



Service Global Footwear Limited

Servis House, 2-Main Gulberg, Lahore

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting ("EOGM") of Service Global Footwear Limited (the "Company") will be held on **Wednesday, June 30, 2021 at 10:00 a.m.** through video link facility from the registered office of the Company situated at Servis House, 2-Main Gulberg, Lahore, to transact the following special business:

"To consider and if deemed fit, pass a resolution as Special Resolution, as proposed in the Statement of Material Facts, pursuant to the provisions of Section 199 of the Companies Act, 2017 to renew / enhance the investment in the form of working capital loan from up to PKR 5.0 Billion (Rupees Five Billion Only) to working capital loan and long-term loan up to PKR 7.0 Billion (Rupees Seven Billion Only) respectively in Service Industries Limited, an associated company."

A Statement of Material Facts as required under Section 134(3) of the Companies Act, 2017 containing draft special resolutions proposed to be passed at the EOGM is annexed to the notice of meeting circulated to the members of the Company.

By Order of the Board

Lahore
June 09, 2021

WAHEED ASHRAF
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from June 23, 2021 to June 30, 2021 (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 June 22, 2021 will be considered in time for the purpose of attending and voting at the meeting.
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. Proxy Forms in Urdu and English languages are attached to the notice circulated to the shareholders.
3. In Compliance with SECP's Circular No. 06 of 2021 dated March 03, 2021, keeping in view of the recent spike in number of Covid-19 cases, its gravity on public health, increased number of casualties and instructions of the Government / institutions to consider the provision of video link facility for conducting meetings, the Extraordinary General Meeting will be held virtually via video-link for the safety and well-being of our valued shareholders and general public.

To attend the EOGM through video link, members are requested to register their following particulars by sending an e-mail at shareholders@servis.com.

Folio / CDC Account No.	No. of shares held	Name	CNIC No.	Cell No.	Email address





Service Global Footwear Limited

Servis House, 2-Main Gulberg, Lahore

The video link and login credentials will be shared with the shareholders whose e-mails, containing all the requested particulars, are received at the given e-mail address by or before the close of business hours (5:00 p.m.) on June 28, 2021. The shareholders are also encouraged to send their comments / suggestions, related to the agenda of the EOGM on the above-mentioned e-mail address or WhatsApp Number 0309 1560943 by the close of business hours (5:00 p.m.) June 28, 2021. For any query, the members may please contact at aforesaid email or WhatsApp Number.

4. Members are requested to immediately notify the change in their addresses, if any to their CDC Participant / CDC Account Services.
5. For any query / problem / information, the investors may contact the Shares Registrar: Mr. Muhammad Akbar Moghal, Phone No. 042-35839182, 35916714, 35916719, e-mail address: corplink786@gmail.com and / or the Company: Mr. Tahir Maqsood, Phone No. 042-35751990, email address: shareholders@servis.com.

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 June 30, 2021.

Service Industries Limited (SIL), incorporated in 1957, is a public limited company listed on Pakistan Stock Exchange Limited and engaged in the manufacturing and sale *inter alia* of footwear, tyres and tubes.

SIL is the holding company of Service Global Footwear Limited (SGFL) and holds its 80% shares. The shareholders of SGFL has approved a working capital loan of up to Rs. 5 Billion (Rupees Five Billion Only) to SIL for a period of one year till June 30, 2021 pursuant to Section 199 of the Companies Act, 2017 (the "Act"). An amount of PKR 4.54 Billion is outstanding against this investment as on June 01, 2021.

SGFL now intends to enhance the limit of investments from PKR 5.0 Billion to PKR 7.0 Billion as follows:

- (a) Long term Loan - PKR 2.5 Billion;
- (b) Working Capital Loan - PKR 4.5 Billion

The Working Capital Loan (reduced from PKR 5.0 Billion to PKR 4.5 Billion) will be for a further period of one year till June 30, 2022. The long-term loan of PKR 2.5 Billion (Rupees Two Billion Five Hundred Million Only) will be for a period of 6 years (including one year as grace period) till June 30, 2027. The extension of these facilities is subject to approval of the shareholders of SGFL in accordance with the requirements of Section 199 of the Act.

The Directors have certified that they have carried out necessary due diligence for the proposed investments before recommending it for members approval and that financial health of SIL is such that it has the ability to repay the loan as per its commitment.

The signed recommendation of due diligence report shall be made available to the members for inspection at the EOGM. As required by the Regulations, the latest annual audited financial statements and latest interim financial statements of SIL shall be made available to the members for inspection at the EOGM.





Service Global Footwear Limited

Servis House, 2-Main Gulberg, Lahore

The following resolutions are proposed to be passed as special resolutions, with or without any modification.

"Resolved that approval of the members of Service Global Footwear Limited (the "Company") be and is hereby accorded and the Company be and is hereby authorized in terms of Section 199 of the Companies Act, 2017 to renew / enhance the investments in the form of working capital loan from up to PKR 5.0 Billion (Rupees Five Billion Only) to working capital loan and long term loan of up to PKR 7.0 Billion (Rupees Seven Billion Only) in Service Industries Limited, an associated company as follows, on the terms and conditions disclosed to the members including the following:

- (a) the working capital loan up to PKR 4.5 Billion shall be for a period of one year till June 30, 2022, provided that the return on any outstanding amount shall be 1-month KIBOR plus 5 bps which shall not be less than the borrowing cost of the company and, as per other terms and conditions disclosed to the members.
- (b) the long-term loan of PKR 2.5 Billion shall for a period of six (6) years, (including one year as grace period) till June 30, 2027 repayable through semiannual installments, provided that the return on any outstanding amount shall be 6 months KIBOR plus 25 bps which shall not be less than the borrowing cost of the company, and as per other terms and conditions disclosed to the members.

Further resolved that the Chief Executive Officer and / or any Director of the Company and / or Company Secretary be and are hereby jointly empowered and authorized to undertake the decision of said investment as and when deemed appropriate and necessary in the best interest of the Company and its shareholders and to take all steps and actions necessary, incidental and ancillary including execution of any and all documents and agreements as may be required in this regard and to do all acts, deeds and things, that may be considered necessary for the purpose of implementing this resolution."

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 Industries Limited (SIL)												
(ii)	Basis of relationship	Holding-subsidary relationship												
(iii)	Earnings per Share of associated company for the last three years	<table><tr><th>Sr.</th><th>Year</th><th>Earnings per share Rs.</th></tr><tr><td>1.</td><td>2020</td><td>29.37</td></tr><tr><td>2.</td><td>2019</td><td>37.73</td></tr><tr><td>3.</td><td>2018</td><td>56.47</td></tr></table>	Sr.	Year	Earnings per share Rs.	1.	2020	29.37	2.	2019	37.73	3.	2018	56.47
Sr.	Year	Earnings per share Rs.												
1.	2020	29.37												
2.	2019	37.73												
3.	2018	56.47												





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Servis House, 2-Main Gulberg, Lahore

(iv)	Break-up value per share, based on latest audited financial statements	Rs. 309.98 per share as at 31 December 2020.
(v)	Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements	<div>Audited financial statements as at 31st December 2020.</div> <div><div><div><div><div><div>Balance Sheet:</div></div></div><div><div><div></div></div><div><div></div></div></div><div><div><div></div></div><div><div></div></div></div></div><div><div><div></div></div><div><div></div></div></div><div><div><div></div></div><div><div></div></div></div></div><div><div><div></div></div><div><div></div></div></div></div> <div><div><div></div></div><div><div></div></div></div> <div><div><div></div></div><div><div></div></div></div> <div><div><div></div></div><div><div></div></div></div> <div><div><div></div></div><div><div></div></div></div> <div><div><div></div></div><div><div></div></div></div> <div><div><div></div></div><div><div></div></div></div> <div><div><div></div></div><div><div></div></div></div> 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Service Global Footwear Limited

Servis House, 2-Main Gulberg, Lahore

	(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 Disclosures		
(i)	Maximum amount of investment to be made	PKR 7,000,000,000/- Working capital loan PKR 4,500,000,000/- Long term loan PKR 2,500,000,000/-	
(ii)	Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	The company will earn return on surplus funds available with the Company. Working capital loan will be for one year till June 30, 2022. Long term loan will be provided for six years (including one year as grace period) till June 30, 2027.	
(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 SGFL's own sources and if needed, from borrowed funds.	
	(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 Industries Limited.
	(II)	Detail of collateral, guarantees provided and assets pledged for obtaining such funds	Land, Building, Plant & Machinery and current assets of SGFL will be mortgaged / lien marked for obtaining funds, if required from financial institutions.
	(III)	Cost benefit analysis	Based on the projections, markup cost on the borrowed funds of SGFL will be less than the estimated markup income earned by SGFL on the loans advanced to SIL. Therefore, the long-term benefits expected to be accrued to SGFL are 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	Agreement will be signed after approval by the shareholders. Other significant terms and conditions are as under: 1. Repayment of the principle amount of working capital loan will be made by June 30, 2022, whereas, repayment of the principle amount of long-term loan will be made through semiannual installments. The long term loan shall be for a period of six years including one year as grace period.	





Service Global Footwear Limited

Servis House, 2-Main Gulberg, Lahore

		<div>2. Markup will be charged on the working capital loan at the rate of 1-month KIBOR plus 5 bps which is higher than the borrowing cost of the company.</div> <div>3. Markup will be charged on the long-term loan at the rate of 6 months KIBOR plus 25 bps which is higher than the borrowing cost of the company.</div> <div>4. Interest due on outstanding amounts shall be paid on quarterly basis by 30th of month after the end of each quarter.</div> <div>5. In case of delay / default in re-payment of principal and interest, an additional sum equivalent to 7.50% per annum on the unpaid amount for the period for which the payment is delayed, shall be paid by SIL to the Company in addition to the agreed markup amount.</div> <div>6. The associated company shall be entitled to make early repayment of the loan.</div>										
(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	<div>None of the directors, sponsors, majority shareholders of the Company and their relatives have any interest, directly or indirectly, in the proposed investment or SIL except as stated below:</div> <div>Service Global Footwear Limited do not hold any share in Service Industries Limited.</div> <div>Chaudhry Ahmed Javed, Mr. Arif Saeed, Mr. Omar Saeed and Mr. Hassan Javed Directors of the Company, are also Directors of SIL.</div> <div>Following are their present shareholdings in SIL:</div> <table><thead><tr><th>Name of Director</th><th>Shareholding</th></tr></thead><tbody><tr><td>Chaudhry Ahmed Javed</td><td>2,062,264</td></tr><tr><td>Mr. Arif Saeed and his spouse</td><td>5,136,666</td></tr><tr><td>Mr. Omar Saeed</td><td>4,765,824</td></tr><tr><td>Mr. Hassan Javed</td><td>9,064,524</td></tr></tbody></table> <div>Service Industries Limited (SIL), the holding company, currently holds 80% shareholding in Service Global Footwear Limited. The shareholding of the Directors of Service Global Footwear Limited is as follows:</div>	Name of Director	Shareholding	Chaudhry Ahmed Javed	2,062,264	Mr. Arif Saeed and his spouse	5,136,666	Mr. Omar Saeed	4,765,824	Mr. Hassan Javed	9,064,524
Name of Director	Shareholding											
Chaudhry Ahmed Javed	2,062,264											
Mr. Arif Saeed and his spouse	5,136,666											
Mr. Omar Saeed	4,765,824											
Mr. Hassan Javed	9,064,524											





Service Global Footwear Limited

Servis House, 2-Main Gulberg, Lahore

		<table><tr><th>Name of Director</th><th>Shareholding</th></tr><tr><td>Chaudhry Ahmed Javed</td><td>1</td></tr><tr><td>Mr. Arif Saeed</td><td>1</td></tr><tr><td>Mr. Omar Saeed</td><td>100,001</td></tr><tr><td>Mr. Hassan Javed</td><td>1</td></tr><tr><td>Mr. Azmat Ali Ranjha</td><td>1</td></tr><tr><td>Mr. Abdul Rashid Lone</td><td>1</td></tr><tr><td>Ms. Maleeha Humayun Bangash</td><td>1</td></tr><tr><td>Mr. Hassan Ehsan Cheema</td><td>1</td></tr><tr><td>Mr. Qadeer Ahmed Vaseer</td><td>1</td></tr></table> <p>The Service Global Footwear Limited (SGFL) and its sponsors and directors have no interest, directly or indirectly in the Company except as stated above.</p>	Name of Director	Shareholding	Chaudhry Ahmed Javed	1	Mr. Arif Saeed	1	Mr. Omar Saeed	100,001	Mr. Hassan Javed	1	Mr. Azmat Ali Ranjha	1	Mr. Abdul Rashid Lone	1	Ms. Maleeha Humayun Bangash	1	Mr. Hassan Ehsan Cheema	1	Mr. Qadeer Ahmed Vaseer	1
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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	<p>The outstanding amount of working capital loan provided by SGFL to SIL as at June 01, 2021 is PKR 4.54 Billion.</p> <p>The Company has fully recovered the markup on this investment as per agreement.</p> <p>Further, there is no impairment or write off relating to the investment made so far and the interest is being recovered regularly.</p>																				
(vii)	Any other important details necessary for the members to understand the transaction	None																				
(c)	Additional disclosure regarding Investment in form of loan																					
(i)	Category-wise amount of investment	<p>1. Working capital loan PKR 4,500,000,000/-.</p> <p>2. Long term loan PKR 2,500,000,000/-.</p>																				
(ii)	Average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for <i>Shariah</i> compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period.	<p>The current average borrowing cost of SGFL as on June 01, 2021 is 3.50% per annum.</p> <p>1 Month KIBOR as on June 01, 2021 is 7.53% per annum.</p> <p>6 Months KIBOR as on June 01, 2021 is 7.71% per annum.</p>																				
(iii)	Rate of interest, mark up, profit, fees or commission etc. to be charged by investing company.	<p><u>For working capital loan:</u> 1 Month KIBOR + 5 bps</p> <p><u>For long term loan:</u> 6 Months KIBOR + 25 bps</p> <p>The return shall not be less than the relevant KIBOR or borrowing cost of the investing company, whichever is higher.</p>																				





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(iv)	Particulars of collateral or security to be obtained in relation to the proposed investment.	No collateral or security required as SIL is the associated company.
(v)	If the investment carries conversion features 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.	Not Applicable
(vi)	Repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking.	Please refer point (a)(B)(iv) above

