

HELA APPAREL HOLDINGS PLC

Company No. PQ00205151

No. 35, Balapokuna Road,
Colombo 06.

CIRCULAR TO SHAREHOLDERS

IMPORTANT: THIS DOCUMENT IS OF VALUE

If you are in doubt as to the action you should take, please consult your Stockbroker or other Professional Advisors immediately

Dear Shareholder,

1. RIGHTS ISSUE OF THREE HUNDRED AND NINETEEN MILLION, THREE HUNDRED AND SIXTY FIVE THOUSAND, TWO HUNDRED AND TWENTY SEVEN (319,365,227) ORDINARY VOTING SHARES ('ORDINARY VOTING SHARES') AT SRI LANKAN RUPEES FIVE (LKR 5.00) PER SHARE

The Board of Directors of Hela Apparel Holdings PLC ("the Company") resolved on 18 June 2024 to offer Three Hundred and Nineteen Million, Three Hundred and Sixty Five Thousand, Two Hundred and Twenty Seven (319,365,227) new Ordinary Voting Shares by way of a rights issue to holders of the issued Ordinary Voting Shares of the Company 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 Extraordinary General Meeting date) (the "Record Date") in the proportion of eight (8) new Ordinary Voting Shares for every thirty three (33) existing Ordinary Voting Shares held in the Company by such shareholders, at a price of Sri Lankan Rupees Five (LKR 5.00) per share (the "Rights Issue").

The new Ordinary Voting Shares provisionally allotted shall upon due acceptance and payment, rank *pari passu* in all respects with the existing issued Ordinary Voting Shares of the Company and shall qualify for all dividends declared, only after the final allotment which shall be after the last date of acceptance and payment.

The Rights Shares will be provisionally allotted to the shareholders once the Rights Issue is approved by the shareholders of the Company by ordinary resolution at the Extraordinary General Meeting.

In the opinion of the Board of Directors the issue price of Sri Lankan Rupees Five (LKR 5.00) per Ordinary Voting Share is fair and reasonable to the Company and all its existing shareholders.

Fractions of Ordinary Voting Shares arising from the computation of ordinary voting shares that each shareholder will be entitled to under the Rights Issue, will be deemed to be declined by the shareholders. For the purpose of the Rights Issue, such fractions will be aggregated into whole Ordinary Voting Shares (with any fractions arising from such aggregation being disregarded) and the whole Ordinary Voting Shares arising from such aggregation will be allotted to shareholders who apply for additional shares. Fractional entitlements referred to herein shall mean the fractions arising after applying the following formula;

= Number of shares held by a shareholder as at end of trading on the second (2nd) market day from and excluding the date of the EGM (i.e Record date) × 08

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In allocating Rights Shares provisionally, the holding of the shareholders, as appearing in the Central Depository Systems (Private) Limited (“CDS”) and the Shareholders’ Register maintained by the Company will not be aggregated.

If you do have a CDS Account and your existing shares are not lodged in the said CDS Account/ or you propose to open a CDS Account prior to the record date, you are advised to lodge your Shares prior to such date, to facilitate the direct lodgment of Rights to your CDS Account.

Applications for additional shares will be permitted. The Ordinary Voting Shares not subscribed for as at the last day of acceptance specified in the Provisional Letter of Allotment, the new Ordinary Voting Shares for which payment has not been duly and validly received by the Company as at the date of final allotment and the whole Ordinary Voting Shares arising from the aggregation of fractions of shares as aforesaid will be allotted at the same price to the existing ordinary shareholders who apply for additional Ordinary Voting Shares on a fair and reasonable basis as determined by the Board of Directors.

2. EQUITY AND CAPITAL STRUCTURE

Existing Stated Capital	LKR 5,780,678,282.82 constituting of monies received by the Company by the issue of 1,317,381,560 ordinary voting shares
Proposed increase under the Rights Issue	LKR 1,596,826,135 to be received by the Company by the issue of 319,365,227 ordinary voting shares offered at a price of LKR 5.00 each
Stated Capital of the Company (post-Rights Issue)	LKR 7,377,504,417.82 constituting of monies received from the issue of 1,636,746,787 ordinary voting shares

3. OBJECTIVE OF THE ISSUE

3.1 Objectives of the Rights Issue

Amount Raised From the Rights Issue (LKR)	Cost of the Issue (LKR)*	Remaining Proceeds (LKR)*
1,596,826,135	9,500,000	1,587,326,135

*It is currently estimated that the cost of the issue is approximately LKR 9,500,000 and the amount to be settled is included on the assumption that the cost will be LKR 9,500,000. The amount to be settled will accordingly vary if there is a variation in the cost of the issue.

The funds raised through the Rights Issue after deducting the costs of the Rights Issue (the proceeds of the Rights Issue remaining after deducting such costs shall hereinafter be referred to as “Remaining Proceeds”), will be made available by the Company to its sub- subsidiary Foundation Garments (Private) Limited (“FG”) in the form of investments in its share capital, to facilitate the settlement by FG of amounts due and payable under banking facilities obtained by it, in the manner set out in the table below, with the total amount being settled aggregating to a maximum sum that is equivalent to the Remaining Proceeds.

Borrowing Entity	Financial Institution	Type of Facility	Outstanding Balance as of 31 March 2024 (LKR, Unaudited)	Amount to be settled (LKR)
Foundation Garments (Private) Limited	DFCC Bank PLC	Short-Term Working Capital Facility	3,956,197,107	1,587,326,135

About FG

FG is a limited liability company domiciled in Sri Lanka, incorporated on January 28, 1988, under the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 07 of 2007, bearing the company No. PV 2646. Its registered address is No. 35, Balapokuna Road, Colombo 05, and it is engaged in the business of manufacturing and selling apparel products for export. FG is a fully owned subsidiary of Hela Clothing (Private) Limited (“Hela Clothing”), which, in turn, is a fully owned subsidiary of the Company.

Procedure for Settlement of Loans at FG

The Remaining Proceeds (estimated as aforementioned to be LKR 1,587,326,135), will be infused by the Company into its fully owned subsidiary, Hela Clothing, in the form of investments in share capital. Hela Clothing will in turn use these funds to invest in the share capital of FG to facilitate settlement of its banking facilities mentioned under section 3.1.

The board of directors of each of Hela Clothing and FG will, prior to the issue of shares in the respective company, be required to decide the consideration for which the shares will be issued and to also opine that such consideration is fair and reasonable to the company and to all existing shareholders. The number of shares to be issued in consideration of the equity investment will be dependent on the consideration per share at which the shares will be issued. Once such decisions are made by the boards of directors of the respective subsidiaries, the Company will make a market announcement to the CSE disclosing the details of (i) the equity investment by the Company in Hela Clothing and (ii) the details of the equity investment by Hela Clothing in FG. From the above transactions, the existing shareholding percentages of Hela Clothing and FG will remain unchanged, as Hela Clothing is 100% held by the Company and FG is 100% held by Hela Clothing.

3.2 Timelines for Settlement

The funds with respect to the objective aforesaid would be utilized within a period of one (1) month from the allotment of shares under the Rights Issue.

There is no risk of the funds raised through the Rights Issue for the objective not being utilized within the timeframe mentioned above, as the selected loans are outstanding for settlement.

Any proceeds that are not utilized immediately upon receipt will be invested during the interim period in Government Securities and or in Fixed Deposits in Licensed Commercial Banks and/or Money Market Funds generating a minimum return equivalent to prevailing overnight REPO Rates.

3.3 Benefits to Shareholders of the Company

Based on the utilization of funds described in section 3.1, FG will be able to partially settle its short-term debts, enabling FG to improve its financial position and in turn the Company's Group financial position.

3.4 Recommendation of Related Party Transactions Review Committee

As required by the CSE Listing Rules, the Related Party Transactions Review Committee of the Company has followed the due process and has recommended to the Board that the proceeds of the Rights Issue be made available to FG in the form of investments in its share capital, as set out in section 3.1 of this circular.

As of 31 March 2024, the Related Party Transactions Review Committee of the Company comprised of the following Directors:

Name of the Member	Directorship Status	Membership Status
G P Gunawardana	Independent Non-Executive Director	Chairman
A R Rasiah	Independent Non- Executive Director	Member
A J Alderton	Non-Executive Director	Member
T S Peries	Independent Non-Executive Director	Member
P Schleiffer	Non-Executive Director	Member

3.5 Specific Risks Associated with the Objective of the Issue

The Company does not foresee any deviations from the identified objective or timeline associated with the Rights Issue. However, in the event of any such unforeseen deviations to the objective of the Rights Issue, the Company will make a market announcement pertaining to such a deviation, obtain shareholder approval and required regulatory approvals (as applicable) for the new objectives.

3.6 Market Performance of Shares for the Three Months from May 2024

Month	Highest Price (Rs.)	Lowest Price (Rs.)	Last Traded Price (Rs.)	Trade Volume	Share Volume
May	7.7	5.6	6.5	3,791	35,459,344
June	7.0	5.5	5.6	2,670	26,226,888
July	5.9	5.3	5.5	1,101	5,063,472

Market price as at the date of the Circular to Shareholders (7th August 2024) is Rs.5.20 (last traded price).

The list of 20 major shareholders of the Company as at 31 March 2024 is as follows:

	Name	No. of Shares	% of Holding
1	Lesing Hela Limited	614,256,956	46.63
2	Tars Investments Lanka (Pvt) Ltd.	229,862,259	17.45
3	Mr. P.L.D. Jinadasa	148,531,300	11.27
4	Mr. D.E.H. Mcvey	30,598,973	2.32
5	Citibank Newyork S/A Norges Bank Account 2	28,116,708	2.13
6	Magna Wealth (Pvt) Ltd.	19,376,068	1.47
7	Hatton National Bank PLC/Sri Dhaman Rajendram Arudpragasam	16,260,071	1.23
8	Deutsche Bank AG as Trustee To Assetline Income Plus Growth Fund	8,302,589	0.63
9	Mr. R.S.P. Amaratunga	5,007,961	0.38
10	JN Lanka Holdings Company (Pvt) Ltd	5,000,000	0.38
11	California Link (Private) Limited	4,489,000	0.34
12	Mr. D.M. Beruwalage	4,361,600	0.33
13	Mr. P.S.V. Fernando	4,303,743	0.33
14	Mr. A.R. Rasiah	4,273,743	0.32
15	Union Assurance PLC-Universal Life Fund	4,191,500	0.32
16	DFCC Bank PLC A/C NO.02	4,000,000	0.30
17	Bank of Ceylon A/C Ceybank Unit Trust	2,945,200	0.22
18	Mr. W.A.R Gunawardhana	2,831,355	0.21
19	Mr. Y.C. Samarajeewa	2,721,857	0.21
20	J.B. Cocoshell (Pvt) Ltd	2,400,000	0.18
		1,141,830,883	86.65
	Others	175,550,677	13.35
	Total	1,317,381,560	100.00

3.7 Public Shareholding

The percentage of Ordinary Voting Shares held by public shareholders is 21.75% and the number of shareholders representing such public holding is 13,584. The public holding percentage pursuant to the issue of shares under the Rights Issue will be dependent on the subscription to shares by public shareholders and non-public shareholders under the Rights Issue.

4. CONTINUOUS DISCLOSURES

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 funds through the proposed Rights Issue until the objectives are achieved and funds are fully utilized.

The disclosure will be made in the following format.

Rights Issue Proceeds Utilization as at dd-mm-yyyy

Objective No.	Objective as per circular	Amount allocated as per circular in LKR	Proposed date of utilization as per circular	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amount utilized in LKR (B)	% of utilized against allocation (B/A)	Clarification if not fully utilized including where the funds are invested. (i.e. whether lent to related parties etc.)
1.								

In the event the proceeds of the Rights Issue are fully utilized in terms of the objectives disclosed in the Circular to Shareholders prior to the submission of the Company's next financial statements (i.e. Interim Financial Statements or Annual Report), the Company will disclose the fact that the proceeds have been utilized in its entirety as per the above template.

5. DIVIDEND HISTORY

The Company has not paid dividends for the last 5 years.

6. CONTINGENCIES AND LITIGATION

Except for those disclosed in the below table, there has been no change to contingent liabilities and litigation in comparison with the latest publicly made available interim financial statements (as at 31 March 2024).

Liability Due By	Guarantee or Contingent Liability Taken on Behalf Of	Financial Institution	Nature of Liability	Amount (USD)	Changes since 31 March 2024
Hela Apparel Holdings PLC	Hela Clothing (Private) Limited	Sampath Bank PLC	Corporate Guarantee – US Dollar Denominated	USD 2,000,000	New Corporate Guarantee
Hela Clothing (Private) Limited	Foundation Garments (Private) Limited	Sampath Bank PLC	Corporate Guarantee – US Dollar Denominated	USD 4,000,000	New Corporate Guarantee

7. FINANCIAL POSITION OF THE COMPANY

Shareholders attention is drawn to the Audited Financial Statements for the year ended 31 March 2023 which is hosted on https://cdn.cse.lk/cmt/upload_report_file/2727_1694053625184.pdf . Shareholder attention is also drawn to the unaudited financial statements of the Company for the quarter ended 31 March 2024 which is hosted on https://cdn.cse.lk/cmt/upload_report_file/2727_1717149789389.pdf

8. STATEMENTS BY AUDITORS

The Financial Statements of the Company for the year ended 31 March 2023 do not contain any adverse, disclaimer, qualified audit opinion, or an emphasis of matter on going concern.

9. DIRECT DEPOSIT TO CDS

In terms of the Directive issued by the Securities and Exchange Commission of Sri Lanka made under Circular No. 08/2010 dated 22 November 2010 and Circular No. 13/2010 issued by the CDS dated 30 November 2010, all new securities arising from the proposed Rights Issue would be directly deposited to the respective shareholders' CDS Account within ten (10) market days from the last date of acceptance and payment, and **No share certificates shall be issued to any shareholder.** Therefore, all shareholders are requested to fill in correctly their respective CDS Account number to avoid any delay in the shares being uploaded to the CDS. In the event of the non-availability of the CDS Account Number or the account number provided is incorrect the new shares to be allotted shall only be registered in the share ledger maintained by the Company and no share certificates will be issued for such shares. Therefore, such shareholders will **not be able to trade** on the new securities, until such time these shares are deposited in the CDS. Such shareholders will have to subsequently inform S S P Corporate Services (Private) Limited, the Registrars to the Issue, of their CDS Account numbers in writing and request them

to deposit their shares into the said accounts. Please note that such requests will be processed only on a weekly basis.

You may open a CDS Account through any Trading Participants of the CSE or through any Custodian Bank.

10. DEFINITION AND OPERATION OF A “LOCKED” BALANCE IN THE CDS

In order to preserve the confidentiality of the shareholder information and to ensure that securities are not made available for trading for those Shareholders who do not want to trade securities, the CDS would provide a mechanism where securities can be “locked” in the CDS Account.

The CDS would maintain two balances for each CDS Account, namely a trading balance and a locked balance. The trading balance would be visible to the CDS participants and all dealings and trading would be permitted on the said trading balance, as done presently.

As opposed to the trading balance, the locked balance will not be visible to the CDS participants and all dealings on such locked balance would be suspended thereby maintaining the confidentiality of the information and also safeguarding the account holder from an unauthorized sale by a Broker.

At the option and request of an 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.

Therefore, kindly ensure that your CDS account number is filled in the relevant section of the Letter of Acceptance and Registration and the Application for Additional Shares (if applicable).

11. UNDERWRITING AGREEMENT

The issue is not conditional upon any minimum subscription amount being raised through this Rights Issue. The Company has not entered into any underwriting agreements in relation to the Rights Issue. However, the Company has received written commitments from the top three shareholders of the Company namely, Lesing Hela Limited, Tars Investments Lanka (Pvt) Ltd, and Mr. P.L.D. Jinadasa, who collectively hold 75.35% of the issued shares, to accept their total number of rights shares.

12. APPROVAL FROM OTHER REGULATORS

There is no specific requirement to obtain the approval of any regulator other than the CSE for this Rights Issue.

13. DECLARATIONS IN RESPECT OF THE RIGHTS ISSUE

The approval in principle has been obtained from the CSE to issue and list the new Ordinary Voting Shares to be issued under the Rights Issue.

The listing of the securities 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.

Trading of the “Rights” shall commence on the Fourth (04th) Market Day from and excluding the date of dispatch of the Provisional Letters of Allotment and trading shall continue throughout the period of Renunciation to the CDS. **The Rights can be renounced to the CDS only.**

14. APPLICATIONS FOR THE RIGHTS ISSUE

The Rights entitlement of Shareholders who maintain their shares via the CDS, will be directly deposited into their respective CDS accounts.

Shareholders (both CDS and ledger) who wish to subscribe for the Rights Issue or trade their rights are strictly advised to follow the procedure given in the Instructions in the Provisional Letter of Allotment which will be sent via post.

15. COMPLIANCE WITH THE LAW

(i) Compliance with the provisions of the Listing Rules

The Company has taken all necessary steps to comply with all relevant provisions of Section 5 of the Listing Rules in relation to the Rights Issue, including obtaining the approval, in principle from the Colombo Stock Exchange for the issue and listing of the shares to be issued under the Rights Issue.

In terms of the Listing Rules, the issue of shares under a Rights Issue requires the approval of the shareholders of the Company by ordinary resolution.

(ii) Compliance with the Companies Act No 7 of 2007 (the “Companies Act”)

In terms of section 52 of the Companies Act, the Board of Directors has decided that the consideration for which shares under the Rights Issue will be issued will be Sri Lankan Rupees Five (LKR 5.00) per share and has opined that the aforesaid consideration of Sri Lankan Rupees Five (LKR 5.00) is fair and reasonable to the Company and to all existing shareholders of the Company.

The issue of shares under the Rights Issue or the utilization of the proceeds of the Rights Issue for the objectives referred to in section 3 is not a major transaction of the Company within the meaning of section 185 of the Companies Act.

(iii) Compliance with Articles of Association

The Company has taken all necessary steps to comply with all relevant provisions of Articles of Association of the Company.

16. DECLARATION BY THE DIRECTORS

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.

17. EXTRAORDINARY GENERAL MEETING

Accordingly, an Extraordinary General Meeting of the shareholders of the Company will be convened in terms of the attached Notice, at which the shareholders will be requested to consider and if thought fit pass the Ordinary Resolutions necessary to obtain approval for the Rights Issue.

If you are unable to be present at the Extraordinary General Meeting to be held on 26th August 2024, you are kindly requested to complete and return the Form of Proxy to the Company Secretary, Hela Apparel Holdings PLC at No. 35, Balapokuna Road, Colombo 06 or by email to hela_agm@helaclimbing.com not less than 48 hours before the time appointed for the Meeting.

Yours faithfully

By Order of the Board of
HELA APPAREL HOLDINGS PLC

Sgd.
(Ms) J Kuhanesan
COMPANY SECRETARY
Dated: 7th August 2024