PEGASUS HOTELS OF CEYLON PLC (PQ 40)

Circular to Shareholders

Dear Sir/Madam

SUB-DIVISION OF ORDINARY SHARES OF PEGASUS HOTELS OF CEYLON PLC

Background

The Board of Directors ("Board") of Pegasus Hotels of Ceylon PLC (the "Company"), being of the view that it is prudent to increase the number of shares through a sub-division thereby enhancing the liquidity and tradability of the shares, has decided by Circular Resolution dated 20th July 2026 to, subject to the approval of its Shareholders by way of an Ordinary Resolution, subdivide the existing ordinary shares of the Company, as announced on the Colombo Stock Exchange ("CSE") on Tuesday, 21st July 2026.

The sub-division will not change the Stated Capital of the Company nor alter the underlying assets and is expected to improve the marketability and liquidity of the Company's stock without altering the underlying value of shareholders' holdings.

Details of the Proposed Sub-Division of Shares

The proposed sub-division will be effected on the basis of a sub-division of every one (01) existing ordinary share held by a shareholder sub-divided into two (02) Ordinary Shares thereby increasing the total number of issued shares of the Company from 42,210,470 ordinary shares into 84,420,940 Ordinary Shares without in any way changing the Stated Capital of the Company, which would remain at Rs.751,548,321/50.

The rights presently attached to the existing issued ordinary shares in the Company shall, consequent to such sub-division, vest in each such ordinary share arising from the said sub-division. Consequently, the relative voting and distribution rights of the ordinary shareholders will remain unaffected by the said sub-division of shares.

Compliance with Law

Article 15 (2) of the Articles of Association of the Company, as quoted below, permits the Company to effect a Sub-Division of shares, and an excerpt of the same is provided below.

> *15 (2) The Company may subdivide all of the Shares in the Company or all of the Shares in a particular class of shares in the Company into a greater number of Shares, in proportion to those Shares, leaving unaffected the relative voting and distribution rights of the holders of those Shares, it being deemed that all of the rights attached to all of the Shares that existed prior to the subdivision shall, ipso facto, vest by the subdivision on the Shares so subdivided. The Board may follow a procedure to effect such subdivision as the Board may consider appropriate.*

Sub-division and the modality the Company proposed to adopt in effecting the increase of shares by way of a sub-division is consistent with the provisions of the Companies Act, No. 07 of 2007, Articles of Association of the Company and the "Procedure to be Adopted by Listed Entities when Increasing the Number of Shares by Way of a Sub-Division of Shares Without a Change to the Stated Capital w.e.f. 09th June 2026" issued by the CSE.

For the avoidance of doubt, the said sub-division of shares in the Company will not result in an issue of shares by the Company in terms of Section 51 of the Companies Act, No.07 of 2007.

Accordingly, an Extraordinary General Meeting ("EGM") of the Shareholders of the Company will be held on Friday, 11th September 2026 at 9:30 a.m. and attached is the Notice of the EGM, which sets out the resolution that will be placed before the shareholders for the purpose of increasing the number of shares by way of a sub-division.

The sub-division would take place based on the number of shares held by a shareholder as at end of trading on the Record Date/ Entitlement Date which will be the 2nd Market Date from and excluding the said EGM date, i.e. Tuesday, 15th September 2026 ("Record Date/Entitlement Date").

Dealing Suspension

Pursuant to such sub-division of shares, dealings will be suspended at the end of trading on the date of the EGM, for a period of five (05) market days from and excluding the said EGM date for the purpose of updating the register of shareholders and the records of the Central Depository Systems (Pvt) Ltd ("CDS") pursuant to such sub-division. Accordingly, dealing in the shares of the Company will be suspended for a period of five (05) market days from Monday 14th September 2026 to Friday, 18th September 2026.

The dealing of shares following the sub-division will re-commence on Monday, 21st September 2026.

Uploading of Shares to the CDS records for post Sub-Division of Shares

When determining the number of shares held by a shareholder as at the Record Date, for the purposes of sub-division, the shareholding of the shareholders appearing in the share register maintained by the Company and in the CDS will not be aggregated. However, if a shareholder holds shares through multiple CDS accounts maintained through several Trading Participants, the said shares will be aggregated for the purposes of calculating the entitlement at the sub-division, and the shares arising as a result thereof will be uploaded to the respective CDS accounts in its original proportion held with each Trading Participant.

Subsequent to the shares being updated with the proposed sub-division, the shares held by CDS account holders will be directly uploaded to their respective CDS accounts prior to the re-commencement of trading on Monday, 21st September 2026.

In the case of shareholders whose shares have not been lodged with the CDS, those shareholders are kindly requested to open an account with the CDS prior to the date of the EGM convened as per the attached Notice of Meeting in order to ensure compliance with the Directive of the Securities and Exchange Commission of Sri Lanka ("SEC") made under its Circular No. 08/2010 dated 22nd November 2010. Until such time the CDS accounts are opened by shareholders who do not have CDS accounts, the subdivided shares of such shareholders will only be registered in the share register of the Company, and no share certificates will be issued to such shareholders. Any share certificates pertaining to ordinary shares that had not been deposited in an account maintained with the CDS shall be deemed to be invalid *ipso facto* upon the sub-division.

Direct uploads pertaining to written requests received from the Company's ledger shareholders to deposit such shares will be done on a weekly basis.

Any shareholder who has misplaced/lost the share certificate/s, is kindly requested to contact the Company Secretaries, Carsons Management Services (Private) Limited at No. 61, Janadhipathi Mawatha, Colombo 01, Sri Lanka to facilitate the direct deposit of increased shares to the shareholders' CDS account.

Shareholders who may require additional details or assistance in relation to any of the above-mentioned matters may contact –the Corporate Solutions Unit of the CDS on telephone no. +94 112 356 444 or email registrars@cse.lk on any working day between 9.00 a.m. and 4.30 p.m.

The concurrence of the Colombo Stock Exchange (CSE) has been obtained on Wednesday, 12th August 2026 for the aforesaid sub-division of shares. The Company does not require the approval of any regulator other than the CSE for the sub-division.

Disclosure

For avoidance of doubt, CSE neither approves nor assumes any responsibility and does not regulate the modality adopted by the Company, in relation to the increase of shares by way of the sub-division and/or for the validity of shares arising from such increase.

Attached hereto is the notice convening the EGM of the Company, at which shareholders will be requested to consider and, if deemed fit, approve the requisite resolutions relating to the proposed sub-division of shares in the Company and the consequent allotment of shares.

Shareholders who are unable to participate at the EGM to be held on Friday, 11th September 2026, at 9:30 a.m. at Auditorium, Ground Floor, The Ceylon Chamber of Commerce, No. 50, Nawam Mawatha, Colombo 02, Sri Lanka, may appoint a proxy as his/her/its proxy by forwarding the duly completed 'Form of Proxy' not later than 4.45 p.m. on Wednesday, 09th September 2026, clearly indicating their vote under each matter set out in the Form of Proxy attached herewith.

Shareholders may also appoint a member of the Board of the Company to act as their proxy if they so choose. The shareholders who wish to appoint a Director as his/her/its proxy must forward the duly completed Form of Proxy clearly indicating their vote under each matter set out in the Form of Proxy and forward same to the Company.

By Order of the Board of

PEGASUS HOTELS OF CEYLON PLC

Carsons Management Services (Private) Limited

Company Secretaries

25th August 2026

PEGASUS HOTELS OF CEYLON PLC – PQ 40

Notice of Meeting

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of **PEGASUS HOTELS OF CEYLON PLC** (the "Company") will be held on Friday, 11th September 2026 at 9:30 a.m. at the Auditorium, Ground Floor, The Ceylon Chamber of Commerce, No.50, Nawam Mawatha, Colombo 2, Sri Lanka for the following purposes:

ORDINARY RESOLUTION

To consider and, if thought fit, to pass the following Ordinary Resolution for sub-division of exiting ordinary shares in the Company.

"IT IS HEREBY RESOLVED THAT

(i) Pursuant to Article 15 (2) of the Articles of Association of the Company, every one (01) existing ordinary share held by each shareholder of the Company be sub-divided into two (02) ordinary shares, thereby increasing the total number of shares in issue from existing forty-two million two hundred and ten thousand four hundred and seventy (42,210,470) ordinary shares into eighty-four million four hundred and twenty thousand nine hundred and forty (84,420,940) ordinary shares.

(ii) the shares in the Company pursuant to the sub-division shall have the same rights *vis-à-vis* the existing shares in the Company and the aforesaid sub-division will leave unaffected the relative voting and distribution rights of the holders of the ordinary shares.

(iii) The aforesaid sub-division be made without any change to the existing Stated Capital of the Company of Sri Lanka Rupees Seven Hundred and Fifty-One Million Five Hundred and Forty-Eight Thousand Three Hundred and Twenty-One and Cents Fifty Only (Rs. 751,548,321/50).

(iv) The sub-division of ordinary shares will be based on the shareholding as at end of trading on the Record Date/Entitlement Date which will be the 2nd Market Day from and excluding the said EGM date. i.e. Tuesday, 15th September 2026 ("Record Date/Entitlement Date"), in terms out rules and regulations issued by the Colombo Stock Exchange.

By Order of the Board

(Sgd.)
Natasha Selvaratnam
President - Group Company Secretarial
Carsons Management Services (Private) Limited
Secretaries

Colombo
On this 25th day of August 2026

NOTES:

1. A member is entitled to appoint a proxy to attend and vote instead of him/herself. A proxy need not be a member of the Company. A Form of Proxy accompanies this Notice.
2. The completed Form of Proxy must be submitted to the Company **not later than 4.45 p.m. on Wednesday, 09th September 2026**, – via email to **PEGEGM2026@carcumb.com**, or – via WhatsApp to mobile no. +94 764 765 463 or +94 767 410 683, or – by hand or post to the registered office of the Company, No. 61, Janadhipathi Mawatha, Colombo 1.
3. A person representing a body corporate is required to submit a certified copy of the resolution authorizing him/her to act as the representative of the body corporate. A representative need not be a member of the body corporate or the Company.
4. Security Check - We shall be obliged if the shareholders/proxies attending the Extraordinary General Meeting, produce their National Identity Card to the security personnel stationed at the entrance lobby.

PEGASUS HOTELS OF CEYLON PLC – PQ 40

Form of Proxy

I/We ....

of ....

...........being a member/members of **Pegasus Hotels of Ceylon PLC** hereby appoint

.... of

.... bearing

NIC No./Passport No .... or failing him/her,

Mahendra Dayananda	or failing him,
Krishna Selvanathan	or failing him,
Michael Timothy Leon Elias	or failing him,
Sivanandan Marimuthu	or failing him,
Dilkushan Ranil Pieris Goonetilleke	or failing him,
Amitha Saktha Amaratunga	or failing him,
Gihan Chinthaka Jayaweera	or failing him,
Vibath Roshan Wijesinghe	

as *my/our proxy to attend at the Extraordinary General Meeting of the Company to be held on Friday, 11th September 2026 at 9:30 a.m., at the Auditorium, Ground Floor, The Ceylon Chamber of Commerce, No.50, Nawam Mawatha, Colombo 2, Sri Lanka and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Ordinary Resolution	**For**	**Against**
To pass the Ordinary Resolution for sub-division of shares as set out in the Notice convening the aforesaid meeting.	☐	☐

Signed this......................day of........................Two Thousand and Twenty Six.

....

Signature /s

Note:

1. * Please delete the inappropriate words.
2. A shareholder entitled to attend and vote at a General Meeting of the Company, is entitled to appoint a proxy to attend and vote instead of him/her and the proxy need not be a Shareholder of the Company. A proxy so appointed shall have the right to vote on a show of hands or on a poll and to speak at the General Meeting of the Shareholders.
3. A Shareholder is not entitled to appoint more than one proxy to attend on the same occasion.
4. Instructions are noted on the reverse hereof.

FORM OF PROXY (Contd…) ---

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy after filling in legibly your full name and address, by signing in the space provided. Please fill in the date of signature.

2. If you wish to appoint a person other than the Directors as your proxy, please insert the relevant details in the space provided overleaf.

3. In terms of Article 54 of the Articles of Association of the Company: The instrument appointing a proxy shall be in writing and:

(i) in the case of an individual shall be signed by the appointor or by his attorney; and

(ii) in the case of a body corporate shall be either under its common seal or signed by its attorney or by an officer on behalf of the body corporate. The Company may, but shall not be bound to, require evidence of the authority of any such attorney or officer. A proxy need not be a member of the Company.

4. In terms of Article 50 of the Articles of Association of the Company: In the case of joint-holders of a share, the senior who tenders a vote, whether in person or by proxy or by attorney or by representative, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stands in the Register of members in respect of the joint holding.

5. The completed Form of Proxy should be submitted to the Company **not later than 4.45 p.m. on Wednesday, 09th September 2026**, – via email to **PEGEGM2026@carcumb.com**, or – via WhatsApp to mobile no. +94 764 765 463 or +94 767 410 683, or – by hand or post to the registered office of the Company, No. 61, Janadhipathi Mawatha, Colombo 1.

Please fill in the following details:

Name & contact no. of Shareholder : …………………………………………………………………………………………........................

CDS Account No. / Folio No. :………

Name & contact no. of Proxyholder :……

NIC No. of the Proxyholder :……….