



29th August 2024

Mr. Renuka Wijayawardhana
Chief Regulatory Officer
Colombo Stock Exchange
04-01 West Tower
World Trade Centre
Echelon Square
Colombo 1

Dear Sir,

PALM GARDEN HOTELS PLC - CHANGE IN OBJECTIVES OF RIGHTS ISSUE

We write to communicate to you the following :

- (1) At an Extra Ordinary General Meeting held on 22nd September 2023, the shareholders of Palm Garden Hotels PLC (the Company) approved a Right Issue of Shares to the value of Rs. 17,739,470,000/-.
- (2) The Rights Issue was concluded in November 2023
- (3) Among other objectives, for utilization of funds raised via the Rights Issue, one of the objectives was to subscribe to the Rights Issue of Eden Hotel Lanka PLC of Rs. 10,500,000,000/-

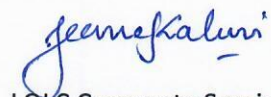
This included investing in Palm Gardens Rights Issue Entitlement of 49.54% in Eden Hotel Lanka PLC and further underwriting the shares of another major shareholder, Browns Hotels & Resorts Ltd. (BHRL) who held a stake of 42.61% in Eden Hotel Lanka PLC. However, since BHRL took up their rights entitlement in full, the Company was left with an excess of funds of Rs. 5,723,000,000/- raised via its own Rights Issue.

- (4) A further objective of the Company's Rights Issue was to invest in Riverina Resorts (Pvt) Ltd., a 100% owned subsidiary of the Company a sum of Rs. 633,000,000/-, out of the funds raised by the Company via its Rights Issue. As stated in the circular to shareholders seeking subscription for the Company's Rights Issue, Riverina Resorts (Pvt) Ltd was then constructing a hotel. Therefore, it required funds to settle certain inter-company borrowings that were borrowed initially for the construction, up to an amount of Rs. 633,000,000/-. The total inter-company borrowings amounted, as of then, to approximately Rs. 8,100,000,000/- and upon the investment by the Company of Rs. 633,000,000/- a further sum of Rs. 7,467,000,000/- was outstanding as inter- company borrowings.
- (5) In this backdrop, the Board of Directors of the Company resolved on 29th August 2024 to utilize the excess funds of Rs. 5,723,000,000/- to invest in shares in Riverina Resorts (Pvt) Ltd., which is currently facing a serious loss of capital and enable the said Company to settle inter-company borrowings, in part, out of the total outstanding amounting to Rs.7,467,000,000/-.

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The Company proposes to seek the Shareholder's approval at the Annual General Meeting on 27th September 2024.

Yours faithfully,
PALM GARDEN HOTELS PLC



LOLC Corporate Services (Pvt) Ltd
SECRETARIES