

NOTICE OF JOINT EXTRAORDINARY GENERAL MEETING

(COLONY) SARHAD TEXTILE MILLS LTD
SUHAIL JUTE MILLS LIMITED

This Notice is being sent in compliance with the Order dated 19 January 2016 of the Honorable Lahore High Court, in respect of Petition: CO No: 02 of 2013.

A Joint Extraordinary General Meeting of the shareholders of Suhail Jute Mills Limited and (Colony) Sarhad Textile Mills Limited will be held at 14-B Civil Lines, Rawalpindi, on Saturday 19 March, 2016 at 1500 Hours under the Chairmanship of Mr. Muhammad Azam Chughtai, Advocate, to transact the following business:

SPECIAL BUSINESS:

RESOLUTION NO: 1

CONSIDERATION (AT THE DIRECTION OF THE COURT) AND APPROVAL OF THE ALTERED VALUE OF LAND OF (COLONY) SARHAD TEXTILE MILLS LIMITED IN ACCORDANCE WITH THE VALUATION CONDUCTED SUBSEQUENTLY AT THE DIRECTION OF THE SECP.

The Hon. Court has ordered that the raised price of the property, which should form part of the swap ratio to be finalized, be placed before the meeting. The following Resolution is being proposed to give effect to the Hon Court's order:

Resolved that: The value of Land of (Colony) Sarhad Textile Mills Limited, amounting to RS 254,100,000 (as per the valuation Report of M/s Impulse (Pvt) Ltd., dated 25 September 2014) shall hereby form part of the swap ratio in respect of shares in connection with the scheme of arrangement.

RESOLUTION NO:2

CONSIDERATION AND APPROVAL OF THE SCHEME OF ARRANGEMENT INVOLVING A MERGER:

To consider the Scheme of Arrangement (the 'Scheme') involving the merger of (Colony) Sarhad Textile Mills Limited ('CSJM'), with and into, Suhail Jute Mills Limited, ('SJM'), in terms of Sections 284 to 288 of the Companies Ordinance, 1984 and to pass the following Resolution, with or without modification:

"Resolved that: the Scheme of Arrangement for merger / amalgamation of (Colony) Sarhad Textile Mills Limited into Suhail Jute Mills Limited considered by this meeting be and is hereby approved, adopted and agreed subject to the sanction by the Honorable High Court of Jurisdiction, in terms of the provisions of the Companies Ordinance, 1984".

Further Resolved that: the (common) Chief Executive of both Companies be and is hereby authorized to take all necessary steps in connection with the implementation of the Scheme, as sanctioned by the Honorable High Court of Jurisdiction."

TO TRANSACT ANY OTHER BUSINESS WITH THE PERMISSION OF THE CHAIR:

NOTES: An Information Memorandum as required under Section 160(1) b of the Companies Ordinance, 1984 is being dispatched to shareholders along with the Notice. Further Detailed Information is available to the members from the Microsoft online dedicated data storage site accessible through the dedicated -URL: <http://1drv.ms/1LaPAZ2>

- Proxy Forms and instructions are being dispatched to shareholders along with the Notice.
- The Share transfer Books of the Company shall remain closed from 12 March 2016 to 19 March 2016 (both days inclusive). No transfer shall be accepted for registration during this period.
- Any comments and objections by relevant parties may be recorded in writing with the respective Companies' at their common Registered Office 14-B, Civil Lines Rawalpindi

(Colony) Sarhad Textile Mills Limited
14-B Civil Lines, Rawalpindi

Suhail Jute Mills Limited
14-B Civil Lines, Rawalpindi

INFORMATION MEMORANDUM
SCHEME OF ARRANGEMENT INVOLVING MERGER
As required under section 160(1) b of the Companies Ordinance, 1984
In Respect Of:
JOINT EXTRAORDINARY GENERAL MEETING OF THE SHAREHOLDERS OF
(COLONY) SARHAD TEXTILE MILLS LIMITED & SUHAIL JUTE MILLS LIMITED

This Joint meeting of the members of Suhail Mills Limited and (Colony) Sarhad Textile Mills Limited is being called under the direction of the Honorable Lahore High Court, vide Order dated 19 January 2016 in Petition C.O. 2/2013. The said order also provides that the meeting be chaired by Mr. Azam Chughtai, Advocate.

- 1 In the proposed meeting the members are to consider the Scheme of Arrangement for merger of CSTML into SJML filed as a part of the Petition No: CO-2 of 2013 before the LHC Rawalpindi Bench and to pass the necessary resolutions to approve the Merger Scheme with or without modification.
- 2 The Scheme of Arrangement for merger / amalgamation will be subject to sanction of the Honourable Court of Jurisdiction with or without modification.
- 3 The subject Order specifically states: "Learned Counsel for SECP has raised an objection that evaluation that was conducted subsequently on the Immovable properties has significantly raised the price of the said property which should form part of the swap ratio to be finalized in respect of the shares." The Court has Ordered: "This shall also be placed before the meeting to be conducted.."
- 4 To give effect to this Order, a Resolution is being proposed to be voted upon by the shareholders at the subject Meeting; wording of the Resolution appears on the Notice as statutorily required.
- 5 Members are hereby informed that, in the event the said Resolution is adopted, the Scheme of Arrangement involving the Merger shall have to be prepared afresh. Since the said valuation was conducted in September 2014, a new cut-off date will have to be selected to reflect like changes in all asset and liability values as of that period. A working on the result of the adoption of the subject Resolution is available on a dedicated data site.

6 **Companies' Background:**

(Colony) Sarhad Textile Mills Limited was incorporated in Pakistan as a Private Limited Company in 1953 under the Companies Act, 1913 (now Companies Ordinance, 1984) and was converted into Public Limited Company in 1955 and its shares are listed on Karachi and Lahore Stock Exchanges in Pakistan. The registered office is located at 14-B Civil Lines, Rawalpindi. The manufacturing unit is located at Ismail Kot Railway Station Khushalkot, Nowshera, in the province of Khyber Pakhtunkhwa. The Company has ceased its operations since June 2007. The authorized share capital of the Company is Rs.50,000,000 divided into 5,000,000 ordinary shares of Rs.10 each, out of which 4,000,000 ordinary shares are issued and fully paid in cash and the remaining are un-issued.

Suhail Jute Mills limited was incorporated in Pakistan in 1981 as a public limited company under the Companies Act, 1913 (now Companies Ordinance, 1984). Its shares are quoted on Lahore and Karachi stock exchanges in Pakistan. The registered office is situated at 14-B, Civil Lines, Rawalpindi, while the production facilities are situated at Kabul River Railway Station, Mardan Road, Nowshera, Khyber Pakhtunkhwa. The Company is non-operational since 2010 as a result of severe flood damage to its installations that year. The authorized share capital of the Company is Rs. 50,000,000 divided into 5,000,000 ordinary shares of Rs. 10 each, out of which 3,245,000 ordinary shares are issued and fully paid in cash, 500,000 ordinary shares were issued for consideration other than cash and remaining are un-issued.

7 The companies are associated companies as the undertakings are under common management and control and the majority of directors in the respective Boards of the amalgamating companies are common.

8 **Principal Objectives of Merger:**

The Principal Objective of the Scheme of Arrangement is to merge CSTML with SJML through transfer and vesting in SJML of the whole of the CSTML undertaking so as to strengthen the surviving Company's activities and thereby effecting economics of scale and improving the prospects for business proposed to be carried on by it in the future.

A further objective of this merger is to restructure the finances of the Companies so as to make the resultant entity viable, with a larger Asset base and positive equity. It is intended to achieve this and other benefits spelt out in the Scheme of Arrangement by effecting a merger / amalgamation of CSTML with and into SJML. The merger / amalgamation involves the transfer to and vesting in SJML of the whole of undertaking and business of CSTML together with all the property, assets, rights, liabilities, licenses, guarantees and obligations of every description of CSTML against allotment of shares of SJML to the registered shareholders of CSTML accordingly. This would enable the entity to raise financing. Once the merger is effective, a portion of the land may be used to raise additional financing and to enhance its worth by capturing the benefit of 'value-in-use'.

The most significant benefits to the shareholders of CSTML, which has been non-operational for a considerable period of time and has liabilities amounting to Rs.265.982 Million is that the proposed Scheme of Arrangement envisages the extinguishing of CSTML's existing debt burden to the extent of Rs.235.540 Million and the assumption of the balance debt of Rs. 30.442 Million by the merged entity.

Shareholders are informed that, in a liquidation scenario, it is unlikely that CSTML's assets can realize anywhere close to their stated book value. In fact, due to the strictures on the sale of Land, realizing its value through sale may not even be possible. Based on this state of affairs the possibility of the shareholders benefiting from a distribution of liquidated assets, after higher-ranking debt obligations have been met, is non-existent. Furthermore, the only way by which CSTML's Land value may be captured is by maintaining its value-in-use. That presupposes the continuing existence of the entity, albeit as an integral part of the proposed consolidated entity that will emerge from the merger. The Scheme provides for such transitional arrangements by a mechanism that will meet this objective and also remove any difficulties in implementing the Merger Scheme. By becoming shareholders of the merged entity CSTML's shareholders become part owners of a company with an Asset base of Rs. 1.170 Billion, with total liabilities of a little over Rs. 302 Million and positive equity (before revaluation surpluses) of Rs.44.919 Million This financial restructuring gives the merged Company substantial additional borrowing power, while staying comfortably within all prudential parameters. Additionally, the availability of CSTML's Land to the merged entity would also allow the merged company to rationalize its land utilization and allocation and raise financing from those holdings. Therefore, it is evident that:

- The merger will result in the availability of surplus assets that may be allocated for the benefit of the entity.
- The merger will result in broadening the equity and asset base of the company, which will give it substantial borrowing power and open up the possibility of expanding and/or diversifying the business of the merged Company.
- The merged company will be in a position to obtain funds at better rates due to broader equity base, and strong asset base of the company.

That upon the completion of merger / amalgamation and after issuance of shares of SJML to the registered shareholders of CSTML, CSTML will be dissolved by the order of the Honorable Court without winding up.

9 **Ancillary advantages of Merger:**

- That Suhail Jute Mills Limited and (Colony) Sarhad Textile Mills Limited belong to one group.
- The majority of in the respective Boards of the amalgamating companies are also common, as such the interest of shareholders will not be affected and instead of separate Board of looking after the affairs of the company there will be only one Board.
- Integrated banking and financing arrangements and combination of various other functions would result in sizeable saving.
- In the event of amalgamation of these Companies, the administrative cost incurred individually by each company will be considerably reduced as:
- Only a single board of will be required to manage the affairs of the company.
- Only one AGM will be required to be held and one set of annual accounts required to be prepared and circulated by the company.
- Only one register of the shareholders and one set of books and records will be required to be maintained and one set of forms will be filed with the various Government Agencies including Registrar of the Companies.
- Single assessment for income tax and their filing and record keeping would be required.
- Amalgamation of the companies would result in an improvement in the administration of personal affairs of staff and administrative policies will be uniform.
- Economies of scale comes from sharing central services such as office management and accounting, finance, human resources and top level management.

10 **Interest of the Directors and their relatives:**

All the directors of the Companies including the Chief Executive and their relatives are interested to the extent of their shares that are held by them, in terms of the Scheme of Arrangement. The effect of the Scheme on the interest of these directors including the Chief Executive and their relatives does not differ from its effect on the like interest of other shareholders. Significantly, the large advances from directors are proposed to be settled as specified in the Scheme of Arrangement.

11 **Swap Ratios**

SJML will allot (at the Swap Ratio) one share for every 25.8 shares of CSTML as a consequence of the Scheme. This 'Swap Ratio' has been established on a valuation basis of each Company's net assets. Due Diligence Reports were conducted by M.s Horwath Hussain Chaudhury and Company Chartered Accountants, who have duly certified the swap ratio. The summarized basis of computing the swap ratio is set out below:

	SJM LTD	CSTM LTD
	RS. MIL	RS. MIL
TOTAL ASSETS	949.294	293.781
TOTAL LIABILITIES	(277.836)	(265.982)
NET ASSETS	671.458	27.800
NO OF SHARES	3.745 MIL	4.000 MIL
Fair Value per Share RS	179.29	6.95

The resultant swap ratio derived from the above is "25.80" which translates to one share of SJML share for each 25.8 shares of CSTML.

12 **That the Share Capital and reserves based on the accounts for the year ended 30 June 2012:**

	SUHAIL JUTE MILLS LIMITED (Rupees)	(COLONY) SARHAD TEXTILE MILLS LIMITED (Rupees)
Issued and Paid-up Capital	37,450,000	40,000,000
Reserve	10,893,746	1,751,607
Accumulated profit/(loss)	(192,964,949)	(275,308,072)

13. The transfer to and vesting in SJML the business and undertaking of CSTML as a result of merger shall include the following:

- All the liabilities and obligations of CSTML, howsoever arising, and after the amalgamation is accomplished, SJML will discharge all such outstanding liabilities and obligations in due course as if they were originally the liabilities and obligations of SJML instead of CSTML.
- All the assets of CSTML under the Scheme of Arrangement will be transferred to SJML. This shall include properties of all kinds, moveable or immovable, tangible or intangible, leasehold property, actionable claims, stocks, receivables and book advances, deposits, prepayments, investments, cash and bank balances. The transfer and vesting of assets shall be subject to any specific mortgages or charges created over these assets before the merger in favor of the creditors. However, the entire amount outstanding against CSTML in favor of financial institutions / banks, against which the assets of CSTML were previously charged, has been settled by virtue of a Settlement Agreement between CSTML and its institutional creditors. The Court decrees were duly amended by the Courts to reflect the settled amount. CSTML has fully discharged all its obligations under the Settlement Agreement and has either, had the satisfaction of Decrees duly recorded in the Courts following which the Courts have ordered that the record underlying the Decrees are to be consigned to the Record Room or, have received a Clearance Certificate from the lead Bank to the effect that the entire amount due under the aforesaid Settlement Agreement has been fully received by the Creditor Banks and financial institutions. Hence, there shall be no charge on the Assets of CSTML in respect of the above described liabilities. Pursuant to this, CSTML has initiated the process for the vacation of the charges against its assets.
- That all the legal proceedings instituted, causes, suits, appeals, petitions, revisions or other judicial, quasi judicial and/or administrative proceedings of whatever nature by or against CSTML which will be pending on the effective date in or before any Court, Tribunal, Forum, Commission or any other Authority will be continued, prosecuted and enforced by or against SJML as if this Scheme had not been made, and the same shall not abate, be discontinued or be in any way prejudiced or affected by the provisions of this Scheme. Thereafter, upon completion date, such legal proceedings shall stand transferred to SJML.
- That all the utility licenses, connections, meters, applications and other facilities for electricity, gas, water, telecommunications and others allowed, licensed or provided by any Government agency (including Electric Supply Corporation Limited and Sui Northern Gas Company Limited) or other agency to the CSTML with the respective benefits (including the deposits and prepayments, Government approvals, if any) will stand transferred without any additional charges to the SJML;
- That all the registrations, rights, powers, licenses, permits, sanctions, permissions, privileges of the CSTML or pending with any Government agency or other department shall stand transferred to SJML;
- That all the titles of land and other immovable property registered/leased in the name of the CSTML will stand transferred without payment of any Charges, levy or fee in the name of SJML;
- That all the rights in respect of trade mark, patents, copy rights and other rights and obligations in respect thereof of CSTML shall stand Transferred to SJML;
- That all the contracts, agreements and other instruments executed by the merging companies and subsisted in favor of the CSTML and its right and obligations hereunder shall stand transferred to SJML;
- That all the employment contracts and obligations there under of the CSTML shall stand transferred to the SJML;
- That all the obligations including payment of any taxes, duties and rights in respect of any entitlements, refunds, tax credits under the law in respect of CSTML shall also stand transferred and vested in SJML.

NOTES:

- Further information is shared on our dedicated data site (on Microsoft One Drive), that may be accessed through the following web address (U.R.L): <http://1drv.ms/1LaPAZ2>
- A WORKING and Notes on the possible result of adopting RESOLUTION NO: 1 is also accessible to all stake holders on the dedicated data site, referenced above.

PROXY FORM

JOINT EXTRAORDINARY GENERAL MEETING

Of Suhail Jute Mills Ltd & (Colony) Sarhad Textile Mills Ltd

I/We _____ of _____

being a Member of Suhail Jute Mills Limited/ (Colony) Sarhad Textile Mills Limited

And holder of _____ Ordinary Shares as per Share Register Folio # _____ hereby appoint
_____ as my Proxy to attend, speak and Vote me/ us on my/ our behalf on the Joint
Extraordinary General Meeting of Suhail Jute Mills Ltd and (Colony) Sarhad Textile Mills Ltd, to be held on Tuesday 19
March 2016, and at any adjournment thereof.

Signed by the said _____ on _____

In the presence of (Witness) _____

(strike out inapplicable portions)

Signature on Rs 5
Revenue Stamp

INSTRUCTIONS FOR SHAREHOLDERS IN RESPECT OF PROXIES

1. A member entitled to attend and vote at the Extraordinary General Meeting may appoint a proxy to attend and vote in place of the member. A Proxy Form duly completed and signed, must be received at the Company's Registered Office at 14-B, Civil Lines, Rawalpindi, not less than 48 Hours before the time of holding the meeting.
2. The Proxy in order to be complete and valid is to be signed across a Rs 5 Revenue Stamp.
3. The shareholders' signature must agree with the specimen signature registered with the Company.
4. No person may act as a proxy unless he/ she is a member of the Company, except that a body corporate may duly appoint a person who is not a member.
5. If a member appoints more than one proxy and more than one instrument of proxy is deposited with the Company, all such instruments shall be rendered invalid.

In addition to the above, the following requirements are to be met by CDC Account Holders/ Corporate entities:

6. The Proxy Form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be inscribed on the Form
7. Attested copies of the CNIC or the Passport of the beneficial owner and the person nominated as proxy shall be furnished to the Company along with the Proxy Form
8. The person nominated as proxy shall present either his original CNIC or Passport to gain admittance to the Meeting.
9. In case of proxies of Corporate entities, a Board of Directors' Resolution/ Power of Attorney, along with specimen signatures shall be submitted to the Company, along with the Proxy Form at the time of the meeting (Unless submitted earlier.)
10. Members are requested to promptly notify any changes in their address.