SERENDIB HOTELS PLC

[Company Reg. No. PQ 223]

100/1 Sri Jayewardenapura Mawatha

Rajagiriya

CIRCULAR TO SHAREHOLDERS

THIS DOCUMENT IS OF VALUE – *If you are in doubt as to the action you should take, you should consult your stockbroker or other professional adviser immediately*

Dear Shareholder/s,

ISSUE OF ORDINARY VOTING AND NON-VOTING SHARES BY WAY OF RIGHTS

1.0 INTRODUCTION

1.1 In order to infuse fresh capital to the Company of up to Rs. 2,017,942,170/- for the purposes as set out in paragraph 4.0 hereof, your Board of Directors resolved on 12th August 2022, to recommend to the Shareholders, to raise the said sum by way of a Rights Issue, subject to the in-principle approval of the Colombo Stock Exchange (CSE) and the approval of the shareholders holding Ordinary Voting Shares and Ordinary Non-Voting Shares at Extraordinary General Meetings (EGM) of the Company, as required by Rule 5.2a of the Listing Rules of the CSE.

1.2 The Company on 15th August 2022 made an Announcement on the Trading Floor of the CSE of the proposed Rights Issue in terms of Rule 5.2b of the Listing Rules of the CSE.

1.3 Consequent to the Application made by the Company on 22nd August 2022, the CSE by its letter dated 21st September 2022, granted to the Company, approval in principle to issue and list the new shares, in terms of Rule 5.2 of the Listing Rules of the CSE, subject to other conditions as set out in the said letter.

1.4 The increase of the Stated Capital by way of a Rights Issue, requiring the approval of the holders of both Ordinary Voting Shares and Ordinary Non-Voting Shares in terms of Listing Rule 5.2a, it is necessary that the Company convenes separate EGMs for the holders of both voting and non-voting shares.

Two (2) meetings have been convened to be held on the 21st day of October 2022 at 10.30 a.m., for holders of Ordinary Voting Shares and at 10.45 a.m., for the holders of Ordinary Non-Voting Shares, for the purposes as more fully set out in the attached Notice of Extraordinary General Meeting (as relevant).

1.5 Shareholders who are unable to attend the Meeting in person are kindly requested to complete the enclosed Form of Proxy, in accordance with the instructions specified in the Proxy Form attached to the Notice of Meeting enclosed herewith.

2.0 ISSUE OF ORDINARY SHARES BY WAY OF RIGHTS

2.1 In terms of the Board Resolution as referred to in Paragraph 1.1 above, immediately after the Meetings of the Shareholders as aforesaid, upon the Shareholders approving the Ordinary Resolution/s set out in the attached Notice of Meeting (as applicable to the particular

shareholder), your Board would issue for subscription, 226,544,214 new Ordinary Voting Shares, and 108,033,168 new Ordinary Non-Voting Shares, by way of Rights to the existing Ordinary Voting Shareholders and Ordinary Non-Voting Shareholders (as applicable), in the proportion of Three (3) new shares for every One (1) share held by the holders of Ordinary Voting Shares, and the holders of Ordinary Non-Voting Shares (respectively), as at the 'Date of Entitlement', (being the Record Date/Date of Provisional Allotment, which is the 3rd market day from and excluding the said EGM date) at issue prices of Rupees Seven (Rs.7/-) per Ordinary Voting Share and Rupees Four (Rs.4/-) per Ordinary Non-Voting Share.

Basis of allotment of new Ordinary Voting Shares and Ordinary Non-Voting Shares shall be:

$$\frac{\text{Number of shares held by a shareholder as at end of trading on 27th day of October 2022 (ie the Record Date)* x 3 (new shares)}}{\text{1 (old shares)}}$$

Since the total value of the Non-Voting Shares as set out in the latest Balance Sheet of the Company together with the value of the 108,033,168 Ordinary Non-Voting Shares to be issued as aforesaid, exceed 15% of the entities shareholder's funds, a further request was made by the Company to the CSE in terms of Listing Rule 5.1.1.c seeking a waiver of the restrictions imposed by the said Rule, which states as follows;

"where the application is for other classes of shares, the total value of all other classes issued at any given time (as set out in the latest Balance Sheet of the entity) where listed or unlisted (including the other classes of shares for which the application is made) shall not exceed 15% of the entities shareholder's funds."

The CSE by their letter dated 29th August 2022, approved the said application, thereby permitting the issue of the Ordinary Non-Voting Shares, as the new shares are to be issued *pari* passu to all shareholders of the Company to the extent of the proportion of the number of shares to be issued, thereby maintaining their proportionate shareholding in the Company.

2.2 If the Rights Issue of Shares of both Ordinary Voting Shares and Ordinary Non-Voting Shares is fully subscribed, the Stated Capital of the Company would increase from Rs.913,121,694/- to Rs.2,931,063,864/- and the total number of shares in issue would increase from 75,514,738 Ordinary Voting Shares and 36,011,056 Ordinary Non-Voting Shares to 302,058,952 Ordinary Voting Shares and 144,044,224 Ordinary Non-Voting Shares.

2.3 The Board having noted that the Closing Market Price as at 29th July 2022, being Rs. 13.70 for an Ordinary Voting Share and Rs. 12.00 for an Ordinary Non-Voting Share, and the Net Asset Value of a share based on the unaudited financials for the period ended June 2022 being Rs.23.32 for both Ordinary voting share and Ordinary non-voting share, was of the opinion that the consideration of Rupees Seven (Rs.7/-) per Ordinary Voting Share and Rupees Four (Rs.4/-) per Ordinary Non-Voting Share, at which prices the shares are to be issued is fair and reasonable to the Company and to the existing Ordinary Voting Shareholders and Ordinary Non-Voting Shares (as applicable), as required by the Companies Act No. 07 of 2007 [The issue price of Rs. 7.00 for an Ordinary Voting Share (discount to the Market Price by 48.91%) and Rs. 4.00 for an Ordinary Non-Voting Share (discount to the Market Price by 66.67%)], on the basis that the Rights Issue will provide an opportunity for the existing shareholders, to invest in new shares of the Company.

3.0 MINIMUM SUBSCRIPTION

There is no requirement for a minimum subscription since whatever raised through the Rights Issue, would be utilized to reduce the Loans.

However, please refer Clause 6.0 with respect to the commitment made by the major shareholder, Eden Hotel Lanka PLC, holding 56.85% Ordinary Voting Shares and 53.48% Ordinary Non-Voting Shares, and therefore the Company will receive the total subscription to meet its objectives.

4.0 PURPOSE OF INCREASING EQUITY CAPITAL / UTILIZATION OF PROCEEDS / BENEFITS TO THE SHAREHOLDERS

4.1 Objectives of the Rights Issue

The objective of the Rights Issue is to improve the financial position of the Company and to strengthen the equity by utilizing the fresh capital;

- to settle inter-company borrowings, which borrowings include;

  (1) the borrowings obtained by the Company to take up shares issued by subsidiaries, Dolphin Hotels PLC and Hotel Sigiriya PLC, in the rights issues underway.

  (2) the cost of recent refurbishment of Avani Hotel owned by the Company.

  (3) part settlement of loans obtained to acquire Lantern Villa

- Although one of the objectives was to, post settlement of part of the inter-company borrowings the balance remaining to be used to meet future working capital requirements, the Board subsequently decided to settle additional inter-company borrowings as set out herein.

(a) Given below are the details of the total loans, the purpose for obtaining such loans, date on which they were obtained, the amounts to be settled out of the proceeds of the Rights Issue, is the creditor a related party, and as to whether the Company complied with the relevant Listing Rules when borrowing from related parties, salient features of the loan agreement (as applicable):

The basis of settling the identified related party loans are as follows.

Out of the ten (10) loans, loans (1) and (6) are third party loans (from commercial banks), the said loans are being serviced according to the terms of the loan and are not due for settlement. Loan (5) is a foreign currency loan which the Management wish to continue to be serviced and which is not due for settlement. Therefore, the rest of the loans which are related party loans are being settled through the Rights Issue.

The loans (4) and (5) which are GBP and EURO denominated foreign currency loans are reported in LKR and therefore the quantum would vary depending on the parity rate to the LKR at the time of reporting and therefore will vary from the Announcements made by the Company in 2017, at the time of obtaining the loans.

	Date of obtaining the loan (long-term/short-term)	Name of the Lender	Purpose	Balance as at 30 June 2022 (Rs.)	Loan obtained after 30 June 2022 (Rs.)	Amount to be settled out of the proceeds	Is the Creditor a related party at the time of obtaining the loan?	Salient features of the loan agreement (as applicable)
(1)	June 2017 - Long Term	HNB Bank	To meet the expenses of software package upgrading	16,000,000	-	Nil	No	AWPLR+1%
(2)	07 December 2018 - Long Term	Hotel Sigiriya PLC	For the acquisition of Lantern Villa	56,994,783	-	56,994,783	Yes	At a Margin over one Month AWPLR
(3)	17 March 2018 - Long Term	Dolphin Hotels PLC – LKR	For the acquisition of Lantern Villa	314,321,808	-	314,321,808	Yes	At a margin over AWPLR
(4)	29 March 2019 - Long Term	Dolphin Hotels PLC – EURO	For the acquisition of Lantern Villa	588,299,239	-	579,893,361	Yes	At a margin over 1 Month EURIBOR
(5)	29 March 2019 - Long Term	Dolphin Hotels PLC – GBP	For the acquisition of Lantern Villa	517,477,371	-	Nil	Yes	At a margin over 1 Month GBP LIBOR
(6)	July 2020 - Long Term	Commercial Bank PLC	For Working Capital requirements during the COVID-impacted period	1,388,870	-	Nil	No	Fixed Interest Rate of 4%
(7)	12 August 2021 - Long Term	LOLC Holdings PLC	For Refurbishment project of Avani Hotels	340,290,428	-	340,290,428	Yes	At a margin over AWPLR
(8)	26 August 2022 – Short Term	LOLC Holdings PLC	To invest Rs. 228,141,690 in the Rights Issue of Sigiriya Hotels PLC, and Rs. 464,798,780 in the Rights Issue of Dolphin Hotels PLC	-	692,940,470	692,940,470	Yes	

(9)	Short Term	Bank Overdraft from Commercial Bank	Working Capital Requirements	10,899,374	-	Nil	No	
(10)	Short Term	Treasury Loan – LOLC Holdings PLC- Current A/C	Working Capital Requirements	33,501,320	-	33,501,320	Yes	Interest 10%
	Total			1,879,173,194	692,940,470	**2,017,942,170**		

***Related Party Transaction Review Committee (RPTRC) approvals and the Board approvals for the borrowing and the settlement of the aforesaid loans. The due process for RPTRC has been followed as required by the CSE Listing Rules.**

(1) The settlement of the loan referred to in (2) out of the Rights Issue proceeds was approved by the RPTRC on 10th August 2022 and approved by the Board on 12th August 2022

(2) The settlement of the loan referred to in (3) out of the Rights Issue proceeds was approved by the RPTRC on 10th August 2022 and approved by the Board on 12th August 2022.

(3) The settlement of the loan referred to in (4) out of the Rights Issue proceeds was approved by the RPTRC on 10th August 2022 and approved by the Board on 12th August 2022.

(4) To obtain the loan referred to in (7) was approved by the RPTRC on 12th August 2021 and the Board approval was obtained immediately thereafter.

The settlement of the said loan out of the Rights Issue proceeds was approved by the RPTRC on 10th August 2022 and approved by the Board on 12th August 2022.

(5) To obtain the loan referred to in (8) was approved by the RPTRC on 10th August 2022 and the Board approval was obtained on 12th August 2022.

The settlement of the said loan out of the Rights Issue proceeds was approved by the RPTRC on 10th August 2022 and approved by the Board on 12th August 2022.

(6) To obtain the loan referred to in (10) was approved by the RPTRC on 14th February 2022 and the Board approval was obtained immediately thereafter.

The settlement of the said loan out of the Rights Issue proceeds was approved by the RPTRC on 10th August 2022 and approved by the Board on 12th August 2022.

4.2 **Related Party Transaction**

The composition of the Related Party Transactions Review Committee is as follows.

Dr. J M Swaminathan - Committee Chairman
Mr. W D K Jayawardena
Mrs. K U Amarasinghe
Mr. D S K Amarasekera

4.3 **Timelines for utilization of the proceeds of the Rights Issue and the Risks that the Company may face in such utilization:**

The funds with respect to the objective aforesaid would be utilized immediately upon allotment of shares in the Rights Issue.

There is no risk of the funds raised through the Rights Issue for the objectives not being utilized within the specified timeline as the Loans earmarked for settlement will be settled immediately.

Important Notice:

Kindly note, that if any changes occur to circumstances and if proceeds are not utilized as proposed (objectives & timelines), the Company may utilize the funds appropriately subject to obtaining approval from the shareholders.

If in the event of any change in the objectives of the Rights Issue, the time period within which, as aforesaid, the funds are allocated, or a change in the amounts allocated, the Company will notify the CSE and make immediate market announcements, prior to seeking the approval of the Shareholders. The Company will further disclose in the Interim Financial Statements and the Annual Report of the Company that is published, following any such deviation.

4.4 **Benefits to Shareholders**

The utilization of funds to settle debts, as aforesaid will improve the financial position of the Company and thereby would benefit all the shareholders. Such improvement in the financial position would provide flexibility for the Company to adapt to changes in the current business environment.

5.0 DISCLOSURES IN THE INTERIM FINANCIAL STATEMENTS AND THE ANNUAL REPORT

Information as per the template below will be disclosed in the Interim Financial Statements and the Annual Report/s from the date of raising funds until objectives are achieved and funds are fully utilized by the Company.

Continuous Disclosures regarding status of utilization of funds raised via Rights Issue.

Rights Issue proceeds utilization as at (dd-mm-yyyy)

Objective number	Objective as per Circular	Amount allocated as per Circular in Rs.	Proposed date of utilization as per Circular	Amount allocated from proceeds in Rs. (A)	% of total proceeds	Amount utilized in Rs. (B)	% of utilized against allocation (B)/(A)	Clarification if not fully utilized including if not utilized where are the funds invested (e.g. whether lent to related parties)
1.								

(i) The Company would disclose in the Annual Report or the Interim Financial Statements, whichever is published first, the manner in which the funds have been utilized in the above format

(ii) The Company would disclose any material change to the use of funds raised in terms of this Rights Issue

(iii) If the funds so raised are fully utilized between two financial years, the Company would disclose in the immediate succeeding Annual Report or the Interim Financial Statements, whichever is published first.

6.0 UNDERWRITING ARRANGEMENTS

The Company has not entered into any arrangements to underwrite this Issue.

However, the major shareholder, Eden Hotel Lanka PLC, holding 56.85% Ordinary Voting Shares and 53.48% Ordinary Non-Voting Shares have informed the Company that they would be investing in their Rights entitlement, and take up additional shares as well, thereafter they would further subscribe to meet any unsubscribed shares (after fully allotting to all applicants applying for additional rights shares pro rata to their shareholding) in the event of an oversubscription, so that the Company would receive the total subscription to meet its objectives.

7.0 ADDITIONAL INFORMATION

7.1 Impact of Covid-19 and the current country economic situation on the Company

Due to the COVID 19 pandemic, Serendib Hotels PLC continued its operation as paid quarantine properties until September 2021. With the objective of increasing the value proposition and the guest experience, Serendib Hotels PLC was closed for a significant refurbishment until January 2022. The Hotel recommenced its commercial operations in January 2022. The Company has implemented all possible measures for the safety of all guests and all staff employed in the property and adhering to government and health authority guild lines and rules.

The management is in constant dialog with Foreign Tour Operators (FTO's) and local Destination Management Companies (DMC's), to ascertain the current market conditions of the target market segments Even though the industry is having a temporary drawback in the previous two years due to COVID 19 pandemic, local and foreign tour operators are positive for the medium to long term. Several Foreign Tour Operators are in discussion to finalize contracts for the upcoming winter season. With the increase in tourist arrivals to Sri Lanka, Serendib Hotels PLC is very much optimistic about the future of the Sri Lanka Tourism Industry.

7.2 **List of 20 Major Shareholders (Voting) as at 30th June 2022**

	Name	No. of Shares	%
1	EDEN HOTEL LANKA PLC	42,929,364	56.85
2	LODGING INVESTMENT (LABUAN) LIMITED	14,972,006	19.83
3	LODGING INVESTMENT (LABUAN) LIMITED	3,914,572	5.18
4	SEYLAN BANK LTD/ BODAHANDI SARADA MOHANJITH DE SILVA	1,294,552	1.71
5	PEOPLE'S LEASING & FINANCE PLC/L.P.HAPANGAMA	902,481	1.2
6	MRS. J. DE SOYSA JOINT - 1: MR. E.J. DE SOYSA	800,000	1.06
7	ACUITY PARTNERS (PVT) LIMITED/ MR.B.S.M.DE SILVA	500,610	0.66
8	MRS. M.V. FERNANDO	400,000	0.53
9	PEOPLE'S LEASING & FINANCE PLC/DR.H.S.D.SOYSA & MRS.G. SOYSA	380,842	0.5
10	MRS. B.C.R. WICKRAMARATNE	370,000	0.49
11	DR. B.G.S. DE SILVA	355,747	0.47
12	MRS. C.A. WENCESLAUS	286,337	0.38
13	PEOPLE'S LEASING & FINANCE PLC/L.H.L.M.P.HARADASA	285,746	0.38
14	MRS. A.R. GAMAGE	248,838	0.33
15	DR. R.S. DERANIYAGALA (DECEASED)	225,662	0.3
16	MRS. H.G.S. ANSELL JOINT - 1 :MRS. A.P. ANSELL	216,825	0.29
17	MR. P.P.S. FERNANDO	216,000	0.29
18	MISS. J.C. WICKRAMARATNE	203,145	0.27
19	MRS. S. POOLOGASUNDRAM	161,706	0.21
20	DR. A.N.I. PERERA	156,420	0.21
	Sub Total	68,820,853	91.14
	Others	6,693,885	8.86
	Total	75,514,738	**100.000**

The public float percentage as at 30th June 2022 was 18.14%.

The Company was transferred from the Main Board to the Diri Savi Board on 28th June 2018. If the major shareholder, who currently holds 56.85%, pursuant to its underwriting, is required to subscribe for any unsubscribed shares, the shareholding of the major shareholder will increase to 89.21% [on the basis that none of the other shareholders would subscribe].

Since the Company is not aware as to the quantum of the Rights, the balance non-public shareholders would take up, the company is unable to state, the exact impact to the public holding, based on the additional subscription by the major shareholder, pursuant to the underwriting.

In the event the aforesaid acquisitions take place, the public float percentage set out above will change accordingly.

List of 20 Major Shareholders (Non-Voting) as at 30th June 2022

	Name	No. of Shares	%
1	EDEN HOTEL LANKA PLC	19,258,477	53.48
2	LODGING INVESTMENT (LABUAN) LIMITED	7,156,750	19.87
3	ASKOLD (PRIVATE) LIMITED	1,156,739	3.21
4	J.B. COCOSHELL (PVT) LTD	634,832	1.76
5	MR. P.K.C.P. SAMARASINGHE	430,591	1.2
6	PEOPLE'S LEASING & FINANCE PLC/DR.H.S.D.SOYSA & MRS. G. SOYSA	423,011	1.17
7	TRADING PARTNERS (PVT) LTD	410,986	1.14
8	SHALSRI INVESTMENTS (PRIVATE) LTD.	341,825	0.95
9	ACUITY PARTNERS (PVT) LIMITED/ MR.B.S.M.DE SILVA	310,790	0.86
10	MR. S.R.S. DE SARAM JOINT - 1: MRS. S.T.T. JAYASUNDERA, SAMANTHA TUSHARA TENNEKOON	211,800	0.59
11	PEOPLE'S LEASING & FINANCE PLC/L.P.HAPANGAMA	207,602	0.58
12	DR. H.S.D. SOYSA JOINT - 1 :MRS. G. SOYSA GOWRI	185,881	0.52
13	MR. M.P.D. COORAY	167,353	0.46
14	PEOPLE'S LEASING & FINANCE PLC/THAPROBAN PAVILION(PVT)LTD	155,902	0.43
15	PEOPLE'S LEASING & FINANCE PLC/L.H.L.M.P.HARADASA	139,288	0.39
16	MRS. H.G.S. ANSELL HENNEDIGE GAYATHRI SIROMI, JOINT - 1: MRS. A.P. ANSELL ANDREA PRIYANTHI	136,300	0.38
17	COCOSHELL ACTIVATED CARBON COMPANY (PRIVATE) LIMITED	135,000	0.37
18	MR. M.K. KUTUBDEEN MOHAMED KAMIL	134,000	0.37
19	MR. A.M.A. ALSAAD ABDULLAH MOHAMMED ABDULLA	119,000	0.33
20	DFCC BANK PLC/W.D.S. WITHANA	100,000	0.28
20	MRS. N.D. PALLIYA GURUGE	100,000	0.28
	Sub Total	31,916,127	88.63
	Others	4,094,929	11.37
	Total	36,011,056	**100.000**

7.3 **Market Price of Shares – Ordinary Voting Shares**

The high, low and closing prices of the Shares of the Company during the preceding four (4) months were as follows:

Month	High (Rs.)	Low (Rs.)	Closing (Rs.)	Volume of Ordinary Shares traded	No. of trades
May 2022	13.50	12.00	13.20	15963	23
June 2022	14.70	11.50	11.90	9642	20
July 2022	14.50	11.00	13.70	69128	56
August 2022	15.30	11.90	12.80	550375	230

The closing market price of the shares of the Company as at 10th August 2022, being the Market day immediately prior to the date of the Resolution of the Board in respect of the Rights Issue was Rs.13.00.

Closing market price of the Company's Shares as at 23rd September 2022 being the date on which the Circular is being forwarded to the printers was Rs. 19.30.

The net asset value per Share of the Company as per the published unaudited Interim Financial Statements as at 30th June 2021, was Rs. 23.32

Market Price of Shares – Ordinary Non-Voting Shares

The high, low and closing prices of the Shares of the Company during the preceding four (4) months were as follows:

Month	High (Rs.)	Low (Rs.)	Closing (Rs.)	Volume of Ordinary Shares traded	No. of trades
May 2022	7.8	6.00	7.70	83734	67
June 2022	8.10	6.00	6.10	23184	34
July 2022	7.70	5.60	7.00	107996	99
August 2022	9.40	7.70	8.60	31857	68

The closing market price of the shares of the Company as at 9th August 2022, the Market day immediately prior to the date of the Resolution of the Board in respect of the Rights Issue) was Rs. 7.50.

Closing market price of the Company's Shares as at 23rd September 2022 being the date on which the Circular is being forwarded to the printers was Rs. 10.90.

The net asset value per Share of the Company as per the published unaudited Interim Financial Statements as at 30th June 2022, was Rs. 23.32.

7.4 **Stated Capital**

The current Stated Capital of the Company is Rs.913,121,694/-, represented by 75,514,738 Ordinary Voting Shares and 36,011,056 Ordinary Non-Voting Shares.

7.5 **Dividend History for the Previous Five (5) Years – Ordinary Voting Shares**

Financial Year	**2016/2017**	**2017/2018**	**2018/2019**	**2019/2020**	**2020/2021**
Dividend per share (Rs.)	1	Nil	Nil	Nill	Nil
Total Dividend paid (Rs.)	75,514,738	Nil	Nil	Nil	Nil

Dividend History for the Previous Five (5) Years – Ordinary Non-Voting Shares

Financial Year	**2016/2017**	**2017/2018**	**2018/2019**	**2019/2020**	**2020/2021**
Dividend per share (Rs.)	1	Nil	Nil	Nil	Nil
Total Dividend paid (Rs.)	36,011,056	Nil	Nil	Nil	Nil

7.6 **Financial Position of the Company**

Audited Financial Statements as at 31st March 2021 and Unaudited Interim Financial Statements for the period ended 30th June 2022

Shareholders' attention is drawn to the Audited Financial Statements of the Company for the year ended 31st March 2021, which is hosted on https://cdn.cse.lk/cmt/upload_report_file/601_1630466956484.pdf

the unaudited Financial Statements for the period ended 30th June 2022 which is hosted on https://cdn.cse.lk/cmt/upload_report_file/601_1660305106652.pdf

There were no subsequent adjustments made to the aforesaid Financial Statements.

7.7 **Major Transactions**

The transactions envisaged herein vis-à-vis the utilization of the proceeds of the Rights Issue are not major transactions as per the Companies Act, No. 07 of 2007.

7.8 **Contingent Liabilities**

There has not been any material change in the nature of contingent liabilities as disclosed in the Company's Interim Financial Statements as at 30th June 2022.

7.9 **Licences**

The Company being in the hospitality and tourism industry requires a licence to carry on business as a classified tourist hotel, which is a yearly renewable licence. The License for the year from 01/01/2022 to 31/12/2022, dated 7th April 2022 was issued to the Company by the Sri Lanka Tourism Development Authority (SLTDA).

7.10 **Other Regulatory Approvals**

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

8.0 APPLICATION FOR RIGHTS AND PROVISIONAL ALLOTMENT

As stated elsewhere in this Circular, the 226,544,214 Ordinary Voting Shares and 108,033,168 Ordinary Non-Voting Shares will be provisionally allotted on the Record Date (3rd market day from and excluding the date of the EGMs) after the shareholders, at the EGMs to be held on 21st October 2022, approving the Resolution to provisionally allot the new Ordinary Shares as recommended by the Board to shareholders in the Register of Shareholders as at end of Trading on **27th October 2022** (Record Date / Date of Provisional Allotment) on the Rights.

In the allotment of Shares, shareholding of each shareholder, as appearing in the CDS and the Shareholders Register maintained by the Company will be aggregated, in so far as the National Identity Card Number of such shareholders are available with the Company for the identification purposes.

Based on the proportion of the Rights Issue, there will be no fractions in the allocation of Rights.

New ordinary shares, not duly subscribed for as at the last date of acceptance and payment specified in the Provisional Letter of Allotment, shall be deemed to have been declined.

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

The new ordinary non-voting shares provisionally allotted will upon due acceptance and payment, rank *pari passu* in all respects with the existing issued ordinary non-voting shares of the Company and will qualify for all dividends declared on ordinary non-voting shares, only after the final allotment which shall be after the last date of acceptance and payment.

If there is a discrepancy between the CDS information given in the attached Form / Form 'A', Letter of Acceptance and Registration **and** the CDS Account Number maintained at the CDS, the number maintained at the CDS will be taken as correct.

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 **21st October 2022**, you are advised to lodge your Shares prior to such date, to facilitate the direct lodgement of Rights to your CDS Account.

The Provisional Letters of Allotment together with the Acceptance and Registration Form and Form of Application for Additional Shares will be dispatched to you on 3rd November 2022, by post provided based on the then prevailing situation with regard to the Postal Services (i.e. postal delays and some areas in isolated lockdown). In such a situation, with the concurrence of the CSE, the Management of the Company would provide an additional mechanism to posting the said documents by uploading the said documents together with clear instructions for returning the completed applications together with the payment therefor, on the CSE website www.cse.lk.

Shareholders must strictly follow and adhere to the instructions provided in the Provisional Letter of Allotment in respect of acceptance, renunciation and applying for additional shares.

For further clarification, you may contact the Registrars to the Issue, P W Corporate Secretarial (Pvt) Ltd on Mobile Telephone Nos. 0768273007, 0763998223, 0768273001, and 0768273002.

Trading of the "Rights" shall commence on the Fourth (4th) Market Day from and excluding the date of dispatch of Letters of Provisional Allotment. Such trading shall continue throughout the period of renunciation to the CDS (from 10th November 2022 to 17th November 2022).

The Rights entitlement of the Shareholders whose shares are held in the CDS, will be directly uploaded to their CDS Accounts within three (3) Market Days from and excluding the Record Date to facilitate trading.

The last date for acceptance and payment shall be 23rd November 2022.

Application for additional Shares will be permitted. Additional Shares will be available for allotment only 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 shareholders applying for additional Shares, on a pro rata basis to their existing shareholding. In making such further allotments of unsubscribed shares, the Company will comply with the timelines set out in Rule 5.2 of the Listing Rules.

As per the Directive of the SEC made under Circular No. 08/2010 dated November 22, 2010 and Circular No. 13/2010 issued by the CDS dated November 30, 2010 all Shares arising from the Rights Issue shall be directly uploaded to the CDS Accounts.

Accordingly, the Shares arising from the Rights Issue would be directly deposited to the respective shareholder's CDS Accounts within Ten (10) market days from the last day of acceptance and payment.

Refunds in respect of rejected applications be paid as expeditiously as possible but not exceeding Ten (10) Market Days from the last date of acceptance and payment.

Please note, when uploading new shares arising from the proposed Rights Issue to your CDS Account, such Shares would be lodged based on the Account details given by you to the Company in the Letter of Acceptance and Registration that would be dispatched to you, together with the Provisional Letter of Allotment. The said Form makes provision for you to indicate as to whether the Shares are to be lodged in the Trading balance/Locked balance (as applicable). If there is no indication the shares will be lodged into the trading balance.

Pursuant to a Direction issued by SEC pertaining to the de-materialization of listed securities, the Shareholders who hold shares in Scrip form (i.e. Share Certificates) as per the Register maintained by the Secretaries to the Company **will not be issued Share Certificates in their favour.**

The shares allotted in respect of Letters of Acceptance which do not carry a valid CDS Account Number or which indicate an incorrect/inaccurate CDS Account Number will not be uploaded to the CDS Accounts on the date specified for upload as per the Rules of the CSE. Shares allotted in respect of such acceptances will be uploaded on a weekly basis when the Shareholders/Applicants forward to the Secretaries/Registrars their correct CDS Account Numbers.

Shareholders/Applicants who do not have a CDS Account are advised to open a CDS Account, prior to submitting the completed Form 'A' and Form 'C'(if applicable) in order to facilitate the uploading of the Shares allotted to them.

The new shares will commence trading on or before 12th December 2022, subject to the Company complying with the relevant Listing Rules pertaining to the Rights Issue.

9.0 GENERAL INSTRUCTIONS FOR THE RIGHTS ISSUE

9.1 **Non Resident Shareholders** – Non Resident Shareholders are required to make payments for rights through their Inward Investment Account (IIA). If the payment is not made out of an IIA, but out of an inward remittance or remittable funds, the approval of the Director, Department of Foreign Exchange, Central Bank of Sri Lanka, to make such payments must accompany the Letter of Acceptance and Registration and the Application for Additional Shares (as applicable), more details will be set out in the Provisional Letter of Allotment which would be dispatched to the Shareholders, once the Rights Issue is approved by the Shareholders at the meeting of the shareholders to be convened by the Company.

9.2 **Additional Details and Assistance** – Shareholders who may require additional details or assistance in relation to any of the above mentioned matters may contact, Ms. Shashikala De Mel of P W Corporate Secretarial (Pvt) Ltd, on Telephone Nos.4640360-3

9.3 **The listing of the Shares 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.**

9.4 **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**.

BY ORDER OF THE BOARD OF
SERENDIB HOTELS PLC
LOLC Corporate Services (Pvt) Ltd

Sgd.
SECRETARIES

23rd day of September 2022