



Through PUCARS / TCS Courier Service

June 2, 2022

The General Manager

Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi-74000

Subject: **NOTICE OF EXTRAORDINARY GENERAL MEETING**

Dear Sir,

We are enclosing herewith the Statement under Section 134(3) of the Companies Act, 2017, which is being sent to the shareholders of the Company along with Notice of Extraordinary General Meeting of Reliance Weaving Mills Limited, which has already been disseminated to PSX, vide our letter dated June 1, 2022.

Yours sincerely,

For Reliance Weaving Mills Limited


Kamran Ahmad Awan
Acting Company Secretary

CC: **Director / HOD**

Surveillance, Supervision and Enforcement Department
Securities & Exchange Commission of Pakistan
NIC Building, 63 – Jinnah Avenue, Blue Area
Islamabad

Encl.: As above

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017- SPECIAL BUSINESS

This statement sets out the material facts pertaining to the special business to be transacted at the Extraordinary General Meeting of Reliance Weaving Mills Limited (the "Company") to be held on June 23, 2022.

**Change in the Terms and Conditions of already approved investments in
Fatima Transmission Company Limited**

Fatima Transmission Company Limited ("FTCL") was incorporated in Pakistan on December 26, 2014 as a public limited company under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The principal activity of FTCL includes operation and maintenance of transmission lines, electrical transmission facilities, electrical circuits, transformers and sub-stations and the movement & delivery of electric power.

The Company has already made investments in the share capital of FTCL and also provided loans/advances under the authority of the following special resolutions passed by the shareholders in accordance with the provisions of Section 199 of the Companies Act, 2017 (the "Act").

- (a) Special resolution dated July 13, 2015 for investment of up to PKR 100 Million in the equity of FTCL.
- i) for investment in the form of an advance, which is to be converted into ordinary shares of the Company, and to charge mark up until the date shares are issued against the advance.; and
 - ii) for investment in the form of loans, guarantees indemnity or any other financial engagement Bank Guarantees, SBLCs, may be converted into Ordinary Share Capital of Fatima Transmission Company Limited.
- (b) The aforesaid limit of PKR 100 Million was enhanced to PKR 300 Million through shareholder's approval dated November 30, 2016;

The Company has made following investments in FTCL as of March 31, 2022:

- Equity investment of PKR 71.87 Million for 7,187,500 ordinary shares of PKR 10 each;
- Investment of PKR 73,397,684 as loans/advances under the authority of above special resolution as against approved limit PKR 300 Million;

The Board of Directors of FTCL has decided to issue preference shares of PKR 10 each in the ratio of 182.60867 preference shares for every 100 existing ordinary shares held by the members of the Company at par. Accordingly, the Company has been offered 13,124,998 preference shares on the Company's shareholding of 7,187,500 shares in FTCL. The fair value of preference shares of FTCL is approximate to par value, i.e. PKR 10 per share.

The shareholders of FTCL have approved the following terms and conditions of the issuance of preference shares.

Description of different kind of shares such as ordinary shares and preference shares;	Issuance of non-cumulative, redeemable, non-voting, participatory preference shares which are convertible at the options of FTCL in a manner as provided hereunder in the description of differential rights.
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Description of different rights such as different class in each kind, rights and privileges attached to each class or kind of capital;

Preference shares of FTCL shall carry the following rights and privileges and be subject to the terms and conditions stated hereunder:

- ✓ Preference shares shall be unlisted, non-voting, non-cumulative, participatory, convertible and redeemable at the option of the FTCL;
- ✓ Preference shareholders shall be entitled up to 60% of the profit after tax as dividend subject to discretion of the Board of Directors and shareholders' approval and completion of necessary formalities. Preference shall be given to preference shareholders before declaring dividend to ordinary shareholders;
- ✓ If FTCL has no surplus/distributable profits available at the end of any financial year, no dividend shall be declared;
- ✓ Any dividend not declared/announced in any financial year shall not accumulate towards entitlement of dividend in future years;
- ✓ Preference shares shall not carry any entitlement of ordinary dividend, rights shares or bonus shares, save as specified in Article 5A of FTCL;
- ✓ Preference shareholders shall neither be entitled to receive notices and attend general meetings nor shall be entitled to presumptive rights in respect of any further issue of ordinary share capital by FTCL;
- ✓ In the event of winding up of FTCL or repayment of the capital, the holders of the preference shares are entitled to a pro rata share of FTCL's available net assets;
- ✓ The preference shares shall, subject to Section 83 of the Companies Act, 2017 be redeemable at par value solely at the option of FTCL after 5 years. Provided that, in case of partial redemption of outstanding preference shares, only whole shares shall be redeemed and such redemption shall be on pro rata basis for all preference shareholders;
- ✓ FTCL may convert the preference shares into ordinary shares at ratio of one ordinary shares for every one preference shares held (1:1) after five years;
- ✓ The face value of preference shares shall not be higher than the par value of existing ordinary shares i.e. PKR 10/- each;
- ✓ Preference shares shall be transferrable among the preference shareholders; and
- ✓ The Preference Shares shall rank *pari-passu* inter-se each other.



The Board of Directors of the Company has recommended to approve the subscription of preference shares as under:

- (a) Subscription of 7,339,768 preference shares offered as right shares. Consideration against these shares will be adjusted against a part of outstanding loans/advances as at March 31, 2022;
- (b) Right offer of remaining 5,785,230 shares be renounced as the Board of Directors of FTCL think appropriate to the best interest of the shareholders;

Inspection of Documents:

All the relevant documents including previously passed special resolutions for investments in FTCL, due diligence report, annual audited accounts of FTCL, shareholding details of directors and associated companies, terms and conditions of the preference shares, fair valuation report of shares of FTCL have been placed at the Registered Office of the Company, which can be inspected from the date of this notice till the date of the meeting. The same will also be available during the course of the meeting for inspection of members.

Directors' Interest:

The Directors are not interested, directly or indirectly, in the aforesaid special business except to the extent of their shareholding.

Information under Regulation 3(1) of the Companies' (Investment in Associated Companies or Associated Undertakings) Regulations, 2017

DISCLOSURE FOR ALL TYPES OF INVESTMENTS	
(A) Regarding associated company or associated undertaking:	
	Investment in Preference Shares
(i) Name of associated company or associated undertaking	Fatima Transmission Company Limited (FTCL)
(ii) Basis of relationship	FTCL was an associated undertaking at the time of previous approval was sought; however, relationship of associated company or undertaking under Section 2(4) of the Act, 2017 had been disassociated with effect from October 26, 2021 but still the shareholders' approval is being sought to avoid any regulatory complications.
(iii) Earnings per share for the last three years	June 30, 2021 PKR (2.53) / share June 30, 2020 PKR (4.04) / share June 30, 2019 PKR (2.96) / share
(iv) Break-up value per share, based on the latest audited financial statements	PKR (1.88) per share based on the audited financial statements for the period ended June 30, 2021.



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(v) Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements; and	<table border="1"> <thead> <tr> <th data-bbox="796 264 1055 365">Particulars</th><th data-bbox="1063 264 1306 365">FTCL (PKR in Million) As of June 30, 2021</th></tr> </thead> <tbody> <tr> <td data-bbox="796 409 1055 443">Paid-up Capital</td><td data-bbox="1063 409 1306 443">230</td></tr> <tr> <td data-bbox="796 443 1055 477">Accumulated Loss</td><td data-bbox="1063 443 1306 477">(273)</td></tr> <tr> <td data-bbox="796 477 1055 510">Total Liabilities</td><td data-bbox="1063 477 1306 510">776</td></tr> <tr> <td data-bbox="796 510 1055 544">Total assets</td><td data-bbox="1063 510 1306 544">733</td></tr> <tr> <td data-bbox="796 544 1055 577">Net Assets</td><td data-bbox="1063 544 1306 577">43</td></tr> <tr> <td data-bbox="796 577 1055 611">Sales</td><td data-bbox="1063 577 1306 611">-</td></tr> <tr> <td data-bbox="796 611 1055 645">Net Profit / Loss</td><td data-bbox="1063 611 1306 645">(58)</td></tr> </tbody> </table>	Particulars	FTCL (PKR in Million) As of June 30, 2021	Paid-up Capital	230	Accumulated Loss	(273)	Total Liabilities	776	Total assets	733	Net Assets	43	Sales	-	Net Profit / Loss	(58)
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<p>(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:</p> <ul style="list-style-type: none"> description of the project and its history since conceptualization; starting date and expected date of completion of work; time by which such project shall become commercially operational; expected time by which the project shall start paying return on investment; and funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts; 	<p>Commercial Operations has been started.</p> <p>--</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p> <p>N/A</p>																
(B) General Disclosure: -																	
(I) maximum amount of investment to be made;	<p>This is change in terms and conditions of investment of up to PKR 300 Million in the form of loans/advances approved by the shareholders. Conversion of loans / advances into preference shares of FTCL will be to the extent of PKR 228.125 Million.</p> <p>Out of approved limit of PKR 300 Million; the Company has already made equity investment in the share capital of FTCL to the extent of PKR 71.87 Million whereas the Company has already provided loans/advances of PKR 73.398 Million to FTCL as of March 31, 2022, which shall be converted into preference shares along with further conversion of loans and advances to be made.</p>																



<p>(II) purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment</p>	<p>To facilitate the investee company to continue its operations and meet its obligations towards its lenders.</p> <p>The Company has already provided PKR 73.398 Million out of the available limit of PKR 228.125 Million. All the gains accrued to the investee company shall become part of the gains to the Company as a shareholder and also as a preference shareholder.</p> <p>Preference shares are equity investment; however, they will be entitled to 60% of the profits of the company as per terms of the issue of preference shares by way of distribution of dividend, which will enhance the profitability of the Company on receipt of such dividends. Tenure of the preference shares shall be 5 years.</p> <p>Preference shares shall have priority over any other distributions made by the Company, apart from having right over the remaining surplus assets of the Company. Whereas, any remaining and/or future amount of investment will continue earning mark up at rates not less than the borrowing cost of the Company.</p>
<p>(III) sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds</p> <ul style="list-style-type: none"> • justification for investment through borrowings; • detail of collateral, guarantees provided and assets pledged for obtaining such funds; and • cost benefit analysis; 	<p>The loans/advances already approved by the shareholders were made/will be made from internal cash generations of the Company. However, the Company has already provided PKR 73.398 Million out of the above-referred already approved limit by the shareholders of the Company.</p> <p>N/A</p> <p>The loans/advances are unsecured and preference shares carry salient features in Paragraph (IV);</p> <p>Preference Shares shall have priority over any other distributions made by the Company, apart from having right over the remaining surplus assets of the Company. Whereas, any remaining and/or future amount of investment will continue earning mark up at rates not less than the borrowing cost of the Company.</p>



(IV) salient features of the agreement(s), if any, with associated company or associated undertaking;	<p>The shareholders of the Company have already approved the investment of up to PKR 300 Million out of which PKR 73.398 Million has already been disbursed. The approval is being sought to convert the above loans into preference shares through preference shares offered / to be offered in future.</p> <p>The terms and conditions of issue of preference shares have already been stated above.</p>
(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;	<p>The Directors are not interested, directly or indirectly, in the aforesaid special business except to the extent of shares held by them in FTCL.</p> <p>The list of shareholdings of Directors in the Company and its associated companies is available for inspection by the shareholders. FTCL does not hold any share in the Company.</p>
(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	<p>The Company has already made an equity investment in the share capital of the Company of PKR 71.87 Million. Investment by way of long-term loans/advances have also been made of PKR 73.398 Million in the investee company out of the total approved limit of PKR 300 Million under the authority of the special resolutions of the shareholders. Mark-up accrued thereon as of March 31, 2022 stood at Rs. 19.27 Million.</p> <p>There is no impairment / write off occurred on said loans/equity investments.</p>
(VII) any other important details necessary for the members to understand the transaction;	<p>The requisite information has been provided in this notice of the EGM; however, any shareholder can request further information from the Company Secretary by sending an email and/or can inspect the documents placed for inspection of the shareholders from the date of notice till the date of meeting.</p>

- (a) In case of equity investment, following disclosures in addition to those provided under clause (a) of sub-regulation 3 shall be made;

(i) Maximum price at which securities will be acquired	PKR 10/- per preference share
(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;	Purchase price is not higher than fair value of security
(iii) Maximum number of securities to be acquired;	The conversion of loan invested as per approved limit into preference shares is based on the outstanding amount of loan divided by PKR 10 each to come to the amount of preference shares to be issued.



	<p>(a) Subscription of 7,339,768 preference shares offered as right shares. Consideration against these shares will be adjusted against a part of outstanding loans/advances as at March 31, 2022;</p> <p>(b) Right offer of remaining 5,785,230 shares be renounced as the Board of Directors of FTCL think appropriate to the best interest of the shareholders;</p>
(iv) Number of securities and percentage thereof held before and after the proposed investment;	The Company already held 31.25% of paid-up ordinary share capital and will hold 17.48% of non-voting preference share capital.
(v) Current and preceding twelve weeks' weighted average market price where investment is proposed to be made in listed securities; and	Not Applicable as conversion of loan is / will be in unlisted security of FTCL.
(vi) Fair value determined in terms of sub-regulation (1) of regulation 5 for investment in unlisted securities;	Fair market value approximate to par value.

The Directors of the Company certify that while presenting these special resolutions for making investment including conversion option in FTCL, necessary due diligence for the proposed investment before recommending it for members' approval have been carried out. Duly signed recommendation of the due diligence report shall be made available to the members in the meeting for inspection along with latest audited financial statements of the associated company.

Status of Investment under Regulation 4(2) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017

	Fatima Energy Limited	Fatima Sugar Mills Limited
Total investment approved	Loans/Advances: PKR 5,000 Million convertible into preference shares Equity Investment: PKR 2,200 Million	PKR 400 Million
Amount of investment made to date	Preference shares: PKR 764 Million Equity Investment: PKR 1,200 Million	Nil
Reason for not having made complete investment so far	As per terms and conditions of approval; the payment shall be made as and when required by the Investee Company.	As per terms and conditions of approval; the payment shall be made as and when required by the Investee Company.
Material changes in financial statements of associated company	As per latest available audited financial statements for the year ended June 30, 2021; the Loss per share is PKR 0.342 and breakup value per share is PKR 7.38.	As per latest available audited financial statements for the year ended September 30, 2021; the Earning per share is PKR 3.39 and breakup value per share is PKR 26.36.



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	Reliance Commodities (Private) Limited	Fatima Transmission Company Limited
Total investment approved	PKR 200 Million	PKR 300 Million
Amount of investment made to date	Nil	Nil
Reason for not having made complete investment so far	As per terms and conditions of approval; the payment shall be made as and when required by the Investee Company.	As per terms and conditions of approval; the payment shall be made as and when required by the Investee Company.
Material changes in financial statements of associated company	As per latest available audited financial statements for the year ended June 30, 2021; the Earnings per share is PKR 25.06 and breakup value per share is PKR 292.37.	As per latest available audited financial statements for the year ended June 30, 2021; the Earnings per share is PKR (2.53) and breakup value per share is PKR (1.856).
	Fazal Cloth Mills Limited	Fatima Holding Limited
Total investment approved	PKR 200 Million	PKR 200 Million
Amount of investment made to date	Nil	Nil
Reason for not having made complete investment so far	As per approved terms and conditions the investment will be made as per requirement of the investee company.	As per approved terms and conditions the investment will be made as per requirement of the investee company.
Material changes in financial statements of associated company	As per latest available audited financial statements for the year ended June 30, 2021; the Earnings per share is PKR 181.06 and breakup value per share is PKR 1,156.58.	As per latest available audited financial statements for the year ended June 30, 2021; the Earnings per share is PKR 4.33 and breakup value per share is PKR 88.90.



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