

SOFTLOGIC HOLDINGS PLC
[Company Reg. No. PV 1536 PB/PQ]
No. 14, De Fonseka Place, Colombo 05

CIRCULAR TO SHAREHOLDERS

THIS DOCUMENT IS OF VALUE – *If you are in doubt as to the action you should take, you should consult your stock broker 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 increase the total capital base of the Company to enable the Company to settle the debts and for working capital requirements of the Company, your Board of Directors resolved on 07th March 2024 to recommend to the Shareholders to raise a sum of Rupees Ten Billion (Rs. 10,000,000,000) by 31st of March 2025; as given below; and further resolved on 29th May 2024 to redefine the purpose of raising fresh capital to settle debt only (and not for working capital as resolved on 7th March 2024)

1.1.1 To raise up to Rs. 2,981,358,020.00 by way of a Rights Issue

1.1.2 To raise up to Rs.1,878,255,550.50 by issuing warrants attached to the rights shares subscribed

1.1.3 To raise remaining equity of up to Rs. 5,140,386,429.50 in a manner to be decided by the Board of Directors of the Company upon completion of aforesaid items 1.1.1 and 1.1.2

1.2 Having considered the prevailing restriction in issuing warrants attached to the rights issue of shares in terms of Rule 5.10.1 (iii) of the Listing Rules of the Colombo Stock Exchange, the directors recommend to the shareholders of the Company an issue of Two Hundred and Ninety-Eight Million One Hundred and Thirty-Five Thousand Eight Hundred and Two (298,135,802) ordinary shares of the Company by way of a Rights Issue to raise up to Sri Lanka Rupees Two Billion Nine Hundred and Eighty-One Million Three Hundred and Fifty-Eight Thousand and Twenty (Rs. 2,981,358,020.00) in the proportion of One (1) share for every Four (4) shares held on the record date (2nd Market Day from and excluding the EGM date) at a consideration of Sri Lanka Rupees Ten (Rs. 10.00) per share, for the purpose of settling the debts of the Company as the first stage of raising equity of Rupees Ten Billion (Rs. 10,000,000,000).

1.3 The Announcement of the proposed Rights Issue with Warrants in terms of CSE Rule 5.2 (b) and 5.10.2 communicated to the CSE by the Company was published on 07th March 2024 on the Trading Floor of the CSE.

1.4 The issue and listing of the 298,135,802 Ordinary Voting Shares (hereinafter referred to as Ordinary Shares) by way of a Rights Issue as aforesaid and the issue and listing of up to 178,881,481 Warrants (as more fully set out elsewhere in this circular), requiring the in-principle approval of the CSE in terms of Listing Rule 5.2 d.(i) and 5.10.3; the Company made Two (2) Applications to the CSE.

- 1.5 Subsequent to processing the aforesaid Applications, the CSE on 10th July 2024, granted to the Company approval in principle, in terms of Rules 5.2 d.(i) and 5.10.3, subject to other conditions as set out in the said letter, to issue and list the new Shares and warrants.
- 1.6 The increase of the Stated Capital by way of a Rights Issue requiring the approval of the Shareholders in terms of Listing Rules 5.2(a) by an Ordinary Resolution and the issue of Warrants with the right to convert into Ordinary Shares [which Warrants although initially issued to Shareholders who subscribed for the Rights Issue; at the time of conversion due to Market Transactions of Warrants may be in the hands of non-shareholders] requiring approval of the shareholders by way of a Special Resolution in terms of Section 99 of the Companies Act No. 7 of 2007; and Article 12(i) read together with Article 19 of the Articles of Association of the Company it is necessary that the Company convene an Extra Ordinary General Meeting (EGM) of the Shareholders.
- 1.7 The EGM will be held on 7th August 2024 at 10.30 a.m. at the Auditorium of Central Hospital Ltd. (4th Floor) No. 114, Norris Canal Road, Colombo 10 for holders of Ordinary Voting Shares for the purposes as morefully set out in the attached Notice of Extraordinary General Meeting.
- 1.8 Shareholders who are unable to attend the 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://www.softlogic.lk/> and the CSE website, 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 1.1 above, immediately after the Meeting of the Shareholders, as aforesaid, upon the Shareholders approving the Resolution set out in the attached Notice of Meeting, the Board would issue for subscription, 298,135,802 new Ordinary Shares, by way of Rights to the existing Ordinary Shareholders, in the proportion of One (01) new shares for every Four (04) shares held by the shareholders, as at the end of trading on the ‘Date of Entitlement’ (being the Record Date/Date of Provisional Allotment, which is the 2nd market day from and excluding the said EGM date) namely 9th August 2024, at an issue price of Rupees Ten (Rs. 10.00) 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 shall be ignored (*The fractions that are ignored are the fractions arising post multiplication by 01 and then by the division by 4 of the existing shares held by a Shareholder, thereafter rounded down to the nearest whole number*) 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:

$$\frac{\text{Number of shares held by a shareholder as at the end of trading on 9th August 2024(i.e. record date) x 01 (new shares)}}{4 \text{ shares held}}$$

The fractions that are ignored are the fractions arising post multiplication by 01 and then by the division by 4 of the existing shares held by a Shareholder, thereafter rounded down to the nearest whole number as aforesaid.

- 2.2 The Rights subscribed shall have attached thereto Warrants as set out in 3.1 below

- 2.3 Subsequent to the Rights Issue of Shares being subscribed on 19th September 2024 the Stated Capital of the Company would increase from Rupees Twelve Billion One Hundred and Nineteen Million Two Hundred and Thirty-Four Thousand Five Hundred and Fifty-Three (Rs. 12,119,234,553.00) to Rupees Fifteen Billion One Hundred Million Five Hundred and Ninety-Two Thousand Five Hundred and Seventy-Three (Rs. 15,100,592,573.00) (based on full subscription), and the total number of shares in issue would increase from 1,192,543,209 (One Billion One Hundred and Ninety-Two Million Five Hundred and Forty-Three Thousand Two Hundred and Nine) Ordinary Shares to 1,490,679,011 (One Billion Four Hundred and Ninety Million Six Hundred and Seventy-Nine Thousand and Eleven) Ordinary Shares (based on full subscription).
- 2.4 The Board has resolved that in its opinion, the consideration of Rupees Ten (Rs. 10.00) 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, the Board took into consideration the Volume Weighted Average Price (VWAP) from 5th December 2023 to 6th March 2024 to derive at Rs. 10/- per share.

3.0 ISSUE OF WARRANTS WITH THE RIGHT TO CONVERT INTO SHARES

- 3.1 As referred to in Paragraph 2.3 above, the subscribed Rights shall have attached thereto: Warrants as set out below;
- 3.1.1 Issue of up to 178,881,481 Warrants; subject to the subscription of Rights Share (as the number of Warrants to be issued would depend on the level of subscription on the Rights Issue) in the ratio of Three (3) Warrants for every Five (5) Rights Shares subscribed, issued at zero (0) price at an Exercise price of Sri Lanka Rupees Ten and Cents Fifty (Rs. 10.50) per warrant payable at the time of exercising the right to convert one (1) warrant into one (1) share; which Exercise price; is in the opinion of the Directors fair and reasonable to the Company and to the existing shareholders of the Company; to raise up to Sri Lanka Rupees One Billion Eight Hundred and Seventy-Eight Million Two Hundred and Fifty-Five Thousand Five Hundred and Fifty and Cents Fifty (Rs. 1,878,255,550.50); which proceeds would be utilized by the company to settle debts.

The pricing of the Warrants was determined based on the Rights Price, with a holding period cost of an annualized 10% attached, which is deemed reasonable in the current environment.

- 3.1.2 If in the event, the Rights Issue is undersubscribed, the number of warrants being issued is less than the maximum number referred to herein, a market announcement would be made to the number of warrants issued immediately upon the same being issued.
- 3.1.3 The warrants will be issued on the same day as the allotment of shares on the Rights Issue, and Direct Deposit of the Warrants made to the Central Depository System on the same day as the shares allotted on the Rights being deposited.

The Entity shall submit to the Exchange a 'Declaration' as set out in Appendix 5C of the Rules on the Market Day immediately following the day on which the Direct Deposit of Warrants is completed

- 3.1.4 The Trade commencement date of the Warrants shall be 2 market days post commencement of the Trading of the Ordinary voting shares of the company issued on this Rights
- 3.1.5 A Market Announcement will be made on 29th November 2024 to remind the holders of Warrants of the Last Date for Trading Warrants & the Record Date for conversion of Warrants into Shares.
- 3.1.6 The last day for Trading of Warrants shall be on 5th December 2024.
- 3.1.7 The Record Date (Entitlement Date) entitling the holders of warrants to convert their warrants into shares shall be the end of Trading on 9th December 2024.
- 3.1.8 At end of Trading on 9th December 2024 the Warrants shall expire.
- 3.1.9 Dispatch by the Company of the relevant documents setting out the number of shares into which a holder of warrants may convert such warrants together with the consideration payable for such conversion during the period from 10th December 2024 to 16th December 2024. The warrant holders may exercise their right to convert the warrants to ordinary shares at their discretion. Once converted, such shares shall rank *pari passu* with the company's then-existing ordinary shares.
- 3.1.10 Period during which a warrant holder is entitled to return the application for conversion of the warrants to shares together with subscription therefor – from 17th December 2024 to 31st December 2024. All Warrants in respect of which the subscription for conversion into Shares are not received by 4.00 p.m. on the 31st December 2024, shall deemed cancelled.
- 3.1.11 Allotment of new shares in exchange for warrants and Direct Deposit of the new shares to the CDS will be on or before 16th January 2025 and the maximum number of shares that would be issued pursuant to the shareholders exercising their right to convert the warrants into shares shall not exceed 178,881,481 shares. An announcement would be made by the company immediately after the allotment of shares setting out the actual number of shares allotted pursuant to conversion.
- 3.1.12 Refunds to holders of warrants of excess payments – rejected applications – on or before 16th January 2025.
- 3.1.13 Filing of the declaration by the company with the Colombo Stock Exchange will be on 17th January 2025 being the Market Day immediately following the date of Direct Deposit, as referred to in 3.1.11
- 3.1.14 Trading of Shares arising from the conversion of warrants will be on 20th January 2025 being be the Market Day following the filing of the Declaration with the Colombo Stock Exchange as referred to 3.1.13
- 3.1.15 Pursuant to a Direction issued by the SEC regarding the de-materialization of listed securities, Shareholders whose Warrants are not lodged with the CDS but are recorded as holders of Warrants as per the Register maintained by the Secretaries to the Company will not be issued

Share Certificates in their favor. Shares allotted in respect of such acceptances will be uploaded on a weekly basis when the Shareholders/Applicants forward to the Registrars their correct CDS Account Numbers.

- 3.1.16 Shares allotted in respect of Letters of Acceptance that do not carry a valid CDS Account Number or indicate an incorrect/inaccurate CDS Account Number will not be uploaded to the CDS Accounts on the date specified for upload herein. Shares allotted in respect of such acceptances will be uploaded weekly when the Shareholders/Applicants forward to the Registrars their correct CDS Account Numbers.
- 3.1.17 The Warrant holders shall not have the right to participate in any distribution and/or offers of further securities made by the Company until such time the Warrants are converted into shares.
- 3.1.18 The Warrant holders shall have no right of participation in any distribution in the event of the liquidation of the company.
- 3.2 The Warrants being converted into shares on the Record Date of 9th December 2024, being within a short span from the date of issue of the warrants, , there shall be no adjustment to the Exercise price, as the company does not envisage a further rights issues or issues of shares by way of capitalization of Reserves in the interim period.
- 3.3 Subsequent to the conversion of Warrants to Ordinary Shares based on the Record Date of 9th December 2024 the stated Capital of the Company would increase accordingly.
- 3.4 The purposes for which the future proceeds arising from the exercise of the Warrants and the benefits to the shareholders and the entity arising from the issue of Warrants with the right of conversion in the future, as set out herein in detail, are given in Sections 6.0 and 7.0 of this circular respectively.
- 3.5 Given below are the Stated Capital and the number of shares it represents prior to the Subscription on the Rights Issue, post subscription on the rights issue (on the basis of a full subscription), and post subscription of the Warrants (on the basis of a full subscription)

	Prior to the Rights Issue	Post Rights Issue (On the basis of Full Subscription of Rights)	Post Conversion of Warrants to Shares (On the basis of Full Subscription of Warrants)
Stated Capital	Rs. 12,119,234,553.00	Rs. 15,100,592,573.00	Rs. 16,978.848.123.50
Number of Shares	1,192,543,209	1,490,679,011	1,669,560,492

4.0 MINIMUM SUBSCRIPTION/UNDERWRITING ARRANGEMENT

The subscription for the Rights Issue and the subscription for conversion of Warrants into shares are not underwritten.

- 4.1 However, Mr. Asoka Kariyawasam Pathirage and Samena Ceylon Holdings Limited, together with Sameena Special Situations Fund III L.P. and Sameena Special Situations Fund II LP, major shareholders of the Company, holding approximately 67.86% of the total number of shares in issue, have indicated that they will subscribe to their entitlement of rights and exercise the conversion of Warrants into Shares.

4.2 Accordingly, the company would receive a minimum subscription of Rs. 2,023,149,552.37 in the Rights Issue in 2024 and a minimum subscription of Rs. 1,274,584,216.57 on the conversion of Warrants into Shares by 31st December 2024.

4.3 As stated in the Announcement made on the Trading Floor of the Colombo Stock Exchange on 7th March 2024, the Company is committed to seeking an infusion of Equity up to a sum of Rs. 10,000,000,000/- by March 2025, of which the first two tranches are by way of the Rights Issue and through the Warrants issue as morefully set out in this Circular to raise a total sum of Rs. 4,859,613,570.50. As already stated herein, a minimum sum of Rs.3,297,733,768.94 would be received, leaving a balance sum of Rs 1,561,879,801.56 being the expected subscription from the other shareholders.

4.4 Based on the subscription received, the company will proceed to achieve its objectives.

4.5 If the issue is undersubscribed and the other shareholders do not exercise their rights, the public holding will be further diluted. The Company will take action based on the final level of subscription of the Rights and Warrants.

4.6 As of now, the company is unable to provide an action plan to increase the public float.

5.0 IMPORTANT :

5.1 As of date, the Company has been transferred to the Watch List due to the Audited Financial Statements for the year 2022/2023 containing a qualified audit opinion and an emphasis on matters of ongoing concern. In this regard, your attention is drawn to Paragraph 2 of Clause 11.4.1 to 11.4.6 below as to the present Enforcement Action in terms of the Listing Rules. The company has published the audited financials for the year 2022/2023 and, up to the Fourth Quarter, unaudited accounts for the year 2023/2024.

5.2 The proposed debt settlement using funds raised through the Rights Issue and the Warrants conversion does not amount to a major transaction.

6.0 OBJECTIVES OF THE RIGHTS ISSUE AND ISSUE OF SHARES UPON CONVERSION OF WARRANTS

6.1 As stated in Paragraph 1.1, the objectives of the Rights Issue and the issue of Warrants with the right to convert into Shares to enable the Company to settle external debt, including bank debt, securitization loans, and commercial papers. Details of the total external borrowings are given in paragraph 6.7.

6.2 The time period within which the proceeds would be utilized is dependent on the level of subscription of the Rights Issue, which will be concluded on 4th September 2024 (being the last date of Acceptance for payment of Rights) and the subscription of the Warrants conversion, which will be received by the 31st December 2024 and allotted prior to 16th January 2025 based on the Record Date of 9th December 2024; and the order of priority of settlement of debts of the Company. The Company has total borrowings amounting to Rs. 25,185,949,686 as of 31st March 2024.

- 6.3 The company is currently negotiating with the lenders as to the quantum of the proposed settlement. Therefore, it is not practical to provide any specific amounts that would be settled to a specific lender except to state that the total sums raised would be utilized immediately upon receipt of subscription and allotment to the lenders as per the negotiations. As stated elsewhere in this circular, the company is confident of receiving a minimum sum of Rs. 3,297,733,768.94 out of the total sums called for the subscription of Rs.4,859,613,570.50.
- 6.4 It is important for the company to settle the debt immediately upon the receipt of subscription and post allotment of shares at each stage, namely, the Rights Issue and the Warrants Issue, as there being no advantage to the company to hold on to the proceeds of the Rights Issue/Warrants Issue; as any interest earned out of the Rights Issue/Warrants Issue funds through short-term Money Market Instrument or through Bank deposit would not exceed the interest that the company would have to incur in continuing with the debts. However, whilst the company has a priority list of external debt targeted to be settled, this will further evolve and change on account of (i) the terms negotiated with lenders post-fund realization, which will shape the most favorable debt repayment conditions to take precedent (ii) the materialization of part or full settlement of debt through other sources that the group is concurrently pursuing by way of divestiture of additional assets.
- 6.5 Therefore, in the unlikely event that the company does not utilize the proceeds raised through the Rights Issue/exchange of Warrants into shares, immediately upon receipt, the funds will be invested in short-term Money Market Instruments based on the best rates available in the Market and/or a Money Market Short-Term Savings Account/REPO Account.
- 6.6 None of the funds raised would be lent to related parties or utilized to settle Related Party Loans.
- 6.7 Given below are the details of the external borrowings as at 31st March 2024.

SOFTLOGIC HOLDINGS PLC (Company)						
TOTAL EXTERNAL DEBT	Loan Type	Date Obtained	Grant Value/ Limit (Rs.)	Last Instalment Matures on/ Interest Due	Oustanding as at 31.03.2024 (Rs.)	Purpose
A	B	C	D	E	F	G
Bank Term Loans						
Commercial Bank of Ceylon PLC	Term Loan	12/17/14	2,000,000,000	07/15/30	94,300,953	Settlement of short term borrowings
Commercial Bank of Ceylon PLC	Term Loan	11/30/20	750,000,000	07/15/30	500,000,000	Working Capital
Commercial Bank of Ceylon PLC	Moratorium Loan	N/A		07/15/30	158,140,000	Instalments due during the moratorium period have been converted to a moratorium loan
Commercial Bank of Ceylon PLC	Interest Payable (not converted to a loan by bank)	N/A		03/15/26	200,437,604	Accrued interest during moratorium period
Nations Trust Bank PLC	Term Loan	12/23/16	1,000,000,000	04/23/25	250,000,000	Settlement of short term borrowings and balance sheet restructuring (mismatch of current ratio)
Nations Trust Bank PLC	Interest Payable (not converted to a loan by bank)				13,781,786	Interest Due on term loan for months of 24.01.2024, 24.02.2024 and 24.03.2024

People's Bank	Term Loan	06/01/15	2,000,000,000	04/30/29	386,560,616	Settlement of short term borrowings
People's Bank	Term Loan	07/22/16	2,000,000,000	04/30/29	375,000,000	Settlement of short term borrowings
People's Bank	Term Loan	04/24/20	2,000,000,000	04/30/29	1,740,300,000	Settlement of short term borrowings
People's Bank	Interest Payable (not converted to a loan by bank)			07/31/24	694,443,975	Accrued interest during moratorium period
Seylan Bank PLC	Term Loan	03/31/17	150,000,000	03/31/31	2,519,048	To finance working capital requirements
Seylan Bank PLC	Term Loan	03/31/17	350,000,000	03/31/31	5,875,076	To finance working capital requirements
Seylan Bank PLC	Term Loan	04/17/20	250,000,000	03/31/31	160,710,000	Refinance short term borrowings and balance sheet restructuring (mismatch of current ratio)
Seylan Bank PLC	Term Loan	08/20/20	250,000,000	03/31/31	175,438,597	Refinance short term borrowings and balance sheet restructuring (mismatch of current ratio)
Seylan Bank PLC	Term Loan	03/31/22	,973,800,000	03/31/31	1,868,800,000	Refinance short term borrowings to balance sheet restructuring (mismatch of current ratio)
Seylan Bank PLC	Interest Payable (not converted to a loan by bank)			03/31/31	732,806,445	Accrued interest during moratorium period
Bank of Ceylon	Term Loan	12/31/18	1,000,000,000	07/30/26	516,666,657	Settlement of short term borrowings and balance sheet restructuring (mismatch of current ratio)
Bank of Ceylon	Term Loan	05/31/19	500,000,000	06/30/26	249,999,980	Settlement of short term borrowings and balance sheet restructuring (mismatch of current ratio)
Bank of Ceylon	Moratorium Loan				594,502,716	Instalments due during the moratorium period have been converted to a moratorium loan
Bank of Ceylon	Interest Payable (not converted to a loan by bank)				78,553,634	Accrued interest during moratorium period
DFCC Bank PLC	Term Loan	02/07/20	1,000,000,000	04/01/32	848,474,476	Settlement of short term borrowings
DFCC Bank PLC	Term Loan	02/22/19	500,000,000	04/01/32	359,338,055	Settlement of short term borrowings
DFCC Bank PLC	Moratorium Loan			04/01/32	290,691,974	Instalments due during the moratorium period have been converted to a moratorium loan
DFCC Bank PLC	Interest Payable (not converted to a loan by bank)			04/01/32	241,335,385	Accrued interest during moratorium period
Hatton National Bank PLC	Term Loan	12/10/21	664,245,519	06/10/25	664,245,519	Settlement of short term borrowings
Hatton National Bank PLC	Moratorium Loan				139,531,657	Instalments due during the moratorium period have been converted to a moratorium loan
Hatton National Bank PLC	Interest Payable (not converted to a loan by bank)				68,435,070	Accrued interest during moratorium period
National Development Bank PLC	Term Loan	10/21/22	1,000,000,000	07/31/27	1,000,000,000	Settlement of short term borrowings
National Development Bank PLC	Interest Payable (not converted to a loan by bank)				302,128,562	Accrued interest during moratorium period
Sampath Bank PLC	Term Loan	03/28/24	125,000,000	10/26/31	125,338,753	Capitalization of interest accrual
Sampath Bank PLC	Term Loan	03/28/24	130,000,000	03/28/32	130,587,625	Capitalization of interest accrual
Sampath Bank PLC	Term Loan	03/28/24	164,000,000	10/26/31	164,853,357	Capitalization of interest accrual
Sampath Bank PLC	Term Loan	03/28/24	180,000,000	03/28/32	180,813,761	Capitalization of interest accrual
Sampath Bank PLC	Term Loan	03/28/24	1,000,000,000	10/26/31	1,000,000,000	Conversion of Short term loan money market loan into a term loan
Sampath Bank PLC	Term Loan	03/28/24	865,000,000	10/26/31	865,895,833	Restructure of term loans, overdraft and money market by converting them to a term loan
Total Term Loans					15,180,507,112	

Bank STLs & Overdraft

Bank of Ceylon	Money Market Loan		500,000,000		500,000,000	Settlement of non-bank short term borrowings
Bank of Ceylon	Interest Payable on Money Market Loan				36,649,562	Accrued Interest on MML

Seylan Bank PLC	Money Market Loan		2,000,000,000	03/31/31	1,998,900,736	Settlement of non-bank short term borrowings
Seylan Bank PLC	Interest Payable on Money Market Loan and moratorium loan			03/31/31	698,772,323	Accrued Interest on MML and moratorium loan
Seylan Bank PLC	Moratorium Loan			03/31/31	201,657,484	Instalments due during the moratorium period have been converted to a moratorium loan
Union Bank of Colombo PLC	Money Market Loan		100,000,000	Revolving	100,000,000	Working Capital
Union Bank of Colombo PLC	Interest Payable on Money Market Loan				1,806,423	Accrued Interest on MML
Commercial Bank of Ceylon PLC	STL		100,000,000	07/01/30	100,000,000	Working Capital
Commercial Bank of Ceylon PLC	Interest Payable on STL			03/15/26	14,055,705	Accrued Interest on STL
Hatton National Bank PLC	STL		93,500,000		93,500,000	Working Capital
Hatton National Bank PLC	Interest Payable on STL				16,909,790	Accrued Interest on STL
Commercial Bank of Ceylon PLC	Overdraft		50,000,000	07/01/30	49,990,005	Working Capital
Nations Trust Bank PLC	Overdraft		5,000,000	Revolving	4,768,466	Working Capital
Hatton National Bank PLC	Current Account				15,329,688	Working Capital
Sampath Bank PLC	Current Account				3,889	Working Capital
National Development Bank PLC	Current Account				3,963	Working Capital
Commercial Papers			Refer Tab - 'Commercial Paper'		3,480,424,071	Settlement of short and long term borrowings
Total Short term Borrowings					7,312,772,103	

Securitization Loans

HNB Securitization Loan 5	Securitization of intercompany receivable. HNB acts as Trustee	02/19/21	1,171,949,786	12/01/24	155,214,764	Settle the short term funding mismatch and short term borrowings
HNB Securitization Loan 7		08/10/21	745,000,000	12/01/24	100,000,000	
HNB Securitization Loan 8		12/16/21	394,337,095	08/30/24	80,000,000	
HNB Securitization Loan 9		04/26/22	1,000,000,000	03/01/25	200,000,000	
HNB Securitization Loan 10		07/29/22	867,100,000	01/30/25	289,000,000	
Interest Payable on HNB Securitization Trusts					150,655,708	
NDB Securitization Loan 01	Securitization of intercompany receivable. NDB acts as Trustee	04/24/23	480,100,000	06/01/26	467,500,000	
NDB Securitization Loan 02		06/15/23	746,200,000	12/01/24	746,200,000	
NDB Securitization Loan 03		08/17/23	504,100,000	02/14/25	504,100,000	
Interest Payable on NDB Securitization Trusts					279,192,446	
Total Securitization					2,692,670,471	
TOTAL					25,185,949,686	

* The interest accrued/ payable on banking facilities stated above is as of 31.03.2024 and this would differ as per the date of the settlement, restructured date, interest rebate, etc.

** Securitization Loans are being continuously restructured with the consent of the investors. Hence, the last installment, or final The maturity date (Column E) will differ according to the new terms of restructuring.

*** In relation to Commercial Papers, we negotiate with investors to rollover with interest, settle interest and reinvest capital or make full or part settlements on maturity with the consent of the CP investor

7.0 THE UTILISATION OF PROCEEDS OF THE RIGHTS ISSUE

7.1 The proceeds of the Rights issue and warrants would be utilized to settle the External Debts of the Company as more fully set out in Clause 6.0 above.

- 7.2 Softlogic Group is a customer-centric import-oriented conglomerate with substantial investments in the retail and hotel sectors, primarily financed through debt. The Group's strategic expansions were aligned with Sri Lanka's ambition to emerge as a regional shopping destination in Southeast Asia. However, unforeseen events, notably the 2019 Easter attacks, compounded by the COVID-19 pandemic and ensuing economic downturn, dealt a severe blow to the Group's operations.
- 7.3 The Group grappled with a myriad of challenges, including foreign exchange constraints, drastic depreciation of the Sri Lankan Rupee, prolonged import restrictions, hyperinflation, high interest rates, and taxation, all of which severely dampened sales across its diverse portfolio. Consequently, these adversities led to delayed investment returns and significant capital loss in the Group.
- 7.4 Once the Rights Issue proceeds, the company will stabilize to an extent, and your Board believes that the positive effects will be visible in the operational results.
- 7.5 The benefits to the shareholders from achieving the objectives are;
- 7.5.1 Improvement of the Company's financial health, reduce interest expenses, and enhance its creditworthiness.
- 7.5.2 Reduction of debt provides the Company with greater financial flexibility. Release of cash flow that was previously allocated to interest payments, allowing the Company to efficiently manage its operations. Reduction in debt strengthens the Company's balance sheet, making it more resilient to economic downturns and better positioned to weather financial challenges.
- 7.5.3 Lower debt levels, which leads to improving the key financial ratios such as the debt-to-equity ratio, making the Company more attractive to investors and lenders. This, in turn, can positively impact the Company's stock price and credit rating.
- 7.5.4 Demonstrate a commitment to reducing debt can enhance investor confidence. It signals that the Company is actively managing its financial structure and working towards long-term sustainability.

8.0 Specific risks associated with the objectives

There is no risk associated with achieving the objectives since the rights issue is aimed as infusing the capital to retire loans, which burdens the company with high finance costs. The proceeds of the rights stabilize the company to an extent which will be make visible improvement on the operations results.

9.0 Important Notice:

Please note that if any change occurs in the utilization of funds, such change will be effected 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, or a change in the amounts allocated, the Company will notify the CSE and make immediate market announcements, prior to 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, subsequent to obtaining shareholders' approval.

10.0 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 the status of utilization of funds raised via Rights Issue

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

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

- (i) The Company would disclose in the Annual Report or the Interim Financial Statements, whichever is published first, the manner in which the funds have been utilized in the above format.
- (ii) The Company would disclose any material change to the use of funds raised in terms of this Rights Issue.
- (iii) If the funds so raised are fully utilized between two financial years, the Company would disclose in the immediate succeeding Annual Report or the Interim Financial Statements, whichever is published first.

11.0 ADDITIONAL INFORMATION

11.1 The Top 20 Shareholders as at 31st March 2024

	Name	No. of Shares	% Holding
1	A K Pathirage	493,125,865	41.35
2	Samena Ceylon Holdings Ltd.	247,432,455	20.75
3	H K Kaimal	80,439,792	6.75
4	R J Perera	75,437,508	6.33
5	G W D H U Gunawardena	71,333,852	5.98
6	Samena Special Solutions Fund III L.P	53,653,654	4.50
7	Pemberton Asian Opportunities Fund	46,581,345	3.91
8	Samena Special Solutions Fund II L.P	15,000,000	1.26
9	Employees Provident Fund	7,230,500	0.61
10	S J Fancy	7,225,323	0.61
11	N Samarasuriya	5,714,289	0.48
12	A Selliah	4,700,000	0.39
13	A Kailasapillai	4,200,000	0.35
14	K M P Karunaratne	3,950,000	0.33
15	S Subramaniam	3,800,000	0.32
16	Arunodhaya Industries (Private) Limited	3,557,864	0.30
17	Arunodhaya (Private) Limited	3,000,000	0.25
18	K Aravinthan	2,867,550	0.24
19	S Selliah	2,053,232	0.17
20	G R Geha	2,015,372	0.17

The public float percentage as at 31st March 2024 was 13.09%.

11.2 Share Prices for the Preceding 03 Months

Month	High (Rs.)	Low (Rs.)	Closing (Rs.)	Volume of Ordinary Voting Shares Traded	No. of Trades
April 2024	12.50	8.60	10.00	14,942,062	3,917
May 2024	10.30	9.00	9.10	6,162,954	2,077
June 2024	9.50	8.20	8.60	2,752,717	987

Closing market price of the shares of the Company as at the date of printing this Circular was Rs. 8.30.

11.3 Dividend History for the Previous Five (05) Financial Years

The Company has not paid dividends for the financial years from 2018/2019 to 2023/2024.

11.4 Financial Statements

Shareholders attention is drawn to the Audited Financial Statements of the Company for the year ended 31st March 2023 which is hosted on https://cdn.cse.lk/cmt/upload_report_file/1075_1713346066237.pdf. and the un-audited Interim Financial Statement for the Quarter ended 31st March 2024; which is hosted on https://cdn.cse.lk/cmt/upload_report_file/1075_1717150950378.pdf

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

11.4.1 Independent Auditors Report (in the Audited Financial Statements) for the years ended 31st March 2022 & 2023 carried Qualified Audit Opinions & Emphasis of matter on Going Concern.

11.4.2 The Company, on 7th June 2024, made a disclosure in terms of Rule 7.5(d)(II)(A)(5) of the Listing Rules that the Shares have been transferred to the Watch List based on the Audited Financial Statements for the Years 2021/2022 and 2022/2023, as they contain a qualified audit opinion and emphasis on going concern.

11.4.3 The announcement also stated the following remedial actions to be implemented to mitigate the Softlogic Group's prevailing negative working capital position and address the emphasis of the matter as a going concern contained in the External Auditor's opinion:-

- (i) Disposal of some of the identified strategic investment assets and phase out certain sectors of the Group.
- (ii) Re-negotiating the debt repayment plans with the lending institutions and restructuring the debt.
- (iii) The Group is currently evaluating alternative sources of financing including fresh equity infusion to its co-business segments. The Group is in the process of looking for potential equity partners to enhance the operational performance of the retail sector.
- (iv) Looking for potential investors for identified projects in the health care sector.

- (v) Implementing aggressive marketing strategies to attract and enhance both international and domestic customer footfall. Implementing attractive discounts schemes, customer loyalty programs and other promotional activities in Retail and Health Care Sector Companies.
- (vi) Implementing the identified processes through evaluating the resilience of group businesses, considering a wide range of factors.
- (vii) To raise up to Rs. 10,000,000,000/- by way of equity by 31st March 2025 as resolved by the Board of Directors of the Company and the Announcement made on 7th March 2024 to the Colombo Stock Exchange.

11.4.4 The Management is in the process of gathering appropriate evidence to assess the completeness and accuracy of the suspense account of LKR 125 Mn. and will implement the required procedures to address the External Auditor's opinion on the qualified audit opinion.

11.4.5 The Company intends and shall make best endeavors to complete the proposed remedial actions within Twelve (12) months from the date of transfer to the Watch list.

11.4.6 The Company further stated in terms of Rule 7.5(d)(II)(A)(5) d):-

- (i) In the event of any deviation from the proposed remedial action, the extent of the deviation shall be communicated to the Investors by way of a subsequent announcement to the Market via the Exchange within one market day from the day of obtaining the Approval of the Board of Directors of the Company for such deviation.
- (ii) In the event the matters giving rise to the Qualified Audit Opinion & the Emphasis of Matter on Going Concern are not resolved within a period of 15 months from the date of transferring the Securities of the Entity to the Watch List, the trading of Securities of the Company shall be suspended. In the event the Trading Suspension continues for a period over 12 months; the Securities of the Company shall be delisted by the Board of Directors of the CSE in terms of Rule 11.3(a) of the Listing Rules.
- (iii) In the event the matters giving rise to the Qualified Audit Opinion and Emphasis of Matter on Going Concern are resolved and such fact is independently verified by an Auditor during the period the Securities of the Company are on the Watchlist; it shall be announced to the Market via the CSE forthwith.

12.0 Contingent Liabilities

No significant changes to that which are reported in the unaudited Financial Statements already published up to the quarter ended 31st March 2024.

13.0 Litigations

No further litigations other than those reported in the unaudited Financial Statements already published up to the quarter ending 31st March 2024.

14.0 APPLICATION FOR RIGHTS AND PROVISIONAL ALLOTMENT

As stated elsewhere in this Circular, the 298,135,802 Ordinary Shares will be provisionally allotted on the Record Date (2nd market day from and excluding the date of the EGM) after the shareholders, at the EGM to be held on 7th August 2024 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 9th August 2024 (Record Date / Date of Provisional Allotment) 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.

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.

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 9th August 2024, you are advised to lodge your Shares prior to such date to facilitate the direct lodgment of Rights to your CDS Account.

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 16th August 2024 by post and by uploading the said documents together with clear instructions for returning the completed applications together with the payment therefor, on the Company's official website <https://odel.lk/investor> and on the CSE website www.cse.lk.

Shareholders must strictly follow and adhere to the instructions provided in the Provisional Letter of Allotment in respect of acceptance, renunciation and applying for additional shares.

For further clarification, you may contact the Registrars to the Issue, on Central Depository Systems (Pvt) Limited on Telephone No.0112356444.

Trading of the "Rights" shall commence on the Fourth (4th) 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 23rd August 2024 to 30th August 2024).

The Rights entitlement of the Shareholders whose shares are held in the CDS will be directly uploaded to their CDS Accounts within three (3) Market Days from and excluding the Record Date to facilitate trading.

The last date for acceptance and payment shall be 4th September 2024.

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 will be allotted at the same price to the shareholders applying for additional Shares, on a pro-rata basis to their existing shareholding. 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 Ten (10) market days from the last day of acceptance and payment.

Refunds for rejected applications should 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 that 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' and Form 'C' (if applicable) in order to facilitate the uploading of the Shares allotted to them.

The new Rights Shares will commence trading on or before 24th September 2024, subject to the Company complying with the relevant Listing Rules pertaining to the Rights Issue.

15.0 GENERAL

- 15.1 **Non-Resident Shareholders** – Non-Resident Shareholders must make payments for rights and for the Warrants at the time of conversion to shares 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.
- 15.2 **Additional Details and Assistance** – Shareholders who may require additional details or assistance in relation to any of the above-mentioned matters may visit the office of the Registrars to the Issue at Corporate Solutions Unit, Central Depository Systems (Pvt) Limited, Ground Floor, M & M Centre, No. 341/5, Kotte Road, Rajagiriya or contact Ms. Shashikala De Mel of Central Depository Systems (Pvt) Limited on Telephone No.0112356444.

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.

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 HOLDINGS PLC**

(Sgd.)

**Softlogic Corporate Services (Pvt) Ltd.
Secretaries
10th July 2024**