

SHALIMAR (MALAY) PLC – PQ 51

61, Janadhipathi Mawatha,
Colombo 01

Circular to Shareholders

Dear Shareholders,

A) RE-APPOINTMENT OF DIRECTORS WHO ARE OVER 70 YEARS OF AGE

Messrs. I. Paulraj, M. Selvanathan, H. Selvanathan, Mr. K. C. N. Fernando and D.C.R. Gunawardena – Directors who are over 70 years of age were re-appointed as Directors of the Company at the Annual General Meeting of the Company held on 23rd June 2022, for a period of one year from 23rd June 2022 to 23rd June 2023, in order to comply with the requirements of the Companies Act, No. 07 of 2007.

Your Board of Directors recommend that the above Directors be re-appointed as Directors of the Company at the Extraordinary General Meeting (EGM) to be held on 19th June 2023 for a further period of one year commencing from 19th June 2023 or until the forthcoming Annual General Meeting of the Company, whichever comes first.

The requisite Resolutions to give effect to the above is set out in the attached Notice convening the EGM of the Company at which the shareholders will be requested to consider and if thought fit to pass the necessary Resolutions to give effect to the foregoing proposals of the Board of Directors.

B) DELISTING OF THE SHARES OF SHALIMAR (MALAY) PLC FROM THE OFFICIAL LIST OF THE COLOMBO STOCK EXCHANGE

It is recommended that you consult your stockbroker or other professional adviser for any clarifications you may require on the contents hereof

1.0 Background

SHALIMAR (MALAY) PLC (“SHAL” or “the Company”) made an announcement to the Colombo Stock Exchange (“CSE”) on May 17, 2023 (“Announcement”) with regard to the decision of the Board of Directors of the Company to initiate the process of delisting the shares of the Company from the official list of the CSE (“the Delisting”) subject to shareholder and regulatory approvals. Further, the Announcement highlighted the arrangements made with Goodhope Asia Holdings Limited (“GAHL”), the majority shareholder of the Company, to purchase the shares of the minority shareholders of the Company who may wish to divest/sell their shares via the Delisting at a price of LKR 2,452.00 per share (“Exit Offer”).

The details of the proposed Delisting are morefully described in the subsequent sections of this document.

2.0 Rationale for Delisting

The rationale for the proposed Delisting predominantly stems from the regulatory requirement imposed by Rule 7.14.1 (i) (a) of the Listing Rules of the CSE which requires all companies listed either on the Main Board or the Diri Savi Board of the CSE to meet and maintain a minimum public holding

threshold as a continuous listing requirement in the manner set out below. (“Minimum Public Holding Requirement”)

Board	Option	Minimum Public Holding Requirement		
		Float Adjusted Market Capitalization (LKR Bn)	Public Holding Percentage	Number of Public Shareholders
Main Board	1	10.0	No minimum % required	500
	2	7.5	5%	500
	3	5.0	7.5%	500
	4	2.5	10%	500
	5	less than 2.5	20%	500
Diri Savi Board	1	1.0	7.5%	200
	2	less than 1.0	10%	200

As per the latest corporate disclosure made by the Company on April 04 2023, the details pertaining to the status of the minimum public holding of the Company as of March 31, 2023 are as follows.

Float Adjusted Market Capitalization	Public Holding Percentage	Number of Public Shareholders
LKR 53,347,527.00	0.75%	336

Considering the above disclosure, the Company is not in compliance with the Minimum Public Holding Requirement in relation to a company listed on the Main Board as per Rule 7.14.1 (i) (a) of the Listing Rules of the CSE. Company’s public float of 0.75% and public shareholder base of 336 are below that required for companies listed on the Main Board of the CSE.

In light of the said non-compliance with the Minimum Public Holding Requirement, the Company, was transferred from the Main Board to the Watch List by the CSE on July 02, 2018, and subsequently transferred from the Watch List to the Second Board of the CSE on November 15, 2019. Accordingly, the trading of the shares of the Company was restricted to its shareholders classified as “non-public shareholders” in terms of CSE Listing Rules. Details pertaining to the non-compliance had been notified to the shareholders of the Company through annual reports, market disclosures and shareholder meetings on a continuous basis.

In order to rectify the non-compliance, the Company would have had to increase its public holding by a new share issue or the majority shareholder, GAHL, would have had to sell its shares. However, for the reasons noted below, both of these avenues are not feasible.

Firstly, with the divestment by the Company of its ownership in its operational assets i.e. Malaysian plantations as per the action plan announced to the CSE on December 01, 2015 (the sale proceeds of which were distributed to the shareholders via a share repurchase and dividend payment concluded in January 2017), Company’s investments consist only of a 13.33% shareholding in Shalimar Developments Sdn Bhd (a company incorporated in Malaysia).

Given that the Company has no plans to expand its business or make any additional investments in the foreseeable future, the Board of the Company, having taken into consideration the present financial position of the Company, is of the view that any capital infusion through a public offering of shares at this stage is not required.

Secondly, the majority shareholder, GAHL has indicated that it does not intend to dilute its current holding in the Company.

In the above circumstances, the Board of Directors of the Company is of the view that the Company should seek to de-list the shares of the Company from the official list of the CSE, as it is the only viable option available to the Company.

In this regard, the majority shareholder, GAHL has indicated its willingness to consider making an offer to purchase the shares of the minority shareholders of the Company who may wish to divest/sell their shares in the Delisting process at a price of LKR 2,452.00 per share. The details pertaining to the Exit Offer are morefully disclosed under Section 4 of this circular.

3.0 Compliance with the Statutory Procedure in respect of Delisting

The proposed Delisting of shares is carried out in accordance with Rule 5 of the applicable rules set out by the Securities and Exchange Commission of Sri Lanka ("SEC") as published in Gazette Extraordinary No. 1215/2 on December 18, 2001.

In terms of the said Rule, the Company, subsequent to obtaining the requisite approvals from the shareholders at an Extraordinary General Meeting ("EGM"), will forward an application to the SEC along with the required supporting documents for the proposed Delisting in order to seek its approval for the Delisting of the shares of the Company from the official list of the CSE. Subsequent to obtaining the approval of the SEC (for which the approval of the shareholders of the Company for the delisting is a necessary pre condition) for the Delisting, GAHL, as the majority shareholder will forward an offer document for the acquisition of the shares of the minority shareholders who may wish to divest/sell their shares of the Company via the Delisting at the price stipulated in the Exit Offer.

4.0 Exit Offer

Subject to obtaining requisite approvals from the shareholders of the Company and the SEC for the proposed Delisting, the Board of Directors of the Company has made arrangements with GAHL, to purchase shares in the Company held by any minority shareholder who wishes to sell the entirety or part of the shares held by such shareholder at a price of LKR 2,452.00 per share ("Exit Offer Price"). The Exit Offer Price will be applicable equally to all shares of the Company in respect of which the Exit Offer is made.

The Exit Offer Price was determined by the Board of Directors of GAHL based on an independent valuation of the Company carried out by M/s PriceWaterhouseCoopers Sri Lanka (PwCSL). The independent valuation conducted by PwCSL uses and relies upon the independent valuation of the Malaysia incorporated Shalimar Developments Sdn Bhd (SDSB) conducted by PricewaterhouseCoopers Advisory Services Sdn Bhd (PWCAS) based in Malaysia. The Company which owns a 13.33% shareholding in SDSB derives a significant component of its value (value of the company) from the fair value of SDSB.

With the intention of obtaining an independent professional view and opinion, the Company appointed M/s BDO Consulting Pvt Limited Sri Lanka ("BDO"), to carry out an independent valuation of the Company. M/s Ernst and Young (EY), Auditors of the Company, were also appointed to perform a review of the fairness of the valuation carried out by PwCSL. EY has issued a fairness opinion to the Board of Directors of the Company on the fairness of the valuation performed by PwCSL.

A summary of the valuation results based on valuations carried out by PwCSL and BDO is presented below:

Method of Valuation	Valuation by PwCSL		Valuation by BDO	
	Value Per Share (LKR)	Exit Offer Price as a Premium (%)	Value Per Share (LKR)	Exit Offer Price as a Premium (%)
Adjusted Net Asset Value as at March 31, 2023	2,296.70	7%	2,101.03	17%

Premiums Offered Compared to Market Prices

Period Ending May 16, 2023	VWAP per Share (LKR)	Exit Offer Price as a Premium (%)
3 months	1,101.09	123%
6 months	1,105.68	122%
12 months	1,070.76	129%

Analysis of Liquidity of the Company Share

Period Ending May 16, 2023	3 Month	6 Month	12Month
Shares Traded	366	378	1172
Number of Trades	71	77	137
Average Trades per day	5	4	3
Average Number of Shares per Trade	5	5	9

It should be noted that due to the relatively illiquid nature of the shares of the Company on the CSE, (refer table above), the Exit Offer described herein would provide any minority shareholder who wishes to sell his/her shares, an opportunity to do so.

A minority shareholder who wishes to divest his/her shares, and specifically a shareholder who wishes to sell a sizable volume of shares than usually traded in the market could use the Exit Offer as an opportunity to divest the illiquid shares at a price higher than the recently traded prices.

It should be noted that the Exit Offer of LKR 2,452.00;

- is at a premium ranging from 122% to 129% on the VWAP for the 3-month, 6-month and 12-month period ending May 16, 2023 (prior to the date of announcement of Delisting to the CSE and trading halt);
- is at a 17% premium to the valuation (i.e. Adjusted Net Asset Value as at March 31, 2023) carried out by BDO;
- is at a 7% premium to the valuation (i.e. Adjusted Net Asset Value as at March 31, 2023) carried out by PwCSL.

As such, the Exit Offer by GAHL is at an attractive premium over the Net Asset Value and Market Price/s as depicted above.

The Exit Offer is not subject to any conditions.

The minority shareholders will not be obliged to accept the Exit Offer and the shareholders will be given an option to accept the Exit Offer in full or part in respect of the shares held by them in the

Company. In case of partial acceptance, such shareholders would continue to hold the balance shares of the Company that are not sold to GAHL.

The shareholders who wish to retain their respective shareholdings in the Company are entitled to do so, and in such instance the shareholders would, in the event the Delisting is approved by the shareholders and the SEC, be holding shares of an entity that is not listed on the CSE.

In the event the Exit Offer made by GAHL is accepted in full by the minority shareholders, possible cash outlay that GAHL may incur amounts to LKR 0.1 Bn.

5.0 Acceptance of the Exit Offer

Subsequent to obtaining the approval of the SEC (for which the approval of the shareholders of the Company for the delisting is a necessary pre condition) for the Delisting, a detailed offer document together with a Form of Acceptance, giving relevant information including the terms of the Exit Offer, period during which the Exit Offer would be kept open, procedure for acceptance and period of payment for valid acceptances, will be forwarded to the shareholders of the Company. The shareholders who wish to divest/sell their shares (in full or part) of the Company are required to complete the requisite Form of Acceptance and return as per the instructions set out therein.

6.0 Status of the Company – Post Delisting

Upon the delisting of the shares from the official list of the CSE, the Company is deemed to have resolved to change its status from a public listed company to a public company. The name of the Company shall accordingly change from “SHALIMAR (MALAY) PLC” to “**SHALIMAR (MALAY) LIMITED**” in accordance with the provisions of the Companies Act No. 07 of 2007 (as amended) and the shareholders will no longer be able to trade their shares on the CSE. Subject to shareholders’ approval for the delisting of shares, a special resolution to give effect to the change of name of the Company is recommended for the approval of the shareholders at the EGM.

Upon obtaining the requisite approvals from the shareholders of the Company and the SEC for the proposed Delisting, the existing Articles of Association will be duly amended to reflect the change of status referred to above as approved by the shareholders. In this regard it is proposed that the Company replace its existing articles of association with the articles of associations set out in Annexure I. A special resolution to give effect to this proposal is also recommended for the approval of the shareholders at the EGM.

The salient features of the proposed amendments to the Articles of Association are as follows:

1. Amendments to align the articles with the provisions of the Companies Act No. 07 of 2007 including:
 - a. Deletion of the Memorandum of Association and introducing the objects clause into the Articles of Association
 - b. Deletion of provisions relating to the authorized share capital of the company and nominal capital
 - c. Deletion of reference to the Companies Ordinance and substitution therefor with reference to the Companies Act No. 07 of 2007
2. Reference to “SHALIMAR (MALAY) PLC” to be amended to “SHALIMAR (MALAY) LIMITED”
3. The deletion of Article 34A (re-produced below for ease of reference) in its entirety.

“34A. Notwithstanding any provision in these articles suggesting the contrary, shares quoted in a Licenced Stock Exchange shall be freely transferable and registration of the transfer of such quoted shares shall not be subject to any restriction, save and except to the extent required for compliance with statutory requirements”

4. The deletion of Article 34B (re-produced below for ease of reference) in its entirety
“34B. Notwithstanding anything to the contrary in these articles, as long as the shares of the Company are quoted in a Licenced Stock Exchange the Board may register without assuming any liability therefore any transfer of shares which is in accordance with the rules and regulations in force for the time being and from time to time as laid down by such Licenced Stock Exchange and any agency whose primary object is to act as Central Depository for such Exchange.”
5. Deletion of requirement to rotate directors by retirement.

7.0 Extraordinary General Meeting

An Extraordinary General Meeting (EGM) has been convened for Monday, the 19th of June 2023 at 4.45 p.m. at the Institute of Chartered Accountants of Sri Lanka, Level 6 No. 30A, Malalasekera Mawatha, Colombo 7, Sri Lanka. The requisite resolutions to give effect to the foregoing are set out in the Notice of the Meeting enclosed herewith.

If you are unable to be present at the EGM, you are entitled to appoint a Proxy to attend the EGM and vote on your behalf. You are kindly requested to complete and return the Form of Proxy as per the specified instructions either by post to reach the registered office of the Company or by way of e-mail to 4MPCEGM2023@carcumb.com or via WhatsApp or Viber to mobile no. +94 -764 765 463 or +94 712 791 246, or by fax to +94 (0)11-2337671 to reach the registered office of the Company not later than 4.45 p.m. on 17th June 2023 so that your Proxy can exercise your vote in accordance with your directions.

By Order of the Board of
SHALIMAR (MALAY) PLC
Carsons Management Services (Private) Limited
Company Secretaries

No. 61, Janadhipathi Mawatha,
Colombo 01.
Tel: +94-11-2039200

On this 26th day of May 2023