

**SOFTLOGIC FINANCE PLC**  
[Company Reg. No. PB 641 PQ]  
No. 13, De Fonseka Place,  
Colombo 04

**CIRCULAR TO SHAREHOLDERS**

THIS DOCUMENT IS OF VALUE – *If you are in doubt as to the action you should take, you should consult your stockbroker or other professional adviser immediately.*

Dear Shareholder/s,

**ISSUE OF ORDINARY VOTING SHARES BY WAY OF RIGHTS**

**1.0 INTRODUCTION**

- 1.1 **In order to infuse fresh capital** to strengthen the Tier 1 Capital, based on the Company's forecasted Business Expansion Programme, during the Financial Year 2021/2022, whilst, being in compliance with the Capital Adequacy Requirements up to 1<sup>st</sup> July 2022, as stipulated by the Finance Business Act Directions No. 3 of 2018, read together with the Press Release issued by the Department of Supervision of Non-Bank Financial Institution of the Central Bank of Sri Lanka (CBSL) dated 12<sup>th</sup> April 2020, **your Board on 23<sup>rd</sup> April 2021 made an Application** to the Department of Supervision of Non-Bank Financial Institution of the CBSL in terms of Section 3.2 of the Finance Companies (Structural Changes) Direction No. 1 of 2013, **to increase the issued capital** by Rupees Two Billion Two Hundred and Thirty Nine Million Six Hundred and Sixty Seven Thousand and Seven Hundred and Forty (Rs. 2,239,667,740/-), **by way of a Rights Issue to the existing Shareholders.**
- 1.2 The Director, Department of Supervision of Non-Bank Financial Institution of the CBSL by letter dated 7<sup>th</sup> May 2021, Ref 24/03/005/0039/011 granted the Company approval to increase the issued share capital, as aforesaid, subject to compliance with all applicable regulatory and legal requirements of the Colombo Stock Exchange (CSE), Securities and Exchange Commission of Sri Lanka (SEC), and other relevant authorities.
- 1.3 Accordingly, your Board of Directors resolved on 10<sup>th</sup> May 2021, to recommend to the Shareholders, to raise a sum of Rupees Two Billion Two Hundred and Thirty Nine Million Six Hundred and Sixty Seven Thousand and Seven Hundred and Forty (Rs. 2,239,667,740/-) by way of a Rights Issue.
- 1.4 The Company on 10<sup>th</sup> May 2021 made an Announcement on the Trading Floor of the CSE of the proposed Rights Issue in terms of CSE Rule 5.2b.
- 1.5 The issue and listing of the 223,966,774 Ordinary Shares by way of a Rights Issue, as aforesaid, requiring the approval of the CSE in terms of Rule 5.2, on 18<sup>th</sup> day of May 2021, the Company made Applications to the CSE in terms of Rule 5.2 as aforesaid.

- 1.6 Subsequent to processing the aforesaid Applications, the CSE on 16<sup>th</sup> day of June 2021, granted to the Company, approval in principle, in terms of Rule 5.2, subject to other conditions as set out in the said letter.
- 1.7 The increase of the Stated Capital by way of a Rights Issue, requiring the approval of the Shareholders in terms of Listing Rule 5.2b. (vi), it is necessary that the Company convened an Extraordinary General Meeting (EGM) of the Shareholders.

Due to the prevailing Covid-19 pandemic in the country, the Board decided, that the EGM will be held as a virtual meeting, and accordingly has been convened to be held on 14<sup>th</sup> day of July 2021 at 10.00 a.m., at the Board Room of the Company, at No. 13, De Fonseka Place, Colombo 04, for the purposes as morefully set out in the attached Notice of Extraordinary General Meeting.

The Meeting will be conducted in accordance with the guidelines issued by the CSE on convening of shareholders meetings virtually. To be in compliance with the Government Regulations, on social distancing, no shareholder will be permitted to be physically present at the venue except for the Board of Directors and the Key Officials in the Company.

Shareholders who wish to participate at the EGM via an online platform will be forwarded, login information prior to the date of the Meeting in the form of a video link. In order to enable such facility, the Shareholders will be requested to forward their details by perfecting the Online Registration Form attached to the Notice of Meeting (enclosed herewith).

Since the postal services are limited in operation due to the current Covid-19 situation, the Notice of the EGM, Form of Proxy, this Circular to Shareholder/s, in addition to being posted, (if the then prevailing situation permits dispatch by post) will be available on the Company's official website <https://softlogicfinance.lk/> and on the CSE website [www.cse.lk](http://www.cse.lk).

- 1.8 Shareholders who are unable to attend the Virtual Meeting in person are kindly requested to complete the enclosed Form of Proxy, in accordance with the instructions specified in the Proxy Form attached to the Notice of Meeting enclosed herewith. The Form of Proxy and the instructions are also available on the Company's official website <https://softlogicfinance.lk/> and on the CSE website [www.cse.lk](http://www.cse.lk).

## **2.0 ISSUE OF ORDINARY SHARES BY WAY OF RIGHTS**

- 2.1 In terms of the Board Resolution as referred to in Paragraph 1.3 above, immediately after the Meeting of the Shareholders, as aforesaid, upon the Shareholders approving the Resolution set out in the attached Notice of Meeting, your Board would issue for subscription, Two Hundred and Twenty Three Million Nine Hundred Sixty Six Thousand Seven Hundred and Seventy Four (223,966,774) new Ordinary Shares, by way of Rights to the existing Ordinary Shareholders, in the proportion of Five (5) new shares for every Six (6) shares held by the shareholders, as at the 'Date of Entitlement', (being the day of the Extraordinary General Meeting ("EGM")/Date of Provisional Allotment) namely the 14<sup>th</sup> day of July 2021, at an issue price of Rupees Ten (Rs. 10/-) per Ordinary Share, provided that no Shareholder shall upon or in consequence of such provisional allotment be entitled to a fraction of a share, such

fractional shares to be pooled together and be allotted to the respective holders of shares who applied for additional shares. The fractional entitlement referred to herein shall mean the fractions arising after applying the following formula.

*Basis of allotment of new shares shall be:*

$$\frac{\text{Number of shares held by a shareholder as at end of trading on 14<sup>th</sup> day of July 2021} * x}{6 \text{ (old shares)}} = 05 \text{ (new shares*)}$$

*\* The fractions that are ignored are the fractions arising post multiplication by 05 and then by the division by 06 of the existing shares held by a Shareholder, thereafter rounded down to the nearest whole number as aforesaid.*

- 2.2 Subsequent to the Rights Issue of Shares, the Stated Capital of the Company would increase from Rupees Four Billion Five Hundred and Six Million Seven Hundred and Fifty Nine Thousand Nine Hundred and Eighty Three and Cents Twelve (LKR 4,506,759,983.12) to Rupees Six Billion Seven Hundred and Forty Six Million Four Hundred and Twenty Seven Thousand Seven Hundred and Twenty Three and Cents Twelve (LKR 6,746,427,723.12), and the total number of shares in issue would increase from to Two Hundred and Sixty Eight Million Seven Hundred and Sixty Thousand One Hundred and Twenty Eight (268,760,128) ordinary shares to Four Hundred and Ninety Two Million Seven Hundred and Twenty Six Thousand Nine Hundred and Two (492,726,902) Ordinary Shares.
- 2.3 Your Board has resolved that in its opinion, the consideration of Rupees Ten (Rs. 10/-) per Ordinary Share at which price the shares are to be issued is fair and reasonable to the Company and to the existing Shareholders, as required by the Companies Act No. 07 of 2007.

When considering the Rights Issue price per share, due to the Market currently being volatile the Management was of the view that it is prudent to use a longer term yardstick of Net Book Value (NBV) as opposed to the prevailing Market price. As such the price was based on an 11% rounded discount to NBV of Rs. 11.26 and a resultant 7% discount to Theoretical Ex Rights price (TER) of Rs. 10.70.

The Board was also of the view that a Rights Issue of shares would facilitate an opportunity to all the shareholders of the Company to invest further in the capital of the Company, pro rata to their existing shareholding, thereby permitting them to maintain their proportionate shareholding in the Company.

### **3.0 MINIMUM SUBSCRIPTION / UNDERWRITING ARRANGEMENTS**

Softlogic Capital PLC, the immediate parent and the controlling shareholder of the Company holding 85.07% currently, has undertaken to participate in the Rights Issue by taking up their full rights entitlement including any unsubscribed shares, (after allotting in full to all other Rights applicants) in order to facilitate the Rights Issue to fully subscribed, by their letter addressed to the Company dated 22<sup>nd</sup> April 2021.

In the circumstances, there is no requirement to stipulate a minimum subscription.

The Shareholders are informed, that currently, the Company is non-compliant with the Minimum Public Holding Requirement, and hence the shares of the Company will be transferred to the Second Board on 25<sup>th</sup> July 2021 if the Company fails to rectify same.

#### 4.0 OBJECTIVES OF THE RIGHTS ISSUE

As already stated in Paragraph 1.1, the objective of the Rights Issue is to infuse fresh capital to strengthen Tier 1 Capital, based on the Company's forecasted Business Expansion Programme, during the Financial Year 2021/2022, whilst being in compliance with the new Capital Adequacy Framework for Non-banking Financial Institutions as per the Finance Business Act Direction No. 03 of 2018 (Capital Adequacy Requirements) of the CBSL dated 6<sup>th</sup> June 2018 read together with the Press Release issued by the Department of Supervision of the Non-Bank Financial Institution of CBSL dated 12<sup>th</sup> April 2020.

Funds raised by the Rights Issue will be invested in Repurchase Agreement [REPO], deposits with License Commercial Banks [LCBs], or Unit trusts until such time that it is utilized for repricing of maturing liabilities mentioned in Section 4.5 and budgeted lending of the company. The expected return for REPO is 4% to 4.5%, LCB's is 4% to 5.5% and Unit Trusts are 7.0% to 8.5%.

Accordingly, the minimum Tier 1 and total capital adequacy ratios will be increased from 6% to 8.5% and 10% to 12.5% respectively by 1<sup>st</sup> July 2022 as noted below.

#### The new capital adequacy framework aforesaid.

	01.07.2018	01.07.2019	01.07.2020	01.07.2021	01.07.2022
Tier I Capital	6.00 %	6.50 %	6.50 %	7.00 %	8.50 %
Total Capital	10.00 %	10.50 %	10.50 %	11.00 %	12.50 %

#### 4.1 The capital adequacy ratios of the Company pre and post rights issue

Item	Pre Rights Issue as at 31.03.2020 (Audited)	Pre Rights Issue as at 31.03.2021 (un audited)	Pre Rights Issue as at 31.07.2021 (Forecasted)	Post Rights Issue as at 31.07.2021 (Forecasted)	Post Rights Issue and *Subordinated Debt issue as at 31.03.2022 (Forecasted)
Tier I Capital	-5.60%	-3.61%	-4.11%	9.93%	7.09%
Tier II Capital	-5.80%	-3.61%	-4.11%	9.93%	11.31%

\*The subordinated debt referred to in the above table refers to a step in the capital adequacy plan to meet the Tier II CAR up to 1<sup>st</sup> July 2022, the Company has communicated to the

CBSL that the Company would ensure through one of the following transactions to ensure the fulfillment of Tier II CAR

a) by the parent company, Softlogic Capital PLC, under-writing a Subordinated Debt issuance of Rs. 900 Million made by the Company that shall have a maturity of 5 years,  
OR

b) the parent company, Softlogic Capital PLC, granting a Subordinated Loan of Rs.900 Million to the Company for 5years.

The Company is awaiting a response from the CBSL for its communication.

4.2 whilst the Company is not in compliance with the new capital adequacy ratios currently, this capital infusion to the Company is essential in order to strengthen the Company's capital adequacy ratios and to utilize the fresh capital to meet the required funding to repay maturing liabilities of the Company, facilitate future lending and other business operations.

The Company has obtained the Central Bank approval to infuse Rs 2.239Bn as the third step of capital raising, subsequent to Rs 0.6Bn undertaken in December 2019 and 1.9 Bn in 2020. This Rights Issue of Rs. 2,239,667,740.00/- will accommodate both aforementioned vital requirements, where the funds generated through the Rights Issue will improve the capital adequacy ratios as depicted above, in the Capital Adequacy Ratio table,

4.3 The Company propose to meet the shortfall in the capital adequacy ratios as depicted in the Capital Adequacy Ratio (CAR) table above, during the stipulated time period, as follows;

Financial Year	Tier 1 Capital Adequacy Ratio		Tier 2 Capital Adequacy Ratio	
	Required %	As per Strategic Plan %	Required %	As per Strategic Plan %
1 July 2021	7%	0.3%	11%	0.3%
31 March 2022	7%	Complied with	11%	complied with
31 March 2023	8%	complied with	12.5%	Complied with

4.4 We give below the impact to the Company, if in the event the capital adequacy ratio requirements are not met within the timelines stipulated as per the above table.

CBSL will apply lending and deposit caps to the company until such time that the Company adheres to the minimum CAR requirements.

4.5 A break up of upcoming liabilities over the next 6 months is provided below.

Asset	May 2021	June 2021	July 2021	August 2021	September 2021	October 2021
Fixed Deposits	239,413,725	248,060,527	241,938,204	157,723,074	202,765,957	179,748,203
Securitized	59,518,541	44,005,597	39,271,303	56,187,942	93,532,730	157,413,454
Bank Credit facilities	12,621,400	212,607,176	12,514,813	12,497,035	212,441,965	262,354,931

The Company as at date has not identified the liabilities to be settled, out of the funds to be collected / allocated amounts, from the Rights Issue.

The Company currently has no related party liabilities.

The Company finances its lending portfolio using the funds collected from loan repayments, deposits, bank loans & permanent overdrafts and asset securitization.

4.6 The following are the total lending made by the Company during the preceding quarter:

Product	February -21 (Rs. Mn)	March -21 (Rs. Mn)	April -21 (Rs. Mn)
Leasing	550	554	576
Personal Loan	8	9	7
Gold Loan	635	937	576
Factoring	234	322	185
Total	1,426	1,822	1,344

4.7 We give below the expected time period within which the funds would be utilized in respect of each Objective.

Serial No.	Objective	Proposed Timelines, Post Closing Rights Issue	Amount
01	To improve the Capital adequacy ratio	Immediate	-
02	To repay maturity liabilities, utilize in the lending and other business operations.	Within 6 months	Rs. 2,239,667,740/-
03	To increase the secured lending <i>portfolio</i> to the required regulatory levels:- (i) Leasing (ii) Other lending	Within 6 months	The maturity liabilities mentioned above under objective 2, include forecasted outflow of fixed deposits. If the outflow is less than expected and as a result if any proceeds from the rights remain unutilized, such amount will be utilized in lending and other business operations.

4.8 If in the event the Company propose to lend to related parties, such lending will be made in compliance with Section 9 of the Listing Rules of the CSE

4.9 The composition of the Related Party Transaction Review Committee is as follows.

1. Mr. A. C. Manilka Fernando – Independent Non-executive Director (Chairman of the Committee)
2. Mr. Dinesh P. Renganathan – Independent Non-executive Director
3. Mr. Haresh Kaimal – Non Executive Director

#### 4.10 Specific risks associated with the objectives

Risks for not being able to invest funds raised through the rights issue within the specified time line is very remote. In the event of the Company been unable to utilize the funds fully for the objectives within the specified timeline, the excess funds would be invested in Repurchase Agreement [REPO], deposits with License Commercial Banks [LCBs] or Unit trusts. The expected return for REPO is 4% to 4.5%, LCB's is 4% to 5.5% and Unit Trusts are 7.0% to 8.5%.

Important Notice:

Kindly note, if there are any changes occur to circumstances and if proceeds are not utilized as proposed (objectives & timelines), the Company may utilize the funds appropriately subject to obtaining approval from shareholders.

If in the event of any change in the Objectives of the Rights Issue, the time period within which, as aforesaid, the funds are allocated, a change in the amounts allocated, the Company will notify the CSE and make immediate market announcements, prior seeking the approval of the Shareholders. The Company will further disclose in the Interim Financial Statements and the Annual Report of the Company that are published, following any such deviation.

#### 5.0 DISCLOSURES IN THE INTERIM FINANCIAL STATEMENTS AND THE ANNUAL REPORT

Information as per the template below will be disclosed in the Interim Financial Statements and the Annual Report/s from the date of raising funds until objectives are achieved and funds are fully utilized by the Company.

##### Continuous Disclosures regarding status of utilization of funds raised via Rights Issue.

Rights Issue proceeds utilization as at (dd-mm-yyyy)

Objective number	Objective as per Circular	Amount allocated as per Circular in Rs.	Proposed date of utilization as per Circular	Amount allocated from proceeds in Rs. (A)	% of total proceeds	Amount utilized in Rs. (B)	% of utilized against allocation (B)/(A)	Clarification of not fully utilized including if not utilized where are the funds invested (e.g. whether lent to related parties)
1.								

The Company will make the following statements (as applicable) in its Annual Report / Interim Financial Statements with respect to the funds raised through this Rights Issue.

- a) A statement as to the manner in which the proceeds of such issue has been utilized

- b) The number, class, and consideration received through the Rights Issue and the reason for the issue and
- c) Any material change in the use of funds raised through the issue of shares
- d) In the event the proceeds raised are fully utilized as disclosed in the Circular to Shareholders between two financial periods, the Company would disclose such fact in the immediate succeeding Annual Report or the Interim Financial Statement, whichever is published first, as per the above template.

## **6.0 ADDITIONAL INFORMATION**

### **6.1 Impact of Covid-19 on the Company**

Prior to proceeding with the details of the proposed Rights Issue, your Board wish to briefly advise the Shareholders the impact on the operations of the Company caused by the Covid 19 Pandemic.

With the resurgence of the COVID-19 pandemic and the ensuing localized lockdowns in several grama niladari divisions across the island, the CBSL issued a set of directives to financial institutions to extend the moratorium period on the existing financial obligations of lending customers at a concessionary rate. Such short-term concessionary loan repayment schemes were to be offered to customers who were eligible as per the criteria spelled out by the CBSL. These moratorium options were introduced by the CBSL in view of the adverse short-term effects on the sources of income of the lending customers. The company has fully adhered to the stipulations in these directives and has taken all necessary steps to offer these concessions to its customers, in terms of the conditions put forward by the CBSL.

These concessions offered, which amounted to a moratorium on loan repayments, resulted in a short term drop in the interest income to the company. However, the company has been able to maintain a strong liquidity position throughout; both during the curfew period and post the curfew was eased. Backed by its strong liquidity position, the company has been able to take all necessary measures to ensure that it is able to meet all its dues to its customers and suppliers on time without any delays. Further, the company has taken measures to ensure that it maintains appropriate credit lines with banking institutions.

The company continued to serve all the needs of its deposit customers right throughout, without any service interruptions. Accordingly, it took all necessary steps to ensure that operations like the acceptance and renewal of deposits, enabling the withdrawal of deposits, paying out matured deposits and making the stipulated interest payments happened without any delays.

Further, the company is also in the process of reviewing its operational cost structure and has already taken steps to cut down on operational wastage and implement cost saving initiatives without adversely affecting the value proposition that is offered to its customers.

The exact, tangible impact on the business operations arising from this pandemic is yet to be fully and conclusively realized as the external situation is still volatile and evolving. The company will continue to monitor all actual and possible impacts on its business operations



and will proactively take measures to ensure that the operational stability of the company is unaffected.

## 6.2 The Top 20 Shareholders as at 31<sup>st</sup> March 2021

	Name	Shares	(%)
01	SOFTLOGIC CAPITAL PLC	143,521,838	53.40
02	PAN ASIA BANKING CORPORATION PLC/SOFTLOGIC CAPITAL PLC	85,125,513	31.67
03	SOFTLOGIC LIFE INSURANCE PLC-A/C NO. 04 (PARTICIPATING FUND)	15,688,030	5.84
04	VANIK INCORPORATION LTD	5,376,068	2.00
05	MR. KULAPPUARACHCHIGE DON DAMMIKA PERERA	3,276,253	1.22
06	SOFTLOGIC HOLDINGS PLC	3,085,963	1.15
07	L.B. FINANCE LIMITED.	2,090,000	0.78
08	HATTON NATIONAL BANK PLC/SUBRAMANIAM VASUDEVAN	1,963,192	0.73
09	PEOPLES BANK/ASOKA KARIYAWASAM PATHIRAGE	902,085	0.34
10	PEOPLE'S LEASING & FINANCE PLC/L.P.HAPANGAMA	767,992	0.29
11	MR. SHANKER VARADANANDA SOMASUNDERAM	405,000	0.15
12	HATTON NATIONAL BANK PLC/ARUNASALAM SITHAMPALAM	300,000	0.11
13	MR. WEERATHUNGA ARACHCHIGE SAMPATH PALITHA DE SARAM	201,105	0.07
14	MR. THARMALINGAM LOGANATHAN	187,073	0.07
15	SAMPATH BANK PLC/MR. ABISHEK SITHAMPALAM	159,782	0.06
16	ASSETLINE LEASING CO. LTD/MS.R.K.R. PATHIRANAGE	152,166	0.06
17	MR. BALENDIRAN JANEGAN	144,111	0.05
18	MRS. PAMELA CHRISTINE COORAY	132,444	0.05
19	HATTON NATIONAL BANK PLC/RATNASABAPATHY IYER SHANMUGASARMA	125,130	0.05
20	MR. THEVARATHANTRIGE MANOJ PRIYANGA FERNANDO	111,497	0.04
	<b>Total of the Top 20 Shareholders</b>	<b>263,715,242</b>	<b>98.12</b>
	<b>Other Shareholders</b>	<b>5,044,886</b>	<b>1.88</b>
	<b>Total of All Shareholders</b>	<b>268,760,128</b>	<b>100.00</b>

The public float percentage as at 31<sup>st</sup> March 2021 was 7.60 %.

## 6.3 Share Prices for the Preceding 03 Months

Month	High (Rs.)	Low (Rs.)	Closing (Rs.)	Volume of Ordinary Voting Shares traded	No. of trades	Last Traded Date
February 2021	12.30	10.10	10.20	300,409	793	25-02-2021
March 2021	10.50	9.40	10.00	179,485	476	31-03-2021
April 2021	10.30	9.70	9.70	112,476	737	30-04-2021

Closing market price of the shares of the Company as at 16<sup>th</sup> June 2021 was Rs. 9.70.

#### 6.4 Dividend History for the Previous Five (05) Financial Years

The dividend history of the Company for past five financial years is as follows.

Financial Year	2015/16	2016/17	2017/18	2018/19	2019/20
Dividend per share	Rs. 1.50	Rs. 1.25	Rs. 1.65	-	-
Total Dividend Paid	Rs. 76.2 Mn	Rs. 73.8	Rs.97.5 Mn	-	-

#### 6.5 Financial Statements

Shareholders attention is drawn to the Audited Financial Statements of the Company for the year ended 31<sup>st</sup> March 2020, which is hosted on [https://cdn.cse.lk/cmt/upload\\_report\\_file/863\\_1597375383733.pdf](https://cdn.cse.lk/cmt/upload_report_file/863_1597375383733.pdf) and the un-audited Interim Financial Statement for the Quarter ended 31 March 2021, which is hosted on [https://cdn.cse.lk/cmt/upload\\_report\\_file/863\\_1621505586633.N%20Interim%20FS%20Q4%2020.21%20for%20CSE%20upload.pdf](https://cdn.cse.lk/cmt/upload_report_file/863_1621505586633.N%20Interim%20FS%20Q4%2020.21%20for%20CSE%20upload.pdf)

There were no subsequent adjustments made to the aforesaid financial statements.

The Company incurred a loss during the financial year ended 31<sup>st</sup> March 2020. The reasons for incurring such a loss was due primarily as a result of contraction in interest income growth, rise in Non-performing loans and increase in loan impairment provisions.

The proposed Plan to turnaround from such a loss making situation is to adopt a prudent conservative lending portfolio moving forward, drive its recovery workforce in to an aggressive and robust collections drive while maintaining good governance and best practices and focus on alternative funding avenues to reduce cost of liabilities. We expect a turnaround over the coming years starting from 2021/2022.

#### 6.6 Contingency Liabilities

The Contingent liabilities of the Company has increased by Rs. 79 Mn during the last quarter of the financial year 2020/21(i.e. from 31.12.2020 to 31.03.2021) due to underutilization of factoring advances.

As at 31.12.2020	As at 31.03.2021
Rs. 926Mn	Rs. 1,005Mn

#### 7.0 APPLICATION FOR RIGHTS AND PROVISIONAL ALLOTMENT

As stated elsewhere in this Circular, the 223,966,774 Ordinary Shares will be provisionally allotted immediately after the shareholders, at the Extraordinary General Meeting to be held

on 14<sup>th</sup> July 2021, approving the Resolution to provisionally allot the new Ordinary Shares as recommended by the Board to shareholders in the Register of Shareholders as at end of Trading on **14<sup>th</sup> July 2021** (Date of Entitlement / Date of the EGM) on the Rights.

In the allotment of the Ordinary Shares, shareholding of each shareholder, as appearing in the CDS and the Shareholders Register maintained by the Company will be aggregated, in so far as the National Identity Card Number of such shareholders are available with the Company for the identification purposes.

Shareholding of fractions of shares will be ignored for the allotment of rights and the rights entitlement of these fractional shares will be pooled together and be allotted to the respective holders of shares who applied for additional shares.

New ordinary shares, not duly subscribed for as at the last date of acceptance and payment specified in the Provisional Letter of Allotment, shall deemed to have been declined and such declined shares will be pooled together with rejected Letters of Acceptance and Registration due to them being invalid and any fractional shares arising from the provisional allotment will be available for allotment at the same price to the shareholders applying for additional shares on a pro rata basis to their existing shareholding, and thereafter any shares left unsubscribed [after fully providing for Additional Shares] shall be allotted to the immediate parent company, Softlogic Capital PLC. In making such further allotments of unsubscribed shares, the Company will comply with the timelines set out in Rule 5.2 of the Listing Rules of CSE.

The new ordinary shares provisionally allotted will upon due acceptance and payment, rank *pari passu* in all respects with the existing issued ordinary shares of the Company and will qualify for all dividends declared, only after the final allotment which shall be after the last date of acceptance and payment.

If there is a discrepancy between the CDS information given in the attached Form / Form 'A', Letter of Acceptance and Registration **and** the CDS Account Number maintained at the CDS, the number maintained at the CDS will be taken as correct.

If you do have a CDS Account and your existing Ordinary Voting Shares are not lodged in the said CDS Account/ or you propose to open a CDS Account prior to **14<sup>th</sup> July 2021**, you are advised to lodge your Shares prior to such date.

**The Provisional Letters of Allotment together with the Acceptance and Registration Form and Form of Application for Additional Shares will be dispatched to you on 22<sup>nd</sup> July 2021**, by post based on the then prevailing situation with regard to the Postal Services (i.e. postal delays and some areas in isolated lockdown). However, based on the situation currently prevailing, with the concurrence of the CSE, the Management of the Company propose to upload the said documents together with clear instructions for returning the completed applications together with the payment therefor, on the Company's official website <https://softlogicfinance.lk/> and on the CSE website [www.cse.lk](http://www.cse.lk).

Accordingly,

- (1) With respect to Shareholders whose shares are lodged in the CDS, their Rights Entitlement will be uploaded to their CDS accounts on the 27<sup>th</sup> day of July 2021.
- (2) Letter of Acceptance (Form A) would be uploaded to the Company's official website <https://softlogicfinance.lk/> and on the CSE website [www.cse.lk](http://www.cse.lk), to facilitate Shareholders to download / print / complete the documents and thereafter email / hand deliver / post the Letter of Acceptance together with proof of remittance of the consideration to the Company's Bank Account as per the instructions given in the aforesaid websites (online payments being permitted).
- (3) Form of Renunciation to CDS (Form B) would be uploaded to the Company's official website <https://softlogicfinance.lk/> and on the CSE website [www.cse.lk](http://www.cse.lk), to facilitate Shareholders whose shares are not lodged with the CDS, to download / print / complete the documents and forward same to the Registrars to the issue, to facilitate upload thereof to the CDS (provided such Shareholders have a CDS account). Further instructions for completion are given in the aforesaid websites.
- (4) Form of Application for additional voting ordinary shares (Form C) would be uploaded to the Company's official website <https://softlogicfinance.lk/> and on the CSE website [www.cse.lk](http://www.cse.lk), to facilitate Shareholders to download / print / complete the documents and thereafter email / hand deliver / post the Letter of Acceptance together with proof of remittance of the consideration to the Company's Bank Account as per the instructions given in the aforesaid websites (online payments being permitted).

For further clarification, you may contact the Registrars to the Issue, P W Corporate Secretarial (Pvt) Ltd on Mobile Telephone Nos. 0768273004, 0768273006, 0768273007, 0768273001 and 0768273002.

**Trading of the "Rights" shall commence on the Fourth (4<sup>th</sup>) Market Day from and excluding the date of dispatch of Letters of Provisional Allotment. Such trading shall continue throughout the period of renunciation to the CDS (From 29<sup>th</sup> July 2021 to 5<sup>th</sup> August 2021).**

The Rights entitlement of the Shareholders whose shares are held in the CDS, will be directly uploaded to their CDS Accounts to facilitate trading.

**The last date for acceptance and payment shall be 6<sup>th</sup> August 2021.**

Application for additional Shares will be permitted. Additional Shares will be available for allotment only in the event any of the existing shareholders do not take up their rights entitlement in part or in full or if the Letter of Acceptance and Registration is rejected by the Company as being invalid. The Shares not subscribed for as at the last day of acceptance specified in the Provisional Letter of Allotment will be deemed to have been declined and such declined shares pooled together with any fractional Shares arising resulting from the provisional allotment, will be allotted at the same price to the shareholders applying for additional Shares, on a pro rata basis to their existing shareholding, and thereafter any shares

left unsubscribed shall be allotted to Softlogic Capital PLC. In making such further allotments of unsubscribed shares, the Company will comply with the timelines set out in Rule 5.2 of the Listing Rules.

As per the Directive of the SEC made under Circular No. 08/2010 dated November 22, 2010 and Circular No. 13/2010 issued by the CDS dated November 30, 2010 all Shares arising from the Rights Issue shall be directly uploaded to the CDS Accounts.

**Accordingly, the Shares arising from the Rights Issue would be directly deposited to the respective shareholder's CDS Accounts within twelve (12) market days from the last day of acceptance and payment.**

**Refunds in respect of rejected applications be paid as expeditiously as possible but not exceeding Ten (10) Market Days from the last date of acceptance and payment.**

Please note, when uploading new shares arising from the proposed Rights Issue to your CDS Account, such Shares would be lodged based on the Account details given by you to the Company in the Letter of Acceptance and Registration that would be dispatched to you, together with the Provisional Letter of Allotment. The said Form makes provision for you to indicate as to whether the Shares are to be lodged in the Trading balance/Locked balance (as applicable). If there is no indication the shares will be lodged into the trading balance.

Pursuant to a Direction issued by SEC pertaining to the de-materialization of listed securities, the Shareholders who hold shares in Scrip form (i.e. Share Certificates) as per the Register maintained by the Secretaries to the Company **will not be issued Share Certificates in their favour.**

The shares allotted in respect of Letters of Acceptance which do not carry a valid CDS Account Number or which indicate an incorrect/inaccurate CDS Account Number will not be uploaded to the CDS Accounts on the date specified for upload as per the Rules of the CSE. Shares allotted in respect of such acceptances will be uploaded on a weekly basis when the Shareholders/Applicants forward to the Secretaries/Registrars their correct CDS Account Numbers.

Shareholders/Applicants who do not have a CDS Account are advised to open a CDS Account, prior to submitting the completed Form 'A' in order to facilitate the uploading of the Shares allotted to them.

**The new shares will commence trading on or before 26<sup>th</sup> August 2021, subject to the Company complying with the relevant Listing Rules pertaining to the Rights Issue.**

## **8.0 GENERAL**

- 8.1 **Non Resident Shareholders** – Non Resident Shareholders are required to make payments for rights through their Inward Investment Account (IIA). If the payment is not made out of an IIA, but out of an inward remittance or remittable funds, the approval of the Director, Department of Foreign Exchange, Central Bank of Sri Lanka, to make such payments must

accompany the Letter of Acceptance and Registration and the Application for Additional Shares (as applicable), more details will be set out in the Provisional Letter of Allotment which would be dispatched to the Shareholders, once the Rights Issue is approved by the Shareholders at the meeting of the shareholders to be convened by the Company.

- 8.2 **Additional Details and Assistance** – Shareholders who may require additional details or assistance in relation to any of the above mentioned matters may contact, Ms. Shashikala De Mel of P W Corporate Secretarial (Pvt) Ltd, on Telephone No.4640360-3
- 8.3 **The listing of the Shares by the CSE will in no way be reflective of the merits of the issue. The CSE assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports included.**
- 8.4 **The Directors of the Company collectively and individually accept full responsibility for the accuracy of the information given and confirm having made all reasonable inquiries, that to the best of their knowledge and belief, that there are no other facts the omission of which would render any statement in the Circular misleading.**

**BY ORDER OF THE BOARD OF  
SOFTLOGIC FINANCE PLC**

**(Sgd.)  
Softlogic Corporate Services (Pvt) Ltd  
Secretaries**

17<sup>th</sup> June 2021