

MARAWILA RESORTS PLC
(Company No. PQ 198)

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

Date: 28th February 2023

CIRCULAR TO SHAREHOLDERS

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.
November 2022	2.90	2.30	2.60
December 2022	3.10	2.00	2.10
January 2023	2.30	2.00	2.20

Market Price as at the date of the Circular – Rs. 2.20(Closing price)

Dear Sir(s)/Madam,

RIGHTS ISSUE OF ORDINARY SHARES

The Board of Directors of Marawila Resorts PLC have decided to issue One Hundred and Fifty Two Million (152,000,000) Ordinary Shares by way of a Rights Issue of Shares at a price of Rs.2.00 per share to the holders of the issued Ordinary Shares of the Company as at end of trading on 24th March 2023,(i.e. Record Date) in the proportion of Two (02) New Ordinary Shares for every Three (03) 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.

The Directors of the Company are of the view that the going concern assumption based on the cashflow projections for the next 12 months and the Company's future growth potential, is appropriate.

Further, the Parent Company has issued a letter of support undertaking to extend the financial support to the Company to ensure the going concern ability of the Company.

In the event the matters pertaining to going concern were to escalate, appropriate action will be taken by the Company at the time, in terms of the Listing Rules.

1. BACKGROUND

The Company was incorporated on 22nd January 1992 under the Companies Act No. 17 of 1982 under the name "Travel Club 2000 Ceylon (Private) Limited". In February 1994 the Company changed its

status to become a Public Company and changed its name to Marawila Resorts Ltd., and was listed on the Colombo Stock Exchange in 1997. The Company is presently known as "Marawila Resorts PLC" consequent to re-registration on 3rd September 2008 under the Companies Act No. 7 of 2007. The principal activity of the Company is operation of a four star class hotel, namely "Club Palm Bay" at Marawila.

2. PURPOSE AND UTILIZATION OF PROCEEDS OF THE RIGHTS ISSUE

The purpose of the Rights Issue is to raise funds amounting to Rs.304M and the proceeds will be utilized for the following purposes:

1. To settle intercompany balance
2. Partial settlement of bank borrowings and
3. For Working Capital requirements

The settlement of the inter company balance and the bank borrowing would be to the extent of Rs. 90,874,421/- and Rs. 26,658,000/- respectively whilst the balance sum of Rs.186,467,579/- would be utilized for working capital requirements namely settlement of statutory liabilities, creditors and for operational expenses. The intercompany balance to be settled includes loans/advances given by the Group Companies and channeled through Colombo Fort Hotels Ltd (Major Shareholder) a substantial component of which was to support the operations of the Company during the COVID -19 pandemic and for managing the Company's operations consequent thereto. The balance component of loans/advances were obtained by the Company for the purposes of immediate working capital requirements. The dues to Colombo Fort Hotels Ltd is the largest intercompany balance owed by the Company. The loan obtained from Commercial Bank Ceylon PLC has the longest remaining payback period in comparison to other bank loans obtained by the Company. Accordingly, the Company has prioritized the settlement of the said dues considering the substantial saving on the interest cost and in order to streamline and restructure the liabilities to improve the balance sheet. In the event of an under subscription the utilization of proceeds would be made in said order of priority.

The details in relation to the settlement of the intercompany balance and bank borrowings are given below:

Description	Amount outstanding as of 31.12.2022 (Rs.)	Amount to be settled Rs.	Purpose for which the borrowing obtained	Applicable Period	Settlement position
1 . Intercompany Borrowings – Colombo Fort Hotels Ltd	90,874,421.00	90,874,421.00	For immediate working capital requirements during pre and post pandemic situation	Loans obtained before pandemic situation:– Rs. 25,076,539.00 Applicable Interest rate: AWPLR + 2% Loans obtained during pandemic situation: – Rs. 10,316,733.00 Applicable Interest rate: AWPLR + 2% Advances obtained during	Full settlement of the balance as of 31 December 2022

				pandemic situation: Rs. 55,481,149.00 Applicable Interest rate: Nil	
2. Commercial Bank LKR Loan Capital Settlement (External lender – Not a related party)	166,109,830.00	26,658,000.00	To settle part of the Outstanding overdraft and settlement of working capital loans obtained to support working capital requirements due to COVID – 19 pandemic situation	From April 2020 to 31st December 2022 Applicable interest rate: AWPLR + 3% Payable in 53 monthly installments	Partial settlement to facilitate the restructure of the facilities outstanding.

Total Inter Company borrowings of the Company as at 31.12.2022 was Rs. 94.7Mn

The position of the borrowings of the Company after settling of the aforesaid debts would be as follows:

	Before Rights Issue As at 31.12.2022 Rs. (Unaudited)	Position After Rights Rs. (Unaudited)
Total Bank Borrowings	662,182,861.00	635,524,861.00
Total Intercompany borrowings	94,745,640.00	3,871,219.00

The intercompany borrowings will be settled immediately upon the conclusion of the Rights Issue and the utilization of proceeds for settlement of Bank Borrowings will take place within seven to ten working days from the conclusion and finalization of the Rights Issue.

The loan component of the inter-company borrowing (which is to be settled via the Rights Issue) obtained by the Company from time to time for the purpose of financing immediate working capital requirements which arose during pre and post pandemic situation, is payable “on demand” and interest is charged at AWPLR+2%.

It is expected to utilize the subscriptions received from the major shareholder Colombo Fort Hotels Ltd and or other group/related companies (some of which are identified under item numbers 2, 3, 4, 6, 14 and 15 under the 20 Major Shareholders) to settle the said intercompany borrowing.

Non-recurrent transactions pertaining to intercompany borrowings taken place after the formation of the Related Party Transactions Review Committee (RPTRC) as per Section 9 of the CSE Listing Rules, have been reviewed and recommended by the Committee. However, since the first objective of the Rights Issue relates to settlement of intercompany borrowing, the Company is of the view that RPTRC review for settlement is not required.

Currently the Related Party Transactions Review Committee comprises of Mr. A. R. Rasiyah – Chairman, Independent Non-Executive Director, Mr. C. P. R. Perera – Independent Non-Executive Director and Mr. Anushman Rajaratnam– Non-Executive Director (Appointed with effect from 1st January 2023). Mr. T. Theyagamurti (Independent Non-Executive Director) ceased to be a member with effect from 31st December 2022.

The working capital position of the Company as at 31st December 2022 was as follows:

	Before Rights Issue -Rs.'000) (Unaudited)	After Rights Issue - Rs.'000) (Unaudited)
Current Assets	117,986	205,100
Current Liabilities	399,197	208,970
Working Capital Deficit	(281,211)	(3,870)

The proceeds from the Rights Issue will not bridge completely the existing deficit. Accordingly the Company will continue to fund its working capital requirements via a mix of borrowings from Financial Institutions and by managing its creditors.

The funds amounting to Rs. 186,467,579/- to be allocated for working capital requirements will be utilized as follows :

Statutory Liabilities	Rs. 74,353,530.00
Trade Creditors	Rs. 25,000,000.00
Operating expenses	Rs. 87,114,049.00

The statutory liabilities and the settlement or trade creditors will be completed within 15 working days from the conclusion and finalization of the Rights Issue. The funds to be utilized for other operating expenses will be deposited in a call deposit account at an approximate interest rate of 20% per annum, for periodic utilization within a period of 9 months from the date of the conclusion of the Rights Issue.

The Company does not foresee any specific risk associated with the objectives neither does it foresee any risk in being unable to fulfill the above objectives within the stipulated timelines except that in the event the issue is undersubscribed, the inability to meet its objectives in total may impact the gearing ratio and profitability due to additional borrowings and interest cost that may have to be incurred in order to sustain the business operations of the Company.

Pursuant to the Rights Issue, the restructuring of the Balance sheet of the Company will result in substantial savings on interest.

Further, having additional working capital will allow the Company to improve its revenue and profitability.

The Rights Issue proceeds will be utilized solely for the aforementioned purposes and would not be utilized for any other purpose. Settlement of bank borrowings and utilization of proceeds for working capital purposes do not fall under related party transactions.

The Company does not foresee any deviation from the identified objectives, however if the Company does not utilize the funds for the stated Rights Issue objectives and proposes to use same for another objective, such change will be subject to necessary market announcements being made by the Company and obtaining shareholder approval.

The objectives of the Rights Issue does not amount to a Major Transaction as per Section 185 of the Company's Act No.7 of 2007.

The Company expects the issue to be subscribed in full. However, the proceeds will be utilized to the extent the issue is subscribed.

3. FINANCIAL INFORMATION

The Company has not paid any dividends for the financial years ended 2021/2022, 2020/2021 and 2019/2020.

Further, there is no material change in the nature of contingent liabilities as disclosed in the Company's Interim Financial Statements for the nine months ended 31st December 2022 (unaudited).

The financial position of the Company before and the expected position after the Rights Issue of shares is set out below:

	As at 31.12.2022	Right issue adjustment	After Right issue
	Rs.000	Rs.000	Rs.000
Total Non Current assets	1,787,131	Nil	1,787,131
Total Current assets	117,986	87,114	205,100
Total Assets	1,905,117		1,992,231
Total Equity	698,059	304,000	1,002,059
Total Non Current liabilities	807,860	(26,658)	781,202
Total Current liabilities	399,197	(190,228)	208,970
Total Equity and Liabilities	1,905,117		1,992,231

The tourism industry witnessed a downward trend in the year 2019/2020 when compared to 2020/2021. Despite the challenges during the year 2022, the Company has reported improved results in comparison to the year 2021, the details of which were further elaborated in the Annual Report of 2021/2022. The Company anticipates to achieve positive results during Winter 2023.

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 December 2022 (unaudited).

<u>Major Shareholders</u>	<u>No. of Shares</u>	<u>%</u>
1. Colombo Fort Hotels Ltd	93,624,955	41.06
2. Sigiriya Village Hotels PLC	17,000,000	7.46
3. Union Bank of Colombo/Lankem Ceylon PLC	11,023,676	4.83
4. Acuity Partners (Pvt) Ltd/Union Investments (Pvt) Ltd	6,681,037	2.93
5. People's Leasing & Finance PLC/L.P. Hapangama	5,894,343	2.59
6. Pan Asia Banking Corporation PLC/Lankem Ceylon PLC	5,455,153	2.39
7. Hatton National Bank PLC/Hennasy Geeth Balasuriya	2,900,000	1.27
8. Mr. Amarakoon Mudiyanse Weerasighe	2,147,880	0.94
9. Mr. Ananda Deepthi Edussuriya	2,004,500	0.88
10. Hatton National Bank PLC/Muhandiramlage Lasantha Kumara Somaratne & Munasinghe Liyana Arachchige Sagari Induka	2,000,000	0.88
11. Nation Lanka Capital Ltd/Weerasekarage Anush Thilina	2,000,000	0.88
12. Mr. Amirally Lukmanjee	1,942,500	0.85
13. People's Leasing & Finance PLC/Dr. H. S. D. Soysa & Mrs. G. Soysa	1,680,870	0.74
14. The Colombo Fort Land & Building PLC	1,510,000	0.66
15. Colombo Fort Investments PLC	1,430,000	0.63
16. Miss Angeline Myrese Ondaatjie	1,427,576	0.63
17. Mr. Gerard George Ondaatjie	1,427,575	0.63
18. Mr. Travice John Ondaatjie	1,427,574	0.63
19. People's Leasing & Finance PLC/Mr. S. Gobinath	1,415,000	0.62
20. Mr. Ravindra Erle Rambukwelle	1,133,200	0.50

6. UNDERWRITING AGREEMENT

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

7. 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).

8. 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.

9. 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.

10. ADDITIONAL SHARES

Shares provisionally allotted and not subscribed for as at the last date of acceptance and payment, for which payment has not been duly and validly received by the Company or where applications have been rejected, such shares 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.

11. EXTRAORDINARY GENERAL MEETING

An Extraordinary General Meeting of the members of the Company will be convened in terms of the attached Notice, for 21st March 2023 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, (in accordance with the Articles of Association of the Company and the guidelines issued by the Colombo Stock Exchange (CSE) on the conduct of virtual meetings) at which meeting the members will be requested to consider and if thought fit to pass the 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. The said documents will also be uploaded on the website of the Colombo Stock Exchange.

<https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=MARA.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 (Private) Limited, 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 01 or via e-mail to maraegm2023@cmsl.lk at least three (3) days prior to the date of the Meeting.

Upon receipt of the duly completed Registration Form the 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 21st March 2023, you are kindly requested to complete and return the Form of Proxy 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, 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.

12. 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 24th March 2023 (i.e. Record Date). Provisional Letters of Allotment in its entirety will be dispatched/made available to shareholders of the Entity who hold shares in Scrip Form (i.e. Leger Shareholders). Rights Entitlements of those shareholders registered with the Central Depository Systems (Pvt) Limited (CDS) (along with the Rights Entitlement of any shares held by such shareholders in the Company Ledger) as at the date of Entitlement, will be deposited with the CDS on 29th March 2023 and the Provisional Letter of Allotment excluding Form A: Letter of Acceptance and Registration and Form B: Form of Renunciation to the CDS will be dispatched/made available to the shareholders who are registered with CDS as at the Record Date. Application for additional shares will be permitted. The last date for acceptance and payment will be 25th April 2023.

Shareholders would be required to strictly comply with the application procedure set out in the Provisional Letter of Allotment and the Application for Additional Shares.

The Application for Additional Shares along with other relevant documentation would also be uploaded on the website of the Colombo Stock Exchange www.cse.lk.

The Provisional Letter of Allotment will enable renunciation to the Central Depository Systems (Pvt.) Ltd., (CDS) only up to 19th April 2023 (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 10 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. Consequent to opening of the CDS Account by such Shareholder, the new shares (if any) registered in the company ledger will be credited to such CDS Account on receipt of written request from the respective shareholder to deposit such shares and will be carried out on a weekly basis.

In the event a Shareholder (i.e. shareholders of the entity who hold shares in Scrip Form - Ledger Shareholders) 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.

13. 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 (i.e. 10th April 2023) from and excluding the date of dispatch/making available the Letters of Provisional Allotment. 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.

14. 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

MARAWILA RESORTS PLC

CORPORATE MANAGERS & SECRETARIES (PRIVATE) LIMITED

Secretaries/Registrars to the Issue

CORPORATE MANAGERS & SECRETARIES (PRIVATE) LTD


Secretaries 03/03/2023