

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that Annual General Meeting (AGM) of the members of Security General Insurance Company Limited (the "Company") will be held on Monday, March 30, 2020 at 11:30 A.M. at Nishat House, 53-Lawrence Road, Lahore to transact the following special business:

1. To receive, approve and adopt the audited accounts of the Company for the year ended December 31, 2019 together with the Directors' and Auditors' reports thereon.
2. To approve Final Cash Dividend @ 25% (i.e. Rs.2.50 per Share) for the year ended 2019, as recommended by the Board, in addition to 25% interim dividend already paid.
3. To appoint Statutory Auditors of the Company for the year 2020 and fix their remuneration.
4. **Special Business:**
  - a) To consider and if deemed fit, pass a resolution as Special Resolution, as proposed in the Statement of Material Facts, pursuant to the provisions of Section 199 of the Companies Act, 2017 to approve and authorize additional long-term equity investments by way of purchase of ordinary shares of Nishat Hotels and Properties Limited, an associated company;
  - b) To consider and if deemed fit, pass a resolution as Special Resolution, as proposed in the Statement of Material Facts, pursuant to the provisions of Section 199 of the Companies Act, 2017 to approve the increase in %age of equity investment in Hyundai Nishat Motor (Private) Limited (HNMP), an associated company from 10% to upto 13% of the total paid up share capital of HNMP provided that the aggregate limit of equity investment in HNMP shall not exceed the amount of PKR 1,056,400,000 for subscription of 105,640,000 shares pursuant to the authority of the special resolutions passed on 28 March 2018 and December 12, 2019.

A Statement of Material Facts as required under Section 134(3) of the Companies Act 2017 concerning the aforesaid special business is annexed to the notice of meeting circulated to the members of the Company.

By order of the Board



( KHALID MAHMOOD CHOHAN )  
COMPANY SECRETARY

Lahore  
March 09, 2020

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## NOTES:

1. The Register of Members of the Company will remain closed from March 24, 2020 to March 31, 2020 (both days inclusive). Transfers received in order at the registered office of the Company by the close of business on March 23, 2019 will be considered in time for entitlement of 25% Final Cash Dividend and attending of Annual General Meeting.
2. A member entitled to attend and vote at this meeting may appoint any other member as his/her proxy to attend and vote. The Instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarial attested copy of the power of attorney must be deposited at the registered office of the Company at least 48 hours before the time of the meeting. A proxy must be a member of the company. A Company or a Corporation being a member of the Company may appoint a representative through a resolution of board of directors for attending and voting at the meeting.

## STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT 2017

This statement sets out material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company to be held on March 30, 2020.

### a. Additional Equity Investments in Nishat Hotel and Properties Limited (Associated Company)

Nishat Hotels and Properties Limited (NHPL) was incorporated on 04 October 2007 as a public company limited by shares. Its authorized share capital is Rs. 12,000,000,000/- (Rupees Twelve Billion Only) divided into 1,200,000,000 (Rupees One Billion Two Hundred Million) ordinary shares of PKR 10 each. Its main object is to carry on retail and hospitality business in Pakistan. NHPL has constructed Emporium Mall and Nishat Hotel which are fully operational.

The company already owns and holds 111,821,737 ordinary shares of NHPL. It is proposed to make additional long term investment of maximum of PKR 900,000,000 for purchase of 56,698,229 ordinary shares of NHPL at a maximum price of PKR 16.13213 per share.

As required by the Regulations, the directors of the Company certify that they have carried out necessary due diligence for the proposed additional long-term equity investment before making recommendation for approval of shareholders and the duly signed recommendation of the due diligence report shall be made available to the members for inspection at the meeting along with latest audited financial statements of the associated company.

The following resolution is proposed to be passed as special resolution, with or without any modification.

**RESOLVED THAT** approval of the members of Security General Insurance Company Limited ("the Company") be and is hereby accorded and the Company be and is hereby authorized in terms of Section 199 and other applicable provisions of the Companies Act, 2017 to make additional long-term equity investment of Rs. 900,000,000 (Rupees Nine Hundred Million Only) for purchase of 56,698,229 shares of Nishat Hotels and Properties Limited (NHPL), an associated company and as per other terms and conditions disclosed to the members.

**RESOLVED FURTHER THAT** the Chief Executive Officer and/or Chief Financial Officer and/or Company Secretary of the Company be and are hereby singly empowered and authorized to do all acts, matters, deeds and things, take any or all necessary actions including signing and execution of agreement(s) and to complete all legal formalities including filing of documents as may be necessary or incidental expedient for

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the purpose of implementing the aforesaid resolutions.

**RESOLVED FURTHER THAT** the Company be and is hereby authorized to dispose of through any mode, a part or all of equity investment in NHPL made by the Company from time to time and the Chief Executive Officer and / or Chief Financial Officer and / or Company Secretary be and are hereby authorized singly to take the decision of divestment as they may deem appropriate and necessary in the best interest of the Company and its members.

## Information under Regulation 3 of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2017

Disclosure for all types of investments:																																				
(A) Disclosure regarding associated company																																				
(i)	Name of Associated Company or Associated Undertaking	Nishat Hotels and Properties Limited ("NHPL")																																		
(ii)	Basis of Relationship	Common Directorship																																		
(iii)	Earnings / (Loss) per Share for the last three years	PKR 1.42 – 2019 Audited PKR (0.30) – 2018 Audited (Restated) PKR (0.23) – 2017 Audited																																		
(iv)	Break-up value per Share, based on last Audited financial statements	PKR 18.09 per share as at 30th June 2019.																																		
(v)	Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements	<p>Audited financial statements as at 30th June 2019</p> <table border="1"> <thead> <tr> <th></th> <th style="text-align: right;">Rs. in millions</th> </tr> </thead> <tbody> <tr> <td colspan="2"><b>Balance Sheet:</b></td> </tr> <tr> <td colspan="2"><b>Assets</b></td> </tr> <tr> <td>Non-current assets</td> <td style="text-align: right;">34,901</td> </tr> <tr> <td>Current assets</td> <td style="text-align: right;">2,171</td> </tr> <tr> <td>Total assets</td> <td style="text-align: right;">37,072</td> </tr> <tr> <td colspan="2"><b>Liabilities</b></td> </tr> <tr> <td>Borrowings</td> <td style="text-align: right;">13,497</td> </tr> <tr> <td>Other liabilities</td> <td style="text-align: right;">5,488</td> </tr> <tr> <td></td> <td style="text-align: right;">18,985</td> </tr> <tr> <td colspan="2"><b>Equity</b></td> </tr> <tr> <td></td> <td style="text-align: right;">18,087</td> </tr> <tr> <td colspan="2"><b>Profit &amp; loss:</b></td> </tr> <tr> <td>Sales</td> <td style="text-align: right;">4,233</td> </tr> <tr> <td>Gross Profit</td> <td style="text-align: right;">1,740</td> </tr> <tr> <td>Net Profit after tax</td> <td style="text-align: right;">1,376</td> </tr> <tr> <td>EPS</td> <td style="text-align: right;">1.42</td> </tr> </tbody> </table>		Rs. in millions	<b>Balance Sheet:</b>		<b>Assets</b>		Non-current assets	34,901	Current assets	2,171	Total assets	37,072	<b>Liabilities</b>		Borrowings	13,497	Other liabilities	5,488		18,985	<b>Equity</b>			18,087	<b>Profit &amp; loss:</b>		Sales	4,233	Gross Profit	1,740	Net Profit after tax	1,376	EPS	1.42
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(vi)	In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely	N/A																																		
	I Description of the project and its history since conceptualization	N/A																																		

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	II	Starting date and expected date of completion of work	N/A
	III	Time by which such project shall become commercially operational	N/A
	IV	Expected time by which the project shall start paying return on investment	N/A
	V	Funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts	N/A
<b>(B) General Disclosures:</b>			
(i)		Maximum amount of investment to be made	PKR 900,000,000 (Rupees Nine Hundred Million Only).
(ii)		Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	To earn dividend income and / or capital gains which will enhance the profitability of Security General Insurance Company Limited and add to the shareholders' value of the members of the investing Company.  The investment in NHPL will be for long term.
(iii)		Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds:	The investment will be made from own sources and if needed funds will be borrowed.
	(I)	Justification for investment through borrowings	The investment may be made through borrowed funds which is justified in view of long-term prospects and expected earnings of NHPL.
	(II)	Detail of Collateral, guarantees provided and assets pledged for obtaining such funds	Land/Building/Investments/Receivables will be pledged for obtaining funds, if required from financial institutions.
	(III)	Cost benefit analysis	Based on the prospects of NHPL, Long term benefits expected to be accrued to SGICL are much more than the cost of borrowed funds.
(iv)		Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment	NA as shares will be purchased from an existing shareholder.

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(v)	Direct or indirect interest of Directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	<p>The interest, direct or indirect in the associated company and the transaction under consideration is detailed as under:</p> <p>The directors of Security General Insurance Company Limited (SGI), their relatives and associated companies holding shares of Nishat Hotels and Properties Limited (NHPL) are interested, directly or indirectly, to the extent of their shareholding as under:-</p> <table border="0"> <thead> <tr> <th style="text-align: left;"><b>Directors:</b></th> <th style="text-align: right;"><b>% of Shareholding</b></th> </tr> </thead> <tbody> <tr> <td>Mian Hassan Mansha (Common Director)</td> <td style="text-align: right;">21.82</td> </tr> <tr> <td>Mr. Muhammad Azam (Common Director)</td> <td style="text-align: right;">0.00</td> </tr> <tr> <td>Mr. I.U. Niazi (Common Director)</td> <td style="text-align: right;">0.00</td> </tr> </tbody> </table> <table border="0"> <thead> <tr> <th style="text-align: left;"><b>Relatives:</b></th> <th style="text-align: right;"></th> </tr> </thead> <tbody> <tr> <td>Mian Raza Mansha</td> <td style="text-align: right;">21.69</td> </tr> <tr> <td>Mian Umer Mansha</td> <td style="text-align: right;">21.82</td> </tr> <tr> <td colspan="2">Both brothers of Mian Hassan Mansha.</td> </tr> </tbody> </table> <table border="0"> <thead> <tr> <th colspan="2"><b>Associated Companies/shareholders</b></th> </tr> </thead> <tbody> <tr> <td>Nishat Mills Limited</td> <td style="text-align: right;">7.40</td> </tr> </tbody> </table>	<b>Directors:</b>	<b>% of Shareholding</b>	Mian Hassan Mansha (Common Director)	21.82	Mr. Muhammad Azam (Common Director)	0.00	Mr. I.U. Niazi (Common Director)	0.00	<b>Relatives:</b>		Mian Raza Mansha	21.69	Mian Umer Mansha	21.82	Both brothers of Mian Hassan Mansha.		<b>Associated Companies/shareholders</b>		Nishat Mills Limited	7.40
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		<p>NHPL is not a shareholder of the Company. The directors / sponsors of NHPL are interested in the Company to the extent of their shareholding as under:-</p> <table border="0"> <thead> <tr> <th style="text-align: left;"><b>Name</b></th> <th style="text-align: right;"><b>% of Shareholding</b></th> </tr> </thead> <tbody> <tr> <td>Mian Raza Mansha</td> <td style="text-align: right;">11.90</td> </tr> <tr> <td>Mian Umer Mansha</td> <td style="text-align: right;">13.30</td> </tr> <tr> <td>Mian Hassan Mansha (Common Director)</td> <td style="text-align: right;">13.30</td> </tr> <tr> <td>Mr. Muhammad Azam (Common Director)</td> <td style="text-align: right;">0.00</td> </tr> <tr> <td>Mr. I.U. Niazi (Common Director)</td> <td style="text-align: right;">0.00</td> </tr> </tbody> </table> <p>There is no other interest except their directorship/remuneration attached thereto and to the extent of their shareholdings. The associated Companies holding shares of NHPL are interested in the Company to the extent of their shareholding as follows:</p> <table border="0"> <thead> <tr> <th style="text-align: left;"><b>Name</b></th> <th style="text-align: right;"><b>% of Shareholding</b></th> </tr> </thead> <tbody> <tr> <td>Nishat Mills Limited</td> <td style="text-align: right;">15.02</td> </tr> </tbody> </table>	<b>Name</b>	<b>% of Shareholding</b>	Mian Raza Mansha	11.90	Mian Umer Mansha	13.30	Mian Hassan Mansha (Common Director)	13.30	Mr. Muhammad Azam (Common Director)	0.00	Mr. I.U. Niazi (Common Director)	0.00	<b>Name</b>	<b>% of Shareholding</b>	Nishat Mills Limited	15.02				
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<b>Name</b>	<b>% of Shareholding</b>																					
Nishat Mills Limited	15.02																					
(vi)	In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/justification for any impairment or write offs	The Company has invested PKR 1,359,102,133 for purchase of 111,821,737 ordinary shares with Rs.10/- per share face value in NHPL. NHPL's earning per share for the year ended June 30, 2019 was PKR 1.42 There is no impairment/write off of this investment.																				
(vii)	Any other important details necessary for the members to understand the transaction	None																				

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Additional disclosure regarding Equity Investment			
(i)	Maximum price at which securities will be acquired	16.13213	
(ii)	In case the purchase price is higher than market value in case of listed securities and fair value in case of unlisted securities, justification thereof	N/A	
(iii)	Maximum number of securities to be acquired	56,698,229 Shares	
(iv)	Number of securities and percentage thereof held before and after the proposed investment		<b>No. of Shares</b>
		Before	111,821,737
		After	168,519,966
			<b>%age</b>
			11.18
			16.85
(v)	Current and preceding twelve weeks' weighted average market price where investment is proposed to be made in listed securities	N/A	
(vi)	Fair value determined in terms of sub-regulation (1) regulation 5 for investments in unlisted securities	Rs 17.79	

## b. Increase in %age of equity investment in Hyundai Nishat Motor (Private) Limited

Security General Insurance Company Limited (the "Company") holds 69,750,000 ordinary share of PKR 10 each of HNMPL comprising 10% equity stake. The Company is authorized to make equity investment of upto PKR 1,056,400,000 for acquisition of 105,640,000 shares of HNMPL at PKR 10 each pursuant to the special resolutions passed by the shareholders on 28 March 2018 and December 12, 2019, the %age of Company's equity investment in HNMPL as mentioned in the Statement of Material Facts was 10% of the total paid up share capital of HNMPL. This %age may increase to upto 13% of the total paid up share capital of HNMPL for acquiring shares of HNMPL due to non-subscription by other shareholders of HNMPL. The Company's aggregate amount of equity investment in HNMPL at any point in time shall not exceed the amount of PKR 1,056,400,000 pursuant to the already passed special resolutions by the shareholder. However, as the provision of Section 199(4) of the Companies Act, 2017 requires that any change in the terms and conditions attached to the investment in associated companies shall be made only under the authority of a special resolution. There is no change in other terms and conditions of the equity investments in HNMPL. Accordingly, the Board of directors has proposed the passing of the following resolution as special resolution, with or without any modification:

**RESOLVED THAT** approval of the members of Security General Insurance Limited (the "Company") be and is hereby accorded to approve the increase in %age of equity investment in Hyundai Nishat Motor (Pvt) Limited (HNMPL), an associated company from 12% to upto 13% of the total paid up share capital of HNMPL provided that the aggregate limit of equity investment in HNMPL shall not exceed the amount of PKR 1,056,400,000 for acquisition of 105,640,000 shares pursuant to the authority of the special resolutions passed on 28 March, 2018 and 12 December, 2019

**RESOLVED FURTHER THAT** the Chief Executive Officer and/or Chief Financial Officer and/or Company Secretary of the Company be and are hereby singly empowered and authorized to do all acts, matters, deeds and things, take any or all necessary actions including signing and execution of agreement(s) and to complete all legal formalities including filing of documents as may be necessary or incidental expedient for the purpose of implementing the aforesaid resolutions.

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

Name of Investee Company	Nishat Hotels and Properties Ltd.		Hyundai Nishat Motor (Pvt) Limited (HNMPL)		D. G. Khan Cement Co. Ltd.	Nishat Mills Limited
<b>Total Investment Approved:</b>	PKR 200,000,000 (Rupees two Hundred Million Only) by way of purchase of shares was approved by members in AGM held on April 30, 2019 for the period of three (3) years	PKR 618,872,963 (Rupees Six Hundred Eighteen Million Eight Hundred Seventy Two Thousand Nine Hundred Sixty Three Only) by way of purchase of shares was approved by members in EOGM held on December 12, 2019	Equity investment upto PKR 1,056,400,000 million (PKR One Billion Fifty Six Million Four Hundred Thousand Only) was approved by members in EOGM held on March 28, 2018 and December 12, 2019. For a period of Four (4) years.	Guarantee / continuing Stand by Letter(s) of Credit (SBLC) for an amount of up to PKR 1,277,100,000 for a tenure of 7.5years was approved by members in EOGM held on March 28, 2018 and December 12, 2019	Equity investment upto PKR 500 million (PKR Five Hundred Million Only) was approved by members in EOGM held on August 19, 2019.	Equity investment upto PKR 500 million (PKR Five Hundred Million Only) was approved by members in EOGM held on August 19, 2019.
<b>Amount of Investment Made to date:</b>	Rs. 29.61 Million	Rs. 618.87 Million	Rs. 697.50 Million	Rs. 989.49 Million	Nil	Nil
<b>Reasons for deviations from the approved timeline of investment, where investment decision was to be implemented in specified time:</b>	Partial investment has been made in investee company. Further investment will be as and when request is made by the investee company. There is no deviation from the approved timeline.	No Deviation. Fully Implemented	Partial investment has been made in investee company. Commercial operations of the investee company have not yet started. The Company will make further equity investment as and when further shares offered by HNMPL. There is no deviation from the approved timeline.	Partial guarantee has been extended after the approval. Further guarantee will be extended on request of the investee company. There is no deviation from the approved timeline.	No investment has been made in investee company. Further investment will be made depending on market conditions at appropriate time. There is no deviation from the approved timeline.	No investment has been made in investee company. Further investment will be made depending on market conditions at appropriate time. There is no deviation from the approved timeline.
<b>Material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company:</b>	At the time of approval, as per then available latest financial statements for the half year ended December 31, 2018, the basic Loss per Share was Rs. (0.39) and a fair value of Rs. 14.47. As per Latest available financial statements for the half year ended December 31, 2019 the Earnings per share is Rs. (0.46) and breakup value per Share is Rs. 17.63.	At the time of approval, as per then latest available financial statements the basic earnings per Share was Rs. 1.42 and Break-up Value per Share was Rs. 18.09. As per Latest available financial statements for the half year ended December 31, 2019 the Earnings per share is Rs. (0.46) and breakup value per Share is Rs. 17.63.	At the time of approval, as per available latest audited financial statements for the year ended December 31, 2017, the basic loss per share was Rs.5.74 and breakup value per share was Rs. 4.85. As per latest available financial statements for the half year ended June 30, 2019 the Basic Loss per share is Rs. (0.53) and breakup value per share is Rs. 9.29.	At the time of approval, as per available latest audited financial statements for the year ended December 31, 2017, the basic loss per share was Rs.5.74 and breakup value per share was Rs. 4.85. As per latest available financial statements for the half year ended June 30, 2019 the Basic Loss per share is Rs. (0.53) and breakup value per share is Rs. 9.29.	At the time of approval, as per then available latest financial statements for the half year ended December 31, 2018, the basic Earnings per Share was Rs. 3.98 and a fair value of Rs. 80.15. As per Latest available financial statements for the half year ended December 31, 2019 the Basic Loss per share is Rs. (1.93) and breakup value per Share is Rs.167.58 .	At the time of approval, as per then available latest financial statements for the half year ended December 31, 2018, the basic earnings per Share was Rs. 9.00 and a fair value of Rs. 126.53. As per Latest available financial statements for the half year ended December 31, 2019 the Basic Earnings per share is Rs. 5.38 and breakup value per Share is Rs. 207.83.