

SUNSHINE HOLDINGS PLC (PQ 13)
No. 60, Dharmapala Mawatha, Colombo 03.

CIRCULAR TO THE SHAREHOLDERS

INTRODUCTION

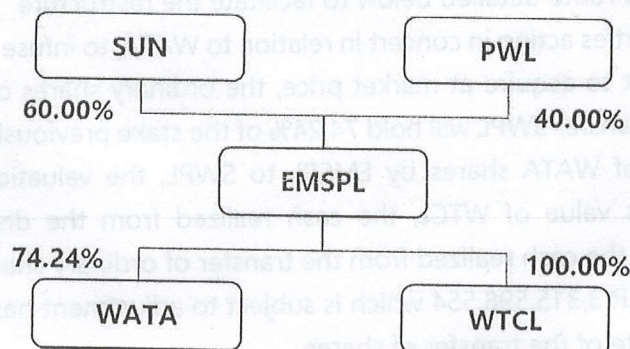
The purpose of this Circular is to obtain approval of the shareholders of Sunshine Holdings PLC ("SUN") under Section 185(1) a of the Companies Act No.7 of 2007 (the "Companies Act") for the following transactions

- 1) SUN and Pyramid Wilmar Plantations (Private) Limited ("PWL") to jointly incorporate a New Holding Company namely Sunshine Wilmar (Private) Limited (SWPL) and to infuse an equal amount of capital that is sufficient to acquire at market price, the ordinary shares of Watawala Plantations PLC ("WATA") which is held by Estate Management Services (Private) Limited ("EMSPL").
- 2) SWPL to acquire the entirety of the ordinary shares of WATA held by EMSPL at market price, thus resulting in SWPL holding a 74.24% stake in WATA.
- 3) Subsequently, SUN to acquire the remaining forty percent (40%) in EMSPL held by PWL for a valuation of Rupees Three Billion Three Hundred Fifteen Million Five Hundred Ninety-Eight Thousand Five Hundred and Fifty-Four (LKR 3,315,598,554) which is subject to adjustment based on Net Asset Value of EMSPL on the date of transfer of shares.

BACKGROUND

SUN holds 60% of the shares in EMSPL which in turn holds shares in WATA and Watawala Tea Ceylon Limited ("WTCL") at shareholdings indicated in figure 1 below. The remaining 40% stake in EMSPL is held by PWL.

Figure 1:



EMSPL and its shareholders (SUN and PWL) intend to restructure to enable SUN to increase its exposure in the FMCG/Consumer business segment and to give both shareholders of EMSPL equal risk and return exposures to the palm oil segment.

Rationale for the restructure

- SUN intends to increase its exposure in WTCL, the FMCG arm that distributes well known tea brands such as Zesta, Watawala and Ran Kahata both locally and internationally. The increased exposure shall be in line with SUN's intention to increase exposure in the fast growing FMCG segment as SUN is bullish about the sector. The acquisition could lead to potential benefits including
 - Fast tracking of decisions at WTCL
 - Possibility of using funds generated at WTCL for further expansion in the consumer space
 - Creation of a fully owned subsidiary and hence a Company with cluster of brands under the Sunshine roof
- In effect in order to fund the aforesaid 100% interest in WTCL, SUN intends to dispose of an effective 7.42% stake in WATA to PWL, thus leading to SUN minimizing its cash outlay for the proposed acquisition. SUN would also secure short-term financing from a commercial bank in Sri Lanka to facilitate the transaction.
- Wilmar is a leading player in palm oil plantations globally and wishes to expand their presence in Sri Lanka via WATA and believe this restructure to be the ideal opportunity to become an equal shareholder at WATA alongside SUN.

TRANSACTION DETAILS

SUN intends to take the proposed route detailed below to facilitate the restructure

- 1) SUN and PWL, who are parties acting in concert in relation to WATA, to infuse an equal amount of money that is sufficient to acquire at market price, the ordinary shares of WATA which is held by EMSPL. Post the transfer SWPL will hold 74.24% of the stake previously held by EMSPL.
- 2) Subsequent to the sale of WATA shares by EMSPL to SWPL, the valuation of EMSPL will comprise of the business value of WTCL, the cash realized from the disposal of Hatton Plantations PLC (HPL) and the cash realized from the transfer of ordinary shares of WATA.
- 3) SUN shall pay a sum of LKR 3,315,598,554 which is subject to adjustment based on Net Asset Value of EMSPL on the date of the transfer of shares.
- 4) Post the transactions outlined above SUN intends to amalgamate its fully owned subsidiary EMSPL with SUN, whereby SUN shall be the remaining entity, so that WTCL shall become a direct subsidiary of SUN.

RECOMMENDATIONS

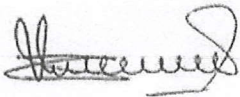
The Board of Directors are of the view that the transactions outlined above and the planned Group restructuring is in the best interest of SUN and its shareholders and in their opinion being carried out at valuations that maximise shareholder value and accordingly recommend to the shareholders that the following transactions be approved as Special Resolutions since they are major transactions in terms of Section 185 of the Companies Act.

1. To subscribe a sum of Rupees One Billion Nine Hundred Thirty Six Million Four Hundred Eighty Eight Thousand Two Hundred and Eighty-Eight (1,936,488,288) or any other such sum resulting from any share price deviation from the date of the Circular to the date of the share transaction, for a 50% stake in SWPL for the purpose of the said money together with an equal amount subscribed by PWL to be utilized by SWPL for the purchase of 150,937,043 ordinary shares of WATA from EMSPL at market price.
2. To acquire 12,893,745 ordinary shares amounting to a 40% stake held by PWL in EMSPL for a consideration of Rupees Three Billion Three Hundred Fifteen Million Five Hundred Ninety-Eight Thousand Five Hundred and Fifty-Four (LKR 3,315,598,554) which is subject to adjustment based on Net Asset Value of EMSPL arising as a result of the share price deviation outlined in Resolution 1 above.

Enclosed is the Notice of the Extraordinary General Meeting of the Shareholders convened for the purpose of the business set out in this Circular.

Shareholders who are unable to attend the meeting in person are requested to complete the enclosed Form/s of Proxy (in accordance with the instructions specified therein) and deposit it/them at the Registered Office of Sunshine Holdings PLC at No. 60, Dharmapala Mawatha, Colombo 03, not later than 48 hours before the time appointed for the holding of the meeting.

By Order of the Board of
Sunshine Holdings PLC



V. Govindasamy
Managing Director
14th February 2020

SUNSHINE HOLDINGS PLC (PQ 13)
No. 60, Dharmapala Mawatha, Colombo 03

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the company will be held on 11th March 2020, at 4.00 p.m, at CAPRI (Circolo Amichevole Per Residenti Italiani) 62, Dharmapala Mawatha, Colombo 03 for the following purposes

Resolution 1

To consider and if though fit, to pass the following as a special resolution in terms of Section 185 of the Companies Act No. 07 of 2007:

IT IS HEREBY RESOLVED to subscribe a sum of Rupees One Billion Nine Hundred Thirty Six Million Four Hundred Eighty-Eight Thousand Two Hundred and Eighty-Eight (1,936,488,288) or any other such sum resulting from any share price deviation from the date of the Circular to the date of the share transaction, for a 50% stake in SWPL for the purpose of the said money together with an equal amount subscribed by PWL to be utilized by SWPL for the purchase of 150,937,043 ordinary shares of WATA from EMSPL at market price

Resolution 2

To consider and if though fit, to pass the following as a special resolution in terms of Section 185 of the Companies Act No. 07 of 2007:

IT IS HEREBY RESOLVED to acquire 12,893,745 shares amounting to a 40% stake held by PWL in EMSPL for a consideration of Rupees Three Billion Three Hundred Fifteen Million Five Hundred Ninety-Eight Thousand Five Hundred and Fifty-Four (LKR 3,315,598,554) which is subject to adjustment based on Net Asset Value of EMSPL arising as a result of the share price deviation outlined in Resolution 1 above.

By Order of the Board

CORPORATE SERVICES (PRIVATE) LIMITED

Secretaries

SUNSHINE HOLDINGS PLC

Colombo, on this 14th day of February 2020

Note:

1. A shareholder entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of him/her. A Proxy need not be a shareholder of the Company.
2. The completed form of proxy should be received by the Company at its registered office Sunshine Holdings PLC at No. 60, Dharmapala Mawatha, Colombo 03.

FORM OF PROXY – SUNSHINE HOLDINGS PLC

I/We

of

being a member/members of the above, named company hereby appoint:

Mr. Munir Shaikh or failing him,
Mr. G. Sathasivam or failing him
Mr. V. Govindasamy or failing him
Mr. S.G. Sathasivam or failing him
Mr. H. D. Abeywickrama or failing him
Mr. A. Talwatte or failing him
Mr. D. A. Cabraal or failing him
Mr. S. Shishoo failing him
Mr. Y Kitao failing him
Ms. Shalini Ratwatte,

.....
of

as my/our* proxy to represent me/us* and vote for me/us* on my/our* behalf at the Extraordinary General Meeting of the Company to be held on 11th day of March 2020, at 4.00 p.m. at CAPRI (Circolo Amichevole Per Residenti Italiani) 62, Dharmapala Mawatha, Colombo 03 and at any adjournment thereof.

1. Resolution 1

For	Against
☐	☐

2. Resolution 2

☐	☐
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The Proxy may vote as he/she thinks fit on any other resolution brought before this meeting

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Signature/s

Date

Note

**Please delete the inappropriate words*

INSTRUCTIONS AS TO COMPLETION ARE NOTED ON THE REVERSE HEREOF

INSTRUCTIONS AS TO COMPLETION OF FORM OF PROXY

1. Kindly perfect the form of proxy after filling in legibly your name and address and by signing in the space provided. Please fill in the date of signature.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her.
3. In case of Corporate Members, the form of proxy must be completed by a Common Seal, which should be affixed and attested in the manner prescribed by the Articles of Association / Statutes.
4. If the form of proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed form of proxy.
5. The completed form of proxy, addressed to the Secretaries should be deposited at Registered Office of Sunshine Holdings PLC at No. 60, Dharmapala Mawatha, Colombo 03, not later than 48 hours before the time appointed for the holding of the meeting.

For	Against
☐	☐
☐	☐

Date

Signature
Name

INSTRUCTIONS AS TO COMPLETION ARE NOTED ON THE REVERSE HEREOF