



FAZAL CLOTH MILLS LIMITED



FCML/Secy/23/1389

Dated: May 30, 2023

The General Manager,
Pakistan Stock Exchange Limited,
Stock Exchange Building,
Stock Exchange Road,
Karachi.

Subject: Notice of Extra Ordinary General Meeting

Dear Sir,

Enclosed please find a copy of Notice of Extra Ordinary General Meeting for circulation amongst your members. The Extraordinary General Meeting will be held on June 20, 2023 at 11:30 A.M. and the aforementioned notices will publish in newspapers on May 31, 2023.

Best Regards


Azher Iqbal
Company Secretary

Copy to:

The Director, Surveillance Supervision Enforcement (SMD), Securities and Exchange Commission of Pakistan, Islamabad.

Head Office: 59/3, Abdali Road, Multan.

Ph: +92 061 4579001-10, Fax: +92-061-4541832

E-mail: info@fazalcloth.com, Website: www.fazalcloth.com

Registered Office: 69/7, Abid Majeed Road, Survey # 248/7, Lahore Cantt, Ph: +92 042-36684909

NOTICE OF EXTRA ORDINARY GENERAL MEETING

Notice is hereby given that an Extra Ordinary General Meeting (EOGM) of the shareholders of Fazal Cloth Mills Limited (the "Company") will be held on Tuesday, June 20, 2023 at 11:30 a.m. at FG Head Office, E/110, Khayaban-e-Jinnah, Defence Chowk, Lahore to transact the following business.

SPECIAL BUSINESS:

1. To consider and if deemed fit, to pass the following resolutions as special resolution(s), with or without any modification(s), addition(s) or deletion(s) to increase the authorized capital of the Company:

RESOLVED THAT the authorized capital of the Company be and hereby increased from Rs. 700,000,000 (Rupees Seven hundred million only) to Rs. 25,000,000,000 (Twenty five billion only) divided into 2,470,000,000 (Two Billion four hundred seventy million) ordinary shares of Rs. 10 each and 30,000,000 (Thirty Million) Cumulative preference shares of Rs. 10 each and Clause V of the Memorandum of Association of the Company and Articles 3 & 84 of the Articles of Association of the Company be and hereby amended to read as under:

Clause V of the Memorandum of Association

The capital of the Company is Rs. 25,000,000,000 (Twenty five billion only) divided into 2,470,000,000 (Two Billion four hundred seventy million) ordinary shares of Rs. 10 each and 30,000,000 (Thirty Million) Cumulative preference shares of Rs. 10 each. The Ordinary and Cumulative Preference Shares shall have the respective rights and benefits given by and in the article of the Company. The Company shall have the power to increase, reduce or recognize the capital of the Company and divide the Ordinary Share Capital of the Company for the time being into several classes in accordance with the provision of the law applicable for the time being.

Article 3 of the Article of Association

The present capital of the Company is Rs. 25,000,000,000 (Twenty five billion only) divided into 2,470,000,000 (Two Billion four hundred seventy million) ordinary shares of Rs. 10 each and 30,000,000 (Thirty Million) Cumulative preference shares of Rs. 10 each. The Ordinary Shares and Cumulative Preference Shares shall have the respective rights and benefits given by and in these Articles. The Company shall have the power to increase, reduce, or reorganize the capital of the Company and divide the shares capital of the Company for the time being into several classes in accordance with the provisions of the law applicable for the time being.

Article 84 of the Article of Association

The Board of Directors' may at any time and from time to time pass a resolution that any sum

- (a) for the time being standing to the credit of any reserve fund or reserve account of the Company, including premiums received on the issue of any shares or debentures of the Company, or
- (b) being undivided net profits in the hand of the Company, be capitalized, and that such sum be appropriated as capital to and amongst the ordinary shareholders in the proportions in which they would have been entitled thereto if the same had been distributed by way of dividend on the ordinary shares, effective; and the Directors shall in accordance with such resolution apply such sum in paying up in full any unissued shares

as bonus shares or debentures of the Company on behalf of the ordinary shareholders aforesaid, and appropriate such bonus shares or debentures and distribute the same credited as fully paid up to any amongst such shareholders in the proportions aforesaid in satisfaction of the shares and interests of such shareholders in the said capitalized sum or otherwise deal with such sum as directed by such resolution. Where any difficulty arises in respect of any such distribution, the Directors may settle the same as they think expedient, and in particular they may fix the value for distribution of any fully paid-up shares or debentures, make cash payments to any shareholders on footing of the value so fixed in order to adjust rights, and vest any such shares or debentures in trustees upon such trusts for or for the benefit of persons entitled to share in the appropriation and distribution as may seem just and expedient to the Directors.

FURTHER RESOLVED THAT additional shares when issue shall carry equal voting rights and rank pari passu with the existing ordinary shares in all respect/matters in conformity with provisions of the Companies Act, 2017.

FURTHER RESOLVED THAT the aforesaid alteration in the Articles of Association of the Company shall be subject to any amendment, modification, addition or deletion as may be required, and such amendment, modification, addition or deletion shall not require fresh approval.

FURTHER RESOLVED THAT the Chief Executive Officer and / or Company Secretary of the Company be and is hereby singly authorized to take all necessary steps and execute documents including legal and corporate formalities and file all requisite documents with Securities & Exchange Commission of Pakistan as may be necessary or expedient for the purpose of giving effect to the spirit and intent of the above resolutions.

2. **To consider and if deemed fit, to pass the following resolutions as special resolution(s), with or without any modification(s), addition(s) or deletion(s) for conversion of Accrued mark up into preference shares:**

RESOLVED THAT approval of the shareholders be and is hereby accorded and the Company be and is hereby authorized to change the terms and conditions of long-term investments in the form of loan provided to Fatima Energy Limited ("FEL") under the authority of special resolutions passed on May 30, 2017, October 27, 2018, November 26, 2020 and March 10, 2022 in terms of Section 199 of the Companies Act, 2017 by conversion of accrued markup (including future mark up till June 30, 2024) of upto PKR 2,000 million into 200 million non-voting, non-cumulative, non-participatory, redeemable preference shares of FEL, to be issued by FEL in accordance with the terms and conditions as per statement of material facts annexed to the notice of the meeting.

RESOLVED FURTHER THAT the non-voting, non-cumulative, non-participatory, redeemable preference shares of FEL to be issued in conversion of accrued mark-up (including mark up till June 30, 2024) shall be issued otherwise than in cash and otherwise than Right Offering by FEL and shall be subject to approval of Securities and Exchange Commission of Pakistan (the "Commission").

RESOLVED FURTHER THAT the Company be and is hereby authorized and empowered to incorporate any modification in these resolutions and/or the terms and conditions for issuance of preference shares as may be directed or advised by the Commission to the Company or the FEL without seeking fresh approval from the shareholders of the Company.

RESOLVED FURTHER THAT the Company be and is hereby authorized to make long term equity investment up to PKR 2,000,000,000 for 200,000,000 non-voting, non-cumulative, non-participatory, redeemable preference shares to be issued by the FEL in conversion of accrued mark up (including mark up till June 30, 2024) from time to time and such investment shall

be in addition to investment limits already approved by the shareholders on May 30, 2017, October 27, 2018 November 26, 2020 and March 10, 2022 and shall be subject to the terms and conditions as disclosed in the statement of material facts annexed to the notice of the meeting

RESOLVED FURTHER THAT Chief Executive Officer and/or Chief Financial Officer and/or Company Secretary be and is/are hereby singly and/or jointly authorized to do all acts, deeds, things and to execute agreement(s), take any or all necessary actions to complete all legal formalities and file all necessary documents as may be necessary or incidental for the purpose of implementing the aforesaid resolutions.

RESOLVED FURTHER THAT each of the aforesaid resolutions shall remain valid and in full force and effect and shall be subject to the Company's obligations under Sponsors Support and other agreements as amended and executed *inter alia* with FEL and its lenders as approved by the shareholders through special resolutions until the Company's obligation under these agreements is discharged or it is revoked or amended by another resolution."

3. To consider and pass, if deemed fit, to pass the following special resolution(s), with or without any modification(s), addition(s) or deletion(s) for making further investment in Fatima Energy Limited:

RESOLVED THAT approval of the shareholders be and is hereby accorded and the Company be and is hereby authorized to make further long term equity investment of upto PKR 282 million in Fatima Energy Limited ("FEL") by way of subscribing 28,200,000 non-voting, non-cumulative, non-participatory, redeemable preference shares of the FEL under Section 199 of the Companies Act, 2017 offered to the Company as right shares or otherwise than right shares in accordance with the terms and conditions provided in statement of material facts annexed to the notice of the meeting.

RESOLVED FURTHER THAT directors of the Company be and are hereby empowered and authorized to make investment in preference shares of the FEL which may be made in single or multiple tranches (to be made from time to time over the period of three years from the date of approval) to the extent of PKR 282 million comprising 28,200,000 non-voting, non-cumulative, non-participatory, redeemable preference shares of the FEL as and when rights letter are offered to the Company and/or allocation of shares against unsubscribed rights portion is made by the Board of Directors of the FEL. This approval by the shareholders of the Company accounts for investment in multiple-tranches and does not require a separate individual approval for each tranche of preference right or otherwise than right shares, unless otherwise terms and conditions for issuance of preference shares are changed and reflected in Articles of Association of the FEL. The Board of Directors of the Company are fully authorized to undertake and complete all necessary corporate and regulatory formalities where required in respect of investment in single or multiple tranches for which they are also authorized to delegate their powers to the Chief Executive of the Company.

RESOLVED FURTHER THAT Chief Executive Officer and/or Chief Financial Officer and/or Company Secretary be and is/are hereby singly and/or jointly authorized to do all acts, deeds, things and to execute agreement(s), take any or all necessary actions to complete all legal formalities and file all necessary documents as may be necessary or incidental for the purpose of implementing the aforesaid resolutions.

RESOLVED FURTHER THAT each of the aforesaid resolutions shall remain valid and in full force and effect and shall be subject to the Company's obligations under Sponsors Support and other agreements as amended and executed *inter alia* with FEL and its lenders as approved by the shareholders through special resolutions until the Company's obligation under these agreements is discharged or it is revoked or amended by another resolution.

4. To consider and pass, if deemed fit with or without modification(s), the following resolutions as special resolutions regarding clarification of the terms of repayment of principal and related mark-up on loan provided to FEL, an associated company under the authority of special resolutions and to pass the following Special Resolution(s):

“RESOLVED THAT the terms of the repayment of loans/advances (including mark-up thereon) provided by the Company to Fatima Energy Limited (the “FEL”) under the authority of special resolutions passed by the shareholders on May 30, 2017, October 27, 2018, November 26, 2020 and March 10, 2022 are clarified / ratified / confirmed as under:

- (a) The repayment of loans/advances including mark-up thereon has been subordinated to the repayment of loans to FEL lenders and shall be paid only after the FEL lenders are fully discharged in terms of the Sponsors Support and other Agreements as amended and executed *inter alia* with the FEL and its lenders which were approved by the shareholders;
- (b) The special resolution passed on 30 May, 2017 authorized the Company to execute the sponsors support and other agreements and to fulfill obligations towards lenders of FEL;
- (c) The mark up on loans was accrued in view of agreements / approval of the shareholders;
- (d) The repayment of the loan or markup was by way of four annual installments commencing from December 31, 2026;
- (e) The principal amount of loans had already been converted into preference shares of the FEL in accordance with the approval of the shareholders on March 10, 2022.
- (f) Mark up accrued (and to be accrued) shall be converted into preference shares under the authority of special resolutions.
- (g) This special resolution shall be treated as passed under Section 199 of the Companies Act, 2017.

RESOLVED FURTHER THAT Chief Executive Officer and/or Chief Financial Officer and/or Company Secretary be and is/are hereby singly and/or jointly authorized to do all acts, deeds, things and to execute agreement(s), take any or all necessary actions to complete all legal formalities and file all necessary documents as may be necessary or incidental for the purpose of implementing the aforesaid resolutions.

(A statement under Section 134(3) of the Companies Act, 2017 pertaining to the aforesaid special business is annexed to this notice circulated to the shareholders).

BY ORDER OF THE BOARD
Fazal Cloth Mills Ltd.

Multan
Dated: May 30, 2023

Azher Iqbal, ACA
Company Secretary

NOTES:

1. CLOSURE OF SHARE TRANSFER BOOKS

The Share Transfer Books of the Company will remain closed from June 13, 2023 to June 20, 2023 (both days inclusive). Physical transfers / CDS Transaction IDs received at the Company's Share Registrar, M/s. Vision Consulting Ltd, 5-C, LDA Flats, Lawrence Road, Lahore, at the close of business on June 12, 2023 will be considered in time for the purpose to determine voting rights of the shareholders for attending the meeting.

2. PARTICIPATION IN EXTRA ORDINARY GENERAL MEETING:

- i. A member entitled to attend and vote at the Extra Ordinary General Meeting is entitled to cast his/ her vote by proxy. Proxies must be deposited at the Head Office of the Company i.e. 59/3 Abdali Road, Multan, not later than forty-eight (48) hours before the time for holding the meeting.
- ii. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular No. 1 of 2000 dated 26 January 2000 issued 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/ her identity by showing his/ her 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 (unless it has been provided earlier) 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 as per the above requirements.
- ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv. The proxy shall produce his/ her original CNIC or original passport at the time of the EOGM.

3. PARTICIPATION IN THE EOGM VIA THE VIDEO CONFERENCING FACILITY:

Shareholders interested in attending the meeting through video conferencing are requested to email the following information with the subject "Registration for Fazal Cloth Mills Limited EOGM" along with a valid copy of both sides of their Computerized National Identity Card (CNIC) at corporate@fazalcloth.com. Video link and login credentials can be shared with only those members whose emails, containing all the required particulars, are received at least 48 hours before the time of EOGM. Registration to attend Extra Ordinary General Meeting through Video Conferencing Facility:

I/We, _____ of _____, being a member of Fazal Cloth Mills Limited, holder of _____ ordinary share(s) as per Registered Folio/CDC Account No. _____ hereby opt for video link facility at _____.
_____ Signature of Member

ELECTRONIC VOTING

- a. In accordance with the Companies (Postal Ballot) Regulation, 2018, (the “Regulations”) the right to vote through electronic voting facility and voting by post shall be provided to members of every listed company for, *inter alia*, all businesses classified as special business under the Companies Act, 2017 in the manner and subject to conditions contained in the Regulations,
- b. In this regard, shareholders who wish to opt the voting through E-voting facility should provide their consent to vote through E-voting facility along with following information:

<i>Folio / CDC Account No.</i>	<i>Name</i>	<i>CNIC No.</i>	<i>Valid Mobile No.</i>	<i>Valid Email address</i>

- c. Details of the e-voting facility will be shared through an e-mail with those members of the Company who have their valid CNIC numbers, cell numbers, and e-mail addresses available in the register of members of the Company by the close of business on June 13, 2023.
- d. The web address, login details, and password, will be communicated to members via email. The security codes will be communicated to members through SMS from the web portal of CDC Share Registrar Services Ltd. (being the e-voting service provider).
- e. Identity of the Members intending to cast vote through e-voting shall be authenticated through electronic signature or authentication for login.
- f. Members shall cast vote online at any time from June 16, 2023, 9:00 a.m. (PST) to June 19, 2023 till 5:00 p.m. (PST). Voting shall close on June 19, 2023, at 5:00 p.m. Once the vote on the resolution is cast by a Member, he/she shall not be allowed to change it subsequently.

PROCEDURE FOR VOTING THROUGH POSTAL BALLOT

- a. Members may alternatively opt for voting through postal ballot. For convenience of the members, Ballot Paper will be available on the Company’s website www.fazalcloth.com within stipulated time to download.
- b. The members must ensure that the duly filled and signed ballot paper, along with a copy of Computerized National Identity Card (CNIC) should reach the Chairman of the meeting through post at the Company’s registered address, FG Head Office, E/110, Khayaban-e-Jinnah, Defence Chowk, Lahore, or email at corporate@fazalcloth.com one day before the EOGM, i.e., on June 19, 2023 before 05:00 pm. A postal ballot received after this time/date shall not be considered for voting. The signature on the Ballot Paper shall match with signature on the CNIC.
- c. In accordance with the Regulation 11 of the Regulations, the Board of the Company has appointed M/s Rizwan & Co., Chartered Accountants, Lahore (a QCR rated audit firm) to act as the Scrutinizer of the Company for the special business to be transacted in the meeting and to undertake other responsibilities as defined in Regulation 11 of the Regulations.

STATEMENT OF MATERIAL FACTS UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

This statement sets out the material facts pertaining to the special business to be transacted at the extraordinary general meeting of Fazal Cloth Mills Limited (the "Company") to be held on June 20, 2023.

TO INCREASE AUTHORIZED CAPITAL OF THE COMPANY

At present the authorized capital of the Company is Rs. 700,000,000 and the paid-up capital is Rs. 300,000,000. The Board of Directors recommend to increase the authorized capital to Rs. 25,000,000,000 in order to facilitate increase in the paid-up capital as and when required to do so, and if thought fit by the members to pass the following resolution as a special resolution.

- a) The authorized share capital of the company be and is hereby increased from Rs. 700,000,000 divided into 40,000,000 ordinary shares Rs.10 each and 30,000,000 (Thirty Million Only) Cumulative preference shares of Rs. 10 each to Rs. 25,000,000,000 (Twenty five billion only) divided into 2,470,000,000 (Two Billion four hundred seventy million) ordinary shares of Rs. 10 each and 30,000,000 (Thirty Million) Cumulative preference shares of Rs. 10 each ranking *pari passu* in every respect with the existing ordinary shares of the Company.
- b) The existing Clause V of the Memorandum of Association of the Company and Article 3 and 84 of the Articles of Association of the Company be and hereby replaced to read as follows:

Clause V of the Memorandum of Association

The capital of the Company is Rs. 25,000,000,000 (Twenty five billion only) divided into 2,470,000,000 (Two Billion four hundred seventy million) ordinary shares of Rs. 10 each and 30,000,000 (Thirty Million) Cumulative preference shares of Rs. 10 each. The Ordinary and Cumulative Preference Shares shall have the respective rights and benefits given by and in the article of the Company. The Company shall have the power to increase, reduce or recognize the capital of the Company and divide the Ordinary Share Capital of the Company for the time being into several classes in accordance with the provision of the law applicable for the time being.

Article 3 of the Article of Association

The present capital of the Company is Rs. 25,000,000,000 (Twenty five billion only) divided into 2,470,000,000 (Two Billion four hundred seventy million) ordinary shares of Rs. 10 each and 30,000,000 (Thirty Million) Cumulative preference shares of Rs. 10 each. The Ordinary Shares and Cumulative Preference Shares shall have the respective rights and benefits given by and in these Articles. The Company shall have the power to increase, reduce, or reorganize the capital of the Company and divide the shares capital of the Company for the time being into several classes in accordance with the provisions of the law applicable for the time being.

Article 84 of the Article of Association

The Board of Directors' may at any time and from time to time pass a resolution that any sum

- (a) for the time being standing to the credit of any reserve fund or reserve account of the Company, including premiums received on the issue of any shares or debentures of the Company, or
- (b) being undivided net profits in the hand of the Company, be capitalized, and that such sum be appropriated as capital to and amongst the ordinary shareholders in the proportions in which they would have been entitled thereto if the same had been distributed by way of dividend on the ordinary shares, effective; and the Directors shall in accordance with such resolution apply such sum in paying up in full any unissued shares

as bonus shares or debentures of the Company on behalf of the ordinary shareholders aforesaid, and appropriate such bonus shares or debentures and distribute the same credited as fully paid up to any amongst such shareholders in the proportions aforesaid in satisfaction of the shares and interests of such shareholders in the said capitalized sum or otherwise deal with such sum as directed by such resolution. Where any difficulty arises in respect of any such distribution, the Directors may settle the same as they think expedient, and in particular they may fix the value for distribution of any fully paid-up shares or debentures, make cash payments to any shareholders on footing of the value so fixed in order to adjust rights, and vest any such shares or debentures in trustees upon such trusts for or for the benefit of persons entitled to share in the appropriation and distribution as may seem just and expedient to the Directors.

LONG TERM EQUITY INVESTMENT IN NON-VOTING, NON-CUMULATIVE, REDEEMABLE, PARTICIPATIVE CONVERTIBLE PREFERENCE SHARES IN CONVERSION OF ACCRUED MARK-UP (INCLUDING MARK UP TILL JUNE 30, 2024) ON LOANS/ADVANCES PROVIDED TO FATIMA ENERGY LIMITED

The Company provided loans under authority of special resolutions to the FEL. While the principal amount of the loans has been converted into preference shares of FEL under the authority of special resolution, the markup accrued pursuant to special resolution and as per terms of the Sponsor Support Agreement approved by shareholders is still outstanding which can be converted into equity as per agreements of the Company with FEL lenders.

It is proposed to convert of accrued markup (including mark up till June 30, 2024) into non-voting, non-cumulative, non-participatory, redeemable preference shares to be issued by the FEL from time to time which shall be long term equity investment in preference shares of FEL.

Initially, FEL will convert accrued mark-of PKR 1,050.524 million payable by FEL into 105,052,355 non-voting, non-cumulative, redeemable, participative convertible preference shares (Series A already issued by the Company) of PKR 10 each. The Company has conveyed its in-principle consent to the FEL, subject to approval from shareholders of the Company, for conversion of accrued markup into non-voting, non-cumulative, redeemable, participative convertible preference shares. Conversion of balance amount of upto PKR 949,476,645 into non-voting, non-cumulative, redeemable, participative convertible preference shares shall be made in future.

The fair value of preference share of FEL is approximates to par value i-e Rupees 9.64 per share. The shareholders of the FEL have already 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 FEL in a manner as provided hereunder in the description of differential rights.
--	--

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 FEL 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 FEL;
- ✓ Preference shareholders shall be entitled up to 60% of the profit after tax as dividend subject to discretion of the

Board of the Directors and approval of shareholders of FEL and completion of necessary formalities. Preference shall be given to Preference Shareholders before declaring dividend to ordinary shareholders;

- ✓ If the FEL has no surplus/distributable profits available at the end of any financial, 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 6A of FEL;
- ✓ Preference shareholders shall neither be entitled to receive notices and attend general meetings nor shall they be entitled to presumptive rights in respect of any further issue of ordinary share capital by FEL;
- ✓ In the event of winding up of FEL or repayment of the capital, the holders of the preference shares are entitled to a pro rata share of FEL'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 the FEL after 21.5 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;
- ✓ FEL 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.

- ✓ FEL shall not amend, alter, vary or reassess the terms and conditions of Preference Issue of such shares carrying differential rights.

The Board of Directors in its meeting held on April 29, 2023 has recommended to approve conversion of accrued markup PKR 1,050.524 million by issuance of 105,052,355 non-cumulative, redeemable, non-voting, participatory preference shares of PKR 10 each subject to approval of the shareholders and the Commission against total limit of PKR 2,000 million.

TO MAKE FURTHER INVESTMENT OF PKR 282 MILLION IN THE FEL

The Company has provided loan(s) to the FEL with the approval of the shareholders. The principal amount of the loans has already been converted into preference shares and mark up is also being converted into preference shares.

The Company now intends to make further investment to the extent of PKR 282 million in the FEL by making investment in preference shares by way of rights issue / subscription of

unsubscribed right shares. In case of investment is made in preference shares; it will be issued on same terms and conditions on which preference shares were issued against loans provided by the company to FEL.

The Board of Directors in its meeting held on May 12, 2023 has recommended investment of upto PKR 282 million in the FEL by way of making long term equity investment in non-cumulative, redeemable, non-voting, participatory preference shares. The fair value of preference share of FEL is approximates to par value i.e. PKR 9.64 per share.

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

(a) Disclosure for all types of investments		
(A) Regarding associated company or associated undertaking: -		
	Conversion of accrued markup up to PKR 2,000 million	Investment in Preference Shares up to PKR 282 million
(i) Name of associated company or associated undertaking	Fatima Energy Limited	
(ii) Basis of relationship	Common control*	
(iii) Loss per share for the last three years (PKR)	June 30, 2022 PKR (18.68) / ordinary share June 30, 2022 PKR (6.52) / per share June 30, 2021 PKR (3.82) / share - Restated June 30, 2020 PKR (1.19) / share	
(iv) Break-up value per share, based on the latest audited financial statements	PKR 17.93 per ordinary share based on the audited financial statements for the year ended June 30, 2022. PKR 6.26 per share (ordinary and preference shares) based on the audited financial statements for the year ended June 30, 2022.	
(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	Particulars	FEL (PKR in million) As of June 30, 2022
	Paid up capital	5,700
	Preference shares	10,642
	Accumulated loss	(6,120)
	Total liabilities	19,393
	Total assets	29,615
	Net assets	10,222
	Sales	2,871
	Net loss	(10,649)
(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-	Not Applicable	

(I) description of the project and its history since conceptualization;	Not Applicable	
(II) starting date and expected date of completion of work;	Not Applicable	
(III) time by which such project shall become commercially operational;	Not Applicable	
(IV) expected time by which the project shall start paying return on investment; and	Not Applicable	
(V) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts;	Not Applicable	
(B) General Disclosure: -		
	Conversion of accrued markup up to PKR 2,000 million	Further Investment of PKR 282 million
(I) maximum amount of investment to be made;	Up to PKR 2,000 million in preference shares against accrued markup or to be accrued.	Up to PKR 282 million
(II) purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	In case of investment in preference shares; the Company will be entitled to 60% of the profits of the FEL by way of distribution of dividend which will enhance the profitability of the Company on receipt of such dividends. Preference shares shall have priority over any other distributions made by the FEL, apart from having right over the remaining surplus assets of the FEL. Investment is for long term	In case of investment in preference shares; the Company will be entitled to 60% of the profits of the FEL by way of distribution of dividend which will enhance the profitability of the Company on receipt of such dividends. Preference shares shall have priority over any other distributions made by the FEL, apart from having right over the remaining surplus assets of the FEL. Investment is for long term
(III) sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds	No further investment would be made against accrued mark up as it is consequent to loan provided by the Company to the FEL which has already been converted into preference shares.	Investment shall be made from internal generated cash flows of the Company.
i. justification for investment through borrowings;	Not Applicable	Not Applicable
ii. detail of collateral, guarantees provided	Not Applicable	Not Applicable

and assets pledged for obtaining such funds; and iii. cost benefit analysis.	Not Applicable	Not Applicable
(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 9,000 million out of which PKR 3,342 million has been made which was subsequently converted into preference shares as per approval of the shareholders on March 10, 2022.</p> <p>Approval is being sought to convert accrued / to be markup on aforesaid loans into preference shares other than cash and other than right offer to all the shareholders.</p> <p>Detailed terms as per agreement placed for inspection.</p>	<p>The approval is being sought to make further investment of PKR 282 million by way of making long term equity investment in preference shares of the FEL.</p> <p>Detailed terms as per agreement placed for inspection.</p>
1. Description of different kind of shares such as ordinary shares and preference shares;	Preference shares	Preference shares
2. Description of different rights such as different class in each kind, rights and privileges attached to each class or kind of capital;	Already fully explained in preceding paragraphs.	
3. Whether the shares are being issued as right or other than right;	Shares shall be issued as other than rights issues and other than cash	Shares shall be issued as right and unsubscribed shares.
4. Whether payment of dividend on preference shares is cumulative or non-cumulative basis;	Non-cumulative	
5. In case the shares being issued are convertible into ordinary shares, then mode, mechanism and manner of such conversion;	The FEL 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. In case of conversion of preference shares into ordinary shares, the same shall be converted at par value only as and when such redemption is applicable and/or due, without any further offer of rights and the ordinary shares so issued to preference shareholders shall rank pari-passu with all existing shareholders of the Company.	

6. Any other feature	In case of failure by the Company to follow terms and conditions, the preference shareholders shall give a 90 days' notice to the Company to rectify the non-compliance. In case of further non-compliance of another 90 days, the Preference Shareholders shall have the right to convert the preference shares approved for issuance under resolutions stated above, in full or in any proportion as they may deem fit, into ordinary shares by giving 90 days' notice to the Company. The Company is authorized to issue shares to such Preference Shareholders accordingly.																																		
(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 businesses except to the extent of their individual shareholding in the Company and Fazal Holdings (Private) Limited, an associated company which holds 5.47% shares in the FEL and 24.51% shareholding of the Company.</p> <p>Detailed information with regard to shares held by directors in the Company and associated companies shall be made available to the members in the meeting for inspection.</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 ordinary share capital of the Company to the extent of PKR 1,083 million.</p> <p>The Company has also made investment by way of long-term loan/advance to the extent of PKR 3,342 million in the FEL out of the total approved limit of PKR 9,000 million which has already been converted into preference shares.</p> <p>The financial position and performance of the FEL as at June 30, 2017 is as under:</p> <table border="1" data-bbox="613 1182 1398 1461"> <thead> <tr> <th>Particulars</th> <th>(PKR in million)</th> </tr> </thead> <tbody> <tr> <td>Paid up capital</td> <td>5,669</td> </tr> <tr> <td>Accumulated loss</td> <td>(171)</td> </tr> <tr> <td>Total liabilities</td> <td>21,780</td> </tr> <tr> <td>Total assets</td> <td>27,278</td> </tr> <tr> <td>Sales</td> <td>-</td> </tr> <tr> <td>Net assets</td> <td>5,498</td> </tr> <tr> <td>Net Profit/loss</td> <td>(62)</td> </tr> </tbody> </table> <p>The Financial Position and Performance as of June 30, 2022 of the FEL is as under:</p> <table border="1" data-bbox="613 1587 1247 1959"> <thead> <tr> <th>Particulars</th> <th>FEL (PKR in million) As of June 30, 2022</th> </tr> </thead> <tbody> <tr> <td>Paid up capital</td> <td>5,700</td> </tr> <tr> <td>Preference shares</td> <td>10,642</td> </tr> <tr> <td>Accumulated loss</td> <td>(6,120)</td> </tr> <tr> <td>Total liabilities</td> <td>19,393</td> </tr> <tr> <td>Total assets</td> <td>29,615</td> </tr> <tr> <td>Net assets</td> <td>10,222</td> </tr> <tr> <td>Sales</td> <td>2,871</td> </tr> <tr> <td>Net loss</td> <td>(10,649)</td> </tr> </tbody> </table>	Particulars	(PKR in million)	Paid up capital	5,669	Accumulated loss	(171)	Total liabilities	21,780	Total assets	27,278	Sales	-	Net assets	5,498	Net Profit/loss	(62)	Particulars	FEL (PKR in million) As of June 30, 2022	Paid up capital	5,700	Preference shares	10,642	Accumulated loss	(6,120)	Total liabilities	19,393	Total assets	29,615	Net assets	10,222	Sales	2,871	Net loss	(10,649)
Particulars	(PKR in million)																																		
Paid up capital	5,669																																		
Accumulated loss	(171)																																		
Total liabilities	21,780																																		
Total assets	27,278																																		
Sales	-																																		
Net assets	5,498																																		
Net Profit/loss	(62)																																		
Particulars	FEL (PKR in million) As of June 30, 2022																																		
Paid up capital	5,700																																		
Preference shares	10,642																																		
Accumulated loss	(6,120)																																		
Total liabilities	19,393																																		
Total assets	29,615																																		
Net assets	10,222																																		
Sales	2,871																																		
Net loss	(10,649)																																		

(VII) any other important details necessary for the members to understand the transaction;	The requisite information has been provided in this notice of EOGM, however, any shareholder can request further information from the Company Secretary of the Company by sending an email and/or can inspect the documents of the Company placed for inspection of the shareholders from the date of notice till the date of meeting.
--	--

IN CASE OF EQUITY INVESTMENT, FOLLOWING DISCLOSURES IN ADDITION TO THOSE PROVIDED UNDER CLAUSE (A) OF SUB-REGULATION 3 SHALL BE MADE FOR AGENDA ITEMS 3 AND 4

	Conversion of accrued markup up to PKR 2,000 million	Further Investment of PKR 282 million
(i) Maximum price at which securities will be acquired	PKR 10/- per preference share	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;	NA	NA
(iii) Maximum number of securities to be acquired;	From time-to-time issue of 200,000,000 preference shares of PKR 10 each other than right and other than cash against accrued markup;	From time-to-time issue of 28,200,000 preference shares of PKR 10 each;
(iv) Number of securities and percentage thereof held before and after the proposed investment;	The Company held 19% of paid-up ordinary share capital. Upon issuance of preference shares; the stake of the Company in preference share capital of the FEL would be increased by 105,052,355.	The Company held 19% of paid-up ordinary share capital. Upon issuance of preference shares; the stake of the Company in preference share capital of the FEL would be increased by 28,200,000.
	Whereas cumulative effect of both the proposed conversion of accrued mark up into non-cumulative, redeemable, non-voting, participatory preference shares and investment in preference shares; preference shares would be increased from 334,207,711 preference shares to 467,460,066 preference share capital after.	
(v) Current and preceding twelve weeks' weighted average market price where investment is proposed to be made in listed securities; and	Not Applicable	
(vi) Fair value determined in terms of sub-regulation (1) of regulation 5 for investment in unlisted securities;	PKR 9.64 per share	

CHANGE IN THE TERMS AND CONDITIONS OF ALREADY APPROVED INVESTMENT IN FATIMA ENERGY LIMITED

Fatima Energy Limited (the "FEL") was incorporated in Pakistan on June 22, 2004 as a public Company limited by shares under the Companies Ordinance, 1984 (now Companies Act, 2017). The principal activity of FEL is to build, own and operate a co-generation power plant of 120 MW. M/s Fazal Cloth Mills Limited (the "Company") is one of the sponsoring shareholders of FEL. As at March 31, 2023; the Company has made following equity investments in the FEL:

- a. Equity investment of PKR 1,083 million for 108,300,000 ordinary shares of PKR 10 each; and
- b. Equity investment of PKR 3,342 million for 334,207,711 Non-voting, non-cumulative, redeemable, convertible preference shares of PKR 10 each;

The Company was required to make certain amendments in the terms and conditions of the Sponsors Support and other Agreements executed with FEL lenders as are necessary to extend the repayment of the loan / advance by way of four annual installments falling due from December 31, 2026. Statement of material facts annexed to the resolutions at the time of seeking approval(s) from the shareholders provided that repayment of the loan shall be made within 10 years from the date(s) of disbursement(s).

As an abundant caution and without prejudice to the Company's views that there was no change in the terms and conditions of the investment approved by the shareholders as has been argued before the Securities and Exchange Commission of Pakistan in the matter of show cause notice dated 09 January, 2023 issued under Section 199 of the Companies Act, 2017, the special resolution reiterate, clarify, ratify and confirm the repayment of the loans and mark up on loans provided to FEL. The loans extended to FEL and markup due thereon are subordinate to secured obligations of the FEL lenders in terms of Sponsors Support Agreement the execution of which was approved by the shareholders on 30 May, 2017. The mark up and loans therefore were payable only after the settlement of financing obtained from FEL lenders. The shareholders have also authorized the authorized signatory to fulfill its commitments to FEL lenders in terms of Sponsors Support Agreement and to execute related agreements, documents, undertakings and commitments as required by FEL lenders as may be considered appropriate by the directors of the company. Accordingly, markup was not recoverable and was required to be accrued.

The Company is of the view that it shall be deemed as compliant to the provisions of Section 199 of the Companies Act, 2017 read with the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 as far as term of repayment of loan is within approved tenor of 10 years from the date of disbursement(s). However, in view of the show cause notice and by way of abundant caution, the Company is seeking passing of the resolution for clarification and ratification regarding repayment of loan and mark up thereon. It is pertinent to mention that the Company has already exercised its option with the approval of the shareholders on March 10, 2022 to convert the entire principal amount of loans amounting to PKR 3,342 million into 334,207,711 non-voting, non-cumulative, redeemable, participative convertible preference shares of PKR 10 each.

The directors of the Company certify that while presenting these above special resolutions, they have carried out necessary due diligence for the proposed conversion of accrued mark-up into preference shares before recommending the same for members' approval. 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.

INSPECTION OF DOCUMENTS

All the relevant documents including Memorandum of Association and Articles of Association of the Company, annual/quarterly accounts of the Company and investee company, relevant Rules

and Regulations issued by SECP, previous approval of the shareholders, agreements, terms and conditions of the Preference Shares, statement of material facts, along with all other relevant information of the Company is provided with this notice of meeting, due diligence report, shareholding details of directors and associated companies and fair valuation report of shares of the FEL have been placed at the Registered Office of the Company which can be inspected from the date of this notice till last working date before 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 businesses except to the extent of Fazal Holdings (Private) Limited an associated company which holds 5.47% shares in FEL and 24.51% shareholding of the Company.

STATEMENT UNDER REGULATION 4 (2) OF THE COMPANIES (INVESTMENT IN ASSOCIATED COMPANIES OR ASSOCIATED UNDERTAKINGS) REGULATIONS, 2017

Name of Investee Company	Fatima Transmission Company Limited (FTCL)		Fatima Energy Limited (FEL)	
Total investment approved	PKR 300,000,000 loan was approved in AGM on October 31, 2015 and will be repayable within ten years from the date of disbursal. Period of Investment till Oct 15, 2024.	The approval from shareholders to enter into SSA obtained in Annual General meeting of the Company held on October 31, 2016. As per SSA the Company as sponsor commits the NIB, in case of default by FTCL, to pay amount outstanding. Further, terms and conditions with FTCL in case of fulfillment of such guarantee were approved by the shareholders on March 25, 2017.	The approval from shareholders to enter into SSA obtained in EOGM of the Company held on May 30, 2017. As per SSA the Company as sponsor commits to lenders of FEL, in case of default by FEL, to pay amount outstanding up to PKR 9,028 million. In AGM dated November 26, 2020 shareholders approved reduction in investment from PKR 9,028 million to PKR 6,000 million.	PKR 500,000,000 loan investment was approved in AGM on November 26, 2020 with period of investment till October 15, 2023.
Amount of investment made to date	PKR 127,956,533	NIL	PKR 400 million	PKR 442.077 million

Reasons for not having made complete investment so far where resolution required it to be implemented in specific time	Further funds request has not yet been made by the investee company.	As per terms and conditions of approval; the payment shall be made as and when required.	As per terms and conditions of approval; the payment shall be made as and when required.	Further investment will be made depending on demand received from investee company
Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company.	As at June 30, 2015	As at June 30, 2016	As at June 30, 2016	
	EPS was PKR (8.78) per share whereas Breakup value per share was PKR 1.22 per share.	EPS was PKR (0.22) per share whereas breakup value per share was PKR 5.38 /share.	Earnings per share was PKR (0.082) per share whereas breakup value per share was PKR 9.8 per share.	
	As at June 30, 2022		As at June 30, 2022	
	As per latest management Accounts for the year ended June 30, 2022 the balance sheet size is Rs. 671.736 million, loss after tax is Rs. 55.083 million, loss per share is Rs. 2.40 and break-up value per share is Rs. (6.21) per share.		As per latest audited financial statements for the year ended June 30, 2022; balance sheet size was PKR 29.615 billion, loss after taxation is PKR 10.649 billion. Earnings per ordinary share and all shares were PKR (18.68) and PKR (6.52) respectively whereas break-up value per ordinary share and all shares were PKR 17.93 and 6.26 per share respectively.	