

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 NEW ORDINARY VOTING SHARES BY WAY OF RIGHTS

1.0 INTRODUCTION

- 1.1 The Company pursuant to a Resolution passed by the Board of Directors on 9th January 2024 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.
- 1.2 Consequent to the Application made by the Company, the CSE by its letter dated 27th February 2024, 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.
- 1.3 The increase of the Stated Capital by way of a Rights Issue, requiring the approval of the holders of Ordinary Voting Shares in terms of Listing Rule 5.2a, a meeting has been convened to be held on the 25th day of March 2024 at 10.00 a.m. for the holders of Ordinary Voting Shares for the purposes as morefully set out in the attached Notice of Extraordinary General Meeting.
- 1.4 Shareholders who are unable to attend or attend and vote at the Extraordinary General Meeting (EGM) are entitled to appoint a proxy to attend the EGM and vote (as applicable) in her/his place. You may 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 VOTING SHARES BY WAY OF RIGHTS

- 2.1 In terms of the Board Resolution as referred to in Paragraph 1.1 above, immediately after the Meeting of the Shareholders as aforesaid, upon the Shareholders approving the Ordinary Resolution/s set out in the attached Notice of Meeting, your Board would issue for subscription, 378,354,954 new Ordinary Voting Shares, by way of Rights to the existing Ordinary Voting Shareholders in the proportion of One Hundred and Forty Three (143) new shares for every One Hundred and One (101) shares held by the holders of Ordinary Voting Shares, as at the end of Trading on 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 an issue price of Rs. 4.20 per share amounting a to total Rights Issue of Rs. 1,589,090,808/-.

The basis of allotment of new Ordinary Voting Shares shall be:

*Number of shares held by a shareholder as at end of trading on the 28th day of March 2024 (i.e. the Record Date) * 143 (new shares)
101 (old shares)*

The fractions that are ignored are the fractions arising post multiplication by 143 and then by the division of 101 of the existing shares held by a shareholder, thereafter rounded down to the nearest whole number.

- 2.2 If the Rights Issue of Ordinary Voting Shares is fully subscribed, the Stated Capital of the Company would increase from Rs.3,256,172,662/- to Rs.4,845,263,470/- and the total number of shares in issue would increase from 267,229,723 Ordinary Voting Shares to 645,584,677 Ordinary Voting Shares.
- 2.3 Accordingly, the Board considered the price of a share to be issued is fair and reasonable to the Company and to the existing Ordinary Voting Shareholders, as required by the Companies Act No. 07 of 2007,

3.0 MINIMUM SUBSCRIPTION

There is no requirement for a minimum subscription since the parent company, George Steuart & Company Ltd. (GS & Co.), holder of 75.163% of shares in issue, has given the Company the assurance of taking up its full Rights entitlement and, in addition to subscribe for any shares under the Rights Issue of the balance 24.837% shares held by the minority shareholders resulting in the shares being fully subscribed in the event of any under subscription of the Rights Issue. Consequently, the purpose of raising funds through the Rights Issue referred to elsewhere in the circular would be fulfilled.

4.0 OBJECTIVES OF RIGHTS ISSUE/UTILIZATION OF PROCEEDS/ BENEFITS TO THE SHAREHOLDERS

4.1 Objectives of the Rights Issue

The objectives of the Rights Issue does not amount to a major transaction.

The objectives of the Rights Issue in order of priority are to:

- (i) Settle outstanding related party loans of the Company borrowed from GS & Co. amounting to Rs. 1,253,230,305/- which is in line with the entitlement of the related party shareholders (i.e. GS & Co with a shareholding of 75.163% in Citrus Leisure PLC, and Divasa Equity (Private) Limited, the parent company of GS & Co. which has a shareholding of 3.701% in Citrus Leisure PLC) under the Rights Issue;
- (ii) The full entitlement of the company, in the proposed Rights Issue of Hikkaduwa Beach Resort PLC (CITH) being Rs. 747,544,791.06; in order to take up its full subscription, there is a shortfall of Rs. 181,200,674/- which sum would be raised through this Rights Issue
- (iii) Subscribe to any additional Shares required to raise the full amount under the Rights Issue of CITH up to a maximum of Rs.154,659,829/-
- (iv) Primarily retire non-related party loans of fully owned subsidiary of the Company, Citrus Silver Limited to the maximum extent possible if in the event of any funds raised via the Rights Issue, remaining with the Company post subscribing to the Rights Issue of CITH up to a maximum of Rs. 154,659,829/-. However, the Board at its discretion would reserve the right to decide on the final bank loans to be settled at Company/Subsidiary level depending on the requirements of the lending institutions.

Please see below the (1) Related Party loans between George Steuart & Company Limited and the Company as at 31st December 2023 obtained for the purpose of meeting the working capital requirements of the Company; (2) Bank Borrowings of the company (3) Bank Borrowings of the Company's fully owned subsidiary Citrus Silver Limited.

The settlement of the loans out of the Rights Issue proceeds was identified based on firstly; the Lendor, namely, George Steuart & Company, being willing to accept the settlement of their loans through the issue of shares to them (Rs. 1,253,230,305/-) and secondly based on the loans that carried higher interest thereby reducing finance costs of the fully owned subsidiary of the company; Citrus Silver Limited. Through this arrangement, the Company would be in a position to settle related party loans amounting to Rs. 1,253,230,305/- out of the total outstanding of Rs. 1,261,438,556, a breakdown of which is given below.

- (1) Related Party loans between George Steuart & Company Limited and the Company obtained for the purpose of meeting the working capital requirements of the Company which loans are unsecured and payable on demand

Quarter	Total Loans Granted During the Quarter	Loan Outstanding as at 31.12.2023	Outstanding Accrued Interest Balance as at 31.12.2023
01/10/2016 - 31/12/2016			671,663
01/04/2017 - 30/06/2017			847,660
01/01/2018 - 31/03/2018			287,013
01/04/2018 - 30/06/2018			215,507
01/10/2018 - 31/12/2018			39,870,725
01/10/2018 - 31/12/2018	75,328,845	75,328,845	41,292,007
01/01/2019 - 31/03/2019	40,000,000	40,000,000	20,225,315
01/04/2019 - 30/06/2019	37,000,000	37,000,000	17,849,356
01/01/2020 - 31/03/2020	20,000,000	20,000,000	8,137,918
01/04/2020 - 30/06/2020	2,500,000	2,500,000	923,541
01/01/2021 - 31/03/2021	25,000,000	25,000,000	6,928,836
01/04/2021 - 30/06/2021	60,000,000	60,000,000	16,066,356
01/07/2021 - 30/09/2021	50,000,000	50,000,000	11,899,315
01/07/2022 - 30/09/2022	10,000,000	10,000,000	1,766,630
01/07/2022 - 30/09/2022	83,000,000	83,000,000	13,311,863
01/10/2022 - 31/12/2022	29,500,000	29,500,000	3,969,312
01/01/2023 - 31/03/2023	10,000,000	-	12,493
01/04/2023 - 30/06/2023	220,000,000	220,000,000	17,579,137
01/07/2023 - 30/09/2023	180,650,000	175,650,000	8,411,818
01/10/2023 - 31/12/2023	220,000,000	220,000,000	3,193,244
	1,062,978,845	1,047,978,845	213,459,711
			1,261,438,556

- (2) Bank Borrowings of the company

Bank	Balance as at 31st Dec 2023	Type of Loan	Date of obtaining the loan *	Tenor	Purpose
Sampath	3,242,591	POD (FD)- 13.5Mn	24-Mar-21	On Demand	Working Capital requirement
	3,242,591				

(3) Bank Borrowings of the Company's fully owned subsidiary Citrus Silver Ltd

Bank	Balance as at 31st Dec 2023	Type of Loan	Date of obtaining the loan *	Tenor	Purpose
Sampath	12,505,220	POD (FD) - 12.5Mn	12-Dec-22	On Demand	Working Capital requirement
HNB	113,078,646	Term Loan	12-Mar-23	26-Apr-28	To restructure the existing term loan facility, Development loan facility & money market loan facility
HNB	69,140,000	Term Loan	15-Aug-23	27-Jun-27	To absorb the accrued interest of the existing loan facility, Development loan facility & Money market loan facility and to amalgamate the interest loan facility.
HNB	7,647,756	POD (FD) - 6.6Mn		On-Demand	Working Capital requirement
<u>202,371,622</u>					

* Based on Latest Agreement

The non-related party loans of Citrus Silver Limited primarily identified for settlement are the HNB Loan 1 amounting to Rs. 114,000,000/-, which will be fully settled, and a sum of Rs. 40,659,829/- will be settled out of the HNB Loan 2, which is amounting to Rs. 69,845,900/- As required by the Listing Rules, the Related Party Transactions Review Committee (RPTRC) has recommended to the Board to obtain the loans referred to herein the settlement thereof as set out herein to subscribe in the Rights Issue of its subsidiary (CITH).

The following are the members of the RPTRC :

Mr. E P A Cooray – Independent Non-Executive Director – Chairman of the Committee

Mr. P C B Talwatte Executive Director – Member

Mr. P V S Premawardhane – Non-Independent Non-Executive Director – Member

Mr. S D de Mel – Independent Non-Executive Director – Member

Mr. S A Ameresekere – Non-Independent Non-Executive Director – Member

4.2 Timelines for Settlement

The funds with respect to objective (i) aforesaid would be utilized immediately upon the allotment of shares under the Rights Issue of the Company.

The funds with respect to the objectives (ii) and (iii) aforesaid would be utilized immediately upon the allotment of shares under the Rights Issue of CITH.

The funds with respect to the objective (iv) aforesaid would be utilized within a period of one (1) month from the allotment of shares under the Rights issue of the Company.

There is no risk of the funds raised through the Rights Issue for the objectives not being utilized within the timeframes mentioned above, as the related party and non-related party loans are outstanding for settlement and the investment in the Rights Issue of CITH is to be done prior to closing the Rights Issue of CITH, except for objective (iv) of which the timeline is stated above

Any proceeds that are not utilized immediately upon receipt will be invested during the interim period in Government Securities and/or in Fixed Deposits in Licensed Commercial Banks and/or Money Market funds generating a minimum return equivalent to prevailing overnight REPO Rates.

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.

4.3 Benefits to Shareholders

The utilization of funds for the purposes aforesaid will improve the financial position of the Company vis-à-vis in the settlement of loans, and by investing in the Rights Issue of its subsidiary (CITH) would facilitate the improvement of the financial position of CITH and for the Company to maintain at a minimum its current shareholding in the said subsidiary.

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.								

- 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
- The Company would disclose any material change to the use of funds raised in terms of this Rights Issue
- 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 ADDITIONAL INFORMATION

6.1 List of 20 Major Shareholders as at 30th September 2023

	Name	No. of Shares	%
1	GEORGE STEUART & CO. LTD. A/C NO. 01	200,859,199	75.163
2	PANASIA BANKING CORPORATION PLC/DIVASA EQUITY (PVT) LTD.	9,890,486	3.701
	DIVASA EQUITY (PVT) LTD		
	SEYLAN BANK PLC/DIVASA EQUITY (PVT) LTD		
3	VALLIBEL ONE PLC	8,377,563	3.135
4	LOTUS TECHNOLOGIES (PRIVATE) LIMITED	7,063,819	2.643
5	ROYAL CERAMICS LANKA PLC.	2,768,276	1.036
6	MR K. ARIYARATNAM	1,803,015	0.675
7	CORONA T STORES (PRIVATE) LIMITED	1,585,331	0.593
8	MR H.A.K.N. PRIYADHARSHANA	1,417,228	0.530
9	SEYLAN BANK PLC/JAYANTHA DEWAGE	1,131,055	0.423
10	MR D.K.A.K. WEERATHUNGA	1,026,804	0.384
11	MR T.G. THORADENIYA	732,310	0.274
12	HATTON NATIONAL BANK PLC/PALANIYANDY MURALITHARAN	599,886	0.224
13	MERCHANT BANK OF SRI LANKA & FINANCE PLC/H.M.C.B. MAWILMADA	500,836	0.187
14	Mrs. K M GOONEWARDENE	486,519	0.182
15	MERCHANT BANK OF SRI LANKA & FINANCE PLC 01	361,086	0.135
16	MRS H.M.A.R.K. KALUHENDIWELA	303,891	0.114
17	MR R. UDALAGAMA	297,367	0.111
18	MR S. SRIKANTH	296,601	0.111
19	MR W.V.N.B. WERAGODA	284,882	0.107
20	HATTON NATIONAL BANK PLC/MADHURA SUPUN HIRIPITIYA	284,572	0.106
	Sub Total	240,070,726	89.837
	Others	27,158,997	10.163
	Total	267,229,723	100.00

The public float percentage as at 30th September 2023 was 20.271%. If in the event, there is an under subscription by the public shareholders, based on the undertaking given by the Parent company, the subscription would be made by the Parent company so that the Rights Issue is fully subscribed to facilitate the company to achieve its objectives pursuant to the Rights Issue. In such an instance, the public holding of the company would reduce from its current 20.271%

6.2 Market Price of Shares

Month	High (Rs.)	Low (Rs.)	Closing (Rs.)	Volume of Ordinary Voting Shares Traded	No. of Trades
September 2023	7.70	6.70	6.20	271,836	267
October 2023	7.00	5.40	6.40	306,725	335
November 2023	6.70	5.50	6.20	371,836	267
December 2023	6.40	5.60	5.60	185,685	184

6.3 Stated Capital

The current Stated Capital of the Company is **Rs. 3,256,172,662** represented by **267,229,723** Ordinary Voting Shares.

6.4 Dividend History for the Previous five (5) Years

Dividends have not been declared during the previous five financial years

6.5 Financial Position of the Company

Shareholders attention is drawn to the Audited Financial Statements for the year ended 31st March 2023, which are hosted on https://cdn.cse.lk/cmt/upload_report_file/568_1693568870427.pdf Shareholders attention is also drawn to the Unaudited Financial Statements of the Company for the quarter ended 31st December 2023 which is hosted on https://cdn.cse.lk/cmt/upload_report_file/568_1707908594205.Citrus%20Leisure%20PLC%20-Interim%20Financial%20Statements%2031.12.2023.pdf.

6.6 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 of 31st December 2023 and the Audited Financial Statements for the year ended 31st March 2023.

6.7 Other Regulatory Approvals

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

7.0 APPLICATION FOR RIGHTS AND PROVISIONAL ALLOTMENT

As stated elsewhere in this Circular, the 378,354,954 Ordinary Voting Shares will be provisionally allotted on the Record Date (3rd Market Day from and excluding the date of the EGM) after the shareholders, at the EGM to be held on 25th March 2024, 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 28th March 2024 (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 identification purposes.

Based on the proportion of the Rights Issue, there would be fractions arising post multiplication by 143 new shares and then by the division of 101 of the existing shares by the shareholder, which would be rounded down to the nearest whole number, which fractional shares would be pooled together and allotted to the respective holders of shares who applied for additional shares.

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.

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 28th March 2024, you are advised to lodge your Shares prior to such date, to facilitate the direct lodgment of Rights to your CDS Account.

The Provisional Letters of Allotment setting out your entitlement together with the Acceptance and Registration Form and Form of Application for Additional Shares will be dispatched to you on 2nd April 2024, by post, together with clear instructions for returning the completed applications together with the payment therefor. Additionally, the said forms would be uploaded on the company page of 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, Central Depository Systems (Pvt) Limited, on Telephone No. 0112356444 (see paragraph 8.2 hereof for further details).

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 8th April 2024 to 18th April 2024.

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 25th April 2024.

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 14th May 2024, subject to the Company complying with the relevant Listing Rules pertaining to the Rights Issue.

8.0 GENERAL INSTRUCTIONS FOR THE RIGHTS ISSUE

- 8.1 **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.

- 8.2 **Additional Details and Assistance** – Shareholders who may require additional details or assistance in relation to any of the above-mentioned matters may visit the office of the Registrars to the Issue at Corporate Solutions Unit, Central Depository System (Pvt) Limited, Ground Floor, M & M Center, No. 341/5, Kotte Road, Rajagiriya, or contact Ms. Shashikala De Mel of Central Depository Systems (Pvt) Limited on Telephone No. 0112356444.
- 8.3 **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.**
- 8.4 **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
Citrus Leisure PLC**



**P W Corporate Secretarial (Pvt) Ltd
Secretaries**

7th day of March 2024