

**DIALOG FINANCE PLC**  
Company No. PB 765 PQ  
No. 475, Union Place,  
Colombo 02.

## **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 8,616,504 ORDINARY VOTING SHARES ('ORDINARY SHARES') AT RS. 65.00 PER SHARE**

The Board of Directors of Dialog Finance PLC (the Company) resolved on 22 June 2021 to offer Eight Million Six Hundred and Sixteen Thousand Five Hundred and Four (8,616,504) new Ordinary Shares in the proportion of Eight (08) New Ordinary Shares for every One Hundred and One (101) existing Ordinary Shares in the Capital of the Company by way of a Rights Issue to holders of the issued Ordinary Shares of the Company as at the end of trading on 26 August 2021 (which is the market day prior to the 'ex-rights' date) and where Delivery vs Payment (DVP) is enabled, the shareholders of the Company who hold their shares in their respective CDS accounts/in the share ledger as at end of trading on the third (3<sup>rd</sup>) market day from and excluding the date of the general meeting (i.e. the "Record date") will be entitled to this issuance of shares, at a price of Rupees Sixty Five (Rs. 65.00) per share.

The new ordinary shares provisionally allotted shall upon due acceptance and payment, rank *pari passu* in all respects with the existing issued ordinary 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 Resolution is approved by the Shareholders at the Extraordinary General Meeting.

In the opinion of the Board of Directors the issue price of Rs. 65.00 per ordinary share is fair and reasonable to the Company and all its existing shareholders as required by the Companies Act.

Fractions of shares shall be ignored for the allotment of rights and the rights entitlement of these fractional shares shall be pooled together and allotted to shareholders who apply for additional shares. Fractional entitlements referred to herein shall mean the fractions arising after applying the following formula;

**=  $\frac{\text{Number of shares held by a shareholder as at end of trading on the EGM date or third (3rd) market day from and excluding the date of the general meeting (i.e Record date)} \times 08}{101}$**

**101**

In allocating Rights shares provisionally, the shareholding of the shareholders, as appearing in the Central Depository Systems (Private) Limited (CDS) and the Shareholders' Register maintained by the Company will be aggregated in so far as the identity of such shareholders are available with the Company for identification purposes.

Applications for additional shares will be permitted. However, such additional shares will be available for allotment in the event any of the existing shareholders do not take up their rights entitlement in part or in full or if the Letter of Acceptance and Registration is rejected by the Company as being invalid. The shares not subscribed for as at the last day of acceptance specified in the Provisional Letter of Allotment will be deemed to have been declined and such declined shares will be allotted at the same price to the existing ordinary shareholders who apply for additional ordinary shares (as the case may be) on a fair and reasonable basis as determined by the Board of Directors.

## 2. EQUITY AND CAPITAL STRUCTURE

<b>Existing Stated Capital</b>	Rs. 2,374,509,339.50 made up of 108,783,362 ordinary shares
<b>Proposed increase under the Rights Issue</b>	Rs. 560,072,760.00 made up of 8,616,504 ordinary voting shares offered at a price of Rs. 65.00 each
<b>Stated Capital of the Company (post-Rights Issue)</b>	Rs. 2,934,582,099.50 made up of 117,399,866 ordinary shares

## 3. OBJECTIVE OF THE ISSUE

The objective of this Issue is to increase the core capital in compliance with the Minimum Core Capital Directive No. 2 of 2017 issued by the Central Bank of Sri Lanka ("Directive"). After the Rights Issue, with the increase of the Stated Capital from Rs. 2,374,509,339.50 to Rs. 2,934,582,099.50 the unimpaired core capital will be Rs. 2,573,686,644.88 in compliance with the said Directive.

In the event the Company fails to comply with the Directive, the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka has the right to impose regulatory measures as set out in the said Direction to secure the compliance, which may impact the Company's business operations. However, as the Company has already secured a written commitment (as detailed under section 12) on the subscriptions to the proposed Rights Issue, the Company will be compliant with the Directive post-Rights Issue.

<b>The Minimum Core Capital Requirement (as per the Finance Business Act (Minimum Core Capital) No. 02 of 2017 issued by the Central Bank of Sri Lanka)</b>	The Company's unimpaired core capital should not be less than Rs. 2.0Bn by 01 January 2021 and Rs. 2.5Bn by 01 January 2022										
<b>The timeline to achieve the Minimum Core Capital Requirements</b>	Unimpaired core capital of Rs. 2.0Bn by 01 January 2021 and Rs. 2.5Bn by 01 January 2022										
<b>The level of compliance by the Company at present (CBSL's requirement of unimpaired core capital as at 30 June 2021 is Rs. 2.0Bn)</b>	Compliant – As at 30 June 2021 (unaudited), the Company's core capital is Rs. 2,013,613,904.88 as detailed below: <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">(i) Stated Capital</td> <td style="text-align: right;">: Rs. 2,374,509,339.50</td> </tr> <tr> <td>(ii) Reserve Fund</td> <td style="text-align: right;">: Rs. 11,360,719.23</td> </tr> <tr> <td>(iii) Fair value through other comprehensive income reserve</td> <td style="text-align: right;">: Rs. 1,577,272.50</td> </tr> <tr> <td>(iv) Retained Profit</td> <td style="text-align: right;">:Rs. (373,833,426.35)</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right;"><b>:Rs. 2,013,613,904.88</b></td> </tr> </table>	(i) Stated Capital	: Rs. 2,374,509,339.50	(ii) Reserve Fund	: Rs. 11,360,719.23	(iii) Fair value through other comprehensive income reserve	: Rs. 1,577,272.50	(iv) Retained Profit	:Rs. (373,833,426.35)	<b>Total</b>	<b>:Rs. 2,013,613,904.88</b>
(i) Stated Capital	: Rs. 2,374,509,339.50										
(ii) Reserve Fund	: Rs. 11,360,719.23										
(iii) Fair value through other comprehensive income reserve	: Rs. 1,577,272.50										
(iv) Retained Profit	:Rs. (373,833,426.35)										
<b>Total</b>	<b>:Rs. 2,013,613,904.88</b>										

<b>The level of compliance by the Company after the Rights Issue</b>	Following the Rights Issue (based on unaudited figures as at 30 June 2021*), the Company's core capital is expected to be Rs. 2,573,686,664.88 as detailed below:	
	(i) Stated Capital	: Rs. 2,934,582,099.50
	(ii) Reserve Fund	: Rs. 11,360,719.23
	(iii) Fair value through other comprehensive income reserve	: Rs. 1,577,272.50
	(iv) Retained Profit	: Rs. (373,833,426.35)
<b>Total</b>	<b>Rs. 2,573,686,664.88</b>	

If there are any changes to the circumstances due to specific risks relating to objectives of the Rights Issue as highlighted in Section 3.2, the Company may use the funds appropriately subject to obtaining prior approval from shareholders by following the process as highlighted below (Section 3.2).

The objective of the Rights Issue does not amount to a Major Transaction in terms of Section 185 of the Companies Act No. 07 of 2007.

### 3.1 Utilisation of the Proceeds of the Proposed Rights Issue is as follows:-

<b>Details of the Utilization of Proceeds</b>	<b>Amount (Rs.)</b>
<b>(i) To utilize for lending purposes</b>	<b>558,897,760.00</b>
<b>(ii) Expenses relating to the rights issue</b>	
Total Fees to Service Providers	1,000,000.00
Posting and Printing Charges	100,000.00
EGM Expenses	75,000.00
<b>Total</b>	<b>1,175,000.00</b>
<b>Total</b>	<b>560,072,760.00</b>

The average monthly loan portfolio disbursements for the last three months is Rs. 310,914,756.84.

The sum of Rs. 558,897,760.00 referred to in item (i) above will be added to the fund used for lending business. It is expected that the proceeds of the Rights Issue would be utilised within 12 months. If the entirety of Rights Issue proceeds is not utilised immediately for lending purposes, such funds will be invested in term deposits with expected returns of approximately 4.5% annually until such time it is used for lending.

### 3.2 Specific Risks Associated with the Objective of the Issue

The primary risk is the Company being unable to raise the minimum level of subscription required to comply with Directive issued by the Central Bank of Sri Lanka. However, this risk is mitigated as the Company has a written commitment from its holding company, Dialog Axiata PLC (which holds 99.05% of issued shares at present), to accept its total number of rights shares and subscribe for the rights shares not accepted by other shareholders, if any.

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.

The Company does not expect to lend the Rights Issue proceeds to related parties. In an instance where the Company lends to related parties, it will do so in compliance with Section 9 of the Colombo Stock Exchange (CSE) Listing Rules.

### 3.3 Market Performance of Shares for the preceding three months period

Month	Highest Price (Rs.)	Lowest Price (Rs.)	Closing Price (Rs.)	Trade Volume	Share Volume
May	66.00	65.00	65.00	4	64
June	98.20	55.10	98.20	410	133,350
July	95.00	71.00	90.60	2,486	627,895

Market price as at 5 August 2021 was Rs. 87.40 (last traded price).

The list of 20 major shareholders of the Company as at 30 June 2021 is as follows:

	Name	No. of Shares	% of Holding
1	Dialog Axiata PLC	107,755,303	99.05%
2	Mr. R. C. J Goonewardene	220,071	0.20%
3	J. B. Cocoshell (Pvt) Ltd	134,496	0.12%
4	Mrs. A. A. Raaymakers	27,115	0.02%
5	Mr. R. E Rambukwella	20,866	0.02%
6	Mr. P. S. M Fernando	20,000	0.02%
7	Mr. S.R.S De Saram	20,000	0.02%
8	People's Leasing & Finance PLC /C. D. Kohombanwickramage	17,820	0.02%
9	Mr. R M Hindurangala	16,460	0.02%
10	Mr. B. C. N Mendis	13,727	0.01%
11	Mr. G. D. M Ranasinghe/ Mr. O. R. K Ranasinghe (joint)	13,000	0.01%
12	Mr. B. C. V Mendis	12,727	0.01%
13	Mr. R. L. G Fernando	12,000	0.01%
14	Mr. N. S Wijesekara	11,813	0.01%
15	Mr. T. Thiruthanigainathan	11,162	0.01%
16	Mr. K. N. Nandasiri / Mr. T.B.R. Sujeewa Tennakoon Banda (joint)	10,900	0.01%
17	Mr. D. S. P. Perera	10,000	0.01%
18	Mr. T. D Mahaliyana	9,940	0.01%
19	Ms. M. P. Radhakrishnan	8,646	0.01%
20	Ms. A. Radhakrishnan	8,462	0.01%
		<b>108,354,508</b>	<b>99.60%</b>
	<b>Others</b>	428,854	0.40%
	<b>Total</b>	<b>108,783,362</b>	

## 4. CONTINUOUS DISCLOSURES

The Company will disclose information regarding the status of utilisation of funds raised via 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 Utilisation 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 utilised in terms of the objectives disclosed in the Circular to Shareholders between two financial periods, the Company shall disclose such fact in the immediate succeeding Annual Report or the Interim Financial Statement, whichever is published first as per the above template.

### 5. DIVIDEND HISTORY

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

### 6. CONTINGENCIES

There is no change to contingent liabilities in comparison with the latest publicly made available interim finance statements (as at 30 June 2021).

### 7. NET PROFIT/ (LOSS) AFTER TAX

The Company's reported net profit/ (loss) for the last 05 years is as follows:

Financial Period ending 31 December	Net Profit/(Loss) (Rs.)
2020 (Year ended 31 December)*	(99,519,005)
2019 (9 months ended 31 December)*	(143,665,925)
Financial Year ending 31 March	Net Profit/(Loss) (Rs.)
2019	(129,410,806)
2018	(22,524,854)
2017	4,745,085
2016	(3,094,422)

*\*The Company changed its balance sheet date from 31 March to 31 December, in order to align balance sheet date of the Company with that of its holding company, Dialog Axiata PLC*

<b>The Performance of the Company for Financial Year Ended 31 December 2020</b>
<b><u>Year ended 31 December 2020</u></b>
Net Loss of the Company recorded at Rs. 99.5Mn for the financial year ended 31 December 2020

- The Company recorded total interest income of Rs. 214.7Mn for the year ended 31 December 2020, demonstrating a decline of 14.7% YoY compared to Rs. 251.8Mn recorded for the corresponding period in the year 2019, in line with the slowdown of lending activities during the year, amid the COVID-19 pandemic and economic slowdown.
- However, despite these challenges, the Net Loss of the Company reduced to Rs. 99.5Mn for the year ended 31 December 2020, relative to a Net Loss of Rs. 143.7Mn for the 9-month period ended 31 December 2019 (Net Loss for the year ended 31 December 2019 was Rs. 205.9Mn). This improvement was driven by the positive impact stemming from taxes as well as the reduction in operating expenses and impairment cost on a YoY basis.
- The total operating expenses recorded a decline of 14.9% YoY. Improvement in cost performance was consequent to the aggressive cost management and rationalization initiatives which were introduced by the Company with respect to both operating and capital expenditure.
- Total impairment losses for the year ended 31 December 2020 declined significantly by 40.2% compared to the previous financial period, despite the adverse impact of COVID-19 on the credit recoveries of the Company.

**The action plan implemented by the Company to improve profitability**

Action Plan	Progress
Grow the loan book of the Company	<ul style="list-style-type: none"> <li>• Aggressive strategies were planned and implemented to scale the lending business</li> <li>• The average monthly loan portfolio disbursements for the last three months was recorded at Rs. 310.9Mn.</li> <li>• The net loan and advances recorded an increase from Rs. 806.3Mn as at end of December 2020 to Rs. 1,396.2Mn as at end of June 2021.</li> </ul>
Implement Fintech strategies as planned at the time of acquisition by Dialog Axiata PLC.	<ul style="list-style-type: none"> <li>• Aggressive strategies were planned and implemented to scale the Fintech business.</li> <li>• The Company commenced providing payment services enabling digital solutions for payment related mobile applications.</li> <li>• Launched Digital savings products in 2020</li> <li>• Launched Digital payment services such as Lanka QR and Just Pay in 2020 and 2021 respectively.</li> </ul>
Manage NPA through more focused recovery actions and lending to customer segments where credit risk is low	<ul style="list-style-type: none"> <li>• Recovery processes were re-structured and aggressive recovery initiatives were taken to recover long outstanding facilities</li> <li>• The transfer of the device finance portfolio to Telecard (Private) Limited, a fully-owned subsidiary of Dialog Broadband Networks (Private) Limited, was completed with effect from 1 October 2020. This transfer strengthened the quality of the lending portfolio of the Company by substantially improving its non-performing loan ratio.</li> <li>• Gross NPA ratio of the Company improved significantly to 8.3% as at end of December 2020 from 34.3% as at end of December 2019 mainly due to the transfer of the</li> </ul>

	<p>device finance business to Telecard (Private) Limited. Gross NPA ratio further improved to 4.7% as at end of June 2021.</p> <ul style="list-style-type: none"> <li>• Lower impairment recorded in 1H 2021 with improved collections</li> </ul>
Manage cost to income ratio through improved operating efficiencies and streamlining of processes	<ul style="list-style-type: none"> <li>• Cost re-scaling initiatives are being taken and the same is a continuous process</li> <li>• Total operating expenses recorded a decline of 14.9% YoY to reach Rs. 291.7Mn for the year ended 31 December 2020 compared to Rs. 342.8Mn for the corresponding period of 2019.</li> </ul>
Continuous engagement with regulators to obtain approval for the FinTech products	<ul style="list-style-type: none"> <li>• A number of initiatives were introduced by the Central Bank of Sri Lanka during 2020 which strengthen the digital financial service offering of the Company. These initiatives include; <ul style="list-style-type: none"> <li>✓ The enablement of non-face-to-face customer identification and verification using an electronic interface provided by the Department for Registration of Persons</li> <li>✓ The launching of the “National Lanka QR Initiative” together with the financial institutions to increase public awareness and encourage the use of Lanka QR services across the country.</li> </ul> </li> <li>• The Company continues to engage with the regulator to obtain approvals for its digital product proposals while ensuring that the Company’s digital product offerings are compliant by design.</li> </ul>

The Company’s Audited and Interim financial statements are publicly available on the CSE website ([www.cse.lk](http://www.cse.lk)), where an investor could independently verify the information reported above.

## 8. RELATED PARTY TRANSACTION REVIEW COMMITTEE

The Related Party Transactions Review Committee (RPTRC) is appointed by the Board of Directors of the Company to ensure Good Corporate Governance. As at 30 June 2021 the RPTRC of the Company comprised of the following Directors:

Name of the Member	Directorship Status	Membership Status
Mr. Priyan Edirisinghe	Independent, Non-Executive Director	Chairman
Mr. Roshan Hettiaratchi	Independent, Non-Executive Director	Member
Mr. Supun Weerasinghe	Non-Executive Director	Member

## 9. CAUTIONARY STATEMENT TO SHAREHOLDERS – TRANSFER TO THE SECOND BOARD OF THE CSE

Dialog Axiata PLC, the major shareholder of the Company, currently has a stake of 99.05% of the Company’s issued shares and this is tantamount to a non-compliance with the public float requirements of the CSE. As of 30 June 2021, the Company’s public float was 0.95%.

As such, in terms of Rule 7.13.1 (b) of the CSE Listing Rules, the Company is not in compliance with the Minimum Public Holding requirements.

Under the revised CSE rules (with effect from 12 September 2019), the securities of companies will not be transferred to the watch list or be de-listed only due to non-compliance with the Minimum Public Holding Requirements. Instead, the securities of such companies will be transferred to the Second Board of the CSE at the expiry of six (06) months from the date of non-compliance.

Therefore, the securities of the Company were transferred to the Second Board on 10 February 2020 due to non-compliance with Rule 7.13.1 (b) of the CSE Listing Rules. However, as communicated to the shareholders via Rights Issue circular dated 10 February 2020, Dialog Axiata PLC the major shareholder of the Company, still intends on selling a minimum of 10% of its stake in the Company in order to comply with the CSE Listing Rules. However, the Company is still in the process of expansion and development of its Fintech Business Model to enable an aggressive scale up, which will facilitate the sell down of Dialog Axiata PLC's stake and increase the public holding of the Company. As such, Dialog Axiata PLC is not in a position to divest its shareholding in the Company at this point in time, until the business operations of the Company are fully expanded.

Further, Dialog Axiata PLC has agreed to subscribe for additional shares not accepted by other shareholders as stated under section 12. Hence, any shares subscribed by Dialog Axiata PLC beyond its entitlement would result in a reduction of the public shareholding of the Company.

## **10. 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 Central Depository Systems (Private) Limited dated 30 November 2010, all new securities arising from the proposed Rights Issue would be directly deposited to the respective Shareholders' CDS Account, 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 Member/Trading Member of the CSE or through any Custodian Bank.

## **11. 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 safeguard 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).

## **12. UNDERWRITING AGREEMENT**

The Company has **not** entered into any underwriting agreements in relation to the Rights Issue. However, the Company has a written commitment from its holding company, Dialog Axiata PLC, which holds 99.05% of issued shares at present, to accept its total number of rights shares. Further, Dialog Axiata PLC has also agreed to subscribe for the rights shares not accepted by other shareholders, if any. Dialog Axiata PLC will subscribe for such available ordinary shares after providing for the additional share applications.

## **13. APPROVAL FROM OTHER REGULATORS**

As per the Finance Companies (Structural changes) Direction No. 01 of 2013, the Company is required to obtain approval from the Central Bank of Sri Lanka in order to raise capital through a Rights Issue. By letter dated 1 July 2021 the Central Bank of Sri Lanka has granted the required approval. No other approvals are required for the Rights Issue.

## **14. DECLARATIONS IN RESPECT OF THE RIGHTS ISSUE**

The approval in principle has been obtained from the CSE to issue and list the new securities.

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 (04<sup>th</sup>) 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.**

## 15. APPLICATIONS FOR THE RIGHTS ISSUE

Taking into consideration the continuing health risk of COVID-19 and the well-being of shareholders, Dialog Finance PLC (the Company) has decided to upload templates of the Provisional Letter of Allotment (for both CDS and Ledger shareholders as applicable) to the websites of the Company, [www.dialogfinance.lk](http://www.dialogfinance.lk) and the CSE, [www.cse.lk](http://www.cse.lk) for the purpose of facilitating such shareholders to apply for the Rights Issue.

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 AND GUIDELINES section in the Provisional Letter of Allotment templates**, which will be made available on the websites of the Company, [www.dialogfinance.lk](http://www.dialogfinance.lk) and the CSE, [www.cse.lk](http://www.cse.lk).

## 16. UTILISATION OF THE PROCEEDS OF RIGHTS ISSUES CONDUCTED IN 2019 AND 2020

Further to the Circulars to the shareholders of the Company dated 25 February 2019 and 10 February 2020, in relation to the Rights Issue of 19,103,158 Ordinary Voting Shares at Rs 40.00 per share and the Rights Issue of 17,446,388 Ordinary Voting Shares at Rs 40.20 per share, the Company was unable to utilise the total proceeds of the said Rights Issues within the time period undertaken (refer below table), as the loan book of the Company was not expanded as planned since business growth of the company was impacted by the COVID-19 pandemic and economic slowdown and the Company is in the process of progressing expansion and development of its loan product portfolio which will enable the Company to utilize the proceeds of the Rights Issue for lending purposes.

Utilisation of funds raised from previous Rights Issues as at 30 June 2021

Year	Funds Raised via Rights Issue (LKR)	Amount Utilised (LKR)	Amount Unutilised (LKR)	Amount utilised as a % of funds raised
2019	764,126,320.00	688,062,644.00	76,063,676.00	90.0%
2020	701,344,798.00	1,451,460.00	699,893,338.00	0.2%

Therefore, the funds which have not been utilised have been invested in banks in the form of fixed deposits, call deposits and money market savings accounts etc. The unutilized funds will be utilised gradually with the growth of the loan book of the Company. The Company will disclose the information pertaining to the utilization of the funds, in the Financial Statements of the Company until such funds are fully utilised.

As disclosed in the aforementioned Circulars to Shareholders, the Company will obtain the approval of the shareholders for the deviation in the timelines pertaining to the utilization of the Rights Issue funds.

## 17. 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.

## **18. TIMELINES APPLICABLE FOR THE RIGHTS ISSUE**

The timelines applicable to the rights issue may differ where DVP is enabled. The Company would make a market announcement on such changes in Rights issue dates.

## **19. PROPOSED ADOPTION OF NEW ARTICLES OF ASSOCIATION IN PLACE OF THE EXISTING ARTICLES OF ASSOCIATION OF THE COMPANY**

The Company proposes to adopt a new set Articles of Association in place of the existing Articles of Association of the Company, with the objective of aligning the Articles of Association with the applicable laws and regulations and to facilitate the current business requirements of the Company.

The proposed Articles of Association was approved by the Central Bank of Sri Lanka by letter dated 3 August 2021.

The proposed Articles of Association could be viewed and downloaded from the Company website [www.dialogfinance.lk/important-notice](http://www.dialogfinance.lk/important-notice)

## **20. DIRECTORS' RECOMMENDATION**

The Board of Directors of the Company recommends the Rights Issue in the manner referred to aforesaid and the adoption of the new Articles of Association in place of the existing Articles of Association of the Company, subject to shareholder approval.

## **21. EXTRAORDINARY GENERAL MEETING**

Accordingly, an Extraordinary General Meeting ("EGM") 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 Resolutions necessary to give effect to the following:

Ordinary Resolutions:

1. Proposed Rights Issue of Ordinary Shares
2. Deviation in the timelines pertaining to the utilization of the funds of Rights Issues conducted in 2019 and 2020

Special Resolution:

1. Adoption of new Articles of Association

The EGM is being convened at short notice with the written agreement of the shareholder representing 99.05% of the shareholding of the Company, notwithstanding that less than fifteen (15) working days' notice is being given.

Due to the health risks associated with the COVID-19 pandemic and related guidelines and regulations issued by the Ministry of Health, the EGM will be held as a virtual meeting, and as such shareholders will only be able to participate in the EGM virtually, via the designated online meeting platform. If you wish to participate at the meeting via the designated online meeting platform, you must pre-register your participation by completing the online pre-registration

form available at [www.dialogfinance.lk/important-notices](http://www.dialogfinance.lk/important-notices) on or before 2:30PM on 24 August 2021.

If you are unable to be present at the EGM to be held on 26 August 2021, you are kindly requested to complete and forward the duly filled Form of Proxy via email to [cosecunit@dialog.lk](mailto:cosecunit@dialog.lk) and must be received not later than 48 hours before the time appointed for the Meeting i.e. 2:30PM on 24 August 2021.

**By Order of the Board of  
DIALOG FINANCE PLC**



.....  
**Viranthi Attygalle  
COMPANY SECRETARY**

6 August 2021