



27th May 2022

Mr. Renuke Wijayawardhane
Chief Regulatory Officer
Colombo Stock Exchange
#04-01 West Block
World Trade Center
Colombo 01.

Dear Sir,

Hela Apparel Holdings PLC
Corporate Disclosure – Update on the Use of IPO Proceeds

In terms of Section 8.1 (b) of the Listing Rules of the Colombo Stock Exchange, we write to inform you of the strategies the Company envisages in strengthening its balance sheet by optimising the funds arising from its Initial Public Offering, whilst remaining committed to the objectives listed in the Prospectus dated 28th December 2021 (“the Prospectus”).

With reference to Objective 1.2.1 – Fabric Mill Investment, the Company is facing delays in finalising the target investment due to the prevailing economic environment in Sri Lanka. Furthermore, in line with the expected utilisation timeline, the Company plans to complete the Productivity-Enhancing Capital Expenditure mentioned under Objective 1.2.3 after the commencement of the second quarter of FY2022-23, provided economic conditions are favourable at this time. Finally, while Objective 1.2.2 – Funding the Implementation of a New Enterprise Resource Planning (ERP) System is underway, a portion of the required payments are linked to the US Dollar and are therefore subject to further depreciation in the Rupee.

In order to avoid the impact of further depreciation in the currency on the remaining funds allocated to these objectives relative to the Company’s US Dollar-denominated investment requirements and borrowings, it therefore wishes to immediately divert them to equity investments into its subsidiaries for the purpose of settling additional debt under Objective 1.2.3. This includes Sri Lankan Rupee-denominated debt and US Dollar-denominated debt, which will be settled by using the funds to finance local operating expenses and diverting a portion of US dollar export proceeds to debt settlement.

The Company will seek Related Party Transactions Review Committee approvals for the disbursement of funds. The Board of Directors of each subsidiary will also determine the consideration for which the shares will be issued and be required to opine that such consideration is fair and reasonable to the Company and to all existing shareholders.



Objective No.	Objective as per Prospectus	Amount allocated as per Prospectus in LKR	Proposed date of utilization as per Prospectus	Utilised funds as at 31 st March 2022 in LKR	Unutilised funds as at 31 st March 2022 in LKR	Clarification if not fully utilised including where the funds are invested
1.2.1	Fabric Mill Investment	999,761,063	2Q FY23	-	999,761,063	The unutilised funds of LKR 2,000,540,839 as of 31 st March 2022 will be invested into subsidiaries of the Group for the purpose of Retirement of Short-Term Debt under Objective 1.2.3. As such the total amount allocated under this objective will increase to LKR 3,911,343,725
1.2.2	Funding the Implementation of a New Enterprise Resource Planning (ERP) System	596,266,801	2Q FY23	95,291,245	500,975,556	
1.2.3	Investment into Subsidiaries of the Group	2,410,607,106	4Q FY22 – 3Q FY23	1,910,802,886	499,804,220	
Total		4,006,634,970	-	2,006,094,131	2,000,540,839	

However, as stated, the Board of Directors wishes to reiterate that the Company is committed to the objectives set out in the Prospectus and will provide further disclosures to the market as appropriate. Supported by its strengthened balance sheet, the required funding for these objectives will be obtained via additional term loans or available cash balances as determined appropriate by the Company. Shareholder ratification for the deviations pertaining to the IPO fund utilisation will be obtained at the next immediate General Meeting of the Company.

Yours Sincerely,
Hela Apparel Holdings PLC

Dilanka Jinadasa
Group CEO & Executive Director