

Circular to Shareholders

Dear Shareholder/s

EMPLOYEE SHARE OPTION PLAN OF hSENID BUSINESS SOLUTIONS PLC

The Board of Directors of hSenid Business Solutions PLC (the “Company”) is pleased to inform the shareholders of the Company, that the Company has formulated an Employee Share Option Plan (“ESOP”) which allows employees of the Company and its subsidiaries (the “hSenid Group”) (including any person rendering services to the Company and/or its subsidiaries on a fixed term contract) selected by the Board of Directors (the “Board”) on the recommendation of a committee appointed by the Board (“ESOP Committee”), to participate in the equity of the Company, subject however to the limits, terms and conditions set out in the ESOP.

The employees to whom benefits will be granted under the ESOP, as set out hereunder, fall within the ambit of the definition for the term “employee” as set out under Rule 5.6 of Listing Rules of the Colombo Stock Exchange.

The salient features of the ESOP are detailed below in this circular for consideration of the shareholders.

1. Objectives of the ESOP

The ESOP is set up with the objective of providing employees of the hSenid Group (including any person rendering services to the Company and/or its subsidiaries on a fixed term contract) selected by the Board of Directors on the recommendation of the ESOP Committee (“Eligible Employees”) with a view to –

- align Eligible Employees focus and corporate objectives in order to create a commonality of purpose for shareholder value enhancement;
- encourage and motivate Eligible Employees directly contributing to the growth and prosperity of the Company;
- enable Eligible Employees to participate directly in the equity of the Company;
- stimulate the interests and efforts of, and to retain the services of high quality employees;
- provide a facility that would make the Company attractive to prospective employees.

2. Eligibility to participate in the ESOP

Any person who is an employee of the hSenid Group (including any person rendering services to the hSenid Group on a fixed term contract) shall be eligible for the grant of an Option, if all of the following terms and conditions are met, namely, such person,

- (a) is an employee of the hSenid Group (including a person rendering services to the hSenid Group on a fixed term contract) selected by the Board on the recommendation of the ESOP Committee based on an evaluation of the performance of the employee; and
- (b) has not breached any regulatory / compliance requirements whether of the Company or applicable to the Company.

3. The grant of share options and the number of shares to be issued

Under the proposed ESOP, the Company will grant options (“Options”) to the Eligible Employees entitling an Eligible Employee to whom an Option is granted (the “Grantee”) subscribe to and purchase ordinary shares in the Company.

The Company proposes to grant the first tranche of the Options to Eligible Employees under the ESOP during the period commencing on 1st January 2023 and ending on 31st March 2023 and the second tranche of the Options is proposed to be granted during the period commencing on 1st April 2023 and ending on the date of expiration of three (3) years from the date of obtaining of shareholder approval for the ESOP.

The total number of shares that may be issued by the Company under the ESOP to the Eligible Employees, in the event all of the Options granted to the Eligible Employees are exercised fully, will be ten million (10,000,000) shares amounting to approximately three decimal four nine percent (3.49%) of the total issued shares of the Company post issuance of such shares.

The Company proposes to grant the Options to Eligible Employees under the ESOP in two tranches. Each tranche of the Options would entitle the Employees to subscribe to and purchase shares offered by the Company totaling up to five million (5,000,000) shares. The Company may allocate (i) any shares out of the five million (5,000,000) shares under the first tranche that would remain unallocated or (ii) any shares granted under the first tranche that did not vest in and/or was exercised by the grantees, to Eligible Employees under the second tranche of the grant of the Options.

The total number of shares that may be subscribed to and purchased by an Eligible Employee under the ESOP will not exceed one *per centum* (1%) of the total issued shares in the Company, at any given time.

4. The vesting of the Options

The right to subscribe to and purchase shares underlying the Options will vest in the Grantees in four stages set out below or in such other manner as may be determined by the Board prior to the grant of the Options, subject to the fulfillment of the relevant performance criteria determined by the Board prior to the grant of any Options and specified in the notice of grant relating to the Options:-

- (i) The right to subscribe and to purchase one-fourth (1/4th) of the total number of shares underlying an Option will vest in the Grantee to whom such Option is granted, on the first anniversary of the date on which the Option was granted;
- (ii) The right to subscribe to and purchase one-fourth (1/4th) of the total number of shares underlying an Option will vest in the Grantee to whom the Option is granted, on the second anniversary of the date on which the Option was granted;
- (iii) The right to subscribe to and purchase one-fourth (1/4th) of the total number of shares underlying an Option will vest in the Grantee to whom the Option is granted, on the third anniversary of the date on which the Option was granted;
- (iv) The right to subscribe to and purchase the balance one-fourth (1/4th) of the total number of shares underlying an Option will vest in the Grantee to whom such Option is granted, on the fourth anniversary of the date on which the Option was granted.

No Grantee can subscribe to and purchase any share under the ESOP until the right to subscribe to and purchase such share is vested in the Grantee as aforesaid.

5. Exercise Period

A Grantee must exercise his right to subscribe to and purchase the shares underlying an Option granted to him by the Company within a period of three (3) years from the date on which the right to subscribe to and purchase such shares under that Option is vested in the Grantee or within such other time period as may be determined by the Board prior to the grant of the Options.

All of the shares to be issued under the ESOP will be fully allotted and issued within ten (10) years from the date of obtaining shareholder approval for the ESOP.

6. Exercise Price

The Grantees may subscribe to and purchase the shares underlying the Options granted under the ESOP at a pre-determined exercise price ("Exercise Price").

The Exercise Price applicable to a particular Option will be the volume weighted average price of the shares of the Company taking into consideration all share transactions of the Company during the thirty (30) market days immediately preceding the date of the grant of the Option.

7. Adjustments in the event of a change to the capital structure

In the event of:-

- (i) an increase in the total number of shares in the Company due to any reason whatsoever including rights issue of shares, subdivision of shares, issue of shares as distributions or issue of shares by way of a capitalization of reserves;
- (ii) a decrease in the total number of shares in the Company due to any reason whatsoever including a consolidation of shares or repurchase of shares; or
- (iii) change in the share capital structure of the Company due to any reason whatsoever including any recapitalization, reorganization or amalgamation,

the number of shares that may be subscribed to and purchased by the exercise of the outstanding Options which have not been exercised and the Exercise Price shall be adjusted by the Board as per the applicable rules of the ESOP, in consultation with the auditors of the Company.

Except for the adjustments referred to above, the Company will not be permitted to vary the terms of the ESOP after obtaining the approval in principle of the Colombo Stock Exchange.

8. Termination of Options

- 8.1 In the event the employment with the hSenid Group of any Grantee is terminated, prior to the exercise of the Option granted to him, due to any reason other than severe illness, death, retirement or permanent disability of the Grantee, the Option held by such Grantee will terminate with immediate effect, *ipso facto*, on the termination of employment of the Grantee.
- 8.2 In the event a Grantee's employment with the hSenid Group ceases prior to the vesting of any of the shares underlying the Option due to severe illness, death, retirement or permanent disability, the Option granted to such Grantee will terminate, *ipso facto*, on the cessation of employment of the Grantee.
- 8.3 In the event a Grantee's employment with the hSenid Group ceases after any shares underlying the Option has vested in the Grantee, due to severe illness, retirement or permanent disability, the Grantee will be entitled to exercise the Option granted to such Grantee and to subscribe to all of the shares that have vested, within ninety (90) days from the cessation of employment.

- 8.4 In the event a Grantee's employment with the hSenid Group ceases after any shares underlying the Option has vested in the Grantee, due to death, the heir(s), executor(s) or legal representative(s) of the Grantee will be entitled to exercise the Option granted to such Grantee and subscribe to all of the shares that have vested, within one hundred and eighty (180) days from the cessation of employment.

9. Provision of funding for the ESOP

The Company and/or its subsidiaries will not, directly or indirectly, provide funds for the ESOP and shall not provide any financial assistance to Eligible Employees to subscribe to and purchase shares under ESOP.

10. Compliance

i) 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 the shares are to be issued to Grantees under the ESOP will be the volume weighted average price of the shares of the Company taking into consideration all share transactions of the Company during the thirty (30) market days immediately preceding the date of the grant of the Option.

The Board of Directors has also opined that the consideration for which the shares are to be issued under the ESOP throughout the period of the ESOP is fair and reasonable to the Company and to all existing shareholders of the Company.

Section 53 (1) of the Companies Act provides that subject to the articles of association, where a company issues shares which rank equally with or above existing shares in relation to voting or distribution rights, those shares must first be offered to the holders of existing shares in a manner which would, if the offer was accepted, maintain the relative voting and distribution rights of those shareholders, Vide: (ii) below.

ii) Compliance with Articles of Association

Article 4(3) of the Articles of Association of the Company provides that, where a company issues shares which rank equally with or above existing shares in relation to voting or distribution rights, those shares must, unless otherwise approved by the shareholders by special resolution, first be offered to the holders of existing shares in a manner which would, if the offer was accepted, maintain the relative voting and distribution rights of those shareholders.

Article 4(5)(c) provides that, the Board of Directors may subject to and in accordance with the provisions of the rules and regulations in force for the time being and from time to time of a licensed stock exchange, issue shares to employees of the Company and/or its subsidiaries under an employee share ownership plan

approved by the shareholders by special resolution. Article 4(6) states that the provisions of Article 4(3) do not apply in respect of an issue of shares under Article 4(5)(c). Once the approval of the shareholders is obtained for the ESOP, an issue of shares thereunder need not comply with the procedure set out in the aforesaid Article 4(3).

iii) Compliance with the rules of the Colombo Stock Exchange

The Company has taken necessary steps to comply with all relevant provisions of Section 5 of the Listing Rules of the Colombo Stock Exchange in relation to the ESOP.

The approval in principle has been obtained from the Colombo Stock Exchange for the ESOP. The establishment and implementation of the ESOP does not require any other regulatory approvals.

The above matter will be taken up at an Extraordinary General Meeting of the Company which is convened in terms of the attached Notice on 06th December 2022 for the purpose of inter alia adopting the Special Resolutions set out therein. No employee of the Company or its subsidiaries holds shares issued under an employee share ownership scheme which was funded by the Company or any of its subsidiaries. The Company does not have any employee share trust at present.

The shareholders who are unable to attend the meeting in person are requested to complete the enclosed Form of Proxy relating to the above mentioned resolutions (in accordance with the instructions specified thereon) and deposit it at the registered office of the Company, not less than 48 hours before the time appointed for the meeting.

By order of the Board
Corporate Service (Private) Limited
Secretaries
hSENID BUSINESS SOLUTIONS PLC



Chief Executive Officer
CORPORATE SERVICES (PRIVATE) LIMITED
Secretaries

On this 10th day of November 2022