

28th July 2021

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Colombo Stock Exchange,
#04-01 West Block,
World Trade Centre,
Echelon Square,
Colombo 01.

Attn: Mr. Renuke Wijeyawardhane
Chief Regulatory Officer

Dear Sirs,

**MELSTACORP PLC – REPURCHASE OF 1,000 UNLISTED NON-VOTING SHARES AND
REDUCTION OF STATED CAPITAL**

We write for and on behalf of our client, Melstacorp PLC (the “Company”), to inform you that the board of directors of the Company, by resolution dated 27th July 2021, has resolved to:

- a. to acquire, subject to the necessary approvals therefor, the 1000 non-voting unlisted shares of the Company held by Distilleries Company of Sri Lanka PLC (“DCSL”) at a consideration per share that is equivalent to the fair value determined by the auditors i.e. Rs. 82.50/-; and
- b. recommended to the shareholders of the Company to approve, if deemed fit, the reduction of the stated capital of the Company to an amount of Sri Lankan Rupees Seventy Billion (LKR 70,000,000,000).

An extract of the said board resolution is enclosed herewith for your reference.

The purpose of the repurchase of 1,000 non-voting shares is to complete the last step of the recent restructure of the Company. The shares held in the Company by DCSL were consolidated to 1,000 shares and the said shares were converted to non-voting shares prior to the issue of shares in the Company to the former shareholders of DCSL. As there is no purpose of the Company continuing to have 1,000 non-voting shares that is owned by a subsidiary, the board of directors has decided to repurchase and cancel the same.

The purpose of the reduction in stated capital is to facilitate a consistent dividend payout. As a recently restructured entity, the Company has a very low level of reserves compared its stated capital. As most of the Company’s investment holdings are of listed entities, significant downward variations in the Colombo Stock Exchange require adjustments to the financial statements. This sometimes prevents the Company from maintaining its dividend payout. As the long term holdings of the Company as of 31st December 2020 stood only at Rs. 67 billion, the board is of the view that the stated capital of the Company should be reduced to Rs. 70 billion.

The other details of the reduction of stated capital are as follows:

1. Proposed amount of the reduction of the stated capital is Rs. 19.1 billion.
2. The stated capital of the Company before the reduction in stated capital is Rs. 89.1 billion. The stated capital after the reduction in stated capital will be Rs. 70 billion.
3. The amount transferred to capital reserves will only act as a buffer for solvency calculations and hence will not be used for any distribution. Going forward the total of both the stated capital and the capital reserves will not be less than Rs. 89.1 billion.
4. The number of ordinary voting shares of the Company will not change as a result of the reduction of stated capital. However, the board of directors has approved, subject to the necessary approvals therefor, the repurchase of 1,000 non-voting unlisted shares from Distilleries Company of Sri Lanka PLC, being the entirety of the non-voting shares issued by the Company.

The reduction of the stated capital is subject to shareholder approval at the general meeting by way of a special resolution.

Your faithfully,

F.J. & G de Saram