

**AMALGAMATION BHUTAN BOARD EXPORTS LIMITED [BBEL] WITH
BHUTAN BOARD PRODUCTS LIMITED [BBPL]**



SCHEME/ PROPOSAL OF AMALGAMATION

**UNDER SECTIONS 296 TO 300 AND SECTIONS 305 TO 311 OF THE COMPANIES ACT OF
BHUTAN, 2016**

OF

BHUTAN BOARD EXPORT LIMITED

(THE "TRANSFEROR COMPANY")

WITH

BHUTAN BOARD PRODUCTS LIMITED

(THE "TRANSFeree COMPANY")

AND

THEIR RESPECTIVE SHAREHOLDERS

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A. DESCRIPTIONS OF THE PARTIES

1. Background

1. Bhutan Board Products Limited is the Government owned company incorporated under the Companies Act of Bhutan 1989, having its registered office at Phuntsholing under Chhukha Dzongkhag (hereinafter, referred as the "Transferee Company" the Transferor Company is primarily engaged in the business of manufacturing graded particle boards, commercial veneered particle boards, laminated particle boards, ceiling particle board tiles. Water boards; oriented strand boards (OSB), board doors, wall panels, furniture components and all related products and by products wholly or partly made from particle boards or its waste products.
2. Bhutan Board Exports Limited is the subsidiary company incorporated under the Companies Act of Bhutan 1989, having its registered office at Phuentsholing under Chhukha Dzongkhag (Hereinafter referred as "Transferor Company") The Transferor Company is primarily engaged in the business of manufacture, sale, market furniture and value added products, graded particle boards, laminated particle boards, ceiling particle board tiles. Water boards; oriented strand boards (OSB), flush doors wall panels, furniture components and all related products and by products wholly or partly made from particle boards or its waste products.

B. DESCRIPTIONS OF THE SCHEME

This Scheme (as defined hereunder) provides, inter alia, for:

- i. The Amalgamation of the Transferor Company into the Transferee Company, by the way of merger and dissolution of the transferor company without winding up and the consequent issuance of the Transferee Company share to the shareholder of the Transferor Company.

The Pooling of Interest method will be applied for accounting of amalgamation in nature of merger. In this method all the assets and liabilities of the Transferor Company becomes that of the Transferee Company. In this case, the business of the transfer is intended to be carried on after the amalgamation. There are no adjustments intended to be made to the book value.

- ii. The assets, liabilities and reserves of the Transferor Company are recorded by the Transferee Company at their existing carrying amount.
- iii. The Amalgamation of the Transferor Company into the Transferee Company shall be in full Compliance with the Conditions relating to the terms and conditions as mentioned below (as defined hereunder).
 - a. All the properties of the Transferor Company, immediately before the Amalgamation, shall become the properties of the Transferee Company by virtue of the Amalgamation.
 - b. All the liabilities of the Transferor Company, immediately before the Amalgamation, shall become the liabilities of the Transferee Company by virtue of the Amalgamation.
 - c. Shareholders of the Transferor Company will become shareholders of the Transferee Company by virtue of the Amalgamation.

C. RATIONALE OF THE SCHEME

The Amalgamation of the Transferor Company with the Transferee Company would, *inter alia*, have the following benefit.

The Amalgamation of the Transferor Company with the Transferee Company would *inter alia* have the following benefits.

- i. The Transferor Companies are one of the key players in manufacturing, Sealing & Export of the particle board based products.
- ii. Pursuant to the strategic review of the businesses, the transferor Company has decided to undertake Amalgamation of the Transferor Companies with the Transferee Company.
- iii. The amalgamation will result in consolidate of the businesses of the companies' resulting in expansion of the consolidated business and creation of greater value for the shareholders and all others stakeholders.
- iv. The consolidation of operations of the Transferor Companies and the Transferee Company by way of amalgamation will lead to a more efficient utilization of capital, administrative and operational rationalization and promote organizational efficiencies. It will prevent cost duplication that can erode financial efficiencies of the holding structure and the resultant operations will be more cost-efficient with the achievement of greater economies of scale, reduction in overheads and improvement in various other operating parameters.
- v. The amalgamation will result in the formation of a stronger company with a larger capital and asset base and enable the combined business to be pursued more conveniently and advantageously. The amalgamation will have beneficial results for the amalgamating companies, their stakeholders and all concerned.
- vi. Greater integration and greater financial strength and flexibility for the amalgamated entity, which would result in maximizing overall shareholder value, and will improve the competitive position of the combined entity.
- vii. Improved organizational capability and leadership, arising from the pooling of human capital that has the diverse skills, talent and vast experience to compete successfully in an increasingly competitive industry.
- viii. Cost savings are expected to flow from more focused operational efforts, rationalization, standardization and simplification of business processes, and the elimination of duplication and rationalization of administrative expenses.

In view of the aforesaid, the Board of Directors of the Transferor Companies and the Transferee Company have considered and proposed the amalgamation of the entire undertaking and business of the Transferor Companies with the Transferee Company in order to benefit the stakeholders of all the companies. Accordingly, the Board of Directors of the Transferor Companies and the Transferee Company have formulated this Scheme of Amalgamation for the transfer and vesting of the entire Undertaking (herein after defined) and business of the Transferor Companies with and into the Transferee Company pursuant to the provisions of Section 296 to Section 300, Section 305 to 311 and other relevant provisions of the Act.

3. Legal Process

| | Activity | Provision Section | Remarks |
|---|--|-------------------|--|
| 1 | Adoption of Board Resolution by the two amalgamating Companies | 298 | The Boards of the two amalgamating companies must each adopt resolutions resolving that: (i) According to their opinion, amalgamation is in the best interest of the company; and (ii) Immediately after amalgamation is effective, the amalgamated company can pay its debts as they become due in the normal course of business and the value of the company's assets will be greater than the value of its liabilities, including contingent liabilities. |
| 2 | Developing the Amalgamation Proposal | 297 | "Background of the two companies, Rationale for Amalgamation, Pre-Amalgamation activities, Post-Amalgamation activities". The information required shall be subject to advice & directives of the Registrar of the Companies. |
| 3 | Notification of the Proposal to the stakeholders | 299 | The stakeholders are Shareholders, secured creditor, Registrar, and public notice. Notice must be issued at least 20 days before the date of Amalgamation. The public notice shall seek if there is any objections or claims in the public notice, at least in two national papers. |
| 4 | Approval of the Amalgamation Proposal by the Shareholders | 300 | Hold General Meeting of individual companies to approve the Amalgamation Proposal |
| 5 | Power of the Court to issue Order | 301 & 302 | Subject to application by the Regulatory Authority or any person to the court at any time before the effective date of amalgamation, if the court is satisfied that giving effect to an amalgamation proposal would unfairly prejudice a shareholder or creditor of an amalgamating company or a person to whom an amalgamating company is under an obligation, it may issue an order rejecting, modifying or directing the company to reconsider the proposal. A court can make orders on such conditions as it thinks fit. |
| 6 | Registration of the | 306 | The approved Amalgamation Proposal must be submitted |

| | | | |
|----|---|-------------------------------|--|
| | Amalgamation Proposal | | with other information as prescribed to the Registrar for registration. |
| 7 | Certificate of Amalgamation | 307(b) & (i) | On receipt of the amalgamation proposal and other documents, the Registrar shall, if the amalgamated company is the same as one of the amalgamating companies, issue a certificate of amalgamation. |
| 8 | Amalgamating Company other than the amalgamated company deemed dissolved from date specified in the certificate of amalgamation | 309 | Any amalgamating company other than the amalgamated company shall be deemed dissolved with effect from the date specified in the certificate of amalgamation being the date on which the amalgamation is to become effective. |
| 9 | Effect of Amalgamation | 310 & 311 | Among other things, the amalgamated company succeeds to all the property, rights, powers, and privileges, all the liabilities and obligations, of each of the amalgamating companies. Any proceedings pending by, or against, an amalgamating company may be continued by, or against, the amalgamated company. A conviction, ruling, order, or judgment in favour of, or against, a amalgamating company may be enforced by, or against, the amalgamated company; and any provisions of the amalgamation proposal that provide for the conversion of shares or rights of shareholders in the amalgamating companies have effect according to their terms. |
| 10 | Liability to tax | 39 of the Income Tax Act 2001 | Amalgamating companies under full tax liability may choose to be taxed in one of the following manner: a) At the time of amalgamation; or b) The amalgamated company shall assume all tax liabilities and be taxed at the end of the income year when returns are filed subject to the fulfillment of provisions under Section 40 to 44. |

D. THIS SCHEME IS DIVIDED INTO THE FOLLOWING PARTS:

- i. **PART I** deals with definitions of the terms used in this Scheme of Amalgamation and sets out the share capital of the Transferor Company and the Transferee Company;
- ii. **PART II** deals with the Amalgamation;
- iii. **PART III** deals with the Consideration i.e. issue of new equity shares by the Transferee Company to the eligible shareholders of the Transferor Companies, as applicable and cancellation of shares held by Transferee Company in the Transferor Company, if any;
- iv. **PART IV** deals with the accounting treatment for the amalgamation in the books of the Transferee Company and dividends;
- v. **PART V** deals with the dissolution of the Transferor Company and the general terms and conditions applicable to this Scheme of Amalgamation and other matters consequential and integrally connected thereto.

E. THE AMALGAMATION OF THE TRANSFEROR COMPANY WITH THE TRANSFEE COMPANY

Pursuant to and in accordance with this scheme, the amalgamation by way of merger by absorption and dissolution of the Transferor Company without winding up, and the consequent issuance of the Transferee Company share to the shareholder of the Transferor Company by way of absorption shall take place with effect for the Effective Date and shall be in accordance with the related provision of the Companies Act of Bhutan, 2016.

PART I

DEFINITIONS AND SHARE CAPITAL

1. DEFINITIONS

In this scheme unless, repugnant to the meaning or context thereof, the following expressions shall have the following meanings:

"Act" means the Companies Act of Bhutan, 2016, the rules and regulations made there under and will include any statutory re-enactment or amendment(s) thereto, from time to time;

"Board of Directors" or "Board" means the board of directors of the Transferor Company or the Transferee Company, as the case may be, and shall include a duly constituted committee thereof;

"Effective Date" means the date on which the amalgamation is effective according to the certificate of amalgamation issued by the Registrar, Office of the Registrar of the Companies, Royal Government of Bhutan. Any references in this Scheme to the date of "coming into effect of this Scheme" or "effectiveness of this Scheme" or "Scheme taking effect" shall mean the Effective Date;

"Equity Shares" means equity shares of the Transferee Company, having face value of Nu. 10/- (Nu. 10.00 only), per share fully paid.

"Governmental Authority" means any applicable central or local government, legislative body, regulatory or administrative authority, agency or commission or any court, tribunal, board, bureau or instrumentality thereof or arbitration or arbitral body having jurisdiction over the territory of Bhutan including the Registrar of the Companies.

"New Equity Shares" means Equity Shares of Transferee Company, to be issued to shareholders of the Transferor Company pursuant to this scheme, upon approval of equity shares by the board held in Transferor Company.

"Registrar of Companies" means the Registrar of Companies, Bhutan.

"Scheme" means this Scheme of Amalgamation between the Transferor Company and the Transferee Company and their respective shareholder.

"Transferor Company" means Bhutan Board Exports Limited, Company incorporated under the Companies Act of Bhutan, 1986, having its registered office at Phuentshoing .

"Transferee Company" means Bhutan Board Products Limited, a Public Limited Company incorporated under the Companies Act of Bhutan, 2016, having its registered office at Thimphu.

"Transferor Company Employee" mean all the employees of the Transferor Company as on the Effective Date.

"Record Date" means the date fixed by the respective Board of the Transferor Company and Transferee Company for the purpose of determining the shareholder of the Transferor Company to whom Transferee Company shares shall be allotted under this scheme. The respective company AGM date will be the record dates for aforementioned.

"Undertaking" means the whole of the undertaking and entire business of the Transferor Company as a going concern, including (without limitation):

- i. All the assets and properties (whether movable or immovable, tangible or intangible, real or personal, present, future or contingent) of the Transferor Company, including but not limited to, plant and machinery, equipment, buildings and structures, offices, residential and other premises, sundry debtors, furniture, fixtures, office equipment, appliances, accessories, depots, deposits, all stocks, assets, investments of all kinds and interests in its subsidiaries, cash balances or deposits with banks, loans, advances, disbursements, contingent rights or benefits, book debts, receivables, actionable claims, earnest moneys, advances or deposits paid by the Transferor Company, financial assets, leases (including lease rights), hire purchase contracts and assets, lending contracts, rights and benefits under any agreement, benefit of any security arrangements or under any guarantees, reversions, powers, municipal permissions, tenancies in relation to the office and/or residential properties for the employees or other persons, guest houses, go- downs, warehouses, licenses, fixed and other assets, trade and service names, patents, copyrights, and other intellectual property rights of any nature whatsoever, know how, good will, rights to use and avail telephones, telexes, facsimile, email, internet, leased line connections and installations, utilities, electricity and other services, reserves, provisions, funds, benefits of assets or properties or other interest held in trust, registrations, contracts, engagements, arrangements of all kind, privileges and all other rights including, title, interests, other benefits (including tax benefits), easements, privileges, liberties, mortgages, hypothecations, pledges or other security interests created in favour of the Transferor Company and advantages of whatsoever nature and where-so-ever situated in Bhutan or abroad, belonging to or in the ownership, power or possession and in the control of or vested in or granted in favour of or enjoyed by the Transferor Company or in connection with or relating to the Transferor Company and all other interests of whatsoever nature belonging to or in the ownership, power, possession or the control of or vested in or granted in favour of or held for the benefit of or enjoyed by the Transferor Company, whether in Bhutan or abroad, except the logo of the transferor company since the transferee company Logo will be retained;
- ii. All liabilities including, without being limited to, secured and unsecured debts (whether in Bhutanese currency or foreign currency),sundry creditors, liabilities (including contingent Liabilities),duties and obligations of the Transferor Company, of every kind, nature and description whatsoever and howsoever arising, raised or incurred or utilized;
- iii. All the agreements entered by the Transferor, memoranda of undertaking, undertakings, deeds, service agreements, suppliers' agreements or other instruments of whatsoever nature along with any contractual rights and obligation to which the Transferor Company is a part or to the benefit of which the Transferor Company may be eligible and which are subsisting or having effect immediately before the effective date.
- iv. All records, documents, computer programs, manuals, data, sales material, lists of customers and suppliers, other customer information and all other records and documents relating to the business activities and operations of the Transferor Company.
- v. The Transferor Company employee and the employee benefits of the Transferor Company.
- vi. All rights, entitlements, export/import incentives and benefits including advance licenses, bids, tenders, letters of intent, expressions of interest, development rights, subsidies, tenancies in relation to office, benefit of any deposits privileges, all other rights, receivables, powers and facilities of every kind, nature and description whatsoever, rights to use and avail telephones, telexes, facsimile connections and installations, utilities and other services,

provisions and benefits of all agreements, contracts and arrangements, including technological licensing agreements, and all other interests in connection with or relating thereto;

- vii. All intellectual property rights created, developed or invented by employees in the course of employment on the research, development or marketing of products (including process development or enhancement) in connection with the Transferor Company;

2. SHARE CAPITAL

2.1. Transferor Companies

The Authorized, Issued, Subscribed and Paid-up share capital of the Transferor Company as on 31stDecember, 2021 is as follows

1. Bhutan Board Exports Limited

| Particulars | Amt. (Nu.) |
|---|-------------|
| 1. Authorized 50,000.00 equity shares of Nu. 10 each | 500,000.00 |
| 2. Issued and Subscribed Share Capital 50,000 equity shares of Nu.10 each | 500,000.00 |
| 3. Fully Paid Up Share Capital 50,000 equity shares of Nu. 10 each | 5000,000.00 |

Subsequent to the above balance sheet date there is no change in the Capital Structure of Transferor Company. The Transferor Company shall not make any alteration in its paid-up share capital from the date of approval of this scheme by the Board of Directors of the both the Companies, either by issuance of fresh equity shares or bonus issue or any other from, till Effective Date.

2.2. Statement of Financial Position of Transferor Companies

BHUTAN BOARD EXPORTS LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31st DECEMBER, 2021

| Particulars | Note No. | 31-Dec-21 | 31-Dec-20 |
|---|----------|------------------------|------------------------|
| ASSETS: | | | |
| Non- Current Assets | | | |
| Property, Plant & Equipment | 1 | 83,021.05 | 63,044.00 |
| Long-term Investments | | - | - |
| Total non - current assets | | 83,021.05 | 63,044.00 |
| Current assets | | | |
| Trade and Other receivables | 2B | 2,416,457.96 | 9,383,829.96 |
| Prepayments and Advances | 3 | - | 106,967.00 |
| Cash and Cash Equivalents | 4 | 594,345.61 | 46,092.61 |
| | | 3,010,803.57 | 9,536,889.57 |
| Assets classified as held for sale | | - | - |
| Total Current Assets | | 3,010,803.57 | 9,536,889.57 |
| Total Assets | | 3,093,824.62 | 9,599,933.57 |
| EQUITY AND LIABILITIES: | | | |
| Equity | | | |
| Share Capital | | 500,000.00 | 500,000.00 |
| Retained Earnings | | (48,691,612.05) | (34,317,039.05) |
| Total shareholders' equity | | (48,191,612.05) | (33,817,039.05) |
| Non- current liabilities | | | |
| Long- term Borrowings | | - | - |
| Employee benefit obligation | 5 | 835,000.00 | 796,363.00 |
| Total non-current liabilities | | 835,000.00 | 796,363.00 |
| Current liabilities | | | |
| Trade and other payables | 5B | 50,450,436.67 | 42,620,609.62 |
| Total current liabilities | | 50,450,436.67 | 42,620,609.62 |
| Total liabilities | | 51,285,436.67 | 43,416,972.62 |
| Total shareholders' equity & liabilities | | 3,093,824.62 | 9,599,933.57 |

2.3. Statement of Comprehensive Income

BHUTAN BOARD EXPORTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME AS AT 31st DECEMBER, 2021

| Particulars | Note No. | 31-Dec-21 | 31-Dec-20 |
|--|----------|------------------------|------------------------|
| INCOME | | | |
| Revenue | 6 | 138,810,322.00 | 85,209,170.00 |
| Other Income | | 20,143.00 | 2,516.20 |
| | | 138,830,465.00 | 85,211,686.20 |
| EXPENDITURE | | | |
| Insurance | 8 | - | - |
| Running & Maintenance Expenses | 9 | 602,701.00 | 621,394.20 |
| Employees' Remuneration and Benefits | 10 | 1,289,524.00 | 1,188,111.00 |
| Finance Cost | 11 | 826.00 | 1,157.18 |
| Depreciation/ Amortization | 1 | 14,651.00 | 11,126.00 |
| Other Expenses | 12 | 151,297,336.00 | 93,564,796.92 |
| | | 153,205,038.00 | 95,386,585.30 |
| Operating profit | | (14,374,573.00) | (10,174,899.10) |
| Profit before tax | | (14,374,573.00) | (10,174,899.10) |
| Tax expense | | | |
| Current tax | | - | - |
| Deferred tax | | - | - |
| Income tax for earlier years | | | |
| | | | |
| Profit for the year | | (14,374,573.00) | (10,174,899.10) |
| Other comprehensive income: | | | |
| Re-measurements of post-employment benefit obligations | | - | - |
| Income tax relating to these items | | - | - |
| Total other comprehensive income for the year | | - | - |
| Total Comprehensive income for the year | | (14,374,573.00) | (10,174,899.10) |

2.6. Transferee Company

The Authorized, Issued, subscribed and paid-up share capital of the Transferee Company as on 31stDecember 2021 is as follows:

| Particulars | Amt. (Nu.) |
|--|-----------------------|
| 1. <u>Authorized</u> | |
| 15,000,000 equity shares of Nu. 10 each | 150,000,000.00 |
| 2. <u>Issued and Subscribed Share Capital</u> | |
| 1,400,014.00 equity shares of Nu.10 each | 140,001,400.00 |
| 3. <u>Fully Paid Up Share Capital</u> | |
| 14,000,140.00 equity shares of Nu. 10 each | 140,001,400.00 |

2.7. Statement of Financial Position of Transferee Company

Bhutan Board Products Limited Statement of Financial Position (Amount in Nu.)

| Particulars | Note | 31/12/2021 | 31/12/2020 |
|--|------|-----------------------|-----------------------|
| Property, Plants & Equipment's | 1 | 31,383,212.92 | 31,355,965.08 |
| Trade & Other Receivables | 2 | 3,605,461.86 | 2,490,272.20 |
| Other bank balances | 4 | 568,429.00 | 568,429.00 |
| Deferred Tax Assets | 5 | 128,584.00 | -486,981.00 |
| Biological Asset Recognition as per BAS 41 | 31 | 560,790,000.00 | 560,790,000.00 |
| Other non-current assets | 6 | 500,000.00 | 650,687.00 |
| Total Non-Current Assets - | | 596,975,687.78 | 595,368,372.28 |
| Inventories | 14 | 105,578,415.61 | 95,663,133.58 |
| Trade & Other Receivables | 2 | 4,012,848.31 | 7,352,863.30 |
| Prepayments | 7 | 50,325,683.20 | 34,379,433.22 |
| Cash & Cash Equivalents | 8 | 6,936,713.41 | 7,364,668.66 |
| Current Tax Assets | 9 | 5,801.57 | 2,127,736.94 |
| Total Current Assets - | | 166,859,462.10 | 146,887,835.70 |
| TOTAL ASSETS | | 763,835,149.88 | 742,256,207.98 |
| Equity: | | | |
| Share Capital | 15 | 140,001,400.00 | 140,001,400.00 |
| General Reserve | | 29,149,212.00 | 29,149,212.00 |
| Dividend Equalization Reserve | | 12,000,000.00 | 12,000,000.00 |
| Replacement & Maintenance Reserve | | 27,986,451.00 | 27,986,451.00 |
| Retained Earnings | | 501,127,177.60 | 479,567,874.66 |
| Total Equities - | | 710,264,240.60 | 688,704,937.66 |
| Liabilities: | | | |
| Employee Benefit Liabilities | 10 | 2,515,938.00 | 2,082,521.00 |
| Trade & Other Payables | 11 | 4,742,225.00 | 1,436,363.00 |
| Total Non-Current Liabilities - | | 7,258,163.00 | 3,518,884.00 |
| Trade & Other Payables | 11 | (35,149,806.87) | (20,402,413.95) |
| Borrowings | 12 | 61,543,394.30 | 52,803,149.98 |
| Other current liabilities | 13 | 19,919,158.85 | 17,631,650.29 |
| Total Current Liabilities - | | 46,312,746.28 | 50,032,386.32 |
| Total Liabilities - | | 53,570,909.28 | 53,551,270.32 |
| TOTAL EQUITY AND LIABILITIES | | 763,835,149.88 | 742,256,207.98 |

2.8. Statement of Comprehensive Income

Bhutan Board Products Limited
Statement of Comprehensive Income (Amount in Nu.)

| Particulars | Note | 31/12/2021 | 31/12/2020 |
|---|------|------------------|-----------------|
| Continuing Operations: | | | |
| Revenue | 16 | 94,074,036.14 | 98,587,978.83 |
| Other Incomes | 18 | 4,930,299.07 | 7,117,704.77 |
| Gross Profit/(Loss) - | | 99,004,335.21 | 105,705,683.60 |
| Cost of Sales | 17 | 208,920,551.48 | 242,408,660.57 |
| Selling & Distribution Expenses | 19 | 12,711,790.00 | 8,587,509.27 |
| Administrative Expenses | 20 | 7,710,034.23 | 7,994,320.42 |
| Other Expenses | 21 | 151,297,336.00 | (93,371,803.33) |
| Results from Operating Activities - | | 380,639,711.71 | 165,618,686.93 |
| Finance Cost | 22 | (826.00) | 2,078,299.15 |
| Net Finance (Costs)/Income - | | | 2,078,299.15 |
| Profit Before Tax - | | (281,634,550.50) | (61,991,302.48) |
| Tax Expenses | 23 | | (486,981.00) |
| Current Tax | | | |
| Deferred Tax | | 615,565.00 | |
| Profit from Continuing Operations - | | (281,018,985.50) | (62,478,283.48) |
| Profit/(Loss) For the Year - | | (281,018,985.50) | (62,478,283.48) |
| Other Comprehensive Income: | 24 | 556,977.00 | - |
| Tax on Other Comprehensive Income | | (167,093.10) | 4,460,438.00 |
| Net Other Comprehensive Income | | 389,883.90 | 4,460,438.00 |
| Total Comprehensive Income for the Year | | (280,629,101.60) | (58,017,845.48) |
| Earnings per Share: | | | |
| Basic Earnings per Share - | 1 | (20.04) | (4.14) |
| Diluted Earnings per Share - | 1 | (20.04) | (4.14) |

2.9. Consolidated Statement of Financial Position

Bhutan Board Products Limited Consolidated Statement of Financial Position (Amount in Nu.)

| Particulars | Note | 31/12/2021 | 31/12/2020 Restated |
|--|------|-----------------------|------------------------|
| Property, Plants & Equipment's | 1 | 31,466,233.97 | 31,419,009.08 |
| Trade & Other Receivables | 2 | 3,605,461.86 | 2,490,272.20 |
| Other bank balances | 4 | 568,429.00 | 568,429.00 |
| Deferred Tax Assets | 5 | 128,584.00 | (486,981.00) |
| Biological Asset Recognition as per BAS 41 | 31 | 560,790,000.00 | 560,790,000.00 |
| Other non-current assets | 6 | - | 150,687.00 |
| Total Non-Current Assets - | | 596,558,708.83 | 594,931,416.28 |
| Inventories | 14 | 105,578,415.61 | 95,663,133.58 |
| Trade & Other Receivables | 2 | 6,429,306.27 | 16,736,693.26 |
| Prepayments | 7 | 50,325,683.20 | 34,486,400.22 |
| Cash & Cash Equivalents | 8 | 7,531,059.02 | 7,410,761.27 |
| Current Tax Assets | 9 | 5,801.57 | 2,127,736.94 |
| Total Current Assets - | | 169,870,265.67 | 156,424,725.27 |
| TOTAL ASSETS | | 766,428,974.50 | 751,356,144.45 |
| Equity: | | | |
| Share Capital | 15 | 140,001,400.00 | 140,001,400.00 |
| General Reserve | | 29,149,212.00 | 29,149,212.00 |
| Dividend Equalization Reserve | | 12,000,000.00 | 12,000,000.00 |
| Replacement & Maintenance Reserve | | 27,986,451.00 | 27,986,451.00 |
| Retained Earnings | | 452,435,565.55 | 445,250,835.61 |
| Total Equities - | | 661,572,628.55 | 654,387,898.61 |
| Liabilities: | | | |
| Employee Benefit Liabilities | 10 | 3,350,938.00 | 2,878,884.00 |
| Trade & Other Payables | 11 | 4,742,225.00 | 1,436,363.00 |
| Total Non-Current Liabilities - | | 8,093,163.00 | 4,315,247.00 |
| Trade & Other Payables | 11 | 15,300,629.80 | 22,218,198.57 |
| Borrowings | 12 | 61,543,394.30 | 52,803,149.98 |
| Other current liabilities | 13 | 19,919,158.85 | 17,631,650.29 |
| Total Current Liabilities - | | 96,763,182.95 | 92,652,998.84 |
| Total Liabilities - | | 104,856,345.95 | 96,968,245.84 |
| TOTAL EQUITY AND LIABILITIES | | 766,428,974.50 | 751,356,144.45 |

2.10. Consolidated Statement of Comprehensive Income

STATEMENT OF COMPREHENSIVE INCOME As at 31.12.2021 (Amount in Nu.)

| Particulars | Note | 31/12/2021 | 31/12/2020 |
|---|------|------------------|------------------|
| Continuing Operations: | | | |
| Revenue | 16 | 232,884,358.14 | 183,797,148.83 |
| Cost of Sales | 17 | (210,827,427.48) | (244,229,291.77) |
| Gross Profit/(Loss) - | | 22,056,930.66 | (60,432,142.94) |
| Other Incomes | 18 | 4,950,442.07 | 7,120,220.97 |
| Selling & Distribution Expenses | 19 | (12,711,790.00) | (8,587,509.27) |
| Administrative Expenses | 20 | (7,710,034.23) | (7,994,320.42) |
| Other Expenses | 21 | (406,267.46) | (192,993.59) |
| Results from Operating Activities - | | 6,179,281.04 | (70,086,745.25) |
| Finance Cost | 22 | - | (2,079,456.33) |
| Net Finance (Costs)/Income - | | - | (2,079,456.33) |
| Profit Before Tax - | | 6,179,281.04 | (72,166,201.58) |
| Tax Expenses | 23 | - | (486,981.00) |
| Current Tax | | | |
| Deferred Tax | | 615,565.00 | - |
| Profit from Continuing Operations - | | 6,794,846.04 | (72,653,182.58) |
| Profit/(Loss) For the Year - | | 6,794,846.04 | (72,653,182.58) |
| Other Comprehensive Income: | 24 | 556,977.00 | |
| Tax on Other Comprehensive Income | | (167,093.10) | 4,460,438.00 |
| Net Other Comprehensive Income | | 389,883.90 | 4,460,438.00 |
| Total Comprehensive Income for the Year | | 7,184,729.94 | (68,192,744.58) |
| Earnings per Share: | | | |
| Basic Earnings per Share - | 1 | 0.51 | (4.20) |
| Diluted Earnings per Share - | 1 | 0.51 | (4.20) |

2.11. Consolidated Equity Share

| Particulars | Amt. (Nu.) |
|---|-----------------------|
| 1. Authorized | |
| 15,000,000 equity shares of Nu. 10 each | 150,000,000.00 |
| 2. Issued and Subscribed Share Capital | |
| 1,400,014.00 equity shares of Nu.10 each | 140,001,400.00 |
| 3. Fully Paid Up Share Capital | |
| 14,000,140.00 equity shares of Nu. 10 each | 140,001,400.00 |

3. DATE OF TAKING EFFECT AND OPERATIVE DATE

The Scheme set out herein in its present form or with any modifications approved or imposed or directed by Companies Act of Bhutan, 2016 shall be operative from the Effective Date.

PART II

AMALGAMATION OF THE TRANSFEROR COMPANY INTO THE TRANSFEEE COMPANY

1. Transfer

From the Effective Date, the Transferor Company shall stand amalgamated into the Transferee Company and its **undertaking** shall, pursuant to the provision of the Section 296 to 300 and Section 305 to 311 of the Companies Act of Kingdom of Bhutan, 2016 and any other applicable provisions under the countries law, if any, be and stand transferred and vested in the Transferee Company, as a going concern without any further act, instrument, deed, matters or things so as to become the **undertaking** of the transferee company by virtue of and in the manner provided in the scheme.

2. Transfer of Assets

- i. With sequel from the Effective Date, all the real estate, assets, properties rights, claims, titles, interest and authorities, of the undertaking of whatsoever, nature and wherever suitable either or not included in the books of the Transferor Company shall, subject to the provisions, pursuant to Section 296 to 300 and Section 305 to 311 of the Act and without any further act, deed, matter or thing, be and stand transferred to and vested in the Transferee Company as going concern so as to become as and from the Transferee Company.
- ii. The assets of the Transferor Company as are movable in nature or are otherwise capable of transfer in possession, payment or by endorsement and deliver the same and will be the property of the Transferee Company with effect from the date of Effective date pursuant to the provision of the Companies Act section 296 to 300 and 305 to 311 without requiring any deeds, instruments or agreements.

3. Contracts, Deeds, License etc.

- i. Upon implementing of this Scheme and subject to the provision of this Scheme, all the contracts, deeds, bonds, agreements, scheme, arrangements 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 or for the obligations of which the Transferor Company may be liable, and which are subsisting or have effect immediately before the Effective Date, shall continue in full force and effects on or against or in favor as, the case may be, of the Transferee Company and may be enforced as fully and effectually as if, instead of the Transferor Company, the Transferee Company had been a party or beneficiary or oblige thereto.
- ii. Without violation of 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 provision hereof, if so required under any law, execute deeds, confirmation or other writing or tripartite arrangements with any party to any contract or agreement to which the Transferor Company is a party or any writings as may be necessary to be executed in order to give formal effects to the above provisions. The Transferee Company shall, under the provision Part II of this Scheme, be deemed to be authorized to execute any such writings as a

successor of the Transferor Company and to carry out or perform all such formalities or compliances referred to the above on the part of the Transferor Company to be carried out.

- iii. For the avoidance of doubt and without volitions of the generality of the foregoing, it is clarified that upon the coming into effects of this Scheme and subject to Applicable Law, all consent, permission, licenses, certificate, clearance, authorities, power of attorney given by, issued to or executed in favor of the Transferor Company shall stand transferred to the Transferee Company as if the same were originally given by, issued to or executed in favor of the Transferee Company, and the Transferee Company shall be bonded by the terms thereof, the obligations and duties hereunder, and the rights and benefits under the same shall be available to the Transferee Company. The Transferee Company shall make applications to any Government Authorities as may be necessary in this behalf.

4. Transfer of Liabilities

- i. From the Effective Date, all the debts, liabilities, loan raised and used, duties and obligations of the Transferor Company, whether or not recorded in its books of accounts and records shall, under the provision of the Section 296 to 300 and 305 to 311 and other applicable provisions of the Act, without any further act, instrument deeds, matter or thing, be and stand transferred to and vested in and deemed to be transferred and vested in the Transferee Company to the extent that they are outstanding on the Effective Date so as to become as and from the Effective Date the debts and liabilities, loans, obligations and duties of the Transferee Company and the Transferee Company shall meet, discharge any to satisfy the same.
- ii. The Transferee Company shall execute any instruments, documents, deeds as may be required including the filing of the necessary particulars and modification of charge with the jurisdiction for the Registrar of the Companies to give formal effects to the above provisions if required.

5. Legal, Taxation and Other Proceedings

- i. Upon the execution of this Scheme, all legal, taxation or other proceedings, whether civil or criminal, by or against the Transferor Company, under any statute, subsisting or pending on the Effective Date shall be continued and enforced by or against the Transferee Company as effectually and in the same manner and to the same extent as if the same had been instituted by or against as the case may be, the Transferee Company.
- ii. The Transferee Company shall have all legal, taxation or other proceedings initiated by or against the Transferor Company in its name as soon as is reasonably possible after the Effective Date and have the same continued, prosecuted and enforced by or against the Transferee Company.

6. Employees

- i. The Transferor Companies Employee are already employee of the Transferee Company, subject to the provision hereof without breaking any of their services and continuity of their services and, on term and conditions no less favorable than those on which they are engaged by the Transferor Companies and without any interruption of services as a result of the Amalgamation. For the purpose of payment of any compensation, gratuity and other terminal benefits, the uninterrupted past services of such Transferor Companies Employees

with the Transferor Companies shall also be taken into account and paid by the Transferee Company.

- ii. So far company created fund i.e. employee benefit by the Transferor Companies or in respect of which the Transferor Companies makes contribution, for the Transferor Companies Employees, all amount standing to the credit of the Transferor Companies such Employee Benefit fund and investment made by such Employee Benefit Funds shall be transferred to such Employee Benefit Funds nominated by the Transferee Company and such new Employee Benefit Funds to be established and caused to be recognized by appropriate Government Authorities, by the Transferee Company.
- iii. Pending the transfer as aforesaid, the Employee Benefit Fund dues of the Transferor Companies Employee would be continued to be deposited in the existing Employee Benefit Fund of the Transferor Companies, it is clarified the at upon transfer of the aforesaid funds to the respective funds of the Transferee Company, the existing trusts created for such funds by the Transferor Companies shall stand dissolved. (*Annexure- I (Employee List)*)

7. Treatment of Tax

- i. To the extent required, the Transferor Company and the Transferee Company shall be permitted to revise and file their respective income tax return, withholding tax returns, sales tax, value added tax service tax, goods and service tax and any other tax and return.
- ii. The Transferee Company shall be entitled to:
 - a. Claim deductions with respect to item such as provisions, expenses, etc., disallowed in earlier year in the hands of the Transferor Company, which may be allowable in accordance with the provisions of Income Tax Act of Bhutan, 2001 on or after the Effective Date.
 - b. Exclude items such as provision, reversal etc. for which no deductions of tax benefit has been claimed by the Transferor Company prior to the Effective Date.
- iii. When the Scheme becomes effective, notwithstanding anything to the contrary contained in the provision of this Scheme, unabsorbed tax depreciation, minimum alternate tax credit, if any, of the Transferor Company as on the Effective Date, shall, for all the purpose be treated as unabsorbed tax depreciation, minimum alteration tax credit of the Transferee Company as specified in their respective books of accounts shall be included as unabsorbed depreciation of the Transferee Company for the purpose of computation of minimum alter tax.

8. Conduct

During the period between the approval of the Scheme by the General Meeting of the Transferor Company and the General Meeting of the transferee company and the Effective Date, the business of the Transferor Company shall be carried out with diligence and business prudence in the ordinary course consistent with past practice in good faith and in accordance with the applicable law of the country.

PART III

CHANGES TO THE SHARE CAPITAL OF THE TRANSFEROR COMPANY AND THE TRANSFEREE COMPANY

1. ISSUE OF SHARES BY THE TRANSFEREE COMPANY

- 1.1. Upon the Scheme coming into effect, and without any further application, act or deed, the Transferee Company shall, in consideration of the amalgamation of the Transferor Company with the Transferee Company, will not issue and allot to Equity Shares of the Transferor Company as the transferor company is the subsidiary company of the transferee company.

2. NO ALLOTMENT OF SHARES TO THE TRANSFEREE COMPANY

Upon the Scheme coming into effect, all Equity Shares which the Transferee Company holds in the Transferor Company (either directly or through nominees) shall stand cancelled without any issue or allotment of New Equity Shares or payment whatsoever by the Transferee Company in lieu of such Equity Shares of the Transferor Company.

PART IV

ACCOUNTING TREATMENT FOR THE AMALGAMATION IN THE BOOKS OF THE TRANSFEREE COMPANY AND DIVIDEND

1. ACCOUNTING TREATMENT

- 1.1. The amalgamation shall be accounted for in the books of account of the Transferee Company according to the "Book Value Method."
- 1.2. Accordingly, on and from the Effective Date and subject to the provisions hereof all assets, liabilities and reserves, of the Transferor Company, shall be recorded in the books of account of the Transferee Company at their existing carrying amounts and in the same form, including the debit balance in Profit and Loss Account of the Transferor Company as debit balance in Profit and Loss Account of the Transferee Company.
- 1.3. The Transferee Company shall credit to its share capital account, the aggregate face value of the New Equity Shares issued.
- 1.4. All costs and expenses incurred below as well as other costs incidental with the finalization of this Scheme and to put it into operation and any other expenses or charges attributable to the implementation of the above Scheme, shall be charged to Profit and Loss Account with exception of the following cost and expenses, which will be accounted in the books of Transferee Company as under: Stamp duty payable and/or conveyance of title costs, if any, on the basis of value of immovable properties of the Transferor Company transferred to the Transferee Company shall be capitalized in books of the Transferee Company with the said fixed assets.
- 1.5. Amalgamation of Bhutan Board Export Limited, with Bhutan Board Products Limited is in the nature of merger by amalgamation resulting in takeover of BBEL by BBPL. BBEL is being merged with BBPL.
- 1.6. The accounting for business combinations is governed by IFRS-3 and these standards mandate business combinations to apply the acquisition method. However, those involving entities under common control are outside the scope of this Standard. The IFRS-3 clause 2 (C) states that the IFRS-3 does not apply to a combination of entities or business under common control. A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.
- 1.7. As business combination of entities under common control is excluded from the scope of IFRS-3 business combinations and the accounting of such business combination depends on the accounting policy. In accordance with the relevant laws, the book-value method of consolidation of accounts is proposed which is also the accepted practice when the

amalgamation involves common single ownership. The book-value method is not only convenient but appropriate since the proposed amalgamation involves movement of economic resources under a common control and ownership. The book-value method will account for the assets and liabilities of the business using existing carrying values rather than at fair value and no goodwill shall be recorded. Since the business combination is under common control and ownership, all the assets, liabilities and reserves of the transferor company shall be recorded by the transferee company at *the existing carrying amounts* in keeping with the book value method.

- 1.8. The financial statements of both the Transferee Company and Transferor Company for the financial year 2021 have been audited by the respective Statutory Auditors. The assets, liabilities and undertakings of Transferor Company (BBEL) shall be transferred to Transferee Company (BBPL) at book value as on 31st December 2021, which is the Audited Balance Sheet Date. The assets and liabilities of the transferor company shall become the assets and liabilities of the transferee company. No adjustment is intended to be made to the book values of the assets and liabilities of the transferor company when they are incorporated in the financial statements of the Transferee Company except to ensure uniformity of accounting policies.
- 1.9. The identity of the reserves is preserved and they appear in the financial statements of the Transferee Company in the same form in which they appeared in the financial statements of the transferor company.

PART V

THE DISSOLUTION OF THE TRANSFEROR COMPANY AND THE GENERAL TERMS AND CONDITIONS APPLICABLE TO THIS SCHEME OF AMALGAMATION AND OTHER MATTERS CONSEQUENTIAL AND INTEGRALLY CONNECTED THERETO

1. APPLICATIONS

The Transferor Company and the Transferee Company shall, with all reasonable dispatch, make necessary applications to the Registrar of the Companies, for sanctioning this Scheme pursuant to sections 296 to 300 and Section 305 to 311 of Companies Act of Bhutan, 2016 and other applicable provisions of the Act and for an order or orders for carrying this Scheme into effect and for dissolution of the Transferor Company without winding up. The Transferor Company and the Transferee Company shall also apply for such other approvals as may be necessary in law, if any, for bringing any provisions of this Scheme into effect. Further, the Transferor Company and the Transferee Company shall be entitled to take such other steps as may be necessary or expedient to give full and formal effect to the provisions of this Scheme.

2. DISSOLUTION OF THE TRANSFEROR COMPANY

- 2.1. Pursuant to the Scheme becoming effective, the Transferor Company shall be dissolved without being wound up.
- 2.2. Consequently, the name of the Transferor Company shall be struck off from the records of the relevant Registrar of Companies. The Transferee Company shall make necessary filings in this regard.

3. MODIFICATIONS/ AMENDMENTS TO THE SCHEME

- 2.1. The Transferor Company and the Transferee Company by their respective Board of Directors or such other person or persons, as the respective Board of Directors may authorize, including any committee or sub-committee thereof, may consent to any modifications/ amendments to the Scheme or to any conditions or limitations that the Registrar or any other authority may deem fit to direct or impose or which may otherwise be considered necessary, desirable or appropriate by them for any reason whatsoever, including due to change in rules.

The Transferor Company and the Transferee Company by their respective Board of Directors or such other person or persons, as the respective Board of Directors may authorize, including any committee or sub-committee thereof, shall be authorized to take all such steps as may be necessary, desirable or proper to give effect to the Scheme or resolve any doubts, difficulties or questions whether by reason of any directive or orders of any other authorities or otherwise howsoever arising out of or under or by virtue of the Scheme and/or any matter concerned or connected therewith.

3.2. For the purpose of giving effect to this Scheme or to any modifications or amendments thereof or additions thereto, the delegate(s) of the Transferor Company and the Transferee Company may give and are hereby authorized to determine to take all such steps and give all such directions as are necessary including directions dealing with the approvals required to be taken and directions for settling or removing any question of doubt or difficulty that may arise and such determination or directions, as the case may be, shall be binding on the Transferor Company and the Transferee Company, in the same manner as if the same were specifically incorporated in this Scheme.

4. SCHEME CONDITIONAL ON APPROVALS/ SANCTIONS AND EFFECTIVE DATE OF SCHEME

4.1. The Scheme is conditional upon and subject to:

4.1.1. Approval of the Scheme by the requisite majority of the respective members and such class of persons of the Transferor Company and the Transferee Company as may be directed by the Registrar of the company.

4.1.3. Receipt of such other approvals for the carrying on of the Undertaking by the Transferee Company, as identified by the Boards of Directors of the Transferee Company and Transferor Company (or authorized committees thereof).

4.2. It is clarified that on the approval of the Scheme by the requisite majority of members of the Transferor Company and the Transferee Company, it shall be deemed that the said members have also resolved and accorded all relevant consents under any other provisions of the Act to the extent the same may be considered applicable. It is further clarified that there will be no need to pass any separate shareholders' resolution(s) under such other provisions of the Act. Without prejudice to the generality of the foregoing, such single window approval of the shareholders to the extent is considered applicable.

4.3. This Scheme, although to come into operation from the Effective date, shall not become effective until the later of the following dates, namely:

4.3.1. The last of the dates on which the last of the aforesaid consents, approvals, resolutions and orders shall be obtained or passed; or

4.3.2. The last of the dates on which all necessary certified copies of orders shall be duly filed with the appropriate Registrar of Companies. The last of such dates shall be the "**Effective Date**" for the purpose of this Scheme.

5. POST SCHEME CONDUCT OF OPERATIONS

Even after the Scheme becomes effective, the Transferee Company shall be entitled to operate all Bank Accounts of the Transferor Company and realize all monies and complete and enforce all pending contracts and transactions in respect of the Transferor Company in the name of the Transferee Company in so far as may be necessary until the transfer of rights and obligations of

the Transferor Company to the Transferee Company under this Scheme is formally accepted by the Transferor Company and the Transferee Company concerned.

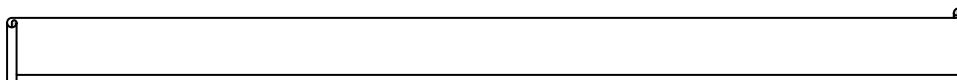
Pursuant to the Scheme becoming effective the Transferee Company is expressly permitted to revise its financial statements and returns along with prescribed forms, filings and annexure under the Income-tax Act, 2001 (including for minimum alternate tax purposes and tax benefits), service tax law and other tax laws, and to claim refunds and/or credits for Taxes paid (including minimum alternate tax), and to claim tax benefits under the said tax laws, and for matters incidental thereto, if required to give effect to the provisions of this Scheme.

6. COSTS

All costs, charges and expenses including stamp duty and registration fee, if any, of any deed, document, instrument or Registrar orders, including this Scheme, or in relation to or in connection with negotiations leading up to the Scheme and of carrying out and implementing the terms and provisions of this Scheme and incidental to the completion of arrangement in pursuance of this Scheme shall be borne and paid by the Transferee Company, unless otherwise agreed between the Transferor Company and the Transferee Company.

7. REVOCATION OF THE SCHEME

In the event of any of the said, sanctions and approvals not being obtained and/ or complied with and/ or satisfied and/ or this Scheme not being sanctioned by the Registrar of the Companies, the respective Board of Directors of the Transferor Company and the Transferee Company who are hereby empowered and authorized to agree to and extend the aforesaid period from time to time without any limitations in exercise of their powers through and by their respective delegate(s), this Scheme shall stand revoked, cancelled and be of no effect and in that event, no rights and liabilities whatsoever shall accrue to or be incurred *inter se* the Transferor Company and the Transferee Company or their respective shareholders or creditors or employees or any other person save and except in respect of any act or deed done prior thereto as is contemplated hereunder or as to any right, liability or obligation which has arisen or accrued pursuant thereto and which shall be governed and be preserved or worked out in accordance with the applicable law and in such case, each company shall bear its own costs unless otherwise mutually agreed. Further, the Board of Directors of the Transferor Company and the Transferee Company shall be entitled to withdraw the Scheme with the same consequences, as aforesaid if such boards are of view that the coming into effect of the Scheme in terms of the provisions of this Scheme or filing of the certified copies of the orders sanctioning the Scheme with any authority could have adverse implication on both/ any of the companies.



| EMPLOYEE LIST OF BHUTAN BOARD EXPORTS LIMITED | | | |
|--|------------------|---------------------------|-------------------------------|
| PHUENTSHOLING BHUTAN | | | |
| SI. No | Name | Designation | DEPARTMENT |
| 1 | Tshewang Dhendup | Officiating Branch Manger | Kolkata Liaison Office |
| 2 | Cecil Jones | Area Sales Manager | Kolkata Liaison Office |
| 3 | A Bhowmick | Peon | Kolkata Liaison Office |

(BBEL will function as the department and the aforementioned employees will be retain in the company with same designation)