systems
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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given to all the members of Systems Limited (the "**Company**") that 42nd Annual General Meeting of the Company is scheduled to be held on 26 April 2019 at 11:00 A.M. at the Company's registered office situated at: E-1, Sehjpal Road, DHA Phase VIII (Ex- Air Avenue), Lahore to transact the following business:

Ordinary Business:

1. To confirm the minutes of the last Annual General Meeting held on 26 April 2018.
2. To, receive, consider and adopt the Audited Accounts of the Company for the year ended 31 December 2018 together with the Board of Directors' and Auditors' report thereon.
3. To approve and declare cash dividend @ 20 % i.e. PKR 2/ per share, for the year ended 31 December 2018 as recommended by the Board of Directors and to approve issuance of bonus shares at 10%.
4. To appoint Auditors and fix their remuneration for the year ending 31 December 2019. The Board of Directors upon recommendation of audit committee has recommended M/s EY Ford Rhodes, Chartered Accountants, being eligible for re-appointment as auditors of the company for the year ending 31 December 2019.

Special Business

5. To consider and, if thought fit, pass, with or without modification, the following special resolution in terms of Section 199 of Companies Act, 2017, for increase in existing investment in the form of loan and guarantee in UUS Joint Venture (Private) Limited, an associated company of the Company, from Rs. 400 million to Rs. 600 million.

   "**Resolved that** Systems Limited (the "**Company**") shall increase its existing investment in its associated company, UUS Joint Venture (Private) Limited (Associated Company) in the form of loan and guarantee amounting to Rs. 400 million to Rs. 600 million on the terms and conditions to be contained in the agreement to be executed between the Company and Associated Company in terms of Section 199 of Companies Act, 2017.

   "**Resolved further that** Mr. Muhammad Asif Peer, the Chief Executive of the Company (the "Authorized Officer"), be and is hereby empowered and authorized to undertake, execute and implement all the decisions in respect of the Investment and to take and do and/or cause to be taken or done any/all necessary acts, deeds and things, and to take any or all necessary actions

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which are or may be necessary, incidental and/or consequential to give effect to the aforesaid resolution, including signing and execution of documents and agreements and to complete all necessary legal formalities and to file all necessary documents as may be necessary or incidental for the purposes of implementing the aforesaid resolution".

6. To consider and, if thought fit, pass, with or without modification, the following special resolution in terms of Section 199 of Companies Act, 2017, for increase in existing investment in the form of running credit line in E-Processing Systems (Private) Limited, a subsidiary company of the Company, from Rs. 240 million to Rs. 340 million. The company also proposes to convert the running credit line into a 5 year term loan convertible into equity.
In 2018, EP Systems grew by 153% and is operationally profitable in the last quarter.

   "Resolved that Systems Limited (the Company) shall increase its existing investment in its subsidiary company, E-Processing Systems (Private) Limited (Subsidiary Company). From Rs. 240 million to Rs. 340 million.

   "Also Resolved that the loan is converted from a running credit line renewable each year to a five year term loan convertible into equity, on the terms and conditions to be contained in the agreement to be executed between the Company and Subsidiary Company in terms of Section 199 of Companies Act, 2017.

   Further resolved that Mr. Muhammad Asif Peer, Chief Executive of the Company be and are hereby singly empowered and authorized to undertake the decisions of investment and to take and do and/or cause to be taken or done any/all necessary acts, deeds and things, take any or all necessary actions which are or may be necessary, incidental and/or consequential to give effect to the aforesaid resolution including signing and execution of documents and agreements and complete all necessary legal formalities and file all necessary documents as may be necessary or incidental for the purposes of implementing the aforesaid resolution."

7. To consider and, if thought fit, pass, with or without modification, the following special resolution in accordance with Section 83 (1)(b) of the Companies Act, 2017 for issuance of shares other than right.

   "**Resolved that** the issuance of 400,000 shares through other than rights issue for cash consideration to Visionet Systems Inc./ Visionet Deutschland GMBH, an associated company of the Company, for distribution to certain employees as token of appreciation for their dedicated contribution towards Visionet Systems Inc./ Visionet Deutschland GMBH as well as the Company be and is hereby approved."

   "**Resolved further that** Mr. Muhammad Asif Peer, the Chief Executive of the Company (the "Authorized Officer") or such other person delegated by him, be and is hereby empowered and

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authorized to undertake, execute and implement all the decisions in respect of the said issuance and to take and do and/or cause to be taken or done any/all necessary acts, deeds and things, and to take any or all necessary actions which are or may be necessary, incidental and/or consequential to give effect to the aforesaid resolution, including signing and execution of documents and agreements and to complete all necessary legal formalities and to file all necessary documents as may be necessary or incidental for the purposes of implementing the aforesaid resolution."

8. To convert the loan amount of Rs. 220,800,197/- given to E-processing Systems (Private) Limited ("**EP Systems**") by the Company into shares of EP Systems.

   "**Resolved that** the Company shall exercise its option for conversion of loan to equity as provided under the terms of the Loan Agreement executed between the Company and EP Systems."

   "**Resolved further that** keeping in mind that EP Systems is a subsidiary of the Company, the Company wishes to offer a ten percent (10%) discount on the share price calculated for the conversion of the loan amount."

   "**Resolved further that** Mr. Muhammad Asif Peer, the Chief Executive of the Company (the "Authorized Officer") or such other person delegated by him, be and is hereby empowered and authorized to undertake, execute and implement all the decisions in respect of the said loan to equity conversion and to take and do and/or cause to be taken or done any/all necessary acts, deeds and things, and to take any or all necessary actions which are or may be necessary, incidental and/or consequential to give effect to the aforesaid resolution, including signing and execution of documents and agreements and to complete all necessary legal formalities and to file all necessary documents as may be necessary or incidental for the purposes of implementing the aforesaid resolution".

Other Business:

9. Any other Business with the permission of the Chair.

By Order of the Board

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Saad Hasan Aslam
Company Secretary

05 April, 2019
Lahore

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NOTES:

1. The Share Transfer books of the Company will be closed from 20 April 2019 to 26 April 2019 (both days inclusive). Transfer received at the address of M/s THK Associates (Pvt.) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi at the close of business on 19 April 2018 will be treated in time for the purpose of above entitlement to the transferees.

2. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote in his/her place. Proxies completed in all respect, in order to be effective, must be received at the Registered Office of the Company not less than forty eight (48) hours before the time of meeting.

3. Pursuant to the directive of the Securities & Exchange Commission of Pakistan, CNIC numbers of shareholders are mandatorily required to be mentioned on Dividend Warrants. Shareholders are, therefore, requested to submit a copy of their CNIC (if not already provided) to the Company Share Registrar, M/s THK Associates (Pvt.) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi.

4. The Government of Pakistan through Finance Act, 2017 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding Tax on the amount of dividend paid by the companies/banks. These tax rates are as follows:

   (a) For filers of income tax returns 15%
   (b) For non-filers of income tax returns 20%

   To enable the Company to make tax deduction on the amount of cash dividend @15% instead of 20% all shareholders whose names are not entered into the Active Tax- payers list (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of payment of the cash dividend, otherwise tax on their cash dividend will be deducted @20% instead of 15%.

   The joint shareholders are requested to provide shareholding proportions of principal shareholders & joint shareholders as withholding tax will be determined separately on Filer/Non-filer status based on their shareholding proportions otherwise it will be assumed that shares are equally held.

   The Corporate shareholders having CDC account are required to have their National Tax Number (NTN) updated with their respective participants, whereas physical shareholders should send a copy of their NTN Certificate to the Company or Company's Share Registrar, M/s. THK Associates (Pvt.) Limited. The shareholders while sending NTN or NTN Certificate, as the case may be, must quote Company name and their respective folio numbers.

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5. SECP through its notification SRO 787(1) /2014 dated September 8, 2014 has allowed the circulations of Audited Financial Statement along with Notice of Annual General Meeting to the Members through e-mail. Therefore, all members of the Company who wish to receive soft copy of Annual Report are requested to send their e-mail addresses. The consent form for electronic transmission could be downloaded from the Company Website: www.systemsltd.com Audited financial statements & reports are being placed on the aforesaid website.

6. All the account holders whose registration details are uploaded as per CDC Regulations shall authenticate their identity by showing original CNIC at the time of attending the meeting. In case of corporate entity, a certified copy of resolution of the Board of Directors / valid Power of Attorney having the name and specimen signature of the nominee should be produced at the time of meeting.

7. In order to make process of payment of cash dividend more efficient, e-dividend mechanism has been envisaged where shareholders can get amount of dividend credited into their respective bank accounts electronically without any delay. In this way, dividends may be instantly credited to respective bank accounts and there are no chances of dividend warrants getting lost in the post, undelivered or delivered to the wrong address, etc. The Securities and Exchange Commission of Pakistan (SECP) through Notice No. 8(4) SM/CDC 2008 dated 5 April 2013 has advised all Listed Companies to adopt e-dividend mechanism due to the benefits it entails for shareholders. In view of the above, you are hereby encouraged to provide a dividend mandate in favour of e-dividend by providing dividend mandate form duly filled in and signed.

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Statement under Section 134 (3) of the Companies Act, 2017

This statement set out the material facts concerning the special business to be transacted at the annual general meeting of the Company to be held on April 26, 2019.

Agenda Item No. 5

Nature of information required to be disclosed pursuant to The Companies (Investment in Associated Companies or Undertakings) Regulations, 2017, for investment in associated company M/s UUS Joint Venture (Pvt.) Limited is as follows:

Ref. No.	Requirement	Relevant Information	
(a) Disclosures for all types of investments:-			
(A) Regarding associated company or associated undertaking:-			
i	name of the associated company	UUS Joint Venture (Private) Limited	
ii	basis of relationship	49.99 % shareholding / Common directorship	
iii	earnings per share for the last three years	N/A	
iv	break-up value per share, based on latest audited financial statements;	N/A	
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	Statement of Financial Position – 31 December 2018	
		Non-current assets	-
		Current assets	663,418,370
		Shareholders' equity	8,071,051
		Non-current liabilities	-
		Current liabilities	655,347,319
		Profit & Loss A/C – 31 December 2018	
		Revenue	426,421,496
		Cost of revenue	334,851,848
		Gross profit	91,569,648
		Loss for the year	60,090,317
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,-	N/A	

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Ref. No.	Requirement		Relevant Information
	(I)	description of the project and its history since conceptualization;	
	(II)	starting date and expected date of completion of work;	
	(III)	time by which such project shall become commercially operational;	
	(IV)	expected time by which the project shall start paying return on investment; and	
	(V)	funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts;	
(B) General Disclosures			
(i)	maximum amount of investment to be made;		Investment to be increased from Rs. 400 million to Rs. 600 million
(ii)	purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment;		Purpose: To meet working capital requirements of UUS Joint Venture (Private) Limited and to give guarantee to Pakistan Civil Aviation Authority. Benefit: The completion of project will results in distribution of profits by UUS Joint Venture (Pvt.) Limited to Systems Limited. Period of Investment: The period of investment shall be one (1) year.
(iii)	sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds,-		Loan shall be from own funds while guarantee shall be issued by the banker of Systems Limited.
	(I)	justification for investment through borrowings;	UUS Joint Venture (Private) Limited is only a special purpose vehicle for executing Pakistan Civil Aviation Authority (PCAA) project awarded to consortium of Systems Limited and Beijing UniStrong Science & Technology Co. It is Systems Limited liability to issue guarantee to (PCAA).

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Ref. No.	Requirement		Relevant Information
	(II)	detail of collateral, guarantees provided and assets pledged for obtaining such funds; and	Building
	(III)	cost benefit analysis;	N/A
(iv)	salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment;		None. Agreement shall be executed in line with section 199 of Companies Act, 2017 and resolution of shareholders to be passed in annual general meeting.
(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;		Mr. Asif Peer, CEO of Systems Limited is also member and director in UUS Joint Venture (Pvt.) Limited.
(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		Under the terms of the Project Agreement executed between UUS-JV and Civil Aviation Authority ("CAA"), UUS-JV was entitled to 5 (five) payments in total for the provision of services against the decided milestones. Till date, UUS-JV has only received 3 (three) payments and is yet awaiting the remaining 2 (two) payments from the CAA against outstanding milestones. After the completion of the said milestones, CAA shall release the performance guarantees provided for the Project. In order to meet the working capital requirements for the remaining milestones / stages of the Project, the Company wishes to increase the loan guarantee limit from Rs. 400,000,000/- (Pakistani Rupees Four Hundred Million only) to Rs. 600,000,000/- (Pakistani Rupees Six Hundred Million only) till such time that the milestones are completed by UUS-JV and the afore-mentioned performance guarantees are released by CAA.There is no impairment or write-off.
(vii)	any other important details necessary for the members to understand the transaction;		N/A
In case of investments in the form of loans, advances and guarantees, following disclosures in addition to those provided under clause (a) of sub-regulation (1) of regulation 3 shall be made,-			
(i)	category-wise amount of investment;		N/A

Ref. No.	Requirement	Relevant Information
(ii)	average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for *Shariah* compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period	ERF loan: Average borrowing cost of investing company is SBP rate plus 0.5%.
(iii)	rate of interest, mark-up, profit, fees or commission etc to be charged by investing company	Higher of KIBOR or borrowing cost of investing company in line with section 199 of companies act 2017.
(iv)	particulars of collateral or security to be obtained in relation to the proposed investment;	Unsecured
(v)	If the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable; and	N/A
(vi)	repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking;	Principal: One (1) year from disbursement. Mark-up: Quarterly basis.

Agenda Item No. 6

Nature of information required to be disclosed pursuant to The Companies (Investment in Associated Companies or Undertakings) Regulations, 2017, for investment in associated/subsidiary company M/s E-Processing Systems (Pvt.) Limited is as follows:

Ref. No.	Requirement	Relevant Information
(a) Disclosures for all types of investments:- (A) Regarding associated company or associated undertaking:-		
I	name of the associated company	E-Processing Systems (Private) Limited
Ii	basis of relationship	53.02% shareholding/Subsidiary/ Common directorship

Ref. No.	Requirement	Relevant Information		
Iii	earnings per share for the last three years	31 Dec 2018 (Rs.)	31 Dec 2017 (Rs.)	31 Dec 2016 (Rs.)
		(106.46)	(97.77)	(96.02)
Iv	break-up value per share, based on latest audited financial statements;	Rs. (65.52)		
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	Statement of Financial Position – 31 December 2018		
		Non-current assets	116,923,843	
		Current assets	121,456,758	
		Shareholders' equity	(17,302,553)	
		Non-current liabilities	-	
		Current liabilities	255,683,154	
		Profit & Loss A/C – 31 December 2018		
		Revenue	193,861,571	
		Cost of revenue	143,642,240	
		Gross profit	50,219,331	
		Loss for the year	(28,112,968)	
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,-	N/A		
	(I) description of the project and its history since conceptualization;			
	(II) starting date and expected date of completion of work;			
	(III) time by which such project shall become commercially operational;			
	(IV) expected time by which the project shall start paying return on investment; and			
	(V) funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts;			
(B) General Disclosures				

Ref. No.	Requirement	Relevant Information
(i)	maximum amount of investment to be made;	Investment to be increased from Rs. 240 million to Rs. 340 million
(ii)	purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment;	Purpose: To meet increased working capital requirement of E-Processing Systems (Private) Limited arising due to expansion of operations and expected launch of new feature its product OneLoad. Benefit: The investment would support E-Processing Systems (Private) Limited in smoothly meeting growing working capital requirements due to expansion of operations and launching of new features in its product OneLoad. Expansion in operations and new features would generate profit for shareholders including investing company. Period of Investment: The period of investment shall be five (5) years and convertible into equity at the discretion of the investor.
(iii)	sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds,-	Own Funds
	(I) justification for investment through borrowings;	N/A
	(II) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and	
	(III) cost benefit analysis;	
(iv)	salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment;	Agreement is executed in line with section 199 of Companies Act, 2017.
(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;	Mr. Aezaz Hussain, Chairman and Mr. Asif Peer, CEO of Systems Limited are also directors of E-Processing (Private) Limited. Mr. Aezaz Hussain, Chairman, Mr. Arshad Masood, Director and Mr. Asif Peer, CEO of

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Ref. No.	Requirement	Relevant Information
		Systems Limited are also member in E-Processing Systems (Private) Limited either directly or through direct relatives.
(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	The company had invested Rs. 49.7 million in shape of equity investment and Rs. 220,800,197 in shape of loan in E-Processing Systems (Private) Limited. With this investment, E-Processing Systems (Private) Limited was able to develop its product OneLoad, launch its commercial operations in 2016 and met its working capital requirements. Since launch of commercial operation, E-Processing Systems (Private) Limited is able to multiply its revenues, number of transactions and number of retailers each month. Currently, OneLoad product is executing 3.6 million transactions per month while number of retailers using OneLoad product are around 10,000. There is no impairment or write-off.
(vii)	any other important details necessary for the members to understand the transaction;	N/A
In case of investments in the form of loans, advances and guarantees, following disclosures in addition to those provided under clause (a) of sub-regulation (1) of regulation 3 shall be made,-		
(i)	category-wise amount of investment;	N/A – Single category
(ii)	average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for *Shariah* compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period	Average borrowing cost of investing company is SBP plus 0.5% for ERF Loan Facility
(iii)	rate of interest, mark-up, profit, fees or commission etc to be charged by investing company	KIBOR or borrowing cost of company whichever is higher
(iv)	particulars of collateral or security to be obtained in relation to the proposed investment;	Unsecured
(v)	if the investment carries conversion feature i.e. it is convertible into securities, this fact	N/A

Ref. No.	Requirement	Relevant Information
	along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable; and	
(vi)	repayment schedule and terms and conditions of loan or advances to be given to the associated company or associated undertaking.	Principal: Five (5) years from disbursement. Mark-up: Quarterly basis.

Agenda Item No. 8

The Board of the Company hereby proposes to issue 400,000 shares of Systems Limited to Visionet Systems Inc as per the details provided hereunder:

Name and Profile of the Organization: Visionet Systems Inc. / Visionet Deutschland GMBH , an associated company of Systems Limited incorporated under the laws of United States.

Share Value: 20% discount to the value on which employee stock options are to be issued to the employees of the Company.

Purpose of Issuance: The Company wishes to issue 400,000 (four hundred thousand) shares against **cash consideration** to certain employees of Visionet Systems Inc. / Visionet Deutschland GMBH as a token of appreciation for their dedicated contribution to Visionet Systems Inc. / Visionet Deutschland GMBH, as well as the Company, in accordance with section 83(1)(b) of the Companies Act, 2017 (the "**2017 Act**") read along with the applicable Companies (Further Issue of Shares) Regulations, 2018 (the "**2018 Regulations**") thereof.

Justification: As per the new Companies (Further Issue of Shares) Regulations, 2018, employee stock options can only be issued to the employees of the Company and / or its subsidiary. Therefore, in order to issue shares to the employees of Visionet Systems Inc. / Visionet Deutschland GMBH for their dedicated performance, the Company wishes to utilize the option of issuance of shares other than right.

Details of the average market price of the Company shares during last three months: Rs. 105.13/-

Details of the average market price of the Company during six months: Rs. 106.5/-

Latest Available Market Price: Rs. 109.99/-

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Existing Shareholding of Visionet Systems Inc. / Visionet Deutschland GMBH in the Company: Nil

Shareholding after proposed issue: 400,000 shares i.e. 0.35% of the paid up capital of the Company

The shares so offered shall rank *parri passu* in all respects with the existing shareholding of the Company. The said issuance shall be subject to the approval of the Commission.

SYSTEMS LIMITED

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