

S S P Corporate Services (Private) Limited

Corporate secretaries, Computer bureau services & Payroll services

Co. Reg. No. PV 931

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Mr. Renuke Wijayawardhane
Chief Regulatory Officer
Colombo Stock Exchange
4-01, West Block
World Trade Centre
Echelon Square
Colombo 1.

5th January 2022

Dear Sir,

HUNAS FALLS HOTELS PLC

INFUSION OF CAPITAL BY SERENITY LAKE LEISURE (PVT) LTD INTO HUNAS FALLS HOTELS PLC – IMMEDIATE DISCLOSURE

Hunas Falls Hotels PLC, in terms of Section 9.3.1 & 8.1 of the Listing Rules of the Colombo Stock Exchange, hereby announces the following Corporate Disclosure on a Related Party Transaction.

a. Date of the Transaction:

- Within a period of 14 days of the EGM

b. Name of the relevant related party:

- Serenity Lake Leisure (Private) Limited

c. Relationship between the entity and the related party:

- Serenity Lake Leisure (Pvt) Ltd is the majority shareholder of Hunas Falls Hotels PLC

d. Details of the transaction:

- As previously disclosed, Serenity Lake Leisure (Pvt) Ltd which owns about 94% of the Equity shares of Hunas Falls Hotels PLC, with the intention to augment the asset position of Hunas Falls Hotels PLC, will infuse Capital through its Equity in the form of shares which it owns in other Companies to the value of Rs. 4,254,073,000/- and will be reflected in the books of Hunas Falls Hotels PLC as investments. The said infusion of Capital will not result in any issue of new shares and there will be no dilution of the minority interest.

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- The details of the companies being transferred are as below:

Companies which will be owned by Hunas Falls Hotels PLC with the infusion of capital by Serenity Lake Leisure (Pvt) Ltd into Hunas Falls Hotels PLC	Serenity's effective stake %	Equity Value of Serenity's effective stake (LKR 000's)
<u>Hydro Power Plants</u>		
1) Eratne Power Company (Pvt) Ltd.	30%	37,006
2) Kuruganaga Hydro (Pvt) Ltd.	19%	90,759
3) Weswin Power Galaha (Pvt) Ltd.	20%	15,810
4) Amunumulla Suhada Electricity Generation Company (Pvt) Ltd.	100%	35,000
5) Sustainable Energy Holdings (Pvt) Ltd.	100%	322,108
<u>Tea Plantations, Factory and Brokers</u>		
6) Mercantile Produce Brokers (Pvt) Ltd.	20%	281,087
7) Suriyakanda Plantations (Pvt) Ltd.	100%	1,678,201
8) Rainforest Tea Factory (Pvt) Ltd.	90%	210,222
<u>Hotels</u>		
9) Hunas Properties (Pvt) Ltd.	100%	162,500
10) Boulder Gardens (Pvt) Ltd.	90%	766,244
11) Rainforest Hotels (Pvt) Ltd.	90%	655,136
		4,254,073

- e. The rationale for entering into the transaction:

- To augment the asset position of Hunas Falls Hotels PLC by way of capital infusion.
- To diversify the business lines of Hunas Falls Hotels PLC into sectors of renewable energy, plantations, tea brokering, hospitality, real estate, agriculture & manufacturing.
- To serve as an ideal investment vehicle to any investor(s) considering exposure in sub-asset classes of various industries.
- To attract foreign direct investments as well as local investments into current and future potential diversified investments.
- To engage the Company as a Holdings company to expand into various other sectors.
- To increase the total asset base.
- To increase immediate revenue due to the ownership of 11 operational assets.
- To increase the overall future revenue and potential revenue.
- To mitigate the risks imposed directly on the hospitality industry by having a mix of exposures into aforementioned industrial sectors.
- To ease and facilitate easier borrowing for further expansions, developments and further acquisitions if required, considering the sizable consolidated asset base.

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- f. The Related Party Transactions Review Committee of the Entity is of the view that the transaction/s is/are on normal commercial terms, and is/are not prejudicial to the interests of the Entity and its minority shareholders. The Related Party Transactions Review Committee has obtained the services of Messrs. KPMG Chartered Accountants, to carry out the valuations prior to forming its view on the transactions.
- g. Aggregate value of Related Party transactions
- Aggregate value of all the transactions with Serenity Lake Leisure (Pvt) Ltd within the current financial year (excluding this transaction):
 - i. Recurrent - Rs. 23,451,958.05/-
 - ii. Non-current - Zero
 - Aggregate value of all the transactions with all the related parties within the current financial year (excluding this transaction):
 - i. Recurrent - Rs. 26,701,958.05/-
 - ii. Non-current - Zero

This transaction is subject to Shareholders approval at the EGM which is to be convened on the 13th January 2022.

Yours faithfully,
For and on behalf of
Hunas Falls Hotels PLC
S S P CORPORATE SERVICES (PRIVATE) LIMITED



SECRETARIES