

WASKADUWA BEACH RESORT PLC.

(Reg No. PB 4242 PQ)

No. 56/1, Kynsey Road, Colombo 08

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 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 1st day of April 2024 at 10.30 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 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 376,826,892 new Ordinary Voting Shares, by way of Rights to the existing Ordinary Voting Shareholders in the proportion of Thirty-Five (35) new shares for every Fifty Two (52) 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.1.80 per share amounting to a total Rights Issue of Rs.678,288,405/-.

*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 4th day of April 2024 (i.e. the Record Date) * 35 (new shares)
52 (old shares)*

The fractions that are ignored are the fractions arising post multiplication by 35 and then by the division of 52 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.2,901,702,750/- to Rs.3,579,991,155/- and the total number of shares in issue would increase from 559,857,096 Ordinary Voting Shares to 936,683,988 Ordinary Voting Shares.
- 2.3 Your Board considered the price of a share to be issued to be 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, Hikkaduwa Beach Resort PLC; holder of 82.828% 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 17.172% shares held by the minority shareholders resulting in the shares being fully subscribed in the event of any undersubscription 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 OBJECTIVE 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 in order of priority are to:

- (i) Settle part of the outstanding related party loans of the Company borrowed from Hikkaduwa Beach Resort PLC amounting to Rs.342,427,902/-, (the total outstanding as at 31st December 2023 being Rs.368,075,974.34) which is within the subscription amount by Hikkaduwa Beach Resort PLC under its entitlement in the Rights Issue.
- (ii) Retire an amount equivalent to Rs. 335,860,503.66 as at 31st December 2023 out of the outstanding non-related party loans of the Company from Sampath Bank PLC., Accordingly, it is expected to retire the totality of Sampath Bank loan 5 amounting to Rs.270,625,468/- and to part settle Sampath Bank loan 4 in a sum of Rs.65,235,035.66 out of the balance outstanding as at 31st December 2024 amounting to Rs. 519,649,105/- (Please see the schedule below)

The Related Party Loans were identified for settlement, as the said Lendor also being the parent company, is willing to accept settlement of the debts through the issue of shares to them. The external debt of Rs.335,860,503.66 of Sampath Bank PLC; was identified to be settled due to the higher interest rate and the requirement to restructure the said loan. As a result, this would reduce the Company's financial costs.

(i) **Borrowings from Related Party: Hikkaduwa Beach Resort PLC**

The following loans were obtained for the purpose of meeting the company's working capital requirements for a period of three months, with interest being accrued monthly and payable at the end of every three months. In the event the principal and/or the interest is not settled in 90 days, it may be renewed for a further period of three months (revolving) to be capitalized as a new loan upon a written request by the borrower and acceptance by the lender. The Related Party loans are unsecured.

Quarter	Total Loans Granted During the Quarter	Loan Outstanding as at 31.12.2023	Interest Capitalised	Outstanding Accrued Interest Balance as at 31.12.2023	Total Loan Value
01/10/2021 - 31/12/2021	28,700,000.00	28,470,750.68	6,787,505.25	1,413,444.43	36,671,700.36
01/01/2022 - 31/03/2022	64,561.64	64,561.64	15,253.95	3,155.10	82,970.69
01/04/2022 - 30/06/2022	18,222,819.67	17,731,315.89	3,655,946.46	848,303.91	22,235,566.26
01/07/2022 - 30/09/2022	16,075,000.00	9,603,965.84	1,672,815.77	440,921.70	11,717,703.31
01/10/2022 - 31/12/2022	44,515,013.89	20,094,837.57	3,119,322.20	871,849.20	24,086,008.97
01/01/2023 - 31/03/2023	8,600,000.00	8,600,000.00	570,176.27	362,496.99	9,532,673.26
01/04/2023 - 30/06/2023	146,000,000.00	102,529,843.89	4,321,363.48	4,223,776.37	111,074,983.74
01/07/2023 - 30/09/2023	70,642,465.75	54,453,815.16	361,601.70	2,067,592.71	56,883,009.57
01/10/2023 - 31/12/2023	116,388,441.64	94,932,262.93	-	859,095.25	95,791,358.18
	449,208,302.59	336,481,353.60	20,503,985.08	11,090,635.66	368,075,974.34

(ii) Other Borrowings from Non-Related Parties - Bank Borrowings

Bank	Balance as at 31st Dec 2023	Type of Loan	Date of obtaining the loan *	Security	Tenor	Purpose
Sampath Loan 1	844,400,000	Term Loan	26-Jun-22	Land and building of Hotel Citrus Waskaduwa & a letter of undertaking from M/S. George Steuart & Company Limited	26-Mar-34	Construction cost of the Waskaduwa Hotel
Sampath Loan 2	540,500,000	Term Loan	26-Jun-22		26-Mar-34	Construction cost of the Waskaduwa Hotel
Sampath Loan 3	116,257,348	Term Loan	26-Feb-23	Lease commercial property known as "The Steuart" No 45, Janadipathi Mv, Colombo 01.	26-Mar-24	Capitalize part of the interest to be incurred on the facilities (Mar/23 to Oct/23)
Sampath Loan 4	519,649,105	Moratorium Term Loan	26-Jun-22	Land and building of Hotel Citrus Waskaduwa & a letter of undertaking from M/S. George Steuart & Company Limited	26-Mar-29	Interest on existing term loan & OD facility
Sampath Loan 5	270,625,468	Term Loan	26-Jun-22		26-Mar-29	Capitalize part of the interest (Jul/22 to Dec/22)
Sampath Loan 6	75,903,765	POD - 75Mn	23-Jun-23	Land and building of Hotel Citrus Waskaduwa	On Demand	Working Capital requirement
Sampath Loan 7	20,010,208	POD (FD) - 20.5Mn	23-Jun-23	Lien on Fixed Deposits	On Demand	Working Capital requirement
Commercial	47,641,372	POD - 50Mn	8-Sep-22	Property in Kalpitiya, which is owned by the Hikkaduwa Beach Resort PLC	On-Demand	Working Capital requirement
Commercial	7,161,602	Term Loan	8-Jun-22		26-Sep-24	Special Moratorium Loan

2,442,148,868

As required by the Listing Rules, the Related Party Transactions Review Committee (RPTRC) has recommended to the Board to obtain the loans referred to in (i) herein and the settlement thereof as set out herein.

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 the 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 objective (ii) 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 objective not being utilized within the timeframe mentioned above, as the selected loans from Sampath Bank PLC are outstanding for settlement.

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 purpose aforesaid will improve the financial position of the Company vis-à-vis in the settlement of loans.

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 ADDITIONAL INFORMATION

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

	Name	No. of Shares	%
1	HIKKADUWA BEACH RESORT PLC	267,641,552	47.805
2	NATIONAL DEVELOPMENT BANK PLC/HIKKADUWA BEACH RESORT PLC	196,078,432	35.023
3	HATTON NATIONAL BANK PLC/AYENKA HOLDING (PVT) LTD	16,512,673	2.949
4	MERCHANT BANK OF SRI LANKA & FINANCE PC 01	3,550,000	0.643
5	MR. G G A M R K ABHEYKON	2,812,093	0.502
6	PHANTOM INVESTMENTS (PVT) LTD.	2,685,195	0.480
7	MR. K.SURIAARACCHI	1,500,000	0.268
8	SEYLAN BANK PLC/NALAKA HARSHAJEEVA GODAHEWA	1,300,000	0.232
9	MR. C D KOTTAGE	1,300,000	0.232
10	MERCHANT BANK OF SRI LANKA & FINANCE PLC/ W P A M ABESSEKARA	1,163,580	0.208
11	MISS B C PALIHAWADANA	1,125,000	0.201
12	MR. R E RAMBUKWELLE	1,106,442	0.198
13	MR. G.P. ROOPASINGHE	1,077,350	0.192
14	HATTON NATIONAL BANK PLC/RAVINDRA ERLE RAMBUKWELLE	1,050,000	0.188
15	MR. U K B DAMUNUPOLA	1,018,849	0.182
16	HATTON NATIONAL BANK PLC/RUWAN PRASSANA SUGATHADASA	984,815	0.176
17	MS. M I THANUDARA	935,950	0.167
18	MR. K D D KUMARA	734,834	0.131
19	MR. H A NASAR	717,051	0.128
20	MR. N P M MURSHID	674,979	0.121
	Sub Total	503,969,795	90.018
	Others	55,887,301	9.982
	Total	559,857,096	100.00

The public float percentage as at 30th September 2023 was 17.172%. If in the event the public does not subscribe fully; such unsubscribed shares would be subscribed by the parent company, Hikkaduwa Beach Resort PLC in order to facilitate full subscription, to meet the objectives of the company. Such subscription would further reduce the Public Float.

6.2 Market Price of Shares

Month	High (Rs.)	Low (Rs.)	Closing (Rs.)	Volume of Ordinary Voting Shares Traded	No. of Trades
September 2023	3.20	2.90	3.00	1,563,883	344
October 2023	3.00	2.50	2.70	734,617	305
November 2023	2.80	2.30	2.50	1,345,182	450
December 2023	2.70	2.40	2.60	648,894	225

6.3 Stated Capital

The current Stated Capital of the Company is **Rs. 2,901,702,750** represented by **559,857,096** Ordinary Voting Shares.

6.4 Dividend History for the Previous five (5) Years

No dividends have been declared during the last 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 is hosted on https://cdn.cse.lk/cmt/upload_report_file/1106_1693570949947.pdf Shareholders attention is also drawn to the Unaudited Financial Statements of the Company for the quarter ended 30th September 2023, which is hosted on https://cdn.cse.lk/cmt/upload_report_file/1106_1707908913578.Waskaduwa%20Beach%20Resort%20PLC%20-%20Interim%20Financial%20Statements%20-%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 30th September 2023 and the Audited Financial Statements for the year ended 31st March 2023.

6.7 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 01/01/2024 to 31/12/2024, was issued to the Company by the Sri Lanka Tourism Development Authority (SLTDA), on 27th February 2024.

6.8 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 376,826,892 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 1st April 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 4th April 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 basis of the allotment, there would be fractions arising post multiplication by 35 new shares and then by the division of 52 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 4th April 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.

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 22nd April 2024 to 30th 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 7th May 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 27th 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
Waskaduwa Beach Resort PLC**

Doyel

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

14th day of March 2024