HOUSE OF PEARL FASHIONS LIMITED

MEETING OF THE SECURED CREDITORS

Day: Thursday

Date: 17th February, 2011

Time: 11.30 a.m.

Venue :

PAF Auditorium, 2nd Floor,
c/o Pearl Academy of Fashion,
A–8 & A–9, Naraina Industrial Area,
Phase – II, New Delhi – 110 028

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Registered Office:
A-3, Community Centre, Naraina Industrial Area, Phase - II, New Delhi - 110 028

IN THE HIGH COURT OF DELHI AT NEW DELHI
COMPANY JURISDICTION

Company Application (Main) No. 209 of 2010

(Under Section 391(1) read with Section 394 of the Companies Act, 1956)

IN THE MATTER OF:

The Companies Act, 1956

AND IN THE MATTER OF:

An Application under Sections 391(1), 393 and 394
of the Companies Act, 1956

AND IN THE MATTER OF:

A Scheme of Arrangement of

PEARL GLOBAL LIMITED,
a company incorporated under the
Companies Act, 1956 with its registered
office at A-3, Community Centre,
Naraina Industrial Area, Phase II, New Delhi 110 028 … Applicant Company No. 1/ Transferor Company

And

HOUSE OF PEARL FASHIONS LIMITED,
a company incorporated under the
Companies Act, 1956 with its registered
office at A-3, Community Centre,
Naraina Industrial Area, Phase II, New Delhi 110 028 … Applicant Company No. 2/ Transferee Company

NOTICE CONVENING MEETING OF THE SECURED CREDITORS

To,

The secured creditors of House of Pearl Fashions Limited (the "Transferee Company")

TAKE NOTICE that pursuant to an order dated December 3, 2010 in the above referenced Company Application, the Hon'ble High Court of Delhi at New Delhi has directed that a meeting of the secured creditors of the Transferee Company be held at 11:30 a.m. on Thursday, February 17, 2011, at PAF Auditorium, 2nd Floor, c/o Pearl Academy of Fashion, A–8 & A–9, Naraina Industrial Area, Phase – II, New Delhi – 110 028 for the purpose of considering, and if thought fit, approving, with or without modification(s), the scheme of amalgamation and arrangement under Sections 391 to 394 of the Companies Act, 1956, as amended (the "**Companies Act**"), among Pearl Global Limited and House of Pearl Fashions Limited and their respective shareholders and creditors (the "**Scheme**").

TAKE FURTHER NOTICE that pursuant to the above referenced order, a meeting of the secured creditors of the Transferee Company will be held at 11:30 a.m. on Thursday, February 17, 2011, at PAF Auditorium, 2nd Floor, c/o Pearl Academy of Fashion, A–8 & A–9, Naraina Industrial Area, Phase – II, New Delhi – 110 028, at which time and place, you are requested to attend.

TAKE FURTHER NOTICE that you may attend and vote at such meeting in person or by proxy, provided that a proxy in the prescribed form, duly signed by you, is deposited at the registered office of the Transferee Company at A–3, Community Centre, Naraina Industrial Area, Phase II, New Delhi 110 028 not later than 48 hours prior to the meeting.

The Hon'ble High Court of Delhi has appointed Mr. Shalinder Saini, Advocate, as the Chairperson and Mr. Vikrant Rohilla, Advocate, as the Alternate Chairperson to conduct such meeting of the secured creditors of the Transferee Company.

A copy of the statement under Section 393 of the Companies Act, the Scheme, the valuation report, the fairness opinion dated August 14, 2010 obtained from Enam Securities Private Limited, a form of proxy and attendance slip are enclosed. The Scheme, if approved at the meeting, will be subject to the subsequent approval of the Hon'ble High Court of Delhi.

Advocate for the Applicant Companies
Niti Dixit/Vidur Bhatia
S&R Associates
Advocates
64, Okhla Industrial Estate, Phase III
New Delhi 110 020, Phone No.: +91 11 4069 8000

Sd/-
Shalinder Saini
Chairperson appointed for the meeting

Dated this 7th day of January 2011

Place: New Delhi

Enclosures: As above

Notes:

1. All alterations made in the Form of Proxy should be initialed.

IN THE HIGH COURT OF DELHI AT NEW DELHI
COMPANY JURISDICTION

Company Application (Main) No. 209 of 2010

(Under Section 391(1) read with Section 394 of the Companies Act, 1956)

IN THE MATTER OF:

The Companies Act, 1956

AND IN THE MATTER OF:

An Application under Sections 391(1), 393 and 394
of the Companies Act, 1956

AND IN THE MATTER OF:

A Scheme of Arrangement of

PEARL GLOBAL LIMITED,
a company incorporated under the
Companies Act, 1956 with its registered
office at A-3, Community Centre,
Naraina Industrial Area, Phase II, New Delhi 110 028 … Applicant Company No. 1/ Transferor Company

And

HOUSE OF PEARL FASHIONS LIMITED,
a company incorporated under the
Companies Act, 1956 with its registered
office at A-3, Community Centre,
Naraina Industrial Area, Phase II, New Delhi 110 028 … Applicant Company No. 2/ Transferee Company

EXPLANATORY STATEMENT UNDER SECTION 393 OF THE COMPANIES ACT, 1956, AS AMENDED

1. Pursuant to an order dated December 3, 2010 passed by the Hon'ble High Court of Delhi at New Delhi in the above referenced Company Application, a meeting of the secured creditors of the Applicant Company No. 2 is due to be convened at 11:30 a.m. on Thursday, February 17, 2011, at PAF Auditorium, 2nd Floor, c/o Pearl Academy of Fashion, A–8 & A–9, Naraina Industrial Area, Phase – II, New Delhi – 110 028 for the purpose of considering, and if thought fit, approving, with or without modification(s), the scheme of amalgamation and arrangement among Pearl Global Limited (the "**Transferor Company**"/"**PGL**") and House of Pearl Fashions Limited (the "**Transferee Company**"/"**HOPFL**", and together with the Transferor Company, the "**Companies**"), and their respective shareholders and creditors (the "**Scheme**").

2. The Scheme is made under Sections 391 to 394 of the Companies Act, 1956, as amended (the **"Act"**) and has been approved by the board of directors of each of the Companies at meetings held on August 14, 2010 for each of the Companies. A copy of the Scheme is annexed to the notice convening the meetings.

3. The resolutions to be submitted at the meeting due to be convened at 11:30 a.m. on Thursday, February 17, 2011, are as follows:

   "**RESOLVED THAT** the scheme of amalgamation and arrangement under Sections 391 to 394 of the Companies Act, 1956, as amended (the "**Companies Act**"), among Pearl Global Limited and House of Pearl Fashions Limited and their respective shareholders and creditors, for the merger and amalgamation of Pearl Global Limited into and with the Company (the "**Scheme**"), placed before the meeting and initialed by the Chairperson of the meeting

for the purpose of identification, be and is hereby approved, subject to the Scheme being sanctioned by the Hon'ble High Court of Delhi at New Delhi under Sections 391 to 394 and other applicable provisions of the Companies Act, 1956, as amended, and subject to such other approvals as may be required under applicable law.

RESOLVED FURTHER THAT subject to the Scheme being sanctioned by the Hon'ble High Court of Delhi at New Delhi under Sections 391 to 394 and other applicable provisions of the Companies Act, 1956, as amended, and subject to such other approvals as may be required under applicable law, the increase in the authorised share capital of the Company to Rs.84,01,00,000 (Rupees eighty four crore and one lakh only) divided into 5,14,40,000 equity shares of Rs.10 each, 32,56,000 10.5% non-cumulative preference shares of Rs.100 each and 10,000 4% non-cumulative redeemable preference shares of Rs.10 each, with effect from the Effective Date (as defined in the Scheme), and the substitution of the capital clause being Clause V of the Memorandum of Association of the Company on the Effective Date to read as follows, be and is hereby approved:

"*V. The authorised share capital of the Company is Rs.84,01,00,000 (Rupees eighty four crore and one lakh only) divided into 5,14,40,000 equity shares of Rs.10 each, 32,56,000 10.5% non-cumulative preference shares of Rs.100 each and 10,000 4% non-cumulative redeemable preference shares of Rs.10 each.*"

RESOLVED FURTHER THAT upon the coming into effect of the Scheme, the issue and allotment to the equity shareholders of Pearl Global Limited, whose names are registered in the Register of Members of Pearl Global Limited on the Record Date (as defined in the Scheme) (other than the Company), of 2 (two) fully paid-up equity share(s) of face value of Rs.10 (Rupees ten) each of the Company for every 3 (three) equity share(s) of face value of Rs.10 (Rupees ten) each held in Pearl Global Limited on the Record Date by such equity shareholders or their respective legal heirs, executors, administrators or as the case may be, the successors in title, with the rights attached thereto as mentioned in the Scheme, be and is hereby approved.

RESOLVED FURTHER THAT subject to the sanction of the Scheme by the Hon'ble High Court of Delhi at New Delhi under Sections 391 to 394 and other applicable provisions of the Companies Act, and subject to such other approvals as may be required under applicable law, the listing of the shares of the Company issued in terms of the Scheme on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited (the "**Stock Exchanges**") where the existing equity shares of the Company are listed and/or admitted to trading, be and is hereby approved.

RESOLVED FURTHER THAT any of the Directors of the Company, Mr. Atul Gupta, Chief Finance Officer, Mr. Nitin Mittal and Mr. Sandeep Sabharwal, authorized officials of the Company be and are hereby severally authorized to do all acts, deeds, matters and things as are considered requisite or necessary to effectively implement the Scheme and give effect to the above resolutions, including making of appropriate applications to the Securities and Exchange Board of India and/or the Stock Exchanges for listing of the equity shares of the Company, and to accept such modifications and/or conditions, if any, which may be required and/or imposed by the Hon'ble High Court of Delhi at New Delhi and/or by any other statutory authority while approving such Scheme."

4. The Scheme is divided into the following parts:

   1) **PART I** which deals with the Definitions, Appointed Date and Effective Date, Share Capital, Purpose of and Rationale for the Scheme;

   2) **PART II** which deals with the transfer and vesting of the Undertaking of the Transferor Company into the Transferee Company;

   3) **PART III** which deals with the Issue, Allotment and Listing of Shares;

   4) **PART IV** which deals with the General Clauses, Terms and Conditions; and

   5) **PART V** which deals with Other Terms and Conditions.

5. **Certain Definitions**

   "**Appointed Date**" as defined in Clause 1.1.2 of the Scheme means April 1, 2010 or such other date as may be determined by the Board of Directors of the Transferor Company and the Transferee Company and approved by the High Court.

   "**Effective Date**" as defined in Clause 1.1.4 of the Scheme means the date on which the last of the approvals or events specified under Clause 5.4 of the Scheme are obtained or have occurred or the requirement of which has been waived.

   "**Transferee Company**" or "**HOPFL**" as defined in Clause 1.1.15 of the Scheme means House of Pearl Fashions Limited, a company incorporated under the Act with its registered office at A-3, Community Center, Naraina Industrial Area, Phase II, New Delhi 110 028, India.

"**Transferor Company**" or "**PGL**" as defined in Clause 1.1.16 of the Scheme means Pearl Global Limited, a company incorporated under the Act with its registered office at A-3, Community Center, Naraina Industrial Area, Phase II, New Delhi 110 028, India.

"**Undertaking**" as defined in Clause 1.1.18 of the Scheme means:

(a) all the present and future moveable assets, including all the moveable and fixed plant and machinery, equipment, installations, appliances, tools, accessories, computers, furniture, fixtures and office equipment of the Transferor Company;

(b) all the vehicles and the current assets including sundry debtors, receivables, cash, bank balances, loans and advances, actionable claims, bills, credit notes and all inventories, stock-in-trade, raw materials, work-in-progress, finished products, spares, stores and packing material of the Transferor Company;

(c) all licences, approvals, authorisations, permissions, consents, registrations, certifications, rights, entitlements, concessions, exemptions, subsidies, tax deferrals, privileges, advantages and all other rights and facilities of every kind, nature and description whatsoever of the Transferor Company;

(d) all agreements, contracts (including forward contracts), arrangements, understandings, engagements, deeds and instruments including lease agreements, tenancy rights, equipment purchase agreements, agreements with suppliers, agreements with clients or purchasers and all rights, titles, interest, claims and benefits thereunder of the Transferor Company;

(e) all application monies, advance monies, earnest monies and/or security deposits paid, and payments against other entitlements of the Transferor Company;

(f) all present and future investments including long term, short term, quoted, unquoted investments in different instruments including, without limitation, shares, debentures, units, warrants and bonds of the Transferor Company including the Transferor Company's investments in its wholly-owned subsidiaries, namely, Pearl Global Fareast Limited, a company incorporated in Hong Kong ("**PGLFE**"), and Pearl Global Australia Pty. Ltd, a company incorporated in Australia ("**PGA**");

(g) all present and future liabilities (including contingent liabilities), loans, debts (secured or unsecured), guarantees, duties, responsibilities and obligations of the Transferor Company;

(h) all present and future immoveable assets including all freehold, leasehold and any other title, interest or right in such immoveable assets, of the Transferor Company;

(i) all reserves, provisions and funds, all records, files, papers, engineering and process information, computer programs, manuals, data, catalogues, quotations, sales and advertisement materials, lists of present and former customers and suppliers, customer credit information, customer pricing information and other records, whether in physical form or electronic forms of the Transferor Company; and

(j) any other assets and liabilities of the Transferor Company.

In the event any question arises in relation to whether a particular asset or liability forms a part of the Undertaking or otherwise, such question shall be resolved by the respective Boards of Directors of the Transferor Company and the Transferee Company such that the determination is in accordance with the provisions of Section 2(1B) of the Income Tax Act.

6. The details of PGL are set forth below:

(a) PGL was incorporated on October 23, 1979 as Pearl Agencies Private Limited, a private limited company, with the Registrar of Companies, Delhi and Haryana. Its name was changed to Pearl Agencies Limited with effect from August 29, 1991 consequent to becoming a deemed public company under Section 43A(1) of the Act. Its name was further changed to its current name, Pearl Global Limited, with effect from September 2, 1993. PGL is engaged in the business of manufacture of ready-made garments. PGL is the holding company of PGLFE and PGA. The shares of PGL are currently not listed on any stock exchange in India. (Clause 1.5.2 of the Scheme)

(b) The main objects for which PGL was established are set forth in the Memorandum of Association of PGL and are as follows:

"1. To trade, manufacture, fabricate, assemble, export, import, buy, sell, develop, design or otherwise deal in readymade garments, Indian handicrafts, fabrics, plastic, chemicals of all types and kinds.

2. To acquire, design, develop, import, export, buy, sell, or otherwise deal in providing of technical know how in respect of latest fashions trends designs, fabrics, plastics, chemicals, Indian handicrafts, and readymade garments of all types and kinds.

3. *To undertake, transact and execute all kinds of agency business.*

4. *To purchase, sell, manufacture, export, treat, dye, finish and otherwise deal in all types of leather and allied materials and articles manufactured from them such as footwear, garments, purses, belts, bags and other goods whatsoever.*

5. *To carry on business as manufacturers, traders, dealers and exporters of all kinds of fibres and yarn man-made or otherwise, textiles and textile materials natural or otherwise.*

6. *To carry on business of preparing, spinning, doubling, weaving, combing, scouring, sizing, mixing, twisting, bleaching, colouring, knitting, dying, printing and finishing whatever fibres or textile substance or any substitute for any of them.*

7. *To carry on business as goldsmiths, silversmiths, jeweller, gem and diamond merchant and manufacturing and dealing in clocks, watches, jewellery, cutlery and their components and accessories and producing, acquiring, importing, exporting and trading in metals, bullion, gold ornaments, silver, silver utensils, diamonds, precious stones, paintings, coins, manuscripts, antiques and other objects of art.*

8. *To set up or undertake Information Technology Projects in Web Designing, Communication and Mass Media and to provide Software services, Consultancy, Data processing, Business process Management in the field of Software maintenance, application, design, development, Internet application, integration training and other Software services in the a area of Information Technology.*

9. *To design, develop, maintain, programme, buy, import, export, sell, licence, market, implement, rent, hire, acquire, sub-contract and deal in all kind of Software and Software related Systems, services and activities, Engineering Designs, Computer Systems, Communication Systems, Programmed Products, provide Consultancy, Data Processing Services and complete Software or Computer based Solutions.*

10. *To carry on the business of analyzing, maintaining, compiling, coding, converting, programming and advising on matters relating to purchase, design, development and implementation of all kind of Computer Hardware and Software Systems, Communication Systems, Electronic Systems, Management Information Systems, Data Processing Systems and Data Communication Systems and in this regard conduct surveys, compile, feed, process, convert and test any kind of data for both Analog and Digital including CAD/CAM, make Reports, Specifications, Estimates, Studies and Feasibility Reports and provide services including Digitization Services for any Individual, Company, Industry or any other Authority.*

11. *To set up, buy, sell or let on hire, industrial estates, land and buildings, buy and sell land for the industrial estates and carry on the business of builders, contractors and infrastructure developers/lessors. To erect and construct houses, buildings, mills, plants, machinery, shopping and commercial complexes, passovers, flyovers, roads, turnkey projects or works of every description on any land of the Company, or upon any other land or property and to pulldown, rebuild, enlarge alter and improve existing houses, buildings or works thereon, to convert and appropriate any such land for roads, streets, squares, gardens and other conveniences and generally to deal with and improve the property. To sell, lease, let mortgage or otherwise dispose of the lands, houses, buildings, infrastructure and other properties/assets.*

12. *To support and promote the advancement of educational activities by setting up schools, colleges, cultural, technical and social service centres and institutions and to promote/ impart and undertake all or any, modern scientific education, IT education, apparel design, manufacture and other related areas, relating to creation of any scientific knowledge, research, innovation, design, improvement there upon in such or related activities."*

(c) The authorised, issued, subscribed and paid-up share capital of PGL as at March 31, 2010 are set forth below (Clause 1.4.1 of the Scheme):

SHARE CAPITAL:	**INR**
Authorised share capital:	
26,450,000 equity shares of Rs.10 each	264,500,000
3,256,000 10.5% non-cumulative redeemable preference shares of Rs.100 each	325,600,000
Total	**590,100,000**
Issued, subscribed and paid-up share capital:	
8,214,980 equity Shares of Rs.10 each	82,149,800
2,239,400 10.5% non-cumulative redeemable preference shares of Rs.100 each	223,940,000
Total	**306,089,800**

There has been no change in the authorised, issued, subscribed and paid-up share capital of the Transferor Company since March 31, 2010 until the date on which the Scheme was approved by the board of directors of each of the Transferor Company and the Transferee Company.

(d) Directors of PGL

Name	Particulars
Deepak Seth	Chairman
Pallak Seth	Vice Chairman
Pulkit Seth	Managing Director
Shefali Seth	Whole-Time Director
Sanjay Pershad	Whole-Time Director
Santosh Gadia	Director
Anil Nayar	Director
Anshuman Khanna	Director
Ashutosh P. Bhupatkar	Director
A. K. G. Nair	Director
Shelley Cherian	Director

(e) PGL has issued equity shares of Rs.10 each and had 5,006 equity shareholders as at December 31, 2010.

(f) The equity shares of PGL were listed on the National Stock Exchange of India Limited and the Bombay Stock Exchange Limited (the "**Stock Exchanges**"), and were delisted from the Stock Exchanges with effect from August 21, 2009.

(g) As at December 31, 2010, PGL had issued 2,239,400 10.5% non-cumulative redeemable preference shares of Rs.100 each to HOPFL.

7. The details of HOPFL are set forth below:

(a) HOPFL was incorporated on July 5, 1989 as Mina Estates Private Limited, a private limited company, with the Registrar of Companies, Delhi and Haryana. Its name was changed to House of Pearl Fashions Private Limited with effect from June 19, 2006. Its name was further changed to its current name, House of Pearl Fashions Limited, with effect from July 31, 2006 consequent upon its conversion to a public limited company. HOPFL is a multinational, ready to wear apparel company. HOPFL is the holding company of PGL. The shares of HOPFL are listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited. (Clause 1.5.1 of the Scheme)

(b) The main objects for which HOPFL was established are set forth in the Memorandum of Association of HOPFL and are as follows:

"*5. To carry on the business of manufacturers, fabricators, importers and exporters, wholesale and retail dealers of and in men's, women's and children's clothing and wearing apparel of every kind, nature and description including shirts, bush-shirts, pyjama suits, vest, underwears, suits, foundation garments for ladies dresses, brasses, brasseries, maternity belts, knee caps, coats, panties, nighties and so on.*

6. To carry on the business of manufacturers, importers and exporters, wholesale and retail dealers of and in hosiery goods of every kind, nature and description, for men, women and children including vest, underwears, socks, stockings, sweaters, laces, and so on and of all or anything which is used in hosiery goods.

9. To carry on the business as manufacturers, traders, dealers and exporters of all kinds of fibres and yarn man-made or otherwise, textiles and textile materials natural or otherwise.

10. To carry on the business of preparing, spinning, doubling, weaving, combing, scouring, sizing, mixing, twisting, bleaching, colouring, knitting, dying, printing and finishing whatever fibres or textile substances or any substitute for any of them."

(c) The authorised, issued, subscribed and paid-up share capital of HOPFL as at March 31, 2010 are set forth below (Clause 1.4.2 of the Scheme):

SHARE CAPITAL:	**INR**
Authorised share capital:	
24,990,000 equity shares of Rs.10 each	249,900,000
10,000 4% non-cumulative redeemable preference shares of Rs.10 each	100,000
Total	**250,000,000**
Issued, subscribed and paid-up share capital:	
19,500,343 equity shares of Rs.10 each	195,003,430
Total	**195,003,430**

There has been no change in the authorised, issued, subscribed and paid-up share capital of HOPFL from March 31, 2010 until the date on which the Scheme was approved by the board of directors of each of the Transferor Company and the Transferee Company.

(d) Directors of HOPFL

Name	**Particulars**
Deepak Seth	Chairman
Pallak Seth	Vice Chairman
Pulkit Seth	Managing Director
Sanjay Pershad	Director
Ashutosh P. Bhupatkar	Director
Samar Ballav Mohapatra	Director
Rajendra K. Aneja	Director
Chittranjan Dua	Director

(e) HOPFL has issued equity shares of Rs.10 each and had 29,567 equity shareholders as at December 31, 2010.

8. The rationale for the Scheme as set out in Clause 1.6 of the Scheme is set forth below:

A. The Transferor Company is a subsidiary of the Transferee Company. The Transferor Company and the Transferee Company are both engaged in the business of ready-made garments. The management of each of the Transferor Company and the Transferee Company believes that the Scheme will, *inter alia*, have the following benefits:

(a) simplify the ownership structure, improve management focus and facilitate the unified control of operations;

(b) facilitate greater integration and provide greater financial strength and flexibility for the amalgamated entity, which would result in maximising overall shareholder value, and will improve the competitive position of the combined entity;

(c) result in greater efficiency in cash management of the amalgamated entity and unfettered access to cashflow generated by the combined business, which can be deployed more efficiently to fund organic and inorganic growth opportunities to maximise shareholder value;

(d) provide operational synergies to the combined entity; and

(e) enhance economies of scale, reduce overheads and administrative, managerial and other expenditure, result in operational and organisational rationalisation, provide greater efficiency and more optimal utilisation of various resources and reduce legal and regulatory compliances.

B. The Scheme is also expected to benefit the shareholders of HOPFL and PGL as it will enhance shareholder value. The current equity shareholders of PGL, except HOPFL, will be issued and allotted equity shares of HOPFL and consequently, become shareholders of HOPFL. Such new shares of HOPFL will be listed on the Stock Exchanges as set out in Clause 3.3.1 of the Scheme. The shareholders of PGL and HOPFL will therefore benefit from the opportunity to participate in the management, operations, decision-making and profits of the amalgamated entity.

C. The proposed Scheme is in the interest of all the parties to the Scheme and their respective shareholders and creditors, and will in the long term be in the interest and welfare of the employees.

9. The salient features of the Scheme are:

a. Transfer and Vesting of the Undertaking (Clauses 2.1.1 and 2.1.2 of the Scheme)

(i) Upon the Scheme being effective and with effect from the Appointed Date, pursuant to the provisions of Sections 391 to 394 and other applicable provisions of the Act and the Scheme, without any further act, instrument, deed, matter or thing, the Undertaking of the Transferor Company shall stand transferred, to, and vested in, and/or be deemed to be transferred to, and vested in, the Transferee Company, on a going concern basis, so as to become the business, assets, liabilities and property of the Transferee Company, and the Transferor Company shall stand amalgamated with, and merged into, the Transferee Company, subject to all charges, liens, mortgages and encumbrances, if any, arising out of the liabilities of the Transferor Company, which shall also stand transferred to the Transferee Company.

(ii) The Transfer of the Undertaking shall be in accordance with the provisions of Section 2(1B) of the Income Tax Act. The Undertaking shall be transferred at book value as on close of business in India on March 31, 2010.

b. Consideration (Clauses 2.2.1 and 2.2.2 of the Scheme)

(i) Upon the coming into effect of the Scheme and in consideration of the transfer of the Undertaking from the Transferor Company to the Transferee Company, the Transferee Company shall, without any further application, act, instrument or deed, issue and allot to the equity shareholders of the Transferor Company, whose names are registered in the Register of Members of the Transferor Company on the Record Date, 2 (two) fully paid-up equity share(s) of face value of Rs. 10 (Rupees ten) each of the Transferee Company for every 3 (three) equity share(s) of face value of Rs. 10 (Rupees ten) each held in the Transferor Company on the Record Date by such equity shareholders or their respective legal heirs, executors, administrators or as the case may be, the successors in title, with the rights attached thereto as mentioned in the Scheme. For the avoidance of doubt, no shares will be issued to the Transferee Company as shareholder of the Transferor Company.

(ii) It is clarified that shares of the Transferor Company held by the Transferee Company on the Record Date shall be cancelled without any further application, act, instrument or deed and the Transferee Company shall not issue shares to the extent of the shares held by itself in the Transferor Company.

c. Issue and Allotment of Equity Shares (Clause 3.1.1 of the Scheme)

For the purpose of issue and allotment of equity shares pursuant to the Scheme, the following terms shall apply:

(i) The ratio in which the equity shares of the Transferee Company is to be issued and allotted to the shareholders of the Transferor Company, as mentioned in Clause 2.2.1 of the Scheme (the "**Share Ratio**"), is based on the recommendations of the Board of Directors of the Transferor Company and the Board of Directors of the Transferee Company and is further certified by independent valuers, namely, SSPA & Co., Chartered Accountants, and Deloitte Touche Tohmatsu India Private Limited. In the event that the Transferor Company restructures its equity share capital by way of share split/consolidation during the pendency of the Scheme, the Share Ratio shall be adjusted accordingly to take into account the effect of such corporate actions.

(ii) No special resolution under Section 81(1A) of the Act, shall be required to be passed by the Transferee Company separately in a General Meeting for issue of shares to the shareholders of the Transferor Company under the Scheme and upon the members of the Transferee Company approving the Scheme, it shall be deemed that they have given their consent to the issue of shares of the Transferee Company to the shareholders of the Transferor Company in the Share Ratio.

(iii) Where shares are to be allotted under Clause 3.1 of the Scheme to the heirs, executors or administrators or, as the case may be, to the successors of the deceased equity shareholders of the Transferor Company, the concerned heirs, executors or administrators or, as the case may be, the successors shall be obliged to produce evidence of title satisfactory to the Board of Directors of the Transferee Company.

(iv) The shares proposed to be allotted pursuant to the Scheme shall be subject to the provisions of the Memorandum of Association and Articles of Association of the Transferee Company and shall rank pari passu with the existing shares of the Transferee Company including the rights in respect of dividend and bonus shares, if declared by the Transferee Company on or after the Effective Date as specified in Clause 3.2.1 of the Scheme.

(v) The issue and allotment of the shares as provided in the Scheme shall be carried out in accordance with the provisions of the Act. Each of the shareholders of the Transferor Company holding shares in physical form shall have the option, exercisable by notice in writing by them to the Transferee Company on or before the Record Date, to receive the shares of the Transferee Company either in certificate form or in dematerialised form, in lieu of their shares in the Transferor Company in accordance with the terms hereof. In the event that such notice has not been received by the Transferee Company in respect of any of the members of the Transferor Company, the shares of the Transferee Company shall be issued to such members in physical form. Those of the members of the Transferor Company who exercise the option to receive the shares in dematerialised form shall be required to have an account with a depository participant and shall provide full details thereof and such other confirmations as may be required in the notice provided by such shareholder to the Transferee Company. It is only thereupon that the Transferee Company shall issue and directly credit the demat/dematerialised securities account of such member with the shares of the Transferee Company.

(vi) The members of the Transferor Company holding shares of the Transferor Company in dematerialised form shall have the option, exercisable by a notice in writing by them to the Transferee Company on or prior to the Record Date, to receive the shares of the Transferee Company either in certificate form or in dematerialised form, in lieu of their shares in the Transferor Company in accordance with the terms hereof. In the event that such notice has not been received by the Transferee Company in respect of any of the members of the Transferor Company, the shares of the Transferee Company shall be issued to such members in dematerialised form as per the records maintained by the National Securities Depository Limited and/or Central Depository Services (India) Limited in terms of Clause 2.2.1 of the Scheme.

(vii) In the event of there being any pending share transfers, whether lodged or outstanding, of any shareholder of the Transferor Company, the Board of Directors of the Transferor Company shall be empowered in appropriate cases, prior or subsequent to the Record Date, to effectuate such a transfer as if such changes in the registered holder were operative as on the Record Date in order to remove any difficulties arising to the transferor or transferee of equity shares in the Transferor Company, after the effectiveness of the Scheme.

(viii) The shares allotted by the Transferee Company pursuant to the Scheme in respect of any equity shares of the Transferor Company which are held in abeyance under the provisions of Section 206A of the Act or otherwise shall, pending settlement of the dispute by an order of the court or otherwise, be held in abeyance by the Transferee Company.

(ix) For the purpose of issue and allotment of the shares to the shareholders of the Transferor Company, the Transferee Company shall, if and to the extent required, apply for and obtain the required statutory approvals and approvals of other concerned regulatory authorities.

(x) No fractional certificate(s) shall be issued by the Transferee Company in respect of the fractional share entitlements, if any, to which the members of the Transferor Company may be entitled under the Scheme. The directors of the Transferee Company shall consolidate all such fractional entitlements to which such members are entitled upon issue and allotment of shares in the Scheme and thereafter issue and allot the shares in lieu thereof to a director or officer of the Transferee Company, on the express understanding that such director or officer to whom such shares are allotted, shall sell the same in the market at the available price and pay to the Transferee Company the net sale proceeds thereof, whereupon the Transferee Company shall distribute such net sale proceeds to its members in proportion to their fractional share entitlements.

d. Listing of Equity Shares (Clause 3.3.1 of the Scheme)

The shares of the Transferee Company issued in terms of the Scheme will be listed and/or admitted to trading on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited (the "**Stock Exchanges**") where the shares of the Transferee Company are listed and/or admitted to trading. The Transferee Company shall make such applications to the Securities and Exchange Board of India and/or the Stock Exchanges as required under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended, or any other applicable law, for listing of the shares of the Transferee Company on the Stock Exchanges and also enter into such arrangements and give such confirmations and/or undertakings as may be necessary in accordance with the applicable laws or regulations for complying with the formalities of the Stock Exchanges.

e. Combination of Authorised Share Capital (Clauses 4.5.1. 4.5.2 and 4.5.3 of the Scheme)

(i) On the Effective Date, the authorised share capital of the Transferee Company shall automatically stand increased by the authorised share capital of the Transferor Company from Rs.25,00,00,000 (Rupees

twenty five crore only) divided into 2,49,90,000 equity shares of Rs.10 each and 10,000 4% non-cumulative redeemable preference shares of Rs.10 each to Rs.84,01,00,000 (Rupees eighty four crore and one lakh only) divided into 5,14,40,000 equity shares of Rs.10 each, 32,56,000 10.5% non-cumulative preference shares of Rs.100 each and 10,000 4% non-cumulative redeemable preference shares of Rs.10 each, without any further act, instrument or deed by the Transferee Company, including payment of stamp duty and fees payable to the Registrar of Companies.

The Memorandum of Association and Articles of Association of the Transferee Company shall stand amended accordingly without any further act, instrument or deed by the Transferee Company to reflect the increased authorised share capital of the Transferee Company pursuant to this Clause.

(ii) The consent of the shareholders of the Transferee Company and the Transferor Company to the Scheme shall be sufficient for the purposes of effecting the modification set out in Clause 4.5 of the Scheme, and no separate resolutions under Sections 16, 31, 94 and 394 and other applicable provisions of the Act, as the case may be, shall be required to be adopted for effecting such modification.

(iii) The stamp duties and fees paid on the authorised share capital of the Transferor Company shall be utilised and applied to the increased authorised share capital of the Transferee Company. Accordingly, there shall be no requirement for any further payment of stamp duty and/or fee by the Transferee Company in relation to the increase in its authorised share capital as contemplated in Clause 4.5 of the Scheme.

f. Declaration of Dividend (Clauses 3.2.1, 3.2.2, 3.2.3 and 3.2.4 of the Scheme)

(i) The Transferee Company shall declare and pay dividends in accordance with the following provisions:

(a) For the avoidance of doubt, it is hereby clarified that nothing in the Scheme shall prevent the Transferee Company from declaring and paying dividends, whether interim or final, to its equity shareholders as on the respective record dates for the purpose of payment of dividend and the shareholders of the Transferor Company shall not be entitled to dividends, if any, declared by the Transferee Company prior to the Effective Date.

(b) In the event that the Transferee Company declares any dividend between the Effective Date and the Record Date, then in such event, the shareholders of the Transferor Company who are entitled to receive shares of the Transferee Company pursuant to Clause 2.2.1 of the Scheme (the "**Transferor Company's Shareholders**") shall, on the Record Date, also be eligible to receive an amount representing such dividend proportionate to the shares they are entitled to receive. For this purpose, the Transferee Company shall, at the time of declaration of dividend to its shareholders as aforesaid, reserve the amount required for payment of dividend to the Transferor Company's Shareholders. The Board of Directors of the Transferee Company shall declare the aforesaid reserved amount as dividend to the Transferor Company's Shareholders after the Record Date and the amount set apart will be appropriated towards such declaration. For the avoidance of doubt it is clarified that no interest shall be payable by the Transferee Company to the Transferor Company's Shareholders in relation to such amount to be applied towards payment of such dividend.

(ii) The Transferor Company shall be entitled to, consistent with past practice and in the ordinary course, declare or pay dividends, whether interim or final, to their equity shareholders in respect of any accounting period prior to the Effective Date.

(iii) Until the coming into effect of the Scheme, the holders of equity shares of the Transferor Company and the Transferee Company shall, save as expressly provided otherwise in the Scheme, continue to enjoy their existing respective rights under their respective Articles of Association.

(iv) It is clarified that the aforesaid provisions in respect of declaration of dividends, whether interim or final, are enabling provisions only and shall not be deemed to confer any right on any member of the Transferor Company and/or the Transferee Company to demand or claim any dividends which, subject to the provisions of the Act, shall be entirely at the discretion of the Boards of Directors of each of the Transferor Company and the Transferee Company and subject, wherever necessary, to the approval of the shareholders of the Transferor Company and the Transferee Company, respectively.

g. Accounting treatment in the books of the Transferee Company (Clause 2.3.1 of the Scheme)

Upon the coming into effect of the Scheme, the Transferee Company shall give effect to the following accounting treatment as at the Appointed Date:

(i) the Transferee Company shall record the assets and liabilities comprised in the Undertaking transferred to and vested in it pursuant to the Scheme, at the same value as that appearing in the books of the Transferor Company on the close of business in India on March 31, 2010 in accordance with the pooling

of interest method provided in Accounting Standard 14 ("Accounting for Amalgamations") issued by the Institute of Chartered Accountants of India;

(ii) the Transferee Company shall credit its Share Capital Accounts in its books of account with the aggregate face value of the new equity shares issued to the shareholders of the Transferor Company pursuant to Clause 2.2.1 of the Scheme;

(iii) to the extent that there are inter-company loans, deposits, advances, receivables, payables, balances or other obligations between the Transferor Company and the Transferee Company, the obligations or rights in respect thereof shall, on and from the Appointed Date, come to an end and shall stand cancelled and corresponding effect shall be given in the books of accounts and the records of the Transferee Company and there shall be no accrual of interest or other charges in respect of such obligations or rights;

(iv) if considered appropriate for the purpose of application of uniform accounting methods and policies between the Transferor Company and the Transferee Company, the Transferee Company may make suitable adjustments and reflect the effect thereof in the General Reserve of the Transferee Company;

(v) the excess, if any, of the value of the assets over the value of the liabilities of the Transferor Company and the face value of the equity shares issued by the Transferee Company pursuant to the Scheme shall be recorded as Capital Reserve in the books of the Transferee Company; and

(vi) the deficit, if any, in the value of the assets over the value of the liabilities of the Transferor Company and the face value of the equity shares issued by the Transferee Company pursuant to the Scheme shall be adjusted in the following sequence: (i) against the balance standing to the credit of Capital Reserve; and (ii) against the balance standing to the credit of General Reserve.

h. Dissolution of the Transferor Company (Clause 5.2.1 of the Scheme)

Upon the Scheme becoming effective, the Transferor Company shall stand dissolved without being wound-up, and the Board of Directors and any committees thereof of the Transferor Company shall without any further act, instrument or deed be and stand dissolved.

THE CLAUSES EXTRACTED ABOVE ARE ONLY THE SALIENT FEATURES OF THE SCHEME. THE SECURED CREDITORS ARE REQUESTED TO READ THE ENTIRE TEXT OF THE SCHEME TO FAMILIARIZE THEMSELVES WITH, AND TO FULLY UNDERSTAND, ALL THE PROVISIONS THEREOF.

10. (a) The pre-amalgamation capital structure as at December 31, 2010 of HOPFL is set forth below:

SHARE CAPITAL	**INR**
Authorised share capital:	
24,990,000 equity shares of Rs.10 each	249,900,000
10,000 4% non-cumulative redeemable preference shares of Rs.10 each	100,000
Total	**250,000,000**
Issued, subscribed and paid-up share capital:	
19,500,343 equity shares of Rs.10 each	195,003,430
Total	**195,003,430**

(b) The expected post-amalgamation capital structure of HOPFL is set forth below:

SHARE CAPITAL	**INR**
Authorised share capital:	
51,440,000 equity shares of Rs.10 each	514,400,000
10,000 4% non-cumulative redeemable preference shares of Rs.10 each	100,000
3,256,000 10.5% non-cumulative redeemable preference shares of Rs.100 each	325,600,000
Total	**840,100,000**
Issued, subscribed and paid-up capital:	
21,663,937 equity shares of Rs.10 each	216,639,370
Total	**216,639,370**

(c) The pre-amalgamation and the expected post-amalgamation shareholding pattern of HOPFL are set forth below:

	Pre-Amalgamation (as at December 31, 2010)		Post-Amalgamation (Expected)	
Category	**Number of Shares**	**Percentage**	**Number of Shares**	**Percentage**
Promoter and Promoter Group	12,915,088	66.23	14,424,916	66.58
Mutual Funds	847,231	4.35	847,431	3.91
Financial Institutions/Banks	119,635	0.61	119,701	0.55
Insurance Companies	513,332	2.63	513,332	2.37
Foreign Institutional Investors	3,900	0.02	3,900	0.02
Bodies Corporate	829,236	4.25	951,248	4.39
Individuals	3,676,754	18.86	4,168,465	19.25
NRIs & OCBs	346,652	1.77	385,356	1.78
Hindu Undivided Families	242,846	1.25	242,846	1.12
Trusts and Clearing Members	5,669	0.03	6,742	0.03
Total	**19,500,343**	**100.00**	**21,663,937**	**100.00**

11. The Scheme is not intended in any manner to bring any beneficial interest or any material personal interests to any person who is or who are for the time being Director(s) of the Companies.

12. The Scheme will be in the best interests of the Companies, their respective shareholders and creditors.

13. The Scheme will take effect from the Appointed Date.

14. The Scheme provides the rationale and benefits as enumerated therein and hence it shall not be detrimental to the interests of the shareholders or creditors of the Companies.

15. No investigations proceedings under Sections 235 to 251 of the Act are pending against the Companies. No proceedings under Sections 397 and 398 of the Act have ever been instituted against the Companies.

16. The Companies shall, on the Scheme being approved by the shareholders, secured creditors and unsecured creditors of the Companies, file a petition under Sections 391 to 394 of the Act before the Hon'ble High Court of Delhi for sanction of the Scheme.

17. The copies of the following documents will be open for inspection at the Registered Office of HOPFL on any working day (except Saturdays, Sundays and public holidays) prior to the date of the meeting, between 12:00 noon and 4:00 p.m.:

    a. Certified copy of the order dated December 3, 2010 of the Hon'ble High Court of Delhi, directing the convening of the meetings of the equity shareholders, secured creditors and unsecured creditors of the Companies.

    b. The valuation report.

    c. The fairness opinion dated August 14, 2010 obtained from Enam Securities Private Limited.

    d. Memorandum and Articles of Association of the Companies.

    e. The latest audited Balance Sheet and Profit and Loss Account of the Companies for the period ended March 31, 2010.

    f. The Scheme.

This statement may be treated as an Explanatory Statement under Section 173 and also under Section 393 of the Act.

Dated this 7th day of January 2011

Place: A-3, Community Centre,
Naraina Industrial Area, Phase II
New Delhi - 110 028

IN THE HIGH COURT OF DELHI AT NEW DELHI
COMPANY JURISDICTION

Company Application (Main) No. 209 of 2010

(Under Section 391(1) read with Section 394 of the Companies Act, 1956)

IN THE MATTER OF:
The Companies Act, 1956

AND IN THE MATTER OF:
An Application under Sections 391(1), 393 and 394
of the Companies Act, 1956

AND IN THE MATTER OF:
A Scheme of Arrangement of

PEARL GLOBAL LIMITED,
a company incorporated under the
Companies Act, 1956 with its registered
office at A-3, Community Centre,
Naraina Industrial Area, Phase II, New Delhi 110 028 … Applicant Company No. 1/ Transferor Company

And

HOUSE OF PEARL FASHIONS LIMITED,
a company incorporated under the
Companies Act, 1956 with its registered
office at A-3, Community Centre,
Naraina Industrial Area, Phase II, New Delhi 110 028 … Applicant Company No. 2/ Transferee Company

FORM OF PROXY

I/We, the undersigned, as the secured creditor of House of Pearl Fashions Limited (the "**Company**") hereby appoint Shri/Smt. _____ of _____ and failing him/her Shri/Smt. _____ of _____ as my/our proxy to act for me/us at the meeting of the secured creditors of the Company to be held at 11:30 a.m. on Thursday, February 17, 2011, at PAF Auditorium, 2nd Floor, c/o Pearl Academy of Fashion, A–8 & A–9, Naraina Industrial Area, Phase – II, New Delhi – 110 028, for the purpose of considering, and if thought fit, approving, with or without modification(s), the scheme under Sections 391-394 of the Companies Act, 1956 among Pearl Global Limited and House of Pearl Fashions Limited and their respective shareholders and creditors (the "**Scheme**"), and at such meeting or any adjournment thereof, to vote, for me/us, and in my/our name(s) _____ (here, if 'for' insert 'for', if 'against' insert 'against' and in the latter case, strike out the words 'either with or without modifications as my/our proxy may approve' below after the words 'the Scheme') the Scheme either with or without modifications as my/our proxy may approve.

Dated this _____ day of _____ 2011

Name: _____

Address: _____

_____

Signature: _____

Signature

Affix Re 1
Revenue
Stamp

Notes:

1. Proxies in order to be effective, must be deposited at the registered office of the Company at A–3, Community Centre, Naraina Industrial Area, Phase II, New Delhi 110 028, not less than 48 (forty eight) hours before the time of holding the meeting.
2. In case of multiple proxies, proxy received later in time shall be accepted.
3. All alterations made in the Form of Proxy should be initialled.

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ATTENDANCE SLIP

I/ We _____certify that I/ we am/are the secured creditor / proxy for secured creditor of House of Pearl Fashions Limited. I hereby record my presence at the meeting of the secured creditors of House of Pearl Fashions Limited held at 11:30 a.m. on Thursday, February 17, 2011, at PAF Auditorium, 2nd Floor, c/o Pearl Academy of Fashion, A–8 & A–9, Naraina Industrial Area, Phase – II, New Delhi – 110 028 pursuant to the order dated December 3, 2010 of the Hon'ble High Court of Delhi at New Delhi.

Name _____

_____
Secured Creditor's / Proxy's Signature