

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE is hereby given that an Extraordinary General Meeting (**EOGM**) of the members of Packages Limited (the “**Company**”) will be held on Friday, July 09, 2021 at 02:30 P.M. via zoom/video conferencing facility to transact the following businesses:

ORDINARY BUSINESS:

1. To confirm the minutes of the Annual General Meeting of the Company held on April 30, 2021.

SPECIAL BUSINESS:

2. To consider and, if deemed fit, pass a Special Resolution, as proposed in the Statement of Material Facts, pursuant to Section 199 of the Companies Act, 2017 to authorize further investment by way of acquisition of ordinary shares of Tri-Pack Films Limited, a listed associated company of the Company, subject to the public offer and fulfillment of applicable corporate and regulatory approvals.

By Order of the Board

Karachi
June 17, 2021

Arjumand Ahmed Shah
Company Secretary

Notes:

1. The Share Transfer Books of the Company will remain closed from July 02, 2021 to July 09, 2021 (both days inclusive).
2. A member eligible to attend and vote at the meeting may appoint another person as his proxy to attend, vote and speak at the meeting instead of him/her. A proxy need not be a member of the Company. The proxy forms duly completed and signed by the member appointing the proxy must be deposited with the Company’s Share Registrar, FAMCO Associates (Private) Limited, 8F, Next to Hotel Faran, Nursery Block 6, P.E.C.H.S., Sharah-e-Faisal, Karachi, no later than forty-eight (48) hours before the time selected for the meeting. The Form of Proxy is attached with this notice.

3. Shareholders (Non-CDC) are requested to promptly notify the Company's share registrar of any change in their addresses.
4. Further, in compliance with SECP's circular No. 6 of 2021 dated March 03, 2021 keeping in view the recent spike in number of Covid 19 cases and to ensure the health and safety of our Shareholders the Company intends to convene this EOGM virtually via video conference facility while ensuring compliance with the quorum requirements and requests of the Members to consolidate their attendance and voting at the EOGM through proxies.
5. Members are required to email their Name, Folio Number and Number of Shares held in their name with subject 'Registration for EOGM' at nisar.ahmed@packages.com.pk. Video-link and login credentials will be shared with only those Members whose emails, containing all the required particulars, are received at the given email address by or before 3:00 P.M. on 07 July 2021.
6. Members can exercise their right to demand a poll subject to meeting requirements of Sections 143 - 145 of the Companies Act, 2017 and applicable clauses of Companies (Postal Ballot) Regulations, 2018.
7. Members who have not yet submitted photocopy of their Computerized National Identity Cards to the Company are requested to send the same at the earliest.

STATEMENT UNDER SECTION 134 (3) OF THE COMPANIES ACT, 2017 REGARDING SPECIAL BUSINESS

Item No. 2 of the Notice

Investment in Tri-Pack Films Limited

Tri-Pack Films Limited (**Tri-Pack**) was incorporated in Pakistan on April 29, 1993 as a public company under the repealed Companies Ordinance, 1984 as a joint venture between Packages Limited (the “**Company**”) and Mitsubishi Corporation of Japan (“**Mitsubishi Corporation**”) and is listed on the Pakistan Stock Exchange Limited. It is principally engaged in the manufacturing and sale of Biaxially Oriented Polypropylene (BOPP film and Cast Polypropylene (CPP) film.

Presently, the Company holds 33.33% shareholding i.e. 12,933,333 ordinary shares and Mitsubishi Corporation holds 19.33% shareholding i.e. 7,500,000 ordinary shares in Tri-Pack.

Mitsubishi Corporation indicated its intention of selling its entire 19.33% shareholding i.e. 7,500,000 ordinary shares (“**Mitsubishi shareholding**”) in Tri-Pack and offered the said shareholding to the Company under the Company’s first right of offer in accordance with the terms of JV agreement between the parties. The Board of Directors of the Company, in its meeting held on February 12, 2021, resolved that the Company shall communicate to Mitsubishi Corporation its desire to purchase Mitsubishi shareholding subject to the condition that the purchase price falls within the range acceptable to the Board and subject to fulfilment of all applicable legal conditions (including for investment in associates and under take-over laws) and applicable corporate and regulatory approvals. Accordingly, the Company has entered into Share Purchase Agreement with Mitsubishi Corporation dated June 8, 2021 for the purchase of Mitsubishi shareholding at a negotiated purchase price of Rs.154.62/share amounting to Rs. 1,159.65 million (excluding transaction costs) subject to fulfillment of such corporate and regulatory approvals as are applicable to the transaction including but not limited to the approval of shareholders of the Company in an extraordinary meeting.

The proposed acquisition shall be subject to the provisions of Part IX of the Securities Act 2015 and the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017 in accordance with the clarification issued by Securities and Exchange Commission (“**SECP**”) dated June 3, 2021 to the Company. Please note that the Company appointed Arif Habib Limited as Manager to the Offer and published public announcement of intention to acquire in newspapers on February 19, 2021 as per regulations. Accordingly, the Company may also acquire such number of ordinary shares of Tri-Pack as may be offered and acquired in accordance with the provisions Part IX of the Securities Act 2015 and the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017 at such price as may be determined under the applicable regulations.

With this proposed acquisition, the shareholding of the Company will increase to 52.66% i.e. 20,433,333 ordinary shares in Tri-Pack in addition to any such shareholding as may be offered and acquired under the public offer in accordance with the provisions of Part IX of the Securities Act 2015 and the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017.

Under applicable laws, this proposed acquisition falls under the scope of investment in an “associated company” by the Company under Section 199 of the Companies Act, 2017 read with Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 and consequently requires the approval of the shareholders of the Company by way of special resolution in accordance with the requirements of Section 199 of the Companies Act, 2017.

The following Resolution is proposed for the consideration by the shareholders and for passing as a Special Resolution, with or without any amendments, as may be considered appropriate by the shareholders;

“RESOLVED that Packages Limited (***“Company”***) be and is hereby authorized to further invest Rs. 1,159.65 million (excluding transaction costs) for acquisition of entire 19.33% Mitsubishi shareholding i.e. 7,500,000 ordinary shares in Tri-Pack Films Limited (a listed associated company) in accordance with the terms of Share Purchase Agreement and/or JV Agreement subject to fulfilment of all applicable legal conditions including under take-over laws and applicable corporate and regulatory approvals;

FURTHER RESOLVED that the approval of the shareholders be and is hereby accorded, as to the acquisition of such number of ordinary shares of Tri-Pack Films Limited as may be offered and acquired in accordance with the provisions Part IX of the Securities Act 2015 and the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017 at such price as may be determined under the applicable regulations;

FURTHER RESOLVED that the approval of the shareholders be and is hereby accorded, as permitted in Regulation 6 of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations 2017, that the limit of the investment above shall not lapse after 12 months and shall continue to be valid and effective till the time the limit is fully utilized;

FURTHER RESOLVED that the Chief Executive Officer, Chief Financial Officer and/or Company Secretary of the Company be and are hereby authorized, singly and/or jointly to take all necessary steps, measures and actions for execution and implementation of the foregoing resolutions including but not limited to obtaining applicable regulatory approvals and completing all other applicable corporate filing requirements”

Further Information

As required by the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 (“Regulations”) [S.R.O. 1240 (1)/2017 dated December 6, 2017], the following further information is provided:-

S. No.	Description	Information Required
(A)	(i) Name of associated company (investee company)	Tri-Pack Films Limited (Tri-Pack)
	(ii) Basis of relationship	<p>The investee company is an associated company of Packages Limited (Company) due to common directorship and also by virtue of Packages Limited holding 33.33% in the investee company’s equity.</p> <p>Syed Babar Ali, a major shareholder of the Company, is the Chairman of the Board of Directors of Tri-Pack and holds 3.26% and 1.38% direct equity stake in the Company and Tri-Pack respectively.</p> <p>Syed Hyder Ali, Chief Executive Officer of the Company, is also a director in Tri-Pack and holds 3% and 0.87% direct equity stake in the Company and Tri-Pack respectively.</p> <p>Mr. Khurram Raza Bakhtayari, Chief Financial Officer of the Company, holds directorship in Tri-Pack.</p>
	(iii) Earnings per share for the last three years (Rupees)	December 31, 2018: Rs. 4.06/share December 31, 2019: Rs. (7.98)/share December 31, 2020: Rs. 15.83/share
	(iv) Break-up value per share, based on latest audited financial statements (Rupees)	Break-up value per ordinary share of Tri-Pack is Rs. 99.89/share based on its audited financial statements as of December 31, 2020
	(v) Financial position, including main items of statement of financial position and profit and loss account on the basis of its	Key financial highlights of Tri-Pack for the past 6 years are attached as Annexure-A

latest financial statements

S. No.	Description	Information Required
(vi)	Information in case of investment in relation to a project of associated company or associated undertaking that has not commenced operations	Not applicable
(B) (i)	Maximum amount of investment to be made	<p>The Company is considering to invest Rs. 1,159.65 million (excluding transaction costs) for acquisition of entire 19.33% Mitsubishi shareholding i.e. 7,500,000 ordinary shares in Tri-Pack.</p> <p>In addition, the Company may acquire such number of ordinary shares of Tri-Pack as may be offered and acquired in accordance with the provisions Part IX of the Securities Act 2015 and the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017 at such price as may be determined under the applicable regulations;</p>
(ii)	Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	Long term equity investment to earn potential dividend income as well as prospective capital gains
(iii)	Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds:-	The Proposed Investment shall be carried out by the Company with a mix of internal cash generation and borrowed funds.
(a)	justification for investment through borrowings;	(a) The Company expects that the proposed investment will generate returns higher than the borrowing cost of the Company.
(b)	detail of collateral, guarantees provided and assets pledged for obtaining such funds; and	(b) The Company's investments in shares of various listed companies shall be used as collateral for obtaining such funds.
(c)	cost benefit analysis	(c) The financial returns from investment in Tri-Pack are expected to be higher than the related borrowing cost of the Company in the long-term.

S. No.	Description	Information Required
(iv)	Salient features of the agreement(s), if any, with investee company with regards to the proposed investment	No such agreement in place with Tri-Pack.
(v)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or the transaction under consideration	<p>Syed Babar Ali, a major shareholder of the Company, is the Chairman of the Board of Directors of Tri-Pack and holds 3.26% and 1.38% direct equity stake in the Company and Tri-Pack respectively. Syed Babar Ali is considered as interested in his capacity as chairman of the board of Tri-pack and to the extent of his shareholding in both the companies</p> <p>Syed Hyder Ali, Chief Executive Officer of the Company, is also a director in Tri-Pack and holds 3% and 0.87% direct equity stake in the Company and Tri-Pack respectively. Syed Hyder Ali is considered as interested in his capacity as director of both companies and to the extent of his shareholding in both the companies</p>
(vi)	In case any investment in associated company has been made, the performance review of such investment, including complete information/justification for any impairment or write-offs	<p>The Company already holds 12,933,333 ordinary shares i.e. 33.33% in Tri-Pack. In 2019, Tri-Pack incurred Loss after tax of Rs. 7.98/share, accordingly, the Company recognized an impairment loss of Rs. 676.86 million on its existing investment in Tri-Pack since the recoverable amount was estimated as lower than the carrying amount of investment as at December 31, 2019. Thereafter, Tri-Pack has shown significant improvement in its financial performance by achieving an Earning per share of Rs. 15.83/share during the year ended December 31, 2020 and an Earning per share of Rs. 9.30/share during the quarter ended March 31, 2021. The Company will reassess the recoverable amount of its investments at the year-end in accordance with applicable financial reporting framework and the resulting adjustment/reversal in impairment, if any, will be recognized in the financial statements accordingly.</p>

Description

Information Required

Additional disclosures for equity investment:-

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| (i) Maximum price at which securities will be acquired | <p>The Company is considering to purchase entire 19.33% Mitsubishi shareholding i.e. 7,500,000 ordinary shares in Tri-Pack at a negotiated purchase price of Rs. 154.62/share</p> <p>The purchase price under the public offer shall be determined in accordance with the provisions of Part IX of the Securities Act 2015 and the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017, if and when, the Company shall make Public Announcement of Offer as per applicable regulations.</p> |
| (ii) In case the purchase price is higher than the market value of the listed security, justification thereof | <p>Not Applicable. The negotiated purchase price for Mitsubishi shareholding i.e. Rs. 154.62/share is less than the market price prevalent on the close of business as of June 08, 2021 i.e. Rs. 189.29/share (date of signing of Share Purchase Agreement)</p> <p>The purchase price under the public offer shall be determined in accordance with the provisions of Part IX of the Securities Act 2015 and the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017, if and when, the Company shall make Public Announcement of Offer as per applicable regulations.</p> |
| (iii) Maximum number of securities to be acquired | <p>The Company is considering to purchase entire 19.33% Mitsubishi shareholding i.e. 7,500,000 ordinary shares in Tri-Pack at negotiated purchase price of Rs. 154.62/share</p> <p>In addition, the Company may acquire such number of ordinary shares of Tri-Pack as may be offered and acquired in accordance with the provisions Part IX of the Securities Act 2015 and the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017 at such price as may be determined under the</p> |

applicable regulations.

Description	Information Required
(iv) Number of securities and percentage thereof held before and after the proposed investment	The Company currently holds 12,933,333 ordinary shares i.e. 33.33% in Tri-Pack. Upon completion of proposed acquisition, the shareholding of the Company in Tri-Pack will increase from 33.33% to 52.66% in addition to any such shareholding as may be offered and acquired under Public Offer in accordance with the provisions of Part IX of the Securities Act 2015 and the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations, 2017, if and when such public offer is made as per applicable regulations.
(v) Current and preceding twelve weeks' weighted average market price where investment is to be made in listed securities	Current price of Tri-Pack at close of business on June 14, 2021: Rs. 189.93 per share. Weighted average market price for preceding twelve weeks: Rs. 182.83 per share.
(vi) Fair value determined in terms of sub-regulation (1) of Regulation 5 for investment in unlisted security	Not applicable as the investee company is a listed security

Due Diligence:

The Directors have, as required by Regulation 3(3), carried out the required due diligence of Tri-Pack Films Limited for which shareholders' consent by Special Resolution set out below is required under Section 199 of the Companies Act, 2017. The Due Diligence Reports as approved by the Directors and signed under their authority will be available for the inspection of the shareholders at the Extraordinary General Meeting.

Interest of the Investee Company, its sponsors and Directors in the Company:-

As required by Regulation 4(1) of the Regulations, it is declared that:

1. The investee company, Tri-Pack, holds no shares in the Company and have no interest in the Investing Company.
2. Syed Babar Ali and Syed Hyder Ali, the directors of Tri-Pack, hold 2,913,091 ordinary shares and 2,678,725 ordinary shares respectively in the Company.

Audited Financial Statements

As required by Regulation 4(3) of the Regulations, the latest audited Financial Statements of Tri-Pack as at December 31, 2020 and latest interim Financial Statements of Tri-Pack as at March 31, 2021 shall be made available for inspection of the members at the Extraordinary General Meeting.

	2015	2016	2017	2018	2019	2020
Key Financial Highlights						
Profitability Ratios						
Gross profit ratio	15.5	17.3	14.4	10.4	10.1	16.2
Net profit/Loss to sale%	4.2	6.4	4.7	1.2	(2.1)	4.1
EBITDA margin to sale%	15.3	16.7	14.6	10.1	9.1	14.4
Operating leverage ratio%	(12.6)	(8.6)	(3.7)	(5.2)	0.2	40.2
Return on equity%	23.6	19.9	14.5	4.2	(9.5)	15.8
Return on capital employed%	12.7	16.2	13.6	7.4	8.6	19.1
Liquidity Ratios						
Current ratio	0.8	1.1	0.9	0.9	0.8	1.0
Quick ratio	0.5	0.7	0.6	0.5	0.5	0.6
Activity / Turnover Ratios						
Inventory turnover	7.8	7.1	7.2	5.5	7.6	6.7
No. of Days in Inventory	46.8	51.7	50.6	66.0	47.9	54.6
Debtor turnover ratio	11.3	9.2	8.7	6.7	7.5	10.4
No. of Days in Receivables	32.2	39.8	42.0	54.5	48.9	35.2
Payables turnover ratio	5.1	4.6	22.9	27.3	4.8	5.0
No. of Days in payables	71.6	78.8	15.9	13.4	75.7	72.6
Total Assets turnover ratio	1.1	1.1	1.1	1.0	1.2	1.1
Fixed Assets turnover ratio	1.8	1.9	2.0	2.2	2.4	2.1
Operating Cycle	7.4	12.7	76.7	107.2	21.1	17.2
Investment / Market Ratios						
Earnings per share (EPS)	14.9	20.1	14.8	4.1	(8.0)	15.8
Price earning ratio	16.6	14.6	9.5	26.4	(10.5)	10.3
Price to Book ratio	73.1	98.7	48.5	33.0	26.5	48.1
Dividend %	50	100	100	40	-	50
Dividend Yield ratio	2.0	3.4	7.1	3.7	-	3.1
Dividend Payout ratio	33.6	49.6	67.8	98.6	-	31.6
Dividend Cover ratio	3.0	2.0	1.5	1.0	-	3.2
Break-up Value per share	70.5	98.0	101.9	96.2	84.0	99.9
Market value per share	247.0	294.0	140	107.1	84.2	162.8