independently operate the businesses on a regular basis. This structure will result in the businesses being managed and carried out in a more effective, efficient and beneficial manner, thus benefitting the shareholders of Service Industries Limited.
5. This Scheme, if approved by the respective shareholders of Service Industries Limited and Service Global Footwear Limited through a resolution to be passed with requisite majority and sanctioned by the honorable Court by an order passed in this respect, shall be binding on above companies along with all their shareholders, creditors (including Banks and Financial Institutions), employees, customers, contracting parties, tax authorities, Lahore Electric Supply Company Limited, Sui Northern Gas

Pipelines Limited, custom authorities, State Bank of Pakistan, Government authorities and any other regulatory/statutory bodies of or with respect to above companies (as applicable) respectively.

6. Now Therefore, the Scheme is presented as follows:

## ARTICLE 1 DEFINITIONS

In this Scheme, unless the subject or context otherwise requires, the following expressions shall bear the meanings specified against them below:

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| “Act”    | means the Companies Act, 2017 any amendment thereof.   |
| “Assets” | <p>means and includes all properties (whether movable immovable); rights, title and assets (whether tangible or intangible), privileges, powers, licenses, permissions, claims, and interests including but not limited to:</p> <ol style="list-style-type: none"> <li>a. All rights, title and interest in or to immovable properties, including freehold land, leasehold land, buildings, offices, structures and capital work-in-progress;</li> <li>b. All rights, title and interest in or to plant, machinery, equipment, electric installation, pipes and fittings, vehicles, furniture and fixtures, computers hardware and software, office equipment, service equipment, software appliances, and accessories, spare parts and tools, stock-in-trade;</li> <li>c. All legal or beneficial interests (or both, if applicable) including, without limitation, statutory contractual or regulatory rights, titles, permissions, concessions, privileges, sanctions, approvals, licenses, and registration;</li> <li>d. All benefits and rights under all contracts exacted by SIL;</li> <li>e. All data, information, records, instruments, documents of title, marketing research, advertising or other promotional material and information, accounting</li> </ol> |

(including management account records) financial data whether in hard copy or in computer held form (including, for avoidance of doubt, such media as microfilm, microfiche, CD/DVD, cartridge and NAS);

- f. All claims, receivables, book trade and other debts or sums (including suppliers' credit notes) due, owing, accrued or payable (whether or not invoiced and whether or not immediately due or payable), advances, deposits, prepayments and other receivables, advance income tax, sales tax refundable, duty drawback receivable, Drawback of local taxes and levies receivable, investments, cash in hand or at bank, bank balances, rights under loan documents and other agreements for financial facilities, letter of credit, guarantees, bonds and warranties
- g. All connections, equipment, installations and facilities pertaining to telecommunications, water, gas, electricity, sewerage or other utilities;
- h. All claims, petitions, suits, applications or appeals, filed before or pending with any court, authority, tribunal or regulatory body, whether in its original jurisdiction or appellate jurisdiction;
- i. All intellectual property rights, whether registered or not, including trademarks, copyrights, patents, designs, trade secrets, technical, data, processes and know-how, industrial and /or technical information, confidential information, formulations, technical reports, instruction manuals, product specifications, results of research and development work, whether in hard copy or in computer held form;
- j. Goodwill; and
- k. Tax credits, tax or other refunds, tax or tariff protections, remissions or exemptions;

**"Completion Date"** has the meaning ascribed to it in Article 18 of this Scheme;

**"Court"** means the Lahore High Court, Lahore;

“Effective Date”	means the date from which this Scheme shall become effective viz, 30 June 2019 and / or if the Court modifies the Effective Date to such other date, then the same shall be the Effective Date for the purposes of this Scheme;
“Employee Funds”	means the provident fund and gratuity fund created by Service Industries Limited for its employees;
“Encumbrances”	Means (i) any mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment, deed of trust, title retention, security interest or other encumbrances of any kind securing, or conferring any priority of payment in respect of, any obligation of any person, including any right granted by a transaction which in legal terms, is not the granting of security but which has an economic or financial effect similar to the granting of security under the applicable laws; (ii) any proxy, power of attorney, voting trust agreement, interest, option, right of first refusal, transfer restrictions in favor of any person; and (iii) adverse claim as to possession or use;
“Filing Date”	means the date on which the certified copy of the order of the Court sanctioning this Scheme is filed with the relevant Registrar of Companies at the SECP, Lahore;
“Liabilities”	means all liabilities, duties and obligations of every kind, actual and contingent whether arising or payable under any agreement, statute, law or otherwise and whether pertaining to any Asset or otherwise, and all Encumbrances;
“Muridke Footwear Undertaking” means	all the Assets (with all existing Encumbrances thereon), Liabilities, Rights and Obligation of SIL, excluding those forming part of the Retained Undertaking immediately preceding the Effective Date;
“PSX”	means Pakistan Stock Exchange Limited;

“Retained undertaking”	means all Assets (with all existing Encumbrances thereon, if any) and Liabilities of SIL immediately preceding the Effective Date that shall not be transferred to, amalgamated or vest in SGFL pursuant to the Scheme and accordingly do not form part of the Muridke Footwear Undertaking;
“Scheme”	means this Scheme of Compromises, Arrangement and Reconstruction in its present form with any modification of thereof or addition thereto as may be required by the Court;
“SECP”	means Securities and Exchange Commission of Pakistan;
“SIL”	means Service Industries Limited, a public limited company incorporated in Pakistan and listed on the Pakistan Stock Exchange Limited, having its registered office at Servis House, 2-Main Gulberg, Lahore, Pakistan;
“SGFL”	means Service Global Footwear Limited, a public limited unlisted company incorporated in Pakistan having its registered office at Servis House, 2-Main Gulberg, Lahore, Pakistan;
“SGFL Shares”	means fully paid up ordinary shares of Rs. 10 each in the capital of SGFL to be allotted and issued to SIL pursuant to this Scheme;
“Tax”	means all present and future taxes, including income tax, sales tax, stamp duties, octroi, customs or excise duty, registration charges, levies, deductions, imposts, and any other charges and withholdings whatsoever, together with any interest, mark-up or penalties payable in connection with any failure to pay or delay in paying any of the above.

The headings and marginal notes are inserted for convenience and shall not affect the construction of this Scheme.

## ARTICLE 2

### SERVICE INDUSTRIES LIMITED

SIL was incorporated in Pakistan as a private limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) on 20 March 1957. It was converted into public limited company on 23 September 1959. It has an authorized share capital of Rs. 1,000,000,000 (Rupees one billion only) divided into 100,000,000 shares of Rs.10/- each of which ordinary shares of the aggregate nominal value of Rs. 150,359,860 (Rupees one hundred and fifty million three hundred and fifty-nine thousand eight hundred and sixty only), divided into 15,035,986 ordinary shares of Rs.10/- each are issued and fully paid up and the remainder are unissued shares. SIL is listed on PSX.

## ARTICLE 3

### SERVICE GLOBAL FOOTWEAR LIMITED

SGFL was incorporated as a public limited company under the Act on 19 July 2019. It has an authorized share capital of Rs. 500,000,000 (Rupees Five hundred Million only) divided into 50,000,000 ordinary shares of Rs.10/- each of which ordinary shares of the aggregate nominal value of Rs. 500,000 (Rupees Five Hundred Thousand only), divided into 50,000 ordinary shares of Rs.10/- each are issued and fully paid up and the remainder are unissued shares. SGFL is a wholly owned subsidiary of SIL. The authorized share capital of SGFL shall be enhanced to Rs. 2,000,000,000 divided into 200,000,000 ordinary share of RS. 10 each before issuance SGFL shares pursuant to this Scheme.

## ARTICLE 4

### OBJECT OF THE SCHEME

The principal object of this Scheme is to provide for and give effect to the following:

- (i) The separation/demerger of the Muridke Footwear Undertaking from SIL;
- (ii) The merger, amalgamation and transfer to, and vesting in SGFL, of the Muridke Footwear Undertaking, against the issuance of ordinary shares of SGFL to SIL;
- (iii) The retention of the Retained Undertaking as part of SIL;

## ARTICLE 5

### EFFECTIVENESS OF THE SCHEME

- 5.1 This Scheme shall take effect by operations of law as of the Effective Date.
- 5.2 The vesting of Muridke Footwear Undertaking in SGFL shall occur or be deemed to occur on the Effective date in terms fully set forth in this Scheme.
- 5.3 As between the Effective Date and the Completion Date, there is no restriction on the conduct of the business of SIL, in particular in relation to the Muridke Footwear Undertaking.
- 5.4 As and from the Effective Date and until occurrence of the Completion Date:
  - (a) SIL shall carry on and be deemed to have carried on the business relating to the Muridke Footwear Undertaking and shall stand possessed of the Muridke Footwear Undertaking, in trust for SGFL;
  - (b) any income, sales including exports or profit accruing or arising to SIL or made by SIL and all costs, charges, expenses and losses or tax incurred by SIL in relation to the Muridke Footwear Undertaking after the Effective Date and until occurrence of the Completion Date shall for all purposes be treated as the income, sales including exports, profit, costs, charges, expenses and losses or tax of SGFL; and
  - (c) all rights, titles, assets, privileges, powers, licenses, permissions, claims, interests, liabilities and obligations of SIL which arise or accrue on or after the Effective Date and until occurrence of the Completion Date relating to Muridke Footwear Undertaking shall be deemed to be the rights titles, assets, privileges, powers, licenses, permissions, claims, interests, liabilities and obligations of SGFL.

## ARTICLE 6

### TRANSFER OF ASSETS AND LIABILITIES

- 6.1 On the Effective Date, the Muridke Footwear Undertaking shall be transferred to and vested in or be deemed to the transferred to and vested in SGFL pursuant to the sanction of the Scheme by the Court.

- 6.2 In so far as any of the Assets forming part of the Muridke Footwear Undertaking are subject to any Encumbrance, such assets shall be deemed to have been transferred to SGFL subject to such Encumbrances.
- 6.3 SGFL shall be deemed, without any further act, deed, matter or thing, to have created all such Encumbrances on the Assets forming part of the Muridke Footwear Undertaking which are transferred (without in any manner adversely affecting the ranking or priority or the same) from SIL to SGFL by virtue of the sanction of this Scheme by the Court and the same shall be recorded by the Registrar of Companies in his record.
- 6.4 All Liabilities of SIL forming part of the Muridke Footwear Undertaking be deemed to be and assumed by SGFL, as the Liabilities of SGFL, without in any manner adversely affecting the ranking or priority of the same.
- 6.5 Simultaneously with assumption by SGFL of Liabilities forming part of the Muridke Footwear Undertaking, SIL shall stand released and discharged from all obligations in respect of such Liabilities.

## ARTICLE 7 EMPLOYEES

- 7.1 All Employees of Muridke Footwear Undertaking, shall as from the Effective Date be deemed to be the employees of SGFL on the same terms and conditions on which they were employed by SIL immediately prior to the Effective Date, without being required to be paid any terminal or other benefits (other than accrued salaries and wages) by SIL.
- 7.2 The terms and conditions of services applicable to the Employees, after such transfer to SGFL shall not in any way be less favorable to them than those applicable to them immediately prior to the transfer. The services of all Employees prior to their transfer to SGFL shall be taken into account for the purposes of all benefits to which such employees are eligible in terms of their relevant employment contracts.
- 7.3 In so far as the employees' provident fund of SIL in the name of 'SIL Employees Provident Fund' is concerned, the same shall be continued for the benefits of the employees of SGFL.
- 7.4 In so far as the employees' gratuity fund of SIL in the name of 'SIL Employees Gratuity Fund' is concerned, the same shall be continued for the benefits of the employees of SGFL.

- 7.5 It is clarified that the services of the Employees will be treated as having been continuous and not interrupted for the purpose of the aforesaid employees' provident fund and gratuity fund.

## ARTICLE 8 LEGAL PROCEEDINGS

All legal actions, legal proceedings, suits, appeals, petitions, revisions or other judicial, quasi-judicial and/or administrative proceedings of whatever nature by or against SIL in relation to the Muridke Footwear Undertaking which are pending immediately prior to the Effective Date before any Court, forum, regulatory body, authority, Commission, tribunal, shall not abate, be discontinued or be in anyway prejudicially affected by reason of the transfer of the Muridke Footwear Undertaking or anything contained in this Scheme. Such legal action or legal proceedings (or both, if applicable) shall, as from the Effective Date, be continued, prosecuted or enforced by or against SGFL in the same manner and to the same extent as it would or might have been continued, prosecuted and enforced by or against SIL if this Scheme had not been made. All record which before the Completion Date have been evidence in respect of or against Muridke Footwear Undertaking shall be admissible in evidence in respect of the same matter for or against SGFL.

## ARTICLE 9 LICENSES/PERMITS/APPROVALS

All Licenses, trademarks, permits, quotas, rights, permissions, concessions, privileges, sanctions, approvals, licenses, registrations, and entitlement in relation to the Muridke Footwear Undertaking to the benefits of which the Muridke Footwear Undertaking may be eligible shall stand vested in and transferred to SGFL without any further act or deed and be appropriately mutated by the relevant authorities/institutions in favor of SGFL. SGFL must lodge a copy of this Scheme and a certified copy of the order of the Court sanctioning the Scheme, with the relevant authorities /institutions who shall give effect thereto.

## ARTICLE 10 TAX

With effect on and from the Effective Date, all Tax Liabilities of SIL relating to the Muridke Footwear Undertaking under any law for the time being in force shall become the tax liabilities of SGFL and SIL shall cease to have any tax liabilities in relation to the Muridke Footwear Undertaking on and from the Effective Date. Where such a tax liability is paid by SIL, SGFL shall be liable to reimburse such amounts to SIL. Further, with effect and from

the Effective Date, all rights of SIL to refunds, credits, advance payments or any other benefits in respect of any tax relating to the Muridke Footwear Undertaking shall stand transferred to SGFL. Where any such tax refund or benefits is received by SIL after the Effective Date, it shall promptly upon receipt of it, pay the same to SGFL.

#### ARTICLE 11

#### CONSIDERATION FOR ARRANGEMENT / ISSUE OF SHARES

In consideration for the transfer and vesting of the Muridke Footwear Undertaking, by SIL to SGFL, SGFL shall issue and allot 150,000,000 fully paid up SGFL Shares of Rs.10/- each to SIL at Par out of the net assets determined by the management of SIL on the Competition Date and the balance amount shall be treated as revenue reserve of SGFL. SGFL has already issued 50,000 shares to SIL. The SGFL Shares issued pursuant to this Article shall rank *pari passu* with the existing ordinary shares of SGFL Shares, in all respects.

#### ARTICLE 12

#### DETERMINATION OF THE VALUE OF THE MURIDKE FOOTWEAR UNDERTAKING

- 12.1 The value of the Muridke Footwear Undertaking is Rs 1.964 billion on the basis of audited accounts for the half year ended 30 June, 2019.
- 12.2 The revenue reserve to be recorded in the books of account of SGFL shall be determined on the basis of the difference between the net assets, including surplus on revaluation of land, building and plant and machinery, of the Muridke Footwear Undertaking on the Completion Date less Rs 1.5 Billion. Net assets including surplus on revaluation of land, building and plant and machinery of the Muridke Footwear Undertaking, as on the Completion Date, shall be determined by SIL, in accordance with approved accounting standards as applicable in Pakistan.

#### ARTICLE 13

#### SCHEME'S EFFECT

The transfer of Assets and Liabilities in terms of this Scheme shall not constitute any assignment, transfer, devolution, conveyance, alienation, parting with possession, or other disposition under any applicable law including tax law (other than as contemplated under the Act) or give rise to any forfeiture or give rise to any right of First refusal or pre-emptive right

to any person. The terms of this Scheme shall be binding by operation of law on SIL and SGFL and also on all the shareholders and creditors (including Banks and Financial Institutions), employees, customers, contracting parties, Lahore Electric Supply Company Limited, Sui Northern Gas Pipelines Limited, tax authorities, custom authorities, State Bank of Pakistan, Securities & Exchange Commission of Pakistan, Government authorities and any other regulatory/statutory bodies of or with respect to SIL and SGFL (as applicable) respectively and on any other person having any right or liabilities in relation to either of them. If this Scheme is sanctioned by the Court, it will override the Memorandum and Articles of Association/constitution of SIL and SGFL, to the extent of any inconsistency. As soon as the Scheme is sanctioned by the Court, SGFL shall be issued manufacturer, wholesaler, retailer, importer, exporter sales tax registration certificate by the Federal Board of Revenue and Custom Collectorate shall approve the WEBOC registration of SGFL. Other authorities/institutions shall also comply with the Scheme sanctioned by the Court.

#### ARTICLE 14 RETAINED UNDERTAKING

The Assets and Liabilities forming part of the Retained Undertaking shall, on and from the Effective Date, remain the Assets and Liabilities of SIL and shall continue to be dealt with by SIL as its own business and undertaking.

#### ARTICLE 15 MISCELLANEOUS

This Scheme is subject to the sanction of the Court and may be sanctioned in its present form or with any modification of it or addition to it as the Court may approve. If the Court requires SIL or SGFL to consent to any modification to the Scheme, such consent may be given on behalf of SIL by the Chief Executive Officer of SIL; and on behalf of SGFL by the Chief Executive Officer of SGFL.

#### ARTICLE 16 EXPENSES CONNECTED WITH THE SCHEME

All costs, charges and expenses in relation to or in connection with this Scheme and of carrying out and implementing / completing the terms and provisions of this Scheme and / or incidental to the completion of the objects of the Scheme shall be borne and paid by SIL.

## ARTICLE 17

### EFFECT OF NON-RECEIPT OF APPROVALS/SANCTIONS

In the event this Scheme is not sanctioned by the Court for any reason or if for any other reason this Scheme cannot be implemented by or before 31 December 2020 or within such further period or periods as may be agreed upon between SIL and SGFL through their respective Board of Directors, this Scheme shall become null and void and in that event no rights or liabilities shall accrue to or be incurred inter se by the parties in terms of this Scheme.

## ARTICLE 18

### COMPLETION DATE OF THE SCHEME

18.1 The Scheme, although operative from the Effective Date, shall take effect finally upon and from the date on which the last of the sanctions or orders or approvals or transfers in respect of the following issues are obtained and such date shall be the Completion Date for the purpose of the Scheme:

(A) TRANSFER OF TITLE OF THE FOLLOWING LAND, WHICH IS PART OF MURIDKE FOOTWEAR UNDERTAKING IN THE NAME OF SGFL IN THE BOARD OF REVENUE, PUNJAB RECORDS/RELEVANT DEPARTMENT(S) ON FILING OF A CERTIFIED COPY OF THE ORDER OF THE COURT SANCTIONING THE SCHEME WITHOUT ANY FURTHER ACT OR DEED BY SIL OR SGFL.

“Land measuring 247 Kanals 07 Marlas 90 Sq ft located at Khewat # 45/44, Khatooni # 50, Qilat 45 MouzaChak # 25 UCC, Sheikhpura, 10 KM off Grand Trunk Muridke-Gujranwala Road, Tehsil Muridke, District Sheikhpura”

(B) TRANSFER OF TITLES OF EXPORT REFINANCE FACILITY (ERF) PERTAINING TO MURIDKE FOOTWEAR UNDERTAKING OBTAINED BY SIL ON THE BASIS OF THE LAST FINANCIAL YEAR'S EXPORT PERFORMANCE (ERF PART II) AND ENHANCED EXPORTS DURING THE FINANCIAL YEAR (ERF PART I) OF ITS MURIDKE FOOTWEAR UNDERTAKING.

Once the Scheme is approved by the Court, the title of these ERF limits along with the ERF amounts utilized shall be changed from SIL to 'SGFL' in the books of the relevant Banks and Financial institutions on filing of a certified copy of the

order of the Court sanctioning the Scheme without any further act or deed by SIL or SGFL. Any ERF limit obtained and utilized by SIL on the basis of export performance of its Muridke Footwear Undertaking from the Effective Date till the Completion Date shall be deemed to be the ERF limit obtained and utilized by SGFL. The detail of ERF (Part I and Part II) limits being availed by SIL as on the Effective date on the basis of the last financial year's export performance and enhanced exports of its Muridke Footwear Undertaking along with the ERF amounts utilized and detail of relevant charges created is placed at Annex A.

**(C) TRANSFER OF TITLES OF LONG TERM FINANCING FACILITY (LTFF) PERTAINING TO MURIDKE FOOTWEAR UNDERTAKING OBTAINED BY SIL FROM VARIOUS BANKS AND FINANCIAL INSTITUTIONS FOR THE RETIREMENT OF LETTERS OF CREDIT (LCS) OF NEW PLANT & MACHINERY AND SOLAR POWER PLANTS IMPORTED BY ITS MURIDKE FOOTWEAR UNDERTAKING.**

Once the Scheme is approved by the Court, the title of these Facilities along with the LTFF amounts utilized shall be changed from SIL to 'SGFL' in the books of the relevant Banks and Financial institutions on filing of a certified copy of the order of the Court sanctioning the Scheme without any further act or deed by SIL or SGFL. Any Long-Term Financing Facility obtained and utilized by SIL for the retirement of LCs of plant & machinery and Solar Power Plants imported by Muridke Footwear Undertaking from the Effective Date till the Completion Date shall be deemed to be the Long Term Financing Facility obtained and utilized by SGFL. The Bank and Financial institution wise position of Long-Term Financing Facilities obtained and utilized by SIL as on the Effective Date for the retirement of Letters of Credit (LCs) of plant & machinery and Solar Power Plants imported by its Muridke Footwear Undertaking along with detail of charges created is placed at Annex B.

**(D) FOB VALUE OF PROCEEDS OF EXPORT SHIPMENTS MADE BY SIL DURING THE FINANCIAL YEAR 2018-2019 WHOSE E-FORMS WERE FILED BY SIL THROUGH COMMERCIAL BANKS AND FINANCIAL INSTITUTIONS TO BE COMPARED WITH THE FOB VALUES OF PROCEEDS OF EXPORT SHIPMENTS MADE OR DEEMED TO HAVE BEEN MADE BY SGFL UNDER CLAUSE 5.4 (B) DURING THE FINANCIAL YEAR 2019-2020 TO DETERMINE THE ELIGIBILITY OF**

SGFL FOR 1.5 % DRAWBACK AVAILABLE ON ACHIEVING 10% GROWTH IN EXPORTS IN TERMS OF CLAUSE 1(B) OF THE SRO.711(I)/2018 DATED 8 JUNE 2018.

The products exported by Muridke Footwear Undertaking of SIL are eligible for the Drawback of Local Taxes and Levies (DLTL) introduced by Government of Pakistan through Local Taxes and Levies Drawback (Non-Textile) Order, 2018 notified vide SRO. 711(I)/2018 dated 8 June 2018. This Drawback is payable at the rate of 3 % calculated on the FOB value of proceeds of export shipments made in a financial year. In terms of Clause 1(a) of the SRO, 50 % of the rate of drawback i.e 1.5 % is to be paid on the basis of export shipments (eligible for DLTL) made in any financial year without condition of increment in exports and the remaining 50% of the rate i.e 1.5 % is to be paid on achieving 10% growth in exports (eligible for DLTL) in that financial year as compared to exports made in the last year in terms of Clause 1(b) of the SRO. The Muridke Footwear Undertaking of SIL has made various export shipments during the financial year 2018-2019. E-form against these shipments have been filed through various Banks and financial institutions by SIL. Once the Scheme is sanctioned by the Court, SGFL will file certified copy of the order of the Court sanctioning the Scheme with the Commercial Banks and financial institutions through which the aforementioned E-forms have been filed. . FOB value of proceeds of these export shipments made by SIL during the financial year 2018-2019 whose E-forms were filed by SIL through commercial Banks and financial institutions and which are eligible for DLTL will be compared with the FOB values of proceeds of export shipments (eligible for DLTL) made by SGFL or deemed to have been made by SGFL under Clause 5.4 (b) during the financial year 2019-2020 to determine the eligibility of SGFL for 1.5 % drawback available on achieving 10% growth in exports during the financial year 2019-2020. If there is a growth of 10% in exports calculated in the manner explained above, SGFL will be entitled to DLTL of 1.5 % for the financial year 2019-2020 available for achieving 10% export growth as required under Clause of 1(b) of the SRO. Detail of export shipments made by Muridke Footwear Undertaking of SIL during the financial year 2018-2019 along with E-form numbers and dates and the names of the Banks through which E-forms were filed is placed at Annex C.

#### (E) BANK ACCOUNTS

Once the Scheme is sanctioned by the Court, the Bank accounts in the name of SIL being used exclusively by the Muridke Footwear Undertaking shall be transferred from SIL to "SGFL" in the books of the relevant banks and financial institutions on filing of a certified copy of the order of the Court sanctioning the Scheme without any further act or deed by SIL or SGFL. Any Bank account opened by Muridke Footwear Undertaking from the Effective Date till the Completion Date shall be deemed to be the Bank account opened by SGFL. Detail of such Bank accounts obtained and used exclusively by Muridke Footwear Undertaking of SIL as on the Effective Date is placed at Annex D.

#### (F) ELECTRICITY CONNECTIONS

Muridke Footwear Undertaking of SIL has two industrial electricity connections and one residential electricity connection installed by Lahore Electric Supply Company (LESCO) as on the Effective Date. The two industrial connections are billed at a subsidized tariff of 7.5 cents per KWh in accordance with SRO 12(I)/2019 dated 1<sup>st</sup> January 2019. The title of these three electricity connections shall be transferred from SIL to 'SGFL' as on the Effective Date on filing of a certified copy of the order of the Court sanctioning the Scheme without any further act or deed by SIL or SGFL. Moreover, the two industrial electricity connections transferred to the books of SGFL shall be billed at the aforementioned subsidized tariff with effect from the Effective Date. Detail of these three connections as on the Effective Date is placed at Annex E.

#### (G) GAS CONNECTIONS

Transfer of gas connections of Muridke Footwear Undertaking from SIL to "SGFL"

#### (H) EOU LICENSE

SIL is availing Export Oriented Unit License No.17/LHR/EOU/2018 ("EOU License") issued by Collector of Custom, Lahore Dry Port with a face value of Rs1,000million for its Muridke Footwear Undertaking for the duty and tax free imports of plant, machinery, equipment, component parts, raw material, packing material and accessories. The title of the EOU License will be transferred from SIL to 'SGFL' in the books of the Collector of Customs, Lahore Dry Port on

filing of a certified copy of the order of the Court sanctioning the Scheme without any further act or deed by SIL or SGFL

**(I) RAW MATERIAL, PACKING MATERIAL AND ACCESSORIES IMPORTED UNDER EOU LICENSE**

The raw material, packing material and accessories imported under the EOU License without the payment of duties and taxes need to be consumed in export shipments within a period of two years from the date of importation. The title of these quantities of raw material, packing material and accessories imported and not yet consumed by SIL in its export shipments shall be transferred from SIL to 'SGFL' in the books of the Collector of Customs, Lahore Dry Port on filing of a certified copy of the order of the Court sanctioning the Scheme without any further act or deed by SIL or SGFL and will subsequently be consumed in the export shipments of SGFL within two years from date of first importation of such quantities by SIL. GD wise detail of the aforesaid quantities imported by SIL under the EOU License which have not been consumed in export shipments as on the Effective Date is placed at Annex F.

**(J) PLANT & MACHINERY IMPORTED UNDER EOU LICENSE**

The plant, machinery, equipment and component parts imported by Muridke Footwear Undertaking of SIL under the EOU License without the payment of duties and taxes need to be retained for a period of five years commencing from the date of importation. The title of these plant, machinery, equipment and component parts will be transferred from SIL to 'SGFL' in the books of the Collector of Customs, Lahore Dry Port on filing of a certified copy of the order of the Court sanctioning the Scheme without any further act or deed by SIL or SGFL and the period for the purposes of retention of five years shall be treated as continuous and not interrupted for the purposes of this clause from the date of importation by SIL. GD wise detail of plant, machinery, equipment and component parts imported by SIL under the EOU License on or before the Effective Date is given is placed at Annex G.

**(K) POST-DATED CHEQUES**

Duty- and tax-free imports of plant, machinery, equipment, component parts, raw material, packing material and accessories under the EOU License are made

against postdated cheques issued by the Bank of SIL in favour of Collector of Customs. These cheques are deposited by SIL with respective Custom Collectorates at the time of clearance of import consignment under the EOU License. These postdated cheques issued against the import of raw material, packing materials and accessories will be released by the Custom Collectorates after post-exportation audit carried out of Collector of Customs, Lahore Dry Port verifying consumption of these imported items in export shipments within a period of two years from importation. Moreover, postdated cheques issued against the import of plant, machinery, equipment and component parts will be released by the Custom Collectorates after post-exportation audit carried out of Collector of Customs, Lahore Dry Port after verifying retention of these items in the manufacturing premises for a period of five years after importation. These postdated cheques shall be replaced with the postdated cheques of SGFL in the books of the respective Custom Collectorates on filing of a certified copy of the order of the Court sanctioning the Scheme without any further act or deed by SIL or SGFL and shall be accepted by the respective Custom Collectorate. GD wise detail of postdated cheques issued by SIL not yet released by Custom Collectorate on or before the Effective Date is placed at Annex H.

Any (i) plant, machinery, equipment and component parts imported by Muridke Footwear Undertaking (ii) raw material, packing material and accessories imported by Muridke Footwear Undertaking and not consumed in exports and (iii) postdated cheques issued against duty free imports, from the Effective Date till the occurrence of the Completion Date shall be deemed to be imported / issued by SGFL.

(L) GRANT OF SALES TAX REGISTRATION CERTIFICATE BY FEDERAL BOARD OF REVENUE TO SGFL.

(M) GRANT OF WEBOC REGISTRATION BY CUSTOM AUTHORITIES TO SGFL.

18.2 Within 10 days of the Completion Date:

- (a) SIL shall determine the value of undertaking to be transferred to SGFL in accordance with Article 12.2 of the Scheme;
- (b) SGFL shall allot and issue 150,000,000 shares of PKR 10 each at Par value;

- (c) SGFL shall transfer the difference between the net assets of the Muridke Footwear Undertaking on the Completion Date and PKR 1,500,000,000 to its revenue reserve.
- (d) File return of allotment by SGFL within 10 days of the allotment of SGFL shares.

## ARTICLE 19 APPLICATION TO THE COURT

SIL and SGFL shall make a joint application to the Court for sanctioning of this Scheme.

Date:

Lahore.



Applicant No. 1

A handwritten signature in black ink, consisting of a stylized 'S' followed by a horizontal line and a vertical line.



Applicant No. 2

For SIL  
(Chief Executive Officer)

For SGFL  
(Director)