

CEYLON HOSPITALS PLC
(PQ 113)
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 Shareholders,

1. The Board of Directors of Ceylon Hospitals PLC (The Company) resolved on 30th November 2022 to issue one million five hundred ninety five thousand four hundred fifty four (1,595,454) new voting ordinary shares and five hundred twenty one thousand five hundred ninety (521,590) new non voting ordinary shares by way of a Rights Issue at a consideration of Rs.112/50 per voting ordinary share and Rs.90/- per non voting ordinary share respectively.

2. RIGHTS ISSUE OF ONE NEW ORDINARY SHARE FOR EVERY SIXTEEN ORDINARY SHARES HELD BY EACH CLASS OF SHAREHOLDERS OF VOTING AND NON VOTING ORDINARY SHARES .

2.1. The ordinary shares under the proposed Rights Issue will be issued in the proportion of one (01) ordinary share for every sixteen (16) shares held by each class of shareholders as at the end of trading on the 3rd market day from and excluding the date of the EGM (“entitlement date/record date) provided that no shareholder will be entitled to any fraction of any share.

Fractional entitlements referred to herein shall mean the fractions arising after applying the following formula.

Number of ordinary shares held by a shareholder of any class as at the entitlement date/record date

16

The Rights Issue intends to raise approximately Rupees Two hundred and twenty six million (Rs. 226M).

2.2. In the opinion of the Board of Directors the consideration of Rs.112/50 per voting ordinary share and Rs.90/- per non voting ordinary share respectively is fair and reasonable to the Company and all its existing shareholders. All new shares so issued shall upon the due acceptance and payment, rank Pari Passu in all respects with the existing ordinary shares of similar nature of the Company including the right to participate in any dividend declared after the final allotment which shall be after the last date of acceptance and payment

3. EQUITY AND CAPITAL STRUCTURE.

Stated capital of the Company Pre and Post Rights Issue is as follows.

	Pre Rights Issue	Proposed Rights Issue	Post Proposed Rights Issue
No of voting ordinary shares	25,527,272	1,595,454	27,122,726
No of non voting ordinary shares	8,345,454	521,590	8,867,044
Stated capital (Rs.)	916,366,104	226,431,675	1,142,797,779

4. LICENSES

License issued by the Private Health Services Regulatory Council is renewed annually. Existing license is valid up to 31st December 2023

5. THE PURPOSE OF THE RIGHTS ISSUE

5.1. The funds raised from the Rights Issue will be utilized for part financing of the cost escalation on capital expenditure of the “Vision 2022” project. (Durdans Re-development project)

5.2. Vision 2022 Project

The “Vision 2022” project is located at No. 3, Alfred Place, Colombo 03 and designed to extend purpose driven healthcare to the public, and will provide improved facilities to patients, while offering higher levels of comfort, more cost-effective yet modern patient rooms with all amenities and will include a new 12,000sq.ft. state-of-the-art rehabilitation centre.

The “Vision 2022” project was expected to be completed by August 2022, however due to Covid-19 pandemic situation faced many headwinds, further intensified by site closures and restrictions on construction manpower due to Covid-19 infected staff, resulting in considerable delays. Additionally, the supply chain disruptions and adverse macroeconomic factors experienced since 2020 including the sudden depreciation of Rupee prompted a shortage of essential materials and incremental costs, which in turn led to an increase in the overall project’s investment. To date, 70% of the Project remains completed.

Unfortunately, considering the prevailing economic uncertainty, shortage of materials and the escalating cost of goods, the project will extend till mid-2023. However, we remain committed towards ensuring the project’s completion, considering its envisioned significant long-term contribution towards the Nation’s healthcare system.

The original cost, at project initiation in 2018 was estimated at Rs.1.458 Bn. Tudawe Brothers (Pvt) Ltd (TBL) was selected as the main constructor of the project and a construction contract was awarded to the value of Rs.1.147 Bn as their component of the total project cost whilst rest of the cost related to the work to be done by specialist constructors. TBL being a related party the transaction was reviewed and sanctioned by the RPT Committee with view to ensuring that the section 09 of the CSE listing rules had been adhered to, prior to award of the contract. With the issues mentioned above and the changes that were made to the original scope of the project, the total cost is now estimated at Rs.2.34 Bn of which

Rs.1.68 Bn would be the quantum handled by TBL. The balance will be paid to specialist sub-contractors who are not related parties.

As clearly stated, the quantum of work handled by Tudawe Brothers would amount to Rs.1.68 Bn. Whereas value of work handled by other constructors would approximately amount to Rs.690Mn. We have inadvertently mentioned in the Annual Report FY 2021/22 that total contract value with Tudawe Brothers (Pvt) Ltd is Rs 2.34 Bn whereas quantum of work handled by Tudawe Brothers would amount to Rs.1.68 Bn.

The Company has already spent approximately Rs. 1.85 Bn out of the estimated cost of Rs. 2.34 Bn of the total cost of the project. The balance amount to be incurred on the project is approximately Rs. 490 Mn. The Company has planned to bridge the shortage of funds through internally generated funds, long term borrowings and the proceeds from this right issue.

When utilizing the right issue funds for such RPT transactions the company will comply with the relevant listing rules. The RPTC has also reviewed and sanctioned the cost connected with the scope change.

The RPT committee who reviewed the TBL contract in 2018 consisted of Messers A S Abeyewardena, A D B Talwatte, A S M Ismail and Y N R Piyasena. The present committee consists of Messers A S Abeyewardena, A D B Talwatte, and A V R De S Jayatilleke.

The company has complied with all requisite regulations that are applicable for the Vision 2022 Project, and obtained the requisite approvals from regulatory authorities including those from Urban Development Authority, Colombo Municipal Council, Central Environmental Authority, Ceylon Electricity Board and National Water Supply & Drainage Board.

As mentioned above the objective of this rights issue is to part finance, a component of the balance payments due to all constructors including the specialist constructors of the revised project cost that would be expended to completion.

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

5.3. Minimum Amount to be raised under the Rights Issue.

There is no specific minimum amount that the company is required to raise under the rights issue in order to meet the objectives of the rights issue. However please refer clause no. 9 of this circular with respect to the arrangements made by the company to receive the total subscription to meet its objectives.

5.4. If the proceeds of the rights issue are not utilized immediately upon the receipts of the funds the company will invest such funds in reputed highly rated CBSL supervised commercial banks at the best interest rates prevailing in the market

6. IMPACT OF COVID 19 AND CURRENT ECONOMIC CONDITIONS

Covid 19 situation, in the recent past has not affected the business operation of the company due to the high level of demands for Covid 19 services at both inpatient and outpatients level. The present macroeconomic conditions pose immense challenges to the healthcare industry where dwindling purchasing power continues to impact most of the public. However, we hope that introduction of more macroeconomic policies will take effect and prove beneficial in the long run.

7. RISKS ASSOCIATED WITH THE ACHIEVEMENT OF THE OBJECTIVES OF THE RIGHTS ISSUE.

The Company does not foresee any risk of (i) the proceeds of the Rights Issue not being utilized for the abovementioned purposes or (ii) any delay in the utilization of the proceeds for such purposes.

However, if, due to any unforeseen reason, the proceeds of the Rights Issue are utilized for a purpose, other than the purposes mentioned above, or if there is a change in the timing of utilization as which is specified herein, the Company will make necessary disclosures to the shareholders via the CSE and include relevant disclosures in the Interim Financial Statements and Annual Report as appropriate. Further, the Company will take necessary steps to obtain the approvals of the relevant parties including the shareholders as appropriate at that point in time.

8. BENEFITS TO SHAREHOLDERS

The utilization of funds, 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. The funds raised through the right issue would result in an immediate saving of approximately Rs.67.5 Mn per annum which would improve the profitability of the company.

9. UNDERWRITING ARRANGEMENTS

The Company has not entered into any formal underwriting arrangement in relation to the Rights Issue. The Board of Directors believe that the proposed Rights Issue will be viewed positively by the Shareholders as an attractive investment and as such does not warrant an underwriting for the issue. In the event the Issue is not fully subscribed the Company would make arrangements to subscribe for all declined shares through the holding company i.e. Durdans Management Services Ltd (DMSL) and/or other associated companies (primarily the shareholders of DMSL).

Currently the composition of the voting shareholding of the company is as follows.

SHAREHOLDER	Nos of Shares	%
Durdans Management Services Limited	17,471,382	68.44
Directors	1,109,988	4.35
Family members	687,862	2.69
Lawrance Tudawe Management Services (Pvt) Ltd	600,007	2.35
Public	5,658,033	22.16
Total	25,527,272	100.00

Subsequent to the proposed rights issue the total voting shares of the company would be 27,122,726. As the 5,657,963 shares currently held by the public is much greater than the minimum number of shares that is required to be held by the public subsequent to the rights issue, the company would not face any difficulty with regard to maintaining the minimum threshold of 20% to be held by the public.

10. DISCLOSURES IN THE INTERIM FINANCIAL STATEMENTS AND THE ANNUAL REPORT

10.1. 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 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.								

10.2. 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.

10.3. The Company would disclose any material change to the use of funds raised in terms of this Rights Issue and obtain the shareholders approval for such deviation.

10.4. 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.

10.5. The Rights Issue and the achievement of the objectives thereof would not amount to a major transactions as per the Companies Act No. 7 of 2007.

11. MARKET PRICES OF SHARES

The highest, lowest, and closing prices of the Company's shares for the preceding three months are given below.

	Voting (Rs.)			Non Voting (Rs)		
	Highest	Lowest	Closing	Highest	Lowest	Closing
October	151.75	130.00	133.25	122.50	103.25	108.00
November	160.00	130.25	142.00	126.00	107.00	114.00
December	149.00	135.00	145.00	123.50	110.00	110.00

12. LIST OF 20 MAJOR SHAREHOLDERS AS AT 30TH NOVEMBER, 2022

12.1. Voting Ordinary Shares

No.	Name of the Shareholder	No. of Shares	%
01	Durdans Management Services Ltd.	17,471,382	68.44
02	Lawrance Tudawe Management Services (Pvt) Ltd.	600,077	2.35
03	Mr. Y.N.R. Piyasena	501,000	1.96
04	Mr. M.F.A. Deen	474,500	1.86
05	Galle Face Capital Partners PLC	400,000	1.57
06	Mr. M.J. Fernando	367,530	1.44
07	Cargo Boat Development PLC	305,485	1.20
08	Mr. D.G. Wijemanna	289,741	1.14
09	MJF Holdings Ltd.	270,981	1.06
10	Mr. R.P. Weerasooriya	241,491	0.95
11	Dr. A.D.P.A. Wijegoonewardene	220,582	0.86
12	Mr. A.E. Tudawe	215,202	0.84
13	Mrs. H.K. Weerasinghe	200,000	0.78
14	Mrs. L.I. Weerasinghe	200,000	0.78
15	Miss. T.T. Weerasinghe	200,000	0.78
16	Mr. U.D. Tudawe	170,616	0.67
17	Mr. H.L. Tudawe	165,114	0.65
18	Mr. A.D. Tudawe	161,984	0.63
19	Mr. P.V. Tudawe	156,978	0.61
20	Mr. A.H. Munasinghe	86,326	0.34
	TOTAL	22,698,989	88.91

12.2. Non Voting Ordinary Shares

No.	Name of the Shareholder	No. of Shares	%
01	Durdans Management Services Ltd.	2,726,540	32.67
02	Employee's Provident Fund	1,154,371	13.83
03	MJF Holdings Ltd.	598,646	7.17
04	E.W. Balasuriya & Co.(Pvt) Ltd	330,619	3.96
05	Mr. D. Ratnayake	146,866	1.76
06	Mr. A.H. Munasinghe	138,614	1.66
07	Tudawe Engineering Services (Pvt) Ltd	91,986	1.10
08	Mr. D.A. Cabraal	82,500	0.99
09	Mr. S.S. Sithambaranathan	77,753	0.93
10	Mr. A.D. Tudawe	71,151	0.85
11	Mr. P.S. De Mel	70,822	0.85
12	Miss. T.T. Weerasinghe	68,485	0.82
13	Commercial Bank of Ceylon PLC	61,100	0.73
14	People's Leasing & Finance PLC/ Mr. P.A.I.S. Perera	60,000	0.72
15	Mr. D.P.L. De Mel	58,908	0.71
16	Saman Villas Limited	58,462	0.70
17	Mr. H.A. Cabraal	50,000	0.60
18	Mr. G.D.M. Ranasinghe	50,000	0.60
19	Mr. U.D. Wickremesooriya	50,000	0.60
20	Hallsville Trading Group Inc.	49,123	0.59
	TOTAL	5,995,946	71.84

13. DIVIDEND HISTORY

The dividend history of the Company (Audited) for the past three years was as follows:

FINANCIAL YEAR	2019/2020	2020/2021	2021/2022
Dividend per Share	2/20	3/20	5/=
Total dividend paid	74,519,997/=	108,392,723/=	169,393,630/=

14. CONTINGENT LIABILITIES

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

15. APPLICATION FOR RIGHTS AND PROVISIONAL ALLOTMENT

15.1. As stated under clause No. 01 in this Circular, the 1,595,454 voting ordinary Shares and 521,590 non-voting ordinary Shares will be provisionally allotted on the Record Date (3rd market day from and excluding the date of the EGMs) after obtaining the approval of the shareholders, at the EGMs to be held on 14th February 2023, 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 17th February 2023 (Record Date / Date of Provisional Allotment) on the Rights.

15.2. 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.

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

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

15.5. 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.

15.6. 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 14th February 2023, you are advised to lodge your Shares prior to such date, to facilitate the direct lodgement of Rights to your CDS Account.

15.7. 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 24th February 2023, by post.

15.8. 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.

15.9. 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.

15.10. 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.

15.11. The last date for acceptance and payment shall be 16th March 2023.

15.12. Application for additional Shares will be permitted.

15.13. 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 reasonable basis determined by the Directors (to be determined upon ascertaining the number of shares declined and / or deemed to be declined).

16. UPLOADING OF SHARES

16.1. 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.

16.2. 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 Registrars to the Company **will not be issued Share Certificates in their favour.**

16.3. 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.

16.4. 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.

16.5. The new shares will commence trading on or before 01st April 2023.

17. GENERAL INSTRUCTIONS FOR THE RIGHTS ISSUE

17.1. Non Resident Shareholders – Non Resident Shareholders are required to make payments for rights through their Inward Investment Account (IIA). 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.

17.2. 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.

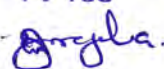
18. APPROVAL FROM COLOMBO STOCK EXCHANGE

18.1. An Application has been made to the CSE for listing of the new ordinary shares on the CSE. Approval in principle has been obtained from the CSE to issue and list the new shares to be issued from the Rights Issue. 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 statement made, opinions expressed or reports included.

19. EXTRA ORDINARY GENERAL MEETING

19.1 An Extra Ordinary General Meeting of the shareholders of the Company as a hybrid meeting will be convened in terms of the Notice of Meeting enclosed herewith, at which the shareholders will be requested to consider and if thought fit to pass the Ordinary Resolution necessary to approve the Rights Issue. If you are unable to be present at this meeting, you are kindly requested to complete and forward the attached form of proxy to the Registered Office of the Company At No. 3, Alfred Place, Colombo 03 not less than 48 hours before the time appointed for the holding of the meeting.

BY ORDER OF THE BOARD
NEXIA CORPORATE CONSULTANTS (PRIVATE) LIMITED
NEXIA CORPORATE CONSULTANTS (PVT) LTD.
PV 106



SECRETARIES TO
CEYLON HOSPITALS PLC

At Colombo on 23rd January 2023.