



SERVICE INDUSTRIES LIMITED

Servis House, 2-Main Gulberg, Lahore

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of Service Industries Limited will be held on **Monday, February 03, 2020 at 11:00 a.m.** at Shalimar Tower Hotel, Adjacent Servis House, 2-Main Gulberg, Lahore to transact the following business:

Special Business:

To consider and if deemed fit, to pass the following resolution as Special Resolution, with or without modification, addition(s) or deletion(s):

“Resolved that approval of the members of Service Industries Limited (the “Company”) be and is hereby accorded in terms of Section 199 of the Companies Act, 2017 read with the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017 and the Company be and is hereby authorized to make long term equity investment of up to US\$ 30,600,000 (United States Dollars Thirty Million Six Hundred Thousand Only) in equivalent Pakistani Rupees from time to time in Service Long March Tyres (Private) Limited, incorporated as a subsidiary company, for subscribing, at Par, fully paid up ordinary shares of Rs. 10 each from time to time, as per terms and conditions disclosed to the members.

Further resolved that the aforesaid special resolution shall be valid for a period of 3 (three) years from the date of approval by the members of the Company.

Further resolved that Mr. Arif Saeed, Chief Executive Officer and / or any Director of the Company be and are hereby singly empowered and authorized to undertake the decision of said investment and to do all acts, matters, deeds and things, take any or all necessary actions including signing and execution of agreement(s) and to complete all legal formalities as may be necessary or incidental expedient for the purpose of implementing the aforesaid resolutions.”

Attached to this Notice circulated to the entitled persons, is a statement of material facts under Section 134(3) of the Companies Act, 2017 pertaining to the Special Business to be transacted at the Extraordinary General Meeting.

By Order of the Board

Lahore
January 13, 2020

WAHEED ASHRAF
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from January 28, 2020 to February 03, 2020 (both days inclusive). Transfers received in order by our Shares Registrar, M/s. Corplink (Private) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore by the close of business on January 27, 2020 will be considered in time for the purpose of attending and voting at the Extraordinary General Meeting.





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2. A member of the Company entitled to attend and vote at the Extraordinary General Meeting may appoint another member as his/her proxy to attend and vote in place of him/her at the meeting. Proxies in order to be effective must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the time of meeting. A proxy must be a member of the Company.
3. Members, who have deposited their shares into Central Depository Company of Pakistan Limited, are being advised to bring their original National Identity Cards along with CDC Participant ID and account number at the meeting venue.
4. Members who have deposited their shares into Central Depository Company of Pakistan Limited ("CDC") will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting

- a. In case of Individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall authenticate his/her identity by showing his/her original CNIC or, original Passport at the time of attending the Meeting.
- b. In case of corporate entity, the Board's 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

- a. In case of individuals, the account holder and/or sub-account holder whose registration details are uploaded as per the CDC Regulations, shall submit the proxy form as per above requirements.
 - b. The proxy form shall be witnessed by two persons, whose names, addresses and CNIC numbers shall be mentioned on the form.
 - c. Attested copies of the CNIC or the passport of beneficial owners and the proxy shall be furnished with the proxy form.
 - d. The proxy shall produce his original CNIC or original passport at the time of the Meeting.
 - e. In case of corporate entity, the Board's resolution / power of attorney with specimen signature shall be furnished (unless it has been provided earlier) along with proxy form to the Company.
5. Pursuant to the provisions of the Companies Act, 2017, the shareholders residing in a city and holding at least 10% of the total paid up share capital may demand the Company to provide the facility of video-link for participating in the meeting. The demand for video-link facility shall be received by the Share Registrar at the address given hereinabove at least ten (10) days prior to the date of the meeting on the Standard Form available on the company's website: www.servisgroup.com.
 6. Members having physical shares are requested to immediately notify the change in their addresses, if any to our Shares Registrar, whereas CDC account holders are requested to contact their CDC Participant / CDC Account Services.





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STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017 CONCERNING THE SPECIAL BUSINESS TO BE TRANSACTED AT THE EXTRAORDINARY GENERAL MEETING:

This statement sets out the material facts concerning the Special Business to be transacted at the Extraordinary General Meeting of the Company to be held on February 03, 2020.

The Service Industries Limited ("SIL") has entered into a Joint Venture Agreement with, Chaoyang Long March Tyre Co. Ltd, ("LM"), a Chinese Company and Myco Corporation, Pakistan for setting up a Joint Venture Company in Pakistan for the manufacturing of Truck and Bus radial category of tyres. Accordingly, a Joint Venture Company under the name of Service Long March Tyres (Private) Limited has been incorporated in Pakistan on January 07, 2020 with an authorized share capital of Rs. 10,000,000,000 (Rupees ten billion only) divided into 1,000,000,000 ordinary shares of Rs. 10 each.

The equity stake of the parties in the Joint Venture Company will be as follows:

SIL – 51% (with or without collaboration of associates / others)

LM - minimum 44% (maximum 49%)

Mr. Shabir Ahmad of Myco Corporation, Pakistan - maximum 5% (any shortfall will be contributed by LM).

The project cost of the Joint Venture Company in Phase 1 is estimated to be US\$ 100,000,000 (United States Dollars One Hundred Million Only) which shall be financed through an aggregate equity contribution equivalent to US\$ 60,000,000/- (United States Dollars Sixty Million Only) and debt equivalent to US\$ 40,000,000/- (United States Dollars Forty Million Only). The equity of US\$ 60,000,000 will be contributed by SIL, LM and Mr. Shabir Ahmad of Myco Corporation in accordance with their respective shareholdings. Since the shareholding ratio of SIL is 51% hence the equity contribution of SIL in the Joint Venture Company will be US\$ 30,600,000. The investment will be made in equivalent Pakistani Rupees from time to time, as may be required.

The information required to be disclosed to the members under S.R.O No. 1240(1)/2017 dated 06 December 2017 Companies (Investment in Associated Companies or Associated Undertakings) Regulations 2017, is as follows:

Ref. No.	Requirement	Information
(a)	Disclosure for all types of investments:	
	(A) Disclosure regarding associated company	
(i)	Name of associated company or associated undertaking	Service Long March Tyres (Private) Limited
(ii)	Basis of relationship	The Company is incorporated as a subsidiary company.
(iii)	Earnings per share for the last three years	Not Applicable, Service Long March Tyres (Private) Limited is a newly incorporated joint venture company.
(iv)	Break-up value per share, based on latest audited financial statements	Not Applicable, Service Long March Tyres (Private) Limited is a newly incorporated joint venture company.





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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	Not Applicable, Service Long March Tyres (Private) Limited is a newly incorporated joint venture company.
(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	
(I)	Description of the project and its history since conceptualization	<p>SIL entered into a joint venture agreement with Chaoyang Long March Tyre Co., Ltd., a Chinese Company and Myco Corporation of Pakistan for setting up a production facility in Pakistan ("Project") for the manufacturing and sale of truck and bus radial category of tyres ("TBR Tyres"), to serve the progressive demand of local as well as exports to other countries. Pursuant to the Agreement, a Joint Venture Company under the name and style of Service Long March Tyres (Private) Limited has been incorporated on January 07, 2020.</p> <p>The total cost of the Project is estimated to be around US\$ 250,000,000 and the targeted production capacity is 2.4 million tyres per annum.</p> <p>The Project will be set up in three phases.</p> <p>In Phase 1, the production capacity of the Project will be 0.6 million tyres per annum which will be doubled to 1.2 million tyres in Phase 2 and in Phase 3, the production capacity would be further enhanced to 2.4 million tyres per annum.</p>
(II)	Starting date and expected date of completion of work	The work on the project is expected to start in 1 st quarter of 2020. The project work is expected to be completed in the 1 st Quarter of 2021.
(III)	Time by which such project shall become commercially operational	By 2 nd Quarter of 2021 approximately.
(IV)	Expected time by which the project shall start paying return on investment	In financial year 2022/2023.
(V)	Funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts	The Project cost of Service Long March Tyres (Private) Limited in Phase 1 amounting to US\$ 100,000,000 shall be financed through an aggregate equity contribution equivalent to US\$ 60,000,000/- (United States Dollars Sixty Million Only) and debt equivalent to US\$ 40,000,000/- (United States Dollars Forty





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		Million Only). The equity of US\$ 60,000,000 will be contributed by SIL, LM and Mr. Shabir Ahmad of Myco Corporation in accordance with their respective shareholding. Since the shareholding ratio of SIL is 51% hence the equity contribution of SIL in the subsidiary company for Phase 1 of the project comes to US\$ 30,600,000. All equity investments shall be made in cash.
(B) General Disclosures		
(i)	Maximum amount of investment to be made	Up to US\$ 30,600,000 (United States Dollars Thirty Million Six Hundred Thousand Only) in equivalent Pakistani Rupees.
(ii)	Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	To earn dividend income and / or capital gains which will enhance the profitability of SIL and add to the value of the members of SIL. The investment in Service Long March Tyres (Private) Limited will be for long term.
(iii)	Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds	The investment will be made from SIL's own sources and if needed, funds will be borrowed.
	(I) justification for investment through borrowings	The Investment may be made through borrowed funds which is justified in view of long-term prospects and earnings of Service Long March Tyres (Private) Limited.
	(II) detail of collateral, guarantees provided and assets pledged for obtaining such funds	Land, Building and Plant & Machinery of SIL will be pledged for obtaining funds, if required from financial institutions.
	(III) cost benefit analysis	Based on the projections of Service Long March Tyres (Private) Limited, long term benefits expected to be accrued to SIL are much more than the cost of borrowed funds.
(iv)	Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment	SIL entered into a joint venture agreement on November 18, 2019 with Chaoyang Long March Tyre Co., Ltd., China and Myco Corporation of Pakistan for making equity investment in Service Long March Tyres (Private) Limited. As per the agreement, in addition to other conditions, the shareholders will contribute equity in the following ratios: SIL – 51% (with or without collaboration of associates / others) LM - minimum 44% (maximum 49%) Mr. Shabir Ahmad of Myco Corporation, Pakistan - maximum 5% (any shortfall will be contributed by LM).



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(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, Chief Executive, Sponsors, majority shareholders and their relatives of SIL have no interest, directly or indirectly, in Service Long March Tyres (Private) Limited, except in their capacities as being Directors, Chief Executive and the sponsors of Service Long March Tyres (Private) Limited.</p> <p>Chaudhry Ahmed Javed, Mr. Arif Saeed, Mr. Omar Saeed and Mr. Hassan Javed, Directors of SIL are also the Directors of Service Long March Tyres (Private) Limited.</p> <p>Service Long March Tyres (Private) Limited does not hold any share in SIL. The shareholding of Directors of Service Long March Tyres (Private) Limited mentioned above in SIL is mentioned herein.</p> <p>Following are the present shareholdings of Directors in SIL:</p> <table border="1" data-bbox="900 891 1445 1346"><thead><tr><th>Name of Director</th><th>Shareholding</th></tr></thead><tbody><tr><td>Chaudhry Ahmed Javed</td><td>824,906</td></tr><tr><td>Mr. Arif Saeed and his spouse</td><td>2,006,910</td></tr><tr><td>Mr. Omar Saeed</td><td>1,951,087</td></tr><tr><td>Mr. Hassan Javed</td><td>3,623,060</td></tr><tr><td>Mr. Osman Saifullah Khan</td><td>156</td></tr><tr><td>Mr. Rehman Naseem</td><td>1,250</td></tr><tr><td>Mr. Riaz Ahmed</td><td>7,031</td></tr><tr><td>Mr. Muhammad Amin</td><td>62</td></tr></tbody></table>	Name of Director	Shareholding	Chaudhry Ahmed Javed	824,906	Mr. Arif Saeed and his spouse	2,006,910	Mr. Omar Saeed	1,951,087	Mr. Hassan Javed	3,623,060	Mr. Osman Saifullah Khan	156	Mr. Rehman Naseem	1,250	Mr. Riaz Ahmed	7,031	Mr. Muhammad Amin	62
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(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	Not Applicable																		
(vii)	Any other important details necessary for the members to understand the transaction	None																		
(b)	Additional disclosure regarding Equity Investment																			
(i)	Maximum price at which securities will be acquired	Par value i.e., @ Rs. 10/- per 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	Not Applicable. The investment is being made in green field project at Par value of Rs. 10 each which is considered fair value.																		



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(iii)	Maximum number of securities to be acquired	The shares will be acquired at Par value of Rs. 10 each. As of the date of the notice of Extra Ordinary General Meeting, Pak Rupees equivalent of US\$ 30,600,000 will be Rs. 4,738,410,000 and accordingly, the number of shares will be 473,841,000 which shall be subject to variation due to currency fluctuation at the time of actual investment.
(iv)	Number of securities and percentage thereof held before and after the proposed investment	No current investment in subsidiary. The Company will hold 51% shareholding in Service Long March Tyres (Private) Limited.
(v)	Current and preceding twelve weeks' weighted average market price where investment is proposed to be made in listed securities;	Not Applicable
(vi)	Fair value determined in terms of sub-regulation (1) of regulation 5 for investments in unlisted securities	Since the Project is a green field project, the share of Service Long March Tyres (Private) Limited has been valued at par i.e., Rs. 10.

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

Name of Investee Company	S2 Power Limited
Total Investment Approved	Long term equity investment up to Rs. 25 million for purchase of 2,500,000 shares was approved by the members in EOGM held on July 24, 2014 for the period of three (3) years. The validity of resolution for investment in S2 Power Limited was extended, in the EOGM of the Company held on July 28, 2017, for further three (3) years i.e., up to July 27, 2020.
Amount of Investment made to date	An investment of Rs. 240,000 has been made so far by the Company.
Reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in a specified time	The investment will be made as and when funds are required by the associated Company.
Material change in financial statements of associated company or associated undertaking since the date of the resolution passed for approval of investment in such company	As per audited financial statements for the year ended June 30, 2018 the balance sheet size was Rs. 3, loss after tax was Rs. 125,522 and loss per share was Rs. 2.51. As per latest audited financial statements for the year ended June 30, 2019 the balance sheet size is Rs. 2,447, loss after tax is Rs. 166,306 and loss per share is Rs. 3.33.

