

THE KARACHI STOCK EXCHANGE (GUARANTEE) LIMITED

KSE/N-150

NOTICE

January 09, 2009

Reproduced hereunder letter received from **CHAKWAL SPINNING MILLS LIMITED**, for information of members of the Exchange

**CHAKWAL SPINNING MILLS LTD.**

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January 02, 2009

Mr. Haroon Askari
General Manager Operations
Karachi Stock Exchange (Guarantee) Limited
Stock Exchange Building
Stock Exchange Road
Karachi.

SHOW CAUSE NOTICE UNDER REGULATION (32(1)(b))

Dear Sir

This is with reference to your letter No. KSE/ Gen-11507 dated December 17, 2008 on the subject matter. In connection therewith we would like to make the following submissions for your kind consideration.

While we appreciate your concern and efforts in promulgation of financial discipline and regulation of the provisions of the Companies Ordinance, we believe that the proposed action is unwarranted in the circumstances. Before such an action is considered, the Exchange must consider the circumstances and the scenario at the macro level and then at the micro level. In a situation where the whole textile industry is fighting for survival, the case of the Company cannot be considered in isolation; rather the industry and the Economic conditions should be viewed as a whole. In order to appraise the Exchange of the problems being faced by the industry, we give below a gist of the circumstances that have plagued the industry and is therefore also effecting the viability of the company.

The main reasons which ascribe to the crisis are:

- World wide recession
- Sharp increase in Electricity & Gas Tariff
- Sever Crises of Electricity & Gas
- Increase in Borrowing Cost

The global economy started showing to slow down in the beginning of year 2008 and started getting worse through out the year. While the United States and European Union are heading towards recession the forecast is also deteriorating rapidly for many emerging countries. China, the steam engine of the world economy has begun to stumble. The tremors of the financial crisis are now being felt in china and experts have forecasted a lower GDP growth rate for the coming year. In addition exports of Chinese goods to the United States which accounts for 20 % of its total exports have been projected below 8 % for 2009. Situation in some countries like Pakistan is devastating. Pakistan faces a severe economic crisis after series of deteriorating internal and external situations. In the context of political uncertainty, the economic climate deteriorated when soaring oil prices led to double digit inflation. The State Bank of Pakistan took several measures