

SAPPHIRE TEXTILE MILLS LIMITED
NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that 47th Annual General Meeting of Sapphire Textiles Mills Limited will be held on Monday, October 26, 2015 at the Trading Hall, Cotton Exchange Building, I.I. Chundrigar Road, Karachi at 03:00 p.m. to transact the following business:

Ordinary Business:

1. To confirm the minutes of last General Meeting.
2. To receive, consider and adopt the Audited Accounts together with Directors' and Auditors' Reports for the year ended 30th June, 2015.
3. To approve and declare the final dividend of Rs.10 per share i.e. 100% for the year ended June 30, 2015 as recommended by the Board of Directors.
4. To appoint auditors for the year ending 30th June 2016 and fix their remuneration. The present Auditors, M/s Mushtaq & Company, Chartered Accountants retire and being eligible offer themselves for reappointment.

Special Business:

5. To consider and, if thought fit, pass with or without modification(s), the following resolutions, under Companies Ordinance, 1984.

5.1 Resolved that the Company be and is hereby authorized in terms of section 208 of the Companies Ordinance to provide such Security / Collateral as may be required by the Bank to issue or cause to be issue, an additional debt service reserve standby letter upto the PKR equivalent of USD 6.5 Million (in addition with the same already approved by the Shareholders in EOGM dated 17th February, 2014, after this addition the limit of SBLC will be PKR equivalent of USD 10 Million) of credit together with any replacement standby letter of credit in favour of the offshore Collateral Agent, on behalf of inter alia the Overseas Private Investment Corporation, in accordance with inter alia the Finance Agreement and the Accounts Agreement, in order to secure the obligation of SWPCL in relation to the Required Balance of the Debt Service Reserve Account pursuant to the Accounts Agreement.

5.2 Resolved that pursuant to section 196 of the Companies' Ordinance, 1984 the shareholders consent be and is hereby accorded to liquidate or sell the following two 100% owned subsidiaries of M/s Sapphire Textiles Mills Limited ("Company") on such terms and condition as may be approved by the board of directors of the company.

1. Sapphire Solar (Pvt) Limited
2. Sapphire Tech (Pvt) Limited

5.3 Resolved That pursuant to section 193 of the Companies' Ordinance, 1984 the shareholders consent be and is hereby accorded to enter into purchase agreement with Diamond Fabrics Limited, an associated company, for the purchase of commercial Office No.503 measuring 5150 Sq. Ft, situated at fifth floor of Tricon Corporate Centre, constructed on Plot No.73 and 73-E, (Ghous-ul-Azam Road) Jail Road, Gulberg II, Lahore, Pakistan.

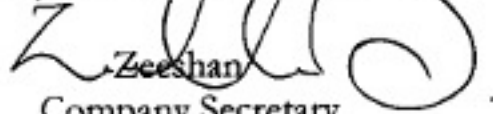
5.4 Further Resolved That the Chief Executive Officer and/or any other director, be and are hereby authorized, on a joint and/or several basis, to sign execute and deliver any and all of the Agreements and to do all acts, deeds and things, take any or all necessary action to complete all legal formalities for the purpose of the completion of the subject transaction.

A Statement required under Section 160(1) (b) of the Companies Ordinance, 1984 read with S.R.O 27(1) /2012 dated 16th January 2012 issued by SECP pertaining to the special business is annexed to the notice of the meeting send to the shareholders.

1. Other business

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

By Order of the Board


Zeeshan
Company Secretary

Karachi

Dated: September 28, 2015

NOTE

1. Closure of share transfer books:

Share Transfer Books will remain closed and no transfer of shares will be accepted for registration from 20th October, 2015 to 26th October, 2015 (both days inclusive). Transfers received in order, by the Hameed Majeed Associates (Private) Limited, 4th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi, up to 19th October, 2015, will be considered in time for the payment of dividend.

2. Participation in the annual general meeting:

A member entitled to attend and vote at this meeting is entitled to appoint another member/any other person as his/her proxy to attend and vote.

3. Duly completed instrument of proxy, and the other authority under which it is signed, thereof, must be lodged with the secretary of the company at the company's registered office 212, Cotton Exchange Building, I.I.Chundrigar Road, Karachi at least 48 hours before the time of the meeting.

4. Any change of address of members should be immediately notified to the company's share registrars, Hameed Majeed Associates (Private) Limited, 4th Floor, Karachi Chambers, Hasrat Mohani Road, Karachi.
5. The CDC account holders will further have to follow the under-mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan:
 - 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 identity by showing his 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 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 details are uploaded as per the Regulations, shall submit the proxy form accordingly.
 - ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC number shall be mentioned on the form.
 - iii) Attested copies of CNIC or the passport.
 - iv) The proxy shall produce his/her original CNIC or original passport at the time of meeting.
 - v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted along with proxy form to the company.
6. In accordance with the notification of the Securities and Exchange Commission of Pakistan, SRO 831(I)2012 dated July 05, 2012 dividend warrants should bear CNIC number of the registered member or the authorized person, except in case of minor(s) and corporate members. Accordingly, members who have not yet submitted copy of their valid CNIC/NTN (in case of corporate entities) are requested to submit the same to the Company, with members' folio number mentioned thereon for updating record.
7. As per the directions to all Listed Companies by SECP vide Letter No.SM/CDC 2008 dated April 05, 2013, all shareholders and the Company are encouraged to put in place an effective arrangement for Payment of Cash Dividend Electronically (e-Dividend) through mutual co-operation. For this purpose, the members are requested to provide Dividend Mandate including Name, Bank Account Number, Bank and Respective Branch Address to the Company in order to adhere the envisaged guidelines.
8. (i) Pursuant to the provisions of the Finance Act, 2015 effective July 1, 2015 the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:
 1. Rate of tax deduction for filer of income tax return 12.5%
 2. Rate of tax deduction for non-filers of income tax return 17.5%

To enable the Company to make tax deduction on the amount of cash dividend @ 12.5% instead of 17.5%, shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that

their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 17.5% instead of 12.5%.

(ii) Further, according to clarification received from Federal Board of Revenue (FBR), withholding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as joint-holder (s) based on their shareholding proportions, in case of joint accounts. In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of Principal shareholder and Joint-holder(s) in respect of shares held by them to our Share Registrar, in writing as follows:

Company Name	Folio / CDS Account #	Total Shares	Principal Share Holder		Joint Holder	
			Name and CNIC #	Share Holding Proportions (No of Shares)	Name and CNIC #	Share Holding Proportions (No of Shares)

The required information must reach our Share Registrar within 10 days of this notice, otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint Holder(s).

(iii) The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or, Hameed Majeed Associates (Private) Limited. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

**STATEMENT OF MATERIAL FACTS UNDER SECTION 160(1) (b) OF THE
 COMPANIES ORDINANCE, 1984 REGARDING SPECIAL BUSINESS**

Statement in relation to investment by way of shareholder Advance:

According to S.R .O. 27(1)/2012 dated January 16, 2012, the following information is required to be annexed with the Special Resolution for approval of investment in an associated undertaking for the purpose of section 208 of the Companies Ordinance, 1984 and information required under Regulation 3(1)(b) of the Companies (Investment in Associated Undertakings) Regulations, 2012.

Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established	Sapphire Wind Power Company Ltd. Subsidiary Company of Sapphire Textile Mills Limited – 70% shareholding and common Directors in SWPCL.
Amount of loan or advances	An additional debt service reserve standby letter upto the PKR equivalent of USD 6.5 Million.
Purpose of loans or advances and benefits likely to accrue to the investing company and its members from such loans or advances	To issue or cause to be issue, an additional debt service reserve standby letter upto the PKR equivalent of USD 6.5 Million (in addition with the same already approved by the Shareholders in EOGM dated 17 th February, 2014, after this addition the limit of SBLC will be PKR equivalent of USD 10 Million) of credit together with any replacement standby letter of credit in favour of the offshore Collateral Agent, on behalf of inter alia the Overseas Private Investment Corporation, in accordance with inter alia the Finance Agreement and the Accounts Agreement, in order to secure the obligation of SWPCL in relation to the Required Balance of the Debt Service Reserve Account pursuant to the Accounts Agreement.
Details of any loan that has already been granted to the Associated Company, if any	In the EOGM held on (17 th February, 2014), (21 st April, 2014) and (24 th March,2015) the shareholders

have authorized the Company for the following:

- I) To make advance by way of loan upto PKR equivalent of USD 3,723,942 pursuant to the Sponsor Support Agreement and the Shareholder Subordination Agreement
- II) To provide an SBLC in favour of the Security Trustee to secure its equity investment in SWPCL of up to PKR equivalent of USD 24,923,541 less any amount already invested.
- III) To provide collateral/security as may be required by the bank to issue an SBLC in favour of the Offshore Collateral Agent up to the PKR equivalent of approximately USD 3,500,000 in order to secure certain obligations of SWPCL in relation to the Required Balance of the Debt Service Reserve Account pursuant to the Accounts Agreement.
- IV) To provide such Security / Collateral as may be required by the Issuing Bank in order for the same to issue a Standby Letter of Credit (SBLC) of USD 1,732,500 in favour of National Transmission and Despatch Company Limited (through its Central Power Purchasing Agency) on behalf of ex-WAPDA Distribution Companies (NTDC) in order to secure certain obligations of Sapphire Wind Power Company Limited (SWPCL) under its Energy Purchase Agreement with NTDC.
- V) To provide security/collateral as may be required by the Bank to issue a Bank Guarantee up to Rs.45 Million in favor of Director of Excise & Taxation in order to secure certain obligations (on account of Sindh Infrastructure Cess) of SWPCL.

Financial Position of the Associated Company.	Financial Position from Financial Accounts of 30 th June, 2015														
	<table border="1"> <tr> <td data-bbox="778 405 1129 479">Property Plant & Equipment</td> <td data-bbox="1145 405 1417 479">Rs.7,727,743,203</td> </tr> <tr> <td data-bbox="778 483 1129 557">Long term prepayments</td> <td data-bbox="1145 483 1417 557">Rs.4,560,477</td> </tr> <tr> <td data-bbox="778 562 1129 636">Current Assets</td> <td data-bbox="1145 562 1417 636">Rs.2,226,040,653</td> </tr> <tr> <td data-bbox="778 640 1129 714">Current Liabilities</td> <td data-bbox="1145 640 1417 714">Rs. 420,116,675</td> </tr> <tr> <td data-bbox="778 719 1129 792">Issued, Subscribed & Paid Up Capital</td> <td data-bbox="1145 719 1417 792">Rs. 2,833,173,310</td> </tr> <tr> <td data-bbox="778 797 1129 871">Long Term Financing</td> <td data-bbox="1145 797 1417 871">Rs. 6,821,188,384</td> </tr> <tr> <td data-bbox="778 875 1129 949">Accumulated Losses</td> <td data-bbox="1145 875 1417 949">Rs. 116,134,036</td> </tr> </table>	Property Plant & Equipment	Rs.7,727,743,203	Long term prepayments	Rs.4,560,477	Current Assets	Rs.2,226,040,653	Current Liabilities	Rs. 420,116,675	Issued, Subscribed & Paid Up Capital	Rs. 2,833,173,310	Long Term Financing	Rs. 6,821,188,384	Accumulated Losses	Rs. 116,134,036
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Accumulated Losses	Rs. 116,134,036														
Average borrowing cost of Company	Not Applicable														
Rate of interest/mark-up/profit/fees/commission etc. to be charged to associated company	All commission, fee etc. charged by the bank will be charged to the Associated Company.														
Sources of funds for advance	Not applicable as no cash funds are advanced														
<p>Where loans or advances are being granted using borrowed funds,-</p> <p>(I) justification for granting loan or advance out of borrowed funds;</p> <p>(II) detail of guarantees / assets pledged for obtaining such funds, if any; and</p> <p>(III) repayment schedules of borrowing of the investing company</p>	<p>I. To offshore Collateral Agent, on behalf of inter alia the Overseas Private Investment Corporation, in accordance with inter alia the Finance Agreement and the Accounts Agreement, in order to secure the obligation of SWPCL in relation to the Required Balance of the Debt Service Reserve Account pursuant to the accounts agreement.</p> <p>II. Investment in shares of listed companies or any other securities as may be required by the Bank</p> <p>III. Not applicable</p>														
Particulars of collateral security to be obtained against loan to the Associated Company, if any	None														
If the loans or advances carry conversion feature i.e. it is convertible into securities, this fact along with complete detail including conversion formula, circumstances in which the conversion may take place and the time when	Not Applicable														



the conversion may be exercisable	
Repayment schedule and terms of loans or advances to be given to the investee company	Not Applicable
Salient features of all agreements	Not Applicable
Interest of directors, majority shareholders and their relatives	Common Directors. Each Director has one (1) share each in SWPCL. They have no direct or indirect interest except to the extent of shareholding in the investing company.
Any other important details	None
Description of the project and its history since conceptualization	<p>SWPCL has been incorporated for the purpose of development of the Wind Power Project under renewable energy policy of the company.</p> <p>SWPCL will sell power to the Central Power Purchasing Agency/ National Transmission and Despatch Company Limited (NTDC or the Energy Purchaser) within the framework of the project documents specified under the Policy for Development of Renewable Energy for Power Generation, 2006 (the "RE Policy"). The term of the off-take agreement i.e. the Energy Purchase Agreement (the EPA), that has been executed between the Associated Company and the Power Purchaser is 20 years.</p> <p>National Electric Power Regulatory Authority (NEPRA) has granted generation license and tariff to the Company, while concession agreements with NTDC and Government of Pakistan have been finalized. Financial close of the project was declared on 7th July, 2014 and the first tranche of OPIC, Funding was released on 27th August, 2014, Sapphire Wind Power Company Limited gave the Notice to proceed to the EPC contractor on 28th August, 2014.</p> <p>Construction works at the wind farm site have been undertaken and it is expected that the project will commence commercial operation by the end of November, 2015.</p>
Starting and expected date of completion of work	Work has been already commenced for Wind power project and the expected date for



	commercial operations is November 2015.
Time by which such project shall become commercially operational	Expected Date of Commercial operations is November 2015.
Expected return on total capital employed in the project	Approximately upto 17%
Funds invested or to be invested by the promoters distinguishing between cash and non-cash amounts	SWPCL being a subsidiary of STML, the company needs offshore Collateral Agent, on behalf of inter alia the Overseas Private Investment Corporation, in accordance with inter alia the Finance Agreement and the Accounts Agreement, in order to secure the obligation of SWPCL in relation to the Required Balance of the Debt Service Reserve Account pursuant to the account agreement.

As per the disclosure requirement of Para 4(1) of the Companies (Investment in Associated Undertakings) Regulations, 2012, it is informed that the following directors of the company are also the directors in the investee company; however, they have no direct or indirect interest except to the extent of shareholding in the investee company:

- 1) Mr. Muhammad Abdullah
- 2) Mr. Nadeem Abdullah
- 3) Mr. Shahid Abdullah
- 4) Mr. Amer Abdullah



Status of Investment under Clause 4(2) of the Companies (Investment in Associated Undertakings) Regulations, 2012

Company / Date of Resolution	Amount of Investment approved	Amount of Investment made to date	Reason
Sapphire Wind Power Company Ltd 17 th February, 2014	Equity Investment of up to PKR equivalent of USD 24,923,541 and to provide an SBLC in favour to secure balance equity investment in SWPCL	Equity investment = Rs. 2,282,287,385 SBLC = USD 5.626 million	The balance amount of equity will be invested from time to time over a period of two years. These amounts were approved in the EOGM held on February 17, 2014 and are in the process of implementation.
	Advance by way of loan upto PKR equivalent of USD 3,723,942	Nil	
	Collateral/security as may be required by the issuing bank to issue an SBLC up to the PKR equivalent of approximately USD 3,500,000 in order to secure certain obligations of SWPCL		

Material Changes in Financial Statements of Associated Company

Since the closing of financial year ended 30, June, 2015, the Paid-up Capital of the Sapphire Wind Power Company Ltd (SWPCL) has increased to Rs.3,260,410,550 from Rs.2,833,173,310 by issuance of shares against shares subscription.



Statement under section 160(1)(b) of the Companies Ordinance, 1984

This Statement sets out below the material facts pertaining to the special business to be transacted at the Annual general Meeting of Sapphire Textile Mills Limited on 26th October, 2015.

Introduction

Sapphire Textile Mills Limited ("Company") intends to enter into purchase agreement with its associated company M/s. Diamond Fabrics Limited, for purchase of commercial offices. Being an associated company there are common directors hence consent of shareholders is required pursuant to section 193 of the Companies' Ordinance, 1984.

Detail of Asset to be purchased:

The said office comprises of office No.503 measuring 5150 Sq Ft, situated at fifth floor of Tricon corporate Centre, constructed on Plot No.73 & 73-E, (Ghous-ul-Azam Road) Jail Road, Gulberg II, Lahore.

Salient Features of the transaction are as follows:

- The Said property will be use by the company for its business operations.
- Property will be purchased out of company's own resources.
- The property is located on commercial location, the shareholders will be benefit from the purchase of the said property in the form of capital gains in the future.

Statement under Section 160(1) (b) of the Companies Ordinance, 1984

This statement sets out below the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company to be held on 26th October, 2015.

Reason for Winding up or Sell of Subsidiary Companies:

Sapphire Textile Mills Limited owns 100% of share capital of Sapphire Solar (Pvt.) Ltd and Sapphire Tech (Pvt.) Ltd. Both the Companies are not involved in any operations.

Sapphire Solar (Pvt.) Limited was incorporated for purpose of development of 10MW solar power plant for which it had LOI from AEDB. The management is planning to setup a bigger Solar Power Plant in Sapphire Wind Power Ltd rather than a separate 10MW power plant. In view of this change, the management does not need this company and hence has decided to close the Company.

Sapphire Tech (Pvt.) Limited was incorporated for another power project. As the Government has introduces incentives relating to renewable power projects, the management found it more feasible to invest in renewable power projects, therefore, it does not need this Company.

149-Cotton Exchange Building,
11, Chundrigar Road, Karachi - 74000 Pakistan
Phones : 92-21-111-000-100
Fax : 92-21-2416705, 92-21-2417418
E-mail : karachi.office@sapphire.com.pk

The logo for Sapphire Textile Mills Limited, featuring the word "Sapphire" in a white serif font centered within a solid black rectangular box.

Sapphire Textile Mills Limited

Salient Features of the Transaction:

Upon approval by the members, the Board of Directors will decide on the most equitable method to dispose of both the companies i.e. either by liquidate or sell the shareholding.