DESCON OXYCHEM LIMITED
NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting ("EOGM") of the shareholders of **Descon Oxychem Limited ("Company")** will be held on 27 November, 2019 at 10.00 A.M. at Registered Office of the Company, 18-KM Ferozepur Road, Lahore to transact the following Special Business;

ORDINARY BUSINESS:

1. To confirm minutes of the last Annual General Meeting of the Company held on Tuesday, October 15, 2019.

SPECIAL BUSINESS:

1. To consider and, if thought fit, to pass with or without modification(s), addition(s) or deletion(s), the following resolutions as special resolutions:

CHANGE IN CAPITAL STRUCTURE OF THE AUTHORIZED CAPITAL / ALTERATION IN EXISTING MEMORANDUM OF ASSOCIATION AND ARTICLES OF ASSOCIATION OF THE COMPANY

I. "**RESOLVED THAT,** subject to compliance with the provisions of all applicable laws and requisite approvals and approval of the shareholders, the authorized capital of the ordinary shares of the Company be increased from 110,000,000 ordinary shares of PKR 10 each to 220,000,000 ordinary shares of PKR 10 each by addition of 110,000,000 ordinary shares of PKR 10 each and deletion of 110,000,000 preference shares of PKR 10 each."

II. "**RESOLVED THAT,** in consequence of the said change in the structure of share capital of the Company and after due approvals from the shareholders of the Company, the existing clause V of Memorandum of Association of the Company and Article 4 along with Article 5A of the Articles of Association of the Company shall be amended accordingly. The amended clauses shall be as follows.

i. Amended Clause V of Memorandum of Association

" The Authorized Share Capital of the Company is Rs. 2,200,000,000 (Rupees two billion two hundred million only) divided into 220,000,000 ordinary shares of Rs. 10 each. The Company shall have the power to; (1) vary, modify or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Act and/or the Articles and/or applicable rules and regulations; (ii) to increase and/or reduce the capital and to divide shares in the capital into several classes; and (iii) to consolidate or subdivide the shares and to issue shares of higher or lower denominations."

ii. Amended Article 4 of the Articles of Association

" The Authorized Share Capital of the Company is Rs. 2,200,000,000 (Rupees two billion two hundred million only) divided into 220,000,000 ordinary shares of Rs. 10 each. The Company shall have the power to; (1) vary, modify or abrogate any such rights, privileges or conditions in such manner as may be permitted by the Act and/or the Articles and/or applicable rules and regulations; (ii) to increase and/or reduce the capital and to divide shares in the capital into several classes; and (iii) to consolidate or subdivide the shares and to issue shares of higher or lower denominations."

iii. Article 5A of the Articles of Association

Article 5A of the Articles of Association of the Company, setting out the details of "Preference Shares" be and is hereby deleted.

2. To consider and, if thought fit, to pass with or without modification(s), addition(s) or deletion(s), the following resolutions as special resolution(s), under Section 83 (1) (b) of the Companies Act, 2017 ("Act"):

ISSUANCE OF SHARES BY WAY OF OTHER THAN RIGHT SHARES

I. **"RESOLVED THAT,** subject to compliance with the provisions of all applicable laws and requisite regulatory approvals, permissions and sanctions, including the approval of the Securities and Exchange Commission of Pakistan (the "SECP") under Section 83(1)(b) of the Companies Act, 2017, approval of the shareholders of the Company be and is hereby accorded to increase the paid up share capital of the Company from Rs. 1,020,000,000 divided into 102,000,000 Ordinary Shares of PKR 10 each to Rs. 1,508,888,660 divided into 150,888,866 Ordinary Shares of PKR 10 each by the issuance of additional 48,888,866 Ordinary Shares of the face value of PKR 10 (47.9% of existing paid up capital and 32% of the proposed increased paid up capital) each by way of other than right shares at a price of PKR 15.00 each including PKR 5.00 as premium per share, total PKR 733,333,000 to Descon Engineering Limited, an associated company against its outstanding loan towards the Company of Rs.733,333,000."

II. **FURTHER RESOLVED THAT,** the shares when issued shall from the date of their allotment, rank pari passu in all respects with the existing fully paid Ordinary Shares and the recipient of such shares shall enjoy similar rights and entitlements in respect of these shares as in respect of previously held shares, from the date of allotment.

III. **FURTHER RESOLVED THAT,** that the Mr. Imran Qureshi, Chief Executive Officer and Mr. Abdul Sohail, Company Secretary of the Company, be and are hereby authorized singly and / or jointly ("Authorized Persons") to enter into and execute such documents as may be required in relation to the further issue of shares otherwise than right shares.

IV. **FURTHER RESOLVED THAT,** the Authorized Persons, be and are hereby further authorized singly and / or jointly, to take all steps necessary, ancillary and incidental for the issuance of the shares otherwise than right shares including but not limited to obtaining all requisite regulatory approvals, engaging legal advisor(s) and consultants for the purposes of the above, filing of the requisite application(s), statutory forms and all other documents as may be required to be filed with SECP and any other authority, submitting all such documents as may be required, executing all such certificates, applications, notices, reports, letters and any other document or instrument including any amendments or substitutions to any of the foregoing as may be required in respect of the issue of further shares without right shares and all other matters incidental or ancillary thereto.

V. **FURTHER RESOLVED THAT,** all acts, deed, and actions taken by the Authorized Persons pursuant to the above resolutions for and on behalf of and in the name of the Company shall be binding acts, deed and things done by the Company.

VI. **FURTHER RESOLVED THAT,** the aforesaid special resolution(s) shall be subject to any amendment, modification, addition or deletion as may be suggested, directed and advised by the shareholders, SECP and / or any other regulatory body which suggestion, direction and advice shall be deemed to be part of these Special resolution(s) without the need of the shareholders to pass fresh Special Resolution(s)."

By order of the Board

Abdul Sohail
Company Secretary

6th November, 2019
Lahore

Notes:

1. A statement of material facts under Section 134 of the Companies Act, 2017 concerning the special business to be transacted at EOGM is being sent to the members with the notice of the meeting.

2. The share transfer books of the Company will remain closed from 21 November 2019 to 27 November 2019 (both days inclusive). Transfers received at the Company's Share Registrar's Office

i.e. M/s Corplink (Private) Limited by the close of the business on 20 November 2019 will be considered in time for the purpose of attending and voting at the EOGM.

3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote for him/her. The instrument appointing a proxy, together with Power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited, with the Company Secretary of the Company at Registered Office of the Company not less than 48 hours before the time of holding the meeting. No persons shall be appointed as a Proxy unless he/she is a member of the company.

4. Members who have deposited their shares into Central Depository Company of Pakistan Limited ("CDC") will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting

a. In case of Individuals, the account holder and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original CNIC or, original Passport at the time of attending the Meeting.

b. In case of corporate entity, the Board's resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies

a. In case of individuals, the account holder and/or sub-account holder and their registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.

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

c. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.

d. The proxy shall produce his original CNIC or original passport at the time of the Meeting.

e. In case of corporate entity, the Board's resolution/power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Company.

5. If a member appoints more than one proxy, and more than one instrument of proxy is deposited by a member, all such instruments of proxy shall be rendered invalid.

6. Shareholders are requested to notify any change in their addresses immediately to the Company's Share Registrar at the following address:

Corplink (Private) Limited
Wings Arcade, 1 – K Commercial
Model Town, Lahore.
Tel: +92 35916714, 35916719
Email: shares@corplink.com.pk

7. The Company wishes to inform its members that pursuant to section 242 of the Companies Act, 2017 and circular 18/2017 issued by Securities & Exchange Commission of Pakistan, any dividend payable in cash declared by the listed company shall only be paid through electronic mode directly into the respective bank account designated by the entitled members instead of receiving it through dividend warrants. In this regard, members are once again advised to provide the particulars related to their name, CNIC, folio number, bank account number (24 digits IBAN), title of account and complete mailing address of the bank (if not already provided) to the Company's Share Registrar. CDC account holders should submit their particulars to their broker (participant)/ CDC.

8. Pursuant to Section 132(2) of the Companies Act 2017, if the Company receives consent from members holding in aggregate 10% or more shareholding residing at geographical location, to participate in the meeting through video conference at least 7 days prior to the date of meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city.

STATEMENT UNDER SECTION 134 OF THE COMPANIES ACT, 2017

CONCERNING THE SPECIAL BUSINESS:

This statement sets out the material facts concerning the special business to be transacted at the extra-ordinary general meeting of the Company to be held on 27 November 2019.

CHANGE IN CAPITAL STRUCTURE OF THE AUTHORIZED CAPITAL / ALTERATION IN EXISTING MEMORANDUM OF ASSOCIATION AND ARTICLES OF ASSOCIATION OF THE COMPANY

1. Based on the approval from the shareholders and Securities and Exchange Commission of Pakistan, preference shares previously issued by the Company were approved for redemption by the Board of Directors of the Company on 23 October, 2018 in full, at par value. The Company has duly redeemed preference shares on 23 November 2018 and currently the Company has not issued any preference shares.

2. The Board of Directors in their meeting held on October 15, 2019 decided to alter the structure of the authorized share capital by addition of 110,000,000 ordinary shares of PKR 10 each and deletion of 110,000,000 preference shares of PKR 10 each after required amendments in the Memorandum and Articles of Association of the Company subject to the approval by the shareholders. The total amount of authorized capital will remain the same i.e. PKR 2,200,000,000/- and a mere structural change is being made.

3. Modification in the structure of the authorized capital is necessary to cater for further issue of capital by way of other than right shares as detailed in below in this statement. The proposed changes in the Memorandum of Association of the Company are being made to accommodate the aforesaid modification in the structure of authorized capital of ordinary shares as approved by the Board subject to approval by the shareholders of the Company.

4. The proposed change in capital structure of authorized capital of the Company will also necessitate amendments in clause V of Memorandum of Association and Article 4 along with Article 5A of the Articles of Association of the Company. Hence, the Board has recommended due alterations in the aforesaid documents of the Company to reflect the alteration in structure of the authorized capital.

5. A copy of Memorandum and Articles of Association has been kept at the registered office of the Company and may be inspected during business hours on any working day from the date of publication of this notice till the conclusion of the EOGM.

6. The Directors have no interest in the change in structure of the authorized capital, whether directly or indirectly except to the extent of their shareholding.

ISSUANCE OF SHARES BY WAY OF OTHERWISE THAN RIGHT SHARES

7. The Board of Directors in their meeting held on October 15, 2019 acknowledged the consent letter received from Descon Engineering Limited, an associated company accepting the issuance of ordinary shares at a premium of PKR 5 per share against loan outstanding amounting to PKR 733,333,000. Hence, board has decided to raise further issue of capital amounting to PKR 488,888,660 divided into 48,888,866 ordinary shares of PKR 10 at a price of PKR 15.00 per share including PKR 5.00 as premium per share, a

6

total of PKR 733,333,000 to Descon Engineering Limited against its outstanding loans towards the Company without right offering as proposed in the special resolution subject to approval of shareholders and permission from the Securities and Exchange Commission of Pakistan in terms of first proviso to the Section 83 (1)(b) of the Companies Act, 2017 ("**Act**") and subject to the completion of all applicable legal formalities and compliances.

8. The proposed shares shall be issued at a price of PKR 15 per share including PKR 5.00 as premium against conversion of loan provided by the Descon Engineering Limited to the Company and payable to it.

9. In this regard, the Company provides the following further material information:

(a) Justification for Issue of Shares Otherwise than Right Shares:

Descon Oxychem Limited ("**Company**") has an outstanding loan due to its associated company i.e. Descon Engineering Limited amounting to Rs. 733,333,000/- as at 30th September 2019 and the Company is incurring finance cost as markup on the aforesaid loan. Due to the ongoing economic crises and future outlooks, the Company wishes to improve its profitability, financial position and debt equity ratio by issuing ordinary shares other than right issue against the outstanding loan obtained from the associated company.

Currently, the share of the Company is trading at Pakistan Stock Exchange (PSX) at PKR 14. Since, the stock market is bearish and has showed a significant declining trend during the previous several months and sessions. It is unlikely that the shareholders will subscribe any right offering. Further, during the current economic crises it is unlikely that any shareholder will subscribe to a right issue at a premium above the market price.

The price has been calculated on the basis of average share price for the last three months (PKR 14) and six months (PKR 15) as per daily quotation of PSX from the date of board announcement dated October 15, 2019. Further, the share price has also touched a low of PKR 12.9 in the previous six months and due to ongoing economic crises, the share price is showing a continuous downward trend. Keeping in view the average and current share price, the Company has proposed to issue shares otherwise than right shares at a price of PKR 15 each including PKR 5 as premium per share, total PKR 733,333,000 to Descon Engineering Limited against its outstanding loans towards the Company of Rs.733,333,000.

Further, in the current circumstances, it will be in the interest of the Company as well as its shareholders to reduce its liabilities and attached finance cost, which will enhance the capital base, improve profitability, increase reserves and give comfort to the creditors and facilitate future business expansion prospects without having any negative impact on the cash flows enabling the Company to declare dividends to its shareholders in future.

(b) Name and brief profile of the persons to whom the proposed shares will be issued

Shares are being issued to Descon Engineering Limited against its outstanding loan of PKR. 733,333,000/-.

Descon Engineering Limited presence spreads across Pakistan, United Arab Emirates, Saudi Arabia, Qatar, Oman, South Africa. Descon serve the oil & gas, power, chemicals, petrochemicals and infrastructure sectors. Driven by a clear vision and commitment, Descon strives to add value to its clients' businesses by providing workable solutions within the given schedule and budget.

(c) Price at which shares will be issued and its justification:

The shares shall be issued at a price of PKR 15 per share including PKR 5 as premium per share. This price is substantially above the prevailing market price of the share i.e. PKR 14 each and the break-up value per share which is PKR 7.68 per share as of 30 June 2019. The proposed price is also significantly higher than the average market price of PKR 14 each in the preceding three months from the date of board announcement dated October 15, 2019. Further, the proposed share price is also in line with the average of share price of PKR 15 in the preceding six months. The share price has also touched a low of PKR 12.9 in the preceding six months and in the ongoing economic crises the share price is expected to remain below PKR 14 in the coming sessions.

(d) Latest Market Price of Share

Rs. 14.01 as of November 05, 2019 as per closing rate at Pakistan Stock Exchange Limited

(e) Break-up value per Share:

Period Ended	Basis of Value	Break – Up Value per Share
30 June 2019	Audited Accounts	7.68 per shares
30 September 2019	Un-Audited Accounts	8.21 per shares

(f) Consideration for issue of Shares:

The consideration for the proposed issuance of shares will be conversion of loan of PKR 733,333,000 obtained from Descon Engineering Limited.

(g) Purpose, Utilization and benefits:

Purpose: To reduce the liabilities and improvement of capital base of the Company and breakup value of the Company.

Utilization: The issuance of the Shares will be against the outstanding loan of Descon Engineering Limited.

Benefits: This will result in a better financial position of the Company and improve the debt equity ratio significantly. An improved debt equity ratio will enable the Company for debt serving of financial facility obtained for various expansions projects planned in the future. Further, the Company will not have to pay mark up in the future and thus the finance cost will decrease resulting in better profitability of the Company. Resultantly, the members will have a Company which is more profitable and has a better financial position with better outlooks for future expansion projects.

(h) Existing shareholding of the persons to whom Shares are proposed to be issued:

Descon Engineering Limited is not an existing member of the Company.

(i) Total shareholding of the persons after the proposed issuance of Shares:

Name of Member	Shareholding	% of Increased Paid up Capital
Descon Engineering Limited	48,888,866 Ordinary Shares	32%

(j) Consent of persons to whom the proposed shares are to be issued:

The Company named above has consented in writing to the acquisition of proposed shares if approved by the shareholders and the Securities and Exchange Commission of Pakistan.

(k) Ranking of shares:

The proposed shares when issued will rank *pari passu* with the existing ordinary shares of the Company.

(l) Approval:

The proposed issuance of shares shall be subject to approval of the Securities and Exchange Commission of Pakistan.

(m) Shares issued in past two years:

No shares have been issued in the past two years:

10. The Board of Directors of the Company has recommended that the special resolutions as set out in the notice to be passed at the Extraordinary General Meeting.

11. No directors have any interest in the proposed issuance of shares, whether directly or indirectly except to the extent of their shareholding.