

KOTAGALA PLANTATIONS PLC

(Company No. PQ 174)

C/o. Corporate Managers & Secretaries (Pvt) Ltd.
8-5/2, Leyden Bastian Road,
York Arcade Building,
Colombo 1.

29th June 2021.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, ATTORNEY-AT-LAW, ACCOUNTANT OR OTHER PROFESSIONAL ADVISOR IMMEDIATELY.

The highest, lowest and last traded price of the shares during the preceding three months were as follows:

Month	Highest Rs.	Lowest Rs.	Last traded Rs.
March 2021	6.70	5.20	5.30
April 2021	6.30	5.00	5.50
May 2021	6.80	5.20	5.90

Market Price as at the date of the Circular - Rs.6.10 (Closing price)

CIRCULAR TO SHAREHOLDERS

Dear Sir(s)/Madam,

The Board of Directors of Kotagala Plantations PLC have decided to issue Two Hundred and Sixty-Three Million Two Hundred and Eighty-Seven Thousand Five Hundred (263,287,500) Ordinary Shares by way of a Rights Issue of Shares at a price of Rs.3/- per share to the holders of the issued Ordinary Shares of the Company as at end of trading on 19th July 2021, in the proportion of Seven (07) New Ordinary Shares for every Two (02) existing issued Ordinary Shares held by them. The Board has resolved that in its opinion the consideration for which the shares are to be issued is fair and reasonable to the Company and all existing shareholders as required by the Companies Act.

Rationale for offering the Rights Issue at a discount to the current market price

The Board being of the opinion that the issue of a share at Rs.3.00 per share is fair and reasonable to the Company and all its existing shareholders, on the basis that the Rights issue, apart from providing the opportunity, would also attract existing shareholders to invest in new shares of the Company and were also conscious of any downward trend which may occur in the market.

1. BACKGROUND

The Company was incorporated on 22nd June 1992 under the Companies Act No. 17 of 1982 in terms of the provisions of the Conversion of Corporations and Government Owned Business Undertakings into Public Companies Act No. 23 of 1987 and is listed on the Colombo Stock Exchange under the "Food, Beverage and Tobacco" Sector. It was re-registered under the Companies Act No. 7 of 2007 on 3rd July 2008. The Company's principal activities are cultivation, manufacture and sale of Tea and Rubber and cultivation and sale of Oil palm.

2. PURPOSE AND UTILIZATION OF PROCEEDS OF THE RIGHTS ISSUE

The proceeds from the Rights Issue will be utilized to settle funds borrowed for working capital requirements and for other operational working capital requirements the details of which are as follows:

- to settle funds amounting to Rs.564,369,834/- already advanced and arranged by the major shareholders to support the working capital requirements of the Company.
- the remaining funds amounting to Rs.225,492,666/- to be utilized to further support the working capital needs of the ongoing operations of the Company.

The Company has been incurring losses in the last five years.

FIVE YEAR SUMMARY (Audited)					
	2019/2020	2018/2019	2017/2018	2016/2017	2015/2016
Revenue	2,667,995	3,232,576	3,816,830	3,086,410	3,038,112
Gross Profit/(Loss)	(341,612)	(212,972)	316,830	10,067	(131,258)
Fair Value of Biological Assets	143,064	141,968	139,486	54,375	7,973
Other Operating Income	466,875	197,106	202,268	338,342	185,209
Operating Profit/(loss) Before Management Fee & Interest	(355,484)	126,102	359,723	158,372	(385,387)
Profit/(loss) Before Income Tax	(827,378)	(1,015,610)	(102,204)	(350,830)	(943,984)
Total Comprehensive Income (Expense)	(221,738)	(1,216,495)	(11,296)	(374,110)	(618,737)

The losses were mainly due to the prolonged decline in global commodity prices. This slump in prices has had a major impact on the cash flows of the Company. In order to support the Company, the Major Shareholders of the Parent Company Consolidated Tea Plantations Limited (CTPL), through its related parties have advanced funds to an extent of Rs.564,369,834/- to support the operations of the Company. All transactions were entered into and carried out at arm's length. The said funds received by the Company was utilised to reduce the working capital deficit.

The funds were obtained by the Company from time to time for the purpose of financing the immediate working capital requirements of the Company. The funds were advanced on the basis that same would be repaid within a short period of time.

The funds advanced by the Related Companies to KPPLC up to 28.12.2020 were assigned to its Parent Entity Consolidated Tea Plantations Limited (CTPL).

The terms and conditions which were applicable to the aforementioned advances between KPPLC and the Related Parties remained same even after such assignment.

Accordingly, CTPL will be settling a sum of Rs.564,369,834/- to the related parties on behalf of KPPLC. As such part of the funds raised from the Rights Issue will be utilized by KPPLC to settle CTPL. i.e. The assigned debts as of 28.12.2020 are to be settled.

The details of such Related Company dues are as follows;

Name of the related entity	Funds advanced Rs.	Current Account Balances Rs.	Total Rs.	Period within which funds advanced
Lankem Plantations Services Ltd	-	4,727,254	4,727,254	-
Sigiriya Village Hotels PLC	-	677,961	677,961	-
The Colombo Fort Land & Building PLC	98,070,000	36,393,850	134,463,850	2019/20 and 2020/21
Union Commodities (Pvt) Ltd	24,722,997	7,356,497	32,079,494	2017/18
Lankem Ceylon PLC	200,000,000	72,631,082	272,631,082	2019/20
Darley Butler & Co Limited	20,000,000	25,669,958	45,669,958	2020/21
Colombo Fort Group Services (Pvt) Ltd	23,139,356	5,980,879	29,120,235	2020/21
E.B. Creasy & Company PLC	45,000,000	-	45,000,000	2020/21
	*410,932,353	**153,437,481	***564,369,834	

*Funds Advanced - Loans granted by Related Parties - Rs. 410,932,353/-

**Current Account Balances – Transactions in relation to goods and services between related Companies and the Interest accrued on the loans - – Rs. 153,437,481/-

***Total - Rs. 564,369,834/-

The salient features of the debts assigned by KPPLC to CTPL are as follows;

- Rs. 200 Mn. of debt (funds advanced by Lankem Ceylon PLC) was subject to an Interest rate of AWPLR +5%p.a.
- Balance of Rs. 210,932,353/- Mn. was subject to an interest rate of AWPLR + 2% p.a.
- No interest component was attached to the Current Account balance of Rs.153,437,481/-

The Company will conduct settlement of the debt due to CTPL based on the same terms and conditions on which such debts were assigned to CTPL.

Further the Listing Rules pertaining to related party transactions have been complied with.

The Company Prioritized the settlement of the said debt, as CTPL being the Parent Company/Major Shareholder, was willing to subscribe to its Rights Entitlement provided the aforesaid debt due from KPPLC was settled from the proceeds of the Rights Issue.

The utilization of proceeds in respect of the above settlement will take place immediately after the conclusion and finalization of the Rights Issue and the proceeds will be retained in the Rights Issue account until utilization.

The details of the working capital position as at 31st March 2021 as per the published Interim Financial Statements (unaudited) was as follows:

	Before Rights Issue -Rs.'000)	After Rights Issue -Rs.'000)
<u>WORKING CAPITAL AS AT 31ST MARCH, 2021</u>		
Current Assets	640,991	866,484
Current Liabilities	(4,082,590)	(3,518,220)
Working Capital Deficit	(3,441,599)	(2,651,736)

The sum of Rs.225,492,666/- which is for the purpose of meeting ongoing operational requirements will be deposited into a Call Deposit Account for periodic utilization as and when required over a period of approximately 12 months depending on the monthly deficit. Based on current market rates the expected return on the Call Deposit is 3.75% per annum. The working capital items for which the

Rights Issue proceeds would be utilized would be for wages, salaries and agricultural inputs, during the months in which there are cash flow deficits. The management believes this will have a positive impact on the performance. The aforesaid amount will not bridge completely the existing deficit. The Company will continue to fund its working capital requirements via a mix of borrowings from Financial Institutions, Brokers and Creditors. Wherever possible the Company will endeavour to restructure its commitments in order to bridge this working capital deficit.

The Rights Issue proceeds will be utilized solely for the aforementioned purposes and would not be utilized for any other purpose.

There is no risk associated with the deploying of funds for the indicated purposes.

Consolidated Tea Plantations Limited, the Parent Company/Major Shareholder has intimated that it will subscribe to the Rights Issue of Shares retaining a minimum of 51% controlling interest either directly or indirectly.

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

The Company expects the issue to be subscribed in full however the proceeds will be utilized to the extent the issue is subscribed. In the event of an undersubscription the first priority would be to meet the first objective of the Issue referred to above.

In the event the Rights Issue is fully subscribed Capital and interest will no longer be payable on the debts retired and thus the working capital deficit will be reduced to that extent.

The restructuring of the Balance sheet of the Company will result in substantial savings on interest. Furthermore having additional working capital will allow the Company to provide timely agricultural inputs which will enable the Company to produce higher crop which will in turn improve its revenue and profitability.

The Related Party Transactions Review Committee comprises of Mr. A. M. de S. Jayaratne, Mr. C.P.R. Perera, Independent Non-Executive Directors and Mr. S. D. R. Arudpragasam – Non-Executive Director.

All non-recurrent transactions entered into by the Company with related parties have been reviewed and recommended by the Committee and where required relevant disclosures have been made in terms of Section 9 of the CSE Listing Rules. However, since the first objective of the Rights Issue relates to settlements, the Company is of the view that RPTRC review for settlements are not required.

CAPITAL AND RESERVES AS AT 31 MARCH 2015 (continued)		
After Rights Issue (Rs. 000)	Before Rights Issue (Rs. 000)	
1,521,366	761,500	STATED CAPITAL
(507,937)	(507,937)	RESERVES
1,013,429	253,563	TOTAL EQUITY

3. FINANCIAL INFORMATION

Dividend History			
The dividend history of the Company for the last three years is as follows:			
Dividends Paid (Gross)-LKR	2018	2019	2020
Cash Dividends	NIL	NIL	NIL
Scrip Dividends	NIL	NIL	NIL
Total Dividends	NIL	NIL	NIL
Dividend Payout Ratio %			
Cash payout ratio	N/A	N/A	N/A
Scrip payout ratio	N/A	N/A	N/A
Total payout ratio	N/A	N/A	N/A

The Audited Financial Statements of the Company for the year ended 31st March 2020 have been uploaded on the CSE website www.cse.lk.

In compliance with the Statutes an Extraordinary General Meeting (EGM) was held on 19th January 2021, as per the announcement made on the Colombo Stock Exchange website on 8th December 2020, and a Circular to Shareholders detailing the measures adopted by the Company to mitigate and or overcome the serious loss of capital position has been circulated and posted on the website of the Colombo Stock Exchange on 31st December 2020. At the said meeting, the Ordinary Resolution, authorizing the Directors to carry on the business of the Company to the best advantage of all stakeholders of the Company, was carried unanimously by the shareholders present and voting at the said EGM.

Further the Company has now overcome the serious loss of capital situation.

In the event the Rights Issue is fully subscribed the Equity Position post rights would be as follows:

CAPITAL AND RESERVES AS AT 31 ST MARCH, 2021 (unaudited)	Before Rights Issue -Rs.'000)	After Rights Issue -Rs.'000)
STATED CAPITAL	781,500	1,571,363
RESERVES	(297,939)	(297,939)
TOTAL EQUITY	483,561	1,273,424

Debenture Debt

Restructure of Five Million (5,000,000) Rated Secured Redeemable Debentures of the Par Value of Rupees One Hundred (SLR 100/-) each by Kotagala Plantations PLC

- The Company during the financial year 2014/2015 raised a sum of Rs.1Billion by the issue of Rated Secured Redeemable Debentures, having tenures and bearing interest at the following rates which were listed on the Colombo Stock Exchange.

Type of Debenture	Interest Rate	Date of Redemption
RSRD Type A Debentures	14.25% per annum	26 th May 2018
RSRD Type B Debentures	14.50% per annum	26 th May 2019
RSRD Type C Debentures	14.75% per annum	26 th May 2020
RSRD Type D Debentures	15% per annum	26 th May 2021

- The Company has duly settled the interest and capital sum which was due and payable on the Type RSRD A Debentures and the Type RSRD B Debentures.

The Company now has successfully restructured its payment obligations on account of capital and interest on RSRD Type C Debentures and RSRD Type D Debentures and the Debenture Holders have duly consented on 17th September 2020 to the said restructure over a period of six years commencing September 2020 and ending August 2026. Please refer further disclosures made by the Company in this regard dated 18th September 2020, 27th November 2020 and 29th January 2021.

Strategies and Action Plans

Kotagala Plantations is one of the best diversified companies out of the 20 Regional Plantation Companies privatized in the year 1992 with 10 of the tea estates situated in the Kotagala sub region in the Nuwara Eliya district consisting of 4003.13 hectares and 12 estates in the Horana and Kalutara districts in the low country consisting of 7412.24 hectares. The low country Estates have a crop mix of Rubber, Oil Palm and Tea.

The Company is engaged in and is in the process of implementing several measures to overcome the current poor operational performance. Firstly, an Enterprise Resource Planning (ERP) system has been implemented. A Management Information System (MIS) is also being developed to obtain first-hand information on real time basis to monitor field activities to control and monitor deviations against viable norms on a daily basis at different managerial echelon. Secondly, securing a separate line of funds to meet all necessary agricultural inputs such as clearing weedicides, fertilizer applications, replanting etc to achieve the optimum yields, is also in place. Cost control activities, such as implementing renewable energy as opposed to traditional sources, stringent labour deployment on harvesting activities vs others in the ratio of 60% : 40%, together with the implementation of mechanized plucking, are some of the major measures to reduce the cost of production.

Tea

The main tea area of the Company is in the western high grown category having 2205 Ha. in bearing with a further 31.85 hectares in immature. The Company also has the advantage of having 94% of the revenue extent in high yielding VP tea and it has a potential to achieve a yield of 2300 kilograms per hectare, which could be the highest yielding in a sub region amongst all privatized tea plantations.

There are nine processing facilities having the ability to undertake orthodox, orthodox/rotovane and CTC manufacture and thereby being in a position to change manufacture to get the best advantage of market conditions. In fact, the Mount Vernon factory was converted to undertake CTC manufacture since privatization, in the year 1995 at a cost of Rs. 120 million.

The main constraint in achieving the potential of this sector has been the fast-diminishing work force. In order to overcome the worker shortage, the Company has introduced mechanized plucking commencing from this financial year. Currently there is almost 20% of the extent being plucked with machines and the Company intends to increase this extent, progressively based on the requirement. With the introduction of machines, the Company is confident of achieving the maximum potential of these estates in future and also curtailing the expenditure compared to manual plucking with a much higher productivity.

The Company also has 200 Ha. of tea in the low grown areas and has 3 processing facilities with a capacity to undertake one million kgs. per annum. The Company intends to re-structure the management of the factories by increasing the small holders' bought leaf, in order to operate the factories to maximum capacity.

Rubber

Kotagala has been one of the largest producers of natural rubber in Sri Lanka. The rapid decline in the natural rubber prices since 2012 had a drastic impact on the Company's performance and thereby the Company was compelled to take a strategic decision to diversify 2000 Ha. mainly into Oil Palm. In fact, the areas selected for diversification were not conducive for rubber due to the climate change recording a high rain fall, more suitable for Oil Palm.

However, due to the decision taken by the Government, to discontinue future planting of Oil Palm, the Company intends to re-commence the rubber replanting programme with immediate effect. Currently there is 2618 hectares of mature rubber and a further 349.26 hectares in immature and the plan is to increase the rubber extent with replanting.

Since privatization, the Company has lost 455 hectares of land by way of Government acquisitions for urban development and industries. In fact, the Company has lost two of the main rubber producing estates, Perth and Millewa which too had a severe impact on the volume of rubber production.

There are eight rubber processing facilities available, which includes the world-renowned sole crepe factory at Padukka, a centrifuge latex plant having a capacity of over two million kgs per annum, five pale crepe factories and two RSS factories. With the availability of these processing facilities, the Company has the ability to get the maximum advantage of the market.

Oil Palm

Kotagala commenced the Oil Palm new planting programme in the year 2012 and has already completed planting 525 Ha. of Oil Palm of which 393.12 Ha. is already in bearing with a further 132.76 hectares in the immature stage. The current extent of Oil Palm has the ability to produce nine million Metric Tonnes of fresh fruit bunches. With the current trading conditions this extent has the ability to generate a revenue of Rs. 450 Mn. The Kotagala Oil Palm is still in the early stages of bearing but would reach its maximum potential by the year 2025.

General

Kotagala also has harvestable timber to the value of Rs. 1.46Bn. Since most of these areas have already reached the peak stage of maturity, the harvesting programme has already commenced and is in progress.

There is no material change in the nature of contingent liabilities as disclosed in the Company's Interim Financial Statements for the year ended 31st March, 2021.

Impact of COVID-19

On 11 March 2020 the World Health Organization declared the coronavirus outbreak a pandemic, and the Sri Lankan Government declared a state of emergency. Responding to the potentially serious threat the COVID – 19 presents to public health, the Sri Lankan Government authorities implemented measures to contain the outbreak, including introducing restrictions on the cross-borders movement of people, entry restrictions on foreign visitors and the 'lock-down' of certain industries, pending further developments. In particular, airlines, suspended international transport of people, schools, universities, restaurants, cinemas, theaters and museums and sport facilities, retailers excluding food retailers, grocery stores and pharmacies were closed. Some businesses in the country have also instructed employees to remain at home and have curtailed or temporarily suspended business operations.

The wider economic impacts of these events include:

- Disruption to business operations and economic activity in the country, with a cascading impact on both upstream and downstream supply chains;
- Significant disruption to businesses in certain sectors, both within Sri Lanka and in markets with high dependence on a foreign supply chain as well as export-oriented businesses with high reliance on foreign markets. The affected sectors include trade and transportation, travel and tourism, entertainment, manufacturing, construction, retail, insurance, education and the financial sector;
- Significant decrease in demand for non-essential goods and services;
- An increase in economic uncertainty, reflected in more volatile asset prices and currency exchange rates.

The Entity operates in Plantation Sector that has not been significantly affected by the outbreak of COVID – 19 and the Company remains relatively stable and its operations including supplies were uninterrupted. Based on the publicly available information, management considered a number of severe but plausible scenarios with respect to the potential development of the outbreak and its expected impact on the entity and economic environment, in which the entity operates, including the measures already taken by the Sri Lankan Government and governments in other countries, where the Entity's major business partners and customers are located.

In order to mitigate the risks resulting from potential adverse scenarios, Management commenced implementation of certain measures, which notably include:

- Implementation of work from home program on a rotational basis for a significant group of administrative employees;
- Strict health care & safety measures have been introduced and adopted among the employees in Tea Factories, fields and offices including social distancing;
- Continue to proceed with e-auction mechanism which has been introduced by Colombo Tea Traders' Association (CTTA).

Further, deferment of Capital expenditure, cancellation of Company events, restructuring of overheads, were several measures taken by the Company to conserve cash during the lock down period and the Company has applied for Covid-19 debt moratorium introduced by the Central Bank of Sri Lanka for existing term loans. Further the Company had faced certain challenges in meeting the Debenture commitment of Rs.250m which was due on 26th May 2020, amidst Covid-19 situation and it was successfully restructured in order to improve the Company's liquidity position.

4. DISCLOSURE IN THE INTERIM FINANCIAL STATEMENTS AND THE ANNUAL REPORTS

The Company will disclose the information as per the following template through the Interim Financial Statements and Annual Reports from the date of raising funds through the proposed Rights Issue until the objectives are achieved and funds are fully utilized.

Disclosure regarding status of utilization of Rights Issue proceeds as at (dd-mm-yyyy)								
Objective Number	Objective as per circular	Amount allocated as per circular in LKR	Proposed date of utilization as per circular	Amount allocated from proceeds in LKR (A)	% of total proceeds	Amount utilized in LKR (B)	% of proceeds utilized against allocation (B/A)	Clarification if not fully Utilized including where funds are invested (eg. Whether lent to related party etc)
1								
2								

In the event the funds raised through the Rights Issue of shares have been fully utilized by the Listed Entity as disclosed in the Circular to shareholders between two financial periods, the Entity shall disclose such fact in the immediately succeeding Annual Report or the Interim Financial Statement, whichever is published first.

5. MAJOR SHAREHOLDERS

Set out below is the information pertaining to the twenty major shareholders of the Company as of 31st May, 2021.

20 Major Shareholders as at 31.05.2021

	Name	No. of Shares	Percentage
1	CONSOLIDATED TEA PLANTATIONS LIMITED	31,650,000	42.07%
2	LANKEM TEA & RUBBER PLANTATIONS (PVT) LIMITED	11,103,150	14.76%
3	SECRETARY TO THE TREASURY	5,700,834	7.58%
4	NATIONAL DEVELOPMENT BANK PLC/LANKEM TEA AND RUBBER PLANTATIONS (PVT) LTD	5,251,960	6.98%
5	NATIONAL DEVELOPMENT BANK PLC/CONSOLIDATED TEA PLANTATIONS LTD	2,223,980	2.96%
6	MR. SIVAN GNANASEKARAN & MRS. MANIMEKALANI GNANASEKERAN	810,000	1.08%
7	BANK OF CEYLON NO. 1 ACCOUNT	729,997	0.97%
8	SEYLAN BANK PLC/ K.S. BALASURIYA	400,000	0.53%
9	SAMPATH BANK PLC/ DR.T.SENTHILVERL	375,363	0.50%
10	MR. KANDASAMY PARAMESWARAN	352,749	0.47%
11	MR. MUHAMED NALEEM MUHAMMED ABDUL CAADER & MRS.MAZEENA MUHAMMED ABDUL CAADER	352,468	0.47%
12	COMMERCIAL BANK OF CEYLON PLC A/C NO. 04	302,625	0.40%
13	MRS. SHIELA IRANGANIE HEENETIMULLA	270,000	0.36%
14	POLGAHAWELA SANASA SOCIETIES UNION LTD	227,000	0.30%
15	MR. WEERATHUNGA ARACHCHIGE SAMPATH PALITHA DE SARAM	220,707	0.29%
16	MR. SENAKA JAYANTHA RANASINGHE	210,634	0.28%
17	MR. PELI ARACHCHIGE LUKSHAMAN	189,000	0.25%

18	MR. MAPA MUDIYANSELAGE SAMANTHA INDUNIL	185,441	0.25%
19	MR. SEMASINGHE NAWARATHNE MUDIYANSELAGE SEMASINGHE	165,349	0.22%
20	MERCHANT BANK OF SRI LANKA AND FINANCE PLC/R R S ANANDA	160,104	0.21%
		60,881,361	80.93%

6. SUBSCRIPTION BY MAJOR SHAREHOLDERS

As mentioned above the Major Shareholder and Parent Company Consolidated Tea Plantations Limited has intimated that it will subscribe to the Rights Issue of Shares retaining a minimum of 51% controlling interest either directly or indirectly.

7. UNDERWRITING AGREEMENT

The Company has not entered into any Underwriting Agreement in relation to the Rights Issue.

8. SHARES

The existing issued ordinary shares of the Company consists only of Ordinary Voting Shares and the shares to be issued by the Company by way of the Rights Issue will also be of the same class of shares (i.e. Ordinary Voting Shares).

9. FRACTIONAL SHARES

No holder of shares in the capital of the Company shall be entitled upon such issue to a fractional part of a share and the aggregate of such fractions shall be dealt with as additional shares.

The fractional shares referred to herein shall mean the fractions arising after applying the following formula.

Number of Ordinary Voting Shares held by a Shareholder as at end of trading on the EGM Date x 07

2

10. STATUS OF THE NEW SHARES

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

11. ADDITIONAL SHARES

Shares Provisionally allotted and not subscribed for as at the last date of acceptance and payment will be deemed to have not been accepted and such unaccepted shares will be allotted at the same price to existing shareholders who apply for additional shares.

On an oversubscription in respect of additional shares, the additional shares will be allotted pro-rata, based on the rights entitlement of each shareholder and a residue if any, as determined by the Directors. In the event of the issue being undersubscribed, the additional shares will be allotted based on the additional shares requested for by the shareholders.

12. EXTRAORDINARY GENERAL MEETING

An Extraordinary General Meeting of the members of the Company will be convened in terms of the attached Notice, for 19th July 2021 at 10.00 a.m. and will be conducted as a Virtual Meeting from 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 01 or No. 98, Sri Sangaraja Mawatha, Colombo 10 (in keeping with the guidelines issued by the Colombo Stock Exchange (CSE) in respect of virtual meetings) at which the members will be requested to consider and if thought fit to pass the Ordinary Resolution necessary to give effect to the foregoing proposal of the Directors.

This Circular together with the Notice of Meeting, Form of Proxy and the Registration Form for Online Meeting Participation will be dispatched via post to the Shareholders provided bulk posting is not suspended and such being accepted by the Central Mail Exchange at the time. However, the said documents will be uploaded on the website of the Colombo Stock Exchange.

<https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=KOTA.N0000>

Shareholders who wish to participate at the aforesaid meeting through Audio/Video and visual means are kindly requested to complete and return the Registration Form attached to this Circular, to reach the Registered Office of the Company Secretaries, Corporate Managers & Secretaries (Pvt) Ltd, 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 01 or via e-mail to kotaegm2021@cmsl.lk at least three (3) days prior to the date of the Meeting.

Upon receipt of the duly completed Registration Form the Company Secretaries will email Virtual Meeting Attendance login information to the eligible shareholders or their duly nominated proxies to enable them to join the meeting.

If a Shareholder/Proxy holder intends joining the Virtual EGM via a smart phone, it is necessary for him/her to download the "Zoom Mobile App" onto his/her smart phone.

Similarly, if the Shareholder/Proxy holder wishes to join the meeting via a desktop computer, the link could be opened by downloading the "Zoom Desktop App" to the respective desktop computer (compatible web browser: Google Chrome)

Further, if shareholders are unable to participate at the Meeting and wish to raise any queries, such queries could be sent in writing to the Company Secretaries or via e-mail, as mentioned above, not less than three (3) days before the date of the Meeting. This is in order to enable the Company Secretaries to compile the queries and forward same for the attention of the Board of Directors so that same could be addressed at the meeting.

If you are unable to be present at this Extraordinary General Meeting to be held on 19th July 2021, you are kindly requested to complete and return the Form of Proxy to reach the Registered Office of the Company's Secretaries, Corporate Managers & Secretaries (Pvt.) Ltd., at 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 1, not less than 48 hours before the time appointed for the Meeting so that your proxy can represent you thereat and exercise your vote in accordance with your directions.

13. PROVISIONAL LETTER OF ALLOTMENT AND DIRECT DEPOSITS TO CDS

The Rights Shares will be provisionally allotted upon receiving the approval of the Shareholders for the resolution pertaining to the Rights Issue at the Extraordinary General Meeting. The date of Entitlement of the Rights Issue will be as at the end of trading on 19th July 2021 and the Provisional Letter of Allotment along with a Supplementary Circular to Shareholders detailing the procedure for application will be dispatched on 28th July 2021. In addition the Rights Entitlement of those shareholders registered with the Central Depository Systems (Pvt) Limited (CDS) as at the date of Entitlement, will be deposited with the CDS on 28th July 2021. However Shareholders would be required to strictly comply with the application procedure set out in the aforesaid documents. Relevant documentation would also be uploaded on the website of the Colombo Stock Exchange www.cse.lk. Application for additional shares will be permitted. The last date for acceptance and payment will be 11th August 2021.

The Provisional Letter of Allotment and the Supplementary Circular to Shareholders would contain the procedure on how you may accept the shares provisionally allotted. The Provisional Letter of Allotment will enable renunciation to the Central Depository Systems (Pvt.) Ltd., (CDS) only up to 10th August 2021 (this will be applicable to those shareholders whose Entitlement is not deposited with CDS). Keeping in line with the Directive issued by the Securities & Exchange Commission of Sri Lanka by Circular No.8/2010 dated 22nd November 2010 and Central Depository Systems (Pvt.) Ltd., Circular No.13/2010 dated 30th November 2010, the shares allotted by this Rights Issue would be directly deposited to the CDS Account of each shareholder. The direct deposit of shares to the respective shareholders CDS Accounts, will be completed within 12 market days from the last date of acceptance and payment. The relevant shareholders will be notified of such direct deposit within two (2) market days of the direct deposit.

Shareholders who do not possess CDS Accounts are advised to open such an account immediately through any one of the Members and Trading Members of the CSE or any one of the registered Custodian Banks.

In the event of the non-availability of the CDS Account Numbers, the new shares to be allotted, will only be registered in the Share Ledger maintained by the Company and you will not be entitled to a share certificate and thereby it would not be possible to trade with the new securities until such time the same has been deposited with the CDS.

It is important to note that except for the Entitlement Date (i.e. 19th July 2021) the rest of Dates/Timelines applicable for the Rights Issue of shares mentioned above may differ in the event the "Delivery Vs. Payment (DVP)" system which is expected to be implemented on 26th July 2021 by the Colombo Stock Exchange is enabled. In such event the Company will notify all shareholders of same via a Market Announcement on the website of the Colombo Stock Exchange.

Strict compliance with the instructions detailed in the Provisional Letter of Allotment and the Supplementary Circular to Shareholders is necessary.

In the event a Shareholder does not receive the Provisional Letter of Allotment dispatched via post, such shareholder may contact, during Office hours, the Company Secretaries/Registrars Corporate Managers & Secretaries (Private) Ltd. on Mobile Nos. **0741979083, 0741979084 and 0741979085**, for assistance.

14. LISTING

Approval in principle has already been obtained from the Colombo Stock Exchange to issue and list the new Securities. Trading of the "Rights" shall commence on the fourth (4th) Market Day from and excluding the date (i.e. 28th July 2021) of dispatch of the Letters of Provisional Allotment and the deposit of the Rights Entitlement of those shareholders registered with the Central Depository Systems (Pvt) Limited (CDS). Such trading shall continue throughout the period of renunciation to the CDS.

The listing of the securities by the Colombo Stock Exchange will in no way be reflective of the merits of the issue. The Colombo Stock Exchange assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports included.

15. GENERAL

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, attorney-at-law or other professional advisor immediately.

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

KOTAGALA PLANTATIONS PLC

CORPORATE MANAGERS & SECRETARIES (PRIVATE) LIMITED

Secretaries

KOTAGALA PLANTATIONS PLC

(Company No. PQ 174)

NOTICE OF AN EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held on 19th July 2021 at 10.00 a.m., and will be conducted as a Virtual Meeting from 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 01 or No. 98, Sri Sangaraja Mawatha, Colombo 10, for the purpose of considering and if thought fit, passing the following ORDINARY RESOLUTION:

ORDINARY RESOLUTION

RIGHTS ISSUE

Resolved -

"THAT 263,287,500 new ordinary shares be offered to the existing holders of issued ordinary shares of the Company as at end of trading on 19th July 2021, in the proportion of Seven (07) new Ordinary Shares for every existing Two (02) Ordinary Shares held at a price of Rupees Three (Rs. 3/-) per share and such offer be made by way of a Provisional Letter of Allotment with provisions for Renunciation to the Central Depository Systems (Pvt.) Ltd.,(CDS) only (with such Renunciation to CDS being only applicable to Ledger/Non CDS Shareholders) or by the deposit of provisionally allotted shares with the Central Depository Systems (Pvt) Limited (CDS) and such shares will rank pari passu with the existing issued ordinary shares of the Company and shall be entitled to any dividends declared only after the final allotment which shall be after the date of acceptance and payment and that the shares provisionally allotted and not subscribed for as at the last date of acceptance and payment be deemed to have not been accepted and such unaccepted shares be allotted at the same price to existing shareholders who apply for additional shares; provided that on an oversubscription in respect of additional shares, the additional shares be allotted pro-rata, based on the rights entitlement of each shareholder and a residue if any, as determined by the Directors, and in the event of the issue being undersubscribed, the additional shares be allotted based on the additional shares requested for by the shareholders.

Provided that no such holder of ordinary shares (as at the said date) shall be entitled upon or in consequence of the aforesaid offer to a fractional part of any shares in the Company and that such of the said new ordinary shares representing fractional entitlements, shall be treated as unaccepted shares and be dealt with as aforesaid (Refer Item 9 in the Circular to Shareholders dated 29th June 2021)".

By Order of the Board

KOTAGALA PLANTATIONS PLC

CORPORATE MANAGERS & SECRETARIES (PRIVATE) LIMITED

Secretaries

Colombo

29th June, 2021.

Note:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of him/her.
2. A proxy need not be a member of the Company.
3. A Form of Proxy accompanies this Notice.
4. In the event the Company is required to take any further action in relation to the meeting due to the COVID-19 Pandemic, and / or any communications, guidelines, directives or orders issued by the Government of Sri Lanka, Notice of such action shall be given by way of an announcement to the Colombo Stock Exchange.

KOTAGALA PLANTATIONS PLC

(Company No. PQ 174)

FORM OF PROXY

I/We

of

being a member/ members of Kotagala Plantations PLC hereby appoint

.....or failing him

- | | |
|---------------------------------------|---------------------------|
| 1. Sri Dhaman Rajendram Arudpragasam | of Colombo or failing him |
| 2. Chrisantha Priyange Richard Perera | of Colombo or failing him |
| 3. Ajit Mahendra de Silva Jayaratne | of Colombo or failing him |
| 4. Mahen Susantha Madugalle | of Colombo or failing him |
| 5. Sunil Somindranath Poholiyadde | of Colombo or failing him |
| 6. Anushman Rajaratnam | of Colombo |

as my/our* Proxy to represent me/us and to speak and vote as indicated hereunder for me/us* and on my/our* behalf at the Extraordinary General Meeting of the Company to be held on 19th July 2021, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

<u>*In favour of</u>	the Ordinary Resolution set out in the Notice convening the
Against	aforesaid Meeting.

As witness my/our* hand(s) this day of 2021.

.....
Signature of Shareholder

Note: * Please delete the inappropriate words.

1. A Proxy need not be a member of the Company.
2. Instructions as to completion appear on the reverse.

INSTRUCTIONS AS TO COMPLETION OF FORM OF PROXY

1. To be valid, this Form of Proxy must be deposited at the Registered Office of the Company's Secretaries Corporate Managers & Secretaries (Private) Limited., 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 1, not less than 48 hours before the time appointed for the holding of the meeting.
2. In perfecting the Form of Proxy, please ensure that all details are legible.
3. Please indicate clearly how your proxy is to vote on the resolution. If no indication is given the proxy at his discretion may vote as he thinks fit.
4. In the case of corporate members the Form of Proxy must be under seal or under the hand of an authorized Officer or Attorney.
5. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of the same, or a copy certified by a Notary Public must be lodged with the Company's Secretaries, Corporate Managers & Secretaries (Pvt) Ltd., along with the Form of Proxy.

KOTAGALA PLANTATIONS PLC

(Company No. PQ 174)

Registration Form

Participation at the EXTRAORDINARY GENERAL MEETING (EGM) of KOTAGALA PLANTATIONS PLC to be held on 19th July 2021 and to be conducted as a Virtual Meeting.

DETAILS OF SHAREHOLDER

Full Name of the Principal Shareholder :

NIC No./PassportNo./CompanyRegistrationNo.:

CDS Account No. :

Folio No. indicated in the Address Label:

Residential Address :

Telephone No/s : Email :

Full Name of 01st Joint Holder :

NIC No/ Passport No. :

Full Name of 02nd Joint holder:

NIC No/Passport No. :

In the event a Proxy holder is appointed by the Shareholder the following details of him/her will also be required.

DETAILS OF PROXY HOLDER : (only if a proxy is appointed)

Full name of Proxyholder:

NIC No./Passport No. of Proxyholder:

Telephone No/s. : Email :

Signature/s: : :
Principal Shareholder 01st Joint holder 02nd Joint holder

Date :

Note : In the case of a Company/Corporation, the Shareholder Registration Form must be signed under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association and in the case of the Registration Form being signed by an Attorney, the Power of Attorney, must be deposited at the Registered Office of the Company Secretaries, Corporate Managers & Secretaries (Pvt) Ltd, 8-5/2 Leyden Bastian Road, Colombo 01, Sri Lanka or emailed to kotaegm2021@cml.lk