

SCHEME OF ARRANGEMENT

UNDER SECTION 279 TO 282 OF THE COMPANIES ACT 2017

Between

ITANZ TECHNOLOGY (PRIVATE) LIMITED

and its MEMBERS

And

ZAHUR COTTON MILLS LIMITED

and its MEMBERS

FOR

The merger of Itanz Technology (Private) Limited (“**ITANZ**”) and Zahur Cotton Mills Limited (“**ZHCM**”), the consequent transfer to and vesting in ZHCM of the entire undertaking of ITANZ and the dissolution, without winding up, of ITANZ.

1. CORPORATE INFORMATION

As of the Effective Date, the following is the composition of the board of directors and the authorized and paid up share capital of ITANZ and ZHCM.

ITANZ TECHNOLOGY (PRIVATE) LIMITED

Date of incorporation	:	01 February 2019
Board of Directors	:	Mr. Syed Asim Zafar (Chief Executive) Mr. Afzal Pervaiz
Registered Office	:	1 st Floor, 623-B, PCSIR-II, Johar Town, Lahore, Pakistan
Authorized Share Capital	:	Rupees 100,000,000 divided into 10,000,000 ordinary shares of Rupees 10 each.
Issued, Subscribed and Paid-up Capital	:	Rupees 500,000 divided into 50,000 ordinary shares of Rupees 10 each fully paid.
Principal line of business:		Providing consultancy services in the field of information technology and information technology enabled services including software development, installation, implementation and other information technology related supplies and services.

ZAHUR COTTON MILLS LIMITED

Date of Incorporation	:	21 April 1990
Board of Directors	:	Mr. Syed Jawed Ali (Chief Executive) Mr. Imran Zaid Ms. Javeria Malik Ms. Sana Malik Mr. Muhammad Faheem Qureshi Ms. Azra Parveen Mr. Muhammad Sheraz
Company Secretary	:	Mr. Muhammad Faheem Qureshi
Registered Office	:	Ground Floor, 623-B, PCSIR-II, Johar Town, Lahore, Pakistan
Authorized Share Capital	:	Rupees 200,000,000 divided into 20,000,000 ordinary shares of Rupees 10 each.

Issued, Subscribed and Paid-up Capital	: Rupees 98,600,000 divided into 9,860,000 ordinary shares of Rupees 10 each fully paid.
Principal line of business:	: Manufacturing and sale of yarn from cotton, synthetic or any other such materials.

2. **DEFINITIONS**

In this Scheme of Arrangement, unless the subject or context otherwise requires, the following expressions shall bear the meanings set out below:

“Assets” Means all the properties (whether moveable or immoveable), rights, software, titles and assets (whether tangible or intangible), privileges, powers, licenses, permissions, claims, and interests including but not limited to:

- (a) Legal and/or beneficial interests including without limitation statutory, contractual and/or regulatory rights, titles, permits, authorisations, permissions, concessions, privileges, sanctions, approvals, licenses and registrations;
- (b) Historical and current documents, date and information;
- (c) Claims and receivables;
- (d) Cash in hand or at bank;
- (e) Connections, equipment, installations and facilities pertaining to telecommunications, water, gas, electricity, sewerage or other utilities and the benefit of all payments and deposits made in connection therewith;
- (f) Rights, titles and interests in intellectual property;
- (g) Trade secrets; technical data, processes and know-how;
- (h) software, goodwill, revaluation on surplus; share premium account; capital reserves, revenue reserves and accumulated accounting losses;
- (i) Tax credits, Tax or other refunds; Tax or tariff protections, concessions, remissions or exemptions; and
- (j) Agreements, leases, and arrangements inclusive of all rights thereunder.

“Act” Means the Companies Act, 2017

“Schedule A”	Means the schedule attached hereto with the list of the board of directors of ITANZ.
“Schedule B”	Means the schedule attached hereto with the list of members of ITANZ.
“Schedule C”	Means the schedule attached hereto containing the report, dated 7 February 2024, by Aamir Salman Rizwan, Chartered Accountants, containing <i>inter alia</i> recommendations of the share issuance ratio for the merger under the instant Scheme.
“Claims”	Means all present or future, actual or contingent, current or deferred claims, counter-claims, demands or causes of action by or against ITANZ or ZHCM.
“Contingent Claims”	Means any potential claim that a company may have against any person prior to the Completion Date which may not be disclosed or reflected as part of its Assets on its books or records.
“Contracts”	Means the agreements, deeds, trusts, leases, conveyances, grants, undertakings and/or contracts of every description related to or connected with ITANZ or ZHCM.
“Completion Date”	Means the day on which the certified true copy of order(s) of the Court under Section 279(3) of the Act sanctioning the scheme filed with the Registrar of Companies.
“Court”	Means the Lahore High Court, or any other Court for the time being having jurisdiction under Section 279 to 282 of the Act.
“Effective Date”	Means 1 October 2023.
“Employees”	Means all employees of ITANZ and ZHCM.
“Insurance Liabilities”	Means liabilities accrued by business of insurance i.e., business of entering into and carrying out policies or contracts, by whatever name called includes reinsurance and retrocession.
“ITANZ”	Means Itanz Technology (Private) Limited, a private limited company incorporated in Pakistan, having its registered office at 1 st Floor, 623-B, PCSIR-II, Johar Town, Lahore, Pakistan.
“ITANZ Shareholders”	Means the shareholders of ITANZ on the Completion Date.
“Litigation”	Means the claims, petitions, suits, applications or appeals, filed before or pending with any court, authority, tribunal or regulatory body, whether in its original jurisdiction or appellate jurisdiction.
“Merged Company”	Means ZHCM as the surviving entity after the merger of ITANZ and ZHCM.

“Merged Companies”	Means ITANZ and ZHCM that are proposed to be merged in terms of the Scheme with an effect of constituting a merged company.
“Scheme”	Means this Scheme of Arrangement in its present form with any modification thereof or addition thereto approved and/or ordered by the Court.
“Security or Securities”	Means interest, right or title in and to any and all mortgages or charges (whether legal or equitable), debentures, bill of exchange, promissory note, guarantee, lien, pledge (whether actual or constructive), hypothecation, assignment by way of security, right of set-off undertaking or other means of securing payment or discharge of any liabilities and obligations.
“Share Consideration”	Means the number of shares allotted to ITANZ shareholders as per Section 6.1 herein.
“Share Ratio”	Means the share ratio as described in Section 8 of this Scheme.
“Tax”	Means all present and future taxes, including income tax, sales tax, stamp duties, octroi, customs or excise duty, registration charges, levies, fees, deductions, imposts.
“ZHCM”	Means Zahur Cotton Mills Limited, a company limited by shares and incorporated in Pakistan as a public company and being a listed company, having its registered office at Ground Floor, 623-B, PCSIR-II, Lahore, Pakistan.
“ZHCM Shares”	Means the ordinary shares of PKR 10 each in the share capital of ZHCM to be issued and allotted to the ITANZ Shareholders in accordance with this Scheme.
“ZHCM Shareholders”	Means the shareholders of ZHCM on the Completion Date.

3. **PRINCIPAL OBJECTS**

The principal object(s) of the Scheme is to achieve the merger of ITANZ and ZHCM, the consequent transfer to and vesting in ZHCM of all Assets and Liabilities of ITANZ and the dissolution, without winding-up of ITANZ and allot and issue ZHCM’s shares to the existing shareholders of ITANZ based on the Share Ratio.

4. **RATIONAL FOR MERGER**

ZHCM is a public limited company quoted on the Pakistan Stock Exchange (PSX). The principal activity of the company was manufacturing and sale of grey fabric. The company sustained heavy financial losses in the past and in 2006 closed down its operations. For this reason, ZHCM was also placed in the defaulters segment of the PSX under the provisions of section 5.11.1 (b) and (f) of PSX Regulations. This Scheme will revive ZHCM as a going concern business by converting it into an information technology company with a promising future. The main object clause of the surviving entity will be amended to provide that the Mergeed Company will be

involved in the business of information technology and information technology enabled services including software development, installation, implementation and other information technology related supplies and services. In turn, the ITANZ undertaking will be able to access the capital markets for the purposes of raising financing for its business operations.

5. TRANSFER OF UNDERTAKING OF ITANZ

5.1. The entire undertaking of ITANZ shall be transferred to and vested in ZHCM and shall be inclusive of the following:

- (a) All Assets and properties of ITANZ, including, without limitation, properties of all kinds and by whatever title held and whether movable or immovable or tangible or intangible, leasehold assets, including but not limited to and without limiting the generality of the foregoing in particular:
 - (i) The office building and infrastructure, including the office shall stand transferred to ZHCM;
 - (ii) all plant, machinery, equipment, spare parts, tools, appliances, computer systems, software development, motor and other vehicles, furniture, fixture and fittings;
 - (iii) all stocks, stock-in-trade, stocks of fuel, inventory, raw materials, ingredients, packaging, office supplies, engineering spares, consumable stores, work in progress, finished goods;
 - (iv) all contracts, agreements, trusts, leases, hires, rentals, sub-leases, tenancies, conveyances, grants, instruments of transfer, engagements, commitments and arrangements entered into by or subsisting in favour of ITANZ which remain in whole or in part to be performed, inclusive of all rights and obligations of ITANZ arising thereunder;
 - (v) all actional claims, book debts, trade and other debts or sums (including suppliers' credit notes) due, owing, accrued or payable to ITANZ (whether or not invoiced and whether or not immediately due or payable), advances, deposits, prepayments and other receivables, loans made, investments (both short term and long term, including without limitation, investments in shares, debentures, debt instruments and other securities), cash in hand and at banks or other depositories;
 - (vi) all historical and current documents, customer lists, products and supplier lists, catalogues, literature, employee records, documents of title, sales targets, sale statistics, market share statistics, marketing surveys and reports, marketing research and any advertising or other promotional materials, and other accounting (including management accounting reports) and other financial data whether in hard copy or in computer held form (including, for avoidance of doubt, such media as microfilm and microfiche);

but the transfer and vesting of such assets and properties shall be subject to all mortgages and charges and other encumbrances subsisting thereon.

- (b) All connections and facilities for telecommunication owned by, or leased or licensed to ITANZ, including mobile phones, telephones, telexes and facsimile and the benefit

of all payments and deposits made by or for the account of ITANZ in connection therewith;

- (c) all connections, meters and other instalments owned by, or leased or licensed to ITANZ for the supply of electricity, gas and water and the benefit of all payments and deposits made by or for the account of ITANZ in connection therewith;
- (d) all rights, powers, authorities and privileges of ITANZ, including all registrations, licenses, authorizations, permits, categories, sanctions, approvals and permissions concerning the investment in or carrying on of any business by ITANZ and other activities carried on by ITANZ or any part thereof;
- (e) all rights, title and interests of ITANZ in technical data and know-how, industrial and technical information, trade secrets, confidential information, drawings, formulations, technical reports, operating and testing procedures, instruction manuals, raw material or production specifications, the results of research and development work, whether in hard copy or in computer held form (including for the avoidance of doubt, such media as microfilm and microfiche) and computer software;
- (f) all rights, title and interests of ITANZ anywhere in the world and the goodwill in respect of any trademarks, service marks, trade names, trading styles, copyrights, designs, patents, inventions, secret processes, know-how and confidential information, including, without limitation, and licenses (inclusive of the benefits and burdens of such licenses) for the same, and any applications or the rights to apply for protection or registration of any of the same and any continuing, reissue, divisional and re-examination patent application;
- (g) the goodwill of ITANZ in respect of all of its businesses and activities;
- (h) all other rights, powers, authorities and privileges of ITANZ including, without limitation;
 - (i) all registrations, licenses, permits, categories, entitlements, authorizations, sanctions, permissions and approvals issued or granted by any government, governmental department or agency, or any statutory or local authority or any municipal corporation to ITANZ; and
 - (ii) all concessions, entitlements, tariff protections and duty and tax exemptions and remissions; and
 - (iii) all credits and refunds on account of sales tax, customs duty, octroi and other duties, taxes, levies, fees, charges, or imposts paid on account of, or in connection with any properties, assets or materials comprised in the ITANZ Undertaking and inclusive of the right to adjust the amount of sales tax paid on the purchase acquisition or import thereof (input tax) against sales tax payable by ITANZ on goods sold by it (output tax); and
 - (iv) all rights against third parties (including sub-contracts and any retention of title rights).
- (i) all licenses, permits and authorizations for the import or export of any plant, machinery, equipment, materials, goods, articles or things and all bills of entry, airway bills, bills

of lading or other documents of title relating thereto and all letters of credit and other payment orders and all rights, titles, privileges, benefits, liabilities and obligations of ITANZ arising thereunder or pursuant thereto in relation thereof;

- (j) all banking and other accounts maintained by ITANZ with any bank, financial institution, customer, supplier, government department, including but not limited to, the collector of customs and other authorities, any agency supply any amenities to ITANZ including all the credit and debit (as the case may be) balances in such accounts and any existing instructions, orders, directions, mandates, powers of attorneys, authorities, undertakings or consents given to ITANZ in writing in relation to an account;
- (k) all debts and other liabilities and obligations of every kind and description of ITANZ whether accrued or accruing or contingent or deferred and whether incurred solely or jointly with another or others including amounts owing to banks, financial institutions, non-banking finance companies and other creditors (related or unrelated) of ITANZ;
- (l) all loans, advances, finances, leases and banking facilities provided to, or agreed to be provided to, ITANZ inclusive of interest, mark up or other return and bank charges in respect thereof and any property of ITANZ secured or encumbered in favour of such creditor shall continue to remain so encumbered;
- (m) all amounts owing (whether or not due for payment) or payable by ITANZ in respect of the supply of goods, utilities and services to ITANZ and which are unpaid at the Completion Date (including, without limitation, credit notes granted and advances received from suppliers or customers);
- (n) the liabilities of ITANZ on account of its employees or former employees including such liabilities payable on termination of service by way of provident fund or otherwise;
- (o) the contracts of employment between ITANZ and such of its employees who may have agreed to accept employment with ZHCM in lieu of their employment with ITANZ upon the merger of ITANZ with and into ZHCM becoming effective and the rights and obligations of ITANZ arising under such contracts;
- (p) the liabilities of ITANZ for payment of taxes, and the entitlements of ITANZ to credit or refund of payments made for or in respect of any assessment or liability for taxes including advance tax collections;
- (q) the benefits of any policies of insurance issued to or otherwise available to ITANZ;
- (r) the capital reserves, revenue reserves, revaluation surpluses, unappropriated profits and accumulated accounting losses of ITANZ; and
- (s) the benefit of all capital allowances and tax losses.

5.2. ITANZ and ZHCM shall be amalgamated by transfer and vesting of the ITANZ undertaking subsisting immediately preceding the Completion Date, without further act or deed, matter or thing, process or procedure, shall be transferred to and vested in the Merged Company on the Completion Date.

- 5.3. The merger in accordance with this Scheme and the transfer and vesting of the ITANZ undertaking shall be treated as having taken effect from the Effective Date and as from that time until the Completion Date, the ITANZ undertaking (inclusive of the business, operations and other activities) shall be deemed to be carried on by ITANZ for and on account and for the benefit of the Merged Company.

6. CONSIDERATION FOR THE TRANSFER OF ITANZ UNDERTAKING

- 6.1. In consideration for the merger under this Scheme, 97,961,500 ordinary shares of ZHCM of Rs. 10 (ten) each shall be allotted, credited and fully paid-up, in the share ratio of 1,959.23 Shares of Rs 10 (ten) each of ZHCM for every 1 (one) share of ITANZ (the “**Share Ratio**”) to the ITANZ Shareholders, who are the registered shareholders of the ordinary shares of ITANZ (the “**Share Consideration**”).
- 6.2. The authorized share capital of ZHCM will increase by 100,000,000 (One Hundred Million) shares. After the implementation of the Scheme: (i) the total authorized share capital of ZHCM will become 120,000,000 (One Hundred Twenty Million) shares; and (ii) the total paid-up Capital of the Company will become 107,821,500 (One Hundred Seven Million Eight Hundred Twenty-One Thousand Five Hundred) shares.
- 6.3. Fractional shares shall not be issued. All fractions less than a share shall be consolidated into whole shares which shall be disposed by ZHCM as determined by the board of directors.
- 6.4. The Share Consideration shall stand allotted and issued automatically on the Completion Date. The share certificates for such shares shall be made ready for delivery as soon as practicable.
- 6.5. Upon the allotment of the ordinary shares of ZHCM to ITANZ and the ITANZ Shareholder, the entitlements of ITANZ and the ITANZ Shareholders under this Scheme shall stand fully satisfied.
- 6.6. The ordinary shares of ZHCM upon issuance and allotment under this Scheme shall rank *pari passu* with the existing shareholders of ZHCM in all respects and shall be entitled to all dividends, bonus, right issue declared after the completion date.
- 6.7. The Share Ratio has been calculated by Aamir Salman Rizwan (Chartered Accountants) based on the last available financial statements of 30 September 2023 of ZHCM and ITANZ. The report by Aamir Salman Rizwan (Chartered Accountants) is attached herewith as Schedule C.

7. INTERESTS OF CUSTOMERS AND CREDITORS

This Scheme shall not in any manner affect the interest of any customer or creditor, the Merged Company shall be bound to carry out the terms and conditions connected herewith with the same legal effect and force as if this Scheme was not sanctioned.

8. OUTSTANDING AMOUNTS

All amounts owing (whether or not due for payment) or payable by ITANZ or ZHCM and which are unpaid on the Completion Date in respect of the supply of goods, raw materials, utilities, and services (including, without limitation, credit notes granted, and advances received from suppliers or customers) to the extent arising exclusively or primarily in the ordinary course of business, shall be owned or paid by the Merged Company under this Scheme.

9. PENDING PROCEEDINGS

9.1. All suits, appeals, arbitrations, governmental investigations and other legal proceeding instituted by or against ZHCM or ITANZ shall be treated as suits, appeals, arbitrations, governmental investigations and other legal proceedings by or against the Merged Company and may be continued, prosecuted, and enforced by or against the Merged Company.

9.2. Any right, claim or liability vested of ITANZ on and from the Completion Date, the Merged Company shall have the same right, claim, power and remedy (and in particular the same right, claim and power as to taking or resisting legal proceedings or more making or resisting applications to authority) for ascertaining, perfecting or enforcing that right, claim or liability as if it had at all time been a right, claim or liability of the Merged Company.

10. EMPLOYEES

The Merged Company will take in employment all employees of ITANZ who have accepted employment with the Merged Company in lieu of their employment with ITANZ on the same terms and conditions applicable to them in ITANZ immediately after the Completion Date including those relating to entitlements arising under termination of service to payment of provident fund, gratuity, redundancy and pension, as applicable, and with benefit of past service in ITANZ as the case may be.

11. DIRECTORS AFTER MERGER

The directors of ZHCM will be replaced with the directors of ITANZ and no compensation will be payable to any director for loss of office due to merger.

12. COSTS AND EXPENSES

All costs, charges and expenses relating to the Scheme and of carrying out and implementing the terms and provisions of this Scheme and incidental to the completion of the merger and transfer to and vesting in ZHCM of all Assets of ITANZ shall be borne by ITANZ.

13. CHANGE OF NAME, PRINCIPAL LINE OF BUSINESS OF ZHCM

13.1. Upon the sanction of this Scheme:

- (a) the name of ZHCM shall stand changed / altered from “Zahur Cotton Mills Limited” to “Itanz Technologies Limited” to more accurately reflect the nature of activities being undertaken by ZHCM after the merger; and
- (b) the principal line of business of ZHCM shall also stand changed / altered to include providing consultancy services in the field of information technology and information technology enabled services including software development, installation, implementation and other information technology related supplies and services to give full effect to the purposes of this Scheme.

13.2. Without prejudice to the provisions above, ZHCM shall fulfil any documentary formalities / requirements for the change of its name and principal line of business. Approval of this Scheme by the shareholders of ZHCM shall also include and constitute an approval by way of special resolution for the change of ZHCM’s name and change to its principal line of business.

14. DISSOLUTION OF ITANZ

ITANZ shall stand dissolved, without winding up, on the Completion Date.

15. MISCELLANEOUS

- 15.1. This Scheme may be approved with or without modifications as per the discretion or as per the instructions of the Court.
- 15.2. The non-approval shall render the Scheme null and void, no rights and liabilities shall accrue or be incurred by ITANZ or ZHCM if the Scheme is not approved by the shareholders of the Merged Companies or if the Scheme is not sanctioned by the Court.
- 15.3. As of the Completion Date, this Scheme shall be binding and effective on ITANZ (and its shareholders) and ZHCM (and its shareholders), as well as the employees, debtors and creditors of ITANZ and ZHCM and any person or entity having any right or liability connected with or in relation to ITANZ and ZHCM.
- 15.4. The non-approval shall render the Scheme null and void, no rights and liabilities shall accrue or be incurred by ITANZ or ZHCM if the Scheme is not approved by the shareholders of the Merged Companies or if the Scheme is not sanctioned by the Court.
- 15.5. All dividend mandates already existing in relation to the ordinary shares of ITANZ held by the ITANZ Shareholders shall operate in relation to any new ordinary shares of ZHCM allotted to the ITANZ Shareholders.

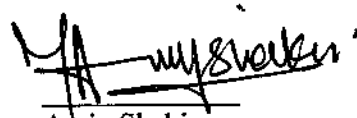
Scheme Date: 26th February 2024

For Itanz Technology (Private) Limited:


Atzal Pervaiz
(Director)



For Zahur Cotton Mills Limited:


Amin Shakir
(Chief Financial Officer)



SCHEDULE A

LIST OF MEMBERS OF BOARD OF DIRECTORS OF ITANZ

AS AT NOVEMBER 30, 2023

Sr. No.	Name of Director
1.	Mr. Syed Asim Zafar
2.	Mr. Afzal Pervaiz

SCHEDULE B

LIST OF MEMBERS OF ITANZ

AS AT NOVEMBER 30, 2023

Sr. No.	Name of Member
1.	Mr. Syed Asim Zafar
2.	Mr. Afzal Pervaiz
3.	Mr. Syed Ahmed Bilal
4.	Mr. S M Abdullah Al Muttaqui
5.	Mr. Muhammad Mustansar Shafiq

SCHEDULE C

REPORT BY AAMIR SALMAN RIZWAN (CHARTERED ACCOUNTANTS)

[on the following page]

Schedule "C"
to
Scheme



Aamir Salman Rizwan
Chartered accountants

Our ref: BAS/ASR/2023-24/103

07 February 2024

The Board of Directors

ITANZ Technology (Private) Limited
623-B, PCSIR II,
Lahore.

Zahur Cotton Mills Limited
623-B, PCSIR II,
Lahore.

Dear Sirs,

**Subject: Determination of Share Issuance Ratio in the Reverse Merger of
ITANZ Technology (Pvt.) Ltd. with Zahur Cotton Mills Ltd.**

Aamir Salman Rizwan Chartered Accountants (hereinafter referred to as "We", "Our", "Us", or "ASR") have been appointed to assist in the determination of Share Issuance Ratio of Zahur Cotton Mills Limited (hereinafter referred to as ZHCM) to the shareholders of ITANZ Technology (Private) Limited (hereinafter referred to as ITANZ) in the reverse merger of ITANZ and ZHCM.

1. Understanding of the Transaction

We understand that the managements of both the companies have principally agreed to achieve the amalgamation of ITANZ and ZHCM in the form of a reverse merger, the consequent transfer to and vesting in ZHCM of all assets and liabilities of ITANZ, the dissolution, without winding-up, of ITANZ, and allotment and issue of ZHCM shares to the shareholders of ITANZ (hereinafter referred to as the "Amalgamation") based on the valuations and share issuance ratio determined in this letter.

The share issuance ratio being determined on the basis of calculations and valuations set out in this letter will be used in the draft Scheme of Amalgamation, to be duly approved by the board of directors of both companies.

The draft Scheme of Amalgamation to be duly approved by the board of directors of both companies is envisaged to be effective as on the date which is sanctioned by the respective Hon'ble High Court (hereinafter referred to as the Court).

ASR

A member of





2. About the Companies

2.1. Brief Overview

ITANZ Technology (Private) Limited

ITANZ Technology (Private) Limited/ITANZ is a private limited company engaged in the business of providing consultancy services in the field of information technology (IT) and IT-enabled services including software development, installation and implementation services, and other IT-related supplies and services. The year-end of the company is June 30th.

Zahur Cotton Mills Limited

Zahur Cotton Mills Limited/ZHCM is a public limited company quoted on the Pakistan Stock Exchange (PSX). The principal activity of the company is manufacturing and sale of grey fabric. However, after sustaining losses for several years, ZHCM has shut down its production activities, liquidated its assets and, thereafter, remained dormant. The year-end of the company is June 30th.

2.2. Share Capital of Companies

Sr. n ^o	Company	No. of Issued Shares at September 30, 2023	Par Value (PKR)	Issued Share Capital (PKR)
1	ITANZ	50,000	10	500,000
2	ZHCM	9,860,000	10	98,600,000

2.3. Pattern of Shareholding

Shareholding pattern of ITANZ as on September 30, 2023 was as follows:

Sr. n ^o	Shareholder	N ^o of Shares	% Holding
1	Syed Ahmed Bilal	39,000	78.00%
2	Syed Asim Zafar	5,000	10.00%
3	Muhammad Mustansar Shafiq	5,000	10.00%
4	S M Abdullah Al Muttaqi	500	1.00%
5	Afzal Pervaiz	500	1.00%
Total		50,000	100.00%

Shareholding pattern of ZHCM as on September 30, 2023 was as follows:

Sr. n ^o	Shareholder	N ^o of Shares	% Holding
1	Javed Zahur	5,077,800	51.50%
2	Directors, their Spouse, etc.	3,500	0.03%
3	Other shareholders	4,778,700	48.47%
Total		9,860,000	100.00%

¹ Interim accounts for the quarter ended September 30, 2023 were available at the time of preparing this letter.



3. Valuation of Companies

Valuation of a company is generally carried out using the following methods:

1. Breakup value²
2. Discounted cash flows³
3. Market value of shares⁴
4. Earnings multiple⁵
5. Comparable company transaction⁶

The table hereunder describes the rationale for selection or reasons for not utilization of a particular approach for valuation of ITANZ and ZHCM.

Valuation Approach	ITANZ	ZHCM
Breakup Value	Used	Not used as ZHCM's breakup value is negative due to sustained losses.
Discounted Cash Flows (DCF)	Used	Not used as ZHCM's business is dormant since many years.
Market Value of Shares	Not used as it is a Private Limited Company and hence market value is not available	Not used as ZHCM's is placed on PSX's suspended counter and its shares are not being traded on PSX.
Earnings Multiple	Used	Not used as the business is dormant since many years.
Comparable Company Transaction	Not used as private company transactions are generally not disclosed to the public	Used as a recent transaction involving acquisition of a similar dormant company (approved by the Hon'ble Lahore High Court) was identified.

² Breakup Value method involves calculating net assets of the company. It calculates how much will the Company be worth if all of its assets are sold and liabilities settled/paid for.

³ Discounted Cash Flows method involves estimating the future cash flows expected to be generated by the business over an appropriate period and then discounting it to present value using an appropriate discount rate. This discount rate considers the time value of money, inflation, and the risk inherent in owning the business being valued.

⁴ Market Value of Shares method is applicable for those companies whose shares are being traded on the stock exchange. This method uses the market value of shares to calculate the total value of the Company.

⁵ Earnings Multiple method is a business valuation approach that assesses the value of a company by comparing its market price per share to its earnings per share (EPS). In case if the shares of the Company are not being traded on stock exchange then ratio of similar companies in the industry is used to estimate its market value.

⁶ The recent company transaction method is a widely utilized approach in business valuation that involves analyzing the acquisition details of similar companies to estimate the value of a target company. This method assumes that the transaction value of a comparable company can be a reliable indicator of the target company's value. One key consideration in employing this method is the adjustment for changes in liabilities and the time value of money.

BSR



Valuation of ITANZ Technology (Private) Limited – ITANZ

Using the above approaches, the valuation of ITANZ is as depicted in the table below;

Sr. n ^o	Particulars	Total Value (PKR '000')	Value Per Share (PKR)
1	Value- Breakup Value Method	165,491	3,310
2	Value – DCF Method		
(a)	• At discount rate 24.3% Scenario I	1,409,213	28,184
(b)	• At discount rate 26.3% Scenario II	1,246,945	24,939
3	Value – Earnings Multiple Method	699,962	13,999

Final value of ITANZ is computed as the average of these three methods under both scenarios as follows:

Sr. n ^o	Particulars	Total Value (PKR '000')	Value Per Share (PKR)
1	Value of ITANZ at discount rate 24.3%	758,222	15,164.43
2	Value of ITANZ at discount rate 26.3%	704,132	14,082.65

Valuation of Zahur Cotton Mills Limited – ZHCM

ZHCM is at the defaulter counter of PSX and it has also ceased its operations for quite some time now. Therefore, its valuation was carried out using a recent company transaction method.

In our analysis, we examined a recent transaction where a similar company was acquired at Rs. 10.78 per share almost 2 years ago, with the acquirer assuming liabilities of Rs. 39 million. Adjusting for changes in liabilities, we calculated the Adjusted Acquisition Price for the similar company. Subsequently, to account for the time value of money, we applied a discount rate of 24.64%. The adjusted present value of the acquisition, after considering both changes in liabilities and the time value of money, yielded the following valuation of ZHCM:

Sr. n ^o	Particulars	Total Value (PKR '000')	Value Per Share (PKR)
1	Value of ZHCM	76,324	7.74

4. Share Issuance Ratio Range Computation

Total consideration to be paid by ZHCM to the shareholders of ITANZ will be in the form of shares.

[Signature]

However, the share issuance ratio will depend upon range of values of ITANZ as determined above. The number of shares of ZHCM to be issued to shareholders of ITANZ, under both scenarios, has been determined below:

Share Issuance Ratio Range Computation	Scenario I	Scenario II
Per Share Value of ITANZ (PKR)	15,164.43	14,082.65
Per Share Value of ZHCM (PKR)	7.74	7.74
Share issuance ratio (number of shares of ZHCM to be issued against each share of ITANZ)	1,959.23	1,819.46
Shares of ZHCM to be issued to ITANZ members	97,961,500	90,973,000

ZHCM will have to issue shares to the shareholders of ITANZ in the range of 97,961,500 to 90,973,000 depending upon the approval by the board of directors and members of respective companies and subject to sanction of the respective Court in accordance with the provision of Section 279 to 285 of the Companies Act, 2017.

5. Caveats

- (1) This share issuance letter is subject to limitations detailed herein. This letter is to be read in totality, and not in parts, in conjunction with all the relevant documents referred herein.
- (2) This letter has been prepared solely for the transaction referred above in relation to the draft Scheme of Amalgamation and accordingly, it is not to be used by any other person or for any other purpose.
- (3) We have no responsibility to update this letter for events and circumstances occurring after the date of this letter.
- (4) Valuation is not a precise science. It is subjective and requires the application of experience and judgment to given facts to arrive at conclusion. There is no single "right" answer, rather there are reasonable and reasoned values. Hence the actual results and the valuation are likely to be different than projected, since anticipated events do not occur as expected and the variation could be material.
- (5) This letter does not in any manner address the prices at which the shares of ZHCM will transfer to the shareholders of ITANZ following the announcement of the Scheme of Amalgamation, and we express no opinion or recommendation as to how the shareholders of the companies should vote at any shareholders' meeting to be held in connection with the transfer of shares.
- (6) Management representation has been obtained on future forecasts and the valuation assumptions of ITANZ and ZHCM.
- (7) A draft of this letter was shared with the managements of ITANZ and ZHCM, prior to its finalization, as part of our standard practice to make sure that factual inaccuracy/ omissions are avoided in the report.
- (8) All accounting matters in relation to the transaction will be the responsibility of ITANZ and ZHCM.

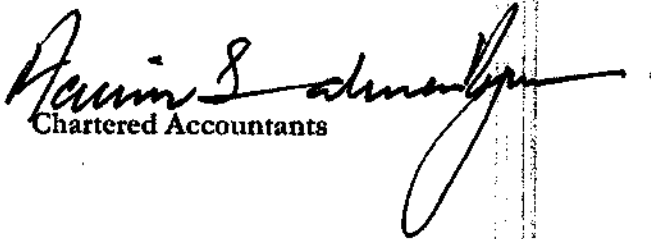
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Aamir Salman Rizwan
Chartered accountants

- (9) The procedures performed for issuing this letter, do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, therefore, we do not, hereby, express an opinion or other form of assurance.
- (10) This letter is based on the figures available at September 30, 2023. We have not audited the financial accounts of the companies.
- (11) In rendering this letter, we have not provided legal, regulatory, tax, or accounting advice and accordingly we do not assume any responsibility or liability in respect thereof.
- (12) In addition, we do not take any responsibility for any changes in the information used by us to arrive at our conclusion as set out here in which may occur subsequent to the date of this letter or by virtue of fact that the details provided to us are incorrect or inaccurate.
- (13) This letter and the information contained herein are intended for providing selected information and only in connection with the purpose mentioned above or for sharing with shareholders and management of the companies, statutory authorities, and the respective Hon'ble High Court.

Your truly,


Chartered Accountants