



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 63rd Annual General Meeting ("AGM") of Service Industries Limited (the Company) will be held on **Friday, the July 17, 2020 at 11:00 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 business:

Ordinary Business:

1. To receive, consider and adopt the separate and consolidated audited financial statements of the Company for the year ended December 31, 2019, together with the Directors' and Auditors' Reports thereon and Chairman's Review Report.
2. To approve the final cash dividend of Rs. 7.50 per share i.e. 75% as recommended by the Board of Directors in addition to the interim cash dividend of Rs. 12.50 per share i.e. 125% already paid to the shareholders of the Company making a total cash dividend of Rs. 20 per share i.e. 200% for the year ended December 31, 2019.
3. To appoint Auditors and to fix their remuneration. The members are hereby given notice that the Audit Committee and the Board of Directors have recommended the name of retiring auditors M/s. Riaz Ahmad & Company, Chartered Accountants for re-appointment as auditors of the Company.

Special Business:

4. To approve, as recommended by the Directors, issue of bonus shares in proportion of 25 Ordinary Shares for every 100 Ordinary Shares held by the Members (i.e. @ 25%).
5. 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 pursuant to the requirements of Section 199 and other applicable provisions of the Companies Act 2017, Service Industries Limited (the Company) be and is hereby authorized to issue Cross Corporate Guarantees up to PKR 8 Billion (Rupees Eight Billion Only) in favor of financial institutions / lenders of Service Long March Tyres (Private) Limited (SLM), a subsidiary company, to secure financial assistance to be extended to SLM, for a period up to one (1) year starting from the date of issuance of the guarantees subject to terms and conditions mentioned in the statement under Section 134(3) of the Companies Act, 2017.

Further resolved that the commission to be charged by the Company to Service Long March Tyres (Private) Limited on any outstanding amount of issued Guarantee shall be 0.1% per quarter (exclusive of all applicable taxes) on the outstanding amount of Guarantee.

Further resolved that the Chief Executive or any Director of the Company be and is hereby singly authorized to take any and / or all actions to implement and give effect to the above resolution and to complete any or all necessary required corporate and legal formalities including signing and execution of agreement(s) for the purpose of implementation of the above resolution.

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

By Order of the Board

WAHEED ASHRAF
Company Secretary

Lahore
June 26, 2020





NOTES:

1. The Share Transfer Books of the Company will remain closed from July 10, 2020 to July 17, 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 July 09, 2020 will be considered in time for the purpose of entitlement of final cash dividend and bonus shares to the transferees and to attend and vote at the AGM.
2. A member of the Company entitled to attend and vote at the Annual 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. In view of the recent spike in number of Covid-19 cases, gravity of the Coronavirus Pandemic 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 Annual 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 AGM 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

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 July 10, 2020. The shareholders are also encouraged to send their comments / suggestions, related to the agenda items of the AGM on the above mentioned e-mail address or WhatsApp Number 0309 1560943 by the close of business hours (5:00 p.m.) July 10, 2020. For any query, the members may please contact at aforesaid email or WhatsApp Number.

4. In accordance with the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders. In order to receive dividends directly into their bank account, shareholders are requested to fill in Electronic Credit Mandate Form available on Company's website www.servisgroup.com and send it duly signed along with a copy of CNIC to the Shares Registrar of the Company M/s. Corplink (Pvt.) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore in case of physical shares. In case shares are held in CDC then Electronic Credit Mandate Form must be submitted directly to shareholder's Broker/Participant/CDC Account Services.

The Government of Pakistan has made certain amendments in the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These rates are as follows:

For filers of income tax returns	15%
For non-filers of income tax returns	30%

To enable the Company to make tax deduction on the amount of cash dividend @15% instead of 30% all the 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 @30% instead of 15%.



In the case of shares registered in the name of two or more shareholders, each joint-holder is to be treated individually as either a filer or non-filer and tax will be deducted by the Company on the basis of shareholding of each joint-holder as may be notified to the Company in writing. If the share is not ascertainable then each account holder will be assumed to hold equal proportion of shares and the deduction will be made accordingly. Therefore, in order to avoid deduction of tax at a higher rate, the joint account holders are requested to provide the below details of their shareholding to the Share Registrar of the Company latest by the AGM date.

Folio / CDC Account No.	Name of Shareholder	CNIC	Shareholding	Total Shares	Principal/Joint Shareholder
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The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or the Shares Registrar. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

- A valid tax exemption certificate is necessary for exemption from the deduction of withholding tax under Section 150 of the Income Tax Ordinance, 2001. Members who qualify under Income Tax Ordinance, 2001 and wish to seek an exemption must provide a copy of their valid tax exemption certificate to the Shares Registrar prior to the date of book closure otherwise tax will be deducted according to applicable law.
- The Company has placed the Audited Annual Financial Statements for the year ended 31 December 2019 along with Auditors and Directors Reports thereon and Chairman's Review Report on its website: www.servisgroup.com.
- 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.
- For any query / problem / information, the investors may contact the Shares Registrar: Mr. Muhammad Akbar Moghal, Phone No. 042-35839182, 35916714, 5916719, 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 BUSINESSES TO BE TRANSACTED AT THE ANNUAL GENERAL MEETING:

This statement sets out the material facts concerning the Special Businesses to be transacted at the Annual General Meeting of the Company to be held on July 17, 2020.

Item No. 4 of the Agenda - Issue of Bonus Shares to Members

The Board of Directors in their meeting held on June 25, 2020 have recommended issue of bonus shares in proportion of 25 Ordinary Shares for every 100 Ordinary Shares held by the Members (i.e. 25%) and decided that a sum of Rs. 46,987,450 be appropriated from the free reserves for issue of 4,698,745 Bonus Shares. After the issue of bonus shares, the paid-up capital of the Company will increase to Rs. 234,937,270. The Directors are of the opinion that the reserves of the Company are adequate for capitalization of Rs. 46,987,450 for issue of proposed bonus shares.






The following resolution is proposed to be passed as Ordinary Resolution, with or without modification.

“Resolved that

- (i) A sum of Rs. 46,987,450 (Rupees forty six million nine hundred eighty seven thousand four hundred fifty) out of the free reserves of the Company be capitalized and applied towards issue of 4,698,745 Ordinary Shares of Rs. 10 each as bonus shares in the proportion of 25 Ordinary Shares for every 100 Ordinary shares (i.e., @25%) held by every Member whose name appears on the Members' Register at the close of business on July 09, 2020.
- (ii) These bonus shares shall rank pari passu in all respects with the existing shares but shall not be eligible for the final cash dividend declared for the year ended December 31, 2019.
- (iii) Members entitled to fractions of shares shall be given the sale proceeds of their fractional entitlements for which purpose the fractions shall be consolidated into whole shares and sold on the Pakistan Stock Exchange Limited.
- (iv) The Chief Executive Officer or any Director be and is hereby authorized to give effect to this resolution and to do or cause to be done all acts, deeds and things that may be necessary or required for issue, allotment and distribution of the said bonus shares, sale of fractions and payment of the sale proceeds of the fractional shares.”

The Directors of the Company are not directly or indirectly interested in this special business except to the extent of entitlements of bonus shares on their shareholdings.

Item No. 5 of the Agenda - Issuance of Cross Corporate Guarantees

Service Industries Limited (“SIL”) 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 (“TBR Tyres”). Accordingly, a Joint Venture Company under the name of Service Long March Tyres (Private) Limited (“SLM”) was 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 Current paid-up capital of the SLM is PKR 1,500,000,000 which is held by its following shareholders:

Service Industries Limited 51%
Chaoyang Long March Tyre Co., Ltd. 44%
Mr. Shabir Ahmad of Myco Corporation, Pakistan 5%

The project cost of the Joint Venture Company in Phase 1 is estimated to be US\$ 100,000,000 i.e., equivalent to PKR 16 Billion, which will be financed through equity and debt contributions equally. Hence the debt contribution in the Joint Venture Company will be up to PKR 8 Billion.

To meet the collateral requirements of the Banks, SIL is required to provide Cross Corporate Guarantees of up to PKR 8 Billion (Rupees Eight Billion Only) in favor of financial institutions / lenders of Service Long March Tyres (Private) Limited for securing financial assistance to be extended to SLM for a tenure up to 1 year.

The Directors have certified that they have carried out their due diligence for the proposed issuance of guarantees before recommending it for members approval and financial health of subsidiary will be such that it will honor its commitments with the financial institutions.

The signed recommendation of due diligence shall be made available to the members at the meeting. The subsidiary was incorporated only on 07 January, 2020 hence no financial statements are available.



The information required to be disclosed to the members under S.R.O No. 1240(I)/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	- Common Directorship - Subsidiary company with 51% shareholding
(iii)	Earnings per share for the last three years	Not applicable, Service Long March Tyres (Private) Limited was incorporated on 07 January 2020.
(iv)	Break-up value per share, based on latest audited financial statements	The subsidiary company was incorporated on 07 January 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	The subsidiary company was incorporated on 07 January 2020.
(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 was 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 has been started in 1 st quarter of 2020. The project work is expected to be completed in the 2 nd Quarter of 2021.
	(III)	Time by which such project shall become commercially operational	Estimated 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 following funds have been invested by the promoters, sponsors and associated companies to date: Service Industries Limited PKR 765,000,000 Chaoyang Long March Tyre Co., Ltd. PKR 660,000,000 Mr. Shabir Ahmad of Myco Corporation PKR 75,000,000
(B) General Disclosures			
(i)		Maximum amount of investment to be made	Cross Corporate Guarantee for an amount up to PKR 8 Billion (Rupees Eight Billion Only).
(ii)		Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	To support the subsidiary for its joint venture project. The completion of the Project of SLM will be beneficial for SIL, the holding company, inter alia, in terms of dividend which will enhance the profitability of SIL and add to its shareholders value. SIL will also earn commission income over the duration of guarantee.
(iii)		Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds	Not applicable.
	(I)	Justification for investment through borrowings	Not applicable.
	(II)	Detail of Collateral, guarantees provided and assets pledged for obtaining such funds	Not applicable.
	(III)	Cost of benefit analysis	Not applicable.
(iv)		Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment	Agreement will be executed before issuing the guarantee with the terms and conditions as approved by the shareholders. The salient features of the agreement are as under: 1. SIL will issue Cross Corporate Guarantees up to PKR 8 Billion in favor of financial institutions / lenders on behalf of SLM for a period upto one year.

		<p>2. Commission will be charged to SLM @ 0.1% per quarter (exclusive of all applicable taxes) on the outstanding amount of Guarantee.</p> <p>3. The commission will be paid quarterly by SLM to SIL within 30 days of the end of each quarter.</p> <p>4. In case of delay in commission payment, SIL will charge a penalty to SLM @ 8.50% per annum on the unpaid commission amount for the period for which the payment is delayed.</p>																		
(v)	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	<p>The Directors, Chief Executive, Sponsors, majority shareholders of SIL and their relatives have no interest, directly or indirectly, in Service Long March Tyres (Private) Limited or transactions under consideration, except in their capacities as being Directors, Chief Executive and the sponsors of Service Long March Tyres (Private) Limited.</p> <p>The Company is currently holding 51% shareholding in SLM.</p> <p>Moreover, none of the Director of SIL hold any share in his individual capacity in Service Long March Tyres (Private) Limited.</p> <p>Service Long March Tyres (Private) Limited does not hold any share in SIL.</p> <p>Following are the present shareholdings of Directors in SIL:</p> <table border="1"> <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>1,954,087</td> </tr> <tr> <td>Mr. Hassan Javed</td> <td>3,625,810</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>4,000</td> </tr> <tr> <td>Mr. Muhammad Amin</td> <td>62</td> </tr> </tbody> </table> <p>Out of above Directors of SIL, four Directors Chaudhry Ahmed Javed, Mr. Arif Saeed, Mr. Omar Saeed and Mr. Hassan Javed are also the Directors of Service Long March Tyres (Private) Limited and they hold shares in SIL as stated above.</p>	Name of Director	Shareholding	Chaudhry Ahmed Javed	824,906	Mr. Arif Saeed and his spouse	2,006,910	Mr. Omar Saeed	1,954,087	Mr. Hassan Javed	3,625,810	Mr. Osman Saifullah Khan	156	Mr. Rehman Naseem	1,250	Mr. Riaz Ahmed	4,000	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	Service Industries Limited has already made an equity investment of US\$ 4,954,021 equivalent to Rs. 765,000,000 in the subsidiary Company. Since the subsidiary company is establishing a green field project, no performance review is applicable and possible at this stage. Further, there is no impairment or write off relating to the equity investment made so far.
(vii)	Any other important details necessary for the members to understand the transaction	None
(b)	Additional disclosure in case of Investments in the form Guarantees	
(i)	Category-wise amount of investment	PKR 8 Billion (Rupees Eight Billion Only) as Cross Corporate Guarantee.
(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	<p>The current average borrowing cost of SIL for the 1st Quarter ended March 31, 2020 is 6.15% per annum.</p> <p>3 Months KIBOR as on 17-06-2020 is 8.12% per annum.</p> <p>SIL is paying a commission in the range of 0.04% to 0.1% per quarter to the Guarantee issuing financial institution.</p>
(iii)	Rate of interest, mark up, profit, fees or commission etc. to be charged by investing company	SIL shall charge SLM a commission of 0.1% per quarter (exclusive of all applicable taxes) on the outstanding amount of Guarantee to be paid within 30 days of the end of each quarter.
(iv)	Particulars of collateral or security to be obtained in relation to the proposed investment	Demand Promissory Note of the subsidiary company.
(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	Not Applicable
(vi)	Repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking	SIL shall recover the commission from SLM on quarterly basis.



Signature

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

Name of Investee Company	Service Long March Tyres (Private) Limited	S2 Power Limited
Total Investment Approved	Long term equity investment up to US\$ 30,600,000 that is equivalent to Rs. 4,738,410,000 for purchase of 473,841,000 shares was approved by the members in EOGM held on February 03, 2020 for the period of three (3) years.	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 US\$ 4,954,021 that is equivalent to Rs. 765,000,000 has been made so far by the Company.	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	No deviation. The investment will be made as and when funds are required by the subsidiary Company.	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	There is no material change in the financial statement of the company since the date of passing of special resolution.	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.

Information under Regulation 3(4) of the Regulations.

The documents relating to special business can be inspected by the shareholders in the general meeting as provided under Regulation 3(4) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017.



Signature