



FECTO CEMENT LTD.

Head Office : 35, Darul Aman Housing Society, Block 7/8, Shahrah-e-Faisal, Karachi - 75350, Pakistan.
Phones : (+9221) 34530120-2 & 4 **Fax** : (+9221) 34530123 & 34546455
E-mail : cement@fectogroup.com **Website** : www.fectogroup.com

FCL/SHD/47-2016 / 734

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building,
Stock Exchange Road,
Karachi.

November 09, 2018

Dear Sir,

SUBJECT: NOTICE OF EXTRAORDINARY GENERAL MEETING

We enclose herewith a copy of the notice of Extraordinary General Meeting to be held on Saturday December 01, 2018 at 12:00 noon at registered office of the Company, 35-Darul Aman Housing Society, Block 7/8, Shahrah-e-Faisal, Karachi.

Please note that the said notice will be published in the Newspapers on Saturday, November 10, 2018.

Yours faithfully,
For and behalf of Fecto Cement Limited


Abdul Samad
Company Secretary

CC: The Commissioner,
Company Law Division,
Securities and Exchange Commission of Pakistan,
Islamabad



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FECTO CEMENT LIMITED

NOTICE OF EXTRA ORDINARY GENERAL MEETING

NOTICE is hereby given that an Extra Ordinary General Meeting (EOGM) of the members of Fecto Cement Limited (the Company) will be held on Saturday, December 01, 2018 at 12:00 noon at the registered office of the company 35, Darul Aman Housing Society, Block 7/8, Shahrah-e-Faisal, Karachi to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of Annual General Meeting of the company held on October 25, 2018.

SPECIAL BUSINESS:

2. To consider and if deemed fit, in pursuance to section 199 of the Companies Act, 2017 to pass the following resolutions with or without amendments;

"RESOLVED THAT the consent and approval be and is hereby accorded **under Section 199 of the Companies Act, 2017** and **"Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017"** for the following limit of investments in associated companies and associated undertakings subject to the terms and conditions mentioned in the Annexure-A of the Statement under Section 134(3)."

- i) investment of Rs. 150 Million by way of subscription of 15 Million Ordinary Right Shares of Rs.10/- each, @ Rs.10/- per share (i.e. at par value) in Frontier Paper Products (Private) Limited (FPPPL), a private limited associated company;
- ii) investment of Rs. 100 Million by way of short term running finance as and when required by Frontier Paper Products (Private) Limited (FPPPL), a private limited associated company; and
- iii) initial investment of US\$ 400,000 equivalent in Pak Rupee with a maximum investment of US \$ 24 million in equivalent Pak Rupee in phases by way of subscription in Ordinary Shares of Rs.10/- each, @ Rs.10/- per share (i.e. at par value) representing 40% of the total proposed share capital in a proposed unlisted public limited associated company;
- iv) initial investment of US \$ 450,000 in equivalent Pak Rupee by way of subscription in Ordinary Shares of Rs.10/- each, @ Rs.10/- per share (i.e. at par value) representing 15% of the total proposed share capital in a proposed private limited associated company; with a right to increase the shareholding up to 40% through acquisition at anytime within five

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Plant: Sangjani, Dist. Islamabad, Pakistan. **Phones:** (+9251) 2296065-8 **Fax:** (+9251) 2296063 **Email:** factory@factory@fectogroup.com
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years at a price per share to be determined by the net assets per share after auditing by a qualified auditing company in Pakistan;

"FURTHER RESOLVED THAT the Chief Executive and/or the Company Secretary be and are hereby authorized to take and do and/or cause to be taken or done any/all necessary actions, deeds and things which are or may be necessary for giving effect to the aforesaid resolutions and to do all acts, matters, deeds, and things which are necessary, incidental and/or consequential to the investment of the Company's funds as above as and when required at the time of investment."


The Chief Executive Officer and/or Company Secretary be and are hereby singly authorized to take all the actions to implement the above resolutions

3. As permitted in Regulation 6 of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations 2017 ("the Regulations"), it is specifically authorized by the members that the approval of above equity investments and financial assistance will not lapse after 12 months and will continue till the investment / financial assistance limits are fully utilized, further the financial assistance will be on long term basis according to the requirements of the FPPPL.

ANY OTHER BUSINESS

4. To transact any other business with the permission of the Chair.

BY ORDER OF THE BOARD


ABDUL SAMAD
Company Secretary

Karachi
November 09, 2018

NOTES:

1. Closure of Share Transfer Books

The share transfer books of the Company will remain closed from November 24, 2018 to December 01, 2018 (both days inclusive). Transfers received, in order, at the office of the Company's Share Registrar F.D. Registrar Services (SMC-Pvt) Limited, 17th Floor, Saima Trade Tower-A, I. I. Chundrigar Road, Karachi by the close of business on November 23, 2018 will be considered in time for attending and voting at the meeting.



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2. Participation in the meeting

A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote on his/her behalf. Proxies to be in order, must be received at the Company's Registered Office, 35, Darul Aman Housing Society, Block 7/8, Shahrah-e-Faisal, Karachi, not later than 48 hours before the time of the meeting.

CDC Account-holders will further have to follow the under mentioned guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan (SECP).

A. For attending the meeting

- i. In case of individuals, the account holder or sub-account holder and/or the person, whose securities are in group account and their registration details are uploaded as per the regulations, shall authenticate his/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- ii. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. For appointing proxies

- i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration detail is uploaded as per the regulations, shall submit the proxy form as per the above requirement.
- ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv. The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
- v. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.


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3. Members holding ten percent (10%) of the total paid –up capital of the Company may request the company to provide to them the facility of video-link for attending the meeting provided that such request is received at least seven days prior to the date of the meeting

4. **Change of Address**

Members are requested to notify any change in their addresses immediately.



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STATEMENT OF MATERIAL FACTS UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

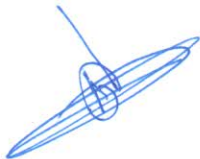
Investment in Frontier Paper Products (Private) Limited (FPPPL)

Fecto Cement Limited (FCL) is desirous of equity investment of Rs. 150 Million and providing of running finance facility of Rs. 100 Million, into Frontier Paper Products (Private) Limited (FPPPL), a private limited associated company.

FPPPL was incorporated on May 13, 1986 as a private limited company under the Companies Ordinance, 1984. FPPPL commenced commercial operations from July 01, 1990 and is principally engaged in the manufacture and sale of paper sack and polypropylene bags for cement packing. The FPPPL has manufacturing capacity of 36 Million polypropylene bags and 8.4 Million paper bags. The factory is located at Hattar Industrial Estate, District Haripur, Khyber Pakhtunkhwa. Recently FPPPL has established polypropylene bags manufacturing unit with the cost of Rs. 575 Million, which has been financed by borrowing from financial institution, Sub-Ordinated loan from Director and internal generation of funds. Now the management of the company has decided to pay off the borrowing from financial institution by way of Fresh equity injection of Rs. 192 Million and additional Director Loan of Rs 38 million. Subordinate Loan of Rs. 108 million in the company, additional injection by the Director of Rs. 42 Million and Rs. 150 Million by FCL will be transferred to equity by way of subscription of right shares **(subject to approval of shareholders of FCL in Extraordinary General Meeting to be held on December 01, 2018)**.

During the Board of Directors meeting held on November 09, 2018, FCL decided to take steps to facilitate FPPPL's proposal for equity injection and hence the Board has approved the investment of Rs. 150 Million by way of subscription of 15 Million Ordinary Right Shares of Rs. 10/- each at par and to provide financial assistance as running finance up to Rs. 100 Million as and when required by FPPPL **(subject to approval of shareholders in Extraordinary General Meeting to be held on December 01, 2018)**.

The Board of Directors believes that this investment shall be beneficial for shareholders of the FCL and is expected to yield dividend income and prospective capital gains for the Company in the years to come.





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The information required under Clause 3(1) (a) of Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 are as under:

| S# | Description | Information Required | | | | | | | | |
|---|--|---|------------|-----------|---------------|-------|---------------|---------|---------------|----------|
| A. Regarding Associated Company and Associated Undertaking | | | | | | | | | | |
| i. | Name of the associated company or associated undertaking | Frontier Paper Products (Private) Limited (FPPPL) | | | | | | | | |
| ii. | Basis of relationship | Common directorship and shareholding in FPPPL by directors / sponsors of FCL. The detail is mentioned below under general disclosure. | | | | | | | | |
| iii. | Earnings per share for the last three years | <table border="1"> <thead> <tr> <th>Year Ended</th> <th>EPS - Rs.</th> </tr> </thead> <tbody> <tr> <td>June 30, 2016</td> <td>19.59</td> </tr> <tr> <td>June 30, 2017</td> <td>(51.27)</td> </tr> <tr> <td>June 30, 2018</td> <td>(109.27)</td> </tr> </tbody> </table> | Year Ended | EPS - Rs. | June 30, 2016 | 19.59 | June 30, 2017 | (51.27) | June 30, 2018 | (109.27) |
| Year Ended | EPS - Rs. | | | | | | | | | |
| June 30, 2016 | 19.59 | | | | | | | | | |
| June 30, 2017 | (51.27) | | | | | | | | | |
| June 30, 2018 | (109.27) | | | | | | | | | |
| iv. | Break-up value per share based on the latest audited financial statements | Break-up value per share based on the Annual Audited Financial Statements for the year ended June 30, 2018 was as under: <ul style="list-style-type: none"> Rs 460.68 per share considering surplus on revaluation of property, plant and equipment as part of paid up capital. Rs 67.29 per share without considering surplus on revaluation of property, plant and equipment as part of paid up capital. | | | | | | | | |
| v. | Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements; | Main items of financial position for the year ended June 30, 2018 (latest audited financial statements) are as follows: <p>Statement of Financial Position</p> <ol style="list-style-type: none"> Total Assets – Rs. 1,061 Million Total Shareholders' Equity; <ul style="list-style-type: none"> considering surplus on revaluation of property, plant and equipment as part of paid up capital - Rs. 221.12 Million and without considering surplus on revaluation of property, plant and equipment as part of paid up capital – Rs. 32.30 Million. Total Liabilities – Rs. 839.84 Million (including advance against equity of Rs. 108 Million from Director) | | | | | | | | |

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| | | | | | | |
|------------------------------|--|--|---------|--|---------|---|
| | | 4) Sales – Net Rs. 372.17Million. 5) Total Loss for the year Rs. 52.45 Million | | | | |
| vi. | In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely; (I) description of the project and its history since conceptualization; (II) starting date and expected date of completion of work; (III) time by which such project shall become commercially operational; (IV) expected time by which the project shall start paying return on investment; and (V) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts; | Not applicable. FPPPL has established polypropylene bag manufacturing unit having capacity of 36 million bags per annum. The unit has commenced commercial operations in 2017. Now the paid up capital is being increased to pay off the borrowed financing, due to which FPPPL will save expenses on markup and ultimately shareholders will be in a position to receive a higher amount of dividend. | | | | |
| B. General Disclosure | | | | | | |
| i. | Maximum amount of investment to be made | Rs. 150 Million as Equity subscription and Rs.100 Million as Running Finance facility. | | | | |
| ii. | Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment | <table border="1"> <tr> <td>Purpose</td> <td>The purpose of investment is to allow FCL to expand and diversify the business opportunities in the field of manufacturing of Cement Packing Bags. The new investment would result in increased sales revenue for FPPPL and the resultant enhanced business value of FPPPL and better return to the shareholders of FCL.</td> </tr> <tr> <td>Benefit</td> <td>Share of benefit from the profits to be made by FPPPL and the prospective capital gain.</td> </tr> </table> | Purpose | The purpose of investment is to allow FCL to expand and diversify the business opportunities in the field of manufacturing of Cement Packing Bags. The new investment would result in increased sales revenue for FPPPL and the resultant enhanced business value of FPPPL and better return to the shareholders of FCL. | Benefit | Share of benefit from the profits to be made by FPPPL and the prospective capital gain. |
| Purpose | The purpose of investment is to allow FCL to expand and diversify the business opportunities in the field of manufacturing of Cement Packing Bags. The new investment would result in increased sales revenue for FPPPL and the resultant enhanced business value of FPPPL and better return to the shareholders of FCL. | | | | | |
| Benefit | Share of benefit from the profits to be made by FPPPL and the prospective capital gain. | | | | | |



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| | | <p>Period</p> <p>The equity investment by FCL in FPPPL is a long term investment unless otherwise decided to disinvest earlier at some best offer price in the best interest of the FCL.</p> <p>The financial assistance is up to the period of availability of surplus funds with FPPPL.</p> |
| iii. | <p>Sources of fund to be utilized for investment and where the investment is be intended to be made using borrowed funds;</p> <p>(i) Justification for investment through borrowings;</p> <p>(ii) detail of collateral, guarantees provided and assets pledged for obtaining of such funds; and</p> <p>(iii) cost benefits analysis.</p> | <p>The investment will be made from surplus funds available with FCL.</p> |
| iv. | <p>Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment;</p> | <p>No Agreement</p> |
| v. | <p>Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration.</p> | <p>Mr. Mohammed Yasin Fecto – Chief Executive and director of FCL, holding 37,668,628 ordinary shares of Rs.10/- each i.e. 75.1% capital of FCL, also is Chief Executive and director of FPPPL, holding 477,500 ordinary shares of Rs.10/- each i.e. 99.48% capital of FPPPL. Remaining 0.52% shares are held by the spouse of Mr. Mohammed Yasin Fecto. None of the other directors of FCL hold directly or indirectly any share or interest in FPPPL and are interested in the transaction only to the extent of their shareholding in FCL.</p> |
| vi. | <p>In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs; and</p> | <p>Not applicable.</p> |
| vii. | <p>Any other important details necessary for the members to</p> | <p>None</p> |

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| | understand the transaction; | | | | | | | | | | |
|--|--|---|--------------------------------------|-------------|------------------|--------|-----|-----|-------|------------|-------|
| <p>C. In case of equity investment, following disclosures in addition to those provided under clause (a) of sub-regulation (1) of regulation 3 shall be made;</p> | | | | | | | | | | | |
| i. | Maximum price at which securities will be acquired | Rs. 10/- per share (at par) | | | | | | | | | |
| ii. | In case the purchase price is higher than market value in case of listed securities and fair value in case of unlisted securities, justification thereof; | Not applicable. | | | | | | | | | |
| iii. | Maximum number of securities to be acquired | 15 Million Shares of Rs.10/- each. | | | | | | | | | |
| iv. | Number of securities and percentage thereof held before and after the proposed investment | <table border="1"> <thead> <tr> <th>Before and after proposed investment</th> <th>Shares held</th> <th>% of shares held</th> </tr> </thead> <tbody> <tr> <td>Before</td> <td>NIL</td> <td>NIL</td> </tr> <tr> <td>After</td> <td>15,000,000</td> <td>49.21</td> </tr> </tbody> </table> | Before and after proposed investment | Shares held | % of shares held | Before | NIL | NIL | After | 15,000,000 | 49.21 |
| Before and after proposed investment | Shares held | % of shares held | | | | | | | | | |
| Before | NIL | NIL | | | | | | | | | |
| After | 15,000,000 | 49.21 | | | | | | | | | |
| v. | Current and preceding twelve weeks' weighted average market price where investment is proposed to be made in listed securities; and | Not applicable | | | | | | | | | |
| vi. | Fair value determined in terms of sub-regulation (1) of regulation 5 for investments in unlisted securities; | The fair value of FPPPL as determined by a Chartered Accountants firm M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants is within range of Rs. 23.72 to Rs. 24.76 per share. | | | | | | | | | |
| <p>D. In case of investments in the form of loans, advances and guarantees, following disclosures in addition to those provided under clause (a) of sub-regulation (1) of regulation 3 shall be made;</p> | | | | | | | | | | | |
| i. | Category-wise amount of investment; | Running finance facility of Rs. 100 Million. | | | | | | | | | |
| ii. | Average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period. | <p>Not applicable as FCL will invest from its surplus funds.</p> <p>At present FCL has no finance facility from any institution.</p> <p>At present KIBOR rate ranges between 8.78% to 9.83%.</p> | | | | | | | | | |

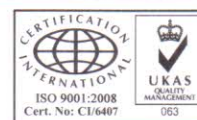
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| iii. | Rate of interest, mark up, profit, fees or commission etc., to be charged by investing company | FCL will charge from FPPPL the average of Karachi Interbank Offer Rate (KIBOR) of short term borrowing cost of FPPPL and or return on investment of FCL whichever is higher, as applicable to the relevant period on amount outstanding. |
| iv. | Particulars of collateral or security to be obtained in relation to the proposed investment; | No security or collateral will be obtained as FPPPL is an associated company having common directorship i.e. FCL is also investing Rs. 150 Million in equity of FPPPL i.e. 49.21% and Mr. Mohammed Yasin Fecto – Chief Executive and director of FCL, holding 37,668,628 ordinary shares of Rs.10/- each i.e. 75.1% capital of FCL, also is Chief Executive and director of FPPPL, holding 477,500 ordinary shares of Rs.10/- each i.e. 99.48% capital of FPPPL and will hold 50.79% of post issued capital of FPPPL. |
| v. | if the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable; and | Not applicable |
| vi. | repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking | FPPPL will repay to FCL on availability of surplus funds. |

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Due diligence of the investment

The directors of the Company as required by Regulation 3(3), of the Regulations have carried out the due diligence, for the proposed investment in the ordinary shares of FPPPL and running finance facility for which the shareholders consent by Special Resolution as set out above is required under section 199 of the Companies Act 2017. The recommendations of the said Due Diligence Report duly signed under the authority of directors will be made available for inspection at the EOGM.

Audited financial statements of Frontier Paper Products (Private) Limited (FPPPL)

As required by Regulation 4 (3) of the Regulations, audited financial statements of FPPPL for the year ended June 30, 2018 shall be made available for inspection by the members at the EOGM.

Interest of the investee company, its sponsors and directors in the Investing Company

Mr. Mohammed Yasin Fecto – Chief Executive and director of FCL, holding 37,668,628 ordinary shares of Rs.10/- each i.e. 75.1% capital of FCL, also is Chief Executive and director of FPPPL, holding 477,500 ordinary shares of Rs.10/- each i.e. 99.48% capital of FPPPL. Remaining 0.52% shares are held by the spouse of Mr. Mohammed Yasin Fecto. None of the other directors of FCL hold directly or indirectly any share or interest in FPPPL and are interested in the transaction only to the extent of their shareholdings in FCL.



FECTO CEMENT LTD.

Head Office : 35, Darul Aman Housing Society, Block 7/8, Shahrah-e-Faisal, Karachi - 75350, Pakistan.

Phones : (+9221) 34530120-2 & 4

Fax : (+9221) 34530123 & 34546455

E-mail : cement@fectogroup.com

Website : www.fectogroup.com

STATEMENT OF MATERIAL FACTS UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

Investment in Proposed Unlisted Public Limited Company

Fecto Cement Limited (FCL) is desirous of initial equity investment of US \$ 400,000 equivalent in Pak Rupee with a maximum investment of US \$ 24 million equivalent in Pak Rupee in phases; into a proposed unlisted public limited associated company.

In recent years, China and Pakistan have formed close relationship. The Governments of the two nations have reached consensus on building transnational economic belt based on the "Belt and Road" initiative and China Pakistan Economic Corridor (CPEC), strengthening connectivity, and deepening bilateral economic and trade cooperation. The economic and trade cooperation continues heating up. Pakistan has the promising economic development prospect, stable social order and domestic political condition, and huge investment potential.

Conch International Holdings (Hong Kong) Limited, Hong Kong and Fecto Cement Limited agreed to invest and construct 2*5000 tpd new type dry process cement clinker production lines, 2*2 million tons Cement Grinding System, auxiliary waste heat power generation project, necessary auxiliary production and living facilities. The Project is planned and designed in one time and implemented in Phases.

The project cost of Line one for 5000 tpd is estimated at US\$ 200 million with 70:30 Debt Equity ratio.

During the Board of Directors meeting held on November 09, 2018, FCL decided to take steps to invest in Proposed company's equity injection and hence the Board has approved the initial equity investment of US \$ 400,000 equivalent in Pak Rupee with a maximum investment of US \$ 24 million equivalent in Pak Rupee in Phases by way of subscription in a Proposed company in the Ordinary Shares of Rs. 10/- each at par (**subject to approval of shareholders in Extraordinary General Meeting to be held on December 01, 2018**).

The Board of Directors believes that this investment shall be beneficial for shareholders of the FCL and is expected to yield dividend income and prospective capital gains for the Company in the years to come.



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The information required under Clause 3(1)(a) of Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 are as under:

| S# | Description | Information Required |
|---|---|---|
| A. Regarding Associated Company and Associated Undertaking | | |
| i. | Name of the associated company or associated undertaking | A Proposed unlisted public limited company |
| ii. | Basis of relationship | Shareholding in Proposed company by FCL. The detail is mentioned below under general disclosure. |
| iii. | Earnings per share for the last three years | Not Applicable |
| iv. | Break-up value per share based on the latest audited financial statements | Not Applicable |
| v. | Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements; | Not Applicable |
| vi. | In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely; (I) description of the project and its history since conceptualization; | In recent years, China and Pakistan have formed close relationship. The Governments of the two nations have reached consensus on building transnational economic belt based on the "Belt and Road" initiative and China Pakistan Economic Corridor (CPEC), strengthening connectivity, and deepening bilateral economic and trade cooperation. The economic and trade cooperation continues heating up. Pakistan has the promising economic development prospect, stable social order and domestic political condition, and huge investment potential. Conch International Holdings (Hong Kong) Limited, Hong Kong and Fecto Cement Limited agreed to invest and construct 2*5000 tpd new type dry process cement clinker production lines, 2*2 million tons Cement Grinding System, auxiliary waste heat power generation project, necessary auxiliary production and living facilities. The Project is planned and designed in one time and implemented in Phases. |

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| | | | | |
|------------------------------|--|--|---------|--|
| | | <p>The project cost of line one of 5,000 tpd is estimated at US\$ 200 million with 70:30 Debt Equity ratio.</p> <p>Expected to start by July 2019 subject to completion of all formalities and will be completed in twenty four months from the start date</p> <p>Project is expected to be completed by June 2021 and become commercially in operation by July 2021 subject to completion of all formalities.</p> <p>Project will start paying return on investment from the second year of projected commercial operation</p> <p>FCL will initial invest US \$ 400,000 equivalent in Pak Rupee with a maximum limit of US\$ 24 million equivalent in Pak Rupee in phases in cash into the ordinary shares of Rs. 10 each in phases</p> | | |
| | <p>(II) starting date and expected date of completion of work;</p> <p>(III) time by which such project shall become commercially operational;</p> <p>(IV) expected time by which the project shall start paying return on investment; and</p> <p>(V) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts;</p> | | | |
| B. General Disclosure | | | | |
| i. | Maximum amount of investment to be made | US \$ 24 million equivalent in Pak Rupee in phases. | | |
| ii. | Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment | <table border="1" style="width: 100%;"> <tr> <td style="width: 20%;">Purpose</td> <td>The purpose of investment is to allow FCL to expand and diversify the business opportunities in the field of Production and sale of Cement. The new investment would result in increased market share and the resultant enhanced business value and better return to the</td> </tr> </table> | Purpose | The purpose of investment is to allow FCL to expand and diversify the business opportunities in the field of Production and sale of Cement. The new investment would result in increased market share and the resultant enhanced business value and better return to the |
| Purpose | The purpose of investment is to allow FCL to expand and diversify the business opportunities in the field of Production and sale of Cement. The new investment would result in increased market share and the resultant enhanced business value and better return to the | | | |

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| | | shareholders of FCL. |
| | Benefit | Share of benefit from the profits to be made by a proposed company and the prospective capital gain. |

| | | | |
|------|--|--------|---|
| | | Period | The equity investment by FCL in a proposed company is a long term investment unless otherwise decided to disinvest earlier at some best offer price in the best interest of the FCL. |
| iii. | Sources of fund to be utilized for investment and where the investment is be intended to be made using borrowed funds; | | The investment will be made from surplus funds available with FCL, Borrowing from Financial Institution and issuance of securities including right shares. |
| | (i) Justification for investment through borrowings; | | Return on Investment in cement industry is higher than borrowing cost in addition due to combination of various option of funds generation weighted average of funds cost will be less than return on investment. |
| | (ii) detail of collateral, guarantees provided and assets pledged for obtaining of such funds; and | | Not applicable at present |
| | (iii) cost benefits analysis. | | IRR is above 12.5% at current discount rate of KIBOR plus 2% with present value above 112.5% of cost. |
| iv. | Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment; | | Not Applicable |

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| v. | Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration. | The Directors / sponsors / majority shareholders of the Company have no interest or indirectly in the investment in a proposed company except to the extent of investment by FCL. Mr. Mohammed Yasin Fecto, Director of the Company is also proposed to be the Nominee Director of proposed project Company. | | | | | | | | | |
|---|---|---|--------------------------------------|---|------------------|--------|-----|-----|-------|---------------|----|
| vi. | In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/ justification for any impairment or write offs; and | Not applicable. | | | | | | | | | |
| vii. | Any other important details necessary for the members to understand the transaction; | The investment is viewed as an important step in line with Company's long term strategy for growth and increasing shareholders' value. | | | | | | | | | |
| C. In case of equity investment, following disclosures in addition to those provided under clause (a) of sub-regulation (1) of regulation 3 shall be made; | | | | | | | | | | | |
| i. | Maximum price at which securities will be acquired | Rs. 10/- per share (at par) | | | | | | | | | |
| ii. | In case the purchase price is higher than market value in case of listed securities and fair value in case of unlisted securities, justification thereof; | Not applicable. | | | | | | | | | |
| iii. | Maximum number of securities to be acquired | Investment of US \$ 24 million equivalent in Pak Rupee in ordinary share shares of Rs.10/- each. | | | | | | | | | |
| iv. | Number of securities and percentage thereof held before and after the proposed investment | <table border="1"> <thead> <tr> <th>Before and after proposed investment</th> <th>Shares held * converted at 1 US\$ equivalent to Rs. 133</th> <th>% of shares held</th> </tr> </thead> <tbody> <tr> <td>Before</td> <td>NIL</td> <td>NIL</td> </tr> <tr> <td>After</td> <td>319.2 million</td> <td>40</td> </tr> </tbody> </table> | Before and after proposed investment | Shares held * converted at 1 US\$ equivalent to Rs. 133 | % of shares held | Before | NIL | NIL | After | 319.2 million | 40 |
| Before and after proposed investment | Shares held * converted at 1 US\$ equivalent to Rs. 133 | % of shares held | | | | | | | | | |
| Before | NIL | NIL | | | | | | | | | |
| After | 319.2 million | 40 | | | | | | | | | |
| v. | Current and preceding twelve weeks' weighted average market price where investment is proposed to be | Not applicable | | | | | | | | | |

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Plant : Sangjani, Dist, Islamabad, Pakistan. Phones: (+9251) 2296065-8 Fax : (+9251) 2296063 Email:factory@fectogroup.com

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| | made in listed securities; and | |
| vi | Fair value determined in terms of sub-regulation (1) of regulation 5 for investments in unlisted securities; | Not Applicable |
| E. In case of investments in the form of loans, advances and guarantees, following disclosures in addition to those provided under clause (a) of sub-regulation (1) of regulation 3 shall be made; | | |
| i. | Category-wise amount of investment; | Not Applicable |
| ii. | Average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period. | Not Applicable |
| iii. | Rate of interest, mark up, profit, fees or commission etc., to be charged by investing company | Not Applicable |
| iv. | Particulars of collateral or security to be obtained in relation to the proposed investment; | Not Applicable |
| v. | if the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable; and | Not applicable |
| vi. | repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking | Not Applicable |

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Due diligence of the investment

The directors of the Company as required by Regulation 3(3), of the Regulations have carried out the due diligence, for the proposed investment in the ordinary shares of a Proposed company for which the shareholders consent by Special Resolution as set out above is required under section 199 of the Companies Act 2017. The recommendations of the said Due Diligence Report duly signed under the authority of directors will be made available for inspection at the EOGM.

Interest of the investee company, its sponsors and directors in the Investing Company

The Directors / sponsors / majority shareholders of the Company have no interest or indirectly in the investment in a proposed company except to the extent of investment by FCL. Mr. Mohammed Yasin Fecto, Director of the Company is also proposed to be the Nominee Director of proposed project Company

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STATEMENT OF MATERIAL FACTS UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

Investment in a proposed private limited company

Fecto Cement Limited (FCL) is desirous of initial equity investment of US \$ 450,000 equivalent in Pak Rupee with a maximum amount of US \$ 1.2 million equivalent in Pak Rupee in phases, into proposed private limited associated company.

In recent years, China and Pakistan have formed close relationship. The Governments of the two nations have reached consensus on building transnational economic belt based on the "Belt and Road" initiative and China Pakistan Economic Corridor (CPEC), strengthening connectivity, and deepening bilateral economic and trade cooperation. The economic and trade cooperation continues heating up. Pakistan has the promising economic development prospect, stable social order and domestic political condition, and huge investment potential.

Wuhu Conch Profiles and Science Co., Ltd. China and Fecto Cement Limited agreed to invest in compliance with the relevant laws of Pakistan to implement the investment for production lines for 50,000 square meters production capacity of plastic door and window, 50,000 square meters of high grade aluminum alloy door and window production line and building material trading project.

The project cost is estimated at US\$ 3 million 100% equity financed.

During the Board of Directors meeting held on November 09, 2018, FCL decided to take steps to invest in a Proposed company's equity injection and hence the Board has approved the initial investment of US \$ 450,000 equivalent to Pak Rupee with a maximum of US \$ 1.2 million in Phases by way of subscription in a Proposed company in Ordinary Shares of Rs. 10/- each at par (subject to approval of shareholders in Extraordinary General Meeting to be held on December 01, 2018).

The Board of Directors believes that this investment shall be beneficial for shareholders of the FCL and is expected to yield dividend income and prospective capital gains for the Company in the years to come.

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The information required under Clause 3(1)(a) of Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 are as under:

| S# | Description | Information Required |
|---|---|--|
| A. Regarding Associated Company and Associated Undertaking | | |
| i. | Name of the associated company or associated undertaking | A Proposed private limited company |
| ii. | Basis of relationship | Shareholding in a Proposed company by FCL. The detail is mentioned below under general disclosure. |
| iii. | Earnings per share for the last three years | Not Applicable |
| iv. | Break-up value per share based on the latest audited financial statements | Not Applicable |
| v. | Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements; | Not Applicable |
| vi. | In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely; (I) description of the project and its history since conceptualization; | <p>Conch Profiles and Fecto Cement Ltd after many times of negotiation, both parties agreed to cooperate with both sides respective advantages in the business division including but not limited in the window and door fabrication, construction material international trading in Pakistan to achieve mutual benefit and win-win situation.</p> <p>Wuhu Conch Profiles and Science Co., Ltd. China and Fecto Cement Limited agreed to invest in compliance with the relevant laws of Pakistan to implement the investment for production lines for 50,000 square meters production capacity of plastic door and window, 50,000 square meters of high grade aluminum alloy door and window production line and building material trading project.</p> <p>The project cost is estimated at US\$ 3 million with 100% Equity.</p> |

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|------------------------------|--|---|---------|--|
| | <p>(II) starting date and expected date of completion of work;</p> <p>(III) time by which such project shall become commercially operational;</p> <p>(IV) expected time by which the project shall start paying return on investment; and</p> <p>(V) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts;</p> | <p>Expected to start Dec 2018 subject to completion of all formalities and will be completed in twelve months from the start date</p> <p>Project is expected to complete by Dec 2019 and become commercially in operation by Jan 2020 subject to completion of all formalities.</p> <p>Project will start paying return on investment from the second year of projected commercial operation</p> <p>FCL will initially invest US \$ 450,000 equivalent in Pak Rupee by way of subscription in Ordinary Shares of Rs.10/- each, @ Rs.10/- per share (i.e. at par value) representing 15% of the total proposed share capital in a proposed private limited associated company; with a right to increase the shareholding within five years to US \$ 1.2 million equivalent in Pak rupee representing 40% in equity through acquisition and the price per share purchased will be determined by the net assets per share after auditing by a qualified auditing company in Pakistan</p> | | |
| B. General Disclosure | | | | |
| i. | Maximum amount of investment to be made | US \$ 1.2 million equivalent in Pak Rupee in phases. | | |
| ii. | Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment | <table border="1" style="width: 100%;"> <tr> <td style="width: 20%;">Purpose</td> <td>The purpose of investment is to allow FCL to expand and diversify the business opportunities in the field of Production and sale of Building Materials. The new investment would result in enhanced business value and better return to the shareholders of FCL.</td> </tr> </table> | Purpose | The purpose of investment is to allow FCL to expand and diversify the business opportunities in the field of Production and sale of Building Materials. The new investment would result in enhanced business value and better return to the shareholders of FCL. |
| Purpose | The purpose of investment is to allow FCL to expand and diversify the business opportunities in the field of Production and sale of Building Materials. The new investment would result in enhanced business value and better return to the shareholders of FCL. | | | |

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| | | Benefit | Share of benefit from the profits to be made by a proposed company and the prospective capital gain. |
| | | Period | The equity investment by FCL in a proposed company is a long term investment unless otherwise decided to disinvest earlier at some best offer price in the best interest of the FCL. |
| iii. | Sources of fund to be utilized for investment and where the investment is be intended to be made using borrowed funds; | | The investment will be made from surplus funds available with FCL. |
| | (i) Justification for investment through borrowings; | | Not applicable |
| | (ii) detail of collateral, guarantees provided and assets pledged for obtaining of such funds; and | | Not Applicable |
| | (iii) cost benefits analysis. | | Not Applicable |
| iv. | Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment; | | Not applicable |
| v. | Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration. | | The Directors / sponsors / majority shareholders of the Company have no interest or indirectly in the investment in a proposed company except to the extent of investment by FCL Mr. Mohammed Yasin Fecto, Director of the Company is also proposed to be the Nominee Director of proposed project Company. |
| vi. | In case any investment in associated company or associated undertaking | | Not applicable. |

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| | has already been made, the performance review of such investment including complete information/ justification for any impairment or write offs; and | | | | | | | | | | |
|--|---|---|--------------------------------------|--|------------------|--------|-----|-----|-------|---------------|----|
| vii. | Any other important details necessary for the members to understand the transaction; | The investment is viewed as an important step in line with Company's long term strategy for diversification and increasing shareholders' value. | | | | | | | | | |
| <p>C. In case of equity investment, following disclosures in addition to those provided under clause (a) of sub-regulation (1) of regulation 3 shall be made;</p> | | | | | | | | | | | |
| i. | Maximum price at which securities will be acquired | FCL will initially invest US \$ 450,000 equivalent in Pak Rupee by way of subscription in Ordinary Shares of Rs.10/- each, @ Rs.10/- per share (i.e. at par value) representing 15% of the total proposed share capital in a proposed private limited associated company; with a right to increase the shareholding within five years to US \$ 1.2 million equivalent in Pak rupee representing 40% in equity through acquisition and the price per share purchased will be determined by the net assets per share after auditing by a qualified auditing company in Pakistan | | | | | | | | | |
| ii. | In case the purchase price is higher than market value in case of listed securities and fair value in case of unlisted securities, justification thereof; | Not applicable. | | | | | | | | | |
| iii. | Maximum number of securities to be acquired | Investment of US \$ 1.2 million equivalent in Pak Rupee in ordinary share shares of Rs.10/- each. | | | | | | | | | |
| iv. | Number of securities and percentage thereof held before and after the proposed investment | <table border="1"> <thead> <tr> <th>Before and after proposed investment</th> <th>Shares held * converted at US\$ 1 equal to Pak Rs. 133</th> <th>% of shares held</th> </tr> </thead> <tbody> <tr> <td>Before</td> <td>NIL</td> <td>NIL</td> </tr> <tr> <td>After</td> <td>15.96 million</td> <td>40</td> </tr> </tbody> </table> | Before and after proposed investment | Shares held * converted at US\$ 1 equal to Pak Rs. 133 | % of shares held | Before | NIL | NIL | After | 15.96 million | 40 |
| Before and after proposed investment | Shares held * converted at US\$ 1 equal to Pak Rs. 133 | % of shares held | | | | | | | | | |
| Before | NIL | NIL | | | | | | | | | |
| After | 15.96 million | 40 | | | | | | | | | |
| v. | Current and preceding twelve weeks' weighted average market price where investment is proposed to be made in listed securities; and | Not applicable | | | | | | | | | |
| vi | Fair value determined in terms of sub-regulation (1) of regulation 5 for | Not Applicable | | | | | | | | | |

Marketing Office: 13-A, Najam Shaheed Street, Attahul-Haq Raod, Westridge I, Rawalpindi-46000, Pakistan.
Phones: (+9251) 5467511, 5467512, 5467513 **Fax:** 051-5467514, 5158127 **E-mail:** marketing@fectogroup.com
Plant: Sangjani, Dist, Islamabad, Pakistan. **Phones:** (+9251) 2296065-8 **Fax:** (+9251) 2296063 **Email:** factory@fectory@fectogroup.com
Liason Office: House # 108, Block A, OPF Housing Scheme, Khayaban-e-Jinnah Lahore.
Phone: 042-35230662, **Fax:** 042-35230662





FECTO CEMENT LTD.

Head Office : 35, Darul Aman Housing Society, Block 7/8, Shahrah-e-Faisal, Karachi - 75350, Pakistan.

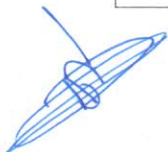
Phones : (+9221) 34530120-2 & 4

Fax : (+9221) 34530123 & 34546455

E-mail : cement@fectogroup.com

Website : www.fectogroup.com

| | | |
|---|--|----------------|
| | investments in unlisted securities; | |
| D. In case of investments in the form of loans, advances and guarantees, following disclosures in addition to those provided under clause (a) of sub-regulation (1) of regulation 3 shall be made; | | |
| i. | Category-wise amount of investment; | Not Applicable |
| ii. | Average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period. | Not Applicable |
| iii. | Rate of interest, mark up, profit, fees or commission etc., to be charged by investing company | Not Applicable |
| iv. | Particulars of collateral or security to be obtained in relation to the proposed investment; | Not Applicable |
| v. | if the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable; and | Not applicable |
| vi. | repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking | Not Applicable |



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Due diligence of the investment

The directors of the Company as required by Regulation 3(3), of the Regulations have carried out the due diligence, for the proposed investment in the ordinary shares of a proposed company for which the shareholders consent by Special Resolution as set out above is required under section 199 of the Companies Act 2017. The recommendations of the said Due Diligence Report duly signed under the authority of directors will be made available for inspection at the EOGM.

Interest of the investee company, its sponsors and directors in the Investing Company

The Directors / sponsors / majority shareholders of the Company have no interest or indirectly in the investment in a proposed company except to the extent of investment by FCL Mr. Mohammed Yasin Fecto, Director of the Company is also proposed to be the Nominee Director of proposed project Company.