

Maple Leaf Cement Factory Limited



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The General Manager Operations,
Karachi Stock Exchange (Guarantee) Limited,
Stock Exchange Building,
Stock Exchange Road,
Karachi.

Thru: T.C.S
MLCF-7/31
July 03, 2010

Subject: SHOW CAUSE NOTICE UNDER KSE LISTING REGULATION NO. 30(2)

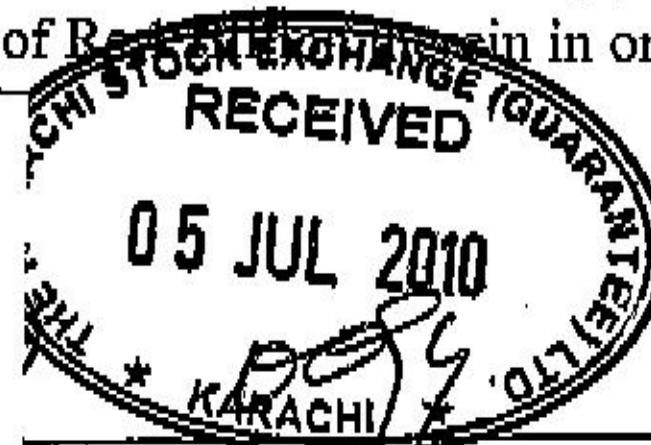
Dear Sir,

Please refer to your letter No. KSE/ Gen-4414 dated June 22, 2010 on the subject cited above. In this connection, it is submitted that the Company regularly paid dividend/bonus shares upto the year ended June 30, 2005. In 2004, the Company undertook an expansion project for setting up 6,700 tpd clinker capacity to maintain its market share in a period of rising demand, around the time when almost all the manufacturers announced BMR and capacity expansion plans. Subsequently, however, due to multiple factors, such as, imposition of high Federal & Provincial taxes on cement, very low selling prices, cut throat domestic competition, high export expenses, exorbitant fuel costs, rise in electricity charges, under utilization of installed capacity, increase in financial and distribution costs and charge of depreciation of 6,700 tpd line to profit and loss account, the Company faced liquidity problems. This situation was further aggravated as demand faltered.

A slow down in the economy led to a decline in the housing sector, which accounts for major part of total cement consumption. The problem became aggravated by decline in government development expenditure due to budgetary constraints and recessionary conditions prevailing in the domestic market. As a result, the industry incurred severe losses with most of the plants showing negative results, which were mainly due to external factors beyond the control of the management(s).

Further, the Company suffered post-tax loss of Rs. 982.970 million for the year ended June 30, 2009 and Rs. 1,843.461 million during the period July-March, 2010 due to mammoth distribution cost and financial charges. The huge post-tax loss of Rs. 923.005 million during January-March, 2010 was principally caused by poor capacity utilization marred by financial constraints owing to shortages of much needed factory inputs especially coal. The last quarter was the toughest in the Company's history and was unique in nature. Sales volume was also impacted owing to non-availability of clinker and exports were hampered due to working capital constraints. Lower sales enhanced the losses owing to increase in overhead costs. In addition, huge penalties had to be incurred by the Company due to late or deferred payment of Government dues to FBR and PEPCO.

Due to aforesaid adverse conditions, the Company was unable to repay its long-term debts availed from Allied Bank Limited and other local financial institutions ("lenders") for the expansion project despite the fact that it commenced its commercial production in November 2007. Resultantly, the Company was constrained to request the banks for restructuring of its long-term loans. The lenders allowed the same on the condition precedent that the Company's sponsors inject fresh funds to the tune of Rs. 100 million in order to strengthen its cash flow.



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