

22 December 2020

AVN/PSX/22122020

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi.

Subject: Notice of Extraordinary General Meeting

Dear Sir,

Enclosed please find a copy of the Notice of Extraordinary General Meeting to be held on 12 January 2021 for circulation amongst the TRE Certificate Holders of the Exchange.

Yours Sincerely,

Ahsan Khalil | Company Secretary

Notice is hereby given that the Extraordinary General Meeting of Avanceon Limited the "Company" will be held on Tuesday 12 January 2021 at 03:30 p.m via video link (as permitted by Securities and Exchange Commission of Pakistan) from Avanceon Limited, Regional Operations Center, 19-KM, Main Multan Road, Lahore, to transact the following business:

ORDINARY BUSINESS:

1.To confirm the minutes of the 17th Annual General Meeting held on 29 May 2020.

SPECIAL BUSINESS:

1.To consider and if thought appropriate, pass with or without modification, the following resolution in terms of subsection 3 of section 183 of the Companies Act, 2017, to authorize and approve the sell or disposal off its after-market engineering and technical services related business segments / undertaking (constituted approximately 23% of total revenue of the company as per last audited financial statements for the year ended 31 December 2019) to its wholly owned subsidiary company Octopus Digital Ltd (Formerly Octopus Digital (Pvt) Ltd.) ("The subsidiary") against issue of shares by the subsidiary in favor of the company:

"RESOLVED THAT pursuant to sub-section 3 of the section 183 of the Companies Act, 2017 and subject to the grant of all approvals and consents, as required under the Companies Act, 2017, the Company do hereby sell, dispose off or transfer its after-market engineering and technical services related business segments / undertaking (constituted approximately 23% of total revenue of the company as per last audited financial statements for year ended 31 December 2019) to its wholly owned subsidiary company Octopus Digital Ltd (Formerly Octopus Digital (Pvt) Ltd.) ("the subsidiary") against the issue of 108,400,000/- ordinary shares of Rs.10/- each by the subsidiary in favor of the company on such terms and conditions as specified under the business contract entered into with the subsidiary. This resolution will remain effective till its implementation"

"FURTHER RESOLVED THAT Mr. Bakhtiar Hameed Wain, Chief Executive Officer & Director and/or Mr. Ahsan Khalil, Company Secretary be and is hereby authorized to do all acts, deeds and things, to execute such agreements, documents and papers and make any applications, including but not limited to any applications, notices, disclosures required to be filed with the Securities and Exchange Commission of Pakistan, Pakistan Stock Exchange Limited and any other regulatory authorities, and undertake all such steps for the purposes of sell, dispose off or transfer of the business segment / undertaking to the subsidiary as the aforesaid officer of the Company may deem fit in connection with the formalities of disposal of the business segment / undertaking."

Any other Business:

2.To transact any other business with the permission of the chair.

By the order of the Board
Ahsan Khalil | Company Secretary

Lahore | 22 Dec 2020

WEBLINK FOR ONLINE MEETING VIA ZOOM:

For attending live proceedings of the EOGM the shareholders are requested to follow the below link:

https://us02web.zoom.us/join/register/WN_wVxhDEILSLMdYq52dhPMg

Please follow the below link for complete guidance as how to login on Zoom to attend the Extraordinary General Meeting:

<http://www.avanceon.ae/investor-relations/> (scroll to the bottom of the page for guideline doc)

The shareholders attending EOGM through Zoom, are given the option to send in advance their respective questions/comments/ suggestions along with their Name and Folio Number on the following link or email address or postal address according to their convenience.

Email: investors@avanceon.ae
Postal Address: Corporate Officer, Avanceon Limited, 19-Kms, Main Multan Road, Lahore.

In pursuance of SECP Circular Nos. 5, 10 & 33 of 2020 of Securities and Exchange Commission of Pakistan (SECP) and prevailing COVID-19 pandemic, the proceedings of the AGM EOGM shall be held online through ZOOM only. Further the Company will be unable to send the copies of Notice of EOGM (the "Notice") through post to its members. However, the Notice along with the Form of Proxy are available on the Company's website www.avanceon.ae, which have also been sent to the PSX via PUCAR system. In the event of any difficulty in accessing the Notice or the Form of Proxy, members can contact the Company by emailing at investors@avanceon.ae. The Company will also send a copy of the Notice and Form of Proxy via email to those members who have provided their email addresses to the Share Registrar of the Company (Famco Associates (Pvt.) Limited).

Notes:

1.The share transfer books of the Company will be closed, and no transfer of shares will be accepted for registration from Tuesday, 05 January 2021 to Tuesday, 12 January 2021 (both days inclusive). Transfer received in order at the office of our Registrar FAMCO Associates (Pvt.) Limited, 8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shakra-e-Faisal, Karachi by the close of business (5.00 p.m.) on Monday, 04 January 2020 will be treated to have been in time for the purposes to attend & vote at the meeting.

2.A member entitled to attend and vote at this Meeting shall be entitled to appoint another person, as his/ her proxy to attend, speak and vote instead of him/ her, and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the Meeting as are available to a member. Proxies in order to be effective, must be received by the Company not less than 48 hours before the meeting. A proxy need not be a member of the company.

3.Members are required to timely notify any change in their address to Company's Shares Registrar, FAMCO Associates (Private) Limited, 8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shakra-e-Faisal, Karachi.

ADDITIONAL NOTES:

CDC Account Holders will further have to follow the under mentioned guidelines as laid down in circular #1 dated 26 Jan 2000, issued by SECP.

FOR 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 up-loaded as per the Regulations, shall authenticate his identity by showing/emailing his original National Identity Card (NIC) or original passport at the time of attending the meeting.

II.The shareholders registered on CDC are also requested to produce/email their ID numbers and account numbers in CDS.

III.In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

FOR APPOINTING PROXIES:

I.In case of individual, 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/email the duly completed and stamped proxy form accordingly.

II.The proxy form shall be witnessed by the two persons whose names, addresses and NIC numbers shall be mentioned on the form.

III.Attested copies of valid NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

IV.The proxy shall produce his/ her original NIC or original passport at the time of the meeting.

V.In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted along with proxy form to the company.

STATEMENT(S) UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

This Statement is annexed to the Notice of the Extra Ordinary General Meeting of Avanceon Limited to be held on Tuesday, 12 Jan 2021at which certain Special Business is to be transacted. The purpose of this Statement is to set forth the material facts concerning such special business.

ITEM 2 OF AGENDA

The company is engaged in business of trade in products of automation and control equipment and to provide related engineering and technical services. The engineering and technical services related business segment constituted 23% of total revenue of the company as per last audited financial statements for the year ended on 31 December 2019. The engineering and technical service are provided in Pakistan and UAE as an after sale services.

On June 17, 2019, the company entered into a business contract with its subsidiary to sell / disposed off / transfer its after market engineering & technical services related business segment against the consideration of shares to be issued by the subsidiary for Rs. 819,000,000/- and accordingly the resolution was passed on August 08, 2020. Having complied with all legal requirements, all required documents / forms / data / resolutions were submitted on 27 December 2019 with the relevant Commissions of SECP. Since 12 February 2020, the Corporatization & Compliance, Company Law Division, SECP had raised and maintained ensuing two objections:

1.A private company cannot issue the share against other than in cash consideration however public company may do that.

2.While valuing, by a method of P/E Ratio, the after-market engineering & technical services related business segment, the valuer should have taken 26% (ratio of AMS Business segment revenue to standalone M/S Avanceon Limited) of total market value of the company on date of valuation rather than 10.3% (ratio of AMS Business segment's revenue to group's revenue) to value after-market engineering & technical services related business segment thus prima facie causing understatement of valuation and causes significant doubts about reasonableness of the assumptions taken by the valuer and requested to value from another firm.

Our consultant M/S Ali Akhtar Adnan, Chartered Accountants replied however the SECP through various letters, not through order required to be issued to move case forward before appellate bench advised us, not to do such transaction on the basis of above reservations. Our consultant was of opinion that if we filed petition before higher authority, we might get relief however the board of directors decided instead of getting involved in the litigation, we should remove observations by converting the status of the subsidiary into public limited and get new valuation report from a QCR Rated CA Firm.

On the basis of previous valuation report, the Board of Directors of the Company had resolved to dispose, sell and transfer of the business segment to its the subsidiary on such terms and conditions as specified under the business contract executed between the subsidiary and the Company. The cumulative sale price was at PKR 819,000,000/- being lowest values from four techniques mentioned below. The Management considered this price to be appropriate and subjected to be less risk of impairment.

The firms valued the business segment as given below:

S.No.	Valuation Method	New Report Value Rs.	Old Report Value Rs.	Remarks
1	Operating cash Flow	1.08B/-	1.6B/-	New report considered less growth rate by considering inter-alia Covid-19 effects
2	Market capitalization	1.04B/-	843M/-	Market value of the company increased from date Of previous report
3	Dividend Discount Model	-	1.6B/-	New report did not consider this technique as the result from this technique will automatically be same as from operating cash flow (The dividend will be equal to operating cash flow)
4	P/E Ratio as valuation multiple technique	-	819M/-	New report considered that since reasonable P/E ratio is not available for like business therefore it did not consider the technique.

Since the fixing the commercial / financial / business term / value is prerogative of members on recommendation of the board of directors therefore we recommend the value at Rs 1.08B/- as it is appropriate in all aspects.

In addition to above, the following information / facts may please be noted

S.No.	Description of Information	Detail of Information
1	Detail of business segment / undertaking to be disposed off	No assets and liability will be transferred as service related business segment does not involve assets and liability. Under the sales agreement, the after-market technical services business segment shall be ceased by the company and it shall be performed / conducted by the subsidiary. The subsidiary company will issue share equal to loss to be incurred by the company. The worth of business segment is Rs.1,084,000,000/-. The company has appointed independent valuers to determine value of business segment / undertaking and legal counsel to do such transaction.
2	Reasons for the sale or disposal of the business segment / undertaking and the benefits expected to accrue to the shareholders therefrom.	1.The arrangement helps in developing operation synergies across business and managing business in a focused manner. This will help reduction in business risk thus likely to increase the wealth of the shareholders. 2.The arrangement will not affect the existing operational income of Avanceon Limited as it holds 100% shares of Octopus Digital Ltd. (Formerly Octopus Digital (Pvt) Ltd.). In this nexus, Avanceon Limited will consider the group taxation under the Income Tax Ordinance, 2001 to claim the exemption of income tax on inter-company dividend. 3.On promulgation of 18th amendments to the Constitution of Pakistan, the domain of sale tax on services has been brought under respective provincial governments. The federal and provincial sales tax legislations have their own rules and regulations therefore in order to be more effective compliant of both laws, the arrangement found to be effective.

Since Octopus Digital Limited (formerly Octopus Digital (Pvt) Ltd.) is wholly owned subsidiary of the company thus in pursuant of subsection 3 of section 199 of the Companies Act, 2017 and regulation 1(3) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 (hereinafter referred to as "the Regulations 2017") read with clause (f) of SRO 1239 (I) 2017 dated 06 December 2017, the subsection 1 of section 199 of the Companies Act, 2017 and the Regulations, 2017 shall not be applicable upon the company however main terms and condition may please be noted:

S.No.	Description of Information	Detail of Information
1	Name of associated company or associated undertaking	Octopus Digital Limited (formerly Octopus Digital (Pvt) Ltd.)
2	Basis of relationship	Octopus Digital Limited (formerly Octopus Digital (Pvt) Ltd.) is a wholly Owned Subsidiary of Avanceon Limited
3	In case of investment in relation to a project of associated company or undertaking that has not commenced operational, the following further information, namely: 1.Description of the project and its history since conceptualization 2.Starting date and expected date of completion of work 3.Time by which such project shall become commenced operational 4.Expected time by which the project shall start paying return of investment 5.Funds invested or to be invested by the promoters, sponsored of associated company or undertaking distinguishing between cash and non-cash amounts	N/A
4	Maximum amount of investment to be made	Rs. 1,084,000,000/-
5	Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	Purpose & Benefit: 1.The arrangement helps in developing operation synergies across business and managing business in a focused manner. This will help reduction in business risk thus likely to increase the wealth of the shareholders. 2.The arrangement will not affect the existing operational income of Avanceon Limited as it holds 100% shares of Octopus Digital Ltd (formerly Octopus Digital (Pvt.) Ltd.) where the business segment/undertaking will be transferred. In this nexus, Avanceon limited will consider the group taxation under the Income Tax Ordinance, 2001 to claim the exemption of income tax on inter-company dividend. 3.On promulgation of 18th amendments to the Constitution of Pakistan, the domain of sale tax on services has been brought under respective provincial governments. The federal and provincial sales tax legislation has their own rules and regulations therefore in order to be more effective compliant of both laws, the arrangement found to be effective. The above will help in reducing risk of business. Period: The investment is made in share for indefinite period.
6	Source of fund to be utilized for investment and where the investment is intended to be made using borrowed funds: 1.Justification for investment through borrowings 2.Detail of collateral, guarantees provided and assets pledged for obtaining such funds; and 3.Cost benefits analysis	Disposal / transfer of the Business segment
7	Salient features of agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment	1.The company sells, dispose off after-market engineering and Technical Service Business segment to the subsidiary against Consideration of issuance of 108,400,000/- ordinary shares of Rs. 10/- each 2.The company will remain entitled to whole profit of the subsidiary
8	Direct or indirect interest of Directors, Sponsors, Majority shareholders and their relatives, if any, in the associated company or the transaction under consideration.	Common Directorship of below two directors in both companies 1- Mr. Bakhtiar Hameed Wain 2- Mr. Tanveer Karamat
9	Maximum price at which securities will be acquired	Face value at Rs.10/- per share
10	In case the purchase price is higher than market value in case of listed securities and fair value in case of unlisted securities, justification thereof	Purchase is made nominal value.
11	Number of securities and percentage thereof held before and after the proposed investment.	(1,000,020 Ordinary shares) 100% Ordinary Share of wholly owned subsidiary.
12	Current and preceding 12 (twelve) weeks' weightage average market price where investment is proposed to be made in listed securities	N/A

Inspection of documents: All documents / records / information including ;

- 1.Business contracts
- 2.Due diligence reports along with recommendation
- 3.Valuations reports
- 4.Latest audited financial statements of the subsidiary for the year ended 31 December 2019, have been kept at the registered office of the company and can be inspected during business hours till the date of the meeting.

