

Circular to the Shareholders on the First and Final Dividend for 2023

Dear Shareholder/s,
First and Final Dividend for the year ended March 31, 2023 to be Satisfied by the Allotment and Issue of New Shares.

The Board of Directors of the Company, is pleased to inform its Shareholders that, a first and final dividend distribution of Rs. 0.41 cents per each existing issued and fully paid ordinary (voting) and (non-voting) share has been recommended for the financial year ended March 31, 2023 for due declaration by the Shareholders at the Annual General Meeting ('AGM') to be held on Thursday, September 7th, 2023 (the date of the AGM) at 3.30 p.m. to be held, virtually, by using a digital platform and such dividend so declared be paid from the combination of "dividend received" and out of the profits of the Company for the financial year ended March 31, 2023, which would be subject to applicable government taxes.

The Board of Directors is confident that, the Company will be able to satisfy the solvency test set out in Section 57 of the Companies Act No. 07 of 2007 (as amended) [CA 2007] immediately post-allotment of such dividend. A Certificate of Solvency has been provided by the Company's Auditors, Messrs KPMG, Chartered Accountants.

Subject to obtaining the approval of the Shareholders, the said dividend will be satisfied in accordance with a distribution scheme whereby:

- (i) New ordinary (voting) and (non-voting) shares will be allotted and issued, in satisfaction of the dividend entitlement, constituting a total sum of Rs. 50,320,715/- based on the issued and fully paid ordinary (voting) and (non-voting) shares of the Company as at July 31st, 2023.

Accordingly, and in pursuance of the aforesaid distribution scheme, the Company proposes to issue:

- (a) 2,043,439 number of new ordinary (voting) shares, calculated based on the issued and fully paid ordinary (voting) shares as at July 31st, 2023 and on the basis of their market value (closing price) as at end of trading on July 31st, 2023; and 97,854 number of new ordinary (non-voting) shares calculated based on the issued and fully paid ordinary (non-voting) shares as at July 31st, 2023 and on the basis of their market value (closing price) as at end of trading on July 31st, 2023.

The said shares shall be issued in the following ratios to the entitled Shareholders of the Company:

- 01 new fully paid ordinary (voting) share for every 57.7262783454 existing issued and fully paid ordinary (voting) shares calculated on the basis of the market value of the ordinary (voting) shares as at end of trading on July 31st, 2023; and
- 01 new fully paid ordinary (non-voting) share for every 48.7804878049 existing issued and fully paid ordinary (non-voting) shares calculated on the basis of the market value of the ordinary (non-voting) shares as at end of trading on July 31st, 2023.

The above share ratio is based on a value of Rs. 22.40 per ordinary (voting) share and Rs. 17.00 per ordinary (non-voting) share (subject to applicable government taxes) as at the end of trading on July 31st, 2023. The Board of Directors is satisfied that the aforementioned values which constitute the consideration for which the new shares are to be allotted and issued is fair and reasonable to the Company and to all its existing Shareholders.

Entitled Shareholders

Shareholders entitled to participate in the said dividend are those who are duly registered in the Company's Share Register and also those shareholders whose names appear on the Central Depository Systems (Pvt) Ltd ('CDS') as at end of trading on the Record Date [i.e. the third (3rd) market day from and excluding the date of the meeting] (the 'Entitled Shareholders').

In calculating the number of shares held by a shareholder as at the relevant date for the proposed allotment and issue of new shares, the shareholding of the shareholder as appearing in the CDS and the Shareholders' Register maintained by the Registrars of the Company [SSP Corporate Services (Pvt) Ltd, No. 101, Inner Flower Road, Colombo 03] will not be aggregated. However, if a shareholder holds shares with multiple stockbrokers, the shares held with multiple stockbrokers will be aggregated for calculation purposes, and the shares arising as a result of the proposed issue and allotment of new shares will be uploaded proportionately to the respective CDS accounts held with each broker. The Company has obtained the approval in principle of the Colombo Stock Exchange ('CSE') for the proposed allotment and issue of new shares.

Residual Fractions of Shares

The residual fractions arising from the aforementioned allotment and issue of new ordinary (voting) and (non-voting) shares respectively, will be aggregated and the shares arising consequent thereto will, subject to receiving the approval of the Shareholders therefor, such shares will be sold and the net sale proceeds arising therefrom be distributed to a charity/ charities approved by the Board of Directors. The donation will be effected by the Company within a reasonable period of time.

Residual fractions of ordinary (voting) and (non-voting) shares above-mentioned shall mean the above-mentioned fractions arising after applying the following formulas respectively:

For voting shareholders –

$$\frac{\text{Number of shares held by a shareholder as at end of trading on the Record Date X 1}}{57.7262783454}$$

For non-voting shareholders –

$$\frac{\text{Number of shares held by a shareholder as at end of trading on the Record Date X 1}}{48.7804878049}$$

Status of the New Shares

The new ordinary (voting) and (non-voting) shares to be so issued, immediately consequent to due allotment thereof to the entitled Shareholders, shall rank equal and *pari passu* in all respects with the existing issued and fully paid ordinary (voting) and (non-voting) shares, respectively, of the Company.

Listing approval

An application has been made to the CSE for listing the new ordinary (voting) and (non-voting) shares on the official list of the CSE. This

application has been approved 'in principle' by the CSE.

Shareholder Approvals

The proposed method of satisfying the abovementioned first and final dividend is subject to Shareholders granting approval therefor by passing the resolutions set out in the attached Notice of Meeting pertaining to the following matters:

- ☒ Authorization to satisfy the first and final dividend by an allotment and issue of new shares:

Article 35 (b) and 12(3) of the Company's Articles of Association provides, in effect, that, subject to the provisions of CA 2007, the Board is empowered to pay a dividend by way of shares. The Board seeks the authorization of Shareholders for the satisfaction of the first and final dividend by the issue of new ordinary (voting) and (non-voting) shares in the manner set out above. The relevant resolution to be passed by the Shareholders in this regard is set out in item 2(i) of the attached Notice of Meeting.

As mentioned previously, the first and final dividend is proposed to be satisfied, by the allotment and issue of new ordinary (voting) and (non-voting) shares in the manner set out above and on the above-mentioned application of the above-mentioned share proportion.

The relevant resolution to be passed by the Shareholders in this regard is set out in item 2(i) of the attached Notice of Meeting.

The Company is required, in compliance with the above provisions, to seek Shareholder approval by an ordinary resolution for the proposed method of satisfaction of the first and final dividend by an allotment and issue of new ordinary (voting) and (non-voting) shares in the manner set out above. The relevant ordinary resolution to be passed by the Shareholders in this regard is set out in item 2(ii) of the attached Notice of Meeting.

Confirmation of Compliance

The Board of Directors hereby confirms that the allotment and issue of new shares is in compliance with the Articles of Association of the Company, the Listing Rules of the CSE and the provisions of the CA 2007.

Allotment of the New Shares

The Board of Directors emphasizes that the aforementioned allotment and issue of new shares is in satisfaction of the first and final dividend for the year ended March 31, 2023 and shall be dependent on and subject to the Shareholders passing the requisite resolutions.

Uploading of Shares in to CDS Accounts

In the event that the requisite resolution declaring the dividend (including its manner of satisfaction thereof) by way of the issue and allotment of new shares is passed by the Shareholders, the accounts of the Shareholders whose shares are deposited in the CDS would be directly uploaded with the new shares to the extent that such Shareholder has become entitled thereto.

The shares would be uploaded within five (05) market days from and excluding the Record Date. If a Shareholder holds multiple CDS accounts the total entitlement will be directly deposited to the respective CDS accounts proportionately. Pursuant to a Direction issued by the Securities and Exchange Commission of Sri Lanka ('SEC') pertaining to the de-materialisation of listed securities, the Shareholders who hold shares in scrip form (i.e. Share Certificates) as per the Share Register maintained by the Registrars of the Company, will not be issued Share Certificates for the new shares allotted and issued in their favour. Such Shareholders are accordingly requested to open an account with the CDS and to deposit their Share Certificates in the CDS prior to the date of the AGM of the Company. This will enable the Company to deposit the new shares directly into the Shareholder's CDS Account.

If a Shareholder fails to deposit his/her existing ordinary (voting) and/or (non-voting) shares in the CDS prior to the date of the AGM, such Shareholder's entitlement of new ordinary (voting) and/or (non-voting) shares will be deposited by the Company after such Shareholder has opened a CDS Account and has informed the Company's Registrars in writing of his/her CDS account number. Until such CDS account is opened by a Shareholder as aforementioned, the new ordinary (voting) and (non-voting) shares that are allotted in his/ her favour will be registered in such shareholder's account in the Share Register maintained by the Registrars of the Company. Consequent to the opening of the CDS account by such Shareholder, the new shares will be credited to such CDS account. Direct uploads pertaining to written requests received from Shareholders to deposit such shares will be done on a weekly basis.

Annual General Meeting (AGM)

Attached hereto is the Annual Report comprising the Notice convening the AGM for September 7th, 2023 and setting out in item 2 thereof, the relevant resolutions to be passed by the Shareholders in the above regard.

Form of Proxy

Shareholders who are unable to participate at the meeting by virtual means are entitled to appoint a proxy to participate at the said meeting by virtual means and speak and also vote on their behalf, depending on their voting rights. If you wish to appoint such a proxy, kindly complete and return the enclosed Form of Proxy (in accordance with instructions to No. 69 Sri Jinaratana Road, Colombo 02, not later than forty-eight (48) hours before the time appointed for the holding of the AGM.

Yours faithfully,

By Order of the Board of Renuka Foods PLC

SGD
Renuka Enterprices (Pvt) Ltd
Company Secretaries
August 11, 2023