

Shaw Wallace Investments PLC

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IMPORTANT: THIS DOCUMENT IS OF VALUE

THIS DOCUMENT IS ONLY SUBJECT TO PRINCIPAL APPROVAL OF
THE COLOMBO STOCK EXCHANGE

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT
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CIRCULAR TO THE SHAREHOLDERS

Dear Shareholder,

Rights issue of 121,148,726 Ordinary Shares at Sri Lanka Rupees Nine (Rs. 9/-) per share

1. Background

The Director's of Shaw Wallace Investments PLC ("Company" or "KZOO"), resolved on 8th December 2023, subject to the approval of shareholders, to issue One Hundred and Twenty One Million Hundred and Forty Eight Thousand Seven Hundred and Twenty Six (121,148,726) Ordinary Shares in the proportion of Two (2) new Ordinary Shares for every Three (3) Ordinary Shares in the capital of the Company by way of a Rights Issue.

The new Ordinary Shares will be issued at a price of Sri Lanka Rupees Nine (Rs. 9/-). The total proceeds raised through the Rights Issue is Sri Lanka Rupees One Billion Ninety Million Three Hundred and Thirty Eight Thousand Five Hundred and Thirty Four (Rs. 1,090,338,534/-). The new shares shall rank pari passu from the date of issue in all respects with the existing Ordinary Shares of the Company (the said issue of Ordinary Shares shall be referred to herein as "Rights").

The Directors of the Company have resolved that the price for the Rights is fair and reasonable to the Company and to all existing shareholders as required by Section 52 of the Companies Act No. 7 of 2007 (the "Companies Act")

2. Issue

The Rights will be provisionally allotted upon receiving the approval of the shareholders at the Extraordinary General Meeting ("EGM") convened for that purpose. The date of entitlement of the Rights will be as at the end of trading on the third (3rd) Market Day from and excluding the date of the EGM ('i.e. Record date' 30/01/2024) and the provisional letters of allotment will be dispatched within 5 market days from and excluding the date of entitlement.

The Shareholders of the Company who hold their shares in their respective accounts in the Central Depository Systems (Private) Limited (CDS)/ in the share register as at end of trading on the third

(3rd) Market Day from and excluding the date of the Annual General Meeting (i.e. the 'Record Date') will be entitled to this issuance of shares.

Where a shareholder maintains his/her shareholding of the Entity in the CDS, that such shareholder's Rights entitlement will be directly deposited to the respective CDS account.

Upon the issue of the provisional letters of allotment the Trading of Rights shall commence on the fourth (4th) market day from and excluding the dispatch of the Provisional Letters of Allotment of Rights. Such trading shall continue throughout the period of renunciation which shall not exceed nine (9) Market Days from and excluding the date of dispatching/making available the Provisional Letter of Allotment to the CDS.

Shares, not fully subscribed for as at the last date of acceptance and payment specified in the Provisional Letter of Allotment, shall be deemed to have been declined and such declined Shares will be available for allotment at the same price to the Shareholders applying for additional shares (as the case may be) on a pro rata basis to their existing holdings.

The approval in principle has been obtained from the Colombo Stock Exchange ("CSE") to issue and list the new Ordinary Shares arising from the Rights Issue. The listing of the shares by the CSE will in no way be reflective of the issue. The CSE assumes no responsibility for the correctness of any statements made, opinions expressed or reports included herewith.

Underwriting Arrangements

The Company has not entered into any underwriting arrangements in relation to the Rights Issue. In the event the issue is undersubscribed, the proceeds will be utilized to the extent the issue is subscribed. Priority would be given to the settlement of debt which is described in Section 3.0 Objectives of the Issue. In the event the entire component of debt settlement cannot be carried out in its entirety, the Company shall prioritize to settle part of the debt. The remaining outstanding loans would be settled through either internally generated funds or further refinancing and the Company would intend to settle the Rights Issue costs through internally generated funds in the event of an undersubscription. KZOO will ensure to make necessary disclosures to the market in this regard. There is no minimum level of subscription required for the Rights Issue.

The majority shareholder, Renuka Enterprises (Pvt) Ltd have communicated their intension to take up their full entitlement of the Rights Issue themselves or through their nominees. In the event the majority shareholder were to take up further shares through the Rights Issue, the public holding percentage of the Company may reduce. The public holding percentage of the Company as at 30th September 2023 is 49.94% for Ordinary Shares.

Direct Deposit of Shares

As per the Directive of the Securities and Exchange Commission (SEC) of Sri Lanka 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 allotted shall be directly uploaded to the CDS Accounts within ten (10) market days from the last date of acceptance and payment. As such, all Acceptors of Shares, should indicate their CDS Account Number in Form A – Letter of Acceptance and Registration and in the

event, they apply for additional shares in Form C – Application for Additional Shares. Shareholders/Applicants who do not have a CDS Account are advised to open a CDS Account prior to submitting the completed Form A and if applicable Form C in order to facilitate the uploading of the allotted Shares to them. In the instances where Letters of Acceptance (Form A) and Applications for Additional Shares (Form C) do not carry a valid CDS Account Number or which indicate an incorrect/inaccurate CDS Account Number, shares will not be uploaded on the date specified for upload by the Rules of the CSE. They will only be registered in the share ledger maintained by the Company and will not be issued a share certificate. Such Shareholder would not be able to trade the new shares until such time the same has been deposited with the CDS. Shareholders will thereafter be required to inform their CDS Account Number in writing to the Registrars and such requests will be processed on a weekly basis. Therefore, please ensure strict adherence to the Directive issued by the SEC. The 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 Rights.

Please note that Share Certificates will not be issued in respect of Shares allotted on this Issue.

Shareholders / Applicants have the option of having their shares “Locked” in the CDS. Shares that are locked would not be available for trading purposes and would not be visible to the participants. Shareholders/Applicants who wish to lock their Shares allotted in this Issue should indicate such preference in the section provided herein. Shares of the Shareholders / Applicants, who do not request to lock their Shares would be deposited to the “trading balance” in the CDS Account. However, at the option and the request of the Account Holder, the CDS would transfer a named quantity of Shares from the locked balance to the trading balance of a CDS Account and/or from the trading balance to the locked balance of a CDS Account.

In terms of the Directive issued by the Securities & Exchange Commission of Sri Lanka under Circular No. 8/2012 and 10/2012, regarding dematerialization of listed securities, you are advised to lodge all share certificates with the CDS.

3. Objectives of the Issue

The objective of the Rights Issue is to carry out debt settlement undertaken by KZOO and to fund future investments and in working capital. The proceeds of the Rights Issue are expected to be utilized for the following purposes in order of priority:

Description	Fund Utilization (Rs.)
Settlement of short-term bank loan	600,000,000
Settlement of short-term intercompany borrowing	325,000,000
Settlement of interest expenses for the loans specified above	42,531,250
Future investments	112,807,284
Balance funds allocated for settlement of Rights Issue expenses	10,000,000

Total Right Issue Funds	1,090,338,534
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Short-Term Debt Settlements of Rs. 925 Million and Servicing of Interest Payments applicable for the aforesaid Short-Term Loans of Rs. 42.53 Million

Bank	Date of Borrowing	Amount Borrowed (Rs.)	Outstanding Amount (Rs.) as at 30th November 2023	Interest Payable (Rs.)	Interest Rate	Due Date of Payment	Purpose of borrowing
Hatton National Bank PLC	30 November 2023	600,000,000	600,000,000	21,000,000 - monthly	AWPLR+ 0.75%	3 months from the date of borrowing	Financing of Investments
Shaw Wallace & Hedges Ltd	06 September 2023	325,000,000	325,000,000	21,531,250 - at settlement	AWPLR	6 months from the date of borrowing	Financing of Investments

KZOO intends to first settle the entirety of the loans borrowed by Hatton National Bank PLC through the funds raised by way of the Rights Issue since the loan has the highest Interest rate. The Company also intends to settle the interest payable that would accrue during the interim period until the completion of the Rights Issue and then the loan obtained from Shaw Wallace & Hedges Ltd with interest on settlement. The Company intends to facilitate the settlements in the 4th quarter of the financial year ended 31st March 2024 Hatton National Bank is not a related party to the Entity, Shaw Wallace & Hedges Ltd is a related party. The Company wishes to settle the short-term debt with an infusion of equity to deleverage the balance sheet. The company complied with section 9.14 of the Listing Rules (at the time of obtaining the loan) and due process for Related Party Transaction Review Committee (RPTRC) has been followed, and RPTRC has provided the recommendation to the Board to proceed with the proposed transactions.

Financing Future Investments

Sri Lankan Rupees One Hundred and Twelve Million Eight Hundred and Seven Thousand Two Hundred and Eighty Four (Rs. 112,807,284) is allocated for financing future investments of KZOO. KZOO is an investment holding company and continues to make investments in equity listed on the Colombo Stock Exchange from time to time as opportunities present themselves. Such investments would be made in compliance with Section 9 of the CSE Listing Rules. Accordingly, the Company seeks to build a buffer to carry out future investments in equity listed on the Colombo Stock Exchange which it deems suitable at the point of time the funds are required. This will be disclosed in the quarterly accounts in the table below;

Date of Investment	Investee	No. of Share	Amount in Rs

The Company at this point in time is not in a position to disclose in which shares listed on the Colombo Stock Exchange the investments would be made into. Monthly management meetings are undertaken to continuously assess current business investments. The expected return of these investments and to shareholders can only be assessed upon further evaluation of opportunities once presented. Due to the reasons explained above, the Company is also not in a position to specify timelines in relation to the aforesaid objective. Approval will be sought from the Board of Directors of KZOO prior to making any further investments utilizing the funds raised by the Rights Issue and the Company will make necessary market disclosures in this regard. KZOO shall ensure to make adequate disclosures on a quarterly basis which is described in further detail under the title Continuous Disclosure Regarding the Status of Utilization of Funds raised through the Rights Issue.

Rights Issue expenses

The Company intends to settle the Rights Issue expenses within a one month time period from the completion of the Rights Issue.

In the event of any delay in commencement of utilizing the Right Issue proceeds, it should be noted that KZOO intends to invest the funds in either one or a combination of government securities, deposits in licensed commercial banks and finance companies and / or SEC licensed unit trusts until such funds are utilized for the corresponding objectives identified above. Investments in such financial instruments disclosed above is expected to generate a return of c. 14% p.a. dependent upon the prevailing interest rates at the time of investment.

The Rights Issue objectives does not amount to a major transaction

The Rights Issue objectives does not amount to a major transaction as per definitions of Section 185 of the Companies Act of No. 07 of 2007.

Specific Risks Associated with the Objectives of the Issue

- In the event there is an undersubscription, KZOO would not be able to settle whole or part of the outstanding loans. This would result in additional interest expenses for the Company for a prolonged period of time until the Company is able to settle the outstanding loans. This would have an adverse impact on profitability and the ability for the Company to pay out dividends.
- Future investments into shares listed on the Colombo Stock Exchange of KZOO would be sought only after carrying out internal assessments and obtaining the approval of the Board of KZOO as such the potential risks associated with this objective could be mitigated.
- KZOO does not foresee any deviation from the identified objectives or timeline associated with the Rights Issue. However, in the event of any such unforeseen deviations to the objectives of the Rights Issue or timelines, the Company will make a market announcement pertaining to such a deviation and obtain shareholder approval for any such deviations.

Benefits of the Proposed Rights Issue

- KZOO is seeking to deleverage its balance sheet with the further infusion of equity through the proposed Rights Issue. The settlement of debt would enable the Company to also reduce its interest expenses and thereby increase profitability

Continuous Disclosure Regarding the Status of Utilization of Funds raised through the Rights Issue

The Company will disclose information regarding the status of utilization of funds raised via the Rights Issue in its Interim Financial Statements and Annual Reports from the date of raising the funds until the said objectives are achieved and funds are fully utilized by the Company. If there are any deviations from the objectives, amounts allocated for the respective objectives and envisaged timelines due to a change in circumstances, the Company will make necessary disclosure with this regard in its interim financial statements and annual reports.

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 the circular	Amount allocated from proceeds in Rs. (A)	Percentage of total proceeds	Amount utilized in Rs. (B)	Percentage Utilized against allocation (A/B)	Clarification if not fully utilized, including where the funds are invested. (i.e. whether lent to related party/s etc.)
1.								
2.								
3.								

In the event the proceeds raised are fully utilized in terms of the objectives disclosed in the Circular to shareholders prior to submission of the Company's next immediate financial statements (i.e. either interim financial statements or annual report), the Company is to disclose the fact that proceeds have been utilized in its entirety as per the above template.

Until the rights issue proceeds allocated to "Future Investment" are fully utilized, company will disclose the following particulars in quarterly accounts as to where such specific funds would be invested until such funds are fully utilized.

Date of Investment	Type of Investment (Government securities, deposits in licensed commercial banks and finance companies and / or SEC licensed unit trusts)	Interest Rate	Amount in Rs

4. Company Overview

Shaw Wallace Investments PLC ("KZOO") is an investment holding company listed on the Colombo Stock Exchange. Its subsidiary, Galle Face Capital Partners PLC (52.6% owned) is a company listed on the Colombo Stock Exchange and focuses on investing in listed equity, debt instruments and private equity. Its associate, Shaw Wallace & Hedges Ltd (39.2% owned) has investments in the property sector.

Historical Financial Performance

The Group's historic financial performance over the last 3 years is given below:

For the year ended 31 st March (Rs)	2021	2022	2023
Revenue	17,741,341	37,135,425	34,575,329
Gross Profit	17,741,341	37,135,425	34,575,329
Operating Profit	423,422,102	117,325,461	242,050,094
Profit after Tax	423,260,614	114,350,911	303,814,590

Source: Company Annual Reports

Dividend History

For the year ended 31 st March	2021	2022	2023
Dividend Paid (Gross)	17,379,850	34,759,700	34,759,700
Dividend Per Share	0.10	0.20	0.20

Source: Company Annual Reports

Top Twenty Shareholders

The top twenty shareholders as at 30th September 2023 for Ordinary Shares are as given below:

Ordinary Shareholders

No:	Name of Shareholder	Number of Shares Held	Percentage Holding (%)
1.	Renuka Enterprises (Pvt) Ltd	90,966,887	50.06%
2.	Hatton National Bank PLC/Almas Holdings (Private) Limited	40,106,102	22.07%
3.	Commercial Bank of Ceylon PLC /A.N.Weerakkody	3,867,364	2.13%
4.	Dr. N. D. Gunawardena	1,539,213	0.85%
5.	Almas Holdings (Private) Limited	1,352,547	0.74%
6.	Mr. G.B.D. Tilakaratne	970,350	0.53%
7.	Mr. N.P.W. Delgoda	815,611	0.45%
8.	DFCC Bank PLC/Maskeliya Tea Exports (Pvt) Ltd	806,048	0.44%
9.	Citizens Development Business Finance PLC/C.U.Gamage	786,342	0.43%
10.	People's Leasing & Finance PLC/Mr. D.C. Udage	744,464	0.41%
11.	M.L.G.Tharindu	616,453	0.34%
12.	Dialog Finance PLC/ B.M.A.Fernando	611,673	0.34%
13.	Citizens Development Business Finance PLC/H.D.D.	581,090	0.32%

	Gayan		
14.	Merchant Bank of Sri Lanka & Finance PLC/A.C. Senanka	575,077	0.32%
15.	Mr. E.M.D. Madusanka	515,292	0.28%
16.	Dialog Finance PLC/ B.M.A.Fernando	514,841	0.28%
17.	Mr. A.M. Ilyas	448,568	0.25%
18.	Dialog Finance Plc/Mr. S.D. Divakarage	447,865	0.25%
19.	Hatton National Bank PLC/ Almas Capital	433,491	0.24%
20.	Mr. U.W.M.W.D.B. Udukumbura	407,782	0.22%

Public Holding

The percentage of ordinary shares held by the public as at 30th September 2023 was 49.94%. The number of ordinary shareholders representing the public holding was 2,829 as at 30th September 2023. The float adjusted market capitalization was Rs.907.55 Mn as at 30th September 2023. The company has over 20% public shareholding and over 500 public shareholders meeting the minimum thresholds for compliance on minimum public holding under the option “5” of Section 7.13.1 (a) of continuing listing requirements

The issue of shares under the right issue will not result in the Company failing to satisfy the minimum public holding requirement for companies listed on the main Board of the CSE, in the event of undersubscription by the public as the percentage of shares held by the Public is 49.94% as at 30th September 2023

Market Prices of Shares

The highest, lowest, closing share prices of the Company’s Ordinary Shares during the three (3) preceding calendar months are furnished below for the information of shareholders:

Ordinary Shares

Month	High	Low	Close	Number of Shares Trades	Number of Trades
September 2023	11.30	9.90	10.00	8,064,242	1468
October 2023	10.10	8.00	8.30	3,682,760	944
November 2023	9.80	8.00	9.00	4,089,373	746

Source: CSE

The closing market prices of the shares of the Company as at [8th December 2023] were Rs. [9/-] per Ordinary Share.

Overview of the Related Party Transactions Review Committee

The Related Party Transaction Review Committee was established as a board sub-committee with the main objective of reviewing Related Party Transactions as required by Section 9 of the Listing Rules of the CSE and the Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka (“SEC”).

The following directors of the Company are Members of the Committee;

- Mr. T. K. Bandaranayake (Independent Non-Executive Director)
- Mr. M. S. Dominic (Independent Non-Executive Director)
- Dr. J. M. Swaminathan (Independent Non-Executive Director)

Contingent Liabilities

There are no material changes to the contingent liabilities from the position disclosed in the most recent audited financial statements and interim accounts published.

5. General

The Rights will be provisionally allotted upon receiving the approval of the shareholders for the resolution at the Extraordinary General Meeting convened for the purpose.

No Shareholder will be entitled to a fractional part of a share and the aggregate of such fractions will be available for allotment at the same price to the existing ordinary shareholders who apply for additional shares. The additional shares will be allotted on a pro rata basis to the shareholders who apply for additional shares. The fractional entitlements referred to herein shall mean the fractions arising after applying the following formula to Ordinary Shares held:

Number of shares held by a shareholder as at the end of trading on the record date* 2

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The treatment of fractional shares will be in line with the Company's Articles of Association and the relevant laws of the land.

Shareholders who are unable to attend the meeting in person are requested to complete the enclosed Form of Proxy, in accordance with the instructions specified therein, and deposit at the registered office of the Company at "Renuka House", No. 69, Sri Jinaratana Road, Colombo 02.

Auditor's Reports and Audited Financial Statements and Interim Financial Statements of the company will be available on the website of the CSE, www.cse.lk.

6. Declarations

The Directors of the Company collectively and individually accept full responsibility for the accuracy of the information given and confirm having made all reasonable enquiries, 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.

If you are in doubt as to the action you should take, you should consult your stock broker or other professional advisor immediately.

By order of the Board of
Shaw Wallace Investments PLC
Sgd.
Secretaries

At Colombo on 1st January 2024

