

PAKISTAN STOCK EXCHANGE LIMITED

PSX/N-1778

NOTICE

March 17, 2017

Reproduced hereunder letter received from **HUM NETWORK LIMITED**, for information of all TREC Holders of The Pakistan Stock Exchange.

(Copy of the same is also available on our Website www.Psx.com.pk)



March 16, 2017

Muhammad Ghufan
Deputy General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi.

Subject: Certified Copy of the Resolutions passed and adopted in the Extraordinary General Meeting of the Company held on February 27, 2017

Dear Sir,

This has reference to your letter no. PSX/C-1093-1522 dated February 28, 2017 regarding the captioned subject.

In this regard, please find attached the following documents:

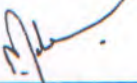
- 1. Complete report of Valuation and Swap Ratio, which forms its basis.

Further, we are enclosing herewith the additional documents required by you:

- i) Certified true copy of Resolution to be adopted by the shareholders in the Extraordinary General Meeting.

Furthermore, the remaining documents will be provided to you, as and when they are available.

Yours Sincerely,


MOHSIN NAEEM
Company Secretary

Encl. As above

Cc:
Deputy Managing Director – PSX

The Director (SSED)
Securities Market Division
Securities & Exchange Commission of Pakistan
NIC Building, Jinnah Avenue, Blue Area,
Islamabad

HUM NETWORK LIMITED

Karachi Office
Building No. 10/11, Hassan Ali Street,
Off LL Chundrigar Road Karachi-74000.
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Deputy General Manager
Pakistan Stock Exchange Limited
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Subject: Certified Copy of the Resolutions passed and adopted in the Extraordinary General Meeting of the Company held on February 27, 2017

Dear Sir,

This has reference to your letter no. PSX/C-1093-1522 dated February 28, 2017 regarding the captioned subject.

In this regard, please find attached the following documents:

1. Draft Scheme of Amalgamation/Merger approved by the Board of Directors of the Company.
2. Complete report of Valuation and Swap Ratio, which forms its basis.

Further, we are enclosing herewith the additional documents required by you:

- i. 200 copies of Scheme of Amalgamation/Merger.
- ii. Certified true copy of Resolution to be adopted by the shareholders in the Extraordinary General Meeting.

Furthermore, the remaining documents will be provided to you, as and when they are available.

Yours Sincerely,

MOHSIN NAEEM
Company Secretary

Encl. As above

Cc:
Deputy Managing Director – PSX

The Director (SSED)
Securities Market Division
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www.humnetwork.tv



**RESOLUTIONS PASSED AND ADOPTED BY THE MEMBERS IN THE
EXTRAORDINARY GENERAL MEETING HELD ON FEBRUARY 27, 2017**

ORDINARY BUSINESS

1. Confirmation of the Minutes of the 12th Annual General Meeting held on October 20, 2016

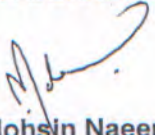
"RESOLVED that the minutes of the 12th Annual General Meeting of shareholders of HUM Network Limited (the Company) held on Thursday, October 20, 2016 be and are hereby confirmed and the Chairman be and is hereby authorized to sign the minutes as token of confirmation."

SPECIAL BUSINESS

2. Approval of the merger, by way of amalgamation, of M.D Productions (Private) Limited with and into Humm Co. (Private) Limited (the wholly owned subsidiary of the Company); and (ii) the reorganization and issuance of shares of the Company and Humm Co. (Private) Limited as part of the above arrangement, along with all ancillary matters thereto, in accordance with the Scheme of Arrangement dated December 20, 2016, as approved by the Board of Directors of the Company on September 22, 2016.

"RESOLVED that the Scheme of Arrangement dated December 20, 2016, for the merger, by way of amalgamation, of M.D Productions (Private) Limited with and into Hum Network Limited's wholly owned subsidiary, Humm Co. (Private) Limited, along with all ancillary matters thereto, including the issuance of shares by Humm Co. (Private) Limited and Hum Network Limited, placed before the meeting for consideration and approval, be and is hereby approved and adopted, along with any modifications / amendments required or conditions imposed by the High Court of Sindh at Karachi, subject to sanction by the Honorable High Court of Sindh at Karachi, in terms of the provisions of the Companies Ordinance, 1984."

**CERTIFIED TO BE TRUE COPY
ON BEHALF OF THE BOARD**


Mohsin Naeem
Company Secretary



True Copy

Secretary

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HUM NETWORK LIMITED

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The Boards of Directors of

Hum Network Limited
Plot No. 10/11, Hassan Ali Street
Off. I. I. Chundrigar Road
Karachi

M.D. Productions (Private) Limited
Bungalow No. 11-A
Mohammad Ali Bogra Road
Bath Island, Karachi

September 22, 2016

Our reference: ADV 052

Dear Sirs,

**ENVISAGED SCHEME OF ARRANGEMENTS AND
CALCULATION OF SWAP RATIOS**

We refer to the envisaged Scheme of Arrangements between HUM Network Limited (HUM) and its Members, M.D. Productions (Private) Limited (MD) and its Members and a company (NewCo) (to be incorporated to affect certain envisaged arrangements) (the Scheme) and calculation of SWAP Ratios in this respect.

2. COMPANIES AND THEIR SHARE CAPITAL

- 2.1 HUM is a public company incorporated in Pakistan under the Companies Ordinance, 1984 (the Ordinance) and listed on the Pakistan Stock Exchange (PSX). Its principal business is to launch transnational satellite channels and core areas of operation are production, advertisement, entertainment and media marketing.
- 2.2 MD is a private limited company incorporated in Pakistan under the Ordinance and is engaged in production of dramas and films.
- 2.3 NewCo is envisaged to be incorporated under the Ordinance as a private limited company to affect certain envisaged arrangements.
- 2.4 As per the records of the Companies provided to us, the issued share capital of HUM and MD on June 30, 2016 (the Valuation Date) was, and that of NewCo at incorporation is envisaged to be, as follows:

- HUM	945,000,000 Ordinary shares of par value of Re 1/- each
- MD	5,000,000 Ordinary shares of par value of Rs 10/- each
- NewCo	2 Ordinary shares of par value of Rs 10/- each

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A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

3. THE SCHEME OF ARRANGEMENTS

3.1 Based on the draft of the Scheme provided to us, we understand that the Scheme is for:

- Transfer to, and vesting into the NewCo, all rights, assets, liabilities and obligations of MD (hereinafter referred to as 'the MD – Entire Undertaking');
- NewCo issuing shares in its share capital to the shareholders of MD and HUM such that forty five percent of the shares in its share capital are held by the shareholders of MD and remaining are held by HUM;
- HUM issuing shares in its share capital to the shareholders of MD; and
- Dissolution of MD without winding up.

3.2 The Scheme is envisaged to be effective as of the start of business on July 1, 2016 or a date as approved specifically by the High Court in this respect.

4. DETERMINATION OF SWAP RATIOS

4.1 Under the Scheme, shareholders of MD are being compensated for the transfer to and vesting into the NewCo of MD – Entire Undertaking by issuance of shares in the share capital of NewCo and in the share capital of HUM.

4.2 The proportion of shares to be issued by NewCo to the shareholders of MD is determined in the Scheme. Accordingly, the carrying value of net asset of MD – Entire Undertaking as in the audited financial statements of MD as at March 31, 2016 adjusted for the management financial information from April 1, 2016 till June 30, 2016 has been used to determine the number of shares to be issued in the issued share capital of NewCo.

4.3 The proportion of shares to be issued by NewCo in its share capital to the shareholders of MD and to HUM have been used for determination of shares to be issued by NewCo in its share capital to the shareholders of MD and HUM.

4.4 The number of issued shares in the share capital of MD and the number of shares to be issued by NewCo in its share capital to the shareholders of MD have been used in determining the number of shares to be issued by NewCo in its share capital for each share held in the issued share capital of MD (MD – NewCo Swap Ratio).

4.5 Fair valuations of MD – Entire Undertaking and equity of HUM have been estimated for determining the number of shares to be issued by HUM in its share capital to the shareholders of MD.

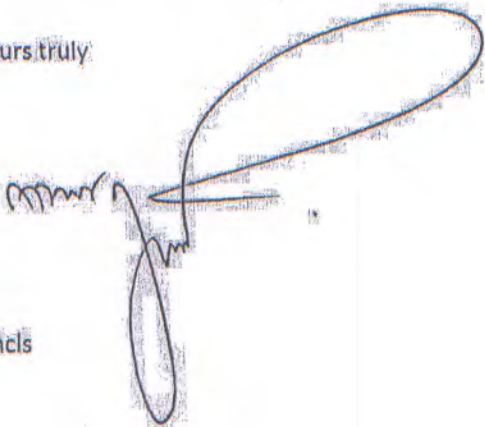
4.6 Estimates of the fair value of MD – Entire Undertaking as reduced by the fair value of the shares to be issued by NewCo in its share capital to the shareholders of MD, and the fair value of the total equity of HUM including the effect of issuance of shares by NewCo in its share capital to HUM, have been used to determine the number of shares to be issued by HUM in its share capital for each share held in the issued share capital of MD (MD – HUM Swap Ratio).

- 4.7 Estimates of the fair value of the equity of HUM have been made using equal-weight average of (i) comparable companies multiple based valuations (Multiple Based Valuations) and (ii) market capitalisation based valuations (Market Cap Valuations). HUM, being a listed company has its share price information available in the public domain and the envisaged issuance of shares by HUM in its share capital is for a minority interest.
- 4.8 Under Multiple Based Valuations, value of equity shares of a company is arrived at by using multiples derived from valuation of comparable companies in the similar industry, as derived through stock market valuations of listed companies and multiplying these by earnings of the company. This valuation is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to valuation. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances. Price-earnings multiple (the P/E multiple) of companies in the similar industry as that of HUM in the region have been used, which have been adjusted for Pakistan environment and the related risks.
- 4.9 Market Cap Valuations are based on the average market price of the equity shares of a company over a certain period of time. Share price information of HUM over a period of twelve calendar months prior to and up to the Effective Date at Pakistan Stock Exchange (PSX), based on the data reported by PSX at its web-site has been used.
- 4.10 The transfer of MD – Entire Undertaking is for an effective control; accordingly, the fair value of the MD – Entire Undertaking has been estimated using discounted future cash flows (DCF Valuation).
- 4.11 DCF Valuation as at the Effective Date is based on the projected future cash flows of MD – Entire Undertaking prepared by the management of MD as reviewed by us for reasonableness and consistency, which have been discounted using an appropriate discount rate reflecting the economic, business and financial risk.
- 4.12 For all estimates of valuations, audited financial statements of MD as of and for the period ended upto March 31, 2016 as adjusted for the management financial information for the period from April 1, 2016 to June 30, 2016; and audited financial statements of HUM as at and for the years upto June 30, 2016 have been used.
- 5. CALCULATION OF SWAP RATIO**
- 5.1 On the basis of the valuation estimates and the Swap determination methodology as detailed in paragraph 4:
- i. The number of shares to be issued by NewCo in its share capital to HUM (workings detailed in Annexure – I) works out to 15,892,635.
 - ii. MD – NewCo Swap Ratio (workings detailed in Annexure – II) works out to 2.600613 shares of NewCo for one share of MD.
 - iii. MD – HUM Swap Ratio (workings detailed in Annexure – III) works out to 34.828630 shares of HUM for one share of MD.

6. CAVEAT

6.1 This letter has been prepared for the above named addressees only in relation to the Scheme and accordingly, is not to be used by any other person or for any other purpose.

Yours truly



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CALCULATION OF THE NUMBER OF SHARES TO BE ISSUED BY NEWCO TO THE SHAREHOLDERS OF MD AND HUM FOR THE TRANSFER TO, AND VESTING INTO THE NEWCO OF MD – ENTIRE UNDERTAKING

Carrying value of net assets of MD – Entire Undertaking	(A)	Rs	288,957,000
Par value per share of NewCo	(B)	Rs	10
Number of shares to be issued by NewCo in its share capital	(C) = (A) / (B)		28,895,700
Proportion of shares to be issued by NewCo to the shareholders of MD	(D)		45%
Number of shares in the share capital of NewCo to be issued to the shareholders of MD	(E) = (C) x (D)		13,003,065
Number of shares in the share capital of NewCo to be issued to HUM	(F) = (C) – (E)		15,892,635

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CALCULATION OF MD – NEWCO SWAP RATIO

Number of shares in the share capital of NewCo to be issued to the shareholders of MD	(A) = {Annexure – I} (E)	13,003,065
Number of issued shares in the share capital of MD	(B)	5,000,000
MD – NewCo Swap Ratio	(C) = (A) / (B)	2.600613

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CALCULATION OF MD - HUM SWAP RATIO

Fair value of MD - Entire Undertaking	(A)	Rs	3,829,813,392
Value of proportionate shareholding issued by NewCo to the shareholders of MD	$(B) = (A) \times \{ \text{Annexure - I} \} / \{ \text{Annexure - I} \} (C)$	Rs	1,723,416,026
Compensation to the shareholders of MD through issuance of shares of HUM	$(C) = (A) - (B)$	Rs	2,106,397,366
Fair value of equity of HUM before issuance of shares by NewCo in its share capital to HUM	$(D) = \{ \text{Annexure - IV} \} (G)$	Rs	11,430,531,000
Fair value of shares issued by NewCo in its share capital to HUM	$(E) = (A) \times \{ \text{Annexure - I} \} / \{ \text{Annexure - I} \} (C)$	Rs	2,106,397,366
Fair value of equity of HUM after issuance of shares by NewCo in its share capital to HUM	$(F) = (D) + (E)$	Rs	13,536,928,366
Proportionate shareholding to be held in HUM by the shareholders of MD	$(G) = (C) / (F)$		15.5604%
Number of issued shares in the share capital of HUM	(H)		945,000,000
Number of shares to be issued by HUM in its share capital to the shareholders of MD	$(J) = (H) / [100\% - (G)] \times (G)$		174,143,151
Number of issued shares in the share capital of MD	(K)		5,000,000
MD - HUM Swap Ratio	$(L) = (J) / (K)$		34.828630

ESTIMATE OF FAIR VALUATION OF EQUITY OF HUM

		Multiple Based Valuations	Market Cap Valuations	Equi-Weight Average of Multiple Based Valuations and Market Cap Valuations
Value per share	Rs	10.9605 (A)	13.2311 (B)	12.0958 (C) = [A + B] / 2
Number of issued shares in the share capital of HUM			(D)	945,000,000
Total value of equity of HUM	Rs	10,357,672,500 (E) = (A) X (D)	12,503,389,500 (F) = (B) X (D)	11,430,531,000 (G) = (C) X (D)

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