

CENTRAL INDUSTRIES PLC - PQ 121

Circular to Shareholders

Dear Shareholder/s,

FINAL DIVIDEND FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2020

As reflected in its audited financial statements as at 31st March 2020, (as uploaded to the website of the Colombo Stock Exchange) Central Industries PLC (the “Company”) has recorded a profit after tax of Rupees One Hundred and Ninety Three Million Nine Hundred and Four Thousand Eight Hundred and Eighty Four (Rs. 193,904,884/-) for the year ended 31st March 2020.

The board of directors of the Company (the “Board”), having obtained all necessary regulatory approvals decided to recommend, subject to the approval of the shareholders, to pay a final dividend of Rupees Four (Rs. 4.00) per share, consisting of Rupees Two (Rs. 2.00) per share by way of a cash dividend and Rupees Two (Rs. 2.00) per share by way of a scrip dividend amounting to a total dividend of Rupees Seventy Nine Million Seventy Three Thousand Seven Hundred and Twelve (Rs. 79,073,712).

The amount of dividends to be paid in cash and the number of shares to be issued

The total sum that the Company proposes to distribute to the shareholders in cash is Rupees Thirty Nine Million Five Hundred and Thirty Six Thousand Eight Hundred and Fifty Six (Rs. 39,536,856). The cash dividend will be paid out of the profit for the year ended 31st March 2020.

The maximum number of shares to be issued as a scrip dividend shall be Nine Hundred and Thirty Thousand Two Hundred and Seventy Nine (930,279) ordinary shares computed on the basis of the following formula.

$$\begin{array}{lcl} \text{Number of shares to be issued} = & \text{Number of shares held as at end of trading} & \times \frac{1}{21.24999919} \\ \text{to each shareholder} & \text{on the date of the Annual General Meeting} & \end{array}$$

The number of shares to be eventually issued will depend on the number of residual fractions arising from the scrip dividend but the maximum number of shares shall not exceed Nine Hundred and Thirty Thousand Two Hundred and Seventy Nine (930,279) shares.

The residual fractions arising from the scrip dividend will be disregarded in its entirety and the value of such fractions (computed based on the aforesaid consideration for the shares to be issued) will be paid by cheque to the shareholders.

The residual fractions referred to herein shall mean the fractions arising after applying the following formula:

$$\frac{\text{Number of shares held by a shareholder as at end of trading on the AGM date} \times 1}{21.24999919}$$

With regard to the scrip dividend, the following table sets out the number of shares to be allotted, the proportion and consideration at which shares are to be issued out of the profits earned during the financial year ending 31st March 2020 which is to be set aside for the scrip dividend based on the number of issued shares at present.

Existing ordinary shares as at date	Nineteen Million Seven Hundred and Sixty Eighty Thousand Four Hundred and Twenty-Eight (19,768,428).
The maximum number of shares to be issued (the number to be eventually issued will depend on the residual fractions arising which will be disregarded)	Nine Hundred and Thirty Thousand Two Hundred and Seventy Nine (930,279) shares.
Amount set aside for the scrip dividend prior to withholding tax	Rupees Thirty-Nine Million Five Hundred Thirty-Six Thousand and Eight Hundred Fifty-Six (LKR 39,536,856).
Amount of scrip dividend to be distributed by the Company and hence exempt from withholding tax	Rupees Thirty-Nine Million Five Hundred Thirty-Six Thousand and Eight Hundred Fifty-Six (LKR 39,536,856). The above amount is not taxable.
Amount to be capitalized	Rupees Thirty-Nine Million Five Hundred Thirty-Six Thousand and Eight Hundred Fifty-Six (LKR 39,536,856).
Market price of a share as at 18 th June 2020 (which is the last trading day prior to the date of the circular resolution by the Board through which the final dividend was recommended)	Rupees Forty Two Cents Fifty (LKR 42.50)
The proportion in which the shares are to be issued	One (01) for Twenty One Decimal Two Four Nine Nine Nine Nine One Nine (21.24999919).
Total number of shares in the Company after the scrip dividend (if the maximum number of shares referred to above are issued)	Twenty Million Six Hundred and Ninety Eight Thousand Seven Hundred and Seven (20,698,707).

The new ordinary shares to be issued under the proposed scrip dividend will rank equal and pari passu in all respects with the existing ordinary shares of the Company immediately after the issue of such shares.

The new ordinary shares arising from the scrip dividend shall not be eligible for the payment of the final dividend referred to herein.

Entitled Shareholders

The shareholders entitled to the final dividend shall be those shareholders whose names have been duly registered in the Register of Shareholders and those shareholders whose names appear on the Central Depository Systems (Private) Limited (“CDS”) as at end of trading on 31st July 2020.

In determining the number of shares held by a shareholder as at the relevant date for the proposed dividend, the shareholding of the shareholder as appearing in the CDS and the Register of Shareholders maintained by the Company will not be aggregated for the purpose of calculation. However, if a shareholder holds shares with multiple stockbrokers, such shares will be aggregated for calculation purposes and the shares arising as a result of the scrip dividend will be uploaded proportionately to the respective CDS accounts held with each broker.

COMPLIANCE WITH THE LAW

i) Compliance with the Companies Act No 7 of 2007 (“the Companies Act”)

In terms of section 52 of the Companies Act, the Board has decided that the shares to be issued to shareholders under the proposed scrip dividend issue shall be issued at a consideration of Rupees Forty Two Cents Fifty (LKR 42.50) per share.

The Board of Directors has also opined that the aforesaid consideration for which the shares are to be issued under the scrip dividend 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.

Section 56 of the Companies Act provides that unless the Company’s Articles of Association provide otherwise, every distribution must be approved by shareholders by ordinary resolution, Vide: (ii) below.

The proposed dividend is paid out of profits of the Company as at 31st March 2020. The Company also conducted the solvency test as required by section 56 of the Companies Act and obtained a certificate of solvency from the auditors. The Board is satisfied that the Company will, immediately after the dividend is paid, meet the solvency requirements in terms of the provisions of the Companies Act.

ii) Compliance with Articles of Association

Article 12 of the Articles of Association of the Company (the “Articles”) provides that, where the Company issues shares, those shares must be first offered to the holders of existing shares, in proportion to the shares held by them at the time of the offer (or as near thereto as may be, fractions being ignored).

Accordingly, the issue of ordinary shares to the shareholders under the scrip dividend, substantially retains the existing shareholding proportions which is in conformity with the Articles.

Article 121 & 131 of the Articles provides that the Company, in a general meeting, may declare dividends. Accordingly, the payment of the above dividend requires the approval of the shareholders by ordinary resolution.

iii) Compliance with the rules of the Colombo Stock Exchange

The Company has taken necessary steps to comply with all relevant provisions of the Listing Rules of the Colombo Stock Exchange in relation to the final dividend referred to in this circular. The Company has obtained the approval in-principle of the Colombo Stock Exchange for the scrip dividend.

The payment of the dividend which requires the approval of the shareholders of the Company will be taken up at the Annual General Meeting of the shareholders of the Company to be held on 31st July 2020.

Uploading of Shares into CDS Accounts

As required in terms of Directive issued by the Securities and Exchange Commission of Sri Lanka (“SEC”) under Circular No. 08/2010 dated 22nd November 2010 and Circular No. 13/2010 dated 30th November 2010 issued by the Central Depository Systems (Private) Limited (“CDS”), all new shares to be issued under the proposed scrip dividend, will be directly uploaded in securities accounts of shareholders maintained with the CDS, within seven (7) market days from the date of the Annual General Meeting (but excluding the date on which the Annual General Meeting is held where the relevant resolutions are to be passed by the shareholders). If a shareholder holds multiple CDS accounts, the total entitlement will be directly deposited to the respective CDS accounts proportionately.

No share certificate will be issued to any shareholder. In the event of the non-availability of a CDS account number, the new shares to be allotted to any shareholder, will only be registered in the share ledger/register maintained by the Company.

Such shareholder **will not be entitled** to a share certificate nor be able to **trade** the new shares until such time these shares are deposited with the CDS.

Therefore, the shareholders must ensure strict adherence to the aforementioned Directives and Circulars. Consequent to the opening of the CDS account by such shareholder, the new shares will be credited to such CDS account.

Direct uploads pertaining to written requests received from shareholders to deposit such shares will be done every fortnight.

By Order of the Board,

**Corporate Services (Private) Limited
Secretaries
Central Industries PLC**


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**Chief Executive Officer
CORPORATE SERVICES (PRIVATE) LIMITED
Secretaries**