

**SCHEME OF AMALGAMATION  
OF  
DRAGON SWEATER BANGLADESH LIMITED  
(TRANSFEROR COMPANY)  
WITH  
DRAGON SWEATER AND SPINNING LIMITED (TRANSFeree COMPANY)**

**A. GENERAL**

1. This Scheme of Amalgamation (the "Scheme") provides for the amalgamation of Dragon Sweater Bangladesh Limited ("DSBL" or the "Transferor Company") with Dragon Sweater and Spinning Limited (the "Transferee Company") pursuant to Sections 228 and 229 of the Companies Act, 1994 (the "Act") and other related provisions of the Act (the "Merger") in accordance with which the Transferee Company shall be the surviving corporation of the Merger and the separate corporate existence of the Transferor Company shall cease thereafter.
2. In this Scheme, unless repugnant to the meaning or context thereof, the expressions used herein shall have the following meaning:
  - (a) "**Act**" means the Companies Act, 1994, including any amendments thereto;
  - (b) "**Appointed Date**" means 10<sup>th</sup> day of October 2021;
  - (c) "**Assets**" or "**Undertaking**" means and includes all the undertakings, the entire business, all properties (whether moveable or immovable, tangible or intangible), plant and machinery, buildings and structures, offices, residential or other premises, manufacturing facilities, land (whether leasehold or freehold), processing plants, computers, equipment, packing material, raw materials, capital work in progress, trade and other receivables, furniture, fixtures, interiors, office equipment, vehicles, appliances, accessories, power lines, depots, deposits, inventories, assets, investments of all kinds (including shares, scripts, stocks, bonds, units or pass through certificates) including shares or other securities, cash balances or deposits with banks, cheques on hand, loans, advances, contingent rights or benefits, book debts, receivables, actionable claims, earnest monies, advances or deposits paid by the Transferor Company, financial assets, leases (including but not limited to lease rights of the Transferor Company), tax deferrals, tax holiday benefits, incentives, credits (including tax credits), rights, easement, privileges, liberties and advantages and all other interest of whatsoever nature and wherever situate belonging to or in the ownership, power or possession and in the control of or vested in or granted in favor of or enjoyed by the Transferor Company, in each case, whether in Bangladesh or abroad, including but without being limited to benefits of all agreements, contracts, entitlements, licenses, permits, permissions, incentives, approvals, registrations, subsidies, concessions, grants, rights, claims, leases, tenancy rights, liberties, special status and other benefits or privileges and claims as to any Intellectual Property Rights (IPRs) of patents, trademarks, designs, copyright, quotas, rights, engagements, arrangements,

authorities, allotments, security arrangements, benefits of any guarantees, reversions, powers, and all other approvals of every kind, name and description whatsoever,

(d) engineering and process information, software license (whether proprietary or otherwise), drawings, records, files, books, papers, computer programs, manuals, catalogues, sales and advertising material, lists of present and former customers and suppliers, customer credit information, customer pricing information, other customer information and all other records and document relating to the Transferor Company's business activities and operations, all amounts claimed by the Transferor Company whether or not so recorded in the books of account of the Transferor Company from any Governmental Authority, under any law, act, scheme or rule, as refund of any income tax, duty, VAT or of any excess payment, all debts (secured and unsecured), liabilities including contingent liabilities, duties, leases of the Transferor Company and all other obligations of whatsoever kind, including liabilities of the Transferor Company with regard to their employees in respect of the payment of gratuity, pension benefits and provident fund or other compensation or benefits, if any, whether in the event of resignation, termination, death, voluntary retirement or retrenchment or otherwise all other obligations of whatsoever kind, nature and description whatsoever, and howsoever arising, raised or incurred or utilized and including all benefits and obligations under various Agreements between and among the Transferor Company and Rural Electrification Board ("REB"), Bangladesh Power Development Board ("BPDB") and Titas Gas Transmission and Distribution Ltd and subsequent renewals thereof, shall vest and stand transferred in favour of the Transferee Company without any further act or consent from any other party and the Transferee Company shall be obliged to discharge all obligations towards the customers of the Transferor Company, including REB and BPDB and the recipients of electricity under the relevant power purchase agreement between the Transferor Company and REB shall be obliged to pay for the same to the Transferee Company in accordance with the terms and conditions of the respective power purchase agreement;

- (e) "**Board of Directors**" means the board of directors of the Transferor Company or Transferee Company, as the case may be, and shall include a duly constituted committee thereof, if any;
- (f) "**Shareholders**" means the shareholders existing in Schedule X of the Transferor Company or Transferee Company, as the case may be;
- (g) "**Effective Date**" or "**coming into effect of this Scheme**" or "**effectiveness of this Scheme**" means the last date on which all the orders, approvals, consents, conditions, matters or filings referred to in Section 18 below have been obtained or fulfilled;
- (h) "**Encumbrance**" means any mortgage, lien, hypothecation, pledge, call on share, claim, demand, right, interest, preference, charge, equity or any other kind of security interest whatsoever;
- (i) "**Government Authority**" means and includes any local authority, statutory body, legislative body, regulatory or administrative authority, agency or commission or any court,

- (j) Tribunal, Board, Bureau or instrumentality thereof or arbitration or arbitral body having jurisdiction.
- (k) "**Minority Shareholders**" means the shareholders of the Transferor Company holding shares as mentioned below under Section 3 as of the Record Date;
- (l) "**Record Date**" means the date fixed by the Board of Directors of the Transferor Company or any committee thereof in consultation with the Transferee Company, for the purpose of determining the names of the equity shareholders of the Transferor Company, who shall be entitled to receive consideration thereof from the Transferee Company upon coming into effect of this Scheme;
- (m) "**Scheme**" or "**Scheme of Arrangement/Amalgamation**" means this Scheme of Amalgamation in its present form or with any modifications, as approved or imposed or directed by the Board of Directors of the Transferor Company and the Transferee Company or by the members of each company or by the Hon'ble High Court Division, Supreme Court of Bangladesh;
- (n) "**BSEC**" means the Bangladesh Securities and Exchange Commission;
- (o) "**Transferor Company**" means Dragon Sweater Bangladesh Limited, a private company limited by shares incorporated under the Act bearing registration number C-20169 dated 2nd December, 1990 and having its registered office at Dragon Tower , 25/2 D.I.T Road Malibagh Chowdhury Para, Dhaka 1219; and
- (p) "**Transferee Company**" means Dragon Sweater & Spinning Limited, a Private Limited company incorporated under the relevant Companies Act and having its registered office at Dragon Tower, 25/2 D.I.T Road Malibagh Chowdhury Para, Dhaka 1219.

All terms and words not defined in this Scheme shall, unless repugnant or contrary to the content or meaning thereof have the same meaning ascribed to them under the Act and other applicable laws, rules, regulations, by-laws as the case may be, including any statutory modifications or re-enactment thereof from time to time.

## **B. DESCRIPTION, CAPITAL & RATIONALE FOR AMALGAMATION**

### **3. THE TRANSFEROR COMPANY**

The Transferor Company is a privately owned Limited company, whose shareholders are the controlling shareholders of the Transferee Company. It is a Sweater manufacturing company specializing in high-end sweater products for globally recognized brands. The company utilizes its state of the art facility to manufacture ready-made sweater, pullover and wearing apparels of all kinds out of wool, cotton, synthetic, fibers, acrylics and others. The company is one of the flagship sweater factories of Bangladesh. The principal objective for which DSBL

was formed is to cater to the group’s exquisite clientele. The company started its commercial operation from 2<sup>nd</sup> December 1990. DSBL’s principal activities throughout the years continued to be generation and sales of Sweaters with Yarn produced & Dyed from Dragon Sweater and Spinning Limited.

The summary of share capital of the Transferor Company as of 30 June 2021 is as follows:

	<b>No of shares</b>	<b>Amount (BDT)</b>
Authorized capital	50,00,00,000	500,00,00,000
Issued, subscribed and paid-up capital	42,20,00,000	422,00,00,000
<b>Position of share holding</b>		
Mr. Mostafa Quamrus Sobhan	211,000,000	2,110,000,000
Mr. Mostafa Golam Quddus	211,000,000	2,110,000,000
	42,20,00,000	422,00,00,000

As on the date of this Scheme, there is no change in the share capital of the Transferee Company from the share capital as stated above.

#### **4. TRANSFEREE COMPANY**

The Transferee Company is a public limited company and has been listed on the Dhaka Stock Exchange since 23<sup>rd</sup> of March 2016 and also on Chattogram Stock Exchange since 23<sup>rd</sup> of March 2016 for trading of its shares. The principal objective for which the Transferee Company was formed is the spinning, dyeing, manufacturing, marketing and sale of Sweater & Yarn for sweater manufacturing & exporting.

The summary of share capital of the Transferee Company as of 30<sup>th</sup> June 2021 is as follows:

	<b>No of shares</b>	<b>Amount (BDT)</b>
<b>Authorized capital</b>	300,000,000	3,000,000,000
<b>Issued, subscribed and paid-up capital</b>	200,755,500	2,007,555,000

#### **5. RATIONALE FOR AMALGAMATION**

The Transferor Company is procuring approximately 65% of its yarn and dyeing requirements from the production of the Transferee Company and combining both entities would achieve greater synergy, economies of scale, efficiency, optimization of logistics and distribution network and other related synergies by consolidating the business operations of the two companies through horizontal and vertical integration. This Scheme of Amalgamation intends to merge the operations of the Transferor Company with that of the Transferee Company to fulfill this objective, such synergy will help reduce redundancies in management, overhead expenditures, incidental costs and other statutory costs. Such synergy will increase top line revenue and bottom line profitability.

The Transferee Company will have the benefit of the combined resources of the Transferor Company and Transferee Company. The Transferee Company would be in a position to carry on consolidated operations through optimum utilization of resources, minimization of common costs, administrative, managerial and other expenditure and better financial strength, whilst improving operational rationalization and organizational efficiency.

The Transferee Company will have the potential to increase its earnings per share resulting in maximizing shareholders' value. The proposed amalgamation will create greater value for the shareholders, creditors and employees than could be delivered as separate company. The interests of the existing employees of the Transferor Company shall be protected with continuity of employment, better utilization of manpower and an opportunity for enhancement of technical knowledge and expertise being provided.

*The amalgamation of the Transferor Company with the Transferee Company will combine the business, activities and operations of the Transferor Company and the Transferee Company into a single company with effect from the Appointed Date and shall be in compliance with the provisions of the Income Tax Ordinance, 1984, including any amendments thereto along with other relevant provisions of the Value Added Tax Act, 1991 and those of the regulations of the Bangladesh Securities and Exchange Commission.*

### **C. TRANSFER AND VESTING**

6.1 Upon coming into effect of the Scheme and with effect from the Appointed Date and subject to the provisions of this Scheme, the Undertakings of the Transferor Company shall, pursuant to the provisions of Section 229(2) of the Act, without any further act, instrument or deed, be and stand transferred to and vested in and/or be deemed to have been transferred to and vested in the Transferee Company as a going concern so as to become as and from the Appointed Date, a part and parcel of the assets, rights, titles and interests and authorities of the Transferee Company.

6.2 Without prejudice to the generality of Section 6.1 above, upon the coming into effect of this Scheme and with effect from the Appointed Date:

- (a) All assets, rights, title, interests, authorities and properties of the Transferor Company as on the Appointed Date, whether or not included in the books of the Transferor Company, and all assets and properties which are acquired by the Transferor Company on or after the Appointed Date but prior to the Effective Date, shall be deemed to be, and shall become, the assets and properties of the Transferee Company, and shall under the provisions of Section 229(2) of the Act, without any further act, instrument or deed, be and stand transferred to and vested in and be deemed to have been transferred to and vested in the Transferee Company upon the coming into effect of this Scheme pursuant to the provisions of Section 229(2) of the Act;
- (b) In respect of such assets owned and belonging to the Undertaking of the Transferor Company as are movable in nature or are otherwise capable of transfer by manual delivery or by endorsement and delivery, the same shall be so transferred by the

Transferor Company and shall become the property of the Transferee Company in pursuance of the provisions of Section 229(2) and other applicable provisions of the Act;

- (c) In respect of movables other than those dealt with in Section 6.2(b) above including without any further act, instrument or deed of the Transferor Company, the sundry debts, receivables, bills, credits, loans and advances, if any, whether recoverable in cash or in kind or for value to be received, bank balances, investments, earnest money and deposits with any Government, quasi-government, local or other authority or body or with any company or other person, the same shall on and from the Appointed Date stand transferred to and vested in the Transferee Company;
- (d) All consents, permissions, licences, permits, quotas, approvals, certificates, clearances, authorities, leases, tenancies, assignments, allotments, registrations, incentives, subsidies, concessions, grants, rights, intellectual property rights, claims, liberties, special status, other benefits or privileges and any power of attorney given by, issued to or executed in favour of the Transferor Company including in relation to the Undertaking, and all rights and benefits, which have accrued or may be accrued in between the Appointed Date and the Effective Date, to the Transferor Company shall, under the provisions of Section 229(2) of the Act, stand transferred to and vested in, or shall be deemed to be transferred to or vested in, the Transferee Company, as if the same were originally given by, issued to or executed in favor of the Transferee Company, so as to become, as and from the Appointed Date, consents, permissions, licences, permits, quotas, approvals, certificates, clearances, authorities, leases, tenancies, assignments, allotments, registrations, incentives, subsidies, benefits or privileges of the Transferor Company and any powers of attorney of the Transferor Company which are valid, binding and enforceable, shall be transferred to the Transferee Company who shall be bound by the terms thereof, the obligations and duties thereunder, and the rights and benefits under the same shall be available to the Transferee Company.

6.3 Without prejudice to the generality of Section 6.1 above, upon the coming into effect of this Scheme and with effect from the Appointed Date:

- (a) All liabilities, sundry creditors, contingent liabilities, duties, obligations and undertakings of the Transferor Company of every kind, nature and description whatsoever and howsoever arising, raised or incurred or utilized for its business activities and operations shall, pursuant to the provisions of Section 229(2) of the Act, without any further act, instrument or deed, be and the same shall stand transferred to and vested in or deemed to have been transferred to and vested in the Transferee Company without any further act, instrument or deed, along with charge, lien, encumbrance, or security thereon, and the same shall be assumed to the extent they are outstanding on the Effective Date so as to become as and from the Appointed Date, the debts, liabilities, duties and obligations of the Transferee Company and further that it shall not be necessary to obtain consent of any third party or other person who is a party to the consent or arrangement by virtue of which such debts, liabilities, duties

and obligations have arisen, in order to give effect to the provisions of this Scheme. In addition, the immovable properties, plant and machineries of the Transferor Company which are subject to mortgages and charges (fixed and floating) as on the Effective Date, shall remain available for enforcement only to such specific lenders in whose favor such mortgages and charges have been created and no other lenders. Moreover, all debts and loans raised and duties, liabilities and obligations incurred or which arise or accrue to the Transferor Company on or after the Appointed Date till the Effective Date, shall be deemed to be and shall become the debts, loans raised, duties, liabilities and obligations incurred by the Transferee Company by virtue of this Scheme;

- (b) Without prejudice to the provisions of Section 6.3(a) above, the charges over the assets and business undertaking of the Transferee Company shall continue to exist in such form and manner as it is on the Effective Date;
- (c) Without prejudice to the foregoing provisions of this section, upon the coming into effect of the Scheme, all debentures, bonds or other debt securities and other instruments of like nature whether convertible into equity shares or not of the Transferor Company, shall, pursuant to the provisions of Section 229(2) of the Act, without any further act, instrument or deed, become the debt securities of the Transferee Company on the same terms and conditions except to the extent modified under the provisions of this Scheme and all rights, powers, duties and obligations in relation thereto shall be and stand transferred to and vested in or be deemed to have been transferred to and vested in and shall be exercised by or against the Transferee Company as if it was the issuer of such debt securities, so transferred and vested;
- (d) Where any of the debts, liabilities, loans raised and used, obligations incurred and duties of the Transferor Company as on the Appointed Date deemed to be transferred to the Transferee Company have been discharged by the Transferor Company after the Appointed Date and prior to the Effective Date, such discharge shall be deemed to have been for and on account of the Transferee Company;
- (e) All loans raised or used and all liabilities and obligations incurred by the Transferor Company for the operations of the Transferor Company after the Appointed Date and prior to the Effective Date shall, subject to the terms of this Scheme, be deemed to have been raised, used or incurred for and on behalf of the Transferee Company in which the Undertaking shall vest in terms of this Scheme and to the extent they are outstanding on the Effective Date, shall, upon coming into effect of this Scheme pursuant to the provisions of Section 229(2) of the Act, without any further act or deed be and stand transferred to and be deemed to be transferred to the Transferee Company and shall become the debts, liabilities, duties and obligations of the Transferee Company which shall meet, discharge and satisfy the same;
- (f) The Transferor Company may, if required, give notice in such form as it may deem fit and proper to each party, debtor or borrower as the case may be that pursuant to the High Court Division sanctioning the Scheme, the said debt, loan, advance, [etc. be](#) paid

or made good or held on account of the Transferee Company as the person entitled thereto;

- (g) The Transferee Company may, if required, give notice in such form as it may deem fit and proper to each person, debtor or borrower that pursuant to the High Court Division having sanctioned the Scheme, the said person, debtor or borrower shall pay the debt, loan or advance or make good the same or hold the same to its account and that the right of the Transferee Company to recover or realize the same is in substitution of the right of the Transferor Company;
- (h) The transfer and vesting of the assets comprised in the Undertaking to and in the Transferee Company under this Scheme shall be subject to the mortgages and charges, if any, affecting the same. All Encumbrances, if any, existing as on the Effective Date over the assets of the Transferor Company which secure or relate to the liabilities of the Transferor Company shall, after the Effective Date, without any further act, instrument or deed, continue to relate and attach to such assets or any part thereof to which they are related or attached prior to the Effective Date and as transferred to the Transferee Company. In addition, the immovable properties, plant and machineries of the Transferor Company which are subject to mortgages and charges (fixed and floating) as on the Effective Date, shall remain available for enforcement only to such specific lenders in whose favour such mortgages and charges have been created and no other lenders, other than such specific lenders. Without prejudice to the preceding sentence, it is hereby stated that if any of the assets of the Transferor Company have not been encumbered in respect of the liabilities of the Transferor Company, such asset shall remain unencumbered and the existing Encumbrances referred to above shall not be extended to and shall not operate over such assets. In addition, such unencumbered assets shall, be free to be encumbered by the Transferee Company as and when required and existing encumbrances shall not cover such unencumbered assets;
- (i) Without prejudice to the provisions of the foregoing Sections and upon the effectiveness of this Scheme, the Transferor Company and the Transferee Company shall execute any instruments or documents or do all the acts and deeds as may be required including the filing of necessary particulars and/or modification(s) of charge, with the Registrar of Joint Stock Company and Finns and other regulatory bodies, if required by law, having jurisdiction to give formal effect to the above provisions, if required;
- (j) It is expressly provided that no other term or condition of the liabilities transferred to the Transferee Company is modified by virtue of this Scheme except to the extent that such amendment is required by necessary implication. Specific direction upon the Registrar of Joint Stock Company shall be sought from the Hon'ble High Court Division for making appropriate inclusion of the charges presently registered against the name of the Transferor Company in the register of charges of the Transferee Company.



6.4 Subject to the necessary consents being obtained in accordance with the terms of this Scheme, the provisions of this Section 6 shall operate, notwithstanding anything to the contrary contained in any instrument, deed or writing or the terms of sanction or any security document, all of which instruments, deeds or writings shall stand modified and/or superseded by the foregoing provisions.

6.5 Subject to the terms of this Scheme, the transfer and vesting of the Undertaking of the Transferor Company under this Scheme shall not affect any transactions or proceedings already concluded by the Transferor Company on or before the Appointed Date or concluded after the Appointed Date till the Effective Date, and the Transferee Company accepts and adapts all acts, deeds and things made, done and executed by the Transferor Company as acts, deeds and things made, done and executed by or on behalf of the Transferee Company.

6.6 With effect from the Appointed Date and up to the Effective Date:

- (a) The Transferor Company shall carry on and shall be deemed to have carried on all its business and activities as hitherto and shall hold and stand possessed if and shall be deemed to have held and stood possessed of the Undertaking on account of, and for the benefit of and in trust for, the Transferee Company;
- (b) All the profits or incomes accruing or arising to the Transferor Company, or expenditures or losses arising or incurred (including the effect of taxes, if any, thereon) by the Transferor Company shall be treated and be deemed to be and accrue as the profits or incomes or expenditures or losses of the Transferee Company, as the case may be;
- (c) Notwithstanding anything contained in sub-sections(a) and (b) above, import of capital machineries and raw materials by the Transferor Company under cover of Letter of Credit Authorisation, Letter of Credit and Statutory Regulatory Orders (SROs) issued from time to time under the provisions of the Customs Act, 1969 after the Appointed Date and prior to the Effective Date shall stand transferred to and vested in or deemed to have been transferred to and vested in and available to the Transferee Company and shall remain valid, effective and enforceable on the same terms and conditions to the extent permissible under the Customs Act, 1969.

## **7. CONTRACTS, DEEDS AND OTHER INSTRUMENTS**

- (a) Upon the coming into effect of this Scheme and subject to all the provisions of this Scheme, all contracts, deeds, bonds, agreements, schemes, arrangements, assurances, leases and other instruments of whatsoever nature to which the Transferor Company is a party or to the benefit of which the Transferor Company may be eligible, and which are subsisting or have effect immediately before the Effective Date, shall continue in full force and effect by, for or against or in favour of the Transferor Company, as the case may be, and may be enforced as fully and effectively as if, instead of the Transferor Company, the Transferee Company had been a party or beneficiary thereto;

- (b) Without prejudice to the other provisions of this Scheme and notwithstanding the fact that vesting of the Undertaking occurs by virtue of this Scheme itself, the Transferee Company may, at any time after the coming into effect of this Scheme in accordance with the provisions hereof, if so required under any law or otherwise, take such actions and writings or tripartite agreements or arrangements with any party to any contract or arrangement to which the Transferor Company is a party of any writings as may be necessary in order to give formal effect to the provisions of this Scheme. The Transferee Company shall, under the provisions of the Scheme, be deemed to be authorized to execute any such writings on behalf of the Transferor Company and to carry out or perform all such formalities or compliances referred to above on the part of the Transferor Company to be carried out or performed;
- (c) The Transferee Company shall be entitled to the benefit of all insurance policies, if any, issued in respect of the Transferor Company and the name of the Transferee Company, shall be substituted as "Insured" in the policy as if the Transferee Company was initially a party. For the avoidance of doubt it is stated that, if any insurance coverage of the Assets of the Transferor Company expires after the sanctioning of the Scheme by the High Court but before the Effective Date, the Transferee Company shall obtain insurance coverage with a reputable insurance company in the same terms and conditions as those of the expired insurance coverage.

## **8. STANDSTILL PROVISIONS TILL EFFECTIVE DATE**

For the period from the Appointed Date and up to the Effective Date:

- (a) All taxes (including Income Tax, excise duty, customs duty, VAT, etc.) paid or payable by the Transferor Company in respect of its operations and/or the profits of its business before the Appointed Date, shall be on account of the Transferor Company and, in so far as it relates to the tax payment (including without limitation, excise duty, customs duty, income tax, VAT, etc.), whether by way of deduction at source, advance tax or otherwise howsoever, by the Transferor Company in respect of the profits or activities or operation of its business after the Appointed Date, the same shall be deemed to be the corresponding item paid by the Transferee Company and shall, in all proceedings, be dealt with accordingly;
- (b) Any of the rights, powers, authorities and privileges attached or related or pertaining to and exercised by or available to the Transferor Company shall be deemed to have been exercised by the Transferor Company for and on behalf of and as agent for the Transferee Company. Similarly, any of the Undertaking that have been undertaken or discharged by the Transferor Company shall be deemed to have been undertaken or discharged for and on behalf of and as agent for the Transferee Company;
- (c) The Transferor Company shall carry on and shall be deemed to have carried on all its business and activities as hitherto and shall hold and stand possessed of and shall be deemed to have held and stood possessed of the Undertaking on account of, and for the benefit of and in trust for, the Transferee Company;

(d) The Transferor Company shall carry on their business and activities with reasonable diligence and business prudence and shall not alter or diversify their respective businesses nor venture into any new businesses, nor alienate, charge, mortgage, encumber or otherwise deal with the assets or any part thereof except in the ordinary course of business without the prior consent of the Transferee Company or pursuant to any pre-existing obligation undertaken prior to the date of acceptance of the Scheme by the respective Boards of Directors of each of the Transferor Company and the Transferee Company.

(e) Subject to acceptance of this Scheme of Amalgamation, upon the Effective Date, all shareholders of the Transferor Company, will be entitled to additional shareholding in the Transferee Company by virtue of the provisions of the Scheme. This Scheme will not affect the directorship of a person who is already a director in the Transferee Company as of the Effective Date.

#### **D. RE-ORGANISATION OF CAPITAL**

9.1 The shareholding position of the Transferor Company is described in Section 3 of the Scheme.

9.2 Following the Effective Date, and in consideration of the vesting of the Business and Assets in accordance with the terms of this Scheme, the Transferee Company shall without further application, act, instrument or deed, issue and allot to the Shareholders of the Transferor Company whose names are recorded in the register of members of the Transferor Company or to any other person as may be nominated by the Shareholder(s), on a date (hereinafter referred to as the "**Record Date**") to be fixed by the Board of Directors of the Transferee Company, up to **422,000,000.00** ordinary shares of Tk. 10 each, credited as fully paid-up, amounting up to **844,000,000.00** shares of the Transferee Company's total fully paid up equity capital at the Effective Date at a share consideration exchange ratio of 1:2, or such adjusted number of ordinary shares as may be agreed upon by the Shareholders of both the parties, subject to any amendments required pursuant to Clause 23. Accordingly, subject to the provisions of Clause 6 to 14 and 23 hereof, the Shareholders of the Transferor Company shall be entitled up to **844,000,000.00** of ordinary shares of Tk. 10 each, or such adjusted number of ordinary shares as may be agreed upon by the Shareholders of both the parties (the "Consideration Shares"). In determining the value of the shares of each entity, the Board of Directors of the respective entity has relied on the Valuation Reports date 22 September 2021 prepared by M/S Artisan Chartered Accountants and the said Valuation Reports of the Transferor Company and the Transferee Company are hereby made part of the Scheme and annexed hereto as Schedule "A". Based on the share exchange ratio, the shares to be issued by Transferee Company to the existing shareholders of the Transferor Company shall be as set forth in the table below:

Shareholders Name	Dragon Sweater Bangladesh Limited <sup>9</sup> (DSBL)	Dragon Sweater and Spinning Limited (DSSL)
	Existing (Pre-merger) Number of shares held by different shareholders as of 30 June, 2021	Number of new shares (Post-merger) to be issued by DSSL at Exchange Ratio [1:2]
Mr. Mostafa Quamrus Sobhan	211,000,000	422,000,000.00
Mr. Mostafa Golam Quddus	211,000,000	422,000,000.00
<b>Total Number of Shares</b>	<b>422,000,000.00</b>	<b>844,000,000.00</b>

*Note: Figures have been rounded-off to Zero*

Following the re-organization of capital, as on the Effective Date, the shareholding structure of the Transferee Company post-amalgamation would be set forth in the table below:

Shareholders Name	Pre-merger number of shareholdings		New shares to be issued for merger		Post-merger shareholdings	
	No of shares	%	No of shares	%	No of shares	%
Mr. Mostafa Quamrus Sobhan	32,975,794	16.43%	422,000,000	50.00%	456,975,794	43.57%
Mr. Mostafa Golam Quddus	4,488,263	2.24%	422,000,000	50.00%	428,488,263	40.86%
Mrs. Fauzia Quamrun Tania	14,387,613	7.17%	-	0.00%	14,387,613	1.37%
Mrs. Fazlutunnessa	4,343,295	2.16%	-	0.00%	4,343,295	0.41%
Mrs. Tasnia Quamrun Anika	4,042,162	2.01%	-	0.00%	4,042,162	0.39%
Mrs. Shafia Sobhan Chowdhury	4,343,295	2.16%	-	0.00%	4,343,295	0.41%
Rupali Insurance Co. Ltd	385,250	0.19%	-	0.00%	385,250	0.04%
Sonali Life Insurance Co. Ltd	2,000,000	1.00%	-	0.00%	2,000,000	0.19%
Dragon IT & Comm	4,098,600	2.04%	-	0.00%	4,098,600	0.39%
Institute Investor	25,360,500	12.63%	-	0.00%	25,360,500	2.42%
General	104,330,728	51.97%	-	0.00%	104,330,728	9.95%
<b>Total Number of Shares</b>	<b>200,755,500</b>	<b>100%</b>	<b>844,000,000</b>	<b>100%</b>	<b>1,048,755,500</b>	<b>100%</b>

E.

## **GENERAL TERMS AND CONDITIONS**

### **10. ACCOUNTING TREATMENTS OF ASSETS, LIABILITIES AND RESERVES AND SURPLUS OF THE TRANSFEROR COMPANY IN THE BOOKS OF THE TRANSFEREE COMPANY**

10.1 Upon the coming into effect of this Scheme and with effect from the Appointed Date, for the purposes of accounting for and dealing with the value of the assets and liabilities of the Transferor Company in the books of the Transferee Company, the assets and liabilities of the Transferor Company transferred to and vested in the Transferee Company pursuant to this Scheme shall be recorded at their respective fair values in terms of the Valuation Report dated **22<sup>nd</sup> September 2021** prepared by M/S Artisan Chartered Accountants, Independent Chartered Accountants on the date that is one day prior to the Appointed Date.

10.2 The carrying amount of investments in the shares of the Transferor Company to the extent held by the Transferee Company, shall stand cancelled in the books of the Transferee Company, without any further act, deed or instrument.

10.3 If considered appropriate for the purpose of application of uniform accounting methods and policies between the Transferor Company and the Transferee Company, the Transferee Company may make suitable adjustments and reflect the effect thereof in its Capital Reserve/Goodwill account, as the case may be.

10.4 Upon the coming into effect of this Scheme and with effect from the Appointed Date, inter-company transaction balances between the Transferor Company and Transferee Company in the books of the Transferee Company will be eliminated while consolidating accounts with the Transferor Company. Unrealised profit, if any, existing in the books of the Transferee Company will similarly be eliminated.

10.5 The deficit between: (A) the aggregate value of net assets of the Transferor Company acquired and recorded by the Transferee Company in terms Section 10.1 above after making necessary adjustment for Sections 10.3 and 10.4; and (B) the value of investments cancelled in terms of Section 10.2 above should be debited to "Goodwill Account". The surplus, if any, should be credited to "Capital Reserve" Account.

## **11. DIVIDENDS**

From the date of filing of the Scheme to the Effective Date:

- (a) Except as expressly contemplated or permitted by any decision of the Board of Directors of the Transferee Company, the Transferor Company shall not declare/or pay dividends or other

distribution payable in cash, stock, property or otherwise with respect to any of its capital stock;

- (b) The Transferor Company, except as mentioned otherwise in this Scheme, shall not issue or allot any shares, rights, bonus shares or any other security converting into equity or other share capital or obtain any other financial assistance converting into equity or other share capital, unless agreed to by the Board of Directors of the Transferee Company;
- (c) The Transferee Company shall be entitled to declare and pay dividends, whether interim or final, to their ordinary shareholders in respect of the accounting period after the Appointed Date and prior to the Effective Date;
- (d) Until the coming into effect of the Scheme, the holders of equity shares of the Transferor Company and the Transferee Company shall, save as expressly provided otherwise in this Scheme, continue to enjoy their existing respective rights under their respective Articles of Association. It is clarified that the aforesaid provisions in respect of declaration of dividends, whether interim or final, are enabling provisions only and shall not be deemed to confer any right on any member of the Transferor Company and/or the Transferee Company to demand or claim any dividends which, subject to the provisions of the respective Articles of Association, shall be entirely at the discretion of the respective boards of the companies and subject to, where necessary, the approval of the shareholders of the Transferor Company and the Transferee Company, respectively.

## **12. LEGAL PROCEEDINGS**

- (a) Upon the coming into effect of this Scheme, all suits, claims, actions and proceedings by or against the Transferor Company and/or on or the Effective Date shall be continued and be enforced by or against the Transferee Company as effectually as the same had originally been instituted and/or pending and/or arising by or against the Transferee Company.
- (b) The Transferee Company will undertake to have all legal or other proceedings initiated by or against the Transferor Company referred to in Section 12(a) above transferred to its name and to have the same continued, prosecuted and enforced by or against the Transferee Company.

## **13. OPERATIVE DATE OF THE SCHEME**

This Scheme shall be operative from the Effective Date with effect from the Appointed Date.

## **14. EMPLOYEES**

- (a) Upon the Scheme coming into effect and with effect from the Appointed Date, all employees of the Transferor Company shall become employees of the Transferee Company on such date as if they were in continuous service without any break or interruption in service and on terms and conditions as to employment and remuneration not less favourable than those on which they were engaged or employed by the Transferor Company, so as to become as

and from the Effective Date, the employees of the Transferee Company. The Transferee Company undertakes to continue to abide by any agreement/settlement, if any, validly entered into by the Transferor Company with any employees of the Transferor Company. The position and hierarchy of the employees of the Transferor Company in the Transferee Company will be decided by the management of the Transferee Company.

- (b) It is provided that so far as provident fund, gratuity fund, or any other special scheme(s)/fund(s), or other benefits if any, created or existing for the benefit of the existing or past employees of the Transferor Company are concerned, upon the coming into effect of this Scheme, the Transferee Company shall stand substituted at an appropriate stage for the Transferor Company for all purposes whatsoever related to the administration or operation of such schemes, funds or benefits or in relation to the obligation to make contributions to the said schemes, funds or benefits in accordance with the provisions of such schemes, funds or benefits as per the terms provided in the respective trust deeds or employee benefit plans or policies, to the end and intent that the rights, duties, powers and obligations of the Transferor Company in relation to such schemes, funds or benefits shall become those of the Transferee Company.

## **15. DISSOLUTION OF THE TRANSFEROR COMPANY**

Upon the effectiveness of this Scheme, the Transferor Company shall stand dissolved without winding up from the Appointed Date, and the Board of Directors and any committees thereof of the Transferor Company shall without any further act, instrument or deed be and stand dissolved and the Transferor Company shall be removed from the register of the Registrar of Joint Stock Companies and Firms. The Undertaking of the Transferor Company shall be amalgamated with that of the Transferee Company, which will continue to operate as a going concern.

## **16. APPLICATION BEFORE THE HON'BLE HIGH COURT DIVISION**

The Transferor Company and the Transferee Company shall make all applications/petitions under Sections 228 and 229 and other applicable provisions of the Act before the High Court Division, Supreme Court of Bangladesh for sanctioning of this Scheme.

## **17. MODIFICATIONS AND AMENDMENTS TO THE SCHEME**

The Board of Directors of the Transferor Company and the Transferee Company may assent on behalf of all concerned including the shareholders from time to time to any modifications or amendments or additions to this Scheme or to any conditions, which the High Court Division may under law think fit to approve or impose; and may do and execute all acts, deeds, matters and things necessary for bringing this Scheme into effect; or to review a position relating to the satisfaction of the conditions to this Scheme; and if necessary, to waive any of those (to the extent permissible under the law) for bringing this Scheme into effect.

## **18. SCHEME CONDITIONAL UPON APPROVALS/SANCTIONS**

This Scheme is conditional upon and subject to:

- (a) The Scheme being agreed to by the requisite majority members of the Transferor Company and the Transferee Company as required under the Act and the sanction by the Hon'ble High Court under Section 228 read with Section 229 of the Act and to requisite orders made by the High Court pursuant to Section 228 read with Section 229 of the Act for amalgamation of the Transferor Company with the Transferee Company and for implementation of this Scheme;
- (b) Such other sanctions and approvals including sanction and approvals of any government or regulatory authority, creditor, lessor or contracting party as may be required by law or contract in respect of the Scheme being obtained; and
- (c) The aforementioned amalgamation shall be, and be deemed to have been, effective on the date a certified copy of the Order made by the Hon'ble High Court Division is filed with the Registrar of Joint Stock Companies and Firms, Dhaka, Bangladesh.

## **19. TAXES/DUTIES, ETC.**

- (a) The Transferee Company will be the successor of the Transferor Company. Any unutilized credit relating to excise duties paid on inputs lying to the account of the Transferor Company as well as any unutilized credits relating to Value Added Tax (VAT) paid on input services consumed by the Transferor Company shall be transferred to the Transferee Company automatically without any specific approval or permission as an integral part of the Scheme.
- (b) Income taxes of whatsoever nature including advance tax, self-assessment tax, regular assessment taxes, tax deducted at source, wealth tax, if any, paid by the respective Transferor Company shall be treated as paid by the Transferee Company and it shall be entitled to claim the credit, refund, rebate or adjustment for the same as may be applicable.



- (c) If the Transferor Company is entitled to any benefits under incentive schemes and policies, it is declared that the benefits under all such incentive schemes and policies shall be transferred to and vested in the Transferee Company.
- (d) Upon this Scheme being effective, the Transferee Company is expressly remitted to revise and file its income tax returns and other statutory returns, including returns relating to tax deducted/collected at source, excise duty returns, VAT returns, as may be applicable, and has expressly reserved the right to make such provision in its returns and to claim refunds or credits, if any. Such returns may be revised and filed notwithstanding that the statutory period for such revision and filing may have expired.

## **20. SEVERABILITY**

If any part of this Scheme is found to be unworkable for any reason whatsoever, the same shall not, subject to the mutual agreement of the Transferor Company and the Transferee Company, affect the validity or implementation of the other parts and/or provisions of this Scheme.

## **21. WITHDRAWAL, REVOCATION OR CANCELLATION OF THE SCHEME**

The Boards of Directors of the Transferor Company and the Transferee Company shall be entitled to withdraw this Scheme prior to the Effective Date. The Boards of Directors of the Transferor Company and the Transferee Company shall be entitled to revoke, cancel and declare the Scheme of no effect if they are of the view that the coming into effect of the Scheme with effect from the Appointed Date could have adverse implications on the Transferor Company and/or the Transferee Company.

## **22. EXPENSES CONNECTED WITH THE SCHEME**

All costs, charges and expenses, including any taxes and duties of the Transferor Company and the Transferee Company respectively in relation to or in connection with this Scheme and incidental to the completion of the amalgamation of the Transferor Company in pursuance of this Scheme shall be borne and paid by the Transferee Company.

## **23. FAILURE TO TAKE EFFECT**

In the event of this Scheme failing to take effect finally by November 2022 or by such later date as may be agreed by the respective Board of Directors of the Transferor Company and the Transferee Company, this Scheme shall become null and void and in that event, no rights and liabilities whatsoever shall accrue to or be incurred inter se by parties or their shareholders or creditors or employees or any other person(s).