

SERENDIB LAND - PQ 212

CIRCULAR TO SHAREHOLDERS

Dear Shareholder/s,

FIRST INTERIM DIVIDEND FOR THE YEAR ENDING 31ST MARCH 2021 TO BE SATISFIED WITH THE ALLOTMENT OF NEW SHARES

Serendib Land PLC ('the Company') does not currently comply with the minimum Public Holding requirement set out in the Listing Rules of the Colombo Stock Exchange (CSE) which is required to be maintained on a continuous basis by all companies listed on the Main Board of the CSE. Due to such non compliance with the Minimum Public Holding, the Company's securities have now been transferred to the "Second Board" by the CSE. Accordingly, having considered the options available to the Company, its Board of Directors has decided that the best course of action available to rectify such non compliance by the Company is to migrate to the Diri Savi Board of CSE. Rule 2.1.2(ii)a. of the Listing Rules of CSE prescribes that in order to be eligible to be transferred to the Diri Savi Board the Company must, *inter-alia*, have a Stated Capital of not less than Rs.100 Million at the time of transferring. Although the Company currently satisfies the other criteria such as the Public Holding percentage and the number of the Public Holders, required in order to transfer to the Diri Savi Board, the Stated Capital of the Company is only Rs.36 Million. Accordingly, there should be an increase of Rs.64 Million in the Stated Capital in order to achieve the required limit of Rs.100 Million to be eligible to effect the proposed migration to the Diri Savi Board.

Accordingly, the Board of Directors has decided to achieve the said requirement by declaring a First Interim Dividend of Rs. 177.78 per issued and fully paid Ordinary Share, constituting of a total sum of Rs.64,000,800/- for the year ending 31st March, 2021 to be paid out of the Company's retained profits which subject to obtaining the approval of the Shareholders, as required by the Articles of Association of the Company (AoA), will be satisfied by the allotment and issue of 38,906 new fully paid Ordinary Shares calculated on the basis of the value of Rs.1,645/- per Ordinary Share and satisfied by the allotment and issue of 1.0807294 new fully paid Ordinary Share for every 10 existing issued fully paid Ordinary Shares.

The Board has resolved that the basis value of Rs.1,645/- per Ordinary share, which is the consideration for the Scrip shares to be issued, is fair and reasonable to the Company and its existing Shareholders.

The Board of Directors is confident that the Company will be able to satisfy the Solvency Test set out in Section 57 of the Companies Act No.7 of 2007 ('the Companies Act') immediately post payment of the aforesaid Dividend. A Certificate of Solvency has been provided by the Company's Auditors, Messrs KPMG, Chartered Accountants.

Entitled Shareholders

The Shareholders entitled to participate in the said Dividend (Entitled Shareholders) are those who are duly registered in the Company's Share Register and also those Shareholders whose names appear on the Central Depository Systems (Private) Limited (CDS) as at end of trading on 30th March 2021. *[this will be the date of the Extraordinary General Meeting (EGM)]*

In determining the number of shares held by a Shareholder as at the relevant date for the proposed allotment and issue of new shares, the shareholding of the Shareholder as appearing in the CDS and

the Shareholders' Register maintained by the Registrars of the Company, Messrs Jacey and Company, will not be aggregated.

However, if a Shareholder holds shares with multiple Stock Brokers, such shares will be aggregated for calculation purposes and the shares arising as a result of the proposed issue, will be uploaded proportionately to the respective CDS accounts held with each Broker.

Approval of CSE

The Company has obtained the approval in principle of the CSE for the proposed allotment and issue of new shares.

Residual Fractions of Shares

The Residual Fractions arising from the aforesaid allotment and issue of new Ordinary Shares will be aggregated and the shares arising consequent thereto will subject to receiving the approval of the Shareholders therefore, be allotted to a Trustee to be nominated by the Board of Directors. The Trustee so nominated will hold the said shares in Trust until such shares are sold by the Trustee on the trading floor of the CSE. The net sale proceeds arising therefrom shall, subject to receiving the approval of the Shareholders therefor, shall be distributed to a Charity/Charities approved by the Board of Directors. The sale of such shares will be effected by the Company within a reasonable period of time following the date on which the approval of the Shareholders have been obtained in this regard.

Residual Fractions of the Ordinary Shares above mentioned shall mean the fractions arising after applying the following formula:

$$\frac{\text{No. of shares held by a Shareholder as at end of trading on the date of the EGM} \times 1.0807294}{10}$$

Status of the New Shares

The new Ordinary Shares to be issued, immediately consequent to due allotment shall rank equal and *pari passu* in all respects with the existing issued and fully paid shares of the Company.

An Application has been made to CSE for listing the new Ordinary Shares on the official list of CSE. The said Application has been approved "in principle" by CSE.

Shareholder Approvals

Article 141 of the Articles of Association of the Company provides, *inter alia*, that, subject to the approval of the Shareholders being obtained the Board is empowered to pay a Dividend in whole or in part by the distribution of specific assets and in particular of paid up shares. The relevant Ordinary Resolution to be passed by the Shareholders in this regard is set out in the attached Notice of Meeting.

Confirmation of Compliance

The Board of Directors hereby confirms that the allotment and issue of new shares is in compliance with the Articles of Association of the Company, the Listing Rules of CSE and the Companies Act No.07 of 2007.

Allotment of New Shares

The Board of Directors emphasises that the aforementioned allotment and the issue of new shares is in satisfaction of the First Interim Dividend for the year ending 31st March, 2021 and shall be dependent and subject to the Shareholders passing the requisite Resolution.

Uploading of Shares into CDS Accounts

In the event the requisite Resolution contained in the Notice convening the EGM, declaring the Dividend and the manner of satisfaction thereof by way of the issue and allotment of the new shares is passed by the Shareholders, the Accounts of the Shareholders whose shares are deposited in the CDS would be directly uploaded with the new shares to the extent that such Shareholder has become entitled thereto. The shares will be uploaded within seven (07) market days from and excluding the date on which the relevant Resolution is passed. If a Shareholder holds multiple CDS Accounts, the total entitlement will be directly deposited to the respective CDS Accounts proportionately. Pursuant to a direction issued by the Securities and Exchange Commission of Sri Lanka (SEC), pertaining to the dematerialisation of listed securities, the Shareholders who hold shares in script form (i.e. Share Certificates) as per the Share Register maintained by the Registrars of the Company, will not be issued Share Certificates for the new shares allotted and issued in their favour. Such Shareholders are accordingly requested to open an Account with the CDS and to deposit their Share Certificates in the CDS prior to the date of the EGM. This will enable the Company to deposit the new shares directly to the Shareholders' CDS Accounts.

If a Shareholder fails to deposit his/her existing Ordinary Shares in the CDS prior to the date of the EGM, such Shareholder's entitlement of the new shares will be deposited by the Company after such Shareholder has opened a CDS Account and has informed the Company's Registrars in writing of the relevant CDS Account Numbers. Until such CDS Account is opened by a Shareholder as aforementioned, the new shares that are allotted in his/her favour are registered in such Shareholder's Account in the Share Register maintained by the Registrars of the Company.

Consequent to opening of the CDS Account by such Shareholder, the new shares will be credited to such CDS Account. Direct uploads pertaining to written requests received from the Shareholders to deposit such shares will be attended to on a weekly basis.

Extraordinary General Meeting

Attached hereto is the Notice convening the EGM for Tuesday, 30th March 2021, which sets out the Resolution to be passed by the Shareholders in connection with the foregoing.

Form of Proxy

The Shareholders who are eligible to participate at the EGM are entitled to appoint a Proxy to attend/participate and speak, and also to vote on their behalf, depending on their voting rights. If you wish to appoint such a Proxy, kindly complete and return the enclosed Form of Proxy (in accordance with the instructions specified therein) to the Registered Office of the Company, No.9/5, Thambiah Avenue, Colombo 07, Sri Lanka, not later than forty eight (48) hours before the time scheduled for holding of the EGM.

Impact due to COVID - 19

The Company derives income by way of interest from its financial instruments and by way of rent of commercial premises, respectively. The Company has adequate liquid financial resources and its financial liabilities are minimal and can adequately service its financial obligations. The Company does not anticipate any impact on the fair value of its investment property due its prime location, other than any future impact, if any due to market conditions. It also does not anticipate any decrease in value of financial assets held by the Company. The Company also do not anticipate any material impairments in respect of any of the assets held by the Company as at date.

Yours faithfully,

BY ORDER OF THE BOARD

Secretary

JACEY AND COMPANY

Secretaries to Serendib Land PLC

12th March 2021