

SURAJ COTTON MILLS LIMITED
NOTICE OF EXTRA-ORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT Extra-Ordinary General Meeting of SURAJ COTTON MILLS LIMITED will be held on Friday, May 30, 2014 at 10:30 a.m. at 7-B-III, Marina Homes, Aziz Avenue, Gulberg V, Lahore, to transact the following business:

1. To consider and if thought fit to approve the following resolution as a special resolution U/S 208 of the Companies Ordinance, 1984 with or without modification:-

- a) **RESOLVED** that pursuant to the requirement of section 208 of the Companies Ordinance 1984, the Company be and is hereby authorized to make long term equity investment up to Rs. 50 million in the share capital by way of acquisition of 5,000,000 ordinary shares of Rs. 10 each of proposed **S2 SOLAR LIMITED**.
- b) **RESOLVED FURTHER** that Mr. Khalid Bashir, Mr. Ahsan Bashir, Mr. Asif Bashir, Directors and Mr. Adil Bashir, authorized signatory of the Company is and are hereby authorized singly / jointly to make the above investment as may deem appropriate and to give effect to the above resolution and in this regard to do or cause to be done all acts, deeds and things and to sign and execute documents that may be necessary or required in this regard.
- c) **RESOLVED FURTHER** that subsequent to the above said equity investment, Mr. Khalid Bashir, Mr. Ahsan Bashir, Mr. Asif Bashir, Directors and Mr. Adil Bashir, authorized signatory of the Company be and are hereby authorized singly / jointly to dispose of, through any mode, a part or all of equity investments made by the Company from time to time as and when deemed appropriate and necessary in the best interest of the Company".

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

Dated: May 09, 2014
Lahore

By Order of the Board
Company Secretary

BOOK CLOSURE:

The share transfer books of the Company will remain closed from May 24, 2014 to May 30, 2014 (both days inclusive).

Notes:

1. Transfer received in order at the Registered Office 7-B-III, Aziz Avenue, Gulberg V, Lahore by the close of business hours on Friday, May 23, 2014 will be considered in time.
2. A member eligible to attend and vote at this Meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the Company at the Registered Office not later than 48 hours before the time for holding the Meeting.
3. CDC account holders will further have to follow the under mentioned guidelines as laid down in circular no. 1 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan 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 National Identity Card or passport at the time of attending the meeting. The shareholders registered on CDS are also requested to bring their Participant ID numbers and account numbers in CDS.
 - 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 meeting.
4. Shareholders are requested to immediately notify the change in address, if any.

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

This statement sets out the material facts pertaining to the special business to be transacted at the Extra Ordinary General Meeting of the Company to be held on Friday, May 30, 2014 at 10:30 a.m.

Investment in proposed S2 Solar Limited

Pakistan has been facing substantial shortages in the power sector and the province of Punjab is no exception. In Punjab, at present, there is a demand-supply gap of about 4000 MW which is increasing at a rate of 6% per annum. Punjab with 68% of the consumption of generated power and gas is worst affected and has to endure both power and gas load shedding with adverse social and economic consequences.

Following the 18th amendment in the Constitution of Pakistan, the provinces are now vested with full authority to develop power projects of any capacity through public or private sector and establish required regulatory framework. In view of lingering energy crisis and opportunity provided by the new enabling framework, the Government of the Punjab decided to play a pro-active role in the energy sector. An independent Energy Department has accordingly been established to vigorously pursue power generation and oil & gas projects in the province.

Management of the company has suggested to make an investment in 50 MW Solar Power Project. A new Company in the name of "S2 Solar Limited" will be formed. Based on initial study, we are expecting per MW cost of US \$ 1.5 Million. Total investment has been estimated to be US \$ 75 Million approximately with equity investment of 20% (Max upto 30%) of total project cost while rest will be financed by obtaining loan. Besides the initial capital cost, there is only a small amount of maintenance required for solar panels over the total project life of 25 years. Fixed Operation and Maintenance cost and Insurance cost has been estimated to be 1.5% and 1% respectively of total Project cost. On the other hand, Government of Punjab has announced a guaranteed return of 17%-18% on Equity in dollar terms which will be in addition to reimbursement of debt servicing cost, Fixed Operation and Maintenance costs and Insurance cost. In addition to above mentioned benefits, Solar Power Projects are exempt from Income tax, Turnover tax, Withholding tax on imports and Custom Duties on import of Renewable Energy Plants & Equipment, guaranteed off-take of power generation further Government of Pakistan Guarantee for payment of power off-take, levelized tariff, which includes financial costs (loan & interest) repayment to lenders etc.

This statement sets out the material facts pertaining to the special business to be transacted at the forthcoming Extra Ordinary General Meeting of the Company to be held on Friday, May 30, 2014 at 10:30 a.m. The Directors in their meeting held on April 22, 2014 have recommended to the shareholders to pass the special resolution set out all material facts concerning special business in accordance with section 208 of the Companies Ordinance 1984 and S. R. O. 27(1)/2012 dated January 16, 2012 issued by the SECP.

The directors have carried out their due diligence for the proposed investment and due diligence report shall be available for inspection of members in the general meeting As the company is in the process of incorporation, its audited accounts are not available.

Information under Clause (a) of sub-regulation (1) of regulation 3 of (Investment in Associated Companies or Associated Undertakings) Companies Regulations, 2012

Ref. No.	Requirement	Information
i	Name of associated company	S2 Solar Limited (proposed)
	Criteria of associated relationship	On basis of Common directorship
ii	Purpose and benefit of investment	To make seed / equity investment; To earn dividend income
	Period of investment	Strategic long term investment
iii	Maximum amount of investment	Rs. 50 million (Rupees Fifty Million Only)
iv	Maximum price / share	At face value i. e. Rs. 10/- per share
v	Maximum number of shares to be acquired	5 million ordinary shares
vi	Shareholding before investment	No. of shares and share holding before investment : NIL
	Shareholding after investment	No. of shares after investment : 5,000,000
		Shareholding percentage: 50%
vii	Requirement in case of investment in listed associated company	Not Applicable as S2 Solar Limited will be a public limited unlisted company
viii	In case of investment in unlisted securities	S2 Solar Limited is in process of incorporation, and not yet started its business operation even the preliminary stages (infrastructure). Hence, the fair value of the shares of the proposed company would be equivalent to its offered value i.e. Rs. 10/- per share on incorporation of S2 Solar Limited
ix	Break-up value of shares	Rs. 10.00 per share on incorporation.
x	Earnings per share for the last three years	Not Applicable
xi	Sources of fund from which shares will be acquired	Surplus funds of the Company.
xii	Requirements if shares are intended to be acquired using borrowed funds	Not applicable.
xiii	Salient features of agreement(s) entered into with the associated company	Agreement may be executed after passing of special resolution.
xiv	Direct / Indirect interest of directors in the associated company	No direct / indirect interest of common directors expect to the extent of their holding.
xv	Any other important detail	<p>The main object of the proposed Company is to set up 50 MW Solar Plant in Punjab. Government of Pakistan has announced the lucrative incentives for investment in power sector:</p> <ul style="list-style-type: none"> • Tax exemptions for the life of the project; • Guaranteed off-take of power generation; • Government of Pakistan Guarantees for payment of power off-take; • Levelized tariff, which included financial costs (loan & interest) repayment to lenders; • Allocation of sizeable land by the Government of Punjab; • Solar power project is not exposed to availability & prices of fuel; • Determined upfront tariff is worked to aim 17% to 18% return on equity.

xvi	Description of the project	As mentioned in point no. XV
	Starting and expected dated of completion of work	Starting of work will be after 15 months of Incorporation of proposed company and Completion of work will be completed within 18 months after the financial close
	Commercial operations date	Within one year from completion of construction
	Expected time by which the project shall start paying return on investment	Within one year after Commercial Operation Date