

ADVICE FOR INVESTORS

INVESTORS ARE STRONGLY ADVISED IN THEIR OWN INTEREST TO CAREFULLY READ THE CONTENTS OF THIS PROSPECTUS, **ESPECIALLY THE RISK FACTORS GIVEN AT SECTION 5**, AND SEEK PROFESSIONAL ADVICE BEFORE MAKING ANY INVESTMENT DECISION.

SUBMISSION OF FALSE AND FICTITIOUS APPLICATIONS IS PROHIBITED AND SUCH APPLICATIONS' MONEY MAY BE FORFEITED UNDER SECTION 87(8) OF THE SECURITIES ACT, 2015.

INVESTMENT IN EQUITY SECURITIES INVOLVES A DEGREE OF RISK AND INVESTORS SHOULD NOT INVEST ANY FUNDS IN THIS OFFER UNLESS THEY CAN AFFORD TO TAKE THE RISK OF LOSING THEIR INVESTMENT. INVESTORS ARE ADVISED TO READ THE RISK FACTORS CAREFULLY BEFORE TAKING AN INVESTMENT DECISION IN THIS OFFERING. FOR TAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THE EXAMINATION OF THE ISSUER AND THE OFFER INCLUDING THE RISKS INVOLVED AS DISCLOSED AT SECTION 5 OF THE PROSPECTUS.

ADVICE FOR INSTITUTIONAL INVESTORS AND HIGH NET WORTH INDIVIDUAL INVESTORS

SUBMISSION OF CONSOLIDATED BID and multiple bid IS PROHIBITED UNDER PUBLIC OFFERING REGULATIONS, 2017.

PLEASE NOTE THAT A SUPPLEMENT TO THE PROSPECTUS SHALL BE PUBLISHED WITHIN THREE WORKING DAYS OF THE CLOSING OF THE BIDDING PERIOD WHICH SHALL CONTAIN INFORMATION RELATING TO THE STRIKE PRICE, THE OFFER PRICE, COMMITMENT BY THE SUCCESSFUL BIDDERS FOR SUBSCRIBING THE UNDERSUBSCRIBED RETAIL PORTION IN CASE OF HUNDRED PERCENT BOOK BUILDING, CATEGORY WISE BREAKUP OF THE SUCCESSFUL BIDDERS ALONG WITH NUMBER OF SHARES ALLOCATED TO THEM, DATES OF PUBLIC SUBSCRIPTION AND SUCH OTHER INFORMATION AS SPECIFIED BY THE COMMISSION



Service Global Footwear Limited

SERVICE GLOBAL FOOTWEAR LIMITED**Prospectus**

Date and place of incorporation: Lahore, July 19, 2019, **Incorporation number:** 0136711, **Registered and Corporate Office:** Servis House, 2 – Main Gulberg, Lahore, Pakistan, **Contact No:** 042-35751990-96, **Website:** www.serviceglobalfootwear.com | Mr. Tahir Maqsood, Phone: 0306-1482496, Email: tahir.maqsood@servis.com | Mr. Tamour Hassan, Phone: 0308-0112274, Email: tamour.hassan@servis.com

Issue Size: This Issue consists of 40,887,500 Ordinary Shares (20% of the total post-IPO paid up capital of Service Global Footwear Limited) of face value of PKR 10/- each.

Method of Offering: 100% Book Building method

Book Building method and Floor Price: The entire Issue will be offered through the book building method at a Floor Price of PKR 38.00/- per share (including premium of PKR 28.00/- per share) with a maximum price band of up to 40% i.e. PKR 53.2 per share. (Justification of premium is given under the "Valuation Section" in paragraph 4A). The bidders shall be allowed to place bids for hundred percent (100%) of the Issue size and the Strike Price shall be the price at which the hundred percent (100%) of the Issue is subscribed. However, the successful bidders shall be provisionally allotted only seventy-five percent (75%) of the Issue size i.e. 30,665,625 shares and the remaining twenty-five percent (25%) i.e. 10,221,875 shares shall be offered to the retail investors


Retail/general public portion: General Public portion of the Issue comprises of 10,221,875 ordinary shares (25% of the total issue) at the Strike Price. In case retail portion of the Issue remains unsubscribed, the unsubscribed shares will be allotted to the successful bidders of book building on a pro rata basis.

Public comments: Draft Prospectus was placed on PSX's website for seeking public comments starting from 15th February 2021 to 23rd February 2021. Public comments received were duly responded back by the Lead Manager/Consultant to the Issue.

REGISTRATION OF ELIGIBLE INVESTORS: The registration of eligible investors will commence at **9:00 am** on April 2nd 2021 and will close at **3:00 pm** on April 8th 2021

BIDDING PERIOD DATES: From April 7th 2021 to April 8th 2021 (From: 9:00 am to 5:00 pm)

DATES OF PUBLIC SUBSCRIPTION: From April 12th 2021 to April 13th 2021 (both days inclusive) From: 9:00 am to 5:00 pm

Lead Manager & Book Runner	Book Building Portion will be Credit
	Underwritten by
	

Bankers to the Book Building portion of the Issue: Habib Bank Limited

Bankers for the Retail portion of the Issue:

Bank Alfalah Limited	Faysal Bank Limited	Habib Bank Limited	Habib Metropolitan Bank Limited	Allied Bank Limited
Meezan Bank Limited	Soneri Bank Limited	United Bank Limited	Askari Bank Limited	MCB Bank Limited

For retail portion, Investors can submit application(s) through both electronic and physical mode. Electronic/online applications can be submitted through PSX's e-IPO system (PES) and Centralized E-IPO system (CES) of Central Depository Company of Pakistan Limited (CDC). PES can be accessed via web link <https://eipo.psx.com.pk> and CES can be accessed via web link www.cdceipo.com. For details please refer to section 13.1.4 of the complete Prospectus.

Date of Publication of this Prospectus: March 31st 2021

Prospectus, Bidding Form, and Subscription Form can be downloaded from the following websites: www.serviceglobalfootwear.com, www.arifhabibltd.com, <http://www.psx.com.pk> and www.cdceipo.com

For further queries you may contact:

Service Global Footwear Limited: Mr. Tahir Maqsood, Phone: 0306-1482496, Email: tahir.maqsood@servis.com | Mr. Tamour Hassan, Phone: 0308-0112274, Email: tamour.hassan@servis.com; **Arif Habib Limited:** Saim Ahmed Shahab, Phone: +92 21 38899271, Email: saim.ahmed@arifhabibltd.com | Syed Ali Ahmed, Phone: +92 21 32465891, Email: ali.ahmed@arifhabibltd.com

The Company is proposed to be listed at the Pakistan Stock Exchange Limited

Risk Disclosures

1. Service Global Footwear Limited (“SGFL”), the entity getting listed has operational and profitable track record, however, the proceeds of public offering shall be utilized for Greenfield Tyre Project, Service Long March (Pvt.) Ltd. (“SLM”). The Greenfield Project, as of date, does not have an operational track record. Accordingly, retail individual investors are advised to seek independent professional advice/counsel before making equity investment in the Company.
2. SLM has not appointed any EPC/Turnkey contractor of Tyre Project that may result in delay in commissioning of the Project.

UNDERTAKING BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

December 09, 2020

WE HASSAN JAVED, THE CHIEF EXECUTIVE OFFICER AND USMAN LIAQAT, THE CHIEF FINANCIAL OFFICER OF SERVICE GLOBAL FOOTWEAR LIMITED CERTIFY THAT:

1. THIS PROSPECTUS CONTAINS ALL INFORMATION WITH REGARD TO THE ISSUER AND THE ISSUE, WHICH IS MATERIAL IN THE CONTEXT OF THE ISSUE AND NOTHING HAS BEEN CONCEALED IN THIS RESPECT;
2. THE INFORMATION CONTAINED IN THIS PROSPECTUS IS TRUE AND CORRECT TO THE BEST OF OUR KNOWLEDGE AND BELIEF;
3. THE OPINIONS AND INTENTIONS EXPRESSED THEREIN ARE HONESTLY HELD;
4. THERE ARE NO OTHER FACTS, THE OMISSION OF WHICH MAKES THIS PROSPECTUS AS A WHOLE OR ANY PART THEREOF MISLEADING; AND
5. ALL REQUIREMENTS OF THE SECURITIES ACT, 2015; THE DISCLOSURES IN PUBLIC OFFERING REGULATIONS, 2017 FOR PREPARATION OF PROSPECTUS, RELATING TO DISCLOSURES AND APPROVALS HAVE BEEN FULFILLED.
6. NO CHARGES, FEE, EXPENSES, PAYMENTS ETC. HAVE BEEN COMMITTED TO BE PAID TO ANY PERSON IN RELATION TO THIS PUBLIC OFFERING EXCEPT FOR THOSE AS DISCLOSED IN THIS PROSPECTUS.

For and behalf of **Service Global Footwear Limited**

-Sd-

Hassan Javed
Chief Executive Officer

-Sd-

Usman Liaqat
Chief Financial Officer

Note: This Supplement shall be published within 3 working days of the close of Bidding Period in at least all those newspapers in which the Prospectus of Service Global Footwear Limited was published.

This Supplement is being published pursuant to The Public Offering Regulations, 2017 and in continuation of the Prospectus of Service Global Footwear Limited earlier published on March 31st 2021

Service Global Footwear Limited

- FLOOR PRICE: PKR 38.00/- PER SHARE
- STRIKE PRICE: PKR XX/- PER SHARE
- ISSUE PRICE: PKR XX/- PER SHARE
- PRICE BAND (40% above the FLOOR PRICE): PKR 53.20/- PER SHARE

Category wise Breakup of Successful Bidders

S. No	Category	No. of Bidders	No. of shares provisionally allocated
1	Commercial Banks	•	•
2	Development financial institutions	•	•
3	Mutual Funds	•	•
4	Insurance Companies	•	•
5	Investment Banks	•	•
6	Employees' Provident / Pension Funds	•	•
7	Leasing Companies	•	•
8	Modarabas	•	•
9	Securities Brokers	•	•
10	Foreign Institutional Investors	•	•
11	Any other Institutional Investors	•	•
	Total Institutional Investors	•	•
	Individual Investors:	•	•
12	Foreign Investors	•	•
13	Local	•	•
	Total Individual Investors	•	•
	GRAND TOTAL		

The bidders shall give an undertaking along with the application that they would subscribe to the unsubscribed shares, if any, by the retail investors and their remaining bid money would remain deposited/ blocked till allotment of unsubscribed shares by the retail investors, if any, to them on pro-rata basis. In case the retail portion is fully subscribed, the bid money shall be immediately refunded or unblocked.

Glossary of Technical Terms

ACT	Securities Act, 2015
AHL	Arif Habib Limited
BAFL	Bank Alfalah Limited
BoA	Board of Approvals
BR	Book Runner
BVPS	Book Value Per Share
Bn	Billion
CAGR	Compound Annualized Growth Rate
CDA	Central Depository Act, 1997
CDC / CDCPL	Central Depository Company of Pakistan Limited
CDC Regulations	Central Depository Company of Pakistan Limited Regulations
CDS	Central Depository System
CEO	Chief Executive Officer
CES	Centralized e-IPO System
COI	Certificate of Incorporation
Collection Bank (Book Building)	Habib Bank Limited
Companies Act	Companies Act, 2017
Commission / SECP	Securities and Exchange Commission of Pakistan
CRO	Company Registration Office
CUIN	Computerized Unique Identification Number
CVT	Capital Value Tax
CY	Calendar Year
EPS	Earnings Per Share
EVA	Ethylene Vinyl Acetate
EBITDA	Earnings before Interest, Tax, Depreciation, and Amortization
FBR	Federal Board of Revenue
FED	Federal Excise Duty
FOREX	Foreign Exchange
FY	Financial Year
FE	Federal Excise
FOB	Freight on Board or Free on Board
GDP	Gross Domestic Product

GOP	Government of Pakistan
ITO	Income Tax Ordinance, 2001
LM / Long March	Chaoyang Long March Tyre Co., Ltd
LC	Letter of Credit
LTFF	Long Term Financing Facility
Mn	Million
MEP	Mechanical, Electrical and Plumbing
MMcfd	Million Standard Cubic Feet per Day
MWp	Mega Watt Peak
NICOP	National Identity Card for Overseas Pakistani
NOC	No Objection Certificate
PKR or Rs.	Pakistan Rupee(s)
PSX / Securities Exchange/ Exchange	Pakistan Stock Exchange Limited
p.a.	Per Annum
PES	PSX's e-IPO System
PVC	Polyvinyl Chloride
REPP	Renewable Energy Performance Platform (SBP's Financing Scheme for Renewable Energy)
SCRA	Special Convertible Rupee Account
PU Sole	Polyurethane Soles
SGFL	Service Global Footwear Limited (the Company or the Issuer)
SEZ	Special Economic Zone
Servis Group	Service Industries Limited and its subsidiary companies
SIL	Service Industries Limited
SLM	Service Long March Tyres (Pvt.) Ltd
STA	Sales Tax Act, 1990
TBR	Truck & Bus All Steel Radial Tyres
TERF	Temporary Economic Refinance Facility
TPR	Thermoplastic Rubber
UBL	United Bank Limited
UIN	Unique Identification Number
WDV	Written Down Value
WHT	Withholding Tax

DEFINITIONS

Application Money	In case of bidding for shares out of the Book Building portion, the total amount of money payable by a successful Bidder which is equivalent to the product of the Strike Price and the number of shares to be allotted.
Banker to the Book Building	<p>Any bank(s) with whom an account is opened and maintained by the Issuer for keeping the bid amount.</p> <p>Habib Bank Limited has been appointed, in this IPO, as the Banker to the Book Building.</p>
Bid	An indication to make an offer during the Bidding Period by a Bidder to subscribe to the Ordinary Shares of Service Global Footwear Limited at a price at or above the Floor Price, including upward revisions thereto. An Eligible Investor shall not make a bid with price variation of more than 10% of the prevailing indicative strike price subject to a maximum price band of 40% of the Floor Price. Please refer to Section 12.1.2 for details.
Bid Amount	The amount equal to the product of the number of shares Bid for and the Bid price.
Bid Collection Center	Designated offices of the Book Runner, specified branches of the Banker to the Book Building and offices of any other institutions specified by the Book Runner where bids are received and processed. For this Issue, addresses of the Bid Collection Centers are provided in Section 12.1.6 of this Prospectus.
Bid Price	The price at which bid is made for a specified number of shares.
Bid Revision	<p>The Eligible Investors can revise their bids upward subject to the provision of regulation 10(2)(iii) of the PO Regulations. The bids can be revised with a price variation of not more than 10% from the prevailing indicative Strike Price in compliance with Regulation 10(2)(iii) of the PO Regulations.</p> <p>As per regulation 10(2)(vi) of the PO Regulations, the bidder shall not make downward revision both in terms of Bid Price and Bid Volume; Provided that in case of upward revision of the Bid Price, the number of shares Bid for i.e. Bid Volume may be adjusted ensuring that the bid amount or bid money remains the same.</p> <p>As per regulation 10(2)(vii) of the PO Regulations, the bidder shall not withdraw their bids.</p>
Bidder	An Eligible Investor who makes bids for shares in the Book Building process.
Bidding Form	The form prepared by the Issuer for the purpose of making bids.
Bidding Period	The period during which bids for subscription of shares are received.

	The Bidding Period shall be of two days, from <u>April 7th 2021 to April 8th 2021</u> both days inclusive (daily from 9:00 a.m. to 5:00 p.m.).
Book Building	A process undertaken to elicit demand for shares offered through which bids are collected from the Bidders and a book is built which depicts demand for the shares at different price levels.
Book Building Account	An account opened by the Issuer with the Collection Bank. The Bidder will pay the Margin Money / Bid Amount through demand draft, pay order or online transfer in favor of this account as per the instructions given in Section 12.1.15 of this Prospectus and the balance of the Application Money, if any, shall be paid through this account after successful allocation of shares under Book Building.
Book Building Portion	The part of the total Issue allocated for subscription through the Book Building.
Book Runner	<p>A securities broker or a scheduled bank who holds a valid license from the Commission to act as an Underwriter and has been appointed as Book Runner by the Issuer.</p> <p>Arif Habib Limited has been appointed as Book Runner for this Issue.</p>
Book Building System / System	An online electronic system operated by the Designated Institution for conducting Book Building.
Collection Bank	Habib Bank Limited is the collection bank for the Book Building portion. For this purpose, Habib Bank Limited has opened an account titled “Service Global Footwear Ltd Book Building” , Number: 004279920938-03 at its HBL State Life Branch, Karachi . The Collection Bank shall keep and maintain the bid money in the said account. Once the Strike Price is determined and lists of successful bidders and successful applicants/allottees are finalized and shares are credited to the successful bidders and applicants, the Consultant to the Issue, after obtaining NOC from PSX, may request in writing to the Collection Bank for transfer of the money of successful and accepted applications to the Issuer’s account(s).
Company	Service Global Footwear Limited (the “Company” or “SGFL”)
Company’s Legal Advisor	Muhammad Ashfaq, Advocate High Court, of M/s. Bokhari Aziz & Karim
Commission	Securities & Exchange Commission of Pakistan (“SECP”)
Consolidated Bids	A bid which is fully or partially beneficially owned by persons other than the one named therein.
Designated Institution	Pakistan Stock Exchange Limited (“PSX”) is acting as the Designated Institution for this Issue and its book building system will be used for price discovery

Dutch Auction Method

The method through which Strike Price is determined by arranging all the Bid Prices in descending order along with the number of shares and the cumulative number of shares bid for at each Bid Price. The Strike Price is determined by lowering the price to the extent that the total number of shares issued under the Book Building Portion are subscribed.

e-IPO facility

e-IPO refers to electronic submission of applications for subscription of securities offered in an IPO. The following systems are available for e-IPOs:

(i) PSX's e-IPO System (PES):

In order to facilitate investors, the Pakistan Stock Exchange Limited ("PSX") has developed an e-IPO System ("PES") through which applications for subscription of securities offered to the general public can be made electronically. PES has been made available in this Issue and can be accessed through the web link (<https://eipo.psx.com.pk>). Payment of subscription money can be made through 1LINK's and NIFT's member banks available for PES.

For making application through PES, investors must be registered with PES. The PES registration form is available 24/7, all throughout the year. Registration is free of cost and can be done by:

- the investor himself, or
- the TREC Holder with whom the investor has a sub-account, or
- the Bank with whom the investor has a bank account.

Similarly, an e-IPO application can be filed by:

- the investor himself, or
- the TREC Holder with whom the investor has a sub-account, or
- the Bank with whom the investor has a bank account.

For further guidance and queries regarding PES, investors may contact PSX at phone number: 111-001-122, or contact at phone (021)-35274401-10 and email: itss@psx.com.pk.

Investors who are registered with PES can submit their applications through the web link, <https://eipo.psx.com.pk>, 24 hours a day during the subscription period which will close at midnight on April 13th 2021.

(ii) Centralized e-IPO System (CES):

In order to facilitate investors, the Central Depository Company of Pakistan ("CDC") has developed a Centralized e-IPO System ("CES") through which applications for subscription of securities offered to the general public can be made electronically. CES has been made available in this Issue and can be accessed through the web link (www.cdceipo.com). Payment of subscription money can be made through 1LINK's member banks available for CES, list of which is available on above website.

For making application through CES, investors must be registered with CES. Registration with CES is free of cost and can be done under a self-registration process by filling the CES registration form, which is available 24/7 all throughout the year. Investors who have valid Computerized

National Identity Card (CNIC), bank account with any commercial bank, email address, mobile phone number and CDS Account (Investor account or sub account) may register themselves with CES.

In addition to the above, CDC has also introduced a new facility in CES through which sub-account holder(s) will request their respective TREC Holders who are Participants in Central Depository System (CDS) to make electronic subscription on their behalf for subscription of securities of a specific company by authorizing (adding the details of) their respective Participant(s) in CES. Consequently, authorized Participants will electronically subscribe on behalf of their sub-account holder(s) in securities offered through Initial Public Offerings (IPOs) and will also be able to make payment against such electronic subscriptions through all the available channels mentioned on CES only after receiving the subscription amount from the sub-account holder(s). To enable this feature, the CDS Participant may request CDC to activate his ID on the CES portal. The securities will be credited directly in Investors' subaccount. In case the sub-account of the investor has been blocked or closed, after the subscription, then securities shall be parked into the CDC's IPO Facilitation Account and investor can contact CDC for credit of shares in its respective account

Investors who do not have CDS account may visit www.cdcpakistan.com for information and details.

For further guidance and queries regarding CES and opening of CDS account, investors may contact CDC at phone number: 0800 – 23275 (CDCPL) and e-mail: info@cdcpak.com or contact Mr. Farooq Ahmed Butt at Phone 021-34326030 and email: farooq_butt@cdcpak.com.

Investors who are registered with CES can submit their applications through the web link www.cdceipo.com 24 hours a day during the subscription period which will close at midnight on April 13th 2021.

(iii) e-IPO facilities by Bankers to the Issue:

Currently, UBL and BAFL are providing e-IPO facilities to their respective account holders. UBL account holders can use UBL Net Banking to submit their application via link <http://www.ubldirect.com/corporate/ebank> whereas BAFL account holders can use BAFL Net Banking to submit their application via link <https://netbanking.bankalfalah.com>.

Account holders of UBL and BAFL can submit their applications through the above mentioned link 24 hours a day during the subscription period which will close at midnight on April 13th 2021.

Eligible Investor

An Individual and Institutional Investor whose Bid Amount is not less than the minimum bid size of PKR 1,000,000 (One Million Rupees only).

Floor Price

The minimum price per share set by the Issuer in consultation with Lead Manager. For this Issue, Floor Price is PKR 38.00/- per share.

General Public

All Individual and Institutional Investors including both Pakistani (residents & non-residents) and foreign investors.

Initial Public Offer (IPO)	Initial Public Offering or IPO means first time offer of securities to the general public.
Institutional Investors	<p>Any of the following entities:</p> <ul style="list-style-type: none"> ▪ A financial institution; ▪ A company as defined in the Companies Act, 2017; ▪ An insurance company established under the Insurance Ordinance, 2000; ▪ A securities broker; ▪ A fund established as Collective Investment Scheme under the Non-Banking Finance Companies and Notified Entities Regulations, 2008; ▪ A fund established as Voluntary Pension Scheme under the Voluntary Pension System Rules, 2005; ▪ A private fund established under Private Fund Regulations, 2015; ▪ Any employee's fund established for beneficial of employees; ▪ Any other fund established under any special enactment; ▪ A foreign company or any other foreign legal person; and ▪ Any other entity as specified by the Commission.
Issue	<p>Issue of 40,887,500 Ordinary Shares representing 20.00% of total post-IPO paid-up capital having a Face Value of PKR 10/- each.</p> <p>The entire issue will be offered through Book Building at a Floor Price of PKR 38.00/- per share with an upper limit of 40% above the Floor Price i.e. PKR 53.20/share.</p> <p>Initially, 75% of the issue size i.e. 30,665,625 ordinary shares will be allotted to Successful Bidders and 25% of the Issue size i.e. 10,221,875 Ordinary Shares will be offered to Retail Investors at the Issue Price. Any unsubscribed retail portion will be allocated to Successful Bidders on a pro-rata basis.</p>
Issue Price	The price at which Ordinary Shares of the Company are issued to the General Public. The Issue Price will be the Strike Price.
Issuer	Service Global Footwear Limited (the "Company" or "SGFL")
Key Employees	Chief Executive Officer, Directors, Chief Financial Officer and Company Secretary of the Company.
Lead Manager	<p>Any person licensed by the Commission to act as a Consultant to the Issue/Lead Manager.</p> <p>Arif Habib Limited has been appointed as Consultant to the Issue / Lead Manager by the Issuer for this Issue.</p>
Limit Bid	The bid at a Limit Price.
Limit Price	The maximum price (up to 40% of the Floor Price) a prospective Bidder is willing to pay for a share under Book Building.
Listing Regulations	Chapter 5 of the Rule Book of the Pakistan Stock Exchange Limited, titled 'Listing of Companies and Securities Regulations'.

Margin Money	The partial or total amount, as the case may be, paid by a bidder at the time of registration as an Eligible Investor. The Book Runner shall collect full amount of the bid money as Margin Money in respect of bids placed by an individual investor and not less than twenty five percent (25%) of the bid money as Margin Money in respect of bids placed by an institutional investor.
Minimum Bid Size	The Bid amount equal to One Million Rupees (PKR 1,000,000/-).
Ordinary Shares	Ordinary Shares of Service Global Footwear Limited having face value of PKR 10.00/- each.
Price Band	Floor Price with an upper limit of 40% above the Floor Price, allowing Bidder to make Bid at Floor Price or within the Price Band
Prospectus	Prospectus means any document described or issued as a prospectus and includes any document, notice, circular, material, advertisement, and offer for sale document, publication or other invitation offering to the public (or any section of the public) or inviting offers from the public for the subscription or purchase of any securities of a company or body corporate or entity.
Registration Form	The form which is to be submitted by the Eligible Investors for registration to participate in the Book Building process.
Registration Period	The period during which registration of bidders is carried out. The registration period shall commence three working days before the start of the Bidding Period from April 2nd 2021 to April 8th 2021 from 9:00 am to 5:00 pm and shall remain open till 3:00 pm on the last day of the Bidding Period.
PO Regulations	The Public Offering Regulations, 2017 https://www.secp.gov.pk/document/s-r-o-296i-2017-public-offering-regulations-2017/?wpdmdl=41322&refresh=604202503535c1614938704
Related Employees	Related Employees mean such employees of the Issuer, the Lead Manager, the Underwriter & Book Runner, who are involved in the Issue. Please refer to Sections 3A (v) & 3A (vi) for further details.
Listing Regulations	Chapter 5 of the Rule Book of the Pakistan Stock Exchange Limited, titled 'Listing of Companies and Securities Regulation'. https://www.psx.com.pk/psx/themes/psx/uploads/PSX-Rulebook-%28updated-on-February-19%2C-2021%29-050321.pdf
Sponsor	A person who has contributed initial capital in the issuing company or has the right to appoint majority of the directors on the board of the issuing company directly or indirectly; A person who replaces the person referred to above; and

	A person or group of persons who has control of the issuing company whether directly or indirectly.
Step Bid	Step Bid means a series of limit bids at increasing prices. In case of a step bid, the amount of each step will not be less than Rupees One Million (PKR 1,000,000/-).
Strike Price	The price per ordinary share of the Issue determined / discovered on the basis of Book Building process in the manner provided in the Regulations, at which the shares are issued to the successful bidders. The Strike Price will be disseminated after conclusion of Book Building through publication in at least all those newspapers in which the Prospectus was published and also posted on the websites of the Securities Exchange, Consultant to the Issue, Book Runner and the Company.
Supplement to the Prospectus	The Supplement to the Prospectus shall be published within three (3) working days of the closing of the Bidding Period at least in all those newspapers in which the Prospectus was earlier published and disseminated through the Securities Exchange where shares are to be listed.

Interpretation:

ANY CAPITALIZED TERM CONTAINED IN THIS PROSPECTUS, WHICH IS IDENTICAL TO A CAPITALIZED TERM DEFINED HEREIN, SHALL, UNLESS THE CONTEXT EXPRESSLY INDICATES OR REQUIRES OTHERWISE AND TO THE EXTENT AS MAY BE APPLICABLE GIVEN THE CONTEXT, HAVE THE SAME MEANING AS THE CAPITALIZED / DEFINED TERM PROVIDED HEREIN.

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1 APPROVALS AND LISTING ON THE STOCK EXCHANGE

1.1. APPROVAL OF THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Approval of the Securities & Exchange Commission of Pakistan (the "**Commission**" or the "**SECP**") under Section 87(2) of the Securities Act, 2015 read with Section 88(1) thereof, has been obtained by Service Global Footwear Limited for the issue, circulation and publication of this offering document (hereinafter referred to as the "**Prospectus**") vide their letter No. SMD/PO/SA-88/01/2021 Dated March 30th 2021.

DISCLAIMER:

IT MUST BE DISTINCTLY UNDERSTOOD THAT IN GIVING THIS APPROVAL, SECP DOES NOT TAKE ANY RESPONSIBILITY FOR THE FINANCIAL SOUNDNESS OF THE COMPANY AND ANY OF ITS SCHEMES STATED HEREIN OR FOR THE CORRECTNESS OF ANY OF THE STATEMENTS MADE OR OPINIONS EXPRESSED WITH REGARD TO THEM BY THE COMPANY IN THIS PROSPECTUS.

SECP HAS NOT EVALUATED QUALITY OF THE ISSUE AND ITS APPROVAL FOR ISSUE, CIRCULATION AND PUBLICATION OF THE PROSPECTUS SHOULD NOT BE CONSTRUED AS ANY COMMITMENT OF THE SAME. THE PUBLIC / INVESTORS SHOULD CONDUCT THEIR OWN INDEPENDENT DUE DILIGENCE AND ANALYSIS REGARDING THE QUALITY OF THE ISSUE BEFORE BIDDING / SUBSCRIBING.

1.2. APPROVAL OF PROSPECTUS BY PSX

The Prospectus of the Company has been approved by PSX vide letter No. PSX/ GEN-340 dated February 26, 2021 in accordance with the requirements of the Listing Regulations.

DISCLAIMER:

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ADVICE FROM A SUITABLY QUALIFIED PROFESSIONAL SHOULD ALWAYS BE SOUGHT BY INVESTORS IN RELATION TO ANY PARTICULAR INVESTMENT.

1.3. FILING OF PROSPECTUS AND OTHER DOCUMENTS WITH THE REGISTRAR OF COMPANIES

Service Global Footwear Limited has filed with the Registrar of Companies as required under Sections 57 (1) of the Companies Act 2017, a copy of this Prospectus signed by all the Directors of the Company.

1.4. LISTING AT PSX

Application has been made to PSX for permission to deal in and for quotation of the shares of the Company.

If for any reason the application for formal listing is not accepted by PSX or approval for formal listing is not granted by PSX before the expiration of twenty-one days from the date of closing of the subscription period / list or such longer period not exceeding forty-two days as may, within the said twenty-one days, be notified to the applicants for permission by the PSX, the Issuer undertakes that a notice to that effect will immediately be published in the press

and will refund Application Money to the applicants without surcharge as required under the provisions of Section 69 of the Companies Act.

If any such money is not repaid within eight (08) days after the Company becomes liable to repay it, the Directors of the Company shall be jointly and severally liable to repay that money from the expiration of the eight day together with surcharge at the rate of two percent (2.0%) for every month or part thereof from the expiration of the eight day and, in addition, shall be liable to a penalty of level 3 on the standard scale of up to PKR 100 million and per day penalty of Rs. 500,000 during which the default continues, as defined in Section 479 of the Companies Act, 2017 in accordance with the provisions of sub-section (2) of Section 69 of the Companies Act.

As required under sub-section (3) of Section 69 of the Companies Act, the Application Money including the Bid Money, in case of Book Building, shall be deposited and kept in a separate bank account in a scheduled bank so long as the Company may become liable to repay it under sub-section (2) of Section 69 of the Companies Act; and, if default is made in complying with the said sub-section (3), the Company and every officer of the Company who authorizes or permits the default shall be liable to a penalty of level 2 on the standard scale of up to PKR 500,000 and per day penalty of PKR 1,000 during which the default continues, as defined in Section 479 of the Companies Act, 2017.

2 SUMMARY OF THE PROSPECTUS

2.1. PRIMARY BUSINESS OF SERVICE GLOBAL FOOTWEAR LIMITED

On May 16, 2019, the Board of Directors of Service Industries Limited (“SIL”) decided to demerge and transfer one of its manufacturing units, SIL - Muridke unit, along with its manufacturing facility and all relevant assets, operations, and liabilities etc. to a wholly owned subsidiary, Service Global Footwear Limited (“SGFL” or the “Company”), through a court sanctioned scheme. Subsequent to this decision of the Board of SIL, SGFL was incorporated as a public limited company on July 19, 2019 under the Companies Act, 2017.

The primary reason for the aforementioned demerger was to carve out the export oriented footwear unit of SIL for better management, allowing entitlement of benefits of Export Oriented Unit to SGFL. There are certain benefits of taxes and duties exemptions which are available to an export oriented unit which include duty and tax free import of plant and machinery, spare parts, raw materials, packing material and accessories. Moreover, the Export Oriented Units are entitled to speedy refunds of sales tax under FASTER module of FBR.

Hence in order to avail abovementioned benefits, the Export Oriented Footwear Unit of Muridke was demerged from SIL into a separate company, SGFL.

As a consequence of this demerger, SGFL, the separate entity became the 100% subsidiary of SIL. Thus, as such, all shareholders including minority shall continue to benefit from all income/profitability of SGFL as was the case previously.

SGFL’s manufacturing facility is situated at 10 KM, Muridke - Sheikhpura Road, Muridke, spanning over an area of 247 Kanals, 07 Marlas, 90 square feet of freehold land. The principal activity of the Company is to carry on the business of manufacturing, sale, marketing, and export of footwear. As of 9MCY2020, export sales comprise of 95% of the total sales of the Company.

Pairs of Shoes Sold	2H CY2019	%	9M CY2020	%
Export Market	1,495,293	94.6%	1,921,270	94.8%
Local Market	85,688	5.4%	105,416	5.2%
Total	1,580,981	100.0%	2,026,686	100.0%

Revenue Earned - PKR '000	2H CY2019	9M CY2020
Export Market	3,475,829	5,047,536
Local Market	120,005	148,559
Duty Drawback*	55,041	107,629
Total	3,650,875	5,303,724

*Under the Local Taxes and Levies Drawback (Non-Textile) Order, 2018 issued by Ministry of Commerce and Textile, SGFL is granted to avail drawback at the rate of 1.5% (3% if SGFL achieves an increase of 10% or more in its own exports during the financial year) of net exports made during the financial year. For further details on duties, refer Section 3.19.

2.2. SPONSOR OF SERVICE GLOBAL FOOTWEAR LIMITED

SIL, the parent company of SGFL, was incorporated as a private limited company on 20 March 1957 in Pakistan under the Companies Act, 1913 (now the Companies Act, 2017). SIL was converted into a public limited company on 23 September 1959 and was subsequently listed in 1970 on the Karachi and Lahore Stock Exchange (now Pakistan Stock Exchange Limited). The principal activities of SIL are manufacturing and sale of footwear, tyres & tubes and technical rubber products. Following are the subsidiaries of SIL:

Subsidiary	Nature of Business	Number of Shares Held ¹	% of Total Shareholding
Service Global Footwear Limited	Manufacturing, sale, marketing, import and export of footwear	163,549,991	100%
Service Industries Capital (Pvt.) Limited	To hold investments in subsidiaries /joint ventures and other companies, entities, and organizations, listed or otherwise in	29,999,997	100%

Subsidiary	Nature of Business	Number of Shares Held ¹	% of Total Shareholding
	Pakistan or elsewhere in the World subject to all the applicable laws and procedures but not to act as an investment company		
Service Shoes Lanka (Pvt.) Limited ²	A private limited company incorporated in Sri Lanka for the purchase, manufacture and sale of footwear	934,970	60%
Service Long March Tyres (Pvt.) Limited	Manufacturing, sale, marketing, import and export of all steel radial truck, bus, light truck, and off the road tyres	153,000,000	51%

1. As of December 31, 2020

2. Service Shoes Lanka (Pvt.) Limited is a subsidiary of Service Industries Capital (Pvt.) Limited whereas Service Industries Capital (Pvt.) Limited is a wholly owned subsidiary of SIL. Shares reflected in the above table shows number of shares and % of holding of Service Industries Capital (Pvt.) Limited in Service Shoes Lanka (Pvt.) Limited. Of the remaining shareholding, 35% shareholding is being held by Almar Teas (Pvt.) Limited and 5% by Siddhasri Sitendra Senaratne

Service Sales Corporation (Pvt.) Limited ("SSC") used to be an associated company of SIL, however since 2012, SIL does not have any link or connection with SSC, except that SIL manufactures shoes for SSC on order basis. SSC operates with the sales lines "Servis", "Shoe Planet" and "Ndure" whereas SIL operates its retail setup under the names of "Shoe Box" and "Klara".

2.3. SALIENT FEATURES OF THE ISSUE

The Issue comprises of 40,887,500 Ordinary Shares of face value of PKR 10/- each, which constitutes 20.00% of the total post-IPO paid up capital of the Company.

The entire Issue of 40,887,500 Ordinary Shares will be offered through the Book Building process at a Floor Price of PKR 38.00/- per share. Initially, 75% of the issue size i.e. 30,665,625 Ordinary Shares will be allotted to Successful Bidders and 25% of the issue i.e. 10,221,875 Ordinary Shares will be offered to Retail Investors. Unsubscribed shares, if any, of the General Subscription portion will be allocated to Successful Bidders of the Book Building portion on a pro-rata basis.

2.4. PRE AND POST ISSUE SHAREHOLDING OF THE SPONSORS

Given below is the Pre and Post IPO shareholding of the sponsors of the Company:

Sponsor	Pre-Issue Shareholding	Post-Issue Shareholding
Service Industries Limited	100.00%	80.00%

2.5. PRINCIPAL PURPOSE OF THE ISSUE

The principal purpose of the issue is to invest the entire amount raised at the Floor Price as an equity investment in "Service Long March Tyres (Private) Limited" ("**SLM**") and become a stakeholder of approximately 18.91% of the total shareholding of SLM. SLM is a Greenfield company and details of the company are given ahead.

After the equity investment from SGFL, the aggregate holding of SIL and SGFL in SLM would constitute 51%.

Any excess proceeds raised over the Floor Price would be utilized either to fund the internal working capital requirement of SGFL or to make equity investment in SLM, as deemed appropriate by the BOD of SGFL. Additional equity investment in SLM from SGFL would reduce the holding of SIL in such a way that the aggregate investment of Servis Group would not deviate from 51%.

The reason for not opting to list SLM instead of SGFL is that the management of Servis group perceives that SLM, being a greenfield project which has not yet commenced its operations, might not be able to encash its potential as of now; hence, routing the proceeds through SGFL is a more feasible option.

Clause 3 (ii), Chapter II of Public Offering Regulations, 2017

With regard to Clause 3 (ii), Chapter II of Public Offering Regulations, 2017, the Issuer should have a profitable track record for at least 2 preceding financial years from its core business activities. In the case of SGFL, as the Company got incorporated in July 2019, track record for at least 2 preceding years does not exist.

However, the Muridke Unit of Service Industries Limited (which became SGFL in July 2019) has been operational since 1989 and was carved out into a separate entity to earn benefits of Export Oriented Unit.

Below is the operating performance of SGFL since CY2016 till 9MCY2020:

	CY16	CY17	CY18	1HCY19	2HCY19 (Audited)	9MCY20 (Audited)
Pairs Sold (Thousands)	2,822	2,837	2,887	1,539	1,581	2,026
Revenue (PKR Mn)	4,159	4,349	5,382	3,298	3,651	5,304
Gross Profit (PKR Mn)	738	900	1,126	689	816	1,002
Gross Profit Margin	18%	21%	21%	21%	22%	19%

**Performance data of CY16 to 1HCY19 is unaudited; however, the data is extracted from the accounts of SIL*

2.5.1. OVERVIEW OF SERVICE LONG MARCH TYRES (PRIVATE) LIMITED

SIL has ventured into the manufacturing of “All Steel Radial” tyres of trucks and buses (TBR Tyres) (the “Project”). For this purpose, SIL has entered into a Joint Venture Agreement with Chaoyang Long March Tyre Co., Ltd (“LM”) and Myco Corporation on November 18th 2019 and have set up a Joint Venture Company in Pakistan namely “Service Long March Tyres (Private) Limited” (“SLM”) on January 07, 2020.

LM is a Chinese tyre manufacturer based in Chaoyang, Liaoning province and was established in 2003. LM possesses a core expertise in manufacturing of “All Steel Radial” (TBR Tyres). LM’s current production capacity is of around 3.4 million tyres per annum. LM manufactures a total of 236 varieties across 59 specifications and 50 patterns for light, medium & heavy truck and bus tyres. Almost 55% of total production is being exported to a total of 130 countries mainly to Chile, UAE, African region, Australia, and Pakistan.

Myco Corporation is a sole proprietorship owned by Mr. Shabir Ahmad, son of Haji Gul Muhammad. Myco Corporation is the exclusive distributor of Chaoyang Long March Tyre Co. Ltd, China, in Pakistan and is engaged in the import and sale of “All Steel Radial” tyres of trucks and buses (TBR Tyres).

The Project cost is estimated to be PKR 16,430 Mn which would be funded in a debt to equity ratio of 50:50 with an installed production capacity of 600,000 tyres per annum. Total debt requirement of PKR 8,215 Mn has been arranged through long term financing facilities from different financial institutions. Of the total equity commitment of PKR 8,215 Mn, PKR 4,500 Mn has already been injected by SIL, LM, and Mr. Shabir Ahmad of Myco Corporation in the ratio of 51%, 44%, and 5%, respectively.

A plot of industrial land measuring 50 acres in Sindh Industrial Trading Estate – Nooriabad, Sindh, has been procured for the Project for a total cost of PKR 830 Mn; the total cost of land has been funded by equity financing. The construction work of the Project has started in October 2020 and is expected to be completed by June 2021.

SLM would manufacture “All Steel Radial” tyres of trucks, buses (TBR), light truck and off the road vehicles for local and export markets; however, initially during the Phase 1, SLM would restrict manufacturing to trucks and buses (TBR tyres) only. As per the estimation of SLM’s management, 85% of the total sales would comprise of exports. Currently there is no local player operating in this segment of tyre market and SLM would be the first player in the local industry to bring TBR manufacturing technology in Pakistan. The entire manufacturing technology would be transferred from the Chinese Partner, LM. Other tyre manufacturers in the country such as General Tyre & Rubber Company of Pakistan Limited and Panther Tyres Limited do manufacture bias tyres for trucks and tyres but SLM would be the sole manufacturer of All Steel Radial tyres of trucks and buses in the country.

All Steel Radial Tyre of Trucks and Buses (TBR Tyres):

All Steel Radial Tyre is a category of tyres in which full tyre body is made of steel material whereas ordinary radial tyres use a combination of textiles and steel cords for the tread areas only which leaves the sidewalls of ordinary radial tyres vulnerable. All Steel Radial tyres use steel cords in all areas including the radial plies to protect the sidewall casing as well as the tread area.

All Steel Radial Tyre is the latest technology being used in the world at the moment for manufacturing of heavy transport vehicle tyres. The machinery line used in the manufacturing of All Steel Radial Tyre is different from the machinery line used in the manufacturing of bias and semi-steel radial tyres. The quality, usage life, and the reliability of All Steel Radial Tyre is much higher than those of the other two categories of tyres. Moreover, this category of tyres are also highly safe as compared to other two categories of tyres. Aforementioned characteristics enable this category of tyres to meet high performance parameters of heavy transport vehicles where tyres have to withstand high load at high speed since the entire body (casing) of the tyre is made of steel.

For details pertaining to the plants & machineries of this project, see section 4.2.3; for implementation schedule, see section 4.3.

2.5.2. STRATEGIC PARTNERSHIP AND MARKET OPPORTUNITY

The formation of a joint venture through pooling of capital by SIL, LM, and Myco Corporation was fundamentally undertaken in order to exploit the opportunities created by the current geopolitical relationships among the global markets. **Due to the imposition of anti-dumping & countervailing duties by European Union and United States of America on imports from China, the supply lines to these regions from China were severely impacted. Consequently, LM has opted to enter into a JV agreement with SIL and Myco Corporation for the establishment of manufacturing lines to meet the demand of these export markets.** Hence, export potential of SLM is keenly promising as there are multiple global markets where SLM can export through the already established sale channels of LM. **It is expected by the management of SLM that 85% of the total production of the Project would be exported, mainly to USA and Brazil.**

Venturing into production of TBR tyres by SIL is also a well-planned advancement towards achievement of strategic business advantage in the local market. As trucking and bus transportation are the main means of goods and people movement, there is huge domestic demand of TBR tyres. Annual demand of TBR tyres from domestic participants, as per the estimates of SLM's management, is around 1.4 million tyres. As there is no local manufacturer of TBR tyres, all the demand is being met through imports via the official and grey market. Local manufacturing of TBR tyres would help to meet domestic demand and would also help to curb the grey market.

None of the sale agents of SLM would be a related or associated party of Servis group or LM.

2.5.3. STATUS OF GREENFIELD INDUSTRIAL UNDERTAKING AND SPECIAL ECONOMIC ZONE (SEZ) ENTITY

SLM, being a one-of-its-kind project, has been granted the status of a Green Field Industrial Undertaking on November 24th, 2020 under Sec. 2, Sub - Sec. 27A of ITO 2001 and Sec. 2, Sub. Sec.12A of STA 1990, which has allowed SLM to avail the following benefits:

- Exemption of Gains and Profits from Imposition of Income Tax including Minimum Tax for 5 Years;
- One-time exemption from Sales Tax, Income Tax, and Custom Duty on import of Plant & Machinery during construction phase.

In addition to this, the Board of Approvals ("BOA") constituted under Section 5 of Special Economic Zones Act 2012 in their meeting held on December 14, 2020 approved the Special Economic Zone (SEZ) status of SLM; the formal notification in this respect has been issued on January 15th 2021. Due to this status, the following benefits would be available to SLM:

- Exemption of Incomes from Imposition of Income Tax for 10 years;
- One-time exemption from Sales Tax, Income Tax and Custom Duty on import of Plant & Machinery.

- Exemption of Sindh Revenue Board (SRB) tax on construction services rendered by the contractors under SRB-3-4/7/2013, dated June 28, 2013.

All the exemptions granted to SLM under Green Field Industrial Undertaking and Special Economic Zone (SEZ) status would run parallel.

2.5.4. TOTAL PROJECT COST

The Project cost is estimated to be PKR 16,430 Mn which would be funded in a debt to equity ratio of 50:50 with an installed production capacity of 600,000 tyres per annum.

Project Cost	PKR Mn
Long Term Debt	8,215
Equity	8,215
Total	16,430

Total debt requirement of PKR 8,215 Mn has been arranged through long term financing facilities from different financial institutions.

Sr. No.	Institution	Amount in PKR	Tenor	Comments
1	Habib Bank Limited	3 Bn	10 years	2 years grace period
2	Allied Bank Limited	2 Bn	10 years	2 years grace period
3	Faysal Bank Limited	2 Bn	10 years	2 years grace period
4	MCB Bank Limited	1 Bn	10 years	2 years grace period
5	Bank Alfalah Limited	1 Bn	10 Years	2 years grace period
Total		9 Bn		

All the above mentioned financing facilities are availed under the Temporary Economic Refinance Facility (TERF) scheme of State Bank of Pakistan; the base rate of this scheme is 1%. SLM has negotiated fine and market competitive spread which is less than 200 basis points over the base rate for the above mentioned financings.

Of the total equity commitment of PKR 8,215 Mn, PKR 4,500 Mn has already been injected by SIL, LM, and Mr. Shabir Ahmad of Myco Corporation in the ratio of 51%, 44%, and 5%, respectively.

Sr. No	Stakeholders	Equity Injected (PKR Mn)
1.	Service Industries Limited	2,295
2.	Chaoyang Long March Tyre Co., Ltd.	1,980
3.	Mr. Shabir Ahmad (Myco Corporation)	225
Total		4,500

Remaining equity of PKR 3,715 Mn would be injected as per below projected schedule:

PKR Mn	SIL	SGFL	Long March	Myco Corp.	Total
April, 2021	-	765	660	75	1,500
May, 2021	341	788	975	111	2,215
Total	341	1,553	1,635	186	3,715
Amount Already Injected	2,295	-	1,980	225	4,500
Total Amount	2,636	1,553	3,615	411	8,215
% of Total Shareholding	32.09%	18.91%	44.00%	5.00%	100.00%

Following is the overview of the equity funding of the Project Cost:

	SIL	SGFL	Long March	Myco Corp.	Total
Investment Done (PKR Mn)	2,295	-	1,980	225	4,500
-Investment Done (%)	51%	-	44%	5%	100%
Investment Remaining (PKR Mn)	341	1,553	1,635	186	3,715

-Investment Remaining (%)	9.20%	41.80	44%	5%	100%
Aggregate Investment (PKR Mn)	2,636	1,553	3,615	411	8,215
-Aggregate Investment (%)	32.09%	18.91%	44.00%	5.00%	100.00%

2.5.5. SOURCE OF FUNDING

Through this Issue, the Company intends to issue 40,887,500 ordinary shares at the Floor Price of PKR 38.00/- per share to raise PKR 1,553,725,000 at the Floor Price.

Particulars	Fund raised (PKR)	Contribution to Total Financing
IPO proceeds	1,553,725,000	100%
Total	1,553,725,000	100%

Any excess proceeds raised over the Floor Price would be utilized either to fund the internal working capital requirement of SGFL or to make equity investment in SLM, as deemed appropriate by the BOD of SGFL. Additional equity investment in SLM from SGFL would reduce the holding of SIL in such a way that the aggregate investment of Servis Group would not deviate from 51%.

2.5.6. UTILIZATION OF PROCEEDS

The total raised amount at the Floor Price would be utilized to finance the equity investment in SLM. The table below shows how the Issuer plans to utilize PKR 1,554 Mn:

Expenditure Heads		
Particular	PKR	%
Equity Investment in SLM	1,553,725,000	100%
Total	1,553,725,000	100%

Investment proceeds from SGFL would be utilized by SLM for the following purpose:

Expenditure Heads		
Particular	PKR	%
To make payments to the contractors on account of Civil and MEP works of the Project.	1,553,725,000	100%
Total	1,553,725,000	100%

For details pertaining the plants & machineries of this project, see section 4.2.3; for implementation schedule, see section 4.3.

2.6. JUSTIFICATION GIVEN BY THE LEAD MANAGER IN FAVOR OF FLOOR PRICE OF PKR 38.00/- PER SHARE MAY BE SEEN UNDER SECTION 4A OF THE PROSPECTUS TITLED, 'VALUATION SECTION'.

2.7. QUALIFIED OPINION, IF ANY GIVEN BY THE AUDITOR DURING THE LAST THREE FINANCIAL YEARS

No qualified opinion was given on the financial statements of the Company for the periods ended 31 December 2019 and 30 September, 2020 by the Auditors, i.e. Riaz Ahmad & Company, Chartered Accountants.

2.8. FINANCIAL INFORMATION (Please refer to Section 6.5 for detailed financials and commentary on key ratios)

SGFL:

In PKR Mn, unless stated otherwise	Audited 2H CY2019	Audited 9M CY2020
Issued Share Capital	51	1,636
Net worth	2,512	4,091
Revenue	3,651	5,304
Gross margin	22%	19%

In PKR Mn, unless stated otherwise	Audited 2H CY2019	Audited 9M CY2020
Operating margin (%)	16%	14%
Profit after tax	493	574
Profit after tax margin (%)	14%	11%
Cash flow from operations	(14)	(243)
Earnings per share (In PKR) ¹	97.7	3.51 ⁶
Earnings per share (In PKR) ²	467.5	9.58
Breakup value per share (In PKR) ³	497.5	25.0 ⁶
Total borrowings ⁴	3,584	4,000
Debt to Equity (Times)	1.4x	1.0x
Debt to Total Capital (Times) ⁵	0.6x	0.5x
Debt Service Coverage Ratio (Times) ⁷	4.6x	6.2x

1. Earnings per share is based on total profit after tax divided by outstanding shares at corresponding period end;

2. Earnings per share is based on total profit after tax divided by weighted average number of shares outstanding during the corresponding period;

3. Break-up value per share is based on total equity of the company divided by outstanding shares at corresponding period end;

4. Total borrowings include long term debt, current portion of the long term debt, and short term borrowing;

5. Total debt to total capital ratio is based on total debt (long term debt, current portion of long term debt, and short term borrowing) divided by total capital employed;

6. Additional number of shares were issued in 9MCY20 which had a direct impact on Breakup value per share and Earning per share;

7. Debt Service Coverage Ratio is being calculated by dividing EBITDA of the Company by the sum of interest expense and repayment of long term financing of the respective period.

SLM:

In PKR Mn, unless stated otherwise	Audited FY2020 ⁵	Management Accounts 1H FY2021
Issued Share Capital	1,500	3,000
Net worth	1,519	3,037
Revenue	N/A	N/A
Other Income ⁴	32	27
Gross margin	N/A	N/A
Operating margin (%)	N/A	N/A
Profit after tax	18	8
Profit after tax margin (%)	N/A	N/A
Cash flow from operations	(80)	92
Earnings per share (In PKR) ¹	0.12	0.02
Breakup value per share (In PKR) ²	10.13	10.13
Total borrowings ³	Nil	Nil
Total Debt to Equity Ratio %	0%	0%

1. Earnings per share is based on total profit after tax divided by outstanding shares at corresponding period end;

2. Break-up value per share is based on total equity of the company divided by outstanding shares at corresponding period end;

3. Total borrowings include long term debt, current portion of the long term debt, and short term borrowing;

4. Other income comprises of Profit on Term Deposit Receipts;

5. SLM was incorporated on January 07, 2020 and its year end is June 30th.

2.9. LEGAL PROCEEDINGS

SGFL:

Legal proceedings as of September 30th, 2020

Order dated	Issuing Authority	Tax Period	Order Amount/ Financial Impact (PKR Mn)	Current status	Management's Stance
12.12.2019	Lahore High Court	01 July 2016 to 30 June 2017	9.14	The Company has preferred intra court appeal (ICA) before LHC which is pending for hearing.	The Company has already recognized PKR 9.14 Mn in its financial statements for the relevant tax periods. The management, however, based on advice of legal counsel, is confident of favorable outcome of its appeal.
16.09.2020	Lahore High Court	01 July 2014 to-date	3.27	The CIR has not yet initiated the proceedings for assessment of admissibility of sales tax claim on building materials etc.	The Company has already recognized PKR 3.27 Mn in its financial statements for the relevant tax periods. The management, however, based on advice of legal counsel, is confident of favorable outcome of its appeal.

Note: There are no other pending legal proceedings against the Company other than those already mentioned above.

SIL:

Legal proceedings as of September 30th, 2020

Order dated	Issuing Authority	Tax Period	Order Amount/ Financial Impact (PKR Mn)	Current status	Management's Stance
18.09.2009	Additional Collector (Adjudication), PCCS, Karachi	August 2007 to July 2008	22.74	Pending before CIR(A)	The management, based on advice of legal counsel, is confident of favorable outcome.
10.01.2017	Director General (HQ) Adjudicating Officer	January 1987 to September 1992	4.80	The Company has preferred appeal before the Social Security Court, Lahore which is pending for hearing.	Management of the Company intends to contest the matter on merits.
06.05.2019	Director General (HQ) Adjudicating Officer	July 2003 to June 2012	31.80	The Company has preferred appeal before the Social Security Court,	Management of the Company intends to contest the matter on merits.

				Lahore which is pending for hearing.	
26.12.2011	D.G Recovery Social Security Lahore	From July 1992 to September 1993	1.98	Complaint for refund of the amount pending before the institution	Management of the Company intends to contest the matter on merits.
11.01.2012	CIR(A)	Oct08, Nov08, Jan10 to July10	2.65	The appeal is pending for adjudicating before ATIR.	The management, based on advice of legal counsel, is confident of favorable outcome of its appeal.
23.02.2018	CIR(A)	July 2013 – June 2014	10.00	The appeal is pending for hearing before ATIR.	According to Section 11 of STA, 1990, the time period for deciding the remand back points has been lapsed. Further, the management, based on advice of legal counsel, is confident of favorable outcome of its appeal filed with ATIR of PKR 10 Mn.
29.10.2020	CIR(A)	2013-2014	123.41	CIR(A) has annulled the order of DCIR and remanded back for a fresh audit if needed.	It shall be excluded from contingencies in financial statements for the year ended 31 December 2020.
18.04.2019	AC-SRB	July 2011 to Oct 2018	30.57	Hearing of the case has been done and now order of CIR(A) is awaited.	The management, based on advice of legal counsel, is confident of favorable outcome of its appeal.
22.09.2017	Lahore High Court	Aug10, Sep10	13.08	The case is pending for hearing before August Supreme Court of Pakistan.	It may be excluded from contingencies in financial statements for the year ended 31 December 2020.
07.08.2020	CIR(A)	Jan2010 to Dec 2010	1.20	As a result of appeal filed with CIR(A), most of the points have been deleted. The Company has preferred an appeal before ATIR on confirmed	The management, based on advice of legal counsel, is confident of favorable outcome of its appeal.

				points which is pending for adjudicating.	
12.12.2019	Lahore High Court	01 July 2016 to 30 June 2017	58.12	The Company has preferred Intra Court Appeal (ICA) before LHC which is pending for hearing.	The Company has already recognized 58.123m in its financial statements for the relevant tax periods. The management, however, based on advice of legal counsel, is confident of favorable outcome of its appeal.
16.09.2020	Lahore High Court	01 July 2014 to-date	21.78	The CIR has not yet initiated the proceedings for assessment of admissibility of sales tax claim on building materials etc.	The Company has already recognized 21.784m in its financial statements for the relevant tax periods. The management, however, based on advice of legal counsel, is confident of favorable outcome of its appeal.
11.03.2020	DCIR	Jan2005 to Dec2005	12.77	ATIR has deleted the complete order of CIR(A) dated 16.09.2013.	It shall be excluded from contingencies in financial statements for the year ended 31 December 2020.
21.02.2018	CIR(A)	Jan2007 to Dec2007	68.41	The case is pending for adjudicating with ATIR.	The management, based on advice of legal counsel, is confident of favorable outcome of its appeal.
13.12.2018	CIR	Marc13 to Mar16	10.32	The case is pending for adjudicating with ATIR.	The management, based on advice of legal counsel, is confident of favorable outcome of its appeal.

Note: There are no other pending legal proceedings against the Sponsor other than those already mentioned above.

SLM:

There are no pending legal proceedings against SLM as of December 31st, 2020.

Legal proceedings are also disclosed separately, in detail, in Section 8 of the Prospectus, titled 'Legal Proceedings and Overdue Loans'.

2.10. RISK FACTORS

For key risk factors that would have an impact on the Company and SLM, their business operations and the Issue, please refer to Section 5.

2.11. SUMMARY OF RELATED PARTY TRANSACTIONS

SGFL:

All transactions with related parties are carried out at mutually agreed price on an arm's length basis. The related parties comprise of associated undertakings, directors and key management personnel of the Company. The Company in the normal course of business carries out transactions with various related parties, which are as follows:

In PKR Mn unless stated otherwise	Audited 2HCY2019	Audited 9MCY2020
Service Industries Limited - Parent Company		
Sales	29	75
Receivables against sales	-	73
Expenses Charges	-	57
Mark up income	135	171
Purchase of goods	-	111
Mark up accrued	135	8
Short Term Loan Provided ¹	2,145	2,887 ²
Ordinary Share Capital Pursuant to Scheme	-	1,500
Service Shoes Lanka (Pvt.) Limited - Subsidiary of SIL		
Sales	49	42
Purchase of goods	-	1
Receivable against sales	102	106
Advance received	0.2	0.2
Service Provident Fund Trust-Post Employment Benefit Plan		
Contributions towards the fund	31	51
Payables	16	16
Jomo Technologies (Pvt.) Limited - Associated Company		
Sales of goods	-	19
Receivables against sales	-	19
Service Industries Limited Employees Gratuity Fund Trust		
Contribution	7	7
Key Management Personnel		
CEO and certain executives provided with fully maintained vehicles, no remuneration for non-executive directors.	89	173
Executives		
Long term loan ³	16	16

1. This represents unsecured loan to SIL for working capital requirement; this carries mark-up up to 1 month KIBOR plus 0.05% per annum; it is on arm's length

2. PKR 2,887 Mn is the outstanding loan amount as of September 30th, 2020;

3. This is the loan granted to Executives and other employees for the purpose of personal house financing.

SLM:

All transactions with related parties are carried out at mutually agreed price on an arm's length basis. The related parties comprise of associated undertakings, directors and key management personnel of SLM. SLM in the normal course of business carries out transactions with various related parties, which are as follows:

In PKR Mn unless stated otherwise	Audited FY2020
Service Industries Limited - Parent Company	
Share deposit money received	765
Share capital issued against share deposit money	765
Chaoyang Long March Tyre Co. Ltd. – Associated Company	
Share deposit money received	661
Share capital issued against share deposit money	660
Mr. Shabir Ahmed of Myco Corporation – Associated Undertaking	
Share deposit money received	75
Share capital issued against share deposit money	75

3 OVERVIEW, HISTORY AND PROSPECTS

3.1. COMPANY'S HISTORY AND OVERVIEW

Name	Service Global Footwear Limited
Incorporation Number	0136711
Date of Incorporation and Place	July 19, 2019 and in Lahore
Date of Commencement of business	N/A
Date of Conversion to Public Limited Company	N/A (The company was incorporated as a Public Limited Company)
Date of Change of Name	N/A

Service Global Footwear Limited was founded in 2019 as a footwear manufacturing company. The Company was incorporated as a public limited wholly owned subsidiary of SIL on July 19, 2019 under the Companies Act, 2017. The Company's manufacturing facility is located at 10 KM, Muridke - Sheikhpura Road, Muridke, spanning over a total area of 247 Kanals, 07 Marlas, 90 square feet. The principal activity of the Company is to carry on the business of manufacturing, sale, marketing, and export of footwear. As of 9MCY2020, export sales comprise of 95% of the total sales of the Company.

The Company's registered head office is located at 2-Main Gulberg, Lahore. The Company also has a factory outlet for local sales which is situated at its factory premises; **other than this factory outlet, the Company does not own any selling outlet in the country.**

On May 16, 2019, the Board of Directors of SIL decided to demerge and transfer the Muridke unit of SIL, along with its manufacturing facility and all relevant assets, operations and liabilities etc. to a wholly owned subsidiary, Service Global Footwear Limited, through a court sanctioned scheme. Subsequent to the decision of the Board of SIL, the Company was incorporated on July 19, 2019.

In accordance with the scheme of compromises, arrangement and reconstruction (under Section 279 to 283 and 285 of the Companies Act, 2017 entered between SIL and SGFL (the "Scheme"), approved by the shareholders of SIL and SGFL on December 14, 2019 and sanctioned by the Honorable Lahore High Court vide its order dated January 15, 2020, the undertaking comprising the assets, liabilities, rights, entitlements and obligations of SIL has been split into two (2) separate segments i.e. Muridke Footwear Undertaking (now SGFL) and Retained Undertaking.

The segment comprising all the assets, liabilities, rights, entitlements and obligations of Muridke Footwear Undertaking has been carved out / bifurcated from SIL and stands merged / amalgamated with, transferred to, vested in, and be assumed by SGFL with effect from July 01, 2019 against issuance of 150,000,000 ordinary shares of the face value of PKR 10 each by SGFL to SIL in accordance with the Scheme. Please refer to Section 3.1.1 for a detailed disclosure on the Scheme.

Post sanction of the Scheme by the Honorable Lahore High Court, this bifurcation/merger/amalgamation allows SIL to act as the holding company of SGFL. Managements of SIL and SGFL now independently operate their business operations on a regular basis.

3.1.1. THE DEMERGER SCHEME

SGFL was formed, while giving effect to the Scheme of Compromises, Arrangement and Reconstruction under Sections 279 to 283 and 285 of the Companies Act 2017 **(the "Scheme")**.

In order to derive competitive gains and strategic importance of the operating segments, SIL sought for restructuring of the business segments and decided to demerge one of its manufacturing facilities located at Muridke. Accordingly, the manufacturing unit located at Muridke was demerged from SIL. The arrangement was approved by shareholders of both the companies and duly sanctioned by the Honorable Lahore High Court. All the assets, liabilities, rights, entitlements and obligations related to the Muridke unit were transferred to SGFL against issuance of further share capital of PKR 1,500 Mn to SIL (150 Mn ordinary shares worth PKR 10 each).

The Muridke unit now stands as separate entity, with the net assets vested with SGFL. The chronological chain of events of the demerger of Muridke Footwear Undertaking from SIL, formation of the Company, transfer of assets and liabilities, and ultimate approval of the arrangement by the Honorable Lahore High Court is illustrated below:

Sr. No.	Demerger Scheme – Chronological chain of events
1	Determination of net assets of Muridke Footwear Undertaking and Retained Undertaking on June 30 2019 through preparation of special purpose financial statements
2	July 01, 2019 was the effective date of the Scheme when net assets were assumed to be bifurcated and transferred
3	Incorporation of Service Global Footwear Limited on July 19 2019
4	Vesting of assets and liabilities from effective date instead of incorporation date
5	Approval of Scheme by shareholders of SGFL and SIL on December 14, 2019
6	Sanction of Scheme by Honorable Lahore High Court on January 15, 2020
7	Filing of the Sanctioned Scheme to the Registrar of Companies on February 03, 2020
8	Revaluation of Assets transferred at book values to market values and addition in reserves pursuant to the Scheme on completion date
9	Completion date marked as on June 25, 2020, being the final date giving effect to Scheme

The demerger scheme initiated with bifurcation of net assets of SIL into Muridke Footwear Undertaking (to be transferred to SGFL) and Retained Undertaking (to remain under the ownership stake of SIL) on June 30, 2019. Financial Statements on this date were prepared and assets and liabilities were carved out for both undertakings.

The total net assets determined under the arrangement, for Muridke Footwear Undertaking, amounted to PKR 1,964 Mn. Details are as follows:

PKR Mn	Audited June 30 2019
Non-Current Assets	891
Current Assets	5,759
Total Assets	6,650
Non-Current Liabilities	341
Current Liabilities	4,346
Total Liabilities	4,686
Net Assets for Muridke Footwear Undertaking (SGFL)	1,964
Share Capital Pursuant to Scheme (150 million ordinary shares at Rs. 10 per share)	1,500
Reserve For Issuance of Bonus Shares	464
Revaluation of Assets-Surplus Recorded (June 25, 2020)	927
Reserve For Issuance of Bonus Shares (On Completion Date i.e. June 25, 2020)	1,391

The below chart illustrates the assets of SIL at the time of demerger of Muridke Unit on June 30th 2019:

SIL's Asset (PKR Mn)	Retained	Transferred	Combined
NON-CURRENT ASSETS			
Fixed assets	6,277	872	7,149
Intangible assets	3	-	3
Long term investments	565	-	565
Long term loans to employees	9	11	20
Long term security deposits	95	7	102
	6,949	891	7,840
CURRENT ASSETS	-	-	-
Stores, spares and loose tools	166	27	193
Stock-in-trade	3,491	1,479	4,970
Trade debts	3,021	603	3,625
Loans and advances	565	366	931
Trade deposits and prepayments	162	5	167
Other receivables	969	1,388	2,357
Receivable from Retained Undertaking	-	1,889*	-

SIL's Asset (PKR Mn)	Retained	Transferred	Combined
Cash and bank balances	43	1	44
	8,417	5,759	12,287
TOTAL ASSETS	15,367	6,650	20,128

*Adjustments

Other Receivables, amounting to PKR 1,388 Mn, includes Sales Tax Receivables, Income Tax Receivables, and Custom Duty Rebate/DLTL Funds Receivables from Government of Pakistan. Bifurcation of PKR 1,388 Mn is provided below:

Asset	PKR Mn
Custom Duty Rebate	437
Advance Income Tax	506
Sales Tax	389
Others	56
Total	1,388

Receivable from Retained Undertaking, amounting to PKR 1,889 Mn, relates to the loan which SGFL has provided to its parent company, SIL.

3.2. OVERVIEW OF SPONSORS

The history of Servis Group dates back to 1957 when Service Industries Limited, the parent company, was incorporated as a private limited company on 20 March 1957 in Pakistan under the Companies Act, 1913 (now the Companies Act, 2017). SIL was converted into a public limited company on 23 September 1959 and was subsequently listed on 27 June 1970 on the Karachi and Lahore Stock Exchange (now Pakistan Stock Exchange Limited). The principal activities of **the SIL are manufacturing and selling of footwear, tyres & tubes and technical rubber products.**

The manufacturing facility of SIL is located at Gujrat; this manufacturing facility is engaged in the production and sale of footwear, tyres and tubes and technical rubber products in local and export markets.

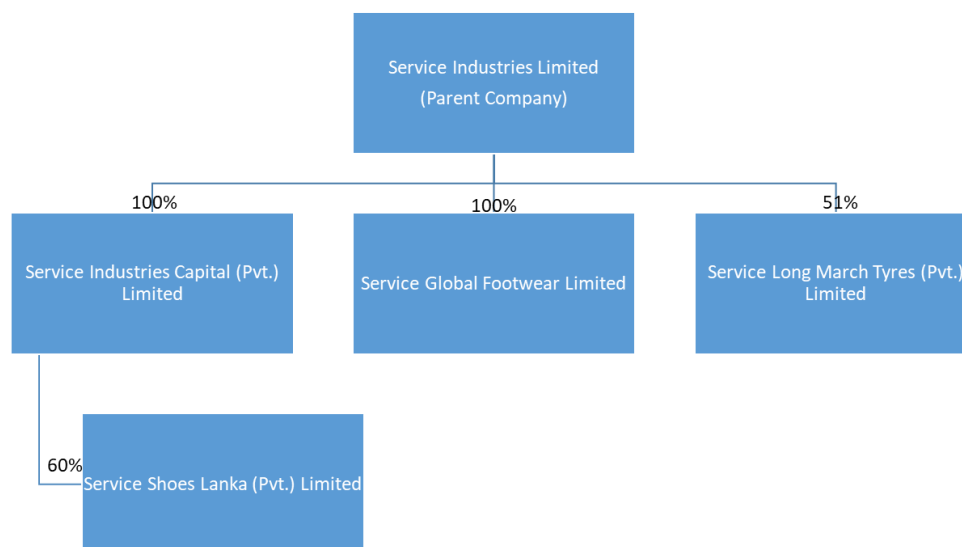
Service Sales Corporation (Pvt.) Limited used to be an associated company of SIL, however since 2012, SIL does not have any link or connection with SSC, except that SIL manufactures shoes for SSC on order basis. SSC operates with the sales lines "Servis", "Shoe Planet" and "Ndure" whereas SIL operates its retail setup under the name of "Shoe Box" and "Klara".

Parent Company

Service Industries Limited

Subsidiary Companies

Service Global Footwear Limited
 Service Industries Capital (Pvt.) Limited
 Service Shoes Lanka (Pvt.) Limited
 Service Long March Tyres (Pvt.) Limited



3.3. PATTERN OF SHAREHOLDING of SGFL

Pattern of shareholding as of 31st December, 2020:

Sr. No.	Shareholders	Category	No. of shares	% Shareholding
1	Service Industries Limited	Parent Company	163,549,991	100%
2	Mr. Arif Saeed	Chairman / Director	1*	0%
3	Mr. Hassan Javed	CEO / Director	1*	0%
4	Chaudhry Ahmed Javed	Director	1*	0%
5	Mr. Omar Saeed	Director	1*	0%
6	Mr. Azmat Ali Ranjha	Director	1*	0%
7	Mr. Abdul Rashid Lone	Director	1*	0%
8	Ms. Maleeha Humayun Bangash	Director	1*	0%
9	Mr. Hassan Ehsan Cheema	Director	1*	0%
10	Mr. Qadeer Ahmed Vaseer	Director	1*	0%
Total			163,550,000	100%

*shares held by SIL in the name of directors.

3.4. REVENUE DRIVERS

SGFL:

SGFL has been into footwear business, with manufacturing facilities fully focused on production of footwear products mainly for export markets. SGFL manufactures footwear for women, men, and kids; however, SGFL's primary target audience is middle-aged women as the Company considers women's footwear its specialty and key revenue driver. Following is the breakdown of the Company's sales:

Category – Number of Pairs Sold	2H CY2019	%	9M CY2020	%
Women	1,429,760	90.43%	1,821,383	89.87%
Men and kids	151,221	9.57%	205,303	10.13%
Total	1,580,981	100.00%	2,026,686	100.00%

Significant revenue drivers are listed below:

• FOOTWEAR – AN ESSENTIAL LIFESTYLE PRODUCT

Footwear is an essential product with reference to its mandatory usage for daily routine and considered as a necessity of life. This leads to continuous purchase and usage of footwear products, irrespective of gender and age groups.

• EXPORT OF FOOTWEAR

The Company generates revenue mainly from its export operations. The Company manufactures and sells footwear products to major brands like Caprice, SRL Workout Italy, Dockers, Diana Ferrari, Zara, Strive etc. in Germany, Italy, UK, Spain, France, Belgium, Denmark, USA and Australia and is the only footwear manufacturer in Pakistan which has a customer base in South America & the Russian Federation. The customer base has been strongly maintained and new customers are also taken on board through continuous efforts of the business development and marketing teams. The Company's strong strategic partnerships in Germany & Italy and exports to other major countries are the key drivers of revenue generation. During 9MCY2020, export sales of SGFL constituted 95% of the total revenue.

Following is the list of countries to which SGFL has exported in 9MCY2020:

Country	% of Total Pairs Exported
Germany	43%
Italy	30%
USA	9%
United Kingdom	3%
Australia	3%
Spain	4%
Ireland	1%
Denmark	1%
Russia Federation	1%
Uruguay	1%
Mexico	1%
Others	3%
Total	100%

• LOCAL SALE OF FOOTWEAR

The Company has been supplying products to the local market as well; however, local sales make up only a small portion of total sales volume and value. Local sales consist mainly of export leftover footwear to customers like SIL, Fair Price Shop, Service Sales Corporation (Pvt.) Limited, Jomo Technologies (Pvt.) Ltd. etc. During 9MCY2020, local sales of SGFL constituted a mere 5% of the total revenue.

• INCOME FROM ASSOCIATED COMPANY i.e. SLM:

SLM would mainly cater to the export market of "All Steel Radial" (TBR Tyres); approximately 85% of the total production would be exported to customers based in USA and Brazil. As per SLM's management, the total TBR tyre market of USA is around 40 Mn tyres per annum and the total TBR tyre market of Brazil is around 7.3 Mn tyres per annum. The remaining 15% would be sold to local buyers.

All Steel Radial Tyre of Trucks and Buses (TBR Tyres):

All Steel Radial Tyre is a category of tyres in which full tyre body is made of steel material whereas ordinary radial tyres use a combination of textiles and steel cords for the tread areas only which leaves the sidewalls of ordinary radial tyres vulnerable. All Steel Radial tyres use steel cords in all areas including the radial plies to protect the sidewall casing as well as the tread area.

All Steel Radial Tyre is the latest technology being used in the world at the moment for manufacturing of heavy transport vehicle tyres. The machinery line used in the manufacturing of All Steel Radial Tyre is different from the machinery line used in the manufacturing of bias and semi-steel radial tyres. The quality, usage life, and the reliability of All Steel Radial Tyre is much higher than those of the other two categories of tyres. Moreover, this category of tyres are also highly safe as compared to other two categories of tyres. Aforementioned characteristics enable this

category of tyres to meet high performance parameters of heavy transport vehicles where tyres have to withstand high load at high speed since the entire body (casing) of the tyre is made of steel.

Following are the major revenue drivers for SLM:

• RISE IN THE GLOBAL DEMAND OF COMMERCIAL VEHICLES

Commercial vehicles are used to transport different commodities such as goods and passengers from one place to another. Rise in the number of commercial vehicles, such as heavy duty trucks & buses, drive the growth of the commercial vehicle TBR market. In addition, advancements in the tyre industry such as manufacturing light weight and robust tyres drive the market growth. The rise in average annual miles travelled by these vehicles is anticipated to create numerous opportunities for the market growth.

Following are the key factors which would impact the demand of commercial vehicles in future:

1. Rapid industrialization worldwide is the major factor that would boost the growth of the TBR tyre market;
2. The rise in competition among the tyre manufacturers and an increase in commercial transportation are anticipated to push the growth of this segment;
3. Improvements in economy of emerging countries is anticipated to provide opportunities for the growth of TBR tyre segment.

• GROWTH IN LOCAL TBR TYRE MARKET

Trucking and bus transportation are the main means of goods and people movement in local market. There is huge domestic demand of TBR tyres. Annual demand of TBR tyres from domestic participants, as per the estimates of SLM's management, is around 1.4 million tyres. As there is no local manufacturer of TBR tyres, all the demand is being met through imports via the official and grey market. Local manufacturing of TBR tyres would help to meet domestic demand and would also help to curb the grey market.

3.5. COST DRIVERS

SGFL:

• COST OF RAW MATERIAL

In 9MCY2020, direct raw material cost contributed 65% to the total cost of goods sold of the Company. The Company sources its raw material supplies from local (55%) and import (45%) channels. Cost of raw materials is the largest contributor of overall cost of SGFL. Raw materials consist of the following main components with their respective contributions to the total cost of raw material based on weighted average annual consumption:

Sr. No.	Categories	% of Quantity Imported	% Contribution to the Total Cost of Raw Material
1	Leather	10%	46.92%
2	Grindery	89%	20.33%
3	Chemicals	86%	14.67%
4	Packing	17%	8.85%
5	Textile	88%	5.99%
6	Synthetic	78%	3.25%
Total			100.00%

Following are the implied percentages of duties on aforementioned categories of raw material:

Sr. No.	Components of Raw Material ¹	Total Duty % ²
1	Leather	2%
2	Grindery	27%
3	Chemicals	0%
4	Packing	27%

5	Textile	27%
6	Synthetic	27%

1.Provision of HS Codes is not feasible as there are multiple categories of each component of Raw Material which has different HS Codes.

2.It is inclusive of basic and additional duties.

Source: Federal Board of Revenue (Customs Tariff), Government of Pakistan Ministry of Finance, Economic Affairs, Revenue and Statistics (Revenue Division)

Being a shoe manufacturer, the leading driver of the production cost is the cost of leather procurement. Currently, leather constitutes approximately 46.92% of the total raw material cost. On an average, SGFL requires 2.89 square feet of leather to manufacture one pair of shoes. More than 90% of the total leather is being procured locally; cows (44%), goats (23%), and sheep (16%) are the main sources of leather used to make shoes at SGFL. Following are the few of the leather suppliers from which SGFL procures leather:

Sr. No.	Major Leather Suppliers	Country
1	Premium Leathers (Pvt.) Ltd.	Pakistan
2	Dada Enterprise (Pvt.) Ltd.	Pakistan
3	Siddiq Leather Works (Pvt.) Ltd.	Pakistan
4	Leathertex Tanneries (Pvt.) Ltd.	Pakistan
5	Khaskins (Pvt.) Ltd.	Pakistan
6	Muhammad Shafi Tanneries (Pvt.) Ltd.	Pakistan
7	Leader tanneries	Pakistan
8	Royal Leather Industries	Pakistan
9	Prime Tanning Industries (Pvt.) Ltd	Pakistan
10	Shifa Leathers (Pvt.) Ltd.	Pakistan

SGFL neither procures material quantity of leather from any single supplier nor has any **long term agreement with any leather supplier. Furthermore, the Company doesn't procure any material quantity of raw material from any related or associated entity.**

After leather, the other category of raw material which drives the production cost for the Company is Grindery; Grindery consists of miscellaneous items such as laces, ribbons, buttons, zips, etc. which are used in the manufacturing of footwear. Currently, grindery constitutes approximately 20.33% of the total raw material cost. **Approximately 89% of the total grindery is being imported.** Following are the few of the grindery suppliers from which SGFL procures grindery:

Sr. No.	Major Grindery Suppliers	Country
1	YKK Pakistan (PVT) LTD	Pakistan
2	Techno GI SPA	Italy
3	Wuzhi County Aihua Shoe Co.	China
4	Xiamen Freede Industry Co, LTED	China
5	HK Aibeisi Slider Fastener IN'L Co	China
6	Caprice SCHUHPRODUKTION GMBH	Germany
7	American Biltrite, Singapore	Singapore
8	Enping E-Mart Enterprise Co.LTD	China
9	Texon Mockmuhl GMBH	Germany
10	Bartoli SPA	Italy

SGFL neither procures material quantity of grindery from any single **supplier nor has any long term agreement with any grindery supplier. Furthermore, the Company doesn't procure any material quantity of raw material from any related or associated entity.**

• LABOUR COST AND FACTORY OVERHEADS

The operations of the Company are labor intensive and a skilled workforce is engaged for plant operations requirements. Labour cost accounted for 19% of the total cost of production during 9MCY2020. The wage levels and other associated benefits are main factors in product costing. Majority of the labour employed on permanent basis

is paid monthly through the piece rate pay mechanism. As of September 30, 2020, there were 2,797 employees in the production section of SGFL which can be further bifurcated into 2,522 skilled workers and 275 unskilled workers.

Factory overhead costs are also a significant contributor in total production costs which includes both, fixed and variable costs. Factory overhead costs accounted for 16% of the total production cost during the 9MCY2020.

• BENEFITS FROM GOVERNMENT

SGFL, being licensed as **Export Oriented Unit (EOU)** under SRO327(1)/2008, is entitled to **import raw material without paying custom duty, additional customs duty, sales tax, and income tax. Furthermore, EOU status also allows the Company to import plant and machinery without the payment of aforementioned duties and taxes, with the condition that no such plant and machinery would be disposed off before a period of five years.**

As per S.R.O. 210(I)/2009, dated March 5th 2009, SGFL is also entitled to the **drawback of custom duties**, calculated at 1.82% of the FOB value of exports (excluding the amount of items imported under EOU license and consumed in exports), at the time of export of footwear.

Federal Board of Revenue ("FBR") vide S.R.O. 1268(1)/2020 dated November 26, 2020, amended the said SRO and enhanced the percentage of custom duty drawback for footwear manufacturer from 1.82% to 4.70%; this latest amendment would further positively impact the financials of SGFL.

The custom duty rebate positively impacts the profitability of the Company; below mentioned is the amount of Custom Duty Rebate availed by the Company since its inception:

2H CY2019	9M CY2020
PKR 51 Mn	PKR 81 Mn

Furthermore, subsidized borrowing in PKR under Export Refinance Facility (ERF) is currently available to SGFL for meeting its working capital requirements.

Under this arrangement, financing is available in the form of short term loan equivalent to 50% of the FOB value of the exports of last period. Financing rate for Central Bank for this financing arrangement is 2% while the Commercial Bank spread is maximum 1%.

Subsidized borrowing in PKR under **Long Term Financing Facility (LTFF)** is also available to SGFL for financing the purchase of new plant and machinery, imported or locally procured, through Letter of Credit. Up to PKR 5 Bn per export oriented project is available in the form of long term loan under this scheme. The Central Bank financing rate is 2% whereas the Bank spread is maximum 1.5% for 3-year tenor, 2.5% for 5-year tenor and 3% for 10-year tenor.

Subsidized borrowing in PKR under SBP Financing Scheme for Renewable Energy (REPP) is available to SGFL for financing procurement of Renewable Energy Power Projects. Under this Scheme, the Central Bank financing rate is 2%, whereas the bank spread is maximum 4% for a 10-year loan.

Local Taxes and Levies Drawback, notified vide S.R.O 711(I)/2018 dated 8 June 2018, is available to SGFL at 3% of FOB value of exports. Under this SRO, SGFL is eligible to claim back 50% of the drawback amount at the time of realization of proceeds of the export shipment while the remaining 50% of the rebate amount shall be provided on achieving growth of 10% or more in export sales during a financial year over the preceding one.

The Local Taxes and Levies Drawback directly impacts the profitability of the Company. Below mentioned is the amount of Duty Drawbacks availed by the Company since its inception:

2H CY2019	9M CY2020
PKR 55 Mn	PKR 108 Mn

Local Taxes and Levies Drawback, notified vide S.R.O 711(I)/2018 is valid till June 30th 2021; however, as per the past trend, the management of the Company is confident that this benefit will get further extension.

FBR recently initiated a sales tax refund process system, Fully Automated Sales Tax e-Refund ("FASTER"), which can process any number of Sales Tax and FE refund claims, as and when filed, within a stipulated time period. FASTER was launched in order to pay refunds to the exporters without any human intervention. Due to this initiative of FBR, **SGFL has recovered sales tax refunds promptly on monthly basis, which has helped to reduce the financial burden of the Company.**

Note: Benefits from governments mentioned here have helped the Company to curb costs and are not exactly the cost drivers; however, if these facilities are withdrawn, the Company's costs would increase and hence, profitability would be negatively impacted.

Cost drivers for SLM:

• PRICE OF RAW MATERIAL

As per the estimation of SLM's management, the raw material consumption would account for around 86% of the cost of sales of SLM. Rubber (natural and synthetic) is the basic raw material required to manufacture tyres. Inflation and increase in the demand for tyre raw materials have fueled their prices in the recent past.

As per the SLM's management estimates, following would be the major components of the raw material cost:

Components of Raw Material	% Contribution to the Total Cost of Raw Material
Rubber	45%
Carbon Black	25%
Steel	25%
Chemicals	5%
Total	100%

Following are the implied percentages of duties on the aforementioned categories of raw material:

Components of Raw Material ¹	Total Duty % ²
Rubber	0%
Carbon Black	20%
Steel (Tyre Cord)	0%
Chemicals	5 %

1.Provision of HS Codes are not feasible as there are multiple categories of each component of Raw Material which has different HS Codes.

2.It is inclusive of basic and additional duties.

Source: Federal Board of Revenue (Customs Tariff), Government of Pakistan Ministry of Finance, Economic Affairs, Revenue and Statistics (Revenue Division)

SLM would not procure any material quantity of raw material from any related or associated entity.

• ENERGY AND FUEL COST

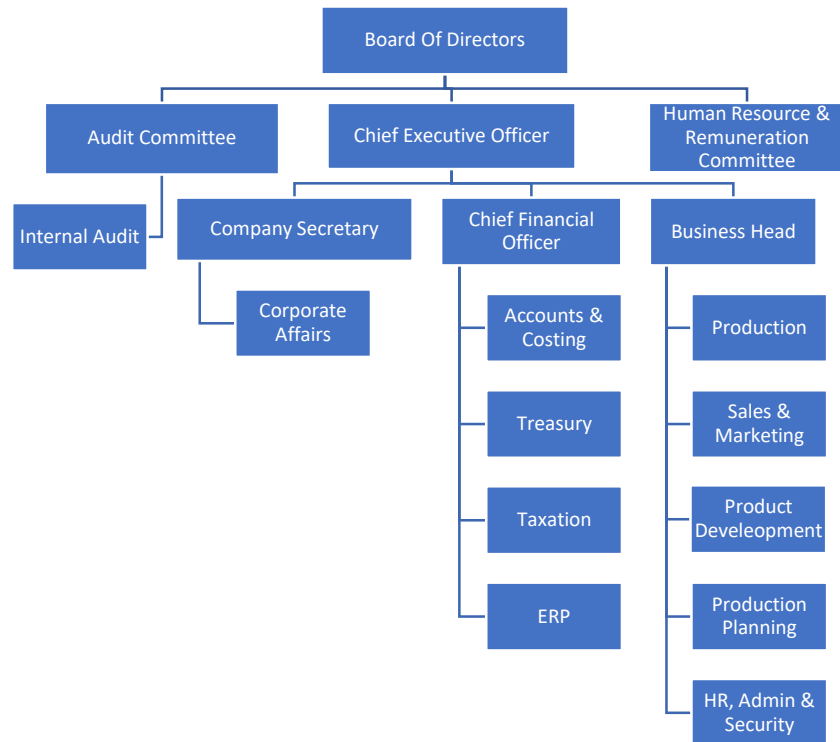
As per the estimation of SLM's management, energy and fuel cost would account for around 6% of the cost of sales of SLM. The electricity requirement of SLM will be 9 MW which will be met through installation of 6 MW Gas Gensets and 4.99 MW Industrial B3 electricity connection from HESCO. Energy and fuel cost also includes cost relating to steam generation; SLM would generate steam from coal boiler.

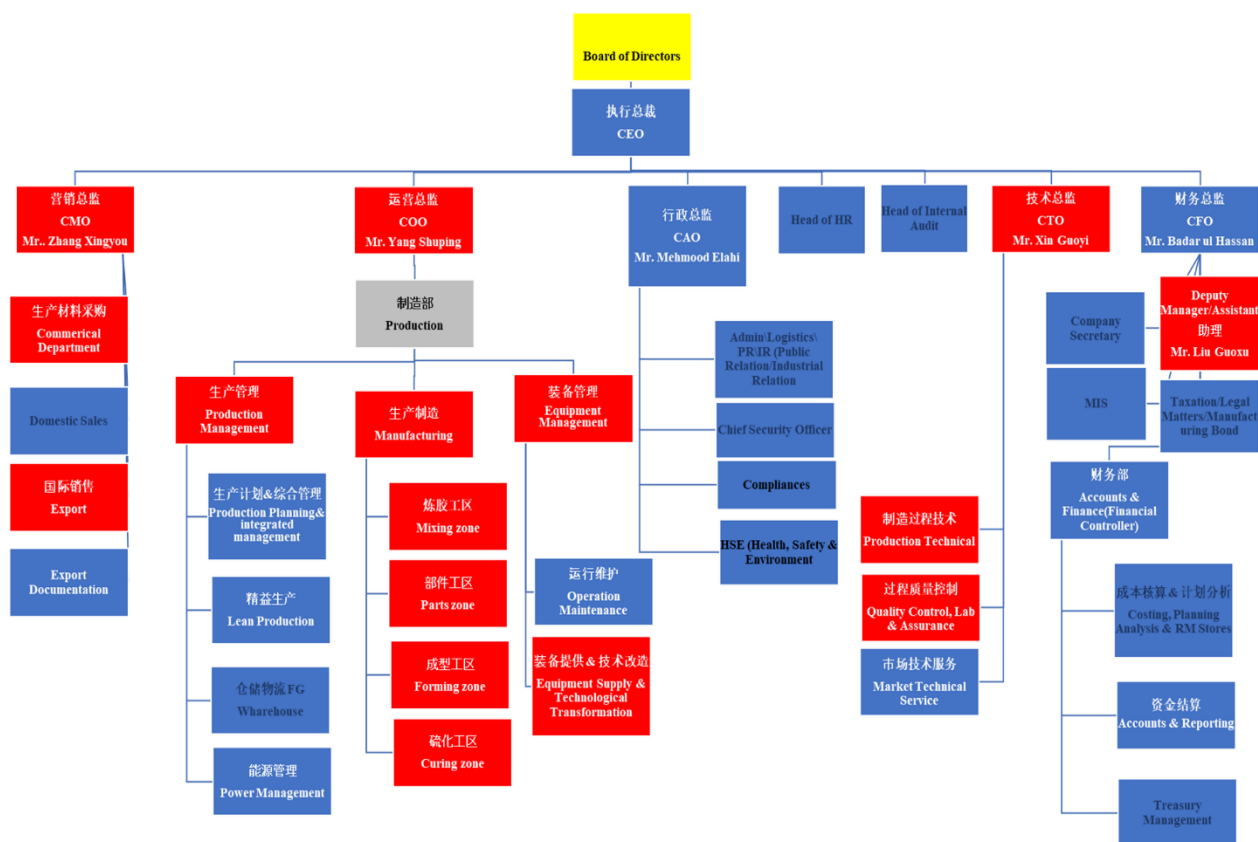
• HUMAN RESOURCE COST

As per the estimation of SLM's management, salaries and wages would account for around 5% of the cost of sales of SLM. As salaries and wages take up a significant portion of the cost of sales, any shortage of skilled labor or an increase in minimum wages by the government will result in an increase in cost of labor.

3.6. COMPANY ORGANOGRAM

SGFL:



SLM:

*Designations highlighted in red pertains to LM whereas designations highlighted in blue are related to SIL.

3.7. MAJOR EVENTS IN THE HISTORY OF THE ISSUER

As disclosed in Section 3.1, though SGFL was incorporated in 2019, the SIL- Muridke unit (now SGFL) commenced operations in 1988 under the umbrella of SIL. The events/milestones below date back to 1988.

Years	Events/Milestones
1988	Commencement of operations at SIL-Muridke Unit (now SGFL) with 100 machines at Production Unit 1 with initial capacity of 300,000 pairs per annum
1995	Built dedicated building for moulding section in order to create space for increasing capacity in the main production hall. At this stage, the total production had crossed the 1 million mark
1996	Production Unit 1- Hall 2 commenced operations to cater to the increasing demand. Capacity levels touched 1,500,000 pairs per annum of which approximately 30% was exported
2001	Started working with German brand "Caprice" with 16,000 pairs in the first season. Caprice is part of one of Europe's biggest footwear companies "Wortmann"
2007	Built dedicated Finished Goods Storage Facility, accommodating 250,000 pairs at a time
2008	Annual Export sales crossed 1,000,000 pairs
2011	SIL - Muridke Unit (now SGFL) and Caprice decided to collaborate strategically. Production from Production Unit1 - Hall 2 was dedicated solely to meet the demand from Caprice
2011	Strategic re-organization of operations, leading to gradual shifting of SIL-Muridke Unit (now SGFL) towards an export oriented unit and moving the domestic production of basic/lower value products to the Gujrat factory
2012	Caprice and SIL - Muridke Unit (now SGFL) decided to build a designated development center in Muridke Factory. All new Caprice products started designing and developing within the Muridke factory

Years	Events/Milestones
2014	The factory invested in learning a special construction, stitch & turn. This gave access to customers selling ultra-comfort shoes and these can be sourced only from very few companies in the world.
2014	Annual export sales reached 2,000,000 pairs mark
2015	As demand of shoes exceeded production capacities of Hall-1 and Hall-2 of Production Unit 1, Production Unit 2 was established with initial installed capacity of 360,000 pairs
2015	Enhancement in global footprint through engagement in US market
2017	Annual export sales exceeded 2,500,000 pairs
2017	SIL-Muridke Unit (now SGFL) became the first solar powered shoe manufacturer in the region
2018	SIL-Muridke Unit (now SGFL) licensed as an Export Oriented Unit (EOU)
2019	Incorporation of SGFL as wholly owned subsidiary of SIL
2019	Production Unit 3 was set up in a new building for manufacturing of sole and component division to be used in manufacturing process at Production Unit 1 and 2. With this move, the total production capacity of production units reached above 3,000,000 mark
2019	Export sales level reached approximately 3,000,000 pairs
2019	Enhancement of solar power capacity to 0.23 MWs
2019	Acquisition of 51 Kanals and 6 Marlas of land by SGFL for the development of new Production Unit at Hadbast, Manga Otar, Raiwind, Lahore; the cost of the land is PKR 135 Mn. No civil and construction work has been undertaken yet
2019	Demerger of SIL-Muridke Unit (now SGFL) and transfers of net assets to SGFL under Scheme of Arrangement, duly approved by the Honorable Lahore High Court
2020	EOU license in name of SGFL issued. (Being an EOU would enable SGFL to import duty and tax free input material)
2020	Commenced construction of New Development Centre (along with dedicated display spaces for key customers and for factory's own seasonal collection) with installed capacity of 250 pairs per day
2020	Business Social Compliance Initiative (BSCI) Certification granted

3.8. INFRASTRUCTURE OVERVIEW

3.8.1. PRODUCTION FACILITIES

SGFL:

The factory premises at Muridke are easily accessible due to the excellent infrastructural facilities that surround it. This includes paved passage ways with a common link through carpeted roads. The factory buildings are equipped with all basic facilities and amenities like well-maintained rest rooms and refreshment corners. The building houses a sample production hall, modern and luxurious display rooms for the Company's prime customers and a few offices. **SGFL also has a housing colony for the accommodation of its workers which includes residence services for executives and guests/customers. The covered area of all the Company's production units is 410,080 square feet whereas the total available area is 247 Kanals, 07 Marlas, 90 square feet.**

Production facilities are based on 3 production units as follows:

- **Unit 1 - comprises of 2 independent shoe factories dedicated for different customers**
- Unit 2 - comprises of an independent shoe factory dedicated for SGFL's USA based customers.
- Unit 3 - comprises of sole and insole making factory, equipped with all modern machinery for making PVC, TPR & PU soles. Latest EVA based sole making machinery is currently in erection process.

The Company has also acquired a freehold land of 51 Kanals and 6 Marlas for the development of a new Production Unit at Hadbast, Manga Otar, Raiwind, Lahore; however, no further civil and construction work has been undertaken yet.

Ethylene-Vinyl Acetate (EVA):

Ethylene-Vinyl Acetate (EVA) is an elastomeric polymer that produces materials which are "rubber-like" in softness and flexibility. It is a plastic made by combining ethylene and vinyl acetate to create rubber like properties which can be used for shoe soles.

SLM:

A plot of industrial land measuring 50 acres in Sindh Industrial Trading Estate – Nooriabad, Sindh has been procured for the Project for a total cost of PKR 830 Mn. The construction work of the Project has started in October 2020 and is expected to be completed by July 2021. Buildings with covered area of 143,382 square meters are being constructed now.

3.8.2. SUPPLY OF UTILITIES

SGFL:

Currently SGFL's manufacturing facilities are powered by electricity supply from LESCO and from internal generation through solar power plant and eight diesel generators. The maximum electricity consumption of SGFL is 1.7 MWs. Following is the arrangement of electricity supply for SGFL's manufacturing facilities:

Source	Capacity (MWs)
Supply Contract from LESCO	1.97
Solar Power Plants	0.23
Diesel Generators	2.49
Total	4.69

The additional electricity generation capacity of SGFL has been installed as a buffer.

SLM:

The electricity requirement for the Project would be around 9 MW; this requirement would be met through the installation of 2 Gas Gensets of 3 MW each and industrial B3 connection of 4.99 MW which has already been availed from the Hyderabad Electric Supply Company (HESCO).

Gas connection of 2 MMcf/d would be installed which would be utilized in generating electricity from Gas Gensets. The application has already been filed for the approval of gas connection.

The water consumption of the Project would be around 350,000 gallons per day; this requirement would be met through supply from private hydrants through pipeline and tankers. SLM will set up water storage tanks in its factory premises which would have a storage capacity of around five days, approximately amounting to 1,750,000 gallons.

3.8.3. NATURE AND TYPE OF PLANTS AND MACHINERY

SGFL:

Following are the machineries which are used in the cutting stage of shoe manufacturing process at SGFL:

Name	Utilization	Quantity
Clicking Press	Cut the leather components for stitching	80
Skiving Machine	Reduce the thickness of leather components edges to overlap	47
Splitting Machine	This Machine is used to split the leather material to required thickness	10
Numbering Machine	Used for numbering the leather for matching purpose.	14

Name	Utilization	Quantity
Embossing Machine	Used for stamping logos of different brands	7
Traveling Head Press	Cut the heavy material in layers (Foaming, Sheets, etc.)	8
Nestor Machine	Programmable leather cutting machine for small orders without die's.	2
Plotter Cutting Machine	Programmable Pattern Cutting Machine.	6

Following are the machineries which are used in the stitching stage of shoe manufacturing process at SGFL:

Name	Utilization	Quantity
Single Needle Machine	Used for single thread stitching purpose	373
Double Needle Machine	Used for double threading stitching purpose	67
Zig Zag Machine	The back & forth motion of sewing machine's needle for stitching purpose	55
Folding Machine	To apply hot cement and fold the edges of leather components	15
Hammering Machine	Used for hammering the leather components with heating hammer	32
Tapping Machine	For reinforcement of leather components	20
Trimming	Trim the small edges of leather components	42
Fusing Press	Heating the two components to paste like: Leather and Backer	40
Strobel Machine	For sewing the upper and sock by a strobel stitch	23

Other key plants and machineries include:

Name	Utilization
PU machine 60 station	This is PU sole production machine having a capacity to produce 30 pairs on 60 stations in c. 8-10 minutes;
Electric oven for PU material	Electric Oven is being used to melt PU material. Almost five hours are required to melt the PU material with a capacity of 6-8 drums;
Injection Moulding M/C (Ottogali)	This is TPR sole production machine. Ottogali has 12 stations and has a capacity to produce 6 pairs of soles in 8 minutes;
Laser Cutting M/C, Xxp3-320	Laser machine is being used for production of fashion shoe. This machine makes various designs in leather upper;
ANZE Punching M/C, G2-R6	ANZE is a punching machine which is also being used for production of fancy shoes;
Leg Iron M/C, STI-FS2-1, Germany	This machine is used for long shoes to make shape of long ankle and to remove wrinkles;
Back Forming M/C, Multiform-4	This machine is used for forming the back shape of a shoe at lasting stage and is also mandatory for each lasting line;
Solar Power Plant	Installation of a 0.23 MW solar power park, spread over four acres of land, consisting of 3,125 solar panels, becoming the first solar powered footwear factory in Asia.
Diesel Generators	SGFL is running with eight generators which have a total capacity of 2.49 MWs.

SLM:

Following are the machineries which would be used in the tyre manufacturing process at SLM:

Sr. No.	Items Description Machineries for which LCs have been established with financial institutions	Value PKR (Mn)
1	CURING MACHINES INCLUDING TYRE MOULDS	1,966
2	TRUCK TYRE THREE DRUMS BUILDING MACHINE	478
3	MIXER, EXTRUDER AND OPEN MILLS	443
4	DUPLEX COMPOUND EXTRUDER / RUBBER DOSING EXTRUDER	435
5	STEEL CORD CALANDERLINE	372
6	BUS TYRE THREE DRUMS BUILDING MACHINE	345
7	GAS POWER PLANT	302

8	INNER-LINE EXTRUDER	272
9	Power Distribution Cabinets	270
10	TRIPLEX EXTRUSION LINE	257
11	FARREL BANBURY MIXER	232
12	HOT WATER DEAERATOR FOR CURING MACHINE	190
13	CIRCULATING FLUIDIZED BED BOILER AND AUXILIARY EQUIPMENT	160
14	PLANT MONITORING SYSTEM	139
15	TYRE CONVEYOR LINE	134
16	BUS TYRE RUBBER EXTRUDER / DEGREE STEEL CORD CUTTING LINE	130
17	AUTO WEIGHING / AUTO DOSING SYSTEM	121
18	REVERSE OSMOSIS WATER TREATMENT SYSTEM	110
19	STEEL CORD CUTTING LINE	109
20	CREEL SYSTEM	72
21	Air Compressor	70
22	AUTO X-RAY INSPECTION SYSTEM	69
23	Absorption Chiller	63
24	AUTO DOSING SYSTEM	60
25	TRANSFORMER	58
256	RUBBER BATCH-OFF COOLING LINE	45
27	RUBBER BATCH-OFF COOLING LINE	45
28	DEEP WATER PLATE TYPE CROSS FLOW COOLING TOWERS	44
29	Automatic Tyre Cord Creel System	44
30	HEXAGON STEEL CORD PRODUCTION LINE	37
31	DUPLEX WASTE HEAT RECOVERY BOILER	33
32	WATER COOLED CENTRIFUGAL CHILLER	31
33	TYRE ENDURANCE AND HIGH SPEED TEST MACHINE	28
34	NYLON CUTTER, MULTI BLADE SLITER CUTTER, MEASURING MACHINE	25
35	AUTOMATIC TREAD PICKING DEVICE WITH ALL STANDARD ACCESSORIES	24
36	MANUAL APEX MACHINE, BEAD WRAPING MACHINE	23
37	ENERGY MANAGENT SYSYTEM	19
38	TYRE PLUNGER TESTER , TYRE SECTION CUTTER	18
39	REWORK RUBBER PRCESSING MACHINE / FILM SPLITING MACHINE	16
40	GAS CONSUMPTION COMPRESSION DRYER	15
41	TBR PURGING SYSTEM (EXHAUST SYSTEM)	11
42	TREAD (SIDEWALL) SECTION THICKNESS MEASURING MACHINE (OFF-LINE)	7
43	AUTOMATIC TEMPRATURE CONTROL UNIT	6
Total		7,328

Sr. No.	Items Description	Value (PKR Mn)
	Machineries for which LCs have not been established with financial institutions	
1	DYNAMIC TYRE BALANCING MACHINE	135
2	HVAC SYSTEM CONSISTING OF AIR HANDLING UNIT	113
3	RHEOMETER	47
4	MOONEY	24
5	TENSILE MACHINE	10
6	DISPERSION DEGREE OF CARHON BLACK MACHINE	10
7	PRESS VULCANIZER	5
8	SUFACE INSPECTION MACHINE	4
9	OPEN MILL FOR EXPERIMENT	2
10	GLUE-MAKING MACHINE	1
Total		351

3.8.4. TOTAL CAPACITY AND CAPACITY UTILIZATION

SGFL:

Number of Pairs	CY2016 ³	CY2017 ³	CY2018 ³	CY2019 ³	9MCY2020
Installed Capacity	3,084,736	3,084,736	3,264,736	3,444,736	2,745,000 ¹
Pairs Manufactured	2,822,467	2,837,197	2,886,843	3,120,318	2,026,686
Capacity Utilized	91%	92%	88%	91%	74%²

¹ The capacity mentioned here is of 9 months;

² The reason for underutilization of capacity in 9MCY2020 is mainly attributed to cancellation of export orders due to imposition of lock-down in European countries and stoppage of factory operations due to the lock-down imposed by the Government of Punjab on account of the COVID-19 pandemic;

³ The capacity mentioned here from CY 2016 till first Half of CY 2019 is of Muridke Unit of SIL, which is now demerged and formed as a separate company i.e. SGFL

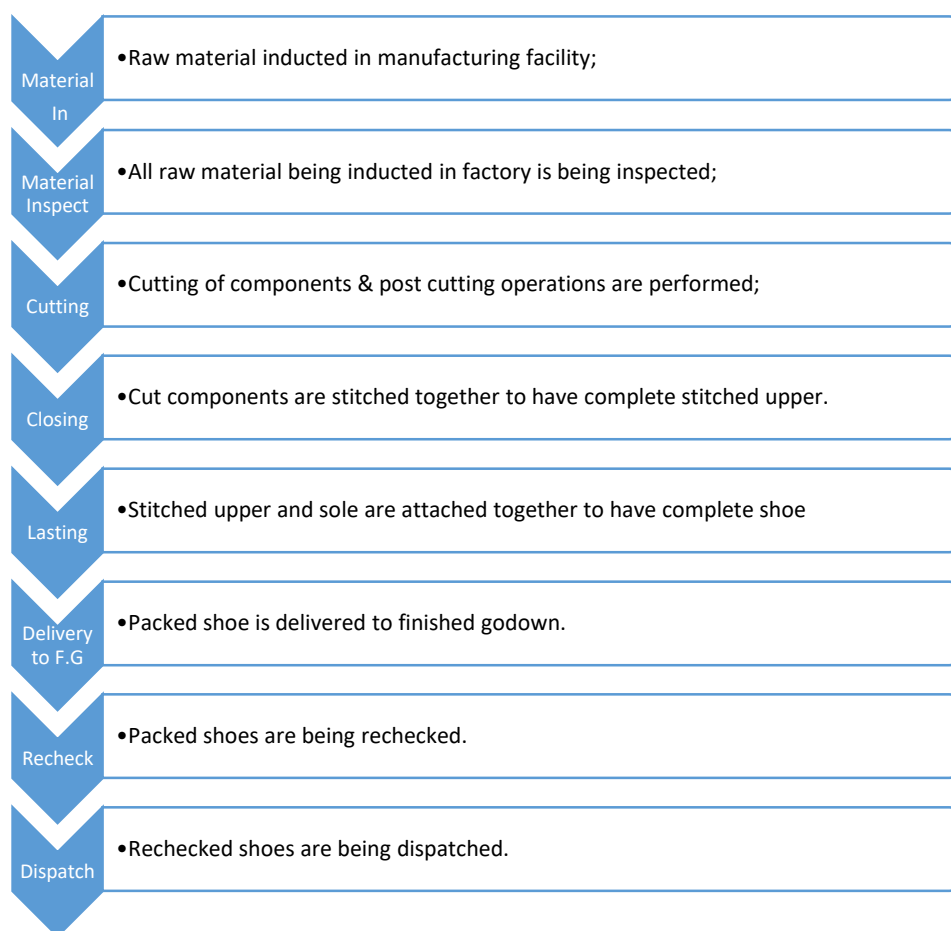
SLM:

After commencement of commercial production in August 2021, the installed production capacity of SLM would be of 600,000 tyres per annum.

3.8.5. MANUFACTURING PROCESS OVERVIEW

SGFL:

The manufacturing process is similar for most categories of shoes. SGFL as a manufacturer of global quality footwear employs the following chain of processes in its production chain:



SLM:

The manufacturing of TBR tyres consists of the following processes:

Process One: Compounding & Mixing Process

Mixing process is the initial stage of the tyre making procedure where different materials are mixed, such as carbon black, natural/synthetic rubbers, oil, additives, accelerators, etc. The output of this process is rubber film.

Process Two: Tyre Components/Sub-Assemblies Manufacturing Process

In this process all of the tyre components and sub-assemblies are prepared. This process includes 5 sections:

- Section One: Extrusion Section

In this stage, rubber film is added to the extruder machines. Thus, different semi-finished rubber components are developed: tread, the side wall, shoulder apex etc.

- Section Two: Calendaring Section

In this section, the Calender Line machine does the pasting of thin layer of rubber on both sides of Steel Cord. This rubber pasted steel cord is used to make the whole casing of the TBR tyre.

- Section Three: Bead-wire Manufacturing Section

In this section, manufactured bead-wires and rubber compound is quoted all around the wires. This component forms the part of the tyre which enables it to mount on the metal rim.

- Section Four: Steel Cord Cutting Section

In this section, steel cord is cut according to the required parameters of length, width and angle.

- Section Five: Bead Apex Section

In this section, the extruder machines extrude triangle rubber strip and join it with the bead-wire sub-assembly.

Next, all the tyre components are sent to the "Tyre Building" process.

Process Three: Tyre Building Process

The machine used for this process is called "Tyre Building Machine". The job of this machine is to assemble all the tyre components. After all components are assembled, the tyre is often referred to as green tyre.

Process Four: Vulcanization process

Curing press operators place the green tyres into the mold of curing process. The press utilizes steam to heat or cure the green tyre. Rubber curing or vulcanization transforms the tacky and pliable material to a non-tacky, less pliable, long lasting state. This gives the tyres the finish product's appearance, such as pattern, design and tread. After this tyres are sent to the final inspection area.

Process Five: Final Inspection process

In this section, first, the tyre should pass the visual appearance check. Then it is tested for uniformity, which is carried out on "Uniformity Test Machine".

After uniformity test, dynamic balance test is performed on the "Dynamic Balancing Machine".

Finally, tyres should pass the X-Ray test to be performed on the "X-Ray Machine". After all inspection, good quality tyres are sent to Finish Product storage warehouse for delivery to the customers.

Process Six: Tyre Testing for new developments & sample basis of the production

This test is performed on the "Tyre Mileage Testing" machine. Usually the experiment is high-speed experiment and durable experiment.

In the designing of new tyre size process, a large number of tyre tests are needed to make sure the tyre performance complies with the design requirements.

When the tyre is put on commercial production, these tests are still performed to monitor tyre quality. The tests are the same as the tests when designing the new tyre.

3.9. PRODUCTS

SGFL:

SGFL is a manufacturer and seller of footwear to various countries across the globe. The Company is well acquainted with the requisite skill set and technological expertise required to produce the finest varieties of fashion, comfort, contemporary, and medicated footwear products that meet the customers' satisfaction in terms of quality and aesthetics. Primarily, SGFL manufactures leather shoes whereas a small quantity of non-leather variants is also being manufactured.

SGFL's product portfolio ranges from casual to formal footwear for women, men, and kids. The production facility is fully integrated from cut to pack with in-house technologies of PU, TPR, EVA midsole, and outsole manufacturing. SGFL possesses the expertise of manufacturing several categories of footwear constructions which include Ago, Strobel, Moccasin, California, Sacchetto, Opanken, Strago, Hand stitched, DI, PU pouring and Stitch & Turn. Creation of each of these categories of footwear has been perfected over the years to meet customer satisfactory standards.

Types of Shoes Soles:

Following are the categories of soles which are being manufactured by SGFL:

- Polyurethane (PU)

Polyurethane soles, popularly known as PU soles, are made from a new kind of organic polymer material. It has been hailed as the fifth big plastic, and is in the process of revolutionizing the shoe industry. The sheer durability, affordability and comfort afforded by this sole makes it perfect for these markets.

- Thermoplastic rubbers (TPR)

Thermoplastic rubbers (TPR) are used extensively in the footwear sector for the production of various types of soles, shoe platforms, wooden soles and rubber boots. The main advantages of TPR are: Easy and economic processing. Provides good value for money.

- Ethylene-Vinyl Acetate (EVA)

EVA stands for Ethylene-Vinyl Acetate. That is an elastomeric polymer that produces materials which are "rubber-like" in softness and flexibility. It is a plastic made by combining ethylene and vinyl acetate to create rubber like properties which can be used for shoe soles.

3.9.1. WOMEN'S SHOES

SGFL's core competency has been in the designing and manufacturing of comfort footwear for women. SGFL invests heavily in R&D and product development to offer its clientele a wide range of women footwear products across all categories including **sneakers, mid to high boots, flats, sandals and block heels with comfort features**.

These categories of women footwear products include the utilization of soft and supple leather grades to provide flexibility and breathability to the feet. The use of memory foam comfort, gel pad technology as removable and fixed insoles for additional cushioning for the feet provides the luxury of enjoying aesthetics along with comfort. SGFL also uses flexible, durable and slip resistant TPR & EVA outsoles for high grip and stability in each step.

3.9.2. MEN'S SHOES

Men's shoes category is the fastest growing product line in the Company. The recent growth has stemmed from the latest sale orders from renowned USA brand, Dockers. To meet the design and manufacturing standards for men's shoes, SGFL's design & production teams have been trained with the help of foreign technicians. The Company has also partnered and collaborated with local tanneries to procure leather grades which fulfil the quality, finish, and grit desired by these international men's footwear brands.

SGFL has successfully expanded its product library which now includes **men's slippers, casual shoes, formal shoes, boat shoes & ankle boots**.

3.9.3. KIDS' SHOES

SGFL is a long term and trusted supplier of kids' footwear to European retailers like **Moccasins and School Shoes**. In recent years, the Company has focused to expand its repertoire of kids' footwear products to enlarge its customer base.

Working with Italian designers such as Grunland and Garda, the Company now offers a dedicated kids' footwear range for each season, along with its regular women and men's offerings at global trade fairs. **The kids' range now includes sandals, sneakers, and boots for girls, boys and infants.**

SLM:

SLM would manufacture “All Steel Radial” tyres of trucks and buses (TBR Tyres) for local and export markets.

3.10. STITCH AND TURN (S&T) CONSTRUCTION

SGFL is one of the few factories in the world which has mastered the Stitch & Turn manufacturing for shoes – widely considered as one of the most comfortable manufacturing methodologies for footwear. Stitch & Turn also happens to be the fastest growing construction for the Company ever since it was started in 2014.

The stitch and turn construction is where the upper is stitched inside out and then turned to hide the seams in the interior of the shoe. A common construction method for slippers with or without outsole. It is a soft and flexible construction without the need of a hard outsole. This construction type is very popular among baby shoes where a soft outsole is preferred

Nevertheless, all these constructions have evolved through continuous R&D and each of these is produced on designated assembly lines with a relevant set of expertise.

3.11. IN-HOUSE MANUFACTURING OF OUTSOLES

SGFL also enjoys the edge of having an in-house manufacturing facility for making outsoles. The Company is equipped with utilizing different sole and insole materials which includes TPR, PU and TPU. Recently, the Company has added an EVA injection machine in its pool which gives another valuable dimension to the Company’s product range; resultantly, the Company can make light weight, trendy sneakers and trainers.

3.12. INTERNATIONAL MARKETING OF SGFL

SGFL has been exhibiting regularly at the world’s largest footwear trade fair, **Expo Riva Schuh, which takes place twice annually at Riva del Garda, Italy.**

Over 1,500 footwear manufacturers attend this trade fair and buyers all around the world visit to finalize their collections for the upcoming seasons. Through its credible history in the Italian market, SGFL has a significant edge over other Pakistani manufacturers.

SGFL regularly exhibits at the **Micam Fair in Milan** which is also one of the largest trade shows for footwear retailers.

Furthermore, in order to develop new markets, SGFL has also exhibited its products in major trade fairs of **USA and Australia.**

SGFL also makes continuous efforts to market itself as an attractive sourcing destination for major footwear brands. By using the platform of **global footwear summits in China and Vietnam**, SGFL has taken keynote speaking slots to apprise global footwear leaders on its capability as one of the few Asian factories to run on solar power, its vertical integration and product development flexibility.

SGFL has also been using such platforms to highlight the improving security situation of Pakistan, growing leather tanning facilities, and GSP Plus status of Pakistan.

3.12.1. TRADE FAIRS ATTENDED IN 2019 AND 2020

In the year 2019, SGFL participated in two international footwear trading fairs; these included **Expo Riva Schuh International Shoe Fair (Garda Fair) and Micam Milano.**

Due to COVID 19 pandemic, no such activity was undertaken in 2020.

3.13. MAJOR CUSTOMERS

SGFL:

SGFL's primary target audience is middle-aged women as the Company considers women's footwear its specialty and key revenue driver. The Company works with international retailers that have a similar target audience. SGFL's key customers in Germany and Italy have leveraged the Company's innovation, quality, and affordability to build reliable product portfolios in Europe. However, SGFL has evolved to become a diversified and inclusive footwear manufacturer; now its product portfolio also includes men and children's footwear for mega brands like Dockers and Zara. Following is the list of top customers of SGFL as at 9MCY2020:

Brands/Customers	Origin Country
Caprice	Germany
SRL Workout	Italy
GENESCO (Dockers)	USA
Diana Ferrari	Australia
Strive	USA
Zara	Spain
Marritimo Flex	Chile
Scholl	Italy
Dunnes, Comfort Bliss	Ireland
Doctor Cutillas	Spain



diana ferrari

strive



DUNNES
STORES

Other than the above mentioned top 10 customers, SGFL also sells shoes to renowned brands like Valleverde, Deichmann, El Corte Inglés, Cinzia Soft, Kurt Geiger, Hush Puppies, etc.

No specific agreement:

The Company has no specific agreement in place with any of the customers for the sale of its products.

Following is the list of countries to which SGFL has exported in 9MCY2020:

Country	% of Total Pairs Exported
Germany	43%
Italy	30%
USA	9%
United Kingdom	3%
Australia	3%
Spain	4%
Ireland	1%
Denmark	1%
Russia Federation	1%
Uruguay	1%
Mexico	1%
Others	3%
Total	100%

Compliance with Labour and Environmental Policies:

SGFL's major customers are from USA and Europe. These customers tend to conduct detailed review pertaining to labour, environmental, health and safety standards of the vendor before on-boarding them for supply.

Such audit spans over following criteria:

Labour Standards:

- Child Labor prevention
- Forced Labor prevention
- Disciplinary Practices and Grievance handling, policy & procedures
- Discrimination policy & procedure
- Wages and benefits policy and procedures
- Working hour's policy and procedures
- Harassment and Abuse policy and procedure

Health, Safety and Environment:

- Health & safety policy
- Emergency Preparedness management procedures
- Electrical, Mechanical and Building safety procedures
- Machine Guarding procedure
- Personal Protective Equipment management procedure
- Ventilation management procedure
- Chemical Management Procedure
- Monitoring and measurement of environmental emissions
- Hazardous non-hazardous waste Management system procedures

These customers carry out audit encompassing aforementioned criteria to ensure that vendors are in compliance with their standards.

SGFL has undergone various such on-boarding reviews and subsequent audits from its customers and none of its customers have dropped out over these concerns. The latest audit of SGFL was conducted by Amfori BSCI, a third

party inspection institute, in July 2020; the audit concluded on a satisfactory level and the institute granted “good” rating to SGFL. This audit report would be valid till July 2022.

Furthermore, SGFL also provides free lunch and transportation to its labors which have been greatly appreciated by some of the customers.

3.13.1. STRATEGIC PARTNERSHIP WITH PRIME CUSTOMER

Caprice, a German brand, is one of the most established leather footwear brands in Germany which was later acquired by one of Europe’s biggest footwear companies, Wortmann, in 2010.

The partnership of Servis Group and Caprice date backs to 2001 and since then it has grown manifolds; from a contract of **16,000 pairs in 2001 to 1.2 million pairs today**, Caprice has become one of the key allies of Servis Group (now SGFL).

Currently, Caprice is the single largest importer of footwear from Pakistan, constituting 17% of the total footwear exports’ value of the country¹ in FY2020, all from SGFL. As of FY2020, Caprice sources one third of its total production from SGFL.

As per the agreement of alliance, the productions are managed by SGFL while new research and development is being done through the collaboration. Caprice’s technicians are aligned with SGFL throughout the year to assist in the sampling and production processes.

SLM:

SLM will be exporting 85% of its production to USA and Brazil in Phase I, while 15% of production will be sold in domestic market. LM is presently producing 3.4 million of All Steel Radial tyres of trucks and buses annually in China and 55% of this production is exported all around the world through agents. SLM will also be exporting its production through agents which will also include agents presently working with LM.

Currently, there is no agreement executed with any agent for export of SLM production. In domestic market, SLM will be selling its production through Myco Corporation, which is also the exclusive distributor of LM tyres in Pakistan. Agreement with Myco Corporation is under finalization stage.

3.14. DEMAND OF SGFL’S PRODUCTS

The footwear industry is one of the rapidly expanding industries globally. Increasing demand of new and innovative footwear and emergence of various global as well as regional brands in the footwear category is primarily driving the market. Innovative and trendy footwear are being consistently manufactured by leading market players due to advancement in the footwear manufacturing process, technological innovations, and development of new material.

According to the 2019 edition of the World Footwear Yearbook, global exports of leather footwear are showing an increasing trend since 2016.

SIL – Muridke Unit (now SGFL) has also achieved significant growth in its export quantum since its inception; following are the key milestones of the Company pertaining to its export growth over the years:

Year	Number of Pairs Exported
1989	25,417
1996	527,026
2008	1,115,512
2013	1,802,989
2014	2,096,338
2017	2,581,146
2019	2,934,648

¹ Pakistan Bureau of Statistics

3.15. IMPACT OF COVID 19

SGFL:

The pandemic of COVID 19 that rapidly spread across the world has not only endangered human lives but has also adversely impacted the local and global economy. On March 23rd, 2020, the Government of Punjab announced a temporary lock down as a measure to reduce the spread of COVID 19. Complying with the lockdown, the Company temporarily suspended its operations from March 23rd, 2020, lasting for 12 days. The lockdown caused disruptions in supply chain including production and supply of goods to the customers resulting in decline in sales.

Furthermore, the pandemic situation was more severe in European countries which are the primary markets of SGFL; this also resulted in a slump in demand of footwear. However, the availability of vaccines for COVID-19 is expected to overcome the threat of the pandemic considerably and restore the business momentum globally.

3.16. Market Share of SGFL

As per the data obtained from Pakistan Bureau of Statistics (PBS), SGFL has the largest market share in terms of Pakistan's total footwear exports:

Value (US\$)	July 2018 - June 2019	July 2019 - June 2020
Leather footwear Exports	107,170,000	106,466,000
Other than leather footwear Exports	18,768,000	15,967,000
Total	125,938,000	122,433,000
SGFL's exports	43,036,158	42,837,530

SGFL's market share

SGFL's share in Total footwear export (%)	34.2%	35.0%
SGFL's share in Leather footwear export (%)	40.2%	40.2%

3.17. NAMES OF THE COMPETITORS

SGFL:

3.17.1. DIRECT COMPETITORS

SGFL is an export oriented organization which earned 95% of its revenue from exports in 9MCY20. In the leather footwear exports segment of Pakistan, the Company has a market share of 40.2% whereas in overall footwear export segment, the market share is 35.0%. SGFL, as a footwear exporter, does not face any significant competition as other players operating in this domain are severely fragmented and each cater to a minimal share of the export market. Following are the few players which are also exporting footwear from Pakistan:

- **Firhaj Footwear (Pvt.) Limited**

Firhaj Footwear (Pvt.) Limited is a subsidiary company of Umer Group. It was established and incorporated in 1989. Since then it has been engaged in designing, manufacturing, and marketing of shoes within and out of the country. Firhaj Footwear has a manufacturing capacity of over 2.1 million pairs per annum. Firhaj has the manufacturing and marketing license for HUSH PUPPIES and distribution license of CATERPILLAR, MERRELL and GEOX footwear in Pakistan.

- **Shafi (Pvt.) Limited**

Siddiq Shafi Group of Pakistan includes four manufacturing units, two tanneries, one footwear unit, and one special chemical producing unit. The annual turnover of the group of companies is about US\$ 40 million with major exports to over 32 countries worldwide. It has a capacity to produce 1.8mn pairs annually.

- **UE (Pvt.) Limited**

UE (Pvt.) Limited manufactures ladies, men and children footwear. Besides production of full shoes, it also produces shoe uppers. Major portion of leathers used is produced in its own tannery named Unique Tanning Industries (Pvt.) Ltd. Besides exporting to few patented brands of European customers, this company also produces its own collection.

- **EPCT (Pvt.) Limited**

Formerly known as East Pakistan Chrome Tannery, EPCT (Pvt.) Limited is a manufacturer and exporter of both finished leather and leather shoes in Pakistan. The company was originally established in 1947.

SLM:

As SLM is going to be the first and only manufacturer of TBR tyre in the country, it has no direct competitor. However, there are few other companies which operate in the tyre market of Pakistan and do not manufacture TBR tyres.

- **General Tyre and Rubber Company of Pakistan Limited**

The General Tyre and Rubber Company of Pakistan Limited came into existence in 1963, at Landhi Karachi and commenced its production in July 1964. Its shares are quoted on the Pakistan Stock Exchange Limited. The Company is engaged in the manufacturing and trading of tyres and tubes for automobiles and motorcycles.

- **Panther Tyres Limited**

Panther Tyres Limited was founded in 1983 as a tyres and tubes manufacturing company. The Company's manufacturing facility is situated at 29.5KM Sheikhpura Road, Sheikhpura, spanning over an area of 168.6 Kanals. Apart from its main business, the Company has also ventured into trading business of automobile lubricants and motorcycle spare parts in April, 2018. In automobile lubricants, the Company sells motorcycle engine oil and diesel engine oil for tractors, heavy transport vehicles, lifters and generators.

3.18. INTELLECTUAL PROPERTY RIGHTS

SGFL:

The Company has no such copyrights, trade secrets & patents at the moment.

SLM:

SLM has no such copyrights, trade secrets & patents at the moment.

3.19. LIST OF VENDORS

SGFL:

SGFL consumes both imported and local raw materials in production of its products with an average percentage of 45% imported and 55% local materials. List of major raw material suppliers is given below:

Sr. No.	Major Leather Suppliers	Country
1	Premium Leathers (Pvt.) Ltd.	Pakistan
2	Dada Enterprise (Pvt.) Ltd.	Pakistan
3	Siddiq Leather Works (Pvt.) Ltd.	Pakistan
4	Leathertex Tanneries (Pvt.) Ltd.	Pakistan
5	Khaskins (Pvt.) Ltd.	Pakistan
6	Muhammad Shafi Tanneries (Pvt.) Ltd.	Pakistan
7	Leader tanneries	Pakistan
8	Royal Leather Industries	Pakistan
9	Prime Tanning Industries (Pvt.) Ltd	Pakistan

10	Shifa Leathers (Pvt.) Ltd.	Pakistan
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Sr. No.	Major Grindery Suppliers	Country
1	YKK Pakistan (PVT) LTD	Pakistan
2	Techno GI SPA	Italy
3	Wuzhi County Aihua Shoe Co.	China
4	Xiamen Freede Industry Co, LTED	China
5	HK Aibeisi Slider Fastener IN'L Co	China
6	Caprice SCHUHPRODUKTION GMBH	Germany
7	American Biltrite, Singapore	Singapore
8	Enping E-Mart Enterprise Co.LTD	China
9	Texon Mockmuhl GMBH	Germany
10	Bartoli SPA	Italy

Note: The Company does not procure significant amount of raw material from any single vendor or supplier **and no official agreement or partnership is in place with any vendor. Furthermore, the Company does not procure any material quantity of raw material from any related or associated entity.**

SLM:

As SLM has not yet commenced its commercial production, no vendor has been finalized as of now. The sponsors of SLM, i.e. SIL and LM, are engaged in the manufacturing of tyres since decades and enjoy good reputation with the raw material suppliers globally. Hence, vendors' selection is not expected to be a challenge for SLM.

3.20. DUTY STRUCTURE

SGFL:

SGFL, being licensed as Export Oriented Unit (EOU) under SRO 327(1)/2008, is entitled to import raw material without paying custom duty, additional customs duty, sales tax, and income tax. Furthermore, EOU status also allows the Company to import plant and machinery without the payment of any duties and taxes, with the condition that no such plant and machinery would be disposed of before a period of five years.

As per S.R.O. 210(I)/2009, dated March 5th 2009, SGFL is also entitled to the drawback of custom duties, calculated at 1.82% of the FOB value of exports (excluding the amount of items imported under EOU license and consumed in exports), at the time of export of footwear. Federal Board of Revenue ("FBR") vide S.R.O. 1268(1)/2020 dated November 26, 2020, amended the said SRO and enhanced the percentage of custom duty drawback for footwear manufacturer from 1.82% to 4.70%.

The custom duty rebate positively impacts the profitability of the Company; below mentioned is the amount of Custom Duty Rebate availed by the Company since its inception:

2H CY2019	9M CY2020
PKR 51 Mn	PKR 81 Mn

Local Taxes and Levies Drawback, notified vide S.R.O 711(I)/2018 dated 8 June 2018, is available to SGFL at 3% of FOB value of exports. Under this SRO, SGFL is eligible to claim back 50% of the drawback amount at the time of realization of proceeds of the export shipment while the remaining 50% of the rebate amount shall be provided on achieving growth of 10% or more in export sales during a financial year over the preceding one.

The Local Taxes and Levies Drawback directly impacts the profitability of the Company. Below mentioned is the amount of Duty Drawbacks availed by the Company since its inception:

2H CY2019	9M CY2020
PKR 55 Mn	PKR 108 Mn

Local Taxes and Levies Drawback, notified vide S.R.O 711(I)/2018 is valid till June 30th 2021; however, as per the past trend, the management of the Company is confident that this benefit will get further extension.

SLM:

SLM, being a one-of-its-kind project, has been granted the status of a Green Field Industrial Undertaking under Sec. 2, Sub - Sec. 27A of ITO 2001 and Sec. 2, Sub. Sec.12A of STA 1990, which has allowed SLM to avail the following benefits:

- Exemption of Gains and Profits from Imposition of Income Tax including Minimum Tax for 5 Years;
- One-time exemption from Sales Tax, Income Tax, and Custom Duty on import of Plant & Machinery during construction phase.

In addition to this, the Board of Approvals (“BOA”) constituted under Section 5 of Special Economic Zones Act 2012 in their meeting held on December 14, 2020 approved the Special Economic Zone (SEZ) status of SLM; the formal notification in this respect has been issued on January 15th 2021. Due to this status, the following benefits would be available to SLM:

- Exemption of Incomes from Imposition of Income Tax for 10 years;
- One-time exemption from Sales Tax, Income Tax and Custom Duty on import of Plant & Machinery.
- Exemption of Sindh Revenue Board (SRB) tax on construction services rendered by the contractors under SRB-3-4/7/2013, dated June 28, 2013.

Moreover, SLM will be importing raw material and packing material for consumption in exports under Manufacturing Bond License, which will exempt these imports from the payment of duties and taxes.

However, duties and taxes will be paid on the import of raw material and packing material to be consumed in domestic sales.

As per S.R.O. 212(I)/2009, dated March 5th 2009, SLM is entitled to the drawback of custom duties, calculated at 0.39% of the FOB value of exports, at the time of export of TBR tyres.

Imported Tyres

A number of commercial importers are involved in the imported segment of the TBR tyre industry. In order to discourage import and promote localization, heavy duties in the form of custom, additional and regulatory duties are in place for import of TBR tyres. Given below is the duty structure on imported TBR Tyres:

Type	Item	HS Code	Custom Duty	Additional Custom Duty	Regulatory Duty	Total Duty
Truck and Bus Radial Tyre	Tyre	4011-2091	3%	2%	15%	20%

Source: Federal Board of Revenue (Customs Tariff), Government of Pakistan Ministry of Finance, Economic Affairs, Revenue and Statistics (Revenue Division)

3.21. MATERIAL PROPERTY

SGFL:

Following are the material properties of the Company:

Sr. No.	Particulars	Address	Area
1	Muridke Factory and residential colony (Freehold)	10 – KM, Muridke – Sheekhupura Road, Muridke	247 Kanals, 07 Marlas, 90 square feet

2	Freehold Land	Hadbast Manga Otar, Raiwind, Lahore	51 Kanals and 6 Marlas
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SLM:

Sr. No.	Particulars	Address
1	Plot of Industrial land measuring 50 acres (99 years lease)	Sindh Industrial Trading Estate – Nooriabad

3.22. KEY APPROVALS**SGFL:**

Following approvals/registrations are in place:

Certificate/ Approval	Authority	Year of Receipt
BSCI Social Compliance Audit Report	Amfori BSCI	2020
Labour Office Registration Certificate	Directorate of Labour Welfare, Punjab	2020
Civil Defence Certificate	Office of the Civil Defence	2020
LCCI Certificate	Lahore Chamber of Commerce and Industries	2020
Food Business License Certificate	Punjab Food Authority	2019

SLM:

Certificate/ Approval	Authority	Year of Receipt
Green Field Industrial Undertaking	Federal Board of Revenue	2020
Special Economic Zone (SEZ)	Board of Investment	2021

3.23. ASSOCIATED COMPANIES**SGFL:**

Sr. No.	Name of Company	Nature of Business	Status of Operations	Nature of Relation	Shareholding of Issuer
1	Service Industries Limited	Purchase, manufacture and sale of footwear, tyres and tubes and technical rubber products. (Operational)	Operational	Parent Company	NIL
2	Service Long March Tyres (Pvt.) Limited	Manufacturing, sale, marketing, import and export of all steel radial truck, bus, light truck, and off the road tyres	Not yet commenced its operations	Common Directorship	NIL
3	Service Industries Capital (Pvt.) Limited	To hold investments in subsidiaries / joint ventures and other companies, entities and organizations, listed or otherwise in Pakistan or elsewhere in the World subject to all the applicable	Operational	Common Directorship	NIL

Sr. No.	Name of Company	Nature of Business	Status of Operations	Nature of Relation	Shareholding of Issuer
		laws and procedures but not to act as an investment company			
4	S2 Power Limited	To design, construct, own, operate, invest, operate, run, build and maintain power generation complexes for solar, wind, hydel and thermal energy	Non-Operational*	Common Directorship	NIL
5	SBL Trading (Pvt.) Limited	To carry on the business of footwear including manufacture, sale, market, import and export, shoes for gents, ladies and children made from Leather, rubber and Canvas rexine	Non-Operational*	Common Directorship	NIL
6	JOMO Technologies (Pvt.) Limited	Online marketing and sales of consumer goods and other goods including but not limited to footwear, apparel, accessories, other textile goods, internet advertising and marketing, creating virtual malls, stores, shops, shopping catalogs, providing e-commerce services and e-commerce solutions	Operational	Common Directorship	NIL
7	Speed (Pvt.) Limited	To carry on business of the distributor, wholesaler and retailer of imported or locally produced machinery, equipment and goods of any description and type including sports Footwear, Apparel, Equipment and Accessories	Operational	Common Directorship	NIL
8	Shahid Arif Investments (Pvt.) Limited	To carry on business of a finance and investment company.	Operational	Common Directorship	NIL
9	S2 Hydro Limited	To design, construct, own, operate, invest, run, build and	Non-Operational*	Common Directorship	NIL

Sr. No.	Name of Company	Nature of Business	Status of Operations	Nature of Relation	Shareholding of Issuer
		maintain power generation complexes for hydel, solar, wind, coal, bio-gas and thermal energy.			
10	Servis Foundation	To aid, assist, set up, maintain, administer, and run hospitals, diagnostic centers, nursing homes, mother and child care centers, clinics, dispensaries, immunization and vaccination centers.	Operational	Common Directorship	NIL
11	Service Shoes Lanka (Pvt.) Limited	A private limited company incorporated in Sri Lanka for the purchase, manufacture and sale of footwear.	Operational	Common Directorship	NIL

* These companies are active, however, commercial activities in said companies have not been commenced.

SLM:

Sr. No.	Name of Company	Nature of Business	Status of Operations	Nature of Relation	Shareholding of SLM
1	Service Industries Limited	Purchase, manufacture and sale of footwear, tyres and tubes and technical rubber products	Operational	Holding Company	NIL
2	Service Global Footwear Limited	Manufacturing, sale, marketing, import and export of footwear	Operational	Common Directorship	NIL
3	Service Industries Capital (Pvt.) Limited	To hold investments in subsidiaries / joint ventures and other companies, entities and organizations, listed or otherwise in Pakistan or elsewhere in the World subject to all the applicable laws and procedures but not to act as an investment company	Operational	Common Directorship	NIL
4	S2 Power Limited	To design, construct, own, operate, invest, operate, run, build and maintain power generation complexes for solar, wind, hydel and thermal energy	Non-Operational*	Common Directorship	NIL

Sr. No.	Name of Company	Nature of Business	Status of Operations	Nature of Relation	Shareholding of SLM
5	SBL Trading (Pvt.) Limited	To carry on the business of footwear including manufacture, sale, market, import and export, shoes for gents, ladies and children made from Leather, rubber and Canvas rexine	Non-Operational*	Common Directorship	NIL
6	JOMO Technologies (Pvt.) Limited	Online marketing and sales of consumer goods and other goods including but not limited to footwear, apparel, accessories, other textile goods, internet advertising and marketing, creating virtual malls, stores, shops, shopping catalogs, providing e-commerce services and e-commerce solutions	Operational	Common Directorship	NIL
7	Speed (Pvt.) Limited	To carry on business of the distributor, wholesaler and retailer of imported or locally produced machinery, equipment and goods of any description and type including sports Footwear, Apparel, Equipment and Accessories	Operational	Common Directorship	NIL
8	Shahid Arif Investments (Pvt.) Limited	To carry on business of a finance and investment company.	Operational	Common Directorship	NIL
9	S2 Hydro Limited	To design, construct, own, operate, invest, run, build and maintain power generation complexes for hydel, solar, wind, coal, bio-gas and thermal energy.	Non-Operational*	Common Directorship	NIL
10	Servis Foundation	To aid, assist, set up, maintain, administer, and run hospitals, diagnostic centers, nursing homes, mother and child care centers, clinics, dispensaries, immunization and vaccination centers.	Operational	Common Directorship	NIL
11	Service Shoes Lanka	A private limited company incorporated in	Operational	Common Directorship	NIL

Sr. No.	Name of Company	Nature of Business	Status of Operations	Nature of Relation	Shareholding of SLM
	(Pvt.) Limited	Sri Lanka for the purchase, manufacture and sale of footwear.			
12	Chaoyang Long March Tyre Co., Ltd	A limited liability tyre manufacturing company incorporated in China and based in Chaoyang, Liaoning province. The company possesses a core expertise in manufacturing of "All Steel Radial" Truck and Bus Tyres.	Operational	Common Directorship	NIL

* These companies are active, however, commercial activities in said companies have not been commenced.

3.24. RELATED PARTY TRANSACTIONS

SGFL:

In PKR mn unless stated otherwise	Audited 2HCY19	Audited 9MCY20
Service Industries Limited - Parent Company		
Sales	29	75
Receivables against sales	-	73
Expenses Charges	-	57
Mark up income	135	171
Purchase of goods	-	111
Mark up accrued	135	8
Short Term Loan Provided ¹	2,145	2,887 ²
Ordinary Share Capital Pursuant to Scheme	-	1,500
Service Shoes Lanka (Pvt.) Limited - Subsidiary of SIL		
Sales	49	42
Purchase of goods	-	1
Receivable against sales	102	106
Advance received	0.2	0.2
Service Provident Fund Trust – Post Employment Benefit Plan		
Contributions towards the fund	31	51
Payables	16	16
Jomo Technologies (Pvt.) Limited – Associated Company		
Sales of goods	-	19
Receivables against sales	-	19
Service Industries Limited Employees Gratuity Fund Trust		
Contribution	7	7
Key Management Personnel		
CEO and certain executives provided with fully maintained vehicles, no remuneration for non-executive directors.	89	173
Executives		
Long term loan ³	16	16

1. This represents unsecured loan to SIL for working capital requirement; this carries mark-up up to 1 month KIBOR plus 0.05% per annum;

2. PKR 2,887 Mn is the outstanding loan amount as of September 30th, 2020;

3. This is the loan granted to Executives and other employees for the purpose of personal house financing.

3.25. PERFORMANCE OF ASSOCIATED LISTED COMPANIES

SGFL does not have any listed associate company over which it has control.

3.25.1. FINANCIAL PERFORMANCE OF SIL

PKR Mn	CY2018 (Audited)	CY2019 (Audited)	9MCY2020 (Un-audited)
Sales – net	24,080	26,156	16,992
Cost of Sales	19,748	21,272	13,776
Gross Profit	4,333	4,884	3,217
Distribution Cost	1,523	1,698	1080
Administrative Expenses	1,130	1,117	724
Other Expenses	148	205	132
Other Income	198	312	73
Profit from Operations	1,730	2,176	1,354
Finance Cost	589	1,124	857
Share of Profit from Associate	64	20	(9)
Profit before Taxation	1,205	1,073	487
Taxation	144	187	237
Profit after Taxation	1,061	886	250
EPS (PKR Per share)	56.47	47.16	10.66

3.26. INDUSTRY OVERVIEW – FOOTWEAR

3.26.1. PAKISTAN'S FOOTWEAR INDUSTRY

Pakistan's Footwear Industry Profile (CY2019)	
Pairs produced (Mn)	481
% share in global production	2.0%
Pairs consumed (Mn)	477
% share in global consumption	2.2%
Value of total export	US\$ 153 million
% share in global exports	0.1%
% of total production which was exported	3.8%
World's export ranking (quantity)	37th
World's production ranking	7th

Source: World Footwear Yearbook 2020 edition

The Pakistani footwear industry, the 7th largest in the world, is primarily geared to the internal market. The industry is mostly concentrated in the province of Punjab. **Out of 481 Mn pairs produced in 2019, 463 Mn were consumed locally whereas only 18 Mn pairs were exported to different countries.** Following are the main footwear exporting partners of Pakistan as of 2019²:

Country	Export Value (US\$ mn)	Value Share	Pairs (mn)	Quantity Share
Germany	40	26%	2.5	14%
Italy	23	15%	1.4	7%
USA	14	9%	0.9	5%
Saudi Arabia	13	8%	9.3	50%
Russian Federation	10	7%	0.4	2%

Source: World Footwear Yearbook 2020 edition

On a local scale, international brands have a smaller presence in the Pakistani market as their products can only be afforded by a few. Local brands, i.e. Bata and Servis, seem to satisfy the demand for athletic footwear in Pakistan

² World Footwear Yearbook 2020

while the demand for formal and casual shoes is either met by international brands having retail outlets in large malls or local brands such as Stylo, Outfitters, and Hush Puppies.

Export product is primarily leather footwear due to the high quality of leather present in Pakistan which meets international standards of quality.

3.26.2. GLOBAL FOOTWEAR INDUSTRY

The global footwear market size in 2019 was valued at \$365.5 billion as per World Footwear Yearbook 2020 edition. Footwear production worldwide has increased by 21.2% since 2010 at an average yearly growth rate of 2.2%. In 2019 the industry slowed down, growing only by 0.6% over the previous year, but this was enough to establish a new production record of 24.3 billion pairs.

Rank	Country	Pairs Manufactured in 2019 (Millions)	World Share %
1	China	13,475	55.5%
2	India	2,600	10.7%
3	Vietnam	1,400	5.8%
4	Indonesia	1,228	5.1%
5	Brazil	908	3.7%
6	Turkey	535	2.2%
7	Pakistan	481	2.0%
8	Bangladesh	407	1.7%
9	Mexico	251	1.0%
10	Italy	179	0.7%

Source: World Footwear Yearbook 2020 edition

The benchmark **net income margin of global footwear industry is approximately 7.41%**, computed from the sample of 78 global footwear manufacturing companies.³ The net profit margin of SGFL is 14% in 2HY2019 and 11% in 9MCY2020.

The Footwear Industry consists of a multitude of footwear manufacturers, wholesalers, and retailers. The major wholesalers in the international market are owners of a brand name and typically source their shoes from independent manufacturers mostly located in emerging countries. The retail segment of the industry ranges from owners of large multinational chains to small local businesses. Many shoe companies operate in both the retail and wholesale arenas. The manufacturing of footwear is quite labor intensive employing a sizable portion of the workforce. The industry is also quite mature and diversified as consumer demand and preferences for product offerings has shifted with the increase in disposable incomes which has also driven innovation in the footwear industry.

Manufacturing of footwear continues to remain heavily concentrated in Asia, where approximately every 9 out of each 10 pairs of shoes are produced⁴. Production worldwide has been affected due to the disruption of the supply chain in the wake of the Covid-19 pandemic. China, which is the key supplier of components for footwear manufacturing in Asia, has been badly affected. India, the second largest producer of footwear globally is in a state of lockdown since March 2020.

China remained the leading exporter of footwear globally, exporting approximately 9.7 billion pairs of shoes whereas Vietnam and Germany are the second and third largest exporter of footwear globally.

3.26.3. CATEGORIES OF FOOTWEAR

The industry is segmented on the basis of product type, end users, and material.

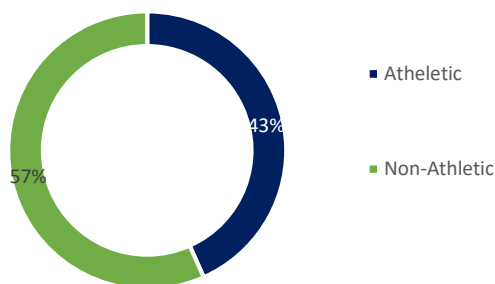
On the basis of product type, the market has been segmented into Athletic and Non-Athletic footwear. Athletic footwear is primarily used for activities involving physical efforts and exercise. This category of footwear is robust and comprises of running and cross training shoes, golf shoes, basketball shoes, hiking shoes, and baseball shoes

³ Pages.stern.nyu.edu

⁴ World Footwear 2020 Yearbook

among others. Rising health consciousness globally is driving demand in this segment. Non-athletic footwear includes casual footwear, boots, and sandals among others. Non-athletic footwear segment holds the largest share of the total footwear market. Increasing exposure to worldwide trends and rising fashion consciousness is driving the growth of this segment.

Market Share of Global Footwear Market - 2019

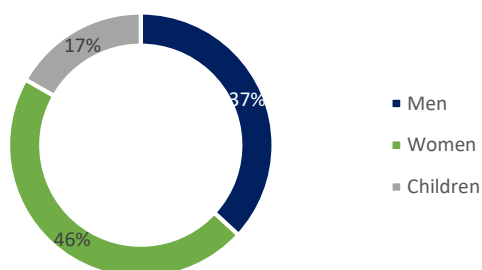


Source: Allied Market Research

On the basis of end users, the market has been segmented into men's, women's, and kid's footwear. Out of all these segments, **the women's footwear segment dominates the market due to high demand of fashionable footwear among women.**

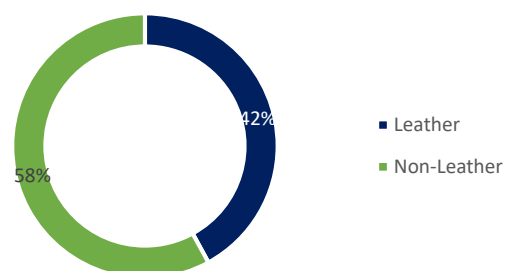
Based on material, the global footwear market has been segmented into leather and non-leather material. Leather footwear are considered premium products and hold a major share of the global footwear market.

Market Share Global Footwear Market - 2019



Source: Allied Market Research

Market Share Global Footwear Market - 2019



Source: Allied Market Research

3.26.4. IMPACTING FACTORS

Impacting factors for footwear industry include changes in lifestyles of individuals, increase in health awareness, surge in number of working professionals, rise in disposable income, and upsurge in number of children engaged in sports activities; each of the aforementioned factors is anticipated to have a definite impact on the growth of the global footwear market:

- **Changing lifestyles**

Continuous changes in lifestyle and emerging trends in the fashion world foster the demand for fancy and fashionable

footwear which is influencing industry growth. **According to a survey result published in a research report⁵, men buy a pair of shoes every four months and women purchase them every two months.**

- **Increase in health awareness**

Rise in the number of health hazards has increased indulgence of individuals in physical activities. Growing health issues like obesity and diabetes play an important role in affecting individuals' lives. In addition, increase in awareness regarding health has encouraged individuals to visit fitness centers such as gyms, thereby creating demand for athletic footwear. This, in turn, influences the footwear market significantly.

- **Surge in number of working professionals**

Continuous rise in the number of working professionals has been witnessed in recent years. In the official environment, individuals have to adhere to a formal dressing code, thereby fostering rapid adoption of formal shoes in daily wear routine. This is positively influencing the growth of the global footwear market. Thus, surge in number of working professionals is expected to positively influence the market in future as well.

- **Rise in number of sports inspired children**

Children are inclining towards trendy, stylish, colorful, and sports-inspired footwear. In addition, they are following a wide range of global sports, thereby creating demand for athletic footwear. Children who keenly pursue sports and other activities have generated a strong demand for football, basketball, hockey, tennis, baseball, and other sports footwear. Along with sports footwear, stylish sneakers, flip flops, slip-ons, boots, casual shoes are also in demand among children.

3.26.5.MARKET CHALLENGES

Following are a few of the key challenges being faced by the footwear industry:

- Increasing trend of manufacturing of counterfeit/Fake products is one of the major challenges hindering the growth of the global footwear industry. These duplicate products are hampering the brand image by offering sub-standard products to consumers;
- Intense competition from local footwear manufacturers is a major concern of the global players. **Emergence of local players has increased competition in the local market; thus, it has created a severe price war;**
- **While the constantly changing fashion preference inspires innovation, it is also a concern for the manufacturers. It is tough task for manufacturers to continuously innovate as well as remain competitive.**

3.26.6.IMPACT OF COVID-19

The pandemic of COVID-19 that rapidly spread across the world has not only endangered human lives but has also adversely impacted the local and global economy. On March 23rd, 2020, the Government of Punjab announced a temporary lock down as a measure to reduce the spread of COVID-19. Complying with the lockdown, the Company temporarily suspended its operations from March 23rd, 2020, lasting for 12 days. The lockdown caused disruptions in supply chain including production and supply of goods to the customers resulting in decline in sales.

Furthermore, the pandemic situation was more severe in European countries which are the primary markets of SGFL; this also resulted in a slump in demand of footwear. However, the availability of vaccines for COVID-19 is expected to overcome the threat of the pandemic considerably and restore the business momentum globally.

3.27. INDUSTRY OVERVIEW – TYRES

Over the past decade, the expansion of the global truck & bus radial (TBR) tyre market is largely driven by two major factors– increase in the number of trucks and busses on the road and rise in demand for medium-duty trucks worldwide. In addition, as technology continues to advance at a rapid pace, the transportation & logistics sector has witnessed consistent developments over the past couple of decades. In addition, as more number of companies

⁵ Footwear Market, Global Opportunity Analysis and Industry Forecast, 2020-2027, Allied Market Research, April 2020

operating in the current global truck & bus radial (TBR) tyre market are swaying toward expanding their global presence and market share, the overall truck & bus radial (TBR) tyre market landscape is highly competitive.⁶

Moreover, factors such as trade war between the U.S. and China, rise in the production levels of truck & bus radial (TBR) tyres worldwide, and surge in the number of last mile deliveries due to the unprecedented growth of the e-Commerce sector are influencing the expansion of the global truck & bus radial (TBR) tyre market. The trade war between the two powerhouses of the automotive industry is expected to put forward major hindrances for companies operating in these two countries.⁷

3.27.1.DRIVERS OF TBR TYRES MARKET

Following are few of the key drivers of the TBR tyre market:

- **Steady rise in the production of medium-duty trucks**, globally, has boosted the demand for TBR tyres. Logistics and road transportation sectors have witnessed rapid expansion in Asia Pacific, which has fueled the demand for TBR tyres in the region. Steady economic expansion post 2008 financial crisis propelled the demand for trucks in developed and developing countries;
- Favorable trade agreements and entry of commercial vehicle manufacturers in Latin America and Asia Pacific have driven the demand for TBR tyres;
- Increasing awareness among consumers regarding vehicle maintenance, adoption of tyre monitoring systems by fleet managers, and expansion of retailer and dealers network in rural areas are projected to drive the truck & bus radial (TBR) tyre market.

3.27.2.Imported Tyres

A number of commercial importers are involved in the imported segment of the TBR tyre industry. In order to discourage import and promote localization, heavy duties in the form of custom, additional and regulatory duties are in place for import of TBR tyres. Given below is the duty structure on imported TBR Tyres:

Type	Item	HS Code	Custom Duty	Additional Custom Duty	Regulatory Duty	Total Duty
Truck and Bus Radial Tyre	Tyre	4011-2091	3%	2%	15%	20%

Source: Federal Board of Revenue (Customs Tariff), Government of Pakistan Ministry of Finance, Economic Affairs, Revenue and Statistics (Revenue Division)

⁶ Transparency Market Research

⁷ Transparency Market Research

3A SHARE CAPITAL AND RELATED MATTERS

3A (i.) SHARE CAPITAL

No. of Shares	Shareholders	Face Value (PKR)	Premium (PKR)	Total (PKR)
250,000,000	Authorized Capital Ordinary shares	10	-	2,500,000,000
	Issued, Subscribed & Paid-Up Capital		-	
163,550,000	Ordinary Shares of PKR. 10/- each	10	-	1,635,500,000
No. of shares	Shares held by Directors/Sponsors	Face Value (PKR)		Total Value (PKR)
163,549,991	Service Industries Limited	10	-	1,635,499,910
1	Mr. Arif Saeed*	10	-	10
1	Mr. Hassan Javed*	10	-	10
1	Chaudhry Ahmed Javed*	10	-	10
1	Mr. Omar Saeed*	10	-	10
1	Mr. Azmat Ali Ranjha*	10	-	10
1	Mr. Abdul Rashid Lone*	10	-	10
1	Ms. Maleeha Humayun Bangash*	10	-	10
1	Mr. Hassan Ehsan Cheema*	10	-	10
1	Mr. Qadeer Ahmed Vaseer*	10	-	10
163,550,000	Total Paid up Capital	10	-	1,635,500,000
No. of shares	Allocation	Face Value (PKR)		Total Value (PKR)
30,665,625	Allocations to Institutions / Individual Investors through Book Building process at Strike Price	10	28	1,165,293,750
10,221,875	General Public Portion	10	28	388,431,250
40,887,500	Total Issue Size	10	28	1,553,725,000
204,437,500	Grand Total Post-IPO Paid up capital	10	-	2,044,375,000

*shares held by SIL in the name of directors.

NOTE:

- As per regulation 5(1) of the PO Regulations, the Sponsors of the Company shall retain their entire shareholding in the Company for a period of not less than twelve months from the last date for public subscription;
- As per regulation 5(2) of the PO Regulations, the Sponsors of the Company shall retain not less than twenty-five percent of the post issue paid up capital of the Company for not less than three financial years from the last date for the public subscription;
- As per regulation 5(3) of the PO Regulations, the shares of the Sponsors mentioned at (1) and (2) above shall be kept unencumbered in a blocked account with central depository;
- As per regulation 5(4) of the PO Regulations, subject to compliance with sub-regulation 1 and 2 of regulation 5, and with the prior approval of the securities exchange, the Sponsors of the Company may sell their shareholding through block-sale to any other person who shall be deemed Sponsor for the purposes of the PO Regulations.

SHARES OF SPONSORS TO BE RETAINED AS PER REGULATION 5 OF PO REGULATIONS

- SIL is the Sponsor of the Company and owns 163,549,991 shares. 51% of the post issue paid-up capital (i.e. 104,263,125) will be blocked as per Regulation 3(ii) of Public Offering Regulations till the Company reports net profit after tax for two consecutive financial years including profit from its core business activities;

- SIL is the Sponsor of the Company and owns 163,549,991 shares. Such shares will be blocked as per Regulation 5(1) of Public Offering Regulations, 2017 for a period of 12 months;
- Also, as per regulation 5(2) of the PO Regulations, the Sponsors of the Company shall retain not less than twenty-five percent of the paid up capital of the Company (i.e. 51,109,375) for not less than three financial years from the last date of the public subscription.

3A (ii.) PRESENT ISSUE

The Issue comprises of 40,887,500 Ordinary Shares of face value of PKR 10/- each, which constitutes 20% of the total post-IPO paid up capital of the Company.

The Issue is being made through the Book Building process at a Floor Price of PKR 38.00/- per share (including a premium of PKR 28.00/- per share). The bidders shall be allowed to place bids for hundred percent (100%) of the Issue size and the Strike Price shall be the price at which the hundred percent (100%) of the Issue is subscribed. However, the successful bidders shall be provisionally allotted only seventy-five percent (75%) of the Issue size i.e. 30,665,625 shares and the remaining twenty-five percent (25%) i.e. 10,221,875 shares shall be offered to the retail investors. In case retail portion of the Issue remains unsubscribed, the unsubscribed shares will be allotted to the successful bidders on a pro rata basis. The Book Building Portion has been underwritten by Arif Habib Limited.

3A (iii.) Shares Issued in Preceding Years

Sr. No.	No. of Shares	Date of Allotment	Consideration
1	50,000	At the time of incorporation i.e. July 19, 2019	Against Cash
2	5,000,000	November 25, 2019	Against Cash, Right Issue
3	8,500,000	April 04, 2020	Against Cash, Right Issue
4	150,000,000	July 03, 2020	The Company allotted 150,000,000 ordinary shares of PKR 10 each to SIL pursuant to the sanction of the Scheme of Compromises, Arrangement and Reconstitution by the Honorable Lahore High Court, Lahore vide order dated January 15, 2020.
Total	163,550,000		

3A (iv.) Employee Stock Option Scheme

SGFL offers an Employee Stock Option Scheme ("ESOS") to its Eligible Employees. SECP approved the ESOS and issuance of 4,350,000 ordinary shares i.e., 2.13% of the paid-up capital (post IPO) vide SECP letter Ref. # CLD/CCD/CA.83/16/2020 (dated: November 25th, 2020). As per SECP approval, SGFL is allowed to issue further capital up to 2.13% of its enhanced paid-up capital (post IPO) to its employees under the ESOS by way of other than right offer under the section 83(1)(b) of the Companies Act, 2017.

A Compensation Committee is set-up which determines the number of shares to be issued in response to exercise of options once the minimum vesting period has completed. The shares issued as a result of ESOS are Voting Ordinary Shares ("ESOS shares") which rank pari passu with the Ordinary Shares in all respects.

Salient features of the scheme are re-produced as under;

1. Eligible Employees include Business Head, Vice President Operations, Vice President Innovations & Product Strategy, and any other regular employee under classification level MG-3 and above;
2. The shares are to be issued through Options under this scheme; it is clarified that if in any one year, including 2020, the full number of Options is not granted, then the un-granted Options maybe carried forward to subsequent year(s) and granted in such subsequent year(s):

Sr. No.	Options Grant Year	Maximum Number of Options
1	2020	1,500,000
2	2021	712,500
3	2022	712,500
4	2023	712,500
5	2024	712,500

3. The vesting period for the Options offered under all categories shall be as per following schedule;

Sr. No.	Option Grant Year	Vesting Period	No. of Years
1	2020	01 January 2021 to 31 December 2021	1
2	2021	For 25% of the Options granted 01 January 2022 to 31 December 2022	1
		For 25% of the Options granted 01 January 2022 to 31 December 2023	2
		For 25% of the Options granted 01 January 2022 to 31 December 2024	3
		For 25% of the Options granted 01 January 2022 to 31 December 2025	4
3	2022	For 25% of the Options granted 01 January 2023 to 31 December 2023	1
		For 25% of the Options granted 01 January 2023 to 31 December 2024	2
		For 25% of the Options granted 01 January 2023 to 31 December 2025	3
		For 25% of the Options granted 01 January 2023 to 31 December 2026	4
4	2023	For 25% of the Options granted 01 January 2024 to 31 December 2024	1
		For 25% of the Options granted 01 January 2024 to 31 December 2025	2
		For 25% of the Options granted 01 January 2024 to 31 December 2026	3
		For 25% of the Options granted 01 January 2024 to 31 December 2027	4
5	2024	For 25% of the Options granted 01 January 2025 to 31 December 2025	1
		For 25% of the Options granted 01 January 2025 to 31 December 2026	2
		For 25% of the Options granted 01 January 2025 to 31 December 2027	3
		For 25% of the Options granted 01 January 2025 to 31 December 2028	4

4. The exercise periods for options granted under this Scheme shall be six months of the completion of respective vesting period.

5. The exercise price for the options granted under the Scheme shall be as follow:

Sr. No.	Options Grant Year	Exercise Price (PKR)
1	2020	10/- per share
2	2021	25/- per share
3	2022	30/- per share
4	2023	36/- per share
5	2024	44/- per share

6. In case of death of the Option Holder while in employment of the Company, all Options granted to him till the date of his death shall vest in his legal heirs or nominees.

To date, the Company has not issued any shares against ESOS to its employees.

3A (v.) Related Employees of the Company (Service Global Footwear Limited)

Sr. No.	Name	Designation
1	Mr. Hassan Javed	Chief Executive Officer
2	Mr. Usman Liaqat	Chief Financial Officer
3	Mr. Waheed Ashraf	Company Secretary
4	Mr. Tahir Maqsood	Deputy Company Secretary
5	Mr. Tamour Hassan	Manager Finance

3A (vi.) Related employees of the Lead Manager & Book Runner (Arif Habib Limited)

Sr. No.	Name	Designation
1	Shahid Ali Habib	Chief Executive Officer
2	Ahmed Rajani	Director, Investment Banking
3	Syed Saquib Ali	Director, Investment Banking
4	Ammad Tahir	Assistant Vice President, Investment Banking
5	Syed Ali Ahmed	Sr. Associate, Investment Banking
6	Muhammad Ali Raza Hussain	Associate, Investment Banking
7	Daniyal Ahmed Khan	Associate, Investment Banking
8	Tooba Zafar	Associate, Investment Banking
9	Raveena Kumari	Associate, Investment Banking
10	Saim Ahmed Shahab	Senior Analyst, Investment Banking
11	Noor Muzaffar	Senior Analyst, Investment Banking

Note:

- As per regulation 7(9) of the PO Regulations, the associates of the Lead Manager to the Issue and the Book Runner shall not in aggregate make bids in excess of ten (10%) percent of the shares offered through Book Building. Provided that it shall not apply to such associates of the Lead Manager and the Book Runner that are Financial Institutions, Mutual Funds and Insurance Companies.
- As required under regulation 20(10) of the PO Regulations, Related Employees of the Issuer, Lead Manager and Book Runner to the Issue shall not participate in the bidding for shares.

Undertaking of the Sponsors to the Issuer regarding IPO utilization**Pakistan Stock Exchange**

Stock Exchange Building
Stock Exchange Road
Karachi – 74000, Pakistan

UNDERTAKING

We, Arif Saeed, son of Chaudhry Ahmad Saeed, being CEO of Service Industries Limited holding CNIC No. 35202-2835725-9, resident of House No. 10, Gulberg - 5, Lahore and Hassan Javed son of Ch Ahmed Javed, being Director and authorized representative of Service Industries Limited, major sponsor of Service Global Footwear Limited, holding CNIC No. 35202-2936650-7, resident of House No. 47/B3, Gulberg-3, Lahore, do hereby state on solemn affirmation as under:

- (1) That Service Industries Limited is the sponsor and 100% shareholder/owner of the shares of Service Global Footwear Limited (the “Issuer”);
- (2) That the IPO Proceeds of Ordinary Shares of Service Global Footwear Limited shall be utilized as per the purpose disclosed in the Prospectus.

.....

Arif Saeed

Chief Executive Officer & Authorized Representative
Of SIL

.....

Hassan Javed

Director & Authorized Representative of
SIL

4 PRINCIPAL PURPOSE OF THE ISSUE AND FUNDING ARRANGEMENTS

4.1. PRINCIPAL PURPOSE OF THE ISSUE

The principal purpose of the issue for SGFL is to invest the entire amount raised at the Floor Price as an equity investment into a subsidiary company of SIL i.e. “Service Long March Tyres (Pvt.) Limited” (“**SLM**”) and become a stakeholder of approximately 18.91% of the total shareholding of SLM.

4.1.1. OVERVIEW OF SERVICE LONG MARCH TYRES (PVT.) LIMITED

SIL has ventured into the manufacturing of “All Steel Radial” tyres of trucks and buses (TBR Tyres). For this purpose, SIL has entered into a Joint Venture Agreement with Chaoyang Long March Tyre Co., Ltd and Myco Corporation and have set up a Joint Venture Company in Pakistan namely “Service Long March Tyres (Pvt.) Limited” on January 07, 2020.

Project cost is estimated to be PKR 16,430 Mn which would be funded through a debt to equity ratio of 50:50 with an installed production capacity of 600,000 tyres per annum. Total debt requirement of PKR 8,215 Mn has been arranged through long term financing facilities from different financial institutions. Of the total equity commitment of PKR 8,215 Mn, PKR 4,500 Mn has already been injected by SIL, LM, and Mr. Shabir Ahmad of Myco Corporation in the ratio of 51%, 44% and 5%, respectively. A plot of industrial land measuring 50 acres in Sindh Industrial Trading Estate – Nooriabad, Sindh has been acquired for the Project. The construction work of the Project has started in October 2020 and is expected to be completed by July 2021.

The current paid-up capital of SLM is PKR 3,000 Mn which is held by the shareholders in the following proportion:

Sr. No	Shareholders	Amount in PKR Mn	Pre-Issue Shareholding
1	Service Industries Limited	2,295	51.00%
2	Chaoyang Long March Tyre Co., Ltd.	1,980	44.00%
3	Mr. Shabir Ahmad of Myco Corporation	225	5.00%
Total		4,500	100.00%

The members of SGFL in their extra ordinary general meeting held on December 30, 2020 have approved equity investment up to PKR 2,175,215,000 in the Project (PKR 2,175,215,000 was extrapolated at the 40% Price Band, i.e. the maximum possible Strike Price of PKR 53.20/-). The IPO proceeds of PKR 1,553,725,000 calculated at Floor Price will be utilized to finance the equity investment by SGFL into SLM. The post issue shareholding of the Company in SLM after inclusion of all equity injections by JV partners would be:

Sr. No	Shareholders	Post-Issue Shareholding (Shares)	Post-Issue Shareholding (%)
1	Chaoyang Long March Tyre Co., Ltd.	361,460,000	44.00%
2	Service Industries Limited	263,592,500	32.09%
3	Service Global Footwear Limited	155,372,500	18.91%
4	Mr. Shabir Ahmad of Myco Corporation	41,075,000	5.00%
Total		821,500,000	100.00%

SLM would manufacture “All Steel Radial” tyres of trucks, buses (TBR), light truck and off the road vehicles for local and export markets; however, initially during the Phase 1, SLM would restrict its manufacturing for trucks and buses (TBR tyres) only. As per SLM’s estimation, 85% of the total sales would comprise of exports. Currently there is no local player operating in this segment of tyre market and SLM would be the first player in the local industry to bring TBR manufacturing technology in Pakistan. The entire manufacturing technology would be transferred from the Chinese Partner, LM. Other tyre manufacturers in the country such as General Tyre & Rubber Company of Pakistan Limited and Panther Tyres Limited do manufacture bias tyres for trucks and tyres but SLM would be the sole manufacturer of All Steel Radial tyres of trucks and buses in the country.

LM is a Chinese tyre manufacturer based in Chaoyang, Liaoning province and was established in 2003. LM possesses a core expertise in manufacturing of “All Steel Radial” (TBR Tyres). LM’s current production capacity is of around 3.4

million tyres per annum. LM manufactures a total of 236 varieties across 59 specifications and 50 patterns for light, medium & heavy truck and bus tyres. Almost 60% of total production is being exported to a total of 90 countries including USA, South America, EU, Africa, Middle East, Russia, Turkey, India, and Pakistan.

4.1.2. STRATEGIC PARTNERSHIP AND MARKET OPPORTUNITY

The formation of a joint venture through pooling of capital by SIL, LM and Myco Corporation was fundamentally undertaken in order to exploit the opportunities created by the current geopolitical relationships among the global markets. **Due to stringent ties and imposition of anti-dumping & countervailing duties by European Union and United States of America, LM was finding it difficult to maintain its supply lines to these regions. In the quest to avoid such duty structures, LM opted to invest in Pakistan and joined hands with SIL for the establishment of manufacturing lines in Pakistan to meet the demand of export markets.** Hence, export potential of SLM is keenly promising as there are multiple global markets where SLM can export through the already established sale channels of LM. It is planned by the management of SLM that 85% of the total production of the Project would be exported, mainly to USA and Brazil. As per SLM's management, the total TBR tyre market of USA is around 40 Mn tyres per annum and the total TBR tyre market of Brazil is around 7.3 Mn tyres per annum.

Venturing into production of TBR tyres by SIL is also a well-planned advancement towards achievement of strategic business advantage in the local market. As trucking and bus transportation are the main means of goods and people movement, there is huge domestic demand of TBR tyres. Annual demand of TBR tyres from domestic participants, as per the estimation of SLM's management, is around 1.4 million tyres per annum. As there is no local supplier of TBR tyres, all the demand is being met through imports from official channels and the grey market. Local manufacturing of TBR tyres would help to meet domestic demand and would also help to curb the unofficial import of TBR tyres.

None of sale agent of SLM would be a related or associated party of Servis group or LM.

4.1.3. STATUS OF GREENFIELD INDUSTRIAL UNDERTAKING AND SPECIAL ECONOMIC ZONE (SEZ) ENTITY

SLM, being a one-of-its-kind project, has been granted the status of Green Field Industrial Undertaking under Sec. 2 Sub - Sec. 27A of ITO 2001 and Sec. 2 Sub. Sec.12A of STA 1990, which has allowed SLM to avail the following benefits:

- Exemption of Gains and Profits from Imposition of Income Tax including Minimum Tax for 5 Years;
- One-time exemption from Sales Tax, Income Tax, and Custom Duty on import of Plant & Machinery during construction phase.

In addition to this, the Board of Approvals ("BOA") constituted under Section 5 of Special Economic Zones Act 2012 in their meeting held on December 14, 2020 approved the Special Economic Zone (SEZ) status of SLM. The formal notification in this respect is expected to be issued in the coming weeks. Due to this status, following benefits would be available to SLM:

- Exemption of Incomes from Imposition of Income Tax for 10 years;
- One-time exemption from Sales Tax, Income Tax and Custom Duty on import of Plant & Machinery.
- Exemption of Sindh Revenue Board (SRB) tax on construction services rendered by the contractors under SRB-3-4/7/2013, dated June 28, 2013.

4.1.4. SOURCE OF FUNDING

Break up of fund requirement	Fund raised (PKR)	Contribution mode of financing
IPO proceeds	1,553,725,000	100%
Total	1,553,725,000	100%

4.1.5. UTILIZATION OF PROCEEDS

The Issue is expected to generate PKR 1,553,725,000 at Floor Price of PKR 38.00/- per share. As per the fund requirement given above, the proceeds from IPO shall be utilized as hereunder:

Expenditure Heads		
Particular	PKR	%
Equity Investment in SLM	1,553,725,000	100%
Total	1,553,725,000	100%

Investment proceeds from SGFL would be utilized by SLM for the following purpose:

Expenditure Heads		
Particular	PKR	%
To make payments to the contractors on account of civil and MEP works of the project.	1,553,725,000	100%
Total	1,553,725,000	100%

4.2. ADDITIONAL DISCLOSURES RELATING TO PURPOSE OF THE ISSUE

4.2.1. PROJECT COST OUTLAY

Following is the composition of the total Project cost of PKR 16,430 Mn:

Particulars	Total Cost (PKR Mn)	Cost Incurred (PKR Mn)	Cost Incurred (%)
Plant and Machinery (TERF Financing)	7,751	Nil*	Nil
Civil & MEP Works	7,849	491	6.26%
Land	830	830	100.00%
Total	16,430	1,360	8.28%

*As per Management Accounts for the period ended Dec 31 2020. However, to date, SLM has established LCs for machineries worth PKR 7,328 Mn and LC worth PKR 756 million has been retired through TERF loan.

Details pertaining to Plant & Machinery, and Civil & MEP works can be found in subsequent sections.

4.2.2. Project Land

A plot of industrial land measuring 50 acres (on 99 years lease) in Sindh Industrial Trading Estate – Nooriabad, Sindh has been acquired for the Project. The construction work of the Project has started in October 2020 and is expected to be completed by July 2021.

The land has been purchased on arm's length basis and no relationship exists between SLM and the seller of land.

4.2.3. DETAILS OF PLANTS AND MACHINERIES

Following is the composition of Plant & Machineries:

Particulars	Total Cost (PKR Mn)
Plant & Machineries for which LCs have been established	7,328
Plant & Machineries for which LCs are yet to be established	351
Contingencies	72
Total	7,751

Contracts for the procurement of the following plants and machineries have been awarded, and letter of credits (LC) worth PKR 6,964 Mn have been established; LC worth PKR 756 million has been retired through TERF loan. Following is the list of plants and machineries for which LCs have been established:

Sr. No.	LC Opening/ Order Placement Date	Expected Shipment Date	Name of Supplier	Country	Items Description	PKR Value (Mn)
1	Feb-21	Mar / Apr-21	FUJIAN TIANHUA INTELLIGENT EQUIPMENT CO., LTD	China	CURING MACHINES INCLUDING TYRE MOULDS	1,966
2	Nov-20	Mar-21	QINGDAO MESNAC MACHINERY AND ELECTRIC ENGINEERING CO., LTD.	China	TRUCK TYRE THREE DRUMS BUILDING MACHINE	478
3	Aug-20	Feb-21	DALIAN RUBBER AND PLASTICS MACHINERY CO., LTD	China	MIXER, EXTRUDER AND OPEN MILLS	443
4	Oct-20	Mar-21	TIANJIN SAIXIANG TECHNOLOGY CO LTD	China	DUPLEX COMPOUND EXTRUDER / RUBBER DOSING EXTRUDER	435
5	Mar-20	Jan-21 (Already Shipped)	COMERIO ERCOLE S.P.A.	Italy	STEEL CORD CALANDERLINE	372
6	Oct-20	Mar-21	TIANJIN SAIXIANG TECHNOLOGY CO., LTD.	China	BUS TYRE THREE DRUMS BUILDING MACHINE	345
7	Oct-20	Apr-21	ORIENT ENERGY SYSTEM FZCO	UAE	GAS POWER PLANT	302
8	Nov-20	Feb-21	QINGDAO MESNAC MACHINERY AND ELECTRIC ENGINEERING CO., LTD.	China	INNER-LINE EXTRUDER	272
9	Feb-21	Mar-21	SHENYANG TONGYUN POWER EQUIPMENT ENGINEERING CO.,LTD.	China	Power Distribution Cabinets	270
10	Oct-20	Mar-21	GUILIN RUBBER INDUSTRY R&D INSTITUTE CO., LIMITED.	China	TRIPLEX EXTRUSION LINE	257
11	Aug-20	Mar-21	FARREL LIMITED	UK	FARREL BANBURY MIXER	232
12	Dec-20	Mar-21	SHANDONG HAOKANG ENVIRONMENTAL ENGINEERING CO., LTD.	China	HOT WATER DEAERATOR FOR CURING MACHINE	190
13	Nov-20	Jan-21 (Already Shipped)	CHIFENG YANBANG BOILER	China	CIRCULATING FLUIDIZED BED BOILER AND	160

			INDUSTRY CO., LTD		AUXILIARY EQUIPMENT	
14	Jan-21	May-21	QINGDAO WONGOING INFORMATION TECHNOLOGY CO., LTD	China	PLANT MONITORING SYSTEM	139
15	Jan-21	Apr-21	SUZHOU ZETONG AUTOMATION EQUIPMENT CO., LTD	China	TYRE CONVEYOR LINE	134
16	Oct-20	Mar-21	TIANJIN SAIXIANG TECHNOLOGY CO LTD	China	BUS TYRE RUBBER EXTRUDER / DEGREE STEEL CORD CUTTING LINE	130
17	Nov-20	Feb-21	QINGDAO MESNAC MACHINERY AND ELECTRIC ENGINEERING CO., LTD.	China	AUTO WEIGHING / AUTO DOSING SYSTEM	121
18	Feb-21	Apr-21	ZHEJIANG FRIED ENVIRONMENTAL TECHNOLOGY CO., LTD	China	REVERSE OSMOSIS WATER TREATMENT SYSTEM	110
19	Oct-20	Jan-21 (Already Shipped)	GUILIN ZHONGHAO MEC & ELEC EQUIPMENT CO LTD	China	STEEL CORD CUTTING LINE	109
20	Mar-20	Feb-21	RJS CORPORATION, USA.	USA	CREEL SYSTEM	72
21	Dec-20	Mar-21	LIAONING LICHENG TECHNOLOGY DEVELOPMENT CO LTD	China	Air Compressor	70
22	Mar-21	Apr-21	LIAONING INSTRUMENT RESERCH INSTITUTE CO., LTD	China	AUTO X-RAY INSPECTION SYSTEM	69
23	Dec-20	Apr-21	SHUANGLIANG ECO ENERGY SYSTEM CO LTD.	China	Absorption Chiller	63
24	Nov-20	Feb-21	QINGDAO MESNAC MACHINERY AND ELECTRIC ENGINEERING CO., LTD.	China	AUTO DOSING SYSTEM	60
25	Dec-20	Feb-21	SHANGHAI ELECTRICAL APPARATUS IMP.	China	TRANSFORMER	58

			AND EXP. CO., LTD,			
26	Oct-20	Feb-21	QINGDAO MESNAC MACHINERY AND ELECTRIC ENGINEERING CO., LTD.	China	RUBBER BATCH-OFF COOLING LINE	45
27	Oct-20	Feb-21	QINGDAO MESNAC MACHINERY AND ELECTRIC ENGINEERING CO., LTD.	China	RUBBER BATCH-OFF COOLING LINE	45
28	Dec-20	Mar-21	HUNAN YUANHENG TECHNOLOGY CO.,LTD.	China	DEEP WATER PLATE TYPE CROSS FLOW COOLING TOWERS	44
29	Jan-21	Feb-21	DALIAN KEXIN AUTOMATION EQUIPMENT CO., LTD.	China	Automatic Tyre Cord Creel System	44
30	Aug-20	Mar-21	DALIAN FU TAI FU ZE MACHINERY CO., LIMITED	China	HEXAGON STEEL CORD PRODUCTION LINE	37
31	Feb-21	May 21	DDFC (PVT) LTD, PAKISTAN	Pakistan	DUPLEX WASTE HEAT RECOVERY BOILER	33
32	Jan-21	Mar-21	QINGDAO SINOESCO ENERGY TECHNOLOGY CO., LTD	China	WATER COOLED CENTRIFUGAL CHILLER	31
33	Feb-21	April-21	TIANJIN JIURONG INDUSTRY TECH CO., LTD	China	TYRE ENDURANCE AND HIGH SPEED TEST MACHINE	28
34	Nov-20	Apr-21	DALIAN FU TAI FU ZE MACHINERY CO LTD	China	NYLON CUTTER, MULTI BLADE SLITER CUTTER, MEASURING MACHINE	25
35	Dec-20	Feb-21	DALIAN XINXINWO TECHNOLOGY DEVELOPMENT CO., LTD.,	China	AUTOMATIC TREAD PICKING DEVICE WITH ALL STANDARD ACCESSORIES	24
36	Feb-21	Apr-21	DONDONG BOYE MACHINERY MANUFACTURING CO., LT	China	MANUAL APEX MACHINE, BEAD WRAPING MACHINE	23
37	Feb-21	Apr-21	DALIAN XINXINWO TECHNOLOGY DEVELOPMENT CO., LTD	China	ENERGY MANAGNENT SYSYTEM	19

38	Mar-21	Apr-21	QINGDAO GAOCE TECHNOLOGY CO., LTD	China	TYRE PLUNGER TESTER , TYRE SECTION CUTTER	18
39	Feb-21	Apr-21	NANJING JIXIANG MECHANICAL EQUIPMENT CO., LTD	China	REWORK RUBBER PRCESSING MACHINE / FILM SPLITTING MACHINE	16
40	Jan-21	Mar-21	HANGZHOU SHANLI PURIFY EQUIPMENT CORPORATION	China	GAS CONSUMPTION COMPRESSION DRYER	15
41	Dec-20	Mar-21	CHINA ENERGY ENGINEERING GROUP TIANJIN ELECTRIC POWER CONSTRUCTION CO., LTD.	China	TBR PURGING SYSTEM (EXHAUST SYSTEM)	11
42	Feb-21	May-21	KADO INTELLIGENT TECHNOLOGY (SHANGHAI) CO.,LTD.	China	TREAD (SIDEWALL) SECTION THICKNESS MEASURING MACHINE (OFF-LINE)	7
43	Feb-21	Apr-21	QINGDAO KEGAO RUBBER & PLASTIC TECHNOLOGY EQUIPMENT CO., LTD	China	AUTOMATIC TEMPRATURE CONTROL UNIT	6
Total						7,328

*LCs worth PKR 756 million has been retired through TERF loan.

Note: SLM is not procuring any plant and machinery from any of its or LM's associated or related party.

4.2.4. PLANT AND MACHINERY FOR WHICH LCS ARE YET TO BE ESTABLISHED

Following is the list of major plant and machineries for which LCs are yet to be established:

Sr. No.	Item	Value (PKR Mn)
1	DYNAMIC TYRE BALANCING MACHINE	135
2	HVAC SYSTEM CONSISTING OF AIR HANDLING UNIT	113
3	RHEOMETER	47
4	MOONEY	24
5	TENSILE MACHINE	10
6	DISPERSION DEGREE OF CARHON BLACK MACHINE	10
7	PRESS VULCANIZER	5
8	SUFACE INSPECTION MACHINE	4
9	OPEN MILL FOR EXPERIMENT	2
10	GLUE-MAKING MACHINE	1
Total		351

4.2.5. DETAILS OF SECOND HAND MACHINERY

Plant and Machinery to be procured is not second hand and is brand new. Furthermore, Plant & Machinery is not in any form, the one that is or was in use of LM. It is also clarified that suppliers of Plant and Machinery are not in any way associated to LM or the Servis Group.

4.2.6. INFORMATION ABOUT TECHNICAL AGREEMENTS EXECUTED PERTAINING TO CIVIL, MEP WORKS AND PREFABRICATED BUILDING

Sr. No.	Consultant	Country	Date of Contract	Value (PKR Mn)	Services
1	Central Research Institute of China Chemical Science and Technology Ltd.	China	March, 2020	88	Preparation of design and drawings (MEP & Civil works) of the whole Plant.
2	A.A. Associates & Co.	Pakistan	July, 2020	14	Civil Consultancy Services
3	MMG Associates	Pakistan	July, 2020	8	MEP Consultancy Services
4	Polytek Associates (Pvt.) Ltd.	Pakistan	March, 2020	6.5	Identification of Power General Plant Requirement and Recommendation of Power Plant
5	QEL-TBL Joint Venture	Pakistan	October, 2020	1,672	Construction of 1# TBR workshop and Office Block (Civil Works – Structures & Finishes)
6	Tianjin (Pakistan) Electric Power Construction (Pvt.) Ltd.	Chinese Company Incorporated in Pakistan	December, 2020	977	Construction of 1# TBR Workshop and Office Block (MEP Works and PEB Installation Works)
7	Daofeng Power Engineering (Pvt.) Ltd.	Chinese Company Incorporated in Pakistan	December, 2020	2,151	Civil and MEP work for Mixing Workshop, Boiler House, Oil Tank Foundation, Fire Water Pool, Durability Laboratory
8	Daofeng Power Engineering (Pvt.) Ltd.	Chinese Company Incorporated in Pakistan	December, 2020	1,441	Civil and MEP works of Pakistani and Chinese accommodation and labour canteen.
9	China Energy Engineering Group Tianjin Electric Power Construction CO. Ltd.	China	December 2020	721	PREFABRICATED BUILDING FOR TYRE PLANT
Total				7,078	

No single party has been appointed as EPC contractor for setting up SLM's TBR tyre project.

The remaining allotted amount in Civil and MEP work of PKR 771 Mn has been kept in order to mitigate any contingency pertaining to Project cost overrun.

Following is the brief detail pertaining to the parties with which SGFL has signed technical agreements with:

Central Research Institute of China Chemical Science and Technology Ltd.

Central Research Institute of China Chemical Science and Technology Ltd. is a comprehensive research institution engaged in the scientific research, development and industrialization of new technologies and new products, engineering design, technical consulting and technical service in the chemical industry. Its industrial direction focuses on coatings, water treatment chemicals, pesticide formulations and additives, petrochemical additives and chemical equipment.

Main business is to conduct research, development and design of new technologies, new processes and new products in the chemical industry, and promotion, transfer, technical consulting and service of technical achievements; sales of chemical materials, chemical products, chemical machines and equipment, building materials, electromechanical products, and auto parts; import and export business; lease of self-owned houses; computers and software, and technical service of software and network; specialized contracting.

CRICC - whose predecessors were the Science and Technology Bureau, the Science and Technology Institute of the Ministry of Chemical Industry - was established in 1978. It was transformed into a technology-based enterprise in 1999. Further details can be found on: <http://www.zhkjzy.chemchina.com/zhghen/index.htm>

A.A. Associates & Co.

A.A. Associates is a multi-disciplinary consultancy with experience of engineering, architecture & planning. As a leading consultancy based in Karachi (Pakistan), the firm brings a unique perspective & depth of knowledge to all its projects. The firm is established with a total staff of over 200 persons. The firm specializes in the design of long span segmentally constructed bridges in pre-stressed concrete.

The beginnings of A.A. Associates go back to 1964. Further details can be found on: <http://www.aa-associates.com/>

MMG Associates

MMG Associates is a global design engineering consulting firm. MMG provides advance multi-discipline solution and consulting services, focusing mainly on the power industry, industrial buildings and process industry. Further details can be found on: <https://www.mgengg.com/>

China Energy Engineering Group Tianjin Electric Power Construction Co Ltd.

China Energy Engineering Group Tianjin Electric Power Construction Co. Ltd offers infrastructure construction services. The Company constructs power plants, houses, and other related projects. China Energy Engineering Group Tianjin Electric Power Construction conducts business in China, Pakistan, Malaysia, Indonesia, and other countries. It was founded in 1980. Further details can be found on: <https://www.bloomberg.com/profile/company/GICCPZ:CH>

4.3. IMPLEMENTATION SCHEDULE OF PROJECT

Sr. No.	Particulars	Start Date	Completion Date	Status
1	Acquisition of plot of industrial land measuring 50 acres	March, 2020	August, 2020	Land acquisition is completed. Full money has been paid and assignment deed was executed in Aug 20.
2	Civil Work	October, 2020	June, 2021	Contracts for Civil/MEP works have been awarded and construction work has started. The contractors are mobilized and physical work is in progress at site.
3	Mechanical, Electrical & Plumbing (MEP) Works	December, 2020	June, 2021	
4	Shipment of Plant, Machinery and Equipment	January, 2021	April, 2021	All machinery suppliers have been finalized. Purchase contracts have been executed. LCs for PKR 7,328 Mn have been established to date and
5	Installation & Commissioning of	March, 2021	June, 2021	

Sr. No.	Particulars	Start Date	Completion Date	Status
	Plant, Machinery and Equipment			further LCs are under opening process.
6	Trial Production	July 2021	July 2021	-
7	Commercial Production	August 2021	-	-

4.4. DETAILS REGARDING THE COMPLETION OF THE PROJECT

The contracts for Civil, and MEP Works & Pre-engineered Building (PEB) installation have been awarded after getting recommendations from the consultants. Civil and MEP Works are underway and are expected to be completed by June 2021. **The project is expected to undertake commercial production from July 2021. This will result in production of 600,000 tyres annually.**

4.5. FINANCIAL PLAN

The cost of the Project, which is PKR 16,430 Mn, is planned to be financed through the following arrangement;

PKR Mn.	Amount
Long Term Debt	8,215
Equity	8,215
Total	16,430

4.5.1. LONG TERM DEBT

Long term financing facilities from following institutions have been arranged for the Project:

Sr. No.	Institution	Amount in PKR	Tenor	Comments
1	Habib Bank Limited	3 Bn	10 years	2 years grace period
2	Allied Bank Limited	2 Bn	10 years	2 years grace period
3	Faysal Bank Limited	2 Bn	10 years	2 years grace period
4	MCB Bank Limited	1 Bn	10 years	2 years grace period
5	Bank Alfalah Limited	1 Bn	10 Years	2 years grace period
Total		9 Bn		

All the above mentioned financing facilities are availed under the Temporary Economic Refinance Facility (TERF) scheme of State Bank of Pakistan; the base rate of this scheme is 1%. SLM has negotiated fine and market competitive spread which is less than 200 basis points over the base rate for the above mentioned financings.

SLM has commitment of PKR 9,000 Mn in long term facilities from the abovementioned banks against the requirement of PKR 8,215 Mn.

4.5.2. EQUITY

The total equity requirement of the Project is PKR 8,215 Mn which would be injected in tranches. As of now, a total of PKR 4,500 Mn has been invested in SLM by SIL, LM, and Mr. Shabir Ahmad of Myco Corporation.

Sr. No	Stakeholders	Equity Injected (PKR Mn)
1.	Service Industries Limited	2,295
2.	Chaoyang Long March Tyre Co., Ltd.	1,980
3.	Mr. Shabir Ahmad (Myco Corporation)	225
Total		4,500

Remaining equity of PKR 3,715 Mn would be injected as per below projected schedule:

PKR Mn	SIL	SGFL	Long March	Myco Corp.	Total
April, 2021	-	765	660	75	1,500
May, 2021	341	788	975	111	2,215
Total	341	1,553	1,635	186	3,715
Amount Already Injected	2,295	-	1,980	225	4,500
Total Amount	2,636	1,553	3,615	411	8,215
% of Total Shareholding	32.09%	18.91%	44.00%	5.00%	100.00%

4.5.3. WORKING CAPITAL REQUIREMENT

The management of SLM anticipates that initial working capital of approximately PKR 2,000 Mn will be required for the purpose of running this Project. It is their intention to obtain loan under Export Refinancing Scheme of the SBP which will be arranged after the commencement of commercial operations of SLM.

As the aforementioned disclosed working capital requirement would only be availed after the commencement of commercial operations, this debt requirement has not been included in the total Project cost.

4.6. UTILIZATION OF EXCESS IPO FUNDS, IN CASE THE STRIKE PRICE IS DETERMINED ABOVE THE FLOOR PRICE

Any excessive fund, in case the Strike Price is determined above the Floor Price, would be utilized either to fund the internal working capital requirement of SGFL or to make equity investment in SLM, as may be decided by the BOD. Additional equity investment in SLM from SGFL would reduce the holding of SIL in such a way that the aggregate investment of Servis Group would not deviate from 51%. The excess fund will not be transferred to the parent company, Service Industries Limited ("SIL"), in any way.

Moreover, while increasing the investment in SLM from the excess proceeds, SGFL will not purchase the existing shareholding of SIL in SLM.

As per clause (i) and (ii) of regulation 16 of the PO Regulations, the Company shall:

1. report detailed break-up of the utilization of the proceeds of the issue in its post issue quarterly / half-yearly and annual accounts till the fulfillment of the commitments mentioned in the prospectus, and;
2. submit a half yearly progress report and annual progress report reviewed by the auditor providing the implementation status of the project/commitments mentioned in the prospectus to PSX till the fulfillment of the commitments mentioned in the prospectus as per the format given in regulation 16 of the PO Regulations.
3. submit a final report reviewed by the auditor to the PSX after the fulfillment of the commitments given in the prospectus.



March 26, 2021

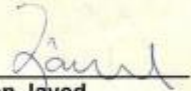
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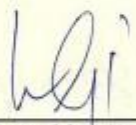
The Company hereby undertake that:

"Any excess proceeds raised over the Floor Price would be utilized either to fund the internal working capital requirement of Service Global Footwear Limited ("SGFL") or to make equity investment in Service Long March Tyres (Private) Limited ("SLM"), as deemed appropriate by the Board of Directors of SGFL. The excess fund will not be transferred to the parent company, Service Industries Limited ("SIL"), in any way.

Moreover, while increasing the investment in SLM from the excess proceeds, SGFL will not purchase the existing shareholding of SIL in SLM."

On behalf of Service Global Footwear Limited
(the Company or Issuer)


Hassan Javed
Chief Executive


Usman Liaqat
Chief Financial Officer

4A VALUATION SECTION

The Ordinary Shares of SGFL are being issued at a Floor Price of PKR 38.00/- per share which is at a premium of PKR 28.00/- per Ordinary Share to the face value of PKR 10.00/- per Ordinary Share. The Lead Manager has reviewed the business performance of the Company and in their opinion, the Floor Price of PKR 38.00/- per share is justified based on:

4A (i) Successful Operational History

SIL was established in 1957, and since then the Company and its management has never looked back. Over the years, SIL has emerged as one of the leading manufacturers of footwear, tyres and tubes. SIL is the leading exporter of footwear, tyres and tubes from Pakistan.

SIL-Muridke (now SGFL) commenced its operations in 1988 with only 100 machines with a total capacity of just 300,000 pairs per annum and gained customer confidence by offering quality products, fulfilling orders and maintaining global production standards. As of now, SGFL's customer base has enhanced to top global brands including the likes of Caprice, Dockers, Zara to name a few. SIL-Muridke Unit (now SGFL) has heavily invested in increasing its production capacity and currently has 3 state of the art manufacturing units in operations with production capacity of 3.6 Mn pairs of shoes/annum.

The Company not only earned its reputation in Pakistan but has gone global by exporting high quality products with consistent reliability to countries like USA, Germany, Italy, etc. SIL-Muridke Unit (now SGFL) is the largest footwear exporter of Pakistan with a market share of 40% in the year 2019-20.

As a classic case of perseverance to achieve growth, quality, innovation, global standing and for the love of making good quality footwear, the Company is looking forward to not only enhance its growth in the footwear business but also intends to invest in new market segments like TBR tyres in line with the overall growth strategy of the Servis Group.

Some of the worth stating features of SGFL and this Issue include the following:

1. Largest exporter of footwear from Pakistan;
2. Customer base in five continents (Asia, Africa, North America, South America, and Europe);
3. Strategic partnerships with global footwear brand like Caprice;
4. Asia's first solar powered shoe manufacturer;
5. Licensed as Export Oriented Unit (EOU) enabling duty and tax free imports;
6. Led by renowned and experienced management of Servis Group which has a legacy of 6 decades;
7. Equity investment in SLM, a TBR tyre business, would provide SGFL a stake in the first and only TBR tyre manufacturing facility in Pakistan which would be exporting 85% of its total anticipated production;
8. SGFL, being licensed as Export Oriented Unit (EOU) under SRO327(1)/2008, is entitled to import raw material without paying custom duty, additional customs duty, sales tax, and income tax. Furthermore, EOU status also allows the Company to import plant and machinery without the payment of aforementioned duties and taxes, with the condition that no such plant and machinery would be disposed off before a period of five years.
9. As per S.R.O. 1268(I)/2020, dated November 26, 2020 SGFL is also entitled to the drawback of custom duties, calculated at 4.70% of the FOB value of exports (excluding the amount of items imported under EOU license and consumed in exports), at the time of export of footwear.
10. Local Taxes and Levies Drawback, notified vide S.R.O 711(I)/2018 dated 8 June 2018, is available to SGFL at 3% of FOB value of exports. Under this SRO, SGFL is eligible to claim back 50% of the drawback amount at the time of realization of proceeds of the export shipment while the remaining 50% of the rebate amount shall be provided on achieving growth of 10% or more in export sales during a financial year over the preceding one.

4A (ii) Strong Financial and Operational Performance

As disclosed in Section 3.1, though SGFL was incorporated in July, 2019, the SIL - Muridke unit (now SGFL) has been in operations since 1988. The financial and operational performance since 2016 is illustrated below:

	CY16*	CY17*	CY18*	1HCY19*	2HCY19 (Audited)	9MCY20 (Audited)
Pairs Sold (Thousands)	2,822	2,837	2,887	1,539	1,581	2,026
Revenue (PKR Mn)	4,159	4,349	5,382	3,298	3,651	5,304
Gross Profit (PKR Mn)	738	900	1,126	689	816	1,002
Gross Profit Margin	18%	21%	21%	21%	22%	19%
Profit after Tax (PKR Mn)	-	-	-	-	493	574
Profit after Tax Margin	-	-	-	-	14%	11%

*Extracted from Audited financial statements of SIL.

4A (iii) Global Footprint

SGFL is the largest exporter of leather footwear with a market share of approximately 40% of the total exports from Pakistan in both years, FY2019 and FY2020, as per market data obtained from Pakistan Bureau of Statistics.

Over time, the Company has established a strong foothold in the export market with presence in five continents and 36 countries. As of today, SGFL manufactures and sells footwear products to major brands in the US, UK, Spain, France, Denmark and Australia and is the only footwear manufacturer in Pakistan which has a customer base in South America and Russian Federation. Following is the list of countries to which SGFL has exported in 9MCY2020:

Country	% of Total Pairs Exported
Germany	43%
Italy	30%
USA	9%
United Kingdom	3%
Australia	3%
Spain	4%
Ireland	1%
Denmark	1%
Russia Federation	1%
Uruguay	1%
Mexico	1%
Others	3%
Total	100%

4A (iv) Key Customers

SGFL markets its products primarily towards middle-aged women as it considers women's footwear its specialty and key revenue driver. The Company works with international retailers that have a similar target market. Their key customers in Germany and Italy have leveraged this advantage of innovation, quality and affordability to build great brands in Europe.

However, SGFL has evolved to become a more diversified and inclusive footwear manufacturer. Now its product portfolio includes casual men's footwear for Dockers, and children's footwear for brands like Zara.

Some of the major brands to which SGFL caters to are identified below:



diana ferrari

strive



DUNNES
STORES

Brands/Customers	Origin Country
Caprice	Germany
SRL Workout	Italy
GENESCO (Dockers)	USA
Diana Ferrari	Australia
Strive	USA
Zara	Spain
Marritimo Flex	Chile
Scholl	Italy
Dunnes, Comfort Bliss	Ireland
Doctor Cutillas	Spain

4A (v) Diversification of Revenue Stream by Investment in SLM

Through the IPO proceeds, SGFL would be injecting equity in SLM and resultantly would own 18.91% of the total shareholding of SLM.

SLM would manufacture “All Steel Radial” tyres of trucks and buses (TBR Tyres) for local and export markets. As per the estimation of SLM’s management, 85% of the total sales would comprise of exports. Currently there is no local player operating in this segment of tyre market and SLM would be the first player in the local industry to bring TBR manufacturing technology in Pakistan. The entire manufacturing technology would be transferred from the Chinese Partner, LM.

4A (vi) Significant Export Potential of SLM

The incorporation of SLM was fundamentally undertaken in order to exploit the opportunities created by the current geopolitical relationships among the global markets. Due to the imposition of anti-dumping & countervailing duties by European Union and United States of America on imports from China, the supply lines to these regions from China were severely impacted. Consequently, LM opted for SIL for the establishment of manufacturing lines to meet the demand of these export markets. Hence, export potential of SLM is keenly promising as there are multiple global markets where SLM can export through the already established sale channels of LM. It is expected by the management of SLM that 85% of the total production of the Project would be exported, mainly to USA and Brazil.

4A (vii) High Demand of TBR Tyres in Local Market

Venturing into production of TBR tyres by SIL is also a well-planned advancement towards achievement of strategic business advantage in the local market. As trucking and bus transportation are the main means of goods and people movement, there is huge domestic demand of TBR tyres. Annual demand of TBR tyres from domestic participants, as per the estimates of SLM's management, is around 1.4 million tyres. As there is no local manufacturer of TBR tyres, all the demand is being met through imports via the official and grey market. Local manufacturing of TBR tyres would help to meet domestic demand and would also help to curb the grey market.

4A (viii) Justification

Based on our review, the Lead Manager is of the opinion that the historical performance of the Company, impressive global footprint, the demand for its products, and diversification of revenue stream by investing in country's first TBR tyre manufacturing facility indicate the sustainability of business performance in the future which justifies the Floor Price of PKR 38.00/-

The shares of the Company are being issued at a Floor Price of PKR 38.00/- per share while the Book value per share of the Company as at September 30, 2020 is PKR 25.02/-

4A (ix) Post IPO Free Float Disclosure

Post IPO, the share capital of the Company will increase from 163,550,000 ordinary shares to 204,437,500 ordinary shares. The free float status post IPO of the Company is presented in the below table:

Description	Number of shares	% Shareholding
Held by Sponsors and Directors	163,550,000	80%
Held by General Public – Free Float	40,887,500	20%
Total	204,437,500	100.0%

4A (x) Peer Group Analysis of SGFL

Trailing Twelve Months Peer Analysis (As of September 30, 2020):

Company	Share Price ¹ (PKR)	EPS (PKR)	BVPS ³ (PKR)	P/E	P/B	ROE	ROA	Free Float (Shares)	Free Float (%)
Bata Pakistan Limited (Dec Year-End)	1,828	(96.98) ²	784.68	N/A	2.33	(12.39%) ⁴	(5.13%) ⁵	1,768,136	23.39%
Service Global Footwear Limited (Dec Year-End)	38	3.51 ⁶	25.02	10.83	1.52	17.39% ⁷	6.81% ⁸	40,887,500	20.00%

- (1) Share Price of Bata Pakistan is as at February 25, 2021, and share price of SGFL is the Floor Price.
- (2) Last twelve month earnings per share as of September 30, 2020
- (3) Book value per share as at September 30, 2020
- (4) ROE is calculated by dividing last twelve months' profit after tax with total equity as at September 30, 2020
- (5) ROA is calculated by dividing last twelve months' profit after tax with total assets as at September 30, 2020
- (6) EPS for 9M CY2020, based on outstanding shares
- (7) ROE is calculated by dividing last nine months' profit after tax with average equity as at September 30, 2020
- (8) ROA is calculated by dividing last nine months' profit after tax with average assets as at September 30, 2020

5 RISK FACTORS

SGFL:

5.1. INTERNAL RISKS

5.1.1. Operational Risk

The operations of the Company are labor intensive, and employing a skilled workforce at factory premises is essential for successful business operations. Exports, being the main revenue stream, are fully customized to tailor made orders, making skilled workers the most important factor in order-processing and ultimate delivery. **The non-availability of skilled workforce and any reward-linked issues may lead to disruption in production processes.**

The Company provides a conducive, friendly environment to its workforce and ensures employee retention through effective training and appropriately designed reward structure. Large number of core workforce is associated with the Company for a long period of time now.

5.1.2. Business Risk

The Company has been engaged in the production and sale of footwear products to export and local customers. **Any fall in demand due to a change in style/consumer preferences and inability to align with the latest trends in the footwear market may lead to significant variations in the profits and sales level.**

On an overall basis, the COVID 19 pandemic has affected the disposable incomes of individuals and it may take time to assess the exact losses, intrinsic and extrinsic, caused by this global pandemic.

Customer specific product development along with an in-depth analysis of changing trends by specialized marketing teams is key to addressing the abovementioned risks. Alternative supply lines have been developed and Government support has been made available in the form of reduced interest rates, payroll loans and deferred long term loans, enabling the Company to survive the impact of pandemic.

5.1.3. Customer Concentration Risk

The Company has been engaged in footwear exports and local sales. The customer base of the Company is diverse and wide. However, there is concentration of revenue as a few of the customers are a source of major portion of revenue. **Combined revenue from two customers, i.e. Caprice Schuhproduktion GMBH and SRL Workout Italy, constitutes 71% of the total revenue in 9MCY20.** The Company has no specific contracts with any of these customers.

However, any material change in the arrangement with customers or termination of the agreement may result in loss of revenue and impact on operational capability of the Company.

Despite strategic alliances with concentrated customers, the Company has ventured into new markets and is partnering with brands in US and other regions. Customers have been expanded and new relationships are being developed. Moreover, investments into new areas are executed to reduce the risk of market and customer concentration.

5.1.4. Negative Operating Cash flows

The Company posted negative cash flows in 2HYCY2019 and 9MCY2020 predominately due to the working capital loan advanced by the Company to its parent company i.e. SIL. Hence, this dilemma of negative cash flows would not impact the financials including the liquidity of the Company.

5.1.5. Restrictive Covenants Due to Financing Facilities

SGFL's financing agreements with certain financial institutions place restrictions on distribution of dividends, only in case if required financial covenants are not being maintained

These are standards provisions to which the Company is in compliance and there is no material deviation. For more details, see section 6.10

5.1.6. High Inventory Levels

Maintenance of higher inventory levels may impact the liquidity flow of the Company as funds are tied up in stocks held.

Maintenance of such inventory levels is the requirement of business model of SGFL. Lead time of raw materials and days of production and order processing make it necessary to maintain required inventory levels to avoid disruption in smooth operations.

As SGFL does not have any long term contracts with the buyers, higher inventory levels may pose a risk in future.

5.1.7. Raw Material / Supply Chain

Cost of sales of the Company is largely driven by growth in raw material prices as these are the major components of cost of sales. Any shortage in leather and imported items like grindery might increase the cost of raw materials, thereby affecting profitability margins of the Company.

SGFL has not entered into any specific agreements with vendors from which the Company procures raw material for production of shoes. Any interruption in supply of raw material will affect the production process, thereby affecting profitability margins of the Company.

The Company has not faced any such hindrance in its supply chain in recent history as Pakistan is very self-sufficient in the production of leather which is the main raw material for SGFL.

5.1.8. Liquidity Risk

Liquidity risk is the risk of being unable to meet financial obligations due to insufficient liquid assets. If the Company is unable to service its debt obligations in a timely manner or comply with various financial and other covenants, this would adversely affect the Company's business prospects, operations and financial condition.

As per September 30, 2020 financial statements, total current assets of the Company stand at PKR 7,366 million against current liabilities of PKR 4,873 million with a current ratio 1.5x which means the Company has sufficient resources and ability to meet its current obligations.

5.1.9. Scheme of Arrangement of SGFL

There is no cash injection by Sponsors in SGFL, however due to scheme of arrangement, net assets of PKR 2.89 Bn are transferred to SGFL, out of which PKR 1.5 Bn relates to share capital and PKR 1.39 Bn relates to reserve for issuance of bonus shares.

5.2. EXTERNAL RISKS

5.2.1. Competition Risk

The footwear industry in Pakistan does not have any stringent entry barriers. On the global front, latest developments in the end products and use of technologically advanced production workflows allows competitors to come up with updated variants at cost effective inputs. **Thus, the risk of competition is too high, owing to technological superiority of potential competitors may have negative impact on Company's growth profile.**

Continuous investment in product development and market coverage are key competitive advantages that the Company has over its competitors. Long term association with renowned brands, customer relationships and quality staff allow the Company to be competitively strong when compared with peers.

5.2.2. IMPACT OF COVID 19

The pandemic of COVID 19 that rapidly spread across the world has not only endangered human lives but also have adversely impacted the local and global economy. On March 23rd, 2020, the Government of Punjab announced a temporary lock down as a measure to reduce the spread of COVID 19. Complying with the lockdown, the Company temporarily suspended its operations from March 23rd, 2020, lasting for 12 days. **The lockdown caused disruptions in supply chain including production and supply of goods to the customers resulting in decline in sales.** Furthermore, the pandemic situation was more severe in European countries which are the primary markets of SGFL; this also resulted in a slump in demand of footwear. However, the availability of vaccines for COVID-19 is expected to overcome the threat of the pandemic considerably and restore the business momentum globally.

5.2.3. Government Incentive Withdrawal Risk

SGFL, being an export oriented company, is entitled to rebates and drawbacks under various government schemes as incentive to exporters; for the review of these incentives, study Section 3.19. The grant of these rebates, drawbacks and benefits of duty and tax free imports is one of the key factors in determining the Company's profitability.

In case the incentives are withdrawn or scaled down, there may be a direct impact on profits. SGFL is also entitled to subsidized borrowings under State Bank of Pakistan's financing schemes namely Export Refinance Facility (ERF) and Long Term Financing Facility (LTFF). **Any increase in the financing rates of these schemes by State Bank of Pakistan may negatively impact the profitability.**

Incentives to the export industry have been provided by the Government to enhance export levels. There is no history of revocation of such incentives. Considering the policy of the Government to boost exports, the above mentioned incentives available to exporters (including SGFL) are expected to continue in near future. Continuous interaction is undertaken with relevant Government circles through Pakistan Footwear Manufacturer Association to ensure continued benefits for the members of footwear industry.

5.2.4. Exchange Rate Risk

Currency risk arises mainly from future commercial transactions, or receivables and payables that exist due to transactions in foreign currencies. The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the Euro, US\$ and GBP. Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable, i.e. amounts payable from / to the foreign entities.

The Company's functional currency is PKR. Forward covers and bills discounting are executed to ensure avoidance of volatility in rates.

5.2.5. Investment Risk

The Company is initiating an IPO for the purpose of securing equity investment in Service Long March Tyres (Pvt.) Limited. This will result in the establishment of a novel project in Pakistan that shall be producing TBR Tyres for export and local customers. **The diversification prospects seem quite positive, however, any potential change/event regarding the Project may result in deviation from expected returns from this venture.**

The feasibility studies of this Project have been tested for varied sensitivities. If controllable variables remain constant and not affected by one off events such as Covid-19 pandemic, which are non-controllable and unavoidable, the venture has the capacity to generate significant margins for the Company.

5.2.6. Regulatory Risk

The Company is exposed to regulatory risk on the basis of future non-compliance with rules and regulations of Government Authorities and Regulators. **This may adversely impact the Company's reputation and may result in the imposition of penalties or the suspension of business activities.**

The Company's Management is fully aware of the consequences resulting from any potential non-compliance and there is no such non-compliance reported till date. An experienced and dedicated team is delegated with the responsibility of ensuring compliance with regulatory bodies and their respective frameworks.

5.2.7. Capital Market Risk

Upon successful completion of the IPO, ordinary shares of the Company would be listed on PSX. Upon listing, the share price would be subject to frequent movements on the basis of external and internal factors. These include overall economic situation of the country, the performance of other related and unrelated stocks, the financial and operational performance of the Company, the occurrence of any one-off event of political, social or environmental nature.

5.2.8. Litigation Risk

The Company is defending two litigations for which details are mentioned under Section 8.0 of the Prospectus, and there are no other pending legal proceedings other than those already disclosed in this Section. The management of the Company is confident of favorable outcome of these proceeding. However, any adverse decision in favor of the Company will have an impact on the profitability of the Company.

As the investment in SLM is linked to the profits of SGFL, therefore risks relating to SLM are prescribed below

5.3. INTERNAL RISKS

5.3.1. Business Risk

Demand of the SLM's product is dependent on sales of trucks and buses, any negative movement in aforementioned automobile sales stands to be a key business risk for the SLM.

5.3.2. Delay in Commissioning of the Project

The commissioning of the Project may get delayed due to COVID 19 or any other unforeseen reasons which can impact the profitability of the Company in short term as SGFL would be having 18.91% shareholding in SLM. However, it will not directly impact the Company's core revenue/profit in the long term.

Moreover, no single party has been appointed as EPC contractor for setting up SLM's TBR tyre project.

5.3.3. Raw Material Supply/ Price Risk

Cost of sales of the SLM would be largely driven by growth in international synthetic and natural rubber prices as these are the major raw materials for producing tyres. Any shortage in rubber production due to poor farming / natural disaster or devaluation of Pak Rupees might increase the cost of raw materials, thereby affecting profitability margins of SLM. Inflation and increase in the demand for these raw materials have impacted their prices in the recent past. In addition, players that operate in the automotive tyre market require a large inventory of raw material to meet the demand for tyre from the automotive industry. Uncertainty in the pricing of these raw materials proves to be a major restraint for the growth of the rubber tyre market globally.

Two of the sponsors of SLM (i.e. SIL and LM) are already engaged in the business of manufacturing tyres for many decades. They both are successfully managing this risk through strong supply chain management, long term relationship with renowned raw material suppliers and timely decision making for effective inventory management. The experience of SIL and LM will help and guide the management of SLM in mitigating this risk to a large extent.

5.3.4. Operational Risk

Operational risk is the prospect of loss resulting from inadequate or failed procedures, systems or policies and poor operation which can hurt an organization's reputation, cause for financial damage, its relationship with its stakeholders, and decrease shareholders value.

SLM would rely on skilled staff for its production activities. High turnover of skilled staff will affect the production process of SLM and result in efficiency related losses.

5.3.5. Restrictive Covenants Due to Financing Facilities

Financing agreement entered into with a financial institution places restrictions on distribution of dividends, only in case if required financial covenants are not being maintained.

These are standards provisions to which SLM is in compliance and there is no material deviation. For more details, see section 6.10

5.4. EXTERNAL RISKS

5.4.1. Impact of COVID-19 on TBR Tyres' Demand

Since the start of 2020, governments around the globe have implemented lockdowns in order to curtail the spread of Covid-19. Consequently, significant reduction in traffic and trade was witnessed, particularly in large cities, although the transport of essential items continued. This reduction in traffic and trade has led the tyre industry to a temporary slow-down to some extent.

However, since SLM is planning to commence commercial production not before July 2021, the management of SLM expects the threat of Covid-19 to be substantially reduced by that time. Moreover, the availability of vaccines for Covid-19 by that time will also help in overcoming the threat of Covid-19 considerably.

5.4.2. Unexpected Amendment in the Duty Structure

Any unexpected movement in duty structure of Tyres can impact the profitability of SLM.

However, the probability of such happening is low as SLM will be the first TBR tyre manufacturer in Pakistan and the technology of the TBR tyre manufacturing is being transferred from LM, China; due to lack of expertise of TBR tyre manufacturing in Pakistan along with TBR Tyre manufacturing being a capital extensive industry, the entry of new manufacturers in Pakistan TBR tyre market may take considerable time. Resultantly, the quantum of exports from Pakistan to other countries will not reach a certain high that may raise any threat of anti-dumping duties on Pakistan in the coming years. Hence, the management of SLM do not expect any change in the import duty structure of the countries where SLM plans to export.

5.4.3. No Agreement Signed with the Customers

SLM has not yet signed any sale agreement with any of the customers. Any issue in bringing the customers on board might create hurdles for SLM.

However, SLM would be utilizing the sale channels of LM which has been exporting to USA and Brazil since several years, bringing customers of board would not be any sort of issue for SLM.

5.4.4. Fuel and Power Risk

The electricity requirement for SLM would be around 9 MW; this requirement would be met through the installation of 2 Gas Gensets of 3 MW each and industrial B3 connection of 4.99 MW which has already been availed from the Hyderabad Electric Supply Company (HESCO).

Gas connection of 2 MMcf/d would be installed which would be utilized in generating electricity from Gas Gensets. The application has already been filed for the approval of gas connection

Any disruption in the supply of electricity or gas from the relevant organizations would create shortage of power, resulting in temporary stoppage of production.

5.4.5. Foreign Exchange Risk

SLM's management anticipates that over 85% of its production will be exported and at the same time over 80% of its raw material will be imported. Hence, any fluctuation in foreign currency would have an impact on SLM's profitability.

5.4.6. Litigation Risk

As of December 31st 2020, there is no litigation case against SLM.

Note: IT IS STATED THAT ALL MATERIAL RISK FACTORS HAVE BEEN DISCLOSED AND THAT NOTHING HAS BEEN CONCEALED IN THIS RESPECT.

CERTIFICATE BY CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER OF THE ISSUER

December 09, 2020

The Chief Executive

Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi

We being the Chief Executive Officer and Chief Financial Officer of the Issuer accept absolute responsibility for the disclosures made in this Prospectus. We hereby certify that we have reviewed this Prospectus and that it contains all the necessary information with regard to the Issue and constitutes full, true and plain disclosures of all material facts relating to the Company and the issue being offered through this Prospectus and that nothing has been concealed.

The information contained in this Prospectus is true and correct to the best of our knowledge and the opinions and intendeds expressed herein are honestly held.

There are no other facts, the omission of which makes this Prospectus as a whole or any part thereof misleading.

For and behalf of **Service Global Footwear Limited**

-SD-


Hassan Javed
Chief Executive Officer

-SD-

Usman Liaqat
Chief Financial Officer

Undertaking by the company and its sponsor

G156951



March 09, 2021

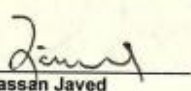
CHAUDHARY Z. ASHRAF ADVOCATE
Oath Commissioner Lahore

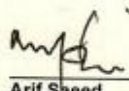
UNDERTAKING BY THE COMPANY AND ITS SPONSORS

The Company and its Sponsors undertake that:

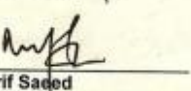
- Neither Issuer nor its directors, sponsors or substantial shareholders have been holding the office of the directors, or have been sponsors or substantial shareholders in any Company:
 - which had been declared defaulter by the securities exchange or futures exchange; or
 - whose TRE Certificate has been cancelled or forfeited by the Exchange, PMEX or any other registered stock exchange of Pakistan that existed prior to integration of stock exchanges pursuant to Integration Order number 01/2016 dated January 11, 2016 issued by the Commission due to non-compliance of any applicable rules, regulations, notices, procedures, guidelines etc.
- Which has been de-listed by the Exchange due to its non-compliance of any applicable provision of PSX Regulation.
- None of the Sponsors, Major Shareholders, Directors or Management of the Company as well as the Company itself or its Associated Company / Entity have been found guilty of being engaged in any fraudulent activity. The Company has made full disclosure regarding any / or all cases in relation to involvement of the person named above in any alleged fraudulent activity i.e., pending before any Court of Law / Regulatory Body / Investigation Agency in or outside of the Country.

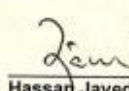
On behalf of Service Global Footwear Limited
(the Company or Issuer)


Hassan Javed
Chief Executive Officer / Director


Arif Saeed
Director

On behalf of Service Industries Limited
(Sponsor)


Arif Saeed
Chief Executive Officer / Director


Hassan Javed
Director

ATTESTED
Chaudhary Z. Ashraf Advocate
Oath Commissioner Lahore

STATEMENT BY THE ISSUER

December 09, 2020

The Chief Executive

Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi

On behalf of Service Global Footwear Limited ("SGFL" or the "Company"), I hereby confirm that all material information as required under the Companies Act, 2017, the Securities Act, 2015, the Public Offering Regulations, 2017 and the Listing of Companies and Securities Regulations of the Pakistan Stock Exchange Limited has been disclosed in the Prospectus and that whatever is stated in Prospectus and the supporting documents is true and correct to the best of our knowledge and belief and that nothing has been concealed.

For and behalf of **Service Global Footwear Limited**

-SD-

Hassan Javed

Chief Executive Officer

STATEMENT BY CONSULTANT TO THE ISSUE/LEAD MANAGER

100 Rupees

SHAHNAWAZ STAMP VENDOR
Licence # 122
Shop No. 18a, Pakist Corporate City,
Tajpur Road, Durrani Market, Karachi

18 DEC 2020

(RUPEES ONE HUNDRED ONLY)

Appointed
w/s 189 GPC

February 12th, 2021

To
The Commissioner
Securities Market Division
Securities and Exchange Commission of Pakistan
NIC Building, Jinnah Avenue
Islamabad

Undertaking

Being mandated as the Lead Manager to this Initial Public Offering of Service Global Footwear Limited through the Book Building method, we hereby confirm that:

- All material information as required under the Companies Act 2017, the Securities Act, 2015, the Listing of Companies and Securities Regulations of the Pakistan Stock Exchange Limited and the Public Offering Regulations, 2017 has been disclosed in this Prospectus and that whatever is stated in Prospectus and in the supporting documents is true and correct to the best of our knowledge and belief and that nothing has been concealed;
- We have examined the business model and audited financial statements of the Issuer and based on the same, material information, including risks, that would enable the investors to make an informed decision, has been disclosed in the Prospectus

For and behalf of Arif Habib Limited

Saim Ahmed Shahab
Senior Analyst, Investment Banking

Ahmed Rajani
Director, Investment Banking

ATTESTED
MUHAMMAD SHAFIQ
ADVOCATE
Oath Commissioner
Karachi

STATEMENT BY BOOK RUNNER

January 13th, 2021

The Chief Executive

Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi

Being mandated as the Book Runner to this Initial Public Offering of Service Global Footwear Limited through the Book Building process, we hereby confirm that all material information as required under the Securities Act, 2015, the Listing of Companies and Securities Regulations of the Pakistan Stock Exchange Limited and the Public Offering Regulations, 2017 has been disclosed in this Prospectus and that whatever is stated in Prospectus and in the supporting documents is true and correct to the best of our knowledge and belief and that nothing has been concealed.

For and behalf of **Arif Habib Limited**

-sd-

Saim Ahmed Shahab

Senior Analyst, Investment Banking

-sd-

Ahmed Rajani

Director, Investment Banking

6 FINANCIAL INFORMATION

6.1. AUDITORS REPORT AS CERTIFICATE ON ISSUED, SUBSCRIBED and PAID-UP CAPITAL

SGFL:

Riaz Ahmad & Company

Chartered Accountants

10-B, Saint Mary Park
Main Boulevard, Gulberg-III
Lahore 54660, Pakistan
T: +92 (42) 3571 81 37-9
riazco@riazco.com
www.riazco.com

Board of Directors
Service Global Footwear Limited
Servis House, 2-Main Gulberg
LAHORE

29 October 2020
Our ref: G-1-313

Gentlemen

AUDITOR'S CERTIFICATE ON ISSUED, SUBSCRIBED AND PAID-UP CAPITAL AS AT 30 SEPTEMBER 2020

We have been requested by the management of Service Global Footwear Limited (the Company) to provide you with a certificate on issued, subscribed and paid-up capital of the Company as at 30 September 2020.

Scope of Certificate

We understand that the certificate is required by the Company for the purpose of inclusion of information in prospectus to be issued for initial public offer as required by Clause 14(i) of Section 1 of the First Schedule to the Public Offering Regulations, 2017.

Management Responsibilities

The management of the Company is primarily responsible for the fair presentation of issued, subscribed and paid-up capital of the Company. The management's responsibilities also include maintenance of the adequate accounting records and internal controls, the selection and application of accounting policies, safeguarding of the assets of the Company and prevention and detection of frauds and irregularities. This certification does not relieve the management of its responsibilities.

Auditor's Responsibilities

Our responsibility is to certify the issued, subscribed and paid up capital of the Company as at 30 September 2020 in accordance with the 'Guidelines for Issue of Certificates for Special Purposes by Practicing Chartered Accountants Firms' issued by The Institute of Chartered Accountants of Pakistan.

Our verification was limited to the procedures as mentioned below:

- Traced the amount of issued, subscribed and paid up capital from the audited financial statements of the Company for the period ended 30 September 2020; and
- Obtained Form 1 'Receipt of Subscription Money' and Form 3 'Return of Allotment of Shares' filed with Securities and Exchange Commission of Pakistan and traced the amount and number of shares subscribed by shareholders.



Riaz Ahmad & Company

Chartered Accountants

Certificate

Based on the procedures performed as mentioned above, we certify that the issued, subscribed and paid-up capital of the Company as at 30 September 2020 is as follows:

Description	Number of shares	Amount Rupees
Ordinary shares of Rupees 10 each fully paid in cash	13,550,000	135,500,000
Ordinary shares of Rupees 10 each issued pursuant to the Scheme of Compromises, Arrangement and Reconstruction between Service Industries Limited (the Holding Company) and its members and the Company and its members	150,000,000	1,500,000,000
	163,550,000	1,635,500,000

Note

As at 30 September 2020, ordinary shares of the Company are held by the following:

Name of shareholder	Number of shares held
Service Industries Limited – Holding Company	163,549,996
Chaudhry Ahmed Javed – nominee director	1
Mr. Arif Saeed – nominee director	1
Mr. Omar Saeed – nominee director	1
Mr. Hassan Javed – nominee director	1
	163,550,000

Restriction on use and distribution

This certificate has been issued on the specific request of the management of the Company for the purpose of inclusion of information in the prospectus to be issued for initial public offer. Accordingly, this should not be distributed to any other third party without our prior written consent. This certificate is solely for the purpose set forth in the scope mentioned above and is not to be used or distributed for any other purpose. This certificate is restricted to the facts stated herein.

Very truly yours



SLM:

Riaz Ahmad & Company

Chartered Accountants

10-B, Saint Mary Park
Main Boulevard, Gulberg-III
Lahore 54660, Pakistan
T: +92 (42) 3571 81 37-9
F: +92 (42) 3571 81 36
racolhr@racopk.com
www.racopk.com

Board of Directors
Service Global Footwear Limited
Servis House, 2-Main Gulberg
LAHORE

02 February 2021
Our ref: G-1-94

Gentlemen

AUDITOR'S CERTIFICATE ON ISSUED, SUBSCRIBED AND PAID-UP CAPITAL AS AT 30 JUNE 2020

We have been requested by the management of Service Global Footwear Limited to provide you with a certificate on issued, subscribed and paid-up capital of Service Long March Tyres (Private) Limited (the Company) as at 30 June 2020.

Scope of Certificate

We understand that the certificate is required by Service Global Footwear Limited for the purpose of inclusion of information in prospectus to be issued for initial public offer as required by Clause 14(i) of Section 1 of the First Schedule to the Public Offering Regulations, 2017.

Management Responsibilities

The management of the Company is primarily responsible for the fair presentation of issued, subscribed and paid-up capital of the Company. The management's responsibilities also include maintenance of the adequate accounting records and internal controls, the selection and application of accounting policies, safeguarding of the assets of the Company and prevention and detection of frauds and irregularities. This certification does not relieve the management of its responsibilities.

Auditor's Responsibilities

Our responsibility is to certify the issued, subscribed and paid up capital of the Company as at 30 June 2020 in accordance with the '*Guidelines for Issue of Certificates for Special Purposes by Practicing Chartered Accountants Firms*' issued by The Institute of Chartered Accountants of Pakistan.

Our verification was limited to the procedures as mentioned below:

- Traced the amount of issued, subscribed and paid up capital from the audited financial statements of the Company for the period ended 30 June 2020; and
- Obtained Form 1 'Receipt of Subscription Money' filed with Securities and Exchange Commission of Pakistan and traced the amount and number of shares subscribed by shareholders.

Certificate

Based on the procedures performed as mentioned above, we certify that the issued, subscribed and paid-up capital of the Company as at 30 June 2020 is as follows:



Riaz Ahmad & Company

Chartered Accountants

Description	Number of shares	Amount Rupees
Ordinary shares of Rupees 10 each fully paid in cash	150,000,000	1,500,000,000

Note

As at 30 June 2020, ordinary shares of the Company are held by the following:

Name of shareholder	Number of shares held
Service Industries Limited – Holding Company	76,500,000
Chaoyang Long March Tyre Co. Ltd – Associated Company	66,000,000
Mr. Shabir Ahmad	7,500,000
	150,000,000

Restriction on use and distribution

This certificate has been issued on the specific request of the management of Service Global Footwear Limited for the purpose of inclusion of information in the prospectus to be issued for initial public offer. Accordingly, this should not be distributed to any other third party without our prior written consent. This certificate is solely for the purpose set forth in the scope mentioned above and is not to be used or distributed for any other purpose. This certificate is restricted to the facts stated herein.

Very truly yours



6.2. AUDITOR CERTIFICATE ON BREAK-UP VALUE PER SHARE

SGFL:

Riaz Ahmad & Company

Chartered Accountants

10-B, Saint Mary Park
Main Boulevard, Gulberg-III
Lahore 54660, Pakistan
T: +92 (42) 3571 81 37-9
raco@riazco.pk.com
www.riazco.pk.com

Board of Directors
Service Global Footwear Limited
Servis House, 2-Main Gulberg
LAHORE

29 October 2020
Our ref: G-1-312

Gentlemen

AUDITOR'S CERTIFICATE ON BREAK-UP VALUE PER ORDINARY SHARE AS AT 30 SEPTEMBER 2020

We have been requested by the management of Service Global Footwear Limited (the Company) to provide you with a certificate on break-up value per ordinary share of the Company based on the audited financial statements of the Company for the period ended 30 September 2020.

Scope of Certificate

We understand that the certificate is required by the Company for the purpose of inclusion of information in prospectus to be issued for initial public offer as required by Clause 14(ii) of Section 1 of the First Schedule to the Public Offering Regulations, 2017.

Management Responsibilities

The management of the Company is responsible for the computation of break-up value per ordinary share of the Company based on the audited financial statements of the Company for the period ended 30 September 2020 in accordance with the requirements of the Technical Release (TR)-22 of The Institute of Chartered Accountants of Pakistan (ICAP). The management's responsibilities also include maintenance of the adequate accounting records and internal controls, the selection and application of accounting policies, safeguarding of the assets of the Company and prevention and detection of frauds and irregularities. This certification does not relieve the management of its responsibilities.

Auditor's Responsibilities

Our responsibility is to certify the break-up value per ordinary share of the Company as at 30 September 2020 in accordance with the requirements of Technical Release (TR)-22 'Book Value per Share', issued by the ICAP. Our certificate is being issued in accordance with the 'Guidelines for Issue of Certificates for Special Purposes by Practicing Chartered Accountants Firm' issued by the ICAP.

We have performed the procedures and issued certificate thereon as mentioned below:

- Traced the shareholder's equity (including paid-up share capital, revenue reserve, capital reserve) from the audited financial statements of the Company for the period ended 30 September 2020;
- Traced the number of shares from the audited financial statements of the Company for the period ended 30 September 2020; and



Riaz Ahmad & Company

Chartered Accountants

- c) Recalculated the break-up value per ordinary share of the Company in accordance with the requirements of the Technical Release (TR)-22 of the ICAP on basis of information mentioned above.

Certificate

Based on the audited financial statements of the Company for the period ended 30 September 2020, we certify that the break-up value per ordinary share of the face value of Rupees 10 each of the Company as at 30 September 2020 is as follows:

		<u>Rupees</u>
Issued, subscribed and paid-up share capital		1,635,500,000
Capital reserve – reserve for issuance of bonus shares		1,390,684,000
Revenue reserve – un-appropriated profit		1,065,219,000
Total shareholder's equity	A	4,091,403,000
Total number of ordinary shares issued of Rupees 10 each	B	163,550,000
Break-up value per ordinary share	C=A/B	25.02

Restriction on use and distribution

This certificate has been issued on the specific request of the management of the Company for the purpose of inclusion of information in the prospectus to be issued for initial public offer. Accordingly, this should not be distributed to any other third party without our prior written consent. This certificate is solely for the purpose set forth in the scope mentioned above and is not to be used or distributed for any other purpose. This certificate is restricted to the facts stated herein.

Very truly yours



SLM:**Riaz Ahmad & Company**

Chartered Accountants

10-B, Saint Mary Park
Main Boulevard, Gulberg-III
Lahore 54660, Pakistan
T: +92 (42) 3571 81 37-9
F: +92 (42) 3571 81 36
racolhr@racopk.com
www.racopk.com

Board of Directors
Service Global Footwear Limited
Servis House, 2-Main Gulberg
LAHORE

02 February 2021
Our ref: G-1-93

Gentlemen

AUDITOR'S CERTIFICATE ON BREAK-UP VALUE PER ORDINARY SHARE AS AT 30 JUNE 2020

We have been requested by the management of Service Global Footwear Limited to provide you with a certificate on break-up value per ordinary share of Service Long March Tyres (Private) Limited (the Company) based on the audited financial statements of the Company for the period ended 30 June 2020.

Scope of Certificate

We understand that the certificate is required by Service Global Footwear Limited for the purpose of inclusion of information in prospectus to be issued for initial public offer as required by Clause 14(ii) of Section 1 of the First Schedule to the Public Offering Regulations, 2017.

Management Responsibilities

The management of the Company is responsible for the computation of break-up value per ordinary share of the Company based on the audited financial statements of the Company for the period ended 30 June 2020 in accordance with the requirements of the Technical Release (TR)-22 of The Institute of Chartered Accountants of Pakistan (ICAP). The management's responsibilities also include maintenance of the adequate accounting records and internal controls, the selection and application of accounting policies, safeguarding of the assets of the Company and prevention and detection of frauds and irregularities. This certification does not relieve the management of its responsibilities.

Auditor's Responsibilities

Our responsibility is to certify the break-up value per ordinary share of the Company as at 30 June 2020 in accordance with the requirements of Technical Release (TR)-22 'Book Value per Share', issued by the ICAP. Our certificate is being issued in accordance with the 'Guidelines for Issue of Certificates for Special Purposes by Practicing Chartered Accountants Firm' issued by the ICAP.

We have performed the procedures and issued certificate thereon as mentioned below:

- a) Traced the shareholder's equity (including paid-up share capital, share deposit money and un-appropriated profit) from the audited financial statements of the Company for the period ended 30 June 2020;

Riaz Ahmad & Company

Chartered Accountants

- b) Traced the number of shares from the audited financial statements of the Company for the period ended 30 June 2020; and
- c) Recalculated the break-up value per ordinary share of the Company in accordance with the requirements of the Technical Release (TR)-22 of the ICAP on basis of information mentioned above.

Certificate

Based on the audited financial statements of the Company for the period ended 30 June 2020, we certify that the break-up value per ordinary share of the face value of Rupees 10 each of the Company as at 30 June 2020 is as follows:

Excluding share deposit money

		Rupees
Issued, subscribed and paid-up share capital		1,500,000,000
Un-appropriated profit		18,408,573
Total shareholder's equity	A	<u>1,518,408,573</u>
Total number of ordinary shares issued of Rupees 10 each	B	<u>150,000,000</u>
Break-up value per ordinary share	C=A/B	<u>10.1227</u>

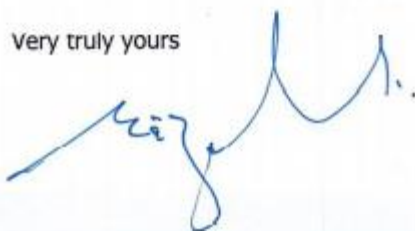
Including share deposit money

		Rupees
Issued, subscribed and paid-up share capital		1,500,000,000
Share deposit money		917,600
Un-appropriated profit		18,408,573
Total shareholder's equity	A	<u>1,519,326,173</u>
Total number of ordinary shares of Rupees 10 each (including assumed issuance of ordinary shares of Rupees 10 each against share deposit money at the rate of Rupees 10 per ordinary share)	B	<u>150,091,760</u>
Break-up value per ordinary share	C=A/B	<u>10.1226</u>

Restriction on use and distribution

This certificate has been issued on the specific request of the management of Service Global Footwear Limited for the purpose of inclusion of information in the prospectus to be issued for initial public offer. Accordingly, this should not be distributed to any other third party without our prior written consent. This certificate is solely for the purpose set forth in the scope mentioned above and is not to be used or distributed for any other purpose. This certificate is restricted to the facts stated herein.

Very truly yours



6.3. AUDITOR REPORT UNDER CLAUSE 1 OF SECTION 2 OF FIRST SCHEDULE TO THE PUBLIC OFFERING REGULATION, 2017

SGFL:

Riaz Ahmad & Company

Chartered Accountants

10-B, Saint Mary Park
Main Boulevard, Gulberg-III
Lahore 54660, Pakistan
T: +92 (42) 3573 81 37-9
rao@riazrahman.com
www.riazrahman.com

Board of Directors
Service Global Footwear Limited
Servis House, 2-Main Gulberg
LAHORE

29 October 2020
Our ref: G-1-314

Gentlemen

AUDITOR'S REPORT AS REQUIRED UNDER CLAUSE 1 OF SECTION 2 OF THE FIRST SCHEDULE TO THE PUBLIC OFFERING REGULATIONS, 2017

We have been requested by the management of Service Global Footwear Limited (the Company) to provide you with a report with respect to information of the Company as required under Clause 1 of Section 2 of the First Schedule to the Public Offering Regulations, 2017.

Scope of Report

Our engagement was undertaken for the purpose of inclusion of information in prospectus to be issued for initial public offer as required under Clause 1 of Section 2 of the First Schedule to the Public Offering Regulations, 2017.

Management Responsibilities

The responsibility for preparation and fair presentation of the financial information and non-financial information is primarily that of the management of the Company. The management's responsibilities also include maintenance of the adequate accounting records and internal controls, the selection and application of accounting policies, safeguarding of the assets of the Company and prevention and detection of frauds and irregularities. This report does not relieve the management of its responsibilities.

Auditor's Responsibilities

Our responsibility is to report the information as required under Clause 1 of Section 2 of the First Schedule to the Public Offering Regulations, 2017. Our report is being issued in accordance with the 'Guidelines for Issue of Certificates for Special Purposes by Practicing Chartered Accountants Firms' issued by The Institute of Chartered Accountants of Pakistan. Our verification was limited to checking the correctness of financial information and non-financial information included in this report (including annexures). For this purpose, we traced and gathered the information from the audited financial statements of the Company for the nine months period from 01 January 2020 to 30 September 2020 and for the six months period from 01 July 2019 to 31 December 2019 (first issued financial statements), accordingly, we have summarized details of assets and liabilities and profits or losses of the Company. In addition, we have reported other information required under Clause 1 of Section 2 of the First Schedule to the Public Offering Regulations, 2017.



Riaz Ahmad & Company

Chartered Accountants

Auditor's Report


Based on the procedures performed as mentioned in the preceding paragraph, we are pleased to report that:

1. We have audited the financial statements of the Company for the nine months period from 01 January 2020 to 30 September 2020 and for the six months period from 01 July 2019 to 31 December 2019.
2. In terms of the requirement under Clause 1 of Section 2 of the First Schedule to the Public Offering Regulations, 2017 and based on the audited financial statements, we report as under:
 - a) Summary of assets, liabilities and shareholder's equity of the Company as on 30 September 2020 and 31 December 2019 is included in **Annexure "A"**.
 - b) The summary of profit or loss for the nine months period from 01 January 2020 to 30 September 2020 and for the six months period from 01 July 2019 to 31 December 2019 is included in **Annexure "B"**.
3. In accordance with the Scheme of Compromises, Arrangement and Reconstruction (under section 279 to 283 and 285 of the Companies Act, 2017 between Service Industries Limited and its members and the Company and its members ('the Scheme') approved by the shareholders of Service Industries Limited and shareholders of the Company on 14 December 2019 and sanctioned by the Lahore High Court, Lahore vide its order dated 15 January 2020, the Muridke Footwear Undertaking of Service Industries Limited has been demerged with effect from 01 July 2019 (Effective Date) and transferred to and vest in the Company.
4. No dividend was declared by the Company during the nine months period ended 30 September 2020 and six months period ended 31 December 2019.
5. Subsequent to the audit of financial statements of the Company for the nine months period ended 30 September 2020, no financial statements of the Company have been audited by us.

Restriction on use and distribution

This report is being issued on the specific request of management of the Company for the purpose of inclusion of information in the prospectus to be issued for initial public offer. Accordingly, this should not be distributed to any other third party without our prior written consent. This report is solely for the purpose set forth in the scope mentioned above and is not to be used or distributed for any other purpose. This report is restricted to the facts stated herein.

Very truly yours



Riaz Ahmad & Company

Chartered Accountants

Annexure – A

SUMMARY OF ASSETS, LIABILITIES AND SHAREHOLDER'S EQUITY

	30 September 2020	31 December 2019
	----- (Rupees in thousand) -----	
ASSETS		
Non-Current Assets		
Fixed assets	2,107,085	1,029,029
Long term security deposits	5,960	6,057
Long term loans to employees	8,698	10,261
	<u>2,121,743</u>	<u>1,045,347</u>
Current Assets		
Stores, spares and loose tools	37,787	36,112
Stock-in-trade	1,254,511	1,577,779
Trade debts	1,017,617	659,099
Loans and advances	3,169,003	2,382,786
Accrued mark-up	8,132	134,821
Short term deposits and prepayments	8,617	3,108
Other receivables	1,546,987	1,515,871
Cash and bank balances	323,495	8,581
	<u>7,366,149</u>	<u>6,318,157</u>
Total Assets	<u>9,487,892</u>	<u>7,363,504</u>
EQUITY AND LIABILITIES		
SHARE CAPITAL AND RESERVES		
Authorized share capital		
200,000,000 (31 December 2019: 50,000,000) ordinary shares of Rupees 10 each	<u>2,000,000</u>	<u>500,000</u>
Issued, subscribed and paid-up share capital		
163,550,000 (31 December 2019: 5,050,000) ordinary shares of Rupees 10 each	<u>1,635,500</u>	<u>50,500</u>
Share capital to be issued pursuant to the Scheme of Compromises, Arrangement and Reconstruction between Service Industries Limited (the Holding Company) and its members and the Company and its members	-	1,500,000
Reserves	<u>2,455,903</u>	<u>961,641</u>
Total equity	<u>4,091,403</u>	<u>2,512,141</u>
LIABILITIES		
NON-CURRENT LIABILITIES		
Long term financing	447,815	319,484
Employees' retirement benefit	75,854	63,817
	<u>523,669</u>	<u>383,301</u>
CURRENT LIABILITIES		
Trade and other payables	1,299,678	1,183,299
Accrued mark-up	20,759	20,670
Short term borrowings	3,444,364	3,234,519
Current portion of long term financing	108,019	29,574
	<u>4,872,820</u>	<u>4,468,062</u>
Total liabilities	<u>5,396,489</u>	<u>4,851,363</u>
CONTINGENCIES AND COMMITMENTS		
TOTAL EQUITY AND LIABILITIES	<u>9,487,892</u>	<u>7,363,504</u>

Riaz Ahmad & Company



Chartered Accountants

Annexure – B

SUMMARY OF PROFIT OR LOSS

	Nine months period from 1 January 2020 to 30 September 2020	Six months period from 1 July 2019 to 31 December 2019
	----- (Rupees in thousand) -----	
SALES - NET	5,303,724	3,650,875
COST OF SALES	(4,301,369)	(2,835,367)
GROSS PROFIT	1,002,355	815,508
DISTRIBUTION COST	(353,939)	(289,772)
ADMINISTRATIVE EXPENSES	(261,861)	(163,519)
OTHER EXPENSES	(39,068)	(35,692)
	(654,868)	(488,983)
	347,487	326,525
OTHER INCOME	379,711	267,765
PROFIT FROM OPERATIONS	727,198	594,290
FINANCE COST	(99,339)	(62,678)
PROFIT BEFORE TAXATION	627,859	531,612
TAXATION	(53,698)	(38,185)
PROFIT AFTER TAXATION	574,161	493,427
EARNINGS PER SHARE – BASIC AND DILUTED (RUPEES)	9.58	467.51

SLM:

Riaz Ahmad & Company Chartered Accountants		10-B, Saint Mary Park Main Boulevard, Gulberg-III Lahore 54660, Pakistan T: +92 (42) 3571 81 37-9 F: +92 (42) 3571 81 36 racolhr@racopk.com www.racopk.com
Board of Directors Service Global Footwear Limited Servis House, 2-Main Gulberg LAHORE		02 February 2021 Our ref: G-1-95
Gentlemen		
AUDITOR'S REPORT AS REQUIRED UNDER CLAUSE 1 OF SECTION 2 OF THE FIRST SCHEDULE TO THE PUBLIC OFFERING REGULATIONS, 2017		
We have been requested by the management of Service Global Footwear Limited, as required under Clause 1 of Section 2 of the First Schedule to the Public Offering Regulations, 2017, to provide you with a report with respect to information of Service Long March Tyres (Private) Limited (the Company).		
Scope of Report		
Our engagement was undertaken for the purpose of inclusion of information in prospectus to be issued for initial public offer as required under Clause 1 of Section 2 of the First Schedule to the Public Offering Regulations, 2017.		
Management Responsibilities		
The responsibility for preparation and fair presentation of the financial information and non-financial information is primarily that of the management of the Company. The management's responsibilities also include maintenance of the adequate accounting records and internal controls, the selection and application of accounting policies, safeguarding of the assets of the Company and prevention and detection of frauds and irregularities. This report does not relieve the management of its responsibilities.		
Auditor's Responsibilities		
Our responsibility is to report the information as required under Clause 1 of Section 2 of the First Schedule to the Public Offering Regulations, 2017. Our report is being issued in accordance with the ' <i>Guidelines for Issue of Certificates for Special Purposes by Practicing Chartered Accountants Firms</i> ' issued by The Institute of Chartered Accountants of Pakistan. Our verification was limited to checking the correctness of financial information and non-financial information included in this report (including annexures). For this purpose, we traced and gathered the information from the audited financial statements of the Company for the period from 07 January 2020 to 30 June 2020 (first issued financial statements), accordingly, we have summarized details of assets and liabilities and profits or losses of the Company. In addition, we have reported other information required under Clause 1 of Section 2 of the First Schedule to the Public Offering Regulations, 2017.		
 A member of Nexia International		

Riaz Ahmad & Company

Chartered Accountants

Auditor's Report

Based on the procedures performed as mentioned in the preceding paragraph, we are pleased to report that:

1. We have audited the financial statements of the Company for the period from 07 January 2020 to 30 June 2020.
2. Based on the audited financial statements, we report as under:
 - a) Summary of assets, liabilities and shareholder's equity of the Company as on 30 June 2020 is included in **Annexure "A"**.
 - b) The summary of profit or loss for the period from 07 January 2020 to 30 June 2020 is included in **Annexure "B"**.
3. No dividend was declared by the Company during the period ended 30 June 2020.
4. Subsequent to the audit of financial statements of the Company for the period ended 30 June 2020, no financial statements of the Company have been audited by us.

Restriction on use and distribution

This report is being issued on the specific request of management of Service Global Footwear Limited for the purpose of inclusion of information in the prospectus to be issued for initial public offer. Accordingly, this should not be distributed to any other third party without our prior written consent. This report is solely for the purpose set forth in the scope mentioned above and is not to be used or distributed for any other purpose. This report is restricted to the facts stated herein.

Very truly yours



Riaz Ahmad & Company

Chartered Accountants

Annexure – A

SUMMARY OF ASSETS, LIABILITIES AND SHAREHOLDER'S EQUITY

30 June 2020

Rupees

ASSETS

Non-Current Assets

Fixed assets

713,094,779

Current Assets

Other receivables

74,559,598

Cash at bank

735,376,992

809,936,590

Total Assets

1,523,031,369

EQUITY AND LIABILITIES

SHARE CAPITAL AND RESERVES

Authorized share capital

1,000,000,000 ordinary shares of Rupees 10 each

10,000,000,000

Issued, subscribed and paid-up share capital

150,000,000 ordinary shares of Rupees 10 each

1,500,000,000

Share deposit money

917,600

Revenue reserve – Un-appropriated profit

18,408,573

Total equity

1,519,326,173

LIABILITIES

CURRENT LIABILITIES

Auditor's remuneration payable

300,000

Taxation - net

3,405,196

Total liabilities

3,705,196

CONTINGENCIES AND COMMITMENTS

TOTAL EQUITY AND LIABILITIES

1,523,031,369



Riaz Ahmad & Company

Chartered Accountants

Annexure – B

SUMMARY OF PROFIT OR LOSS

	Period from 07 January 2020 to 30 June 2020 Rupees
ADMINISTRATIVE EXPENSES	(5,963,068)
FINANCE COST – Bank charges	(126,831)
OTHER INCOME – Profit on term deposit receipts	<u>32,017,466</u>
PROFIT BEFORE TAXATION	25,927,567
TAXATION	<u>(7,518,994)</u>
PROFIT AFTER TAXATION	<u>18,408,573</u>
EARNINGS PER SHARE – BASIC AND DILUTED	<u>0.12</u>

for

6.4. LATEST MANAGEMENT ACCOUNTS OF SLM

SERVICE LONG MARCH TYRES (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020

	Note	Dec 2020 Rupees	Audited Jun 2020 Rupees		Note	Dec 2020 Rupees	Audited Jun 2020 Rupees
EQUITY AND LIABILITIES				ASSETS			
SHARE CAPITAL AND RESERVES				NON-CURRENT ASSETS			
Authorized share capital							
1,000,000,000 ordinary shares of Rupees 10 each		10,000,000,000	10,000,000,000	Property Plant and Equipment	7	1,362,328,480	713,094,779
Issued, subscribed and paid-up share capital	3	3,000,000,000	1,500,000,000	CURRENT ASSETS			
Share deposit money	4	11,078,300	917,600				
Revenue reserve - Un-appropriated profit		26,293,032	18,408,573	Advances, Prepayments and Deposits	8	233,315,133	74,559,598
Total equity		3,037,371,332	1,519,326,173	Cash at Bank and Term Deposit Receipts	9	1,717,337,606	735,376,992
						1,950,652,739	809,936,590
LIABILITIES							
CURRENT LIABILITIES							
Trade Creditors and Other Payables	5	275,609,887	300,000				
Taxation - net		-	3,405,196				
Total liabilities		275,609,887	3,705,196				
Contingency and Commitments	6						
TOTAL EQUITY AND LIABILITIES		3,312,981,219	1,523,031,369	TOTAL ASSETS		3,312,981,219	1,523,031,369

SERVICE LONG MARCH TYRES (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD FROM JULY 01, 2020 to DECEMBER 31, 2020

	Note	Jul 2020 to Dec 2020 Rupees	Audited 7-Jan-2020 to Jun 2020 Rupees
ADMINISTRATIVE EXPENSES	10	(15,772,298)	(5,963,068)
FINANCE COST - Bank charges	11	(212,549)	(126,831)
OTHER INCOME - Profit on term deposit receipts	12	27,089,719	32,017,466
PROFIT BEFORE TAXATION		11,104,872	25,927,567
TAXATION	13	(3,220,413)	(7,518,994)
PROFIT AFTER TAXATION		7,884,459	18,408,573

SERVICE LONG MARCH TYRES (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM JULY 01, 2020 to DECEMBER 31, 2020

	Jul 2020 to Dec 2020 Rupees	Audited 7-Jan-2020 to Jun 2020 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	11,104,872	25,927,567
Adjustment for non-cash charges and other item:		
Profit on term deposit receipts	(27,089,719)	(32,017,466)
Depreciation	246,774	-
Finance cost - bank charges	212,549	126,831
Cash used in operating activities before working capital changes	<u>(15,525,524)</u>	<u>(5,963,068)</u>
Working capital changes		
Advances, Prepayments and Deposits	(149,827,225)	(70,400,694)
Trade Creditors and Other Payables	275,309,887	300,000
	<u>125,482,662</u>	<u>(70,100,694)</u>
Cash generated from/(used) in operations	109,957,138	(76,063,762)
Bank charges paid	(212,549)	(126,831)
Income tax paid	(17,256,993)	(4,113,798)
Net cash generated from/ (used) in operating activities	<u>92,487,596</u>	<u>(80,304,391)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in capital work-in-progress	(649,480,475)	(713,094,779)
Profit on term deposit receipts received	28,792,793	27,858,562
Net cash used in investing activities activities	<u>(620,687,682)</u>	<u>(685,236,217)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Share capital issued	1,500,000,000	1,500,000,000
Share deposit money received - net	10,160,700	917,600
Net cash from financing activities	<u>1,510,160,700</u>	<u>1,500,917,600</u>
Net increase in cash and cash equivalents	981,960,614	735,376,992
Cash and cash equivalents at the beginning of the period	735,376,992	-
Cash and cash equivalents at the end of the period	<u>1,717,337,606</u>	<u>735,376,992</u>

6.5. SUMMARY OF FINANCIAL HIGHLIGHTS

SGFL:

For access to the complete audited statements of the Company, visit <http://arifhabibltd.com/AHL.rar>.

<i>PKR Million unless otherwise stated</i>	Audited	Audited
Financial Year	2HCY2019	9MCY2020
Income Statement		
Revenue	3,651	5,304
Cost of Goods Sold	2,835	4,301
Gross Profit	816	1,002
Operating Expenses	453	616
Other Income (Net of Other Expenses)	232	341
Operating Profit	594	727
Financial Charges	63	99
Profit/(Loss) before Taxation	532	628
Taxation	38	54
Profit/(Loss) after Taxation	493	574
EBITDA	639	817
Depreciation	45	90
Balance Sheet		
Non-Current Assets	1,045	2,122
Current Assets	6,318	7,366
Total Assets	7,364	9,488
Surplus on revaluation of fixed assets	-	927
Total Equity	2,512	4,091
Long-Term Debt (Non-Current Portion)	319	448
Current Portion of non-current liabilities	30	108
Short-Term Borrowings	3,235	3,444
Non-Current Liabilities	383	524
Current Liabilities	4,468	4,873
Stock-in-trade	1,578	1,255
Trade debts	659	1,018
Cash Flow Statement		
Cash Flow from Operating Activities	(14)	(243)
Cash Flow from Investing Activities	(201)	57
Cash Flow from Financing Activities	223	502
Net increase in cash and cash equivalents	8	315
Net Cash at period end	9	323
Capex ³	(202)	(241)
Growth		
Sales Growth (%)	n/a	45%
EBITDA Growth (%)	n/a	28%
Profit after tax Growth (%)	n/a	16%
Margins		
Gross Margin (%)	22%	19%
Operating Margin (%)	16%	14%
EBITDA Margin (%)	18%	15%
Profit before tax Margin (%)	15%	12%
Profit after tax Margin (%)	14%	11%
Profitability Ratios		
Earnings per share (PKR) ¹	97.71	3.51
Earnings per share (PKR) ²	467.51	9.58
Break-up value per share (PKR)	497.45	25.02
Return on equity (%)	19.64%	17.39% ⁴

Return on assets (%)	6.70%	6.81%
Outstanding shares (Million)	5	164
Balance Sheet Ratios		
Non-Current Asset Turnover (Times)	3.5x	3.3x
Asset Turnover (Times)	0.5x	0.6x
Current Ratio (Times)	1.4	1.5
Capex to total Assets (%)	2.7%	2.5%
Receivable Turnover (days)	33	43
Inventory Turnover (days)	102	90
Payable Turnover (days)	76	79
Leverage Ratios		
Debt to Equity (Times)	1.4x	1.0x
Debt to Total Capital (Times)	0.6x	0.5x
EBITDA/Interest (Times)	10.1x	8.3x
Debt Service Coverage Ratio (Times)	4.6x	6.2x
Debt / EBITDA (Times)	5.6	4.9
EBITDA – CAPEX	437.0	576.0
EBITDA - CAPEX/Interest (Times)	6.9	5.8

1. EPS calculated on number of shares outstanding at period end;
2. EPS calculated on weighted average number of shares outstanding during the corresponding period;
3. PKR 79 Mn in 2HCY2019 and 29 Mn in 9MCY2020 have been spent on plants and machineries. Whereas, 110 Mn in 2HCY2019 and 18 Mn in 9MCY2020 have been spent on buildings. Further land for the new production unit was bought in 9MCY2019. The remaining amount pertains to routine maintenance CAPEX;
4. Fall in ROE is due to increase in equity by PKR 927 Mn because of revaluation of assets.

Commentary on Selected Ratios

i. Profitability

In 9M CY2020, the Company reported profit after tax of PKR 574 million which was lower than what was expected by the management of the Company due to prevailing situation of COVID 19. As per the audited accounts of 2H CY2019, the Company reported profit after tax of PKR 493 million. The slow growth in the profitability of the Company in 9M CY2020 was attributed to the world wide lockdown imposed by the governments to prevent the spread of Covid-19 pandemic because of which the Company witnessed slowdown in sales and profitability.

ii. Gross and Operating Margins

The gross margin of the company slightly decreased from 22% to 19% from 2HY CY2019 to 9M CY2020 primarily because of the decreasing sales due to world-wide lockdown imposed by the governments to prevent the spread of Covid-19 pandemic. As the Company is mostly reliant on exports, decline in sales shrank the revenue whereas the fixed costs remained the same; resulting in decline in margins.

Similarly, the operating profit margin also slightly shrank from 16% to 14% from 2HY CY2019 to 9M CY2020.

iii. Leverage

The Company slightly increased its long term debt to PKR 556 Mn in 9MCY2020 from PKR 349 Mn in 2HCY2019; however, its impact on debt to equity ratio of the Company cancelled out due to increment in the equity investment. Total equity of SGFL increased to PKR 4,091 Mn in 9MCY2020 from PKR 2,512 in 2HCY2019. Debt to equity ratio of the Company improved to 1 times in 9MCY2020 from 1.4 times in 2HY2019; depicting improvement in the leverage position of the Company.

iv. Liquidity

The Company has maintained a healthy current ratio since its inception; SGFL's current ratio improved from 1.4 in 2HYCY2019 to 1.5 in 9MCY2020. Improvement in the current ratio was mainly driven by increment in the current assets which increased from PKR 6,318 in 2HYCY2019 to PKR 7,366 in 9MCY2020.

v. Turnover Ratios

Receivable turnover days of the Company increased slightly from 33 days in 2HYCY2019 to 43 days in 9MCY2020. This slight increase is associated with increase in credit days of payment due to sluggishness in sales amid COVID 19.

Inventory turnover days of the Company decreased from 102 days in 2HYCY2019 to 90 days in 9MCY2020 because of slowness in the procurement of raw material as the Company anticipated slight decline in sales in current period amid COVID 19. The Company's payable turnover days remained stagnant during the period under review.

6.6. SUMMARY OF REVENUE AND EXPENDITURE

6.6.1. Revenue

SGFL:

In PKR mn	2HCY2019		9MCY2020	
	Value	%	Value	%
Footwear	3,651	100%	5,304	100%
Total Sales	3,651	100%	5,304	100%
Export sales	3,476	95.21%	5,048	95.17%
Local sales	120	3.29%	149	2.81
Duty drawback	55	1.5%	108	2.02%
Total Sales	3,651	100%	5,304	100%

6.6.2. Expenditure

SGFL:

In PKR Mn	2HCY2019	9MCY2020
Cost of sales	2,835	4,301
Distribution expenses	290	354
Administrative expenses	164	262

6.7. BREAKUP OF OTHER INCOME

SGFL:

In PKR Mn	Nature	2HCY2019	9MCY2020
Income from financial assets			
Mark-up on loan to SIL	Recurring	135	171
Exchange gain	Recurring	130	202
Mark-up on term deposit receipt	Recurring	0.33	0.13
Income from financial assets			
Scrap sales and others	Recurring	3	4
Gain on sale of operating fixed assets	Non-Recurring	0.05	
Total		268	380

6.8. REVENUE FROM CUSTOMERS

SGFL:

Combined revenue from two customers, i.e. Caprice Schuhproduktion GMBH and SRL Workout Italy, constitutes 71% of the total revenue in 9MCY20.

6.9. REVALUATION OF FIXED ASSETS

SGFL:

Assets (In PKR Mn)	WDV at Revaluation Date	Revaluation Surplus	Revalued Amount
Land	1	246	247
Building	99	237	337
Plant & machinery	427	444	870
Total	527	927	1,454

The revaluation of assets was carried out in June, 2020 by Tristar International Consultant (Pvt.) Limited which is on the panel of Pakistan Banks Association and SBP.

6.10. DIVIDEND POLICY

The Company intends to follow profit distribution policy for its shareholders based on Company's profitability and availability of adequate cash flows as recommended by the Board and approved by the shareholders.

The rights in respect of capital and dividends attached to each ordinary share are and will be the same. The Company in its general meeting may declare dividends but no dividend shall exceed the amount recommended by the Directors. Dividend, if declared in the general meeting, shall be paid according to the provisions of the Companies Act.

The Board of Directors may from time to time declare interim dividends as appear to it to be justified by the profits of the Company. No dividend shall be paid otherwise than out of the profits of the Company for the year or any other undistributed profits.

No unpaid dividend shall bear interest or mark-up against the Company. The dividends shall be paid within the period laid down in the Companies Act.

Under Section 242 of the Companies Act, any dividend payable in cash by a listed company, shall only be paid through electronic mode directly into the bank account designated by the entitled shareholder.

Therefore, the applicants must fill-in the relevant part of the Shares Subscription Form under the heading, "Dividend Mandate".

No dividend has been paid by the Company since incorporation.

Covenants / Restriction on Payment of Dividends:

SGFL:

- The Company's debt agreement with a financial institution stipulates the dividend covenant that the Company shall not issue dividends unless it maintains its Debt Service Coverage Ratio (DSCR) above 1x. (SGFL's DSCR ratio as of September 30th, 2020 is 6.2x)
- The Company's debt agreement with a financial institution stipulates the dividend covenant that the Company shall not issue dividends unless it maintains its Debt Service Coverage Ratio (DSCR) and Interest Coverage Ratio (ICR) above 1.25x and Current Ratio above 1. (SGFL's DSCR and current ratio as of September 30th, 2020 is 6.2x and 1.5).

SLM:

SLM's debt agreement with a financial institution stipulates the following dividend covenant that the Company shall not issue dividends unless it maintains:

1. Current Ratio > 1
2. Debt Service Coverage Ratio (DCSR) > 1.25x
3. Interest Coverage Ratio (ICR) > 1.25x
4. Leverage (Total Liabilities / Equity) < 3.0x to become applicable after one complete year of operations
5. Long Term Debt to Equity Ratio to be 50:50 at the time of COD and afterwards during the tenor of loan, whereas it will reach 64:36 (maximum) in the interim period (January 2021 to May 2021)

6.10.1. Eligibility for Dividend

The ordinary shares issued shall rank pari-passu with the existing shares in all matters of the Company, including the right to such bonus or right issues, and dividend as may be declared by the Company subsequent to the date of issue of such shares.

6.10.2. Dividend Payout of listed Associated companies

SIL, the parent company of SGFL, is a listed entity. Following is the dividend payout history of SIL for the last 5 years:

	FY15		FY16		FY17		FY18	FY19	
Type	Half Year	Annual	Half Year	Annual	Half Year	Annual	Annual	3 rd Quarter	Annual
Dividend*	125%	250%	150%	250%	100%	220%	300%	125%	75%
Bonus	-	-	-	-	-	-	25%	25%	25%

*Percentage is of per share's par value

7 BOARD OF DIRECTORS AND MANAGEMENT

7.1. BOARD OF DIRECTORS OF THE COMPANY

SGFL:

Sr. No	Name	Designation	Address	CNIC	Directorships in Other Companies	Period of Directorship in SGFL
1	Arif Saeed	Chairman/Non-Executive Director	Servis House, 2-Main Gulberg, Lahore	35202-2835725-9	Servis Foundation	July 19, 2019 to date
					Service Industries Limited	
					Service Long March Tyres (Pvt.) Limited	
					Service Industries Capital (Pvt.) Limited	
					Shahid Arif Investments (Pvt.) Limited	
2	Hassan Javed	Chief Executive Officer/Executive Director	Servis House, 2-Main Gulberg, Lahore	35202-2936650-7	SBL Trading (Private) Limited	July 19, 2019 to date
					Servis Foundation	
					Service Industries Limited	
					Service Long March Tyres (Pvt.) Limited	
					Service Industries Capital (Pvt.) Limited	
3	Chaudhry Ahmed Javed	Non-Executive Director	Servis House, 2-Main Gulberg, Lahore	35202-6319272-5	Shahid Arif Investments (Pvt.) Limited	July 19, 2019 to date
					SBL Trading (Pvt.) Limited, CEO	
					S2 Power Limited, CEO	
					Standard Spinning Mills (Pvt.) Limited	
					JOMO Technologies (Pvt.) Limited	
4	Omar Saeed	Non-Executive Director	Servis House, 2-Main Gulberg, Lahore	35202-3786183-5	S2 Hydro Limited	July 19, 2019 to date
					Servis Foundation	
					Service Industries Limited	
					Service Long March Tyres (Private) Limited	
					Service Industries Capital (Private) Limited	
					S2 Power Limited	
					S2 Hydro Limited	

					Speed (Private) Limited Systems Limited JOMO Technologies (Private) Limited	
5	Azmat Ali Ranjha	Independent Director	House No. 68 / 1, Street No. 8, Block-D, Phase-1, Defence Housing Authority, Lahore	35200-3549147-7	Nil	December 30, 2020 to date
6	Abdul Rashid Lone	Independent Director	House No. 157, Block F, Phase V, DHA, Lahore Cantt.	35202-2840429-7	Nil	December 30, 2020 to date
7	Maleeha Humayun Bangash	Independent Director	House # 3 – Askari Villas, Opposite Polo Ground, Sarwar Road, Lahore Cantt, Lahore, Pakistan	70235-2574418-2	Thardeep Microfinance Foundation Habib Insurance Company Limited Cherat Packaging Limited Nishat Power Limited	December 30, 2020 to date
8	Hassan Ehsan Cheema	Executive Director	House No. 481-C, Mohalla Green City, Barki Road, Lahore Cantt.	35401-1772473-1	Nil	December 30, 2020 to date
9	Qadeer Ahmed Vaseer	Executive Director	House No. 805-B, Street No. 31, Phase-5, Defence Housing Authority, Lahore Cantt.	35201-5528194-5	Service Shoes Lanka (Pvt.) Limited	December 30, 2020 to date

SLM:

Sr. No	Name	Designation	Address	CNIC	Directorships in Other Companies	Period of Directorship in SLM
1	Arif Saeed	Director	Servis House, 2-Main Gulberg, Lahore	35202-2835725-9	Servis Foundation Service Industries Limited Service Global Footwear Limited Service Industries Capital (Pvt.) Limited Shahid Arif Investments (Pvt.) Limited SBL Trading (Private) Limited Servis Foundation	January 07, 2020 to date
2	Hassan Javed	Director	Servis House, 2-Main Gulberg, Lahore	35202-2936650-7	Service Industries Limited Service Global Footwear Limited	January 07, 2020 to date

						Service Industries Capital (Pvt.) Limited	
						Shahid Arif Investments (Pvt.) Limited	
						SBL Trading (Pvt.) Limited, CEO	
						S2 Power Limited, CEO	
						Standard Spinning Mills (Pvt.) Limited	
						JOMO Technologies (Pvt.) Limited	
						S2 Hydro Limited	
3	Chaudhry Ahmed Javed	Director	Servis House, 2-Main Gulberg, Lahore	35202-6319272-5		Servis Foundation Service Industries Limited Service Global Footwear Limited	January 07, 2020 to date
4	Omar Saeed	Chief Executive Officer/ Director	Servis House, 2-Main Gulberg, Lahore	35202-3786183-5		Servis Foundation Service Industries Limited Service Global Footwear Limited Service Industries Capital (Private) Limited S2 Power Limited S2 Hydro Limited Speed (Private) Limited Systems Limited JOMO Technologies (Private) Limited	January 07, 2020 to date
5	Li Qingwen	Chairman/ Director	-	-		No directorship in Pakistan, other than Service Long March Tyres (Private) Limited	January 07 2020 to date
6	Zhao Hongli	Director	-	-		No directorship in Pakistan, other than Service Long March Tyres (Private) Limited	January 07 2020 to date
7	Zhang Xingyou	Director	-	-		No directorship in Pakistan, other than Service Long March Tyres (Private) Limited	January 07 2020 to date
8	Yang Shuping	Director	-	-		No directorship in Pakistan, other than Service Long	January 07 2020 to date

					March Tyres (Private) Limited	
9	Badar ul Hassan	Director	-	35202- 2284342-9	Nil	January 07 2020 to date

7.2. PROFILE OF DIRECTORS

SGFL:

7.2.1. Mr. Arif Saeed – Chairman/Non-Executive Director

Mr. Arif Saeed graduated from Oxford University. He is the Chief Executive Officer of Service Industries Limited. **He is also serving as a Director on the Board of Service Long March Tyres (Private) Limited.** He has served as the CEO of Dar Es Salaam Textile Mills Limited from 1992 to 2006. He has also been Chairman of All Pakistan Textile Mills Association (APTMA) and the Lahore Stock Exchange, and served on the Board of Sui Northern Gas Pipelines Limited (SNGPL). Mr. Saeed has been the founder Chairman of Quaid-e-Azam Solar Power Company, Punjab Thermal Power Company and National Power Parks Management Company (Pvt.) Limited which altogether successfully set up four leading power plants in the public sector.

7.2.2. Mr. Hassan Javed – CEO / Executive Director

Mr. Hassan Javed is a leather technologist from Nene College, United Kingdom, and Shoe Technologist from ISMS School Czech Republic. **He is a Director of Service Industries Limited, Service Long March Tyres (Private) Limited, Service Shoes Lanka (Private) Limited, Jomo Technologies (Private) Limited and Servis Foundation.** Mr. Javed has also served Service Industries Limited in various capacities most notably as the Resident Director of Gujrat for more than fifteen years. He served as the Chairman, Board of Directors of Gujranwala Electricity Supply Company. He serves as a Director of Standard Spinning Mills (Private) Limited. He has also served as the Chairman of Pakistan Footwear Manufacturers Association for the year 2019.

7.2.3. Chaudhry Ahmed Javed – Non-Executive Director

Chaudhry Ahmed Javed got his education from Saint Anthony and FC College, Lahore. He is the Chairman of Service Industries Limited since 2011. **He is also serving as a Director on the Boards of Service Long March Tyres (Private) Limited and Servis Foundation.** He has served Service Sales Corporation as CEO. He has also worked for a decade in National Fertilizer Marketing Limited in the Marketing Department.

7.2.4. Mr. Omar Saeed – Non-Executive Director

Mr. Omar Saeed graduated with high honors from Brown University and did his Master's in Business Administration from Harvard Business School.

Mr. Omar is serving as a Director on the Boards of Service Industries Limited and Service Shoes Lanka (Private) Limited. **He is also serving as the Chief Executive Officer of Service Long March Tyres (Private) Limited, Servis Foundation and Jomo Technologies (Private) Limited.** Mr. Omar has recently been appointed as an Independent Director of Systems Limited.

Mr. Omar has served as the CEO of Service Industries Limited from 2011 to 2018. Under his stewardship, SIL won the highly prestigious Pakistan Stock Exchange Top 25 Companies Award for the years 2011, 2013, 2014 and 2015. Prior to that, Mr. Omar was responsible for building Servis into one of Pakistan's largest footwear retailer, with 500 stores and more than PKR 12 Bn in annual revenues. He founded Ovex Technologies (Private) Limited in 2004, which went on to become one of Pakistan's leading call center companies before the business was sold in 2011.

Mr. Omar has also been an adjunct faculty member of LUMS where he taught entrepreneurship.

7.2.5. Mr. Azmat Ali Ranjha - Independent Director

Mr. Azmat has served in the public sector for almost 38 years in key positions as a civil servant. During his exemplary career in civil service, he has held various key positions such as Secretary Implementation 'Services and General Administration Department' (S&GAD) Punjab, Secretary Finance Punjab, Secretary Agriculture Punjab, Consul

General of Pakistan in Hong Kong, Trade Minister Embassy of Pakistan Washington DC, Federal Secretary Information Technology and Telecom, Federal Secretary Commerce, and Rector National School of Public Policy.

Mr. Azmat holds Master's degree in Public Administration from United States of America (USA), Master's in English Literature from University of the Punjab and Diploma in Personnel Administration from USA. In addition, Mr. Azmat has also attended various national and international courses and is a certified Director from University of Lahore.

In the capacity of Federal Secretary Information Technology and Telecom, Mr. Azmat has served on the Boards of Pakistan Telecommunication Company Limited (PTCL), Telecom Foundation, Pak Data Com, Ufone and Universal Service Fund Company.

Currently, Mr. Azmat is serving as Rector of the National School of Public Policy and in that capacity he is serving on the Boards of Governors of National School of Public Policy, Lahore University of Management Science (LUMS) and National College of Arts.

7.2.6. Mr. Abdul Rashid Lone - Independent Director

Mr. Abdul Rashid is a well-known experienced professional and served in the Gas Industry in Pakistan over a span of 36 years with distinction and dedication in various important positions which mainly included Managing Director Sui Northern Gas Pipelines Limited (SNGPL), Managing Director Interstate Gas Systems Limited (IGSL), Director on the Boards of Sui Southern Gas Company Limited (SSGC) and Interstate Gas System Limited (IGSL). He has also served as Board Member of Petroleum Institute of Pakistan (PIP) and Managing Director of Dawood Hercules Chemicals Limited.

Mr. Abdul Rashid is a Chemical Engineer by profession holding MSc (Chemical Engineering) degree from the University of the Punjab, Lahore. He is a registered professional engineer with the Pakistan Engineering Council, Fellow Member of Pakistan Institute of Chemical Engineers and Member, NACE International, USA.

Presently, Mr. Abdul Rashid is serving as Chief Executive Officer of Qarshi Foundation Trust and Vice Chancellor of Qarshi University.

7.2.7. Ms. Maleeha Humayun Bangash - Independent Director

Over the years, Ms. Maleeha has served on senior management positions in the public and private sector. During her exemplary career, she served as Managing Director, Investment Climate Reform Unit – (IFC/World Bank Group-P&D Department, Govt. of Punjab), Deputy Chief Executive Officer - Habib Asset Management Limited, Chief Strategy Officer & Executive Vice President - JS Investment Ltd, Chief Strategy Officer, Head of Strategy, Bus Development & Product Structuring - UBL Fund Manager and Member/Commissioner (Equivalent: Grade 21) Advocacy & Research, Add representative: Mergers & Acquisitions, Competition Commission of Pakistan (CCP).

Her latest assignment was Advisor to Finance Minister, Govt. of Khyber Pakhtunkhwa (Engaged by World Bank Group for EODB, Investments, Investment Climate).

Ms. Maleeha is also serving on the Boards of Thardeep Microfinance Foundation, Mithi, Habib Insurance Company Limited, Nishat Power Limited and Cherat Packaging Limited. She has also attended various national and international courses and is a certified Director from Pakistan Institute of Corporate Governance.

Ms. Maleeha obtained her Master's in Business Administration in Investment and Finance from Booth School of Business, University of Chicago, with honors. Moreover, she also holds the degree of Masters in Business Administration from Lahore University of Management Sciences.

7.2.8. Mr. Hassan Ehsan Cheema - Executive Director

Mr. Hassan received his Master's degree in Commerce (M. Com) from Hailey College, University of the Punjab in 2002. He topped the M.Com. examinations and received Gold Medal. He is on the distinction list of Hailey College of Commerce. He has also completed foundation courses of two stages of the Institute of Cost and Management Accountants of Pakistan (ICMAP) as well. Mr. Hassan joined the Servis Group in 2002 and held various senior

management positions in the Group in the areas of production planning, sales and marketing. Mr. Hassan is presently serving as a Business Head in SGFL.

7.2.9. Mr. Qadeer Ahmed Vaseer - Executive Director

Mr. Qadeer holds Master's degree in political science and LLB from University of the Punjab. He has also completed a Diploma in Footwear Manufacturing & Allied Materials Technology from Canada with Distinction. In addition, Mr. Qadeer has also completed various other courses related to productivity enhancement, leadership building etc. Mr. Qadeer is an experienced professional and has more than 30 years of experience in Shoe Manufacturing and has the honor to raise three new shoe units. Mr. Qadeer joined Servis Group on June 02, 1997 and is presently serving as Vice President Operations in SGFL. Mr. Qadeer is also serving as a Director on the Board of Service Shoes Lanka (Pvt.) Limited.

SLM:

7.2.10. Mr. Li Qingwen – Chairman

Mr. Li Qingwen, a Chinese national and a senior engineer, is a graduate of Dongbei University of Finance and Economics with major in National Economy Planning. He is the Chief Executive Officer of Chaoyang Lang March Tyre Co., Ltd. since 2003, and the Chairman of LM since 2018. From 1999 to 2002, he served as deputy manager in charge of sales in Ling Steel Group Co.

7.2.11. Mr. Omar Saeed – Chief Executive Officer

Mr. Omar Saeed graduated with high honors from Brown University and did his Master's in Business Administration from Harvard Business School.

Mr. Omar is serving as a Director on the Boards of Service Industries Limited, Service Global Footwear Limited and Service Shoes Lanka (Private) Limited. **He is also serving as the Chief Executive Officer of Servis Foundation and Jomo Technologies (Private) Limited.** Mr. Omar has recently been appointed as an Independent Director of Systems Limited.

Mr. Omar has served as the CEO of Service Industries Limited from 2011 to 2018. Under his stewardship, SIL won the highly prestigious Pakistan Stock Exchange Top 25 Companies Award for the years 2011, 2013, 2014 and 2015. Prior to that, Mr. Omar was responsible for building Servis into one of Pakistan's largest footwear retailer, with 500 stores and more than PKR 12 Bn in annual revenues. He founded Ovex Technologies (Private) Limited in 2004, which went on to become one of Pakistan's leading call center companies before the business was sold in 2011.

Mr. Omar has also been an adjunct faculty member of LUMS where he taught entrepreneurship.

7.2.12. Chaudhry Ahmed Javed – Director

Chaudhry Ahmed Javed got his education from Saint Anthony and FC College, Lahore. He is the Chairman of Service Industries Limited since 2011. **He is also serving as a Director on the Boards of Service Global Footwear Limited and Servis Foundation.** He has served Service Sales Corporation as CEO. He has also worked for a decade in National Fertilizer Marketing Limited in the Marketing Department.

7.2.13. Mr. Arif Saeed – Director

Mr. Arif Saeed graduated from Oxford University. He is the Chief Executive Officer of Service Industries Limited and Director of Service Global Footwear Limited. He has served as the CEO of Dar Es Salaam Textile Mills Limited from 1992 to 2006. He has also been Chairman of All Pakistan Textile Mills Association (APTMA) and the Lahore Stock Exchange, and served on the Board of Sui Northern Gas Pipelines Limited (SNGPL). Mr. Saeed has been the founder Chairman of Quaid-e-Azam Solar Power Company, Punjab Thermal Power Company and National Power Parks Management Company (Pvt.) Limited which altogether successfully set up four leading power plants in the public sector.

7.2.14. Mr. Hassan Javed – Director

Mr. Hassan Javed is a leather technologist from Nene College United Kingdom and Shoe Technologist from ISMS School Czech Republic. **He is the Chief Executive Officer of Service Global Footwear Limited. He is also a Director of Service Industries Limited, Service Shoes Lanka (Private) Limited, Jomo Technologies (Private) Limited and Servis Foundation.** Mr. Javed has also served Service Industries Limited in various capacities most notably as the Resident Director of Gujrat for more than fifteen years. He served as the Chairman, Board of Directors of Gujranwala Electricity Supply Company. He serves as a Director of Standard Spinning Mills (Private) Limited. He has also served as the Chairman of Pakistan Footwear Manufacturers Association for the year 2019.

7.2.15. Mr. Zhao Hongli – Director

Mr. Zhao, Hongli, a Chinese national, is a postgraduate of Jilin University of Technology, Jilin China, with major in Agricultural system and management engineering. Currently, he is the Vice General Manager of Chaoyang Long March Tyre Co., Ltd. in charge of International Trading since 2012. He worked as an engineer in Liaoning Logistics research center from 1991-1994. He served as deputy manager in Liaoning Products Group Import and Export Company from 1995 to 2000. From 2000 to 2003, Mr. Zhao worked as a business manager in Dalian Northeast Transportation Materials Co., Ltd. He served as CEO in Shenyang Wanlian Materials Co., Ltd. from 2003 to 2008. From 2008 to 2012, Mr. Zhao served as CEO in Shenyang Aolifeng Automotive Sales Service Co., Ltd.

7.2.16. Mr. Zhang Xingyou – Director and Chief Marketing Officer

Mr. Zhang, Xingyou, a Chinese national, is a graduate of Zhengzhou University, Henan China and did his Bachelor's degree in International Business. He is currently holding the position of the head of International Trading Department of LM since Feb. 2003. He worked as a sales representative in Liaoning Tyre Group Co., from Sep. 2000 to Jan. 2003.

7.2.17. Mr. Yang Shuping – Director and Chief Operating Officer

Mr. YANG, Shuping, a Chinese national, is a postgraduate of Shenyang University of Technology, Liaoning China and did his Master of Science in Engineering. He is the factory Shop Manager of Rubber Mixing Mill in Chaoyang Long March Tyre Co., Ltd. since 2010. Before joining LM, Mr. Yang worked as an electronic engineer in Ling Steel Group Co. Chaoyang Liaoning China.

7.2.18. Mr. Badar ul Hassan – Director and Chief Financial Officer

Mr. Badar ul Hassan a qualified Chartered Accountant with over 22 years of professional experience. He is the Chief Financial Official and Head of Strategy of Service Industries Limited. He served as the Chief Financial Officer of Nishat Mills Limited from November 2007 till January 2019. He also served on the Board of Pakgen Power Limited, Security General Insurance Co Ltd, Nishat Paper Products Company Ltd, Nishat Chunian Power Limited and SANIFA Agri Services Limited.

7.3. PROFILES OF KEY MANAGEMENT

SGFL:

7.3.1. Mr. Hassan Javed - Chief Executive Officer

Mr. Hassan Javed is a leather technologist from Nene College United Kingdom and Shoe Technologist from ISMS School Czech Republic. **He is a Director of Service Industries Limited, Service Long March Tyres (Private) Limited, Service Shoes Lanka (Private) Limited, Jomo Technologies (Private) Limited and Servis Foundation.** Mr. Javed has also served Service Industries Limited in various capacities most notably as the Resident Director of Gujrat for more than fifteen years. He served as the Chairman, Board of Directors of Gujranwala Electricity Supply Company. He serves as a Director of Standard Spinning Mills (Private) Limited. He has also served as the Chairman of Pakistan Footwear Manufacturers Association for a year.

7.3.2. Mr. Usman Liaqat - Chief Financial Officer

Mr. Usman has vast experience of dealing in accounts, finance and taxation matters. With over 21 years of experience in leadership positions, he plays an active role in the financial /strategic planning of the group companies. Mr. Usman is associated with the Servis Group for the last 18 years and has also served as CFO of Service Industries Limited. He has completed his CA (Inter) qualification from the Institute of Chartered Accountants of Pakistan and Master's degree in Accounting and Finance from Preston University.

7.3.3. Mr. Waheed Ashraf - Company Secretary

Mr. Waheed has over 18 years of diversified experience of working as Company Secretary in various listed companies. Currently, he is serving as group company secretary in Servis Group since 7 years. Mr. Waheed is an Associate Member of the Institute of Corporate Secretaries of Pakistan and also holds M. Com degree.

7.3.4. Mr. Hassan Ehsan Cheema – Business Head

Mr. Hassan received his Master's degree in Commerce (M. Com) from Hailey College, University of the Punjab in 2002. He topped the M. Com examinations and received Gold Medal. He is on the distinction list of Hailey College of Commerce. He has also completed foundation courses of two stages of the Institute of Cost and Management Accountants of Pakistan (ICMAP) as well. Mr. Hassan joined the Servis Group in 2002 and held various senior management positions in the Group in the areas of production planning, sales and marketing. Mr. Hassan is presently serving as a Business Head in SGFL.

7.3.5. Mr. Qadeer Vaseer – VP Operations

Mr. Qadeer holds Master's degree in political science and LLB from University of the Punjab. He has also completed a Diploma in Footwear Manufacturing & Allied Materials Technology from Canada with Distinction. In addition, Mr. Qadeer has also completed various other courses related to productivity enhancement, leadership building etc. Mr. Qadeer is an experienced professional and has more than 30 years of experience in Shoe Manufacturing and has the honor to raise three new shoe units. Mr. Qadeer joined Servis Group on June 02, 1997 and **is presently serving as Vice President Operations in SGFL**. Mr. Qadeer is also serving as a Director on the Board of Service Shoes Lanka (Pvt.) Limited.

SLM:

7.3.6. Mr. Omar Saeed – Chief Executive Officer

Mr. Omar Saeed graduated with high honors from Brown University and did his Master's in Business Administration from Harvard Business School.

Mr. Omar is serving as a Director on the Boards of Service Industries Limited, Service Global Footwear Limited and Service Shoes Lanka (Private) Limited. **He is also serving as the Chief Executive Officer of Servis Foundation and Jomo Technologies (Private) Limited.** Mr. Omar has recently been appointed as an Independent Director of Systems Limited.

Mr. Omar has served as the CEO of Service Industries Limited from 2011 to 2018. Under his stewardship, SIL won the highly prestigious Pakistan Stock Exchange Top 25 Companies Award for the years 2011, 2013, 2014 and 2015. Prior to that, Mr. Omar was responsible for building Servis into one of Pakistan's largest footwear retailer, with 500 stores and more than PKR 12 Bn in annual revenues. He founded Ovex Technologies (Private) Limited in 2004, which went on to become one of Pakistan's leading call center companies before the business was sold in 2011.

Mr. Omar has also been an adjunct faculty member of LUMS where he taught entrepreneurship.

7.3.7. Mr. Zhang Xingyou – Chief Marketing Officer

Mr. Zhang, Xingyou, a Chinese national, is a graduate of Zhengzhou University, Henan China and did his Bachelor's degree in International Business. He is currently holding the position of the head of International Trading Department of LM since Feb. 2003. He worked as a sales representative in Liaoning Tyre Group Co., from Sep. 2000 to Jan. 2003.

7.3.8. Mr. Yang Shuping –Chief Operating Officer

Mr. YANG, Shuping, a Chinese national, is a postgraduate of Shenyang University of Technology, Liaoning China and did his Master of Science in Engineering. He is the factory Shop Manager of Rubber Mixing Mill in Chaoyang Long March Tyre Co., Ltd. since 2010. Before joining LM, Mr. Yang worked as an electronic engineer in Ling Steel Group Co. Chaoyang Liaoning China.

7.3.9. Mr. Badar ul Hassan – Chief Financial Officer

Mr. Badar ul Hassan is a qualified Chartered Accountant with over 22 years of professional experience. He is the Chief Financial Official and Head of Strategy of Service Industries Limited. He served as the Chief Financial Officer of Nishat Mills Limited from November 2007 till January 2019. He also served on the Board of Pakgen Power Limited, Security General Insurance Co Ltd, Nishat Paper Products Company Ltd, Nishat Chunian Power Limited and SANIFA Agri Services Limited.

7.3.10. Mr. Waheed Ashraf - Company Secretary

Mr. Waheed has over 18 years of diversified experience of working as Company Secretary in various listed companies. Currently, he is serving as group company secretary in Servis Group since 7 years. Mr. Waheed is an Associate Member of the Institute of Corporate Secretaries of Pakistan and also holds M. Com degree.

7.4. APPOINTMENT AND ELECTION OF DIRECTORS AND CHIEF EXECUTIVE

The Board of Directors and Chief Executive have been appointed on **May 29, 2020**. The Directors of the Company are elected for a term of three years in accordance with the procedure laid down in section 159 of the Companies Act and Article 64.

The Directors shall comply with the provisions of Sections 154 to 159 and Sections 161 and 167 relating to the election of Directors and matters ancillary thereto.

Any casual vacancy occurring on the Board of Directors may be filled up by the Directors, but the person so chosen shall be subject to retirement at the same time as if he had become a Director on the day on which the Director in whose place he is chosen was last elected as Director.

No person shall become the director of a company if he suffers from any of the disabilities or disqualifications mentioned in section 153 or disqualified or debarred from holding such office under any of the provisions of the Act as the case may be and, if already a director, shall cease to hold such office from the date he so becomes disqualified or disabled.

The Company may remove a Director in accordance with the provisions of the Companies Act, 2017.

7.5. INTEREST OF DIRECTORS

The directors may have deemed to be interested to the extent of fees payable to them for attending the Board meetings. The Directors performing whole time services in the Company may also be deemed interested to the extent of remuneration payable to them by the Company. The nominee directors have interest in the Company to the extent of representing the Sponsors in the capital of the Company.

Following directors are holding ordinary shares of the Company on behalf of SIL:

Name of Shareholder	Designation	No. of Shares held	Value of Shares held (PKR)
Mr. Arif Saeed	Chairman/Non-Executive Director	1	10
Mr. Hassan Javed	CEO / Executive Director	1	10
Chaudhry Ahmed Javed	Non-Executive Director	1	10
Mr. Omar Saeed	Non-Executive Director	1	10

Mr. Azmat Ali Ranjha	Independent Director	1	10
Mr. Abdul Rashid Lone	Independent Director	1	10
Ms. Maleeha Humayun Bangash	Independent Director	1	10
Mr. Hassan Ehsan Cheema	Executive Director	1	10
Mr. Qadeer Ahmed Vaseer	Executive Director	1	10

7.6. INTEREST OF DIRECTORS IN PROPERTIES/ASSETS OF THE COMPANY

None of the Directors or promoters have any special or other interest in the property/assets or profits of the Company other than as holders of the ordinary shares in the capital of the Company. Certain shareholders who are also the Directors of the Company have interest to the extent of receiving remuneration for their role as Directors and CEO.

7.7. BENEFITS TO PROMOTERS AND OFFICERS

No benefit (monetary or otherwise) has been given by the Company to the sponsors, promoters, substantial shareholders and Directors of the Company other than remuneration for services rendered by them as full time executives of the Company.

7.8. AUDIT COMMITTEE

The Board of Directors has set up an effective internal audit function managed by suitable qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.

The Audit Committee comprises of the following members:

Mr. Abdul Rashid Lone - Chairman / Independent Director

Mr. Omar Saeed – Member / Non-Executive Director

Ms. Maleeha Humayun Bangash – Member / Independent Director

7.9. POWER OF DIRECTORS INCLUDING ANY BORROWING POWER

As per Articles of Association clause 53, the business of the Company shall be managed by the directors, who may pay all expenses incurred in promoting and registering the Company, and may exercise all such powers of the Company as are not by the Act or any statutory modification thereof for the time being in force, or by these Articles, required to be exercised by the Company in general meeting, subject nevertheless to the provisions of the Act or to any of these Articles, and such regulations being not inconsistent with the aforesaid provisions, as may be prescribed by the Company in general meeting but no regulation made by the company in general meeting shall invalidate any prior act of the directors which would have been valid if that regulation had not been made.

The control of the Company shall be vested in the Board of Directors and the business of the Company shall be managed by the Board of Directors who may exercise all such powers of the Company and do all such acts and things as may be exercised or done by the Company as by the Act or by Articles of the Company or by a special resolution expressly directed or required to be exercised or done by the Company.

The Directors may from time to time at their discretion borrow any sum or sums of money for the purposes of the Company and from any person, banks, firms or companies, particularly any person holding the office of Director, and may secure the payment of such money in such manner and upon such terms and conditions in all aspects as they think fit and in particular by the issue of debentures or debenture stock of the Company or by making, drawing, accepting or endorsing on behalf of the Company any promissory note, bills of exchange or giving or issuing any other security of the Company or by mortgage or charge of all of the property of the Company.

7.10. INDEMNITY AVAILABLE TO THE BOARD OF DIRECTORS AND OTHER EMPLOYEES OF THE COMPANY

Every Director and other officer or servant of the Company shall be indemnified by the Company against, and it shall be the duty of the Directors to pay, out of the funds of the Company, all costs, losses and expenses which any such officer or servant may incur or become liable to by reason of any contract entered into, act or thing done by such officer or servant as such or in any way in the discharge of the duties of such officer or servant including travelling expense.

No Director or other officer of the Company shall be liable for the acts, receipts neglect or default of any other Director or officer or for joining in any receipt or other act for conformity or for any loss or expenses happening to the Company through the insufficiency or deficiency of / to any property required by order of the Directors for or behalf of the Company or for the insufficiency or deficiency of the security or investment in or upon which any of the moneys of the Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortuous act of any person with whom any moneys, securities or effects shall be deposited or for any loss occasioned by an error of adjustment or oversight on his part or any other loss damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto unless the same happen through his dishonesty.

7.11. CORPORATE GOVERNANCE

The Company shall comply with all the rules and regulations applicable to the Company with regards to the Listed Companies (Code of Corporate Governance) Regulations, 2019.

7.12. NUMBER OF DIRECTORS

Pursuant to Section 154 of the Companies Act, 2017 a listed Company shall have not less than seven (7) directors. At present, the Board consists of 9 directors, including the Chief Executive Officer.

7.13. QUALIFICATION OF DIRECTORS

No person shall be appointed as a director of the Company unless he is a member of the company, however, this Article shall not be applicable in the case of a person representing a member which is not a natural person or a whole-time director who is an employee of the Company or a chief executive or a person representing creditors as provided under Section 153 of the Act.

7.14. REMUNERATION OF THE DIRECTORS

As per Article 51, the remuneration of directors shall from time to time be determined by the Board of Directors.

SGFL:

No meeting fee has been paid to any director for attending the Board meetings.

SLM:

No meeting fee has been paid to any director for attending the Board meetings.

7.15. VOTING RIGHTS

As per article 33, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded. Unless a poll is so demanded, a declaration by the chairman that a resolution has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book of the proceedings of the company shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favor of, or against, that resolution.

According to article 41, a member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on show of hands or on a poll or through video link, by his committee or other legal guardian, and any such committee or guardian may, on a poll, vote by proxy.

7.16. HUMAN RESOURCE AND REMUNERATION COMMITTEE

The Board of Directors has set up an effective Human Resources function managed by suitable and qualified personnel who are conversant with the policies & procedures of the Company and are involved in Human Resources function on a full time basis.

The Human Resource and Remuneration Committee comprises of the following members:

Mr. Azmat Ali Ranjha – Chairman / Independent Director

Mr. Hassan Javed – Member / Executive Director

Mr. Omar Saeed – Member / Non-Executive Director

8 LEGAL PROCEEDINGS AND OVERDUE LOANS

8.1.1. LEGAL PROCEEDINGS

SGFL:

Legal proceedings as of as of September 30th, 2020:

Order dated	Issuing Authority	Tax Period	Order Amount/ Financial Impact (PKR Mn)	Current status	Management's Stance
12.12.2019	Lahore High Court	01 July 2016 to 30 June 2017	9.14	The Company has preferred intra court appeal (ICA) before LHC which is pending for hearing.	The Company has already recognized PKR 9.14 Mn in its financial statements for the relevant tax periods. The management, however, based on advice of legal counsel, is confident of favorable outcome of its appeal.
16.09.2020	Lahore High Court	01 July 2014 to-date	3.27	The CIR has not yet initiated the proceedings for assessment of admissibility of sales tax claim on building materials etc.	The Company has already recognized PKR 3.27 Mn in its financial statements for the relevant tax periods. The management, however, based on advice of legal counsel, is confident of favorable outcome of its appeal.

SIL:

Legal proceedings as of as of September 30th, 2020:

Order dated	Issuing Authority	Tax Period	Order Amount/ Financial Impact (PKR Mn)	Current status	Management's Stance
18.09.2009	Additional Collector (Adjudication), PCCS, Karachi	August 2007 to July 2008	22.74	Pending before CIR(A)	The management, based on advice of legal counsel, is confident of favorable outcome.
10.01.2017	Director General (HQ) Adjudicating Officer	January 1987 to September 1992	4.80	The Company has preferred appeal before the Social Security Court, Lahore which is pending for hearing.	Management of the Company intends to contest the matter on merits.
06.05.2019	Director General (HQ) Adjudicating Officer	July 2003 to June 2012	31.80	The Company has preferred appeal before the Social Security Court,	Management of the Company intends to contest the matter on merits.

				Lahore which is pending for hearing.	
26.12.2011	D.G Recovery Social Security Lahore	From July 1992 to September 1993	1.98	Complaint for refund of the amount pending before the institution	Management of the Company intends to contest the matter on merits.
11.01.2012	CIR(A)	Oct08, Nov08, Jan10 to July10	2.65	The appeal is pending for adjudicating before ATIR.	The management, based on advice of legal counsel, is confident of favorable outcome of its appeal.
23.02.2018	CIR(A)	July 2013 – June 2014	10.00	The appeal is pending for hearing before ATIR.	According to Section 11 of STA, 1990, the time period for deciding the remand back points has been lapsed. Further, the management, based on advice of legal counsel, is confident of favorable outcome of its appeal filed with ATIR of PKR 10 Mn.
29.10.2020	CIR(A)	2013-2014	123.41	CIR(A) has annulled the order of DCIR and remanded back for a fresh audit if needed.	It shall be excluded from contingencies in financial statements for the year ended 31 December 2020.
18.04.2019	AC-SRB	July 2011 to Oct 2018	30.57	Hearing of the case has been done and now order of CIR(A) is awaited.	The management, based on advice of legal counsel, is confident of favorable outcome of its appeal.
22.09.2017	Lahore High Court	Aug10, Sep10	13.08	The case is pending for hearing before August Supreme Court of Pakistan.	It may be excluded from contingencies in financial statements for the year ended 31 December 2020.
07.08.2020	CIR(A)	Jan2010 to Dec 2010	1.20	As a result of appeal filed with CIR(A), most of the points have been deleted. The Company has preferred an appeal before ATIR on confirmed	The management, based on advice of legal counsel, is confident of favorable outcome of its appeal.

				points which is pending for adjudicating.	
12.12.2019	Lahore High Court	01 July 2016 to 30 June 2017	58.12	The Company has preferred Intra Court Appeal (ICA) before LHC which is pending for hearing.	The Company has already recognized 58.123m in its financial statements for the relevant tax periods. The management, however, based on advice of legal counsel, is confident of favorable outcome of its appeal.
16.09.2020	Lahore High Court	01 July 2014 to-date	21.78	The CIR has not yet initiated the proceedings for assessment of admissibility of sales tax claim on building materials etc.	The Company has already recognized 21.784m in its financial statements for the relevant tax periods. The management, however, based on advice of legal counsel, is confident of favorable outcome of its appeal.
11.03.2020	DCIR	Jan2005 to Dec2005	12.77	ATIR has deleted the complete order of CIR(A) dated 16.09.2013.	It shall be excluded from contingencies in financial statements for the year ended 31 December 2020.
21.02.2018	CIR(A)	Jan2007 to Dec2007	68.41	The case is pending for adjudicating with ATIR.	The management, based on advice of legal counsel, is confident of favorable outcome of its appeal.
13.12.2018	CIR	Marc13 to Mar16	10.32	The case is pending for adjudicating with ATIR.	The management, based on advice of legal counsel, is confident of favorable outcome of its appeal.

SLM:

There are no pending legal proceedings against SLM as of December 31st, 2020.

8.1.2. ACTION TAKEN BY SECURITIES EXCHANGE

No such action has been taken by the Securities Exchange against the issuer or its associated companies during the last three years due to non-compliance of regulations.

8.2. OVERDUE LOANS

There are no overdue loans (local or foreign currency) on the Company, its sponsor and promoters, substantial shareholders, directors and associated group companies (over which the Company has control). The Company, its CEO, its directors and its sponsors, under the oath, undertake that they have no overdue payment to any financial institutions.

9 UNDERWRITING, ARRANGEMENT, COMMISSION, BROKERAGE AND OTHER EXPENSES

9.1. UNDERWRITING

Book Building Portion

Arif Habib Limited has been appointed as the Book Runner to the Issue. The Book Runner will credit underwrite 40,887,500 shares being offered for subscription through the book building representing 100% of the Issue as required under regulation 7(6) of the PO Regulations, with the limitations in effect that the Book Runner shall only underwrite the default portion of the Book Building, if any, at the Strike Price determined through the Book Building process.

General Public Portion

The General Public Portion of the Issue has not been underwritten in terms of Regulation 7(4) of the Regulations.

9.2. BUY BACK / REPURCHASE AGREEMENT

THE BOOK RUNNER IN THE CAPACITY AS UNDERWRITER OF THE BOOK BUILDING PORTION HAS NOT ENTERED INTO ANY BUY BACK / RE-PURCHASE AGREEMENT WITH THE COMPANY OR ANY OTHER PERSON IN RESPECT OF THIS ISSUE OF SHARES.

ALSO, NEITHER THE COMPANY NOR ANY OF ITS ASSOCIATES HAVE ENTERED INTO ANY BUY BACK / RE-PURCHASE AGREEMENT WITH THE BOOK RUNNER IN THE CAPACITY AS UNDERWRITER OR ITS ASSOCIATES. THE COMPANY AND ITS ASSOCIATES SHALL NOT BUY BACK / RE-PURCHASE SHARES FROM THE BOOK RUNNER AND ITS ASSOCIATES TAKEN UP, IF ANY, BY IT IN CAPACITY AS THE BOOK RUNNER.

9.3. FEES AND EXPENSES FOR E-IPO SYSTEMS

Commission on application received through the e-IPO Systems of PSX and CDC will be paid to PSX and CDC which shall not be more than 0.8% of the amount of the successful applications. PSX and CDC will share, the fee with other participants of the e-IPO System at a ratio agreed amongst them.

9.4. COMMISSION OF THE BANKERS TO THE ISSUE

Commission at the rate of 0.25% (inclusive of all taxes) of the amount collected on allotment in respect of successful applicants will be paid by the Company to the Bankers to the Issue for services to be rendered by them in connection with the Retail Portion of the Issue.

9.5. BROKERAGE

For this Issue, brokerage shall be paid to the TRE Certificate Holders of PSX at the rate of 1.00% of the value of shares (including premium, if any) on successful applications for Book Building and General Public Portion. No brokerage shall be payable in respect of shares taken up by the Successful Bidders pursuant to under subscription of retail portion of the Issue.

9.6. ESTIMATED EXPENSES OF THE ISSUE

Expenses to the Issue are estimated not to exceed PKR 68,418,237/-. The break-up of these preliminary expenses is given below:

Particulars	Rate	Expense (PKR)
Lead Manager and Book Runner Fees ¹	2.40%	37,289,400
Commission to banker for General Public	0.25%	582,647
PSX and CDC e-IPO facility charges	0.80%	1,242,980
E-IPO Banks Charges		600,000
Bankers to the issue out of pocket expenses		480,000
Broker's Commission	1.00%	15,537,250

PSX Initial Listing fee		1,500,000
PSX Service fee		50,000
PSX Book Building software charges		500,000
Share Registrar, Transfer Agent and Balloting Agent		500,000
Marketing & Printing Expenses		6,000,000
CDC Fresh Issue fee	0.16%	2,485,960
CDC Annual Listing fee		800,000
SECP Supervisory fee		150,000
SECP IPO Application Processing fee		200,000
Miscellaneous Expenses		500,000
Total		68,418,237

¹ Please note that fee mentioned in percentages above are calculated on the basis of Floor Price. The actual fee will be finalized once the strike price is determined in the book building process

10 MISCELLANEOUS INFORMATION

10.1. REGISTERED OFFICE and Corporate Office OF SGFL

Servis House, 2 – Main Gulberg, Lahore

Telephone Number: +92 42 3575 1990-6

Fax Number: +92-42-35711827

Email Address: sgfl@serviceglobalfoowear.com

10.2. BANKERS AND FINANCIAL INSTITUTIONS OF THE COMPANY

Sr. No	Name	Address	Contact no.	Email
1	MCB Bank Limited	1398-Corporate Main Boulevard Branch, Gulberg Lahore	0340-0007297	moaaz.gill@mcb.com.pk
2	Habib Bank Limited	Corporate Center,102-103 Upper Mall, Lahore	0331-3096494	uzair.ashraf@hbl.com
3	Faysal Bank Limited	310 Upper Mall Branch, Lahore	0333-0423333	uzmahussain@faysalbank.com
4	Soneri Bank Limited	307-Upper Mall Lahore	0345-4199097	zubair.amanullah@soneribank.com
5	Allied Bank Limited	Corporate Branch, 7-E/III, Main Boulevard, Lahore	0321-9454649	hamza.Shahbaz@abl.com
6	Askari Bank Limited	Park Lane Tower Branch,Lahore	0300-4429597	yassmien.fakhar@askaribank.com.pk
7	Meezan Bank Limited	Gulberg Branch, 60-Main Boulevard Gulberg, Lahore	0321-4602248	Omer.Saeed@meezanbank.com
8	MCB Islamic Bank Limited	035-Main Branch,58-Gulberg II, Lahore	0333-4792972	saeed.omer@mcbislamicbank.com
9	Habib Metropolitan Bank	85 D-1 Main Boulevard - Gulberg III,Lahore	0333-4384829	quaid.khan@habibmetro.com
10	Standard Chartered Bank (Pakistan) Limited	Tufail Road, Branch, Lahore Cantt.	0301-8266035	ahsan.shahid@sc.com
11	Samba Bank Limited	91-D/1, Main Boulevard Gulberg III, Lahore	0314-4111649	Rabbia.bilal@samba.com.pk
12	Bank Al Habib Limited	New Garden Town Branch, Lahore	0333-3222808	junaidahmed@bankalhabib.com

10.3. AUDITORS OF THE COMPANY

Riaz Ahmad & Company, Chartered Accountants

10 – B, Saint Mary Park, Main Boulevard, Gulberg-III, Lahore, Pakistan

Tel: 042-35718137-9

Email: racolhr@racopk.com

Website: <http://www.racopk.com/>

10.4. LEGAL ADVISOR OF THE COMPANY

Muhammad Ashfaq,

Advocate High Court, of M/s. Bokhari Aziz & Karim

2-A, Block-G, Gulberg-II, Lahore, Pakistan

Tel: 042-35757879 - 35761982

Email: bokhariazizkarim@gmail.com

10.5. LEGAL ADVISOR TO THE ISSUE

RS LAW, Advocates and Corporate Consultants

First Floor, Plot No. 62, CCA, Block – T, Phase II Defence Housing Authority, Lahore Cantt, Pakistan
 Tel: 92 42 35747904
 Email: contact@rslaw.pk

10.6. COMPUTER BALLOTTER & SHARE REGISTRAR

Corplink (Pvt.) Ltd.
 Address: Wings Arcade, 1-K, Commercial, Model Town, Lahore.
 Tel: 92 42 35916714
 Email: corplink786@gmail.com
 Web: <https://www.corplink.com.pk/>

10.7. LEAD MANAGER & BOOK RUNNER

Arif Habib Limited
 Arif Habib Center
 23, MT Khan Road, Karachi
 Phone: 021-3246 5891
 Fax: 021-3242 9653
 Email: saim.ahmed@arifhabibltd.com
 Web: www.arifhabibltd.com

10.8. BANKER TO THE ISSUE FOR BOOK BUILDING

Habib Bank Limited

10.9. BANKERS TO THE ISSUE FOR GENERAL PORTION

Code	Name of Bank
01	Bank Alfalah Limited
02	Habib Bank Limited
03	Habib Metropolitan Bank Limited
04	Meezan Bank Limited
05	Faysal Bank Limited
06	Soneri Bank Limited
07	United Bank Limited
08	Allied Bank Limited
09	Askari Bank Limited
10	MCB Bank Limited

11 MATERIAL CONTRACTS

11.1. DETAILS OF BORROWINGS

SGFL:

Short Term Borrowing

Bank	Facility	Limit (PKR)	Mark Up Commission	Date Sanctioned	Expiry/Review Date
Soneri Bank Limited	RF/MONEY MARKET/FE-25	100,000,000	3MK+0.25%	1-Sep-20	31-Jul-21
	ERF-I-II/FEBC/FAFB	500,000,000	SBP+0.25%	1-Sep-20	31-Jul-21
	FORWARD COVER IMPORT/EXPORT	200,000,000	As per Treasury	1-Sep-20	31-Jul-21
	LC USANACE/DDA/FBP/FBD/LC SIGHT	125,000,000	Flat 0.03%	1-Sep-20	31-Jul-21
	LC SIGHT	100,000,000	Flat 0.03%	1-Sep-20	31-Jul-21
MCB Bank Limited	ERF-I-II/FEBC/FAFB	600,000,000	SBP+0.25%	8-Oct-20	31-May-21
	LC SIGHT	300,000,000	0.10%/Quarter	8-Oct-20	31-May-21
	LC USANACE	50,000,000	0.10%/Fixed	8-Oct-20	31-May-21
Meezan Bank Limited	RM/IERF-I-II/	1,000,000,000	3MK+0.20 %/ SBP+1%	12-Jun-20	31-Mar-21
	BAI SALAM	200,000,000	As per Treasury	12-Jun-20	31-Mar-21
	LC SIGHT	100,000,000	0.05% per Quarter/ Opening Charges	12-Jun-20	31-Mar-21
Allied Bank Limited	RF/MONEY MARKET/ERF-I-II/LC SIGHT/LC USANACE/FADD	500,000,000	1MK+0.75%/ SBP + 1%	14-May-20	31-May-21
	LC SIGHT	100,000,000	0.05% per Quarter/ Opening Charges	14-May-20	31-May-21
Askari Bank Limited	RF/ERF	400,000,000	3MK+0.30%/ SBP+1%	5-Oct-20	30-Jun-21
	LC SIGHT	150,000,000	0.05% / Quarter	5-Oct-20	30-Jun-21
Habib Bank Limited	FBP	100,000,000	Negotiation	19-May-20	31-May-21
	ERF-II-I/FCF/RF/STA/FCIF/LC SIGHT/LC USNACE	700,000,000	SBP+1%/ Base rate+0.25%	19-May-20	31-May-21
	FX FORWARD	2,100,000,000	Negotiation	19-May-20	31-May-21
	LC SIGHT	150,000,000	0.10% / Quarter	19-May-20	31-May-21
Faysal Bank Limited	RUNNING MUSHARAKAH	500,000,000	3MK+1%	1-Oct-20	31-Aug-21
	LC SIGHT/USANCE*	150,000,000	0.04% / Quarter	1-Oct-20	31-Aug-21

Total	8,125,000,000		
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*This facility is a subset of Facility Offer Letter issued by Faysal Bank Limited, and all facilities thereunder have same expiry date.

Long Term Borrowing

Bank	Facility	Limit (PKR)	Mark Up Commission	Date Sanctioned	Expiry/Review Date
Allied Bank Limited	LTFF (Salaries and Wages)*	215,000,000	SBP + 0.5%	31-Aug-20	31-Oct-22
	LTFF/TL/LC Sight*	100,000,000	SBP + 0.25%	14-May-20	31-May-29
	LTFF-2/TL-2/LC Sight	250,000,000	SBP + 0.25%	14-May-20	31-May-29
Habib Bank Limited	REPP	62,230,000	SBP+0.50%	19-May-20	5-Jul-27
	LTFF	106,620,000	SBP+0.50%	19-May-20	31-May-28
Total		733,850,000			

* This financing facility stems from financing facility of SIL (due to demerger of SGFL from SIL); hence, expiry date and pricing for this financing agreement is taken from the agreement of SIL.

SLM:

LONG TERM BORROWINGS

Bank	Facility	Limit (PKR)	Date Sanctioned	Loan Tenor
Habib Bank Limited	TERF/TL	3,000,000,000	05-Jan-21	10 Years with 2 years Grace Period
Allied Bank Limited	TL/LTFF/TERF	2,000,000,000	05-Oct-20	10 Years with 2 years Grace Period
Faysal Bank Limited	ITERF/DM	2,000,000,000	19-Nov-20	10 Years with 2 years Grace Period
MCB Bank Limited	DF/LTFF/TERF	1,000,000,000	20-Oct-20	10 Years with 2 years Grace Period
Bank Alfalah Limited	CF/LTFF/TERF	1,000,000,000	22-Oct-20	10 Years with 2 years Grace Period
Total		9,000,000,000		

All the above mentioned financing facilities are availed under the Temporary Economic Refinance Facility (TERF) scheme of State Bank of Pakistan; the base rate of this scheme is 1%. SLM has negotiated fine and market competitive spread which is less than 200 basis points over the base rate for the above mentioned financings.

11.2. DETAILS OF TECHNICAL AGREEMENTS OF SLM

Title of Agreement	Party to the Agreement	Date	Particulars
Construction Project Design Contract	Central Research Institute of China Chemical Science and Technology Ltd.	March, 2020	Preparation of design and drawings (MEP & Civil works) of the whole Plant.
Civil Consultancy Services for SLM TBR Tyres Project	A.A. Associates & Co.	July, 2020	Civil Consultancy Services
MEP Consultancy Services for SLM TBR Tyres Project	MMG Associates	July, 2020	MEP Consultancy Services
Design of electrical/mechanical systems for the GAS Power Plant	Polytek Associates (Pvt.) Ltd.	March, 2020	Identification of Power General Plant Requirement and Recommendation of Power Plant
Construction of TBR Workshop and Office Block	QEL-TBL Joint Venture	October, 2020	Construction of 1# TBR workshop and Office Block (Civil Works – Structures & Finishes)
Construction of 1# TBR Workshop and Office Block (MEP Works and PEB Installation Works)	Tianjin (Pakistan) Electric Power Construction (Pvt.) Ltd.	December, 2020	Construction of 1# TBR Workshop and Office Block (MEP Works and PEB Installation Works)

Civil and MEP work for Mixing Workshop, Boiler House, Oil Tank Foundation, Fire Water Pool, Durability Laboratory	Daofeng Power Engineering (Pvt.) Ltd.	December, 2020	Civil and MEP work for Mixing Workshop, Boiler House, Oil Tank Foundation, Fire Water Pool, Durability Laboratory
Civil and MEP works for Pakistan Accommodation # 1, Pakistan Accommodation # 2, Pakistani Labor Canteen & Chinese Accommodation	Daofeng Power Engineering (Pvt.) Ltd.	December, 2020	Civil and MEP works of Pakistani and Chinese accommodation and labour canteen.
Complete Prefabricated Building System	China Energy Engineering Group Tianjin Electric Power Construction CO. Ltd.	December 2020	PREFABRICATED BUILDING FOR TYRE PLANT

11.3. INSPECTION OF DOCUMENTS AND CONTRACTS

Copies of the Memorandum and Articles of Association, the Audited Financial Statements, the Auditor's Certificates, Information Memorandum and copies of the agreements referred to in this Prospectus may be inspected during usual business hours on any working day at the registered office of the Company from the date of publication of this Prospectus until the closing of the subscription list.

11.4. MEMORANDUM OF ASSOCIATION

The Memorandum of Association, inter alia, contains the objects for which the Company was incorporated and the business which the Company is authorized to undertake. A copy of the Memorandum of Association is annexed to this Prospectus and with every issue of the Prospectus except the one that is released in newspapers as advertisement.

11.5. FINANCIAL YEAR OF THE COMPANY

The financial year of the Company commences on January 1 and ends on December 31.

12 BOOK BUILDING PROCEDURE/INSTRUCTIONS FOR REGISTRATION AND BIDDING

12.1. BOOK BUILDING PROCEDURE

12.1.1. Brief Structure

The Present Issue

The Issue comprises of 40,887,500 Ordinary Shares of face value worth PKR 10.00/- each which constitutes 20% of the post-IPO paid up capital of the Company.

The entire Issue of 40,887,500 Ordinary Shares will be offered through the Book Building process at a Floor Price of PKR 38.00/- per share. Initially, 75% of the issue size i.e. 30,665,625 ordinary shares will be allotted to Successful Bidders and 25% of the Issue size i.e. 10,221,875 Ordinary Shares will be offered to Retail Investors at the Issue Price. Any unsubscribed retail portion will be allocated to Successful Bidders on a pro-rata basis.

The Floor Price of PKR 38.00/- has a maximum Price Band of 40% above which no bid shall be accepted. At maximum Price Band, the highest strike price that can be bid for shall be PKR 53.20/- per share.

The bidders shall give an undertaking along with the application that they would subscribe to the unsubscribed shares, if any, by the retail investors and their remaining bid money would remain deposited/ blocked till allotment of unsubscribed shares, if any, of the retail portion to them on pro-rata basis. In case the retail portion is fully subscribed, the bid money shall be unblocked within one (1) working day or refunded within three (3) working days of the closing of the public subscription.

Within 3 working days of the closing of the Bidding Period, a Supplement to the Prospectus will be published in at least all those newspapers in which the Prospectus is published. The Supplement will contain information related to the Strike Price, the Offer Price, dates of the Public Subscription, and category wise break-up of the Successful Bidders. Format of the Supplement is given on page 3 of this Prospectus.

12.1.2. Types of Bids and Procedure for making a Bid

Book Building is a process whereby investors bid for a specific number of shares at various prices. The Issuer set a Floor Price, which is the minimum / lowest price a Bidder can bid at. An order book of bids is maintained by the Book Runner, which is then used to determine the Strike Price through the **“Dutch Auction Method”**.

Under the Dutch Auction Method, the Strike Price is determined by lowering the Bid Price to the extent that the total number of shares issued through the Book Building process are subscribed.

A bid by a Bidder can be a **“Limit Bid”**, or a **“Step Bid”**, each of which are explained below:

- **Limit Bid:** Limit bid is at the Limit Price, which is the maximum price a Bidder is willing to pay for a specified number of shares.

In such a case, a Bidder explicitly states a price at which he / she / it is willing to subscribe to a specific number of shares. For instance, a Bidder may bid for 1 million shares at PKR 38.00/- per share, based on which the total Application Money would amount to PKR 38 million. In this case the Bid Amount will be also PKR 38 million. Since the Bidder has placed a Limit Bid of PKR 38.00/- per share, this indicates that he / she / it is willing to subscribe the shares at a price up to PKR 38.00/- per share.

- **Step Bid:** A series of Limit Bids at increasing prices. The amount of any individual step shall not be less than PKR. 1,000,000.

For instance, if the investor bids for 0.70 million shares at PKR 38.00/- per share, 0.60 million shares at PKR 39.00/- per share and 0.50 million shares at PKR 40.00/- per share, then in essence the investor has placed one Step Bid comprising three limit bids at increasing prices. The Application Money would amount to PKR 70 million, which is the sum of the products of the number of shares bid for and the bid price of each limit bid. In such a case, (i) Individual Investors shall deposit PKR 70 million in the Book Building Account as Margin Money which is 100% of PKR 70 million and (ii) Institutional Investors shall deposit at least PKR 17.5 million in the Book Building Account as Margin Money which is 25% of PKR 70 million.

RESTRICTIONS:

- (i) AN ELIGIBLE INVESTOR SHALL NOT:
 - (a) MAKE BID BELOW THE FLOOR PRICE AND ABOVE THE UPPER LIMIT OF THE PRICE BAND;
 - (b) MAKE BID FOR MORE THAN 10% OF THE SHARES ALLOCATED UNDER THE BOOK BUILDING PORTION
 - (c) MAKE A BID WITH A PRICE VARIATION OF MORE THAN 10% OF THE PREVAILING INDICATIVE STRIKE PRICE AS PER REGULATION 10(2)(iii) OF THE PO REGULATIONS
 - (d) PLACE CONSOLIDATED BID
 - (e) MAKE MORE THAN ONE BID SEVERALLY OR JOINTLY
 - (f) MAKE DOWNWARD REVISION BOTH IN TERMS OF BID PRICE AND BID VOLUME; PROVIDED THAT INCASE OF UPWARD REVISION OF THE BID PRICE, THE NUMBER OF SHARES BID FOR I.E. BID VOLUME MAY BE ADJUSTED ENSURING THAT THE BID AMOUNT OR BID MONEY REMAINS THE SAME; OR
 - (g) WITHDRAW BID
- (ii) RELATED EMPLOYEES OF THE ISSUER, LEAD MANAGER AND THE BOOK RUNNER SHALL NOT PARTICIPATE IN THE BIDDING PROCESS.
- (iii) NO PERSON SHALL TAKE PART IN THE BOOK BUILDING PROCESS, DIRECTLY OR INDIRECTLY SEVERALLY OR JOINTLY IN ANY MANNER OR ENGAGE IN ANY ACT OR PRACTICE WHICH CREATE A FALSE AND MISLEADING APPEARANCE OF ACTIVE BIDDING FOR RAISING OR DEPRESSING STRIKE PRICE IN THE BOOK BUILDING PROCESS.
- (iv) AS PER REGULATION 7(8) OF THE PO REGULATION, THE ASSOCIATES OF THE ISSUER AS DISCLOSED IN THE PROSPECTUS SHALL NOT IN AGGREGATE MAKE BIDS IN EXCESS OF TEN (10) PER CENT OF THE SHARES OFFERED THROUGH BOOK BUILDING.
- (v) AS PER REGULATION 7(9) OF THE PO REGULATIONS, THE ASSOCIATES OF THE CONSULTANT TO THE ISSUE TO THE ISSUE AND BOOK RUNNER SHALL NOT IN AGGREGATE MAKE BIDS IN EXCESS OF TEN (10) PERCENT OF THE SHARES OFFERED THROUGH BOOK BUILDING.

LIST OF ASSOCIATED COMPANIES AND UNDERTAKINGS OF THE ISSUER, NAMES OF RELATED EMPLOYEES OF THE ISSUER, LEAD MANAGER AND BOOK RUNNER ARE PROVIDED IN SECTION 3.

Once the Bidding Period has lapsed and the book has been built, the, Strike Price shall be determined on the basis of Dutch Auction Method.

Successful Bidders shall be intimated, within one (1) working day of the closing of the Bidding Period, about the Strike Price and the number of shares provisionally allotted to each of them. The bid money of bidders who have undertaken to subscribe the unsubscribed retail portion shall remain deposited or blocked till allotment of unsubscribed retail portion, if any, to them on pro-rata basis. Upon intimation by the Book Runner of the final allocation, successful institutional bidders shall deposit their balance margin money within (3) days of such intimation. **Where a successful Bidder defaults in payment of shares allotted to him / her / it, the Margin Money deposited by such Bidder shall be forfeited to the Book Runner.**

As per regulation 9(16) of the PO Regulations, the successful bidders shall be issued shares at the time of issuance of shares to the retail investors. Shares to successful bidders shall be issued only in the form of book-entry through credit in their respective CDS accounts (Investors Account or Sub-Account). All the bidders shall, therefore, provide number of their CDS accounts in the bid application.

The Bidders must provide the bank account details in their bidding form, so that cash dividend can be credited into their respective International Bank Account Number (IBAN).

12.1.3. Mechanism for Determination of Strike Price


1. At the close of the bidding period, the Strike Price shall be determined on the basis of Dutch Auction Method by the Designated Institution. Under this methodology, the Strike Price is determined by lowering the price to the extent that the total shares offered under the Book Building Portion are subscribed.
2. The Order Book shall display the bid prices in a tabular form in descending order along with the number of shares bid for and the cumulative number of shares at each price level.

3. As per the regulation 9(12) of the PO Regulation, in case all the bids made above the Strike Price are accommodated and shares are still available for allotment, such available shares will be allotted on proportionate basis against the bids made at the Strike Price.


The mechanism for determination of the Strike Price can be understood by the following illustration:

1. Number of shares being Issued through the Book Building: 40,887,500 Ordinary Shares
2. Floor Price: PKR 38.00/- per Ordinary Share with maximum price band of 40% i.e. PKR 53.20/- per share
3. Bidding Period: From April 7th 2021 to April 8th 2021
4. Bidding Time: 9:00am – 5:00pm
5. Bidding Revision Time (Upward Revision only): 9:00am – 5:00pm on all days


Bidder	Price (PKR/share)	Quantity	Cumulative Number of shares	Category of Order
Institution A	49.00	4,000,000	4,000,000	Limit Price
Institution B	48.75	3,950,000	7,950,000	Limit Price
HNWI A	48.50	2,000,000	9,950,000	Step Bid
Institution C	48.00	3,000,000	12,950,000	Limit Price
Institution D	47.50	3,500,000	16,450,000	Limit Price
Institution E	47.00	3,200,000	19,650,000	Limit Price
HNWI B	46.75	3,000,000	22,650,000	Limit Price
HNWI A	46.50	2,000,000	24,650,000	Step Bid
Institution F	46.25	3,000,000	27,650,000	Limit Price
Institution G	46.00	2,555,000	30,205,000	Limit Price
Institution H	45.75	2,000,000	32,205,000	Limit Price
HNWI C	45.50	3,000,000	35,205,000	Limit Price
Institution I	45.25	2,000,000	37,205,000	Step Bid
Institution H	45.25	2,000,000	37,205,000	Limit Price
HNWI D	45.00	3,682,500	40,887,500	Step Bid
Institution J	44.50	1,500,000	42,387,000	Limit Bid
HNWI E	44.00	1,000,000	43,387,500	Limit Price



Strike Price determine through Dutch Auction Method



Bid has been revised upwards and placed at PKR 45.75



Total shares bid for at and above the Floor Price

On the basis of the figures provided in the above illustration, according to the Dutch Auction Method, the Strike Price would be set at PKR 45.00 per share to sell the required quantity of 40,887,500 ordinary shares.

At PKR 49.00 per share, investors are willing to buy 4,000,000 shares. Since 36,887,500 shares are still available, therefore the price will be set lower.

At PKR 48.75 per share, investors are willing to buy 3,950,000 shares. Since 32,937,500 shares are still available, therefore the price will be set lower.

At PKR 48.50 per share, investors are willing to buy 2,000,000 shares. Since 30,937,500 shares are still available, therefore the price will be set lower.

At PKR 48.00 per share, investors are willing to buy 3,000,000 shares. Since 27,937,500 shares are still available, therefore the price will be set lower.

At PKR 47.50 per share, investors are willing to buy 3,500,000 shares. Since 24,437,500 shares are still available, therefore the price will be set lower.

At PKR 47.00 per share, investors are willing to buy 3,200,000 shares. Since 21,237,500 shares are still available, therefore the price will be set lower.

At PKR 46.75 per share, investors are willing to buy 3,000,000 shares. Since 18,237,500 shares are still available, therefore the price will be set lower.

At PKR 46.50 per share, investors are willing to buy 2,000,000 shares. Since 16,237,500 shares are still available, therefore the price will be set lower.

At PKR 46.25 per share, investors are willing to buy 3,000,000 shares. Since 13,237,500 shares are still available, therefore the price will be set lower.

At PKR 46.00 per share, investors are willing to buy 2,555,000 shares. Since 10,682,500 shares are still available, therefore the price will be set lower.

At PKR 45.75 per share, investors are willing to buy 2,000,000 shares. Since 8,682,500 shares are still available, therefore the price will be set lower.

At PKR 45.50 per share, investors are willing to buy 3,000,000 shares. Since 5,682,500 shares are still available, therefore the price will be set lower.

At PKR 45.25 per share, investors are willing to buy 2,000,000 shares. Since 3,682,500 shares are still available, therefore the price will be set lower.

At PKR 45.00 per share, investors are willing to buy 3,682,500 shares. **Since after bidding for 3,682,500 shares at PKR 45.00 per share, no shares will be available therefore the Strike Price will be set at PKR 45.00 per share for the entire lot of 40,887,500 shares.**

The bidders who have placed bids at prices above the Strike Price (which in this illustration is PKR 45.00 per share), will become entitled for allotment of shares at the Strike Price and the differential would be refunded.

In case all the bids made above the Strike Price are accommodated and shares are still available for allotment, such available shares shall be allotted against the bids made at the Strike Price on proportionate basis as per regulation 9(12) of the PO Regulations.

The Bidders who have made bids below the Strike Price shall not qualify for allotment of shares and the Book Runner shall intimate the respective banks for unblocking their Bid Money within one (1) working day of the close of the bidding period as per regulation 9(13) of the PO Regulation and the refunds, where required to such bidders shall be made within three (3) working days from the close of the bidding period

Since this Issue is being made through 100% book building, as per the regulation 7(4) of the PO Regulation, the Bidder shall be allowed to place bids for hundred (100%) percent of the issue size and the strike price shall be the price at which hundred (100%) percent of the issue size is subscribed. However, the successful bidders would be allotted and issued only seventy-five (75%) percent of the issue size and the remaining twenty-five (25%) percent would be offered to the retail investor. The bidders shall give an undertaking along with the application that they would subscribe to the unsubscribed shares, if any, out of the retail portion of the Issue and their remaining bid money would remain deposited/ blocked till allotment of such unsubscribed shares to them on pro-rata basis.

The bid money of bidders shall remain deposited or blocked till allotment of unsubscribed shares, if any, to them on pro rata basis as per regulation 9(15) of PO Regulation.

In case retail portion of the Issue is fully subscribed, the bid money shall be unblocked within one (1) working day or refunded within three (3) working days of the closing of the public subscription.

12.1.4. Timeframe for intimation to the successful bidders and mechanism for payment of the balance amount by the successful bidders

Successful bidders shall be intimated, within one (1) working day of the closing of the bidding period, the Strike Price and the number of shares provisionally allotted to each of them. Upon intimation by the Book Runner of the final allocation, successful institutional bidders shall deposit their balance margin money within (3) days of such intimation.

Where a successful Bidder defaults in payment of shares allotted to it, the Margin Money deposited by such Bidder shall be forfeited to the Book Runner.

12.1.5. Book Runner to the Issue:

Arif Habib Limited has been appointed by the Issuer as Lead Manager & Book Runner to this Issue.

Roles and Responsibilities of the Book Runner

The Book Runner to the issue shall be responsible to:

1. ensure that necessary infrastructure and electronic system is available to accept bids and to conduct the whole Book Building process in a fair, efficient and transparent manner;
2. ensure blocking of bid and margin money of the Bidders in their respective accounts;
3. the Book Runner must be financially capable for honoring its commitments arising out of defaults by their investors, if any;
4. use the software provided by the Designated Institution for the Book Building on such terms and conditions as may be agreed with the Designated Institution through an agreement in writing;
5. ensure that the software used for Book Building is based on Dutch Auction Method for display of the order book and determination of the strike price;
6. ensure that the bidders can access to the System and can revise their bids electronically using the user ID and the password;
7. ensure that it has obtained list and Unique Identification Number (UIN) of the associates of the Issuer, the Consultant to the Issue and all the related employees;
8. ensure that no bid or bids exceeding ten per cent (10%), in aggregate, is or are made by the associated companies and associated undertakings of the Issuer;
9. ensure that no bid in aggregate exceeding ten per cent (10%) is made by the companies and associated undertakings of the Lead Manager and the Book Runner;
10. enter into an underwriting agreement with the Issuer with respect to underwriting of the Book Building portion for covering the default risk;
11. establish bid collection centers at least in Islamabad, all the provincial capitals, Azad Kashmir and Gilgit/ Baltistan;
12. maintain record of all the bids received; and
13. ensure that all the Bids received in the Bid Collection Centers are entered into the system developed by the Designated Institution for the purpose of Book Building within the prescribed time.

The Book Runner have established bid collection centers at the following addresses (direct & fax numbers in all centers).

12.1.6. Bid Collection Centers

The Book Runner has established bid collection centers at the following addresses:

	Karachi	
Contact Officer:	Syed Ali Ahmed	Saim Ahmed Shahab
Direct No.:	+92 21 3243 3542	+92 21 38899 271
PABX No.:	+92 21 111 245 111	+92 21 111 245 111
Fax No.:	+92 21 3242 9653	+92 21 3242 9653
Email:	ali.ahmed@arifhabibltd.com	saim.ahmed@arifhabibltd.com
Postal Address:	Arif Habib Limited Arif Habib Centre, 23 M.T Khan Road, Karachi	Arif Habib Limited Arif Habib Centre, 23 M.T Khan Road, Karachi
	Lahore	Islamabad

Contact Officer:	Naeem Rana	Asad Abbas Najfi
Direct No.:	+92 42 3631 3700	+92 51 289 4505
Email:	naeem.rana@arifhabibltd.com	asad.abbasnajfi@arifhabibltd.com
Postal Address:	Arif Habib Limited Office No. G-5 & G-6, Ground Floor, LSE Plaza, 19 Khayaban-e-Aiwan-e-Iqbal Lahore	Arif Habib Limited Office No. 506, 5 th Floor, ISE Towers, Jinnah Avenue, Islamabad
	Faisalabad	Peshawar
Contact Officer:	Ahsan Sarfaraz (Branch Manager)	Mr. Yasir Shah (Branch Manager)
Direct:	0346-820-0579	0333-920-2578
Email:	bm.fsd01@meezanbank.com	bm.pew01@meezanbank.com
Postal Address:	Meezan Bank Limited Sareena Hotel Branch, Club Road, Faisalabad	Meezan Bank Limited Main Branch Peshawar Cantt, 6-Saddar Road Peshawar Cantt
	Quetta	Azad Kashmir
Contact Officer:	Muhammad Tahir Panezai (Branch Manager)	Atif Majeed (Branch Manager)
Direct:	0309-777-2570	0300-501-5147
Email:	bm.qta01@meezanbank.com	bm.mrp01@meezanbank.com
Postal Address:	Meezan Bank Limited M.A. Jinnah Road Branch, Manan Chowk, Quetta	Meezan Bank Limited Mirpur AJK Branch, Sultan Plaza, Sector F1, Kotli Road, Mirpur Azad Kashmir
	Gilgit/Baltistan	
Contact Officer:	Abbas Ali Khan (Operations Manager)	
Direct:	0346-533-3183	
Email:	bm.ggt01@meezanbank.com	
Postal Address:	Meezan Bank Limited Gilgit Baltistan Branch, Shop # 433, NLI Market, Gilgit	

12.1.7. Roles and Responsibilities of the Designated Institution

PSX being provider of the Book Building System (Designated Institution), shall ensure that Book Building System shall smoothly perform following functions:

- Record name, UIN, National Tax Number (NTN), postal and email addresses, land line and cell numbers, International Bank Account Number (IBAN) and branch address and complete CDS Account Number (i.e. Investor Account Number or Sub-Account Number);
- Provide a mechanism for registration of the bidders before commencement of the bidding period till 03:00 p.m. on the last day of the Bidding Period and require the investors to provide at least such information as mentioned above;
- Generate bidders' Internet Protocol (IPs) address and keep record of all IP addresses from where the bids are placed;
- Record the number of shares bid for, the Bid Price, type of the bid i.e. Limit Bid or Step Bid, date and time of the entry of the bid;
- Display the bids revised, and date and time of upward revision;
 - Neither allow withdrawal of bid, nor accept the bids placed at a Bid Price that is below the Floor Price or above 10% of the Indicative Strike Price at any point of time and above the upper limit of the Price Band;
- Display live the total number of shares offered for sale, the Floor Price, Price Band, total number of bids received, total number of shares bid for and the indicative Strike Price;
- Build an order book showing demand for the shares at various price levels in a descending order along with the accumulated number of shares bid for and percentage of total shares offered under the Book Building Portion;

8. Discover the strike price at the close of the Bidding Period;
9. Generate alerts for the Bidders via Short Message Service (“SMS”) through cell phones and emails upon entry of the bid, at the time of upward revision of the bid, upon variation in the Indicative Strike Price and upon discovery of the strike price; and
10. Ensure that the system must provide the bidders the option to upward revise their bids online or through the Book Runner during the period permitted under these PO Regulations.

The Designated Institution shall ensure that:

- identity of the bidder is not displayed; and
- no bid is entered into the System after closing of the Bidding Period.

12.1.8. Roles and Responsibilities of the Issuer:

The Issuer shall ensure that:

1. the Issuer, its sponsors, promoters, substantial shareholders, directors and associates shall have no over dues or defaults, irrespective of the amount, appearing in the report obtained from the credit information bureau;
2. the Issuer or its directors, sponsors or substantial shareholders should not have held the office of the directors, or have not been sponsors or substantial shareholders in any company:
 - I. which had been declared defaulter by the securities exchange or futures exchange; or
 - II. whose TRE certificate has been cancelled or forfeited by the securities exchange; or
 - III. which has been de-listed by the securities exchange due to non-compliance of its regulations.
3. The Lead Manager to the Issue, Book Runner, Balloter and Share Registrar and Banker to the Issue, are appointed through separate agreements in writing.
4. It has submitted through its Lead Manager, an application along with draft prospectus for listing of its securities to the PSX.
5. the shares shall be issued in book-entry form only.

12.1.9. Opening and Closing of the Registration Period

The Registration period shall be for **Five (5)** working days as under:

REGISTRATION PERIOD	
April 2 nd 2021	9:00am to 5:00pm
April 5 th 2021	9:00am to 5:00pm
April 6 th 2021	9:00am to 5:00pm
April 7 th 2021	9:00am to 5:00pm
April 8 th 2021	9:00am to 3:00pm

12.1.10. Opening and Closing of the Bidding Period

The Bidding Period shall be for **Two (2)** working days as under:

BIDDING PROCESS STARTS ON	April 7 th 2021 (9:00 AM to 5:00 PM)
BIDDING PROCESS ENDS ON	April 8 th 2021 (9:00 AM to 5:00 PM)

12.1.11. Eligibility to Participate in Bidding

Eligible Investors who can place their bids in the Book Building process include local and foreign Individual and Institutional Investors whose Bid Amount is not less than PKR 1,000,000/- (Rupees One Million only).

12.1.12. Information for Bidders

1. The Prospectus for Issue of Shares has been approved by PSX and SECP.
2. The Prospectus, Registration Forms and the Bidding Forms can be obtained from the Registered Office of SGFL, AHL, and the designated Bid Collection Centers. Prospectus, Registration Forms and Bidding Forms can also be downloaded from the following websites of the Lead Manager & Book Runner and the Company i.e. <http://www.arifhabibltd.com> and <http://www.serviceglobalfootwear.com>
3. Eligible Investors who are interested to participate in bidding for subscribing the Ordinary Shares of the Company should approach the Book Runner at the addresses provided in Section 10.7 of this Prospectus for registration for submitting their Bids.
4. THE REGISTRATION FORMS SHOULD BE SUBMITTED ON THE PRESCRIBED FORMAT AT THE ADDRESSES PROVIDED IN SECTION 12.1.6. FOR DETAILS ON THE PROCEDURE OF REGISTRATION PLEASE REFER TO SECTION 12.1.14.
5. THE BIDS SHOULD BE SUBMITTED ON THE PRESCRIBED BIDDING FORM IN PERSON, THROUGH FAX NUMBERS GIVEN IN SECTION 10.7 OR THROUGH THE ONLINE SYSTEM USING THE USER ID AND PASSWORD ISSUED AT THE TIME OF REGISTRATION OF ELIGIBLE INVESTOR.
6. REGISTERED INVESTORS CAN PLACE AND REVISE THEIR BIDS UPWARDS BY ACCESSING THE DESIGNATED INSTITUTIONS ONLINE PORTAL FOR BOOK BUILDING BY USING THE USER ID AND PASSWORD COMMUNICATED TO THEM VIA EMAIL BY PSX.
7. EACH ELIGIBLE INVESTOR SHALL ONLY SUBMIT A SINGLE PAY ORDER, DEMAND DRAFT OR EVIDENCE OF ONLINE TRANSFER OF MONEY ALONG WITH THE REGISTRATION FORM. IT MAY ALSO BE NOTED THAT ONLY A SINGLE PAY ORDER, DEMAND DRAFT OR EVIDENCE OF ONLINE TRANSFER OF MONEY SHALL BE ACCEPTED BY THE BOOK RUNNER ALONG WITH EACH ADDITIONAL PAYMENT FORM.
8. ELIGIBLE INVESTORS WHO ARE ACCOUNT HOLDERS OF Habib Bank Limited (THE BANKER TO THE BOOK BUILDING PORTION OF THE ISSUE) CAN USE THE ONLINE TRANSFER FACILITY PROVIDED BY Habib Bank Limited TO DEPOSIT THEIR BID MONEY TO THE BOOK BUILDING ACCOUNT OPENED AT Habib Bank Limited.

12.1.13. Registration form and Procedure for Registration

1. A standardized Registration Form has been prescribed by the Issuer. The Registration Form shall be submitted, duly filled in, at the Bid Collection Centers in person on addresses given in section 12.1.6 on the standard Registration Form. The Registration Form shall be serially numbered at the bid collection centers and date and time stamped at the time of collection of the same from the Bidders.
2. Upon completion and submission of the Registration Form, the Bidders are deemed to have authorized the Issuer to make necessary changes in the Prospectus as would be required for finalizing and publishing the Supplement to the Prospectus in the newspapers in which Prospectus was published and filing the Supplement with PSX and SECP, without prior or subsequent notice of such changes to the Bidders.
3. The registration procedure under the Book Building process is outlined below:
 - The Registration period shall be for Five (5) working days i.e. April 2nd 2021 to April 7th 2021 from 9:00 AM to 5:00 PM and from 9:00 AM to 3:00 PM on April 8th 2021.
 - The Registration Form shall be issued in duplicate signed by the Bidder and countersigned by the Book Runner, with the first copy for the Book Runner and the second copy for the Bidder.
 - The Registration Form shall be duly filled in and signed in duplicate and shall be submitted at the Bid Collection Centers in person, through representative or through fax on addresses and numbers given in paragraph 12.1.6.
 - Upon registration of the bidders in the System, PSX shall assign and communicate the User ID and Password to the Bidders via email on the email address provided by them in the Registration Form.

- The Book Runner may reject any bid for reasons to be recorded in writing provided the reason of rejection is disclosed to such bidder. Decision of the Book Runners shall not be challengeable by the Bidder.
- Bid Amount / Margin Money shall be deposited along with the Registration Form through demand draft, pay order or online transfer through Bidder's bank account only. In case of Online Transfer, the Bidders are requested to submit a bank receipt evidencing transfer of the bid money into the Issuer's designated bank account. **Please note that cash must not be deposited either directly or through online transfer in the Issuer's designated bank account.**
- The pay order shall be made in favor of "**Service Global Footwear Ltd Book Building**". For online transfer the payment shall be made into 004279920938-03 being maintained in HBL State Life Branch, **Branch Code 0042**, Karachi. Please note that online transfer facility shall only be allowed to Habib Bank Limited customers.
- Please note that third party instruments will not be accepted for Margin Money.
 - In case of intra city payment instruments, the bidders shall ensure that the payment instruments are made "Payable at any Branch". Intra city payment instruments that are not made "Payable at any Branch" will not be accepted.
- The Book Runners shall collect an amount of 100% of the Application Money as Margin Money in respect of bids placed by Individual Investors.
- The Book Runners shall collect an amount of not less than 25% of the Application Money as Margin Money in respect of bids placed by Institutional Investors.
- The Bidder shall provide a valid email address in the Registration Form so that the relevant ID and password can be emailed to them upon registration.
- The Bidders can use the User ID and Password to independently place and upward revise their bids online.
- **The successful Bidders shall be issued shares only in the form of book-entry to be credited in their respective CDS accounts. All the bidders shall, therefore, provide their CDC account numbers in the bid application and Registration form.**
- **The successful Bidders shall be paid cash dividend, if any announced by the Company, only through direct credit in their respective International Bank Account Number (IBAN). All the Bidders, therefore, must provide their IBANs in the Bid Application and Registration Forms.**

12.1.14. Procedure for Bidding

1. A standardized Bidding Form has been prescribed by the Issuer.
2. Registered Investors can submit their bids in person or through representatives at the Bid Collection Centers during the bidding dates or can place their bids online at <https://bkb.psx.com.pk> using the user ID and Password received by them over email upon registration with the Book Runner.
3. The bidding procedure under the Book Building process is outlined below:
 - Bids can be placed either at the "Limit Price" or as a "Step Bid". The minimum size of a Limit Bid by an Eligible Investor shall not be less than PKR 1,000,000/- (Rupees One Million) and in case of a Step Bid, the amount of any step shall also not be less than PKR 1,000,000/- (Rupees One Million).
 - The investors may place their bids through any of the Bid Collection Centers established pursuant to the requirements of sub-regulation 10 of regulation 8 of the PO Regulations. Please see para 12.1.6 for addresses and contact detail of persons at the Bid Collection Centers.
 - The persons at the Bid Collection Centers shall vet the bid applications and accept only such bid applications that are duly filled in and supported by pay order, demand draft or a bank receipt evidencing transfer of the bid money into the Issuer designated bank account.
 - On receipt of bid application in accordance with the aforementioned regulation, the Book Runner shall enter Bid into the System and issue to the Bidder an electronic receipt bearing name of the Book Runner, name of the bidding center, date and time.

- The bidding shall commence from 09:00 a.m. and close at 05:00 p.m. on all days of the Bidding Period. The bids shall be collected and entered into the system by the Book-Runner till 05:00 p.m. on the last day of the bidding period.
- The Bidders shall have the right to revise their bids upwards any time either manually through the Bid Collection Centers or electronically through direct access to the system till 05:00 p.m. on the last day of the Bidding Period.
- **The Bidders shall NOT make downward revision both in terms of Bid Price and Bid Volume provided that in case of upward revision of the Bid Price, the number of shares Bid for i.e. Bid Volume may be adjusted ensuring that the bid amount or bid money remains the same.**
- **The Bidders shall not withdraw the Bids.**
- The Book Runner shall collect full amount of the Bid Amount as Margin Money in respect of bids placed by the High Net worth Individual and not less than twenty-five percent (25%) of the Bid Amount as Margin Money in respect of bids placed by the Institutional Investors.
- Payment of Margin Money shall be accepted only through demand draft, pay order or online transfer and third party payment instruments shall not be accepted.
- The Book runner may waive the margin requirement for institutional investors subject to confirmation from their respective banks or custodian banks (in case of foreign institutional investors) that an amount equivalent to the bid money is available in the respective bank or custodian account and would be paid directly to the book runner on its request and confirmation of allocation of shares;
- The Book Runner may reject any bid for reasons to be recorded in writing provided the reason of rejection is disclosed to such bidder. The decision of the Book Runner shall not be challengeable by the Bidder.
- PSX shall, through the system, display live throughout the bidding period an order book in descending order showing demand for shares at various prices and the accumulated number of shares bid for along with percentage of the total shares issued (the “Order Book”). The Order Book should also show the revised bids upward. The Order Book shall be accessible through websites of PSX.
- At the close of the Bidding Period, the Strike Price shall be determined on the basis of the Dutch Auction Method.
- Once the Strike Price is determined, all those Bidders whose bids are found successful shall become entitled for allotment of shares.
- The Bidders who have made bids at prices above the Strike Price shall be allotted shares at the Strike Price.
- In case all the bids made above the Strike Price are accommodated and shares are still available for allotment, such available shares will be allotted against the bids made at the Strike Price on proportionate basis as per regulation 9(12) of PO Regulations. The procedure for allotment of shares to successful Bidders is mentioned in section 12.1.22 of the Prospectus.
- The Bidders who have made bids below the Strike Price shall not qualify for allotment of any Ordinary Shares and the Book Runner shall intimate their respective banks for unblocking their Bid Money within one (1) working day of the close of the bidding period and in case of refunds, the refund to such bidders shall be made within three (3) working days from the close of the bidding period.
- Successful bidders shall be intimated, within one (1) working day of the closing of the bidding period, the Strike Price and the number of shares provisionally allotted to each of them. The successful bidders shall be intimated by the Book Runner of their final allocation after subscription of the retail portion of the Issue.
- In case the retail portion of the Issue is not fully subscribed, the unsubscribed shares shall be allotted to the successful bidders on pro-rata basis.
- In case the retail portion of the Issue is oversubscribed, the allotment shall be made in the manner given in section 13.1.12 of the prospectus.
- Upon intimation by the Book Runner of final allocation, successful institutional bidders shall deposit their balance margin within (3) days of such intimation. **Where a successful Bidder defaults in payment of shares allotted to it, the Margin Money deposited by such Bidder shall be forfeited to the Book Runner.**

- Final allotment of shares out of the Book Building Portion shall be made after receipt of full subscription money from the successful Bidders; however, shares to such Bidders shall be credited at the time of credit and dispatch of shares out of the retail portion.
- The successful Bidders shall be issued shares only in Book Entry Form to be credited in their respective CDS Accounts. All the bidders shall, therefore, provide their CDS Account Numbers in the Registration Form.
- The Designated Institution shall continue to display on its website, the data pertaining to the Book Building and determination of the Strike Price for a period of at least three working days after closure of the Bidding Period.
- The Book-Runner shall ensure that subscription money received against the bids accepted shall not be released to the Issuer by the Banker to the Book Building Portion until:
 - credit of all shares allotted to retail investors; and
 - issuance of NOC by the PSX.

12.1.15. Payment for Book Building Portion

The Issuer has opened a bank account for collection of applications' money related to Book Building Portion.

The Bidders shall draw demand draft or pay order in favor of "**Service Global Footwear Ltd Book Building**" or online transfer of the Bid money into the respective Book Building account 004279920938-03 and submit the demand draft, pay order or bank receipt at the designated Bid Collection Centers either in person or through facsimile along with a duly filled in Registration Form.

For online transfer the payment shall be made into the Account being maintained at HBL State Life **Branch**, Karachi with the Account Title "**Service Global Footwear Ltd Book Building**". Please note that online transfer facility shall only be allowed for **Habib Bank Limited** customers.

CASH MUST NOT BE SUBMITTED WITH THE BIDDING FORM/REGISTRATION FORM AT THE BID COLLECTION CENTER NOR DEPOSITED DIRECTLY OR VIA ONLINE TRANSFER IN THE ISSUER'S DESIGNATED BANK ACCOUNT. BID AMOUNT MUST BE PAID THROUGH PAY ORDER, BANK DRAFT OR ONLINE TRANSFER DRAWN / TRANSFER IN FAVOR OF "**Service Global Footwear Ltd Book Building**" **IN A MANNER ACCEPTABLE TO THE BOOK RUNNER. PLEASE NOTE THAT THIRD PARTY PAYMENT INSTRUMENTS WILL NOT BE ACCEPTED.**

The Collection Banks shall keep and maintain the bid money in the said account. Once the shares allotted under the retail portion have been credited, the Consultant to the Issue, after obtaining NOC from PSX, may request in writing to the Banker to the Book Building Portion for transfer of the money of the successful and accepted applications to the Issuer's account(s).

PAYMENT PROCEDURE

The payment procedures for a Limit Bid or a Step Bid are explained below:

▪ PAYMENT FOR LIMIT BID

If investors are placing their bids as a Limit Bid, then they shall deposit the Margin Money based on the number of shares they are bidding for at their stated bid price.

For instance, if an investor is applying for 1 Million shares at a price of PKR 38.00/- per share, then the total Application Money would amount to PKR 38 Million. In such a case, (i) Individual Investor shall deposit PKR 38 Million in the Book Building account as the bid amount which is 100% of PKR 38 Million; and (ii) Institutional Investor shall deposit at least PKR 9.5 Million in the Book Building account as the Margin Money which is 25% of PKR 38 Million.

▪ PAYMENT FOR STEP BID

If an investor is placing a Step Bid which is a series of Limit Bids at increasing prices, then he/she/it shall deposit the Margin Money / bid money based on the total number of shares he/she/it is bidding for at his/her/its stated bid prices.

For instance, if the investor bids for 0.70 million shares at PKR 38.00/- per share, 0.60 million shares at PKR 39.00/- per share and 0.50 million shares at PKR 40.00/- per share, then in essence the investor has placed one Step Bid comprising three limit bids at increasing prices. The Application Money would amount to PKR 70 million, which is the

sum of the products of the number of shares bid for and the bid price of each limit bid. In such a case, (i) Individual Investors shall deposit PKR 70 million in the Book Building Account as Margin Money which is 100% of PKR 70 million and (ii) Institutional Investors shall deposit at least PKR 17.5 million in the Book Building Account as Margin Money which is 25% of PKR 70 million.

12.1.16. Payment by Foreign Investors

Companies are permitted under paragraph 6 (with specific reference to sub para (B) (I)) of Chapter 20 of the State Bank of Pakistan's ("SBP") Foreign Exchange Manual (the "Manual") to issue shares on repatriation basis to non-residents who are covered under paragraph 6 (A) of Chapter 20 of the Manual, i.e. (I) A Pakistan national resident outside Pakistan, (II) A person who holds dual nationality including Pakistan nationality, whether living in or outside Pakistan, (III) A foreign national, whether living in or outside Pakistan and (IV) A firm (including a partnership) or trust or mutual fund registered and functioning outside Pakistan, excluding entities owned or controlled by a foreign government, provided the issue price, is paid in foreign exchange through normal banking channel by remittance from abroad or out of foreign currency account maintained by the subscriber/purchaser in Pakistan.

Non-residents who wish to bid for the subscription of shares being offered via book building can remit the subscription money through an Authorized Dealer directly to the book building accounts opened by the Company as given in para 12.1.16 of this Prospectus, however, those non-residents who wish to subscribe shares out of the general public portion may contact any of the bankers to the issue (retail portion) for taking instructions regarding payment of subscription money against shares offered to general public / retail investors. List of bankers to the Issue for retail portion is available on page 1 of this Prospectus.

The shares issued to non-resident shareholders shall be intimated by the Company to the designated Authorized Dealer, along with the documents prescribed in the Manual within 30 days of issue.

Non-residents who are covered under paragraph 6 (A) of Chapter 20 of the Manual do not require SBP's approval to invest in the shares being issued in terms of this Prospectus. Furthermore, under paragraph 7 (vii) of Chapter 20 of the Manual the Authorized Dealer shall allow repatriation of dividends, net of applicable taxes and proceeds on sale of listed shares (i.e. divestment proceeds) not exceeding the market value less brokerage/commission on provision of prescribed documents.

Payments made by non-residents shall be supported by proof of receipt of foreign currency through normal banking channels. Such proof shall be submitted along with the Application by the non-residents.

12.1.17. Procedure for Rejection of Bids

In terms of regulation 9(7) of the PO Regulations, the Book Runner may reject any Bid placed by a Bidder for reasons to be recorded in writing provided the reason of rejection is disclosed to such Bidder. Decision of the Book Runner shall not be challengeable by the Bidder.

12.1.18. Time frame for upward revision of Bids by the Bidders

The registered investors may revise their Bids upwards any time either manually through the Bid Collection Centers or electronically through direct access to the system till 05:00 p.m. on the last day of the Bidding Period.

An investor will not be allowed to place or revise a bid with a price variation of more than 10% of the prevailing indicative strike price. **NO DOWNWARD REVISION BOTH IN TERMS OF BID PRICE AND BID VOLUME IS ALLOWED PROVIDED THAT IN CASE OF UPWARD REVISION OF THE BID PRICE, THE NUMBER OF SHARES BID FOR I.E. BID VOLUME MAY BE ADJUSTED ENSURING THAT THE BID AMOUNT OR BID MONEY REMAINS THE SAME. HOWEVER, NO WITHDRAWAL OF BID IS ALLOWED.**

12.1.19. Ten Percent (10%) Price Variation

An investor will not be allowed to place or upward revise a bid with a price variation of more than ten percent (10%) of the prevailing Indicative Strike Price subject to Floor Price and Price Band i.e. Bid Price must not be below the Floor Price and must not exceed 40% of the Floor Price which is upper limit of Floor Price. **Please note that the Indicative Strike Price may not be constant and may keep on changing during the bidding period. Therefore, the 10% range will also change with the changing Indicative Strike Price.**

For Example, if the Floor Price is PKR 38.00 per share and Indicative Strike Price at any given point in time during the bidding period is PKR 38.00 per share, registered bidders may place or revise their bids at/to any price between PKR 38.00 per share to PKR 41.80 per share. If at any given point in time during the bidding period, the Indicative Strike Price changes from PKR 38.00 per share to PKR 39.00 per share, the registered bidders may place or upward revise their bids at/to between PKR 39.00 per share to PKR 42.90 per share.

Please note that the 10% range on the lower side cannot go below the Floor Price and cannot exceed the upper cap of 40% of the Floor Price i.e. PKR 53.20 per share. The price range of 10% applicable at any given point in time during the bidding period will also be displayed on the bid screen available at the website of PSX.

12.1.20. Restriction on Downward Revision or Withdrawal of Bids by the Bidder

Under regulation 10(2)(vi) of the PO Regulations the Bidders shall not make downward revision both in terms of Bid Price and Bid Volume provided that in case of upward revision of the Bid Price, the number of shares Bid for i.e. Bid Volume may be adjusted ensuring that the bid amount or bid money remains the same.

Under regulation (10) (2)(vii) of the PO Regulations the Bidders shall not be allowed to withdraw Bids.

12.1.21. Procedure for Withdrawal of Issue

1. In accordance with regulation 8(16) of the PO Regulations, in case the Issuer does not receive bids for the number of shares allocated under the Book Building Portion at the Floor Price, the Issue shall be cancelled and the same shall be immediately intimated to the Commission and PSX and the Margin Money shall be refunded to the bidders immediately but not later than three (3) working days of the closing of the Bidding Period.
2. In accordance with regulation 8(17) of the PO Regulation, the Book Building process will be considered as cancelled if the total number of bids received is less than forty (40).

12.1.22. Basis of Allotment of Shares

Bidders shall be allowed to place bids for one hundred percent (100%) of the Issue size and the Strike Price shall be the price at which one hundred percent (100%) of the Issue is subscribed via the Dutch Auction Method.

Once the Strike Price is determined, all those Bidders whose bids have been found successful shall be provisionally allotted 75% of the Issue size i.e. 30,665,625 Ordinary Shares.

In order to be a successful Bidder in the Book Building process, the bid price would either be higher than the Strike Price or at the Strike Price.

For allocation of shares via Book Building, priority shall be given to the bids placed at the highest price. The bidders, who have made bids at prices above the Strike Price, will be provisionally allocated 75% of the shares successfully bid for, at the Strike Price. The differential between the bid price and Strike Price, would be refunded based on the total number of shares bid for.

Bidders who had placed Bids at the Strike Price will be provisionally allotted seventy-five (75%) of the shares successfully bid for, at the Strike Price, on proportionate basis.

Bids made below the Strike Price shall not qualify for allotment of shares and their Margin Money will be refunded.

Final allotment of shares to the successful bidders would be determined after determination of the public response to the Retail Portion of the Issue.

In the event the retail portion is undersubscribed, the unsubscribed portion would be allotted to the successful bidders, on a pro-rata basis as per regulation 11(5) of the PO Regulation. Excess funds, if any, would be refunded to the bidders after allotment of the unsubscribed shares.

Final allotment of shares out of the Book Building portion shall be made after subscription of the retail portion and receipt of full subscription money from the successful Bidders; however, shares to such Bidders shall be issued simultaneously with issuance of shares to retail investors, in the form of book-entry to be credited in their respective CDS Accounts. All the Bidders shall, therefore, provide number of their respective CDS Accounts in the Bid application as required under regulation 9(16) of the PO Regulations.

12.1.23. Refund of Margin Money

The Bidders who have made Bids below the Strike Price shall not qualify for allotment of securities and the Book Runner shall intimate their respective banks for unblocking, where required, their Bid Money within one (1) working day of the close of the bidding period as required under regulation 9(13) of the PO Regulations and the refunds, where required to such bidders shall be made within three (3) working days from the close of the bidding period.

12.1.24. Publication of Supplement to the Prospectus

In accordance with regulation 11(1) of the PO Regulations within three (3) working days of the closing of the Bidding Period, Supplement to the Prospectus shall be published at least in all those newspapers in which the Prospectus was earlier published and also disseminated through PSX.

The Supplement will contain information related to the Strike Price, the Offer Price, dates of the Public Subscription, and category wise break-up of the Successful Bidders. Format of the Supplement is given on page 3 of this Prospectus.

Public subscription for the shares shall be held at any date(s) within thirty days (30) of the publication of the Prospectus but not earlier than seven (7) days of such publication.

13 APPLICATION AND ALLOTMENT INSTRUCTIONS FOR RETAIL PORTION

13.1.1 Eligible Investors Include:

1. Pakistani citizen's resident in or outside Pakistan or Persons holding dual nationalities including a Pakistani nationality;
2. Foreign Nationals whether living in or outside Pakistan
3. Companies, bodies corporate or other legal entities incorporated or established in or outside Pakistan (to the extent permitted by their constitutive documents and existing regulations, as the case may be);
4. Mutual Funds, Provident / Pension / Gratuity Funds / Trusts, (subject to the terms of the Trust Deed and existing regulations); and
5. Branches in Pakistan of companies and bodies corporate incorporated outside Pakistan.

APPLICATION MUST BE MADE ON SECP's APPROVED APPLICATION FORM OR A LEGIBLE PHOTOCOPY THEREOF ON A PAPER OF A4 SIZE WEIGHING AT LEAST 62 GM

13.1.2 Copies of Prospectus

Copies of this Prospectus and Applications Forms can be obtained from members of PSX, the Bankers to the Issue and their branches, the Consultant to the Issue, the Book Runner to the Issue and registered office of the Company. The Prospectus and the Application Form can also be downloaded from the following websites:

<http://www.arifhabibltd.com>, <http://www.serviceglobalfootwear.com>, www.psx.com.pk & www.cdceipo.com;

Shares against the successful and accepted applications shall be issued in the Book Entry Form only and will be credited into the Applicants CDS Account mentioned in the Application. The applicants, therefore, must provide detail of their CDS Account (investors Account or Sub-Account) in the Shares Subscription Form. Investors who do not have CDS account may visit www.cdcpakistan.com for information and details. For further guidance and queries regarding opening of CDS account, investors may contact CDC at phone Number: 0800 – 23275 (CDCPL) and e-mail: info@cdcpak.com.

NAMES(S) AND ADDRESS (ES) MUST BE WRITTEN IN FULL BLOCK LETTERS, IN ENGLISH AND SHOULD NOT BE ABBREVIATED.

ALL APPLICATIONS MUST BEAR THE NAME AND SIGNATURE CORRESPONDING WITH THE ONE RECORDED WITH THE APPLICANT'S BANKER. IN CASE OF DIFFERENCE OF SIGNATURE WITH THE BANK AND COMPUTERIZED NATIONAL IDENTITY CARD (CNIC) OR THE NATIONAL IDENTITY CARD FOR OVERSEAS PAKISTANI (NICOP) OR PASSPORT, BOTH THE SIGNATURES SHOULD BE AFFIXED ON THE APPLICATION FORM.

13.1.3 OPENING AND CLOSING OF THE SUBSCRIPTION LIST

The subscription list will open at the commencement of banking hours on April 12th 2021 and will close on April 13th 2021 at the close of banking hours. **Please note that online applications can be submitted 24 hours during the subscription period which will close at 12:00 midnight on April 13th 2021.**

13.1.4 E-IPO SYSTEM

e-IPO refers to electronic submission of applications for subscription of securities offered in an IPO. The following systems are available for e-IPOs:

PSX's e-IPO System (PES):

In order to facilitate investors, the Pakistan Stock Exchange Limited ("PSX") has developed an e-IPO System ("PES") through which applications for subscription of securities offered to the general public can be made electronically. PES has been made available in this Issue and can be accessed through the web link (<https://eipo.psx.com.pk>). Payment of subscription money can be made through 1LINK's and NIFT's member banks available for PES.

For making application through PES, investors must be registered with PES. The PES registration form is available 24/7, all throughout the year. Registration is free of cost and can be done by:

- the investor himself, or
- the TREC Holder with whom the investor has a sub-account, or
- the Bank with whom the investor has a bank account.

Similarly, an e-IPO application can be filed by:

- the investor himself, or
- the TREC Holder with whom the investor has a sub-account, or
- the Bank with whom the investor has a bank account.

For further guidance and queries regarding PES, **investors may contact PSX at phone number: 111-001-122, or contact at phone (021)-35274401-10 and email: itss@psx.com.pk**.

Investors who are registered with PES can submit their applications through the web link <https://eipo.psx.com.pk> 24 hours a day during the subscription period which will close at midnight on **April 13th 2021**.

Centralized e-IPO System (CES):

The Central Depository Company of Pakistan Limited (CDC) in collaboration with 1Link (G) Limited (1Link) has developed a Centralized e-IPO System (CES) through which applications for subscription of securities offered to the general public can be made electronically. CES has been made available in this Issue and can be accessed through the web link (www.cdceipo.com). Payment of subscription money can be made through 1LINK's member banks available for CES, list of which is available on the above-mentioned website.

For making application through CES, investors must be registered with CES. Registration with CES is one-time activity, free of cost and a self-registration process by filling the CES registration form, which is available 24/7 all around the year. Investors who have valid Computerized National Identity Card (CNIC), International Bank Account Number (IBAN) with any of the commercial bank, email address, mobile phone number and CDS Account (Investor Account or sub Account) may register themselves with CES.

In addition to the above, CDC has also introduced a new facility in CES through which sub-account holder(s) will request their respective TREC Holders who are Participants in Central Depository System (CDS) to make electronic subscription on their behalf for subscription of securities of a specific company by authorizing (adding the details of) their respective Participant(s) in CES. Consequently, authorized Participants will electronically subscribe on behalf of their sub-account holder(s) in securities offered through Initial Public Offerings (IPOs) and will also be able to make payment against such electronic subscriptions through all the available channels mentioned on CES only after receiving the subscription amount from the sub-account holder(s). To enable this feature, the CDS Participant may request CDC to activate his ID on the CES portal. The securities will be credited directly in Investors' subaccount. In case the sub-account of the investor has been blocked or closed, after the subscription, then securities shall be parked into the CDC's IPO Facilitation Account and investor can contact CDC for credit of shares in its respective account. Investors who do not have CDS account may visit www.cdcpakistan.com for information and details. For further guidance and queries regarding CES and opening of CDS account, investors may contact CDC at phone Number: 0800 – 23275 (CDCPL) and e-mail: info@cdcpak.com or contact Mr. Farooq Ahmed Butt of CDC at Phone 021-34326030 and email: farooq_butt@cdcpak.com.

E-IPO Facilities by Bankers to the Issue

Currently, United Bank Limited (UBL) and Bank Alfalah Limited (BAFL) are providing e-IPO facilities to their respective account holders. UBL account holders can use UBL Net Banking to submit their application via link <http://www.ubldirect.com/corporate/ebank> whereas BAFL account holders can use BAFL Net Banking to submit their application via link <https://netbanking.bankalfalah.com>.

Investors who are registered with CES or account holders of UBL & BAFL can submit their applications through the above mentioned links 24 hours a day during the subscription period which will close at midnight on April 13th 2021.

13.1.5 APPLICATIONS MADE BY INDIVIDUAL INVESTORS

1. In case of individual investors, an attested photocopy of CNIC (in case of Resident Pakistanis) / NICOP or Passport (in case of Non-Resident Pakistanis) as the case may be, should be enclosed and the number of CNIC / NICOP / Passport should be written against the name of the applicant. Copy of these documents can be attested by any Federal / Provincial Government Gazette Officer, Councilor, Oath Commissioner or Head Master of High School or bank manager in the country of applicant's residence.
2. Original CNIC / NICOP / Passport, along with one attested photocopy, must be produced for verification to the Banker to the Issue and the applicant's banker (if different from the Banker to the Issue) at the time of presenting the application. The attested photocopy will, after verification, be retained by the bank branch along with the application.

Aforementioned requirements pertaining to CNIC/NICOP only applies to physical applications and would not be required in E-IPO facility.

13.1.6 APPLICATIONS MADE BY INSTITUTIONAL INVESTORS

1. Applications made by companies, corporate bodies, mutual funds, provident / pension / gratuity funds / trusts and other legal entities must be accompanied by an attested photocopy of their Memorandum and Articles of Association or equivalent instrument / document. Where applications are made by virtue of Power of Attorney, the same should also be submitted along with the application. Any Federal / Provincial Government Gazette Officer, Councilor, Bank Manager, Oath Commissioner and Head Master of High School or bank manager in the country of applicant's residence can attest copies of such documents.
2. Attested photocopies of the documents mentioned in 8.7 (i) must be produced for verification to the Banker to the Issue and the applicant's banker (if different from the Banker to the Issue) at the time of presenting the application. The attested copies, will after verification, be retained by the bank branch along with the application.

13.1.7 ADDITIONAL INSTRUCTIONS FOR INVESTORS

1. Only one application will be accepted against each account, however, in case of joint account, one application may be submitted in the name of each joint account holder.
2. Joint application in the name of more than two persons will not be accepted. In case of joint application each applicant must sign the application form and submit attested copies of their CNICs / NICOP / Passport. The share certificates will be dispatched to the person whose name appears first on the application form while in case of CDS, it will be credited to the CDS account mentioned on the face of the form and where any amount is refundable, in whole or in part, the same will be refunded by cheque or other means by post, or through the bank where the application was submitted, to the person named first on the application form, without interest, profit or return. Please note that joint application will be considered as a single application for the purpose of allotment of shares.
3. Subscription money must be paid by check drawn on applicant's own bank account or pay order / bank draft payable to one of the Bankers to the Issue "**Service Global Footwear Limited - General Subscription**" and crossed "**A/C PAYEE ONLY**".
4. For the applications made through pay order / bank draft, it would be permissible for a Banker to the Issue to deduct the bank charges while making refund of subscription money to unsuccessful applicants through pay order / bank draft individually for each application.
5. The applicant should have at least one bank account with any of the commercial banks. The applicants not having a bank account at all (non-account holders) are not allowed to submit application for subscription of shares.
6. Applications are not to be made by minors and / or persons of unsound mind.
7. Applicants should ensure that the bank branch, to which the application is submitted, completes the relevant portion of the Application Form.
8. Applicants should retain the bottom portion of their Application Forms as provisional acknowledgement of submission of their applications. This should not be construed as an acceptance of the application or a guarantee that the applicant will be allotted the number of shares for which the application has been made.

9. Making of any false statements in the application or willfully embodying incorrect information therein shall make the application fictitious and the applicant or the bank shall be liable for legal action.
10. Bankers to the Issue are prohibited to recover any charges from the subscribers for collecting subscription applications. Hence, the applicants are advised not to pay any extra charges to the Bankers to the Issue.
11. It would be permissible for a Banker to the Issue to refund subscription money to unsuccessful applicants having an account in its bank by crediting such account instead of remitting the same by cheque, pay order or bank draft. Applicants should, therefore, not fail to give their bank account numbers.
12. Submission of false and fictitious applications is prohibited and such applications' money may be forfeited under section 87(8) of the Securities Act, 2015.

13.1.8 ADDITIONAL INSTRUCTIONS FOR FOREIGN / NON-RESIDENT INVESTORS'

1. In case of foreign investors who are not individuals, applications must be accompanied with a letter on applicant's letterhead stating the legal status of the applicant, place of incorporation and operations and line of business. A copy of Memorandum of Association or an equivalent document should also be enclosed, if available. Where applications are made by virtue of Power of Attorney, the same must be lodged with the application. Copies of these documents can be attested by the bank manager in the country of applicant's residence.
2. Foreign / resident should follow payment instructions given in Section 12.1.16 of this Prospectus.

13.1.9 CODE OF OCCUPATION OF INVESTORS / APPLICANTS

Code	Occupation
01	Business
02	Business Executive
03	Service
04	Housewife
05	Household
06	Professional
07	Student
08	Agriculturist
09	Industrialist
10	Other

13.1.10 NATIONALITY CODE

Code	Name of Country
001	U.S.A
002	U.K
003	U.A.E
004	K.S.A
005	Oman
006	Bangladesh
007	China
008	Bahrain
009	Other

13.1.11 MINIMUM AMOUNT OF APPLICATION AND BASIS FOR ALLOTMENT OF SHARES OF THE ISSUE

The basis and conditions for allotment of shares out of the Issue shall be as follows:

1. Application for shares must be made for 500 shares or in multiples of 500 shares only. Applications which are neither for 500 shares nor for multiples of 500 shares shall be rejected.
2. The minimum amount of application for subscription of 500 shares is the Issue Price x 500 shares.
3. Application for shares below the minimum amount shall not be entertained.

- 4. SUBMISSION OF FALSE AND FICTITIOUS APPLICATIONS IS PROHIBITED AND SUCH APPLICATIONS' MONEY MAY BE FORFEITED UNDER SECTION 87(8) OF THE SECURITIES ACT, 2015.**
5. If the shares offered to the general public are sufficient to accommodate all applications, all applications shall be accommodated.
 6. If the shares applied for by the general public are in excess of the shares allocated to them, the distribution shall be made by computer balloting, in the presence of the representative(s) of PSX in the following manner:
 - If all applications for 500 shares can be accommodated, then all such applications shall be accommodated first. If all applications for 500 shares cannot be accommodated, then balloting will be conducted among applications for 500 shares only.
 - If all applications for 500 shares have been accommodated and shares are still available for allotment, then all applications for 1,000 shares shall be accommodated. If all applications for 1,000 shares cannot be accommodated, then balloting will be conducted among applications for 1,000 shares only.
 - If all applications for 500 shares and 1,000 shares have been accommodated and shares are still available for allotment, then all applications for 1,500 shares shall be accommodated. If all applications for 1,500 shares cannot be accommodated, then balloting will be conducted among applications for 1,500 shares only.
 - If all applications for 500 shares, 1,000 shares and 1,500 shares have been accommodated and shares are still available for allotment, then all applications for 2,000 shares shall be accommodated. If all applications for 2,000 shares cannot be accommodated, then balloting will be conducted among applications for 2,000 shares only.
 - After the allotment in the above mentioned manner, the balance shares, if any, shall be allotted in the following manner:
 - After allotment of the above, the balance shares, if any, shall be allotted on pro rata basis to the applicants who applied for more than 2,000 shares.
 7. If the Issue is over-subscribed in terms of amount only, then allotment of shares shall be made in the following manner:
 - First preference will be given to the applicants who applied for 500 shares;
 - Next preference will be given to the applicants who applied for 1,000 shares;
 - Next preference will be given to the applicants who applied for 1,500 shares;
 - Next preference will be given to the applicants who applied for 2,000 shares; and then
 - After allotment of the above, the balance shares, if any, shall be allotted on pro rata basis to the applicants who applied for more than 2,000 shares.
 8. Allotment of shares will be subject to scrutiny of applications for subscription of shares.
 9. Applications, which do not meet the above requirements, or application which are incomplete, will be rejected.

13.1.12 BASIS OF ALLOTMENT

The basis and conditions of transfer of shares to the General Public shall be as follows:

1. The minimum value of application will be calculated as Issue Price 500 shares. Application for amount below the minimum value shall not be entertained.
2. Application for shares must be made for 500 shares or in multiple of 500 shares only. Applications which are neither for 500 shares nor for multiples of 500 shares shall be rejected.
3. Allotment / Transfer of shares to successful applicants shall be made in accordance with the allotment criteria / instructions disclosed in the Prospectus.
4. Allotment of shares shall be subject to scrutiny of applications in accordance with the criteria disclosed in the Prospectus and / or the instructions by the Securities & Exchange Commission of Pakistan.

5. Applications, which do not meet the above requirements, or applications which are incomplete will be rejected. The applicants are, therefore, required to fill in all data fields in the Application Form.
6. The Company will credit shares in the CDS Accounts of the successful applicants.

13.2 REFUND/UNBLOCKING OF SUBSCRIPTION MONEY TO UNSUCCESSFUL APPLICANTS

As per the regulation 11(4) of the PO Regulations, within ten (10) working days of the close of public subscription period the Shares shall be allotted and issued against the accepted and successful applications and the subscription money of the unsuccessful applicants shall be unblocked/ refunded.

As per sub-section (2) of Section 68 of the Companies Act, if refund as required under sub-section (1) of Section 68 of the Companies Act is not made within the time specified hereinabove, the directors of the company shall be jointly and severally liable to repay that money with surcharge at the rate of two percent (2%) for every month or part thereof from the expiration of the fifteenth day and, in addition, shall be liable to a penalty of level 3 on the standard scale as defined in Section 479 of the Companies Act. Provided that the directors of the Company shall not be liable if it proves that the default in making the refund was not on their own account and was not due to any misconduct or negligence on their part.

13.3 ISSUE AND CREDIT OF SHARE CERTIFICATES

Within ten (10) working days of the closing of public subscription period, the shares shall be allotted, issued and credited against the accepted and successful applications and the subscription money of the unsuccessful applicants shall be unblocked/refunded, as required under regulation 11(4) of the PO Regulations. **Shares will be issued only in the book-entry form and will be credited into the respective CDS Accounts of the successful applicants. Therefore, the applicants must provide their CDS Account Number in the Shares Subscription Applicant.**

If the Company defaults in complying with the above requirements, it shall pay PSX a penalty of PKR 5,000 per day for every day during which the default continues. PSX may also notify the fact of such default and name of the Company by notice and also by publication in its ready-board quotation of the Stock Exchange.

Name of the Company will also be notified to the TRE Certificate Holders of the PSX and placed on the web site of the PSX.

13.4 TRANSFER OF SHARES

The shares shall be transferred in accordance with the provisions of Section 74 of the Companies Act read with Section 75 thereof and the Central Depositories Act, 1997 and the CDCPL Regulations.

13.5 LIST OF BANKERS TO THE ISSUE

Code	Name of Bank
01	Bank Alfalah Limited
02	Habib Bank Limited
03	Habib Metropolitan Bank Limited
04	Meezan Bank Limited
05	Faysal Bank Limited
06	Soneri Bank Limited
07	United Bank Limited
08	Askari Bank Limited
09	Allied Bank Limited
10	MCB Bank Limited

*UBL and BAFL are providing their own e-IPO facilities. Account holders of these Banks may apply for subscription of shares electronically.

13.6 MINIMUM AMOUNT OF APPLICATION

As per PO Regulations, the minimum amount of bid shall not be less than PKR 1.0 million.

13.7 INTEREST OF SHAREHOLDERS

None of the holders of the Issued shares of the Company have any special or other interest in the property or profits of the Company other than their capacity as holder of Ordinary shares except from the shareholders who are also the Director of the company. Directors of the Company have interest to the extent of receiving remuneration for their role as Directors.

13.8 ELIGIBILITY FOR DIVIDEND

The ordinary shares issued shall rank pari-passu with the existing shares in all matters of the Company, including the right to such bonus or right issues, and dividend as may be declared by the Company subsequent to the date of issue of such shares.

13.9 DEDUCTION OF ZAKAT

Income distribution will be subject to deduction of Zakat at source, pursuant to the provisions of Zakat and Ushr Ordinance, 1980 (XVIII of 1980) as may be applicable from time to time except where the Ordinance does not apply to any shareholder or where such shareholder is otherwise exempt or has claimed exemption from payment / deduction of Zakat in terms of and as provided in that Ordinance.

13.10 CAPITAL GAINS TAX

Capital gains derived from the sale of listed securities are taxable in the following manner under section 37A of Income Tax Ordinance, 2001:

Sr. No.	Capital Gain Tax for FY20	Filer	Non-Filer
1	Applicable Capital Gain Tax Rate	15%	30%

13.11 WITHHOLDING TAX ON DIVIDENDS

Dividend distribution to shareholders will be subject to withholding tax under section 150 of the Income Tax Ordinance, 2001 as specified in Part III Division I of the First Schedule of the said ordinance or any time to time amendments therein. In terms of the provision of Section 8 of the said ordinance, said deduction at source, shall be deemed to be full and final liability in respect of such profits in case of persons only. Applicable withholding tax rate on dividend is 15% for filer and 30% for non-filer.

13.12 TAX ON BONUS SHARES

As per section 236M of the Income Tax Ordinance 2001, amended vide Finance Act 2018-19, tax on issue of bonus shares has been omitted and will not be applicable from 1st July 2018 and onwards.

13.13 INCOME TAX

The Company falls under the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001. Provision for income tax made accordingly. Further, provision against income from other sources is made under the relevant provisions of Income Tax Ordinance, 2001.

13.14 DEFERRED TAXATION

Deferred tax is accounted for using the balance sheet liability method in respect of on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income. Deferred tax is calculated by using the tax rates enacted at the balance sheet date. In this regard, the effect on deferred taxation of the portion of income subjected to Final Tax Regime is adjusted in accordance with the requirements of Accounting Technical Release – 27 of the Institute of Chartered Accountants of Pakistan, if considered material.

Deferred tax liability is recognized for all taxable temporary differences and deferred tax asset is recognized for all deductible temporary differences and carry-forward of unused tax losses and unused tax credits, if any, to the extent that it is probable that future taxable profit will be available against which these can be utilized.

Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Provision for deferred income tax is not required as the Company is chargeable to tax under Section 169 of the Income Tax Ordinance, 2001.

13.15 SALES TAX

General Sales Tax is applicable as per Sales Tax Act, 1990 on supplies. Sales tax is applicable on services in accordance with Punjab Sales Tax on Services Act, 2012 by Punjab Revenue Authority and Sindh Sales Tax on Services Act, 2011 by Sindh Revenue Board.

13.16 SALES TAX ON SALE / PURCHASE OF SHARES

Under the Constitution of Pakistan and Articles 49 of the 7th NFC Award, the Government of Sindh, Government of Punjab, Government of Khyber Pakhtunkhwa and Government of Baluchistan have promulgated the Sindh Sales Tax on Services Act, 2011, Punjab Sales Tax on Services Act, 2012, Khyber Pakhtunkhwa Sales Tax on services through Khyber Pakhtunkhwa Finance Act, 2013 and the Baluchistan Sales Tax on services Act, 2015 respectively.

The Sindh Revenue Board, the Punjab Revenue Authority, and the Khyber Pakhtunkhwa Revenue Authority and the Baluchistan Revenue Authority administer and regulate the levy and collection of the Sindh Sales Tax ("SST"), Punjab Sales Tax ("PST"), Khyber Pakhtunkhwa Sales Tax ("KST") and Baluchistan Sales Tax ("BST") respectively on the taxable services provided or rendered in Sindh, Punjab or Khyber Pakhtunkhwa provinces respectively.

The value of taxable services for the purpose of levy of sales tax is the gross commission charged from clients in respect of purchase or sale of shares in a Stock Exchange. The above mentioned Acts levy a sales tax on Brokerage at the rate of 13% in Sindh, 16% in Punjab and in Baluchistan and 15% in Khyber Pakhtunkhwa. Sales tax charged under the aforementioned Acts is withheld at source under statutory requirements.

13.17 TAX CREDIT FOR INVESTMENT IN IPO

Under Section 62 of the Income Tax Ordinance, 2001, a resident person other than a Company, shall be entitled to a tax credit, as mentioned in the said section, for a tax year in respect of the cost of acquiring in the year, new shares offered to the public by a public company listed on a stock exchange in Pakistan, provided the resident person is the original allottee of the shares or the shares are acquired from the Privatization Commission of Pakistan.

As per section 62(3)(b) of the Income Tax Ordinance, 2001, the time limit for holding shares has been designated as 24 months to avail tax credit.

13.18 TAX CREDIT FOR ENLISTMENT

As per the inference drawn from section 65C of Income Tax Ordinance 2001, SGFL is not entitled to claim tax credit on enlistment, as the income of the Company falls under final taxation regime.

14 SIGNATORIES TO THE PROSPECTUS

-sd-

Arif Saeed - Chairman and Non-Executive Director

-sd-

Hassan Javed - Chief Executive Officer and Executive Director

-sd-

Chaudhry Ahmed Javed - Non-Executive Director

-sd-

Omar Saeed - Non-Executive Director

-sd-

Mr. Azmat Ali Ranjha - Independent Director

-sd-

Mr. Abdul Rashid Lone- Independent Director

-sd-

Ms. Maleeha Humayun Bangash - Independent Director

-sd-

Mr. Hassan Ehsan Cheema - Executive Director

-sd-

Mr. – Qadeer Ahmed Vaseer- Executive Director

Signed by the above in presence of witnesses:

Witness 1:

-sd-

Witness 2:

-sd-

Date: January 29th 2021

15 MEMORANDUM OF ASSOCIATION

THE COMPANIES ACT, 2017 (XIX of 2017)

(COMPANY LIMITED BY SHARES)

MEMORANDUM

OF

ASSOCIATION

OF

SERVICE GLOBAL FOOTWEAR LIMITED



THE COMPANIES ACT, 2017 (XIX of 2017)

(COMPANY LIMITED BY SHARES)

MEMORANDUM OF ASSOCIATION

OF

SERVICE GLOBAL FOOTWEAR LIMITED

1. The name of the company is Service Global Footwear Limited.
2. The registered office of the Company will be situated in the Province of Punjab.
3.
 - (i) The principle line of business of the company shall be to carry on the business of manufacturing, sale, marketing, import and export of footwear, leather and allied products. To buy, sell, manufacture, repair, alter, improve, exchange, let out on hire and deal with all factories, works, plant, machinery, tools, utensils, appliances, apparatus, products, materials, substances, articles and things capable of being used in the business of footwear, leather and allied products which the company is competent to carry on or required by any customers of or persons having dealing with the Company or commonly dealt in by persons engaged in the aforesaid businesses and to manufacture, experiment with, render marketable and deal in all products or by-products, incidental to the business of footwear, leather and allied products carried on by the company.
 - (ii) Except for the businesses mentioned in sub-clause (iii) hereunder, the company shall engage in all the lawful businesses and shall be authorized to take all necessary steps and actions in connection therewith and ancillary thereto.
 - (iii) Notwithstanding anything contained in the foregoing sub-clauses of this clause nothing contained herein shall be construed as empowering the Company to undertake or indulge, directly or indirectly in the business of a Banking Company, Non-banking Finance Company (Mutual Fund, Leasing, Investment Company, Investment Advisor, Real Estate Investment Trust management company, Housing Finance Company, Venture Capital Company, Discounting Services, Microfinance or Microcredit business), Insurance Business, Movable management company, Stock Brokerage business, forex, managing agency, business of providing the services of security guards or any other business restricted under any law for the time being in force or as may be specified by the Commission.
 - (iv) It is hereby undertaken that the company shall not:
 - (a) engage in any of the business mentioned in sub-clause (iii) above or any unlawful operation;



- (b) launch multi-level marketing (MLM), Pyramid and Ponzi Schemes, or other related activities/businesses or any lottery business;
- (c) engage in any of the permissible business unless the requisite approval, permission, consent or license is obtained from competent authority as may be required under any law for the time being in force.

4. The liability of the members is limited.


5. The authorized capital of the company is Rs. 2,500,000,000/- (Rupees Two Billion Five Hundred Million Only) divided into 250,000,000 (Two Hundred Fifty Million) ordinary shares of Rs. 10/- (Rupees Ten Only) each.

We, the several persons whose names and addresses are subscribed below, are desirous of being formed into a Company, in pursuance of this memorandum of association, and we respectively agree to take the number of shares in the capital of the Company set opposite our respective names:



Name and surname (present & former) in full (in Block Letters)	NIC No. (in case of foreigner: Passport No)	Father's/Husband's Name in full	Nationality (ies) with any former Nationality	Occupation	Usual residential address in full or the registered principal office address for a subscriber other than natural person	Number of Shares taken by each subscriber (in figures and words)	Signatures
Service Industries Limited Through Nominee	00008064				Service House, 2 - Main Gulberg, Lahore	49,996 (Forty-Nine Thousand Nine Hundred and Ninety-Six Only)	
Hussan Javed	35202-2856650-7	Ch. Ahmed Javed	Pakistani		House No. 4A, Gulberg 2, Lahore		
Chaudhry Ahmed Javed	35202-6319272-5	Chaudhry Muhammad Hussain	Pakistani		House No. 4A, Gulberg 2, Lahore	1 (One Share Only)	
Arif Saeed	35202-2835725-9	Chaudhry Ahmad Saeed	Pakistani		House No. 10, Gulberg 5, Lahore	1 (One Share Only)	

Omar Saeed	35202-3786183-5	Ahmad Saeed	Pakistani		House No. 10, Gulberg 5, Lahore	1 (One Share Only)	
Hassan Javed	35202-2936650-7	Ch. Ahmad Javed	Pakistani		House No. 4A, Gulberg 2, Lahore	1 (One Share Only)	
Total number of shares taken (in figures and words)						50,000 (Fifty Thousand Shares Only)	



Dated the 12th day of July, 2019.

CERTIFIED TO BE TRUE COPY

 23/10/2020

16 REGISTRATION FORM

Registration Form								
 Service Global Footwear Limited	Book Runner  ARIF HABIB LIMITED	Tick One <input type="checkbox"/> KHI <input type="checkbox"/> LHR <input type="checkbox"/> ISB <input type="checkbox"/> PSH <input type="checkbox"/> QUT <input type="checkbox"/> AZK <input type="checkbox"/> BLT/GLT						
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Registration Dates</td> <td>02/April/2021 to 08/April/2021</td> </tr> <tr> <td>Bidding Dates</td> <td>07/April/2021 to 08/April/2021</td> </tr> <tr> <td>Bidding Form No.</td> <td></td> </tr> </table>			Registration Dates	02/April/2021 to 08/April/2021	Bidding Dates	07/April/2021 to 08/April/2021	Bidding Form No.
Registration Dates	02/April/2021 to 08/April/2021							
Bidding Dates	07/April/2021 to 08/April/2021							
Bidding Form No.								
INITIAL PUBLIC OFFERING OF ORDINARY SHARES OF SERVICE GLOBAL FOOTWEAR LIMITED THROUGH BOOK BUILDING PROCESS AT A FLOOR PRICE OF PKR 38.00 PER SHARE (INCLUDING A PREMIUM OF PKR 28.00/- PER SHARE)								
PLEASE FILL THE FORM IN BLOCK LETTERS. PLEASE PROVIDE ACCURATE DETAILS TO AVOID ANY INCONVENIENCE. ELIGIBLE INVESTORS MUST SUBMIT ONLY ONE PAYORDER ALONG WITH THE REGISTRATION FORM.								
Name ¹	CNIC #							
	NTN ¹							
Address	Cell #							
	Land Line #							
E-mail	Fax #							
IBAN Number ²	Bank Name							
PLEASE TICK THE APPROPRIATE BOX			Nationality (If other than Pakistani)					
<input type="checkbox"/> Local Institutional Investor								
<input type="checkbox"/> Foreign Institutional Investor								
<input type="checkbox"/> Individual Investor								
<input type="checkbox"/> Resident								
<input type="checkbox"/> Non Resident								
<input type="checkbox"/> Foreigner								
¹ NAME AND CNIC MENTIONED ON THE FORM SHOULD BE SAME AS OF THE BANK ACCOUNT WHOSE IBAN HAS BEEN PROVIDED IN THE FORM ² PROVIDE THE IBAN NUMBER OF YOUR ACCOUNT IN WHICH REFUND WOULD BE TRANSFERRED. NO FORM WOULD BE ACCEPTED WITHOUT IBAN NUMBER. ³ INVESTORS ARE ENCOURAGED TO DISCLOSE THEIR NTN NUMBERS TO FACILITATE THE COMPANY TO CHECK STATUS OF THE SHAREHOLDERS AS TAX RETURN FILER OR NON-FILER FROM THE ACTIVE TAXPAYERS LIST (ATL) AVAILABLE ON THE WEBSITE OF FBR. PLEASE NOTE THAT REDUCED TAX RATE OF 15.0% APPLIES TO FILERS INSTEAD OF 30.0% FOR NON-FILERS ON PAYMENT OF CASH DIVIDEND DECLARED, IF ANY, BY THE COMPANIES								
Payment Details:		Payments to be made in favor of "Service Global Footwear Limited - Book Building"						
Amount in Figures		Instrument #						
Instrument Date		Margin %age						
Banker's Name, Address & Branch								
CDC Details for Sub A/C & House A/C								
CDC Participant Name		CDC Participant ID						
Sub A/C No.		House A/C No.						
CDC Details for Investor A/C								
CDC Investor Service A/C ID		CDC Investor A/C No.						
I UNDERTAKE TO SUBSCRIBE TO SHARES UNSUBSCRIBED IN THE RETAIL PORTION WHICH ARE ALLOCATED TO ME ON A PRO-RATA BASIS. I ALSO UNDERTAKE THAT MY BID MONEY SHALL REMAIN DEPOSITED OR BLOCKED TILL ALLOTMENT OF UNSUBSCRIBED SHARES IN THE RETAIL PORTION.								
I DECLARE THAT I have read all the terms and conditions stated in the Prospectus and the Instructions Page of the Bidding Form. The same terms and conditions would be applicable on the Registration Form.								
Signature of Bidder: _____								

17 BIDDING FORM

BIDDING FORM			
 Service Global Footwear Limited Service Global Footwear Limited	Book Runner 	Tick One <input type="checkbox"/> KHI <input type="checkbox"/> LHR <input type="checkbox"/> ISB <input type="checkbox"/> PSH <input type="checkbox"/> QUT <input type="checkbox"/> AZK <input type="checkbox"/> BLT/GLT Bidding Dates 07/April/2021 to 08/April/2021 Bidding Form No.	
INITIAL PUBLIC OFFERING OF ORDINARY SHARES OF Service Global Footwear Limited THROUGH BOOK BUILDING PROCESS AT A FLOOR PRICE OF PKR 38.00 PER SHARE (INCLUDING A PREMIUM OF PKR 28.0/- PER SHARE)			
Name	PLEASE TICK THE APPROPRIATE BOX		
	<input type="checkbox"/> Local Institutional Investor	<input type="checkbox"/> Foreign Institutional Investor	<input type="checkbox"/> Individual investor
Address	Cell #	Resident	Nationality (If other than Pakistani)
	Land Line #	Non-Resident	
		Foreigner	
Fax #	E-mail:	CNIC #	
		NTN*	
*INVESTORS ARE ENCOURAGED TO DISCLOSE THEIR NTN NUMBERS TO FACILITATE THE COMPANY TO CHECK STATUS OF THE SHAREHOLDERS AS TAX RETURN FILER OR NON-FILER FROM THE ACTIVE TAXPAYERS LIST (ATL) AVAILABLE ON THE WEBSITE OF FBR. PLEASE NOTE THAT REDUCED TAX RATE OF 15.0% APPLIES TO FILERS INSTEAD OF 30.0% FOR NON-FILERS ON PAYMENT OF CASH DIVIDEND DECLARED, IF ANY, BY THE COMPANIES.			
Dividend Mandate: Mark tick [✓] in the appropriate boxes Yes [] No [] In case the Applicant intends that if Shares applied for are issued to him/it and the dividend declared by the Company, if any, is credited directly in his/it bank account, instead of issued of dividend warrants, then please fill in the following boxes:			
Title of Account			
Account Number			
Bank Name			
Branch Name & Address			
The Directors of Service Global Footwear Limited Servis House, 2 -- Main Gulberg, Lahore, Pakistan Dear Sir, On the basis of Prospectus by Service Global Footwear Limited for the Initial Public Offer of its Ordinary Shares, I/we hereby bid for subscription of Shares of the Company as under:			
Bid Details			
	No. of Shares	Bid Price Per Share	Total Amount
Bid Option (Please tick)	(In Figures)	(In Figures)	(In Figures)
Limit Order			
Step Order:			
Option (1)			
Option (2)			
Option (3)			
Option (4)			
Total (Shares and Price)			
Important Instructions: 1) Bids should be placed for a minimum amount of PKR 1,000,000/-. It should also be noted that no. of shares bid for should be rounded and fractional shares will not be acceptable. Please ensure that after rounding the number of shares multiplied by your bid price, is at least PKR 1,000,000/-. 2) Eligible Investors who want to place a Step Bid, must ensure that each step amounts to PKR 1,000,000/- at least. 3) Any Bid received below the Floor Price will not be accepted by the Book Runner. 4) An investor shall not make downward revision both in terms of Bid Price and Bid Volume; Provided that in case of upward revision of the Bid Price, the number of shares Bid for i.e. Bid Volume may be adjusted ensuring that the bid amount or bid money remains the same. 5) <u>An investor shall not make a bid with price variation of more than 10% of the prevailing indicative strike price subject to 40% maximum Price Band i.e. the strike price must not exceed 40% upper limit of floor price.</u>			
Signature of Bidder: _____			

In terms of the Listing of Companies and Securities Regulations of the Pakistan Stock Exchange ("PSX"), I/we am/are eligible to bid in this Initial Public Offer of Ordinary Shares. The amount payable on bidding is remitted herewith which is the applicable margin amount. I/we agree to pay the balance amount of application money, if any, upon successful allocation of shares. In case no shares are allotted to me/us you are hereby authorized to return to me/us by demand draft/pay order application money, within three (3) working days of the close of the bidding period.

I/we agree that this is a binding agreement to accept the number of shares as may be allocated to me/us subject to the terms of the Prospectus, the bidding form and other applicable laws. I/we undertake that I/we will sign all such other documents and do all such acts, if necessary on my/our part to enable me/us to be allocated/allotted/transferred the shares and to pay for the same. I/we authorize you to place my/our name(s) on the register of the members of the Company as holder(s) of the shares that will be allocated/allotted/transferred to me/us and to register my/our address as given below. I/ We noted that the Book Runner is entitled, in its absolute discretion to accept or reject this Bidding Application for reason(s) to be recorded in writing and the reason(s) should be disclosed to us forthwith. I/We have no objection if there are necessary changes made in the Prospectus for filling of the same with the Securities and Exchange Commission of Pakistan ("SECP").

I understand that the Issuer, the Book Runner, SECP and the Stock Exchange reserve the right of legal action against me under the law, if I submit a fictitious bid and/or the instrument deposited by me for margin money is bounced.

I DECLARE THAT: i) I AM/WE ARE NATIONAL(S) AND RESIDENT(S) OF PAKISTAN; ii) FOREIGNER; iii) I AM/WE ARE NOT MINOR(S); iv) I/ WE HAVE NOT MADE NOR HAVE I/WE INSTRUCTED ANY OTHER PERSON(S)/INSTITUTION(S) TO MAKE ANY OTHER APPLICATION(S) IN MY/OUR NAME(S) OR IN THE NAME OF ANY OTHER PERSON ON MY/OUR BEHALF OR IN ANY FICTITIOUS NAME, IN CASE OF ANY INFORMATION GIVEN HEREIN BEING INCORRECT I/WE UNDERSTAND THAT I/WE SHALL NOT BE ENTITLED FOR ALLOCATION/ALLOTMENT/TRANSFER OF SHARES.

Important Instructions:

- 1) Bids shall only be entered for those Eligible Investors who have submitted a duly filled Registration Form as prescribed by the Book Runner.
- 2) Bid money / margin money shall be deposited through demand draft, pay order in favor of **Service Global Footwear Ltd Book Building**. For online transfer facility (pay order or demand draft may be deposited at any branch of Habib Bank Limited and evidence to be submitted to the Book Runner) the payment shall be made into A/C # 004279920938-03 maintained at Habib Bank Limited – HBL State Life Branch.
- 3) For deposit of margin money, only Pay Orders, Demand Drafts, or online transfer will be accepted. Each eligible investor shall only submit a single pay order, demand draft or evidence of online transfer of money along with the Registration Form. It may also be noted that only a single pay order, demand draft or evidence of online transfer of money shall be accepted by the Book Runner along with each Additional Payment Form.
- 4) In case of intercity instruments, only Pay Orders "payable at any branch" will be accepted. For the purpose of expediting the clearing of the instruments it is highly recommended that the Pay Order should be made from online branches of the respective banks.
- 5) Eligible Investors can register themselves till 3:00 pm on the last day of Book Building after which no new investors shall be registered.
- 6) Investors can only upward revise their bids online. Please visit www.bkb.psx.com.pk to access online. User name and password will be emailed to you on email address provided in the form. Please ensure that you provide correct email address. Online access will be available for upward bid revisions during the bidding period from 9:00 am to 5:00. An investor will not be allowed to place or upward revise a bid with a price variation of more than 10% of the prevailing indicative strike price subject to a maximum price band of 40% of the floor price. However, the bidder shall not make downward revision both in terms of bid price and bid volume; provided that in case of upward revision of the bid price, the number of shares bid for i.e. bid volume may be adjusted ensuring that the bid amount or bid money remains the same. No withdrawal of bid shall be allowed.

Yours Faithfully,

Signature of Bidder: _____

To be filled in by the Book Runner:

Time of Receipt	Date	Location	Amount	Pay Order No. / Demand Draft No.	Stamp

18 GENERAL SUBSCRIPTION FORM

SUBMISSION OF FALSE AND FICTITIOUS APPLICATIONS IS AN OFFENCE UNDER SECTION 87(1) OF THE SECURITIES ACT, 2015 AND SUCH APPLICATIONS' MONEY MAY BE FORFEITED UNDER SECTION 87(5) OF THE SECURITIES ACT, 2015

سہولت یافتہ کی جانب سے پیش کردہ غلط یا فیکٹیشیا درخواستیں سیکیورٹیز ایکٹ، 2015 کے سیکشن 87(1) کی خلاف ورزی ہیں اور ایسی درخواستوں کی رقم ضبط کی جاسکتی ہے۔

INVESTMENT IN SECURITIES IS A HIGHLY RISKY BUSINESS. INVESTORS ARE THEREFORE ADVISED IN THEIR OWN INTEREST TO CAREFULLY READ THE CONTENTS OF THE PROSPECTUS ESPECIALLY THE RISK FACTORS BEFORE MAKING ANY INVESTMENT DECISION.

سہولت یافتہ کی جانب سے پیش کردہ غلط یا فیکٹیشیا درخواستیں سیکیورٹیز ایکٹ، 2015 کے سیکشن 87(1) کی خلاف ورزی ہیں اور ایسی درخواستوں کی رقم ضبط کی جاسکتی ہے۔

Service Global Footwear Limited

APPLICATION FOR SUBSCRIPTION OF SHARES

As per the Section 72 of Companies Act, 2017, the Company shall have shares in book-entry form only. Therefore, shares of Service Global Footwear Limited shall only be issued in scripless form in the CDS of CDCPL. (Refer to Instructions No.3 on the reverse hereof)

Service Global Footwear Limited

Service House, Jail Road, Lahore, Pakistan
www.serviceglobalfootwear.com

SUBSCRIPTION DATE
From 12/04/2021 to 13/04/2021 during
business hours

Shareholder's Name & Code

PKR Code

Bank's Stamp

Bank Code Branch Code

Application Serial No.

1) I/We apply for the following number of Shares at Issue Price for the value indicated below:

No. of Shares Applied For Amount Payable in PKR Cheque/ Demand Draft/ Pay Order No.

2) I/We agree to accept the same or any smaller number of Shares that may be allotted to me/ us upon the terms as stated in the Prospectus. I/We authorize you to credit the Shares to me/ us pursuant to this application and if no Shares or a smaller number of Shares are allotted to me/ us you are hereby authorized to return to me/ us by cheque or other means my/ our application money for the amount of Shares not allotted to me/ us.

3) DECLARATION
I/We declare that: (i) I am/We are national(s) of _____ (ii) I am/We are not minor(s). (iii) I/We have not made nor have I/We instructed any other person(s)/institution(s) to make any other application(s) in my/our name(s) or in the name of any other person on my/our behalf or in any fictitious name. (iv) I/We agree to abide by the instructions provided with this application and in case of any information given herein being incorrect I/We understand that I/We shall not be entitled to the allotment of Shares if successful. Further the application money shall be liable to forfeiture if this declaration proves to be incorrect at any time.
Yours faithfully,

Signature(s) (i) _____ (ii) _____

4) ALL DETAILS MUST BE WRITTEN IN BLOCK LETTERS IN THE SPACES PROVIDED. LEGIBLY IN BLACK PEN

(a) Name in Full (as per CNIC) _____

Father/Maternal's Name (as per CNIC) _____

Identity Number (CNIC/Passport/Registration No.) _____

Identity Number (NTN) _____

Place of Birth _____

Phone No. _____

Occupational Code _____

Work _____ Non-Work _____

International Bank Account Number (IBAN) _____

Bank Name _____

Branch Name & Address _____

Additional Information - For Non-Resident Pakistanis and Foreign Investors Only

Place of Issue of Passport _____ Date of Issue of Passport (DD-MM-YY) _____

Corporate Business Letter enclosed Yes No Nationality Code _____ Country of Residence _____

5) FOR JOINT HOLDER, IF ANY

(b) Name in Full (as per CNIC) _____

Identity Number (CNIC/Passport/Registration No.) _____

DIVIDEND WARRANT: Mark tick [✓] in the appropriate boxes Yes [] No []

In order to enable the Company to credit the cash dividend declared, if any, by the Company, in Shareholder Holder Bank account, linked through dividend warrants, please fill in the following details:

Title of Account _____

International Bank Account Number (IBAN) _____

Bank Name _____

Branch Name and Address _____

Signature of the Applicant as per the Bank account

6) I certify that the above-mentioned applicant(s) have maintained account number as mentioned above at this bank branch and have not withdrawn and signature(s) are correct and verified as per the bank's record and their CNIC/Passport. It is further certified that only one application has been made in the name of the above account holder through this branch. I/We also confirm that the original CNIC/Passport has been seen by us.

Note: In case the subscription money is paid through a bank other than the Bankers to the issue (through pay order or bank draft), this certification shall be provided by the manager of the bank where the applicant maintains his/her bank account.

SPECIMEN SIGNATURE(S) OF THE APPLICANT

NAME OF THE APPLICANT IN BLOCK LETTERS (AS PER CNIC)

7) Bank's Authorized Signatory
Bank's Rubber Stamp

8) Bank's Authorized Signatory
Bank's Rubber Stamp

Bankers to the issue's Provisional acknowledgement of application for shares of Service Global Footwear Limited

Received from Mr/Ms/Ms _____ application for _____ shares.

Name of Bank _____ Branch Code _____ Application Serial No. _____ Date of Receipt _____

Signature of Authorized Representative & Rubber Stamp of Receiving Bank

IMPORTANT: (i) This slip must be retained by the Applicant. (ii) Please read instructions provided with this application

APPLICATION AND ALLOTMENT INSTRUCTIONS

- Eligible investors include:
 - Pakistan (except residents of outside Pakistan or Persons holding foreign domicile including Persons not ordinarily resident)
 - Foreign National whether living in or outside Pakistan;
 - Companies, bodies corporate or other legal entities incorporated or established in outside Pakistan for the whole or part of their constitution documents and existing regularly, as the case may be;
 - Trusts, Partnerships or unincorporated associations, subject to the terms of the Trust Deed and existing regularly; and
 - Branches in Pakistan of companies or bodies corporate incorporated outside Pakistan.
- Copies of the Prospectus and Application Forms can be obtained from the Trading Rights Issuance Certificate (TRIC) Issuance of Pakistan Stock Exchange Limited, the Bankers to the Issue and their branches, the Competent Issuance Authority (www.sea.com.pk) or the Registrar of Companies, The Registrar and the Application Forms can also be downloaded from the website www.sgf.com.pk or www.sgf.com.pk.
- The Applicants are required to complete the information on the application in the stated order in book entry form in accordance with provisions of the Capital Markets Act, 1997 and the CDS Regulations, read of each thereon placed on a CD in the application form CDS account.
- Names and addresses must be written in full block letters, in English and should not be abbreviated.
- All applications must be signed and stamped corresponding with the applicant's name. In case of difference of signature with the bank and Competent National Identity Card (CNIC) or National Identity Card (NADRA) or Passport the signature should be affixed on the application form.
- APPLICATIONS MADE BY INDIVIDUAL INVESTORS
 - In case of individual investors, an affidavit of CNIC or case of Resident Pakistanis/Foreign in case of non-resident Pakistanis and if as the case may be, should be enclosed and the number of CNIC/Passport should be written against the name of the applicant. Copy of these documents must be obtained by any Federal/Provincial Government Constable Officer, Councillor, Sub Commissioner or Head Master of High School or bank manager in the country of applicant's residence.
 - Original CNIC/Passport, along with one attested photocopy must be produced for verification to the Bankers to the Issue and the applicant's bank (if different from the Banker to the Issue) at the time of presenting the application. The attested photocopy will, after verification, be returned by the bank branch along with the application.
- APPLICATIONS MADE BY INSTITUTIONAL INVESTORS
 - Applications made by companies, corporate bodies, mutual funds, professional associations, trusts and other legal entities must be accompanied by an attested photocopy of their Memorandum and Articles of Association or equivalent instrument document, where applications are made by virtue of Power of Attorney, the same must also be submitted along with the application.
 - Attested photocopies of the documents mentioned in (i) must be produced for verification to the Banker to the Issue and the applicant's bank (if different from the Banker to the Issue) at the time of presenting the application. The attested copies, whether verification, be retained by the bank branch along with the application.
- Only one application will be accepted against each applicant. However, in case of joint account, one application may be submitted in the name of each joint account holder.
- Joint application in the name of more than two persons will not be accepted. In case of joint application each applicant must sign the application form and submit attested copies of their CNIC/Passport. The Shares will be credited to the CDS account mentioned on the back of the form and where any amount is refundable (in whole or in part) the same will be refunded by cheque or other means by post, or through the bank where the application was submitted. In the power of attorney for the application form, it should state, post or return. Please note that joint application will be considered as a single application for the purpose of allotment of Shares.
- Subscriptions must be paid by cheque drawn on applicant's own bank account or pay order bank that payable to order the Banker to the Issue "SERVICE GLOBAL FOOTWEAR LIMITED - GENERAL SUPERBOND" and crossed "A/C PAYEE ONLY".
- For the application made through internet bank, it would be responsible for a Banker to the Issue to debit the bank charges while making withdrawal of subscription money to successful applicants through pay order bank that individually for each application.
- The applicant should have opened one bank account with any of the commercial banks. Applicants not having a bank account at all (non-account holders) are not allowed to submit application for subscription of Shares.
- Under Section 181 of the Companies Act, any dividend payable in cash by a listed company, shall only be paid through cheques made directly into the bank account designated by the entitled shareholders.
- To enable the Company to directly credit the cash dividend, if any, in the Bank Accounts of the shareholder, the applicants must fill relevant part of the Share Subscription Form under the heading, "Dividend Bank(s)".
- Shares will be issued only in the book-entry form. Therefore, the applicants must provide their CDS account number in the Share Subscription Form.
- APPLICANTS ARE NOT TO BE RESPONSIBLE FOR ANY LOSS OF OR DAMAGE TO THEIR APPLICATIONS
- Applicants should retain the bank branch, to which the application is submitted, completes the re-submission of the application form.
- Applicants should retain the bottom portion of their application form as evidential acknowledgment of submission of their applications. This should not be removed as an acceptance of the application or a guarantee that the applicant will be allocated number of Shares for which the application has been made.
- Making of any false statement in the application or willfully omitting material information therein shall make the applicant liable and the applicant or the bank that is liable for legal action.
- Requests to the Issue are prohibited to recover any charges from the subscribers for collecting subscription applications. Hence, the applicants are advised not to pay any extra charges to the Bankers to the Issue.
- It should be mentioned for a Banker to the Issue in which subscription money is unsuccessful applicants having an account in its bank by crediting such account instead of crediting the same by cheque, pay order or bank draft. Applicants should, therefore, not fail to give their bank account number.
- Submission of false and fraudulent applications is an offence under section 87(7) of the Securities Act, 2015 and such applications' money is liable in forfeiture under section 87(8) of the Securities Act, 2015.

خواہشمند ہے کہ آپ اپنا درخواست نامہ 2015 کی فائنل نمبر (7) کے تحت جمع کروائیں۔ درخواست نامہ جمع کروانے والے کو 2015 کی فائنل نمبر (8) کے تحت شہادت دینی چاہیے ہے۔

ADDITIONAL INSTRUCTIONS FOR FOREIGN RESIDENT INVESTORS

- In case of foreign investors who are not in Pakistan, applications must be accompanied by a letter on applicant's national identity card stating the legal status of the applicant, place of incorporation and operations and local business. A copy of memorandum of association or equivalent document should also be submitted if available. Where applications are made by virtue of Power of Attorney, the same must be submitted with the application. Copies of these documents must be obtained by the bank manager in the country of applicant's residence.
- Foreign / Non - resident investors should follow payment instruction given in Section 12.10 of the Prospectus.

SHARES ALLOTMENT

- The earliest value of application for subscription of 500 shares (Issue Price x 500 shares). Applications amount below the minimum value shall not be entertained.
- Applications for shares must be made for 500 shares or in multiple thereof only. Applications which are neither for 500 shares nor for multiple thereof shall be rejected.
- Allotment of Shares to successful applicants must be made in accordance with the allotment criteria/instructions disclosed in the Prospectus.
- Allotment of Shares shall be subject to scrutiny of applications in accordance with the criteria disclosed in the Prospectus under the instructions by the Securities & Exchange Commission of Pakistan.
- Applicants, investors or any other persons responsible, to applications which are rejected, may re-apply at any time, however, subject to the condition that the application must be submitted within the specified time.
- The Company will credit the respective CDS account of the successful applicants.

BANKERS TO THE ISSUE

Code	Name of Bank	Code	Name of Bank
01	Alfalah Bank Limited	06	HSBC Bank Limited
02	Alfalah Bank Limited	07	Indus Bank Limited
03	Bank of Commerce Limited	08	United Bank Limited
04	Bank of Commerce Limited	09	United Bank Limited
05	Bank of Commerce Limited	10	United Bank Limited

OCCUPATION CODES

Code	Description	Code	Description
01	Business	06	Professional
02	Business	07	Student
03	Business	08	Unemployed
04	Business	09	Unemployed
05	Business	10	Other

- In order to facilitate investors, United Bank Limited (UBL) and Bank of Commerce Limited (BOC) are offering electronic submission of application (e-PO) to their account holders. UBL account holders can use UBL for Banking e-submission application on the www.ubl.com.pk website and BOC account holders can use BOC for Banking e-submission application on the www.boc.com.pk website. For further details on e-PO, please visit the website www.sgf.com.pk or www.sgf.com.pk. Furthermore, please note that online applications can be submitted 24 hours in a day through the website www.sgf.com.pk with a view of submitting the application on the CDS account.
- The Central Depository Company of Pakistan (CDC) has developed a Centralized e-PO System (CES) through which applications for subscription of securities offered through IPO can be made electronically. CES has been made available in the IPO website to be accessed through the web link www.ces.com.pk. Payment of subscription money can be made through UBL's member banks available for CES, which is available on the website.
- For making application through CES, investors must be registered with CES. Registration with CES is free of cost and a self-regulatory organization (SRO) filing the CES registration form, which is available on the website. Investors who have not registered with CES (i.e., not registered with any of the commercial banks, small finance banks, or micro-finance banks) may register themselves with CES.
- Investors who do not have CDS account may visit www.ces.com.pk for information and details. For further details and queries regarding CES and opening of CDS account, investors may contact CDC (phone number: 051-33073333) or visit the website www.ces.com.pk or contact Mr. Faraz Ahmed at Phone 0313-2020000 and email faraz.ahmed@sgf.com.pk. For further details on CES, please refer para 2.3.3 of the Prospectus.

NATIONALITY CODES

Code	Name of Country	Code	Name of Country
01	USA	07	Switzerland
02	USA	08	China
03	USA	09	Japan
04	USA	10	Other
05	Other		

For further details please contact:

Service Global Footwear Limited, Tameer Bazaar Phone: 0300-8112214, E-mail: serviceglobal@sgf.com.pk and Bank Limited, Tameer Bazaar Phone: 031-33073333, E-mail: sgf@sgf.com.pk