

**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 Saturday, March 26, 2016 at 09:30 a.m. at 7-B-III, Marina Homes, Aziz Avenue, Gulberg V, Lahore, to transact the following business:

Ordinary Business:

1. To elect seven Directors of the Company as fixed by the Board, for a period of three years commencing from March 27, 2016 in accordance with the provisions of the Companies Ordinance, 1984. The following are the retiring Directors who are also eligible to offer themselves for re-election.

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|-----------------------|------------------------|
| 1. Mr. Ahsan Bashir | 2. Mr. Asif Bashir |
| 3. Mr. Amjad Mahmood | 4. Mr. Humayun Maqbool |
| 5. Mr. Khalid Bashir | 6. Mr. Mohammad Iqbal |
| 7. Mr. Nadeem Maqbool | |

Special Business:

To consider and if thought fit to pass with or without modification (s) the following resolutions as special resolution.

1. **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 **S2 HYDRO LIMITED** on the terms and condition disclosed to the members.
2. **Resolved further** 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 of up to Rs. 50 million in the share capital by way of acquisition of 5,000,000 ordinary shares of Rs. 10 each of **S2 POWER LIMITED** on the terms and condition disclosed to the members.
3. **Resolved further** 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 of up to Rs. 50 Million in the share capital by way of acquisition of ordinary shares of associated company **M/s The Crescent Textile Mills Limited**, at market value on the terms and condition disclosed to the members.
4. **Resolved further** that Mr. Khalid Bashir, Mr. Ahsan Bashir, Mr. Asif Bashir, Directors and Mr. Adil Bashir, authorized signatory of the Company be and is/are hereby authorized singly / jointly to make/dispose off the equity 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.

Information required under section clause (a) of sub regulation 1 of regulation 3 of Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012 is annexed to the notice of meeting being sent to the shareholder.

Dated: March 05, 2016

7-B-III, Marina Homes, Aziz Avenue, Gulberg V, Lahore

BY ORDER OF THE BOARD

Company Secretary

BOOK CLOSURE:

The share transfer books of the Company will remain closed from March 19, 2016 to March 26, 2016 (both days inclusive).

Note:

1. Transfer received in order at the Share Registrar Office, Corptec Associates (Pvt) Limited, 503-E, Johar Town, Lahore by the close of business hours on Friday, March 18, 2016 will be considered in time.
2. Any person who seeks to contest election to the office of director shall, whether he/she is a retiring director or otherwise, file his/her consent u/s sec. 178(3) of the Companies Ordinance, 1984 along with declaration under the Relevant Laws and Listing Regulations of Stock Exchanges.
3. 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.

4. 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 Computerised 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.
5. Shareholders are advised to immediately notify the change in address and submit / sent attested photocopy of CNIC to Share Registrar i.e. CorpTec Associates (Pvt.) Limited, 503-E, Johar Town, Lahore, as it is mandatory to be printed its number on Dividend Warrants, as SECP has directed vide SRO No. 779(1)/2011 dated August 18, 2011 to issue dividend warrant only crossed as "A/c Payee only" and should bear the Computerized National Identity Card (CNIC) of the registered members.

Information required under section clause (a) of sub regulation 1 of regulation 3 of Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012

Punjab with population of 93 million is the largest province of Pakistan and contributes 60 % of the GDP. It has a large industrial base with more than 48,000 units. There is a growing un-met demand of energy which offers an opportunity for investments in power generation projects based on Coal, Hydro, Biomass and Solar. Power generation companies are allowed to import plants and equipment @ 0% duty, with exemption on sales tax. Other incentives include income tax exemption for life, full repatriation of profit plus investment; minimum guaranteed 17% USD based Return on Equity.

Keeping in view the current energy crisis in Pakistan and potential benefits in power sector, Government of Punjab has invited applications for investment in Coal and Hydro Power Projects located in Punjab. With joint venture of Service Industries Limited and Prospective Chinese Partner, Management of Company has participated in Pre-Qualification of Coal and Hydro Power Projects of 220MW and 20MW respectively in Punjab. After screening of consortium's financial and technical strength, we have been awarded Letter of Interest (LOI) for submission of Feasibility Study on Coal Power Project. Further, LOI for Hydro Power Project is also approved and is under process. In order to proceed with this project, we have to establish a project company with equal shareholding of Suraj and Service Industries Limited.

1) Investment In Hydro Power Project:

Management of the company has suggested to make an investment in 20 MW Hydro Power Project located in Mandi Baha-ud-din, Punjab through incorporation of S2 Hydro Limited (the "Project Company") that will be formed with a joint venture ("JV") with Service Industries Limited and a prospective Chinese partner.

The Project Cost is estimated at USD 60 million, which shall result in an equity investment (20%) of USD 12 Million. The balance Project Cost of USD 48 Million shall be funded by debt.

Approximately 17% USD-based Return on Equity ("ROE") shall be attained under the tariff which will be in addition to reimbursement of debt servicing costs, operations and maintenance costs and insurance cost etc.

For initial outlay required for the feasibility study and other development costs, we hereby propose to equity invest up to Rs. 50 Million by way of purchase of 5,000,000 shares of Rs. 10 each of S2 Hydro Limited.

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

Ref. No.	Requirement	Information
i	Name of associated company	S2 Hydro Limited
	Criteria of associated relationship	On basis of Common directorship
ii	Purpose and Benefits of investment	To make seed / equity investment and 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	5,000,000 Ordinary Shares of Rs. 10 each
vi	Shareholding before investment	Nil
	Shareholding percentage	Nil
	Shareholding after investment	5,000,000 Ordinary Shares
	Shareholding percentage	50%
vii	In case of investment in listed associated company average of the preceding twelve weekly average price of the security intended to be acquired	Not Applicable
viii	In case of investment in unlisted securities, fair market value of shares	Nil
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	Own 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	The directors have no interest directly or indirectly in the investment except that they are shareholder/director of the Company.

xv	Any other important detail	The main object of the proposed Company is to set up 20 MW Hydril Power Plant in Punjab. Government of Punjab has announced the lucrative incentives for investment in power sector:
		• Tax exemptions for the life of the project;
		• Guaranteed off-take of power generation;
		• Government of Punjab Guarantees for payment of power off-take;
		• Levelized tariff, which included financial costs (loan & interest) repayment to lenders;
		Determined upfront tariff is worked to aim 17% Return on Equity.
xvi	Description of the project	As mentioned in point no. XV
	Starting and expected date of Completion	Starting of work will be after issuance of Letter of Interest and Completion of work will be completed within 36 months after the financial close.
	Commercial operations date	Within one year from the date of completion
	Expected time by which the project shall start paying return on investment	Within one year after Commercial Operation Date

2) Investment In Coal Power Project:

Management of the Company has suggested to make an investment in 220 MW Coal-fired Power Project at Abdal, Gujranwala, Punjab. Project Company with the proposed name "S2 Power Limited" is proposed to be a Special Purpose Vehicle ("SPV") that will be formed with a joint venture ("JV") with Service Industries Limited and a prospective Chinese partner.

The Project Cost is estimated at approximately USD 330 million, which shall result in an equity investment (20%) of USD 66 million. The balance Project Cost of USD 264 million shall be funded by debt.

Approximately 17% USD-based Return on Equity ("ROE") is being offered in the Upfront Tariff, as determined by NEPRA, which will be in addition to reimbursement of debt servicing cost, fuel costs, operations and maintenance costs, insurance costs and working capital costs.

For initial outlay required for the feasibility study and other development costs, we hereby propose equity investment up to Rs. 50 million by way of purchase of 5,000,000 shares of Rs. 10 each of S2 Power Limited.

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

Ref. No.	Requirement	Information
i	Name of associated company	S2 Power Limited
	Criteria of associated relationship	On basis of Common directorship

ii	Purpose and Benefits 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	5,000,000 Ordinary Shares of Rs. 10 each
vi	Shareholding before investment	Nil
	Shareholding percentage	Nil
	Shareholding after investment	5,000,000 Ordinary Shares
	Shareholding percentage	50%
vii	In case of investment in listed associated company average of the preceding twelve weekly average price of the security intended to be acquired	Not Applicable
viii	In case of investment in unlisted securities, fair market value of shares	Nil
ix	Break-up value of shares	Rs. 10.00 per share
x	Earnings per share for the last three years	Not Applicable
xi	Sources of fund from which shares will be acquired	Own 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	The directors have no interest directly or indirectly in the investment except that they are shareholder/director of the Company.

xv	Any other important detail	The main object of the proposed Company is to set up 220 MW Coal Power Plant in Punjab. Government of Punjab has announced the lucrative incentives for investment in power sector:
		• Tax exemptions for the life of the project;
		• Guaranteed off-take of power generation;
		• Government of Punjab Guarantees for payment of power off-take;
		• Levelized tariff, which included financial costs (loan & interest) repayment to lenders;
		Determined upfront tariff is worked to aim 17% Return on Equity.
xvi	Description of the project	As mentioned in point no. XV
	Starting and expected date of Completion	Starting of work will be after issuance of Letter of Interest and Completion of work will be completed within 40 months after the financial close.
	Commercial operations date	Within one year from the date of completion
	Expected time by which the project shall start paying return on investment	Within one year after Commercial Operation Date

3) Investment in Shares of Crescent Textile Mills Limited:

The management intends to make an investment in its Associated Undertaking M/s The Crescent Textile Mills Limited. The purpose of this investment to earn the dividend income and get the capital gain.

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

Ref. No.	Requirement	Information
i	Name of associated company	The Crescent Textile Mills Limited
	Criteria of associated relationship	On basis of Common directorship
ii	Purpose and Benefits of investment	To earn dividend and capital gain
	Period of investment	Strategic long term investment
iii	Maximum amount of investment	Rs. 50 million (Rupees Fifty million Only)

iv	Maximum price / share	At market value
v	Maximum number of shares to be acquired	Approx 2,500,000 Ordinary Share
vi	Shareholding before investment	Nil
	Shareholding percentage	Nil
	Shareholding after investment	Approx 2,500,000 Ordinary Share
	Shareholding percentage	Approx. 3.125%
vii	In case of investment in listed associated company average of the preceding twelve weekly average price of the security intended to be acquired	Rs. 19.50
viii	In case of investment in unlisted securities, fair market value of shares	Not Applicable
ix	Break-up value of shares	Rs. 56.09
x	Earnings per share for the last three years	Year - 2015 : Rs. 3.97 2014 : Rs. 4.68 2013 : Rs. 2.27
xi	Sources of fund from which shares will be acquired	Company Fund
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	Not Applicable
xiv	Direct / Indirect interest of directors in the associated company	The Directors have no interest directly or indirectly in the investment in The Crescent Textile Mills Limited, except that they are shareholders / directors in the Company.
xv	Any other important detail	Only Equity Investment
xvi	Description of the project	Not Applicable
	Starting date of work	Not Applicable
	Completion of work	Not Applicable
	Commercial operations date	Not Applicable
	Expected time by which the project shall start paying return on investment	Not Applicable