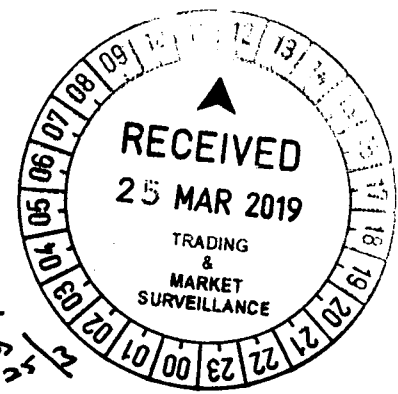


CITRUS LEISURE PLC
[Company Registration No. PQ 211]
7/5, Gregory's Road, Colombo 7



CIRCULAR TO SHAREHOLDERS

THIS DOCUMENT IS OF VALUE – *If you are in doubt as to the action you should take, you should consult your stockbroker or other professional adviser immediately.*

Dear Shareholder/s,

1.0 RIGHTS ISSUE OF ORDINARY VOTING SHARES TO THE SHAREHOLDERS OF THE COMPANY

1.1 The Board of Citrus Leisure PLC (REEF) at their meeting held on 16th November 2018, resolved subject to the in principle approval of the Colombo Stock Exchange (CSE) and the approval of the shareholders at an Extraordinary General Meeting (EGM) of the Company, as required by Rule 5.2a of the Listing Rules of the CSE, to raise capital, by way of a Rights Issue of One Hundred and Seventy Three Million Nine Hundred and Seventy Thousand Seven Hundred and Sixty Nine (173,970,769) Ordinary Voting Shares, on the basis that every existing five (05) Ordinary Voting shares held by the Shareholders in the Register of Shareholders, as at the 'Date of Entitlement', namely as at end of trading on 8th April 2019, being the date of the proposed EGM, will be provisionally allotted Nine (09) Shares, at a price of Rupees Five (Rs.5/-) per share, provided that no shareholder shall upon or in consequence of such provisional allotment be entitled to a fraction of a share.

Basis of allotment of new shares shall be:

$$\frac{\text{Number of shares held by a shareholder as at end of trading on the EGM date}}{5 \text{ (existing shares)}} * x \ 9 \text{ (new shares)}$$

* The fractions referred to above are the fractions arising post multiplication by 9 rounded down to the nearest whole number of the number of existing shares arising by the division of the existing shares held by a Shareholder by 5

The closing market price of a share on 30th September 2018 was Rupees Six and Twenty Cents (Rs.6/20) and the net asset value per share of the Company as at 30th September 2018 was Rupees Twenty Seven and One Cent (Rs.27/01) as disclosed in the published Interim Financial Statements of the Company as at 30th September 2018.

The Board is of the opinion that the issue of nine (09) Shares in respect of five (05) existing shares at Rupees Five (Rs.5/-) per share is fair and reasonable to the Company and all its existing shareholders, on the basis that the Rights Issue will provide the opportunity for the existing shareholders to invest in new shares of the Company.

1.2 The shareholders who are allotted Shares provisionally as aforesaid shall be given a right to request for additional Shares, and the right to renounce their Entitlement only to the Central Depository Systems (Pvt) Limited (CDS).

1.3 The Shares not subscribed for as at the last date of Acceptance specified in the Provisional Letter of Allotment will be deemed to have been declined and such declined Shares pooled together with rejected Letters of Acceptance and Registration due to them being invalid and the aggregate of any fractional Shares arising from the provisional allotment as referred to in Clause 1.1, will be available for allotment at the same price to the shareholders applying for

additional Shares on a fair and reasonable basis as determined by the Directors (which basis shall be based on the existing holding of the shareholders applying for additional shares).

- 1.4 The new Shares so provisionally allotted shall, upon acceptance and due payment having been received by the Company, rank *pari passu* in all respects with the existing shares of the Company including the right to participate in any dividend declared, only after the final allotment which shall be after the last date of acceptance and payment.

2.0 PURPOSE OF INCREASING EQUITY CAPITAL

- 2.1 The purpose of the Rights Issue is to settle the borrowings/liabilities and for working capital requirements as listed in the below table

Institution	Type of Loan/s / Other Requirement	Amount of Loan/s and date/s obtained / Amount of Other Requirement	Purpose	Balance outstanding as at 30-09-2018 [post debt restructure]	Balance outstanding as at 30-11-2018	Amount Proposed to be settled /out of the Rights Issue Funds
(i) Divasa Equity (Private) Limited [Related Party]	Short Term Loan	From May 2014 to 30 September 2018 Rs.31,177,436/- 16 November 2018 Rs.52,441,354± [being the debt that was restructured on 16-11-2018 effective as of 30-09-2018]	See 2.1.1 below	Rs.83,618,790	Rs.84,283,619 (the amount outstanding post Rights Issue represents the interest component on the restructured loan, which will be settled as per the terms of the Loan Agreement for the debt restructure entered into between the parties on 16 th November 2018)	Upto Rs. 83,618,790 by the issue of shares
(ii) George Stuart and Company Limited [Related Party]	Short Term Loan	From March 2016 to 30 September 2018 Rs.163,172,895/- 16 November 2018 Rs.605,840,777± [being the debt that was restructured on 16-11-2018 effective as of 30-09-2018]	See 2.1.1 below	Rs.769,013,672	Rs.850,889,072 (Rs.6,546,554/63 representing the interest component on the restructured loan, will be settled as per the terms of the Loan Agreement for the debt restructure entered into between the parties on 16 th November 2018 and further borrowings of Rs.65,328,845/37 made during the month of October 2018 will be settled as per the Loan Agreements dated 2 nd October 2018, 17 th October 2018, 22 nd October 2018 and 29 th October 2018)	Upto not less than Rs Rs.247,513,500 as entitlement and not exceeding Rs.769,013,672 (to the extent application for additional shares by George Stuart and Company Limited is accepted by the Company) dependent on the extent of the subscription received from shareholders other than George Stuart and Company Limited. The aforesaid settlement (as applicable) will be made by the issue of shares to George Stuart and Company Limited and/or based on the cash subscription from other shareholders, settlement in cash, after settling the loan amount due to Sampath Bank and allocation for working capital as referred to herein .

(iii) Sampath Bank PLC	Overdraft Facility	21 September 2016 Rs.9,000,000 and enhanced to Rs.10,300,000 from 02 February 2018	Working capital requirements	Rs.11,594,722 [†]	Rs.11,815,101 [†]	Upto the extent of the subscription received from shareholders other than above Related Parties and not more than Rs.10,300,000
(iv) Other	Working capital requirements	Rs.6,921,383	N/A	N/A	N/A	Upto the extent of the subscription received from shareholders other than above Related Parties and not more than Rs.6,921,383
Total						Rs.869,853,845

[‡] It should be noted that the aggregate net borrowings of REEF remain unchanged as a result of the debt restructure

[†] Balances as recorded in the bank statements as at September 30, 2018 and November 30, 2018 respectively

2.1.1 The lending and borrowings by REEF and its subsidiaries from multiple related parties and companies within the REEF Group to support operations in addition to external debt obligations, pursuant to the debt restructuring exercise which was concluded on 16th November 2018 were streamlined whereby subsidiaries within the REEF Group obtained intercompany loans only via its parent entity. Accordingly, a portion of the debts referred to in the third column of 2.1(i) and (ii) amounting to Rs. 52,441,354 and Rs. 605,840,777 to Divasa Equity (Private) Limited and George Steuart and Company Limited respectively, arose as a result of such debt restructure. However, the aggregate net borrowings of the REEF and the Group remained unchanged. The Loans obtained by REEF from the said Related Parties prior to the debt restructure of Rs.163,172,895/- and Rs.31,177,436/- respectively, were obtained to on-lend to subsidiary companies to facilitate their financial commitments.

The names of the companies involved in the loans referred to in the third column of 2.1(i) [2nd paragraph] of the value of Rs.52,441,354/- (as Borrowers) together with the dates / amounts and purpose of obtaining such loans are given in Part I of Annex 1.

The names of the companies involved in the loans/debts referred to in the third column of 2.1(ii) [2nd paragraph] of the value of Rs.605,840,777/- together with the dates / amounts and purpose of obtaining such loans / incurrence of the liability are given in Part II of Annex 1. [The companies who were involved as borrowers of an aggregate sum of Rs. 224,515,444/- are in items 15 to 19 of Part II of Annex 1, the company which owed a sum of Rs.36,739,286/- to the said Related Party, George Steuart and Company Limited is in item 20 of Part II of Annex 1, the balance being the amounts owed by REEF to another related party which were restructured under George Steuart and Company Limited, are set out in items 1 to 14 of Part II of Annex 1].

The dates on which the loans referred to in the third column of 2.1. (i) and (ii) (1st paragraph) of the value of Rs.31,177,436/- and Rs.163,172,895/- respectively have been disclosed in Annex 2.

Salient features of the existing related party loans of REEF referred to in the fifth column of 2.1 (i) and (ii) are disclosed in Annex 3.

The total working capital requirements of the Company as per the interim financials for the period ended September 30, 2018 are disclosed in Annex 4.

- 2.1.2 The above loans referred to in 2.1(i) and (ii) were identified to be settled as the said Lenders are willing to accept settlement of the debts through the issue of shares to them. The Overdraft Facility from Sampath Bank PLC is the only other external debt of which Rs.10,300,000/- as referred to in 2.1(iii) above is to be settled to the extent of subscription to be received from shareholders other than the two Related Parties referred to above. The settlement of the said debts via the proposed Rights Issue, would reduce the overall debt of REEF and the resultant interest costs.

The total interest cost of the Company as at the financial quarter end, separately in respect of related party loans and external loans, pre and post the Rights Issue are as given below (assuming all shareholders subscribe for their entitlement).

Interest Cost - Company (Rs '000)	Interest Cost for the 6 months ended September 30, 2018 as per Interim Accounts	Expected Interest cost Post Rights Issue for a period of 6 months
Interest Expense on External Debt	2,394	1,751 [†]
Interest/Other Expenses on Internal Debt	44,514	2,638 ^{††}
Total Finance cost	46,908	4,389

Notes

[†] Assuming an interest rate of 14% on External Debt

^{††} Assuming an interest rate of 12% (AWPLR) on Internal Debt excluding Mortgage Fee

The gearing position of the Company pre and post Rights Issue are as given below (assuming all shareholders subscribe for their entitlement):

Debt - Company (Rs. 000)	As at September 30, 2018 as per Interim Accounts	After Debt Restructuring	Settlement via the Rights Issue	Outstanding Debt Post Rights Issue
Related Party Loans	825,510	882,398	852,632	29,766
Interest Bearing Borrowings	35,314	35,314	10,300	25,014
Total	860,824	917,712	862,932	54,780
Total Equity	2,610,946	2,610,946	3,480,800	3,480,800
Gearing	32.97%	35.15%		1.57%

The aforementioned working assumes that the related party payable balance as at 30th September 2018 remains unchanged except for the debt restructure that took place on November 16, 2018

- 2.1.3 The borrowings of Rs.52,441,354/- and Rs.605,840,777/- respectively referred to in 2.1(i) and (ii) above being Non-Recurrent Related Party Loans, the Related Party Transactions Review Committee, has reviewed and recommended the said transactions and the proposed settlement of the total borrowings [post debt restructure] to the said Related Parties through the Rights Issue, at their meeting held on 16th November 2018 prior to the approval by the Board.

The Related Party Transactions Review Committee consists of:

Mr. E P A Cooray, Independent Non-Executive Director - Chairman of the Committee
 Mr. S D de Mel, Independent Non-Executive Director
 Mr. P V S Premawardhana, Non-Executive Director
 Mr. S A Ameresekere, Non-Executive Director
 Mr. P C B Talwatte, Executive Director

Mr. S A Ameresekere and Mr. P V S Premawardhana are also Executive Director of Divasa Equity (Private) Limited and Non-Executive Director of George Steuart and Company Limited respectively, to whom Loan Settlements are made as referred to in Clause 2.1 (i) and (ii) above.

- 2.1.4 Since the two Related Parties, namely Divasa Equity (Private) Limited and George Steuart and Company Limited holding 9.925% and 28.455% of shares respectively whose entitlement on the Rights would amount to a subscription of Rs.86,332,392/- and Rs.247,513,500/- respectively have agreed to take up their Rights to the extent of the loans due from the Company to them of Rs.83,618,790/- and Rs.769,013,672/- respectively by applying for their entitlements as well as for additional shares (as applicable) and any subscriptions by shareholders other than Divasa Equity (Private) Limited and George Steuart and Company Limited being utilized firstly to settle a sum of Rs.10,300,000/- of the Overdraft to Sampath Bank PLC, secondly, for working capital to the extent of Rs.6,921,383/- and any remainder thereafter to settle the Related Party Loans referred to in 2.1(i) and (ii), there is no risk in the Company not being able to utilize the proceeds of the Rights Issue immediately upon the conclusion of the Rights Issue. The allotment of the additional shares would be on a fair and reasonable basis as determined by the Directors at their discretion as set out in 1.3 above.
- 2.2 The Company undertakes to in all future Interim and/or Annual Financial Statements, to continue to disclose the progress of the utilization of proceeds from the date of raising funds, until the Rights Issue funds are fully utilized to achieve the Objectives stated in the Circular, in the format referred to below:

Continuous Disclosure regarding Status of Utilization of Funds raised via Rights Issue as at [Date] [Month] [Year]

Objective	Objective as per Circular	Amount allocated as per Circular in Rs.	Proposed Date of Utilization as per Circular	Amount allocated from proceeds in Rs. [A]	% of Total Proceeds	Amount Utilized in Rs. [B]	% of Utilize against allocation [B/A]	Clarification if not fully utilized including where the funds are invested (eg. whether lent to related party/s etc)
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Important Note:

In the event the proceeds of the Rights Issue are utilized in terms of the Objectives disclosed in the Circular to Shareholders, prior to the submission of the Company's next financial statements [i.e. Interim Financial Statements or Annual Report] the Company would disclose by way of a market announcement the fact that the proceeds have been utilized in its entirety as per the above reporting format.

If there are any changes in circumstances which may occur and the proceeds are not utilized as proposed, the Company may utilize the funds appropriately subject to obtaining approval from shareholders.

If the Company does not utilize the funds for the stated Objective herein, a market announcement to this effect will be made prior to seeking approval from the Shareholders.

3.0 BENEFITS OF THE RIGHTS ISSUE

The accumulation of related party loans over a period of time has increased the overall debt position of REEF leading to a high degree of leverage in its balance sheet and thereby a deterioration in financial performance due to the increase in finance costs. Additionally, the significant degree of leverage and related debt service obligations have limited the ability of REEF and its subsidiaries to obtain debt facilities on more competitive terms.

The Rights Issue reduces the overall debt of REEF and the resultant interest costs. This is expected to enhance the financial position and performance of the Company by reducing its liabilities and degree of leverage on its balance sheet and improving profitability and liquidity ratios and increase the ability to negotiate better lending terms with financiers due to the lower risk profile. Furthermore, this Rights Issue and the further two Rights Issues proposed

by Hikkaduwa Beach Resort PLC and Waskaduwa Beach Resort PLC, would not only enhance the stability and value of the business operations of REEF but also that of its subsidiaries thereby benefiting the shareholders of REEF. Finally, this initiative enables the Company to increase its attractiveness to potential investors in the future.

4.0 CAPITAL STRUCTURE

The current Stated Capital of the Company is Rupees Two Billion Four Hundred and Three Million Two Hundred and Seventy Six Thousand One Hundred and Eighty Two (Rs.2,403,276,182/-) represented by Ninety Six Million Six Hundred and Fifty Thousand Four Hundred and Twenty Seven (96,650,427) Shares.

In the event the Rights issue is fully subscribed, the Stated Capital of the Company would increase to Rupees Three Billion Two Hundred and Seventy Three Million One Hundred and Thirty Thousand Twenty Seven (Rs.3,273,130,027/-) represented by Two Hundred Seventy Million Six Hundred and Twenty One Thousand One Hundred and Ninety Six (270,621,196) Shares and consequently of an increase of the Stated Capital by Rupees Eight Hundred and Sixty Nine Million Eight Hundred Fifty Three Thousand Eight Hundred and Forty Five (Rs.869,853,845/-).

5.0 MARKET PRICE OF SHARES

The high, low and closing prices of the Shares of the Company during the preceding three months are as follows:

Month	High (Rs.)	Low (Rs.)	Close (Rs.)	Volume of shares traded	No. of trades
December 2018	5.20	4.70	4.80	88,130	81
January 2019	5.50	4.70	4.80	349,048	450
February 2019	4.90	3.80	3.80	141,666	122

Closing Market price of the Company's Shares as of the date of printing the Circular, namely 15th March 2019, was Rs.3.90 per share.

6.0 DIVIDEND HISTORY FOR THE PREVIOUS THREE (03) YEARS / LOSSES INCURRED BY THE GROUP AND THE COMPANY

No dividends have been paid during the past three years.

The Company and the Group have recorded a steady growth in terms of revenue over the past three years, FYE 2016 to FYE 2018. However, the Company and the Group have recorded consecutive losses during the same years.

One of the main reasons for this is that the hotel properties within the Group have not been able to generate the expected increase in the top line over the years due to the highly challenging nature of the tourism industry in Sri Lanka.

The increase in tourist arrivals in post war Sri Lanka generated much hype and interest in the sector. Whilst the formal/traditional tourism sector rapidly expanded with many new entrants and international operators, the uncontrolled and unmonitored informal sector grew exponentially during the past few years. This combined with the lack of destination branding/marketing not only attracted lower spending foreigners to Sri Lanka but also created pressure on pricing. The cancellation of direct flights from Europe to Sri Lanka also negatively impacted the long staying high spending European traveler. Poor weather conditions resulting in flooding in the South and health warnings due to the spread of Dengue

were also some of the unfortunate setbacks that the industry suffered during the last three years. As a result, increasing the average room rates without compromising a healthy occupancy has been challenging during the said period. This is reflected in the subdued growth in the topline of the hotels in the Group.

Taking all of the above into consideration, the management has been focused on attracting high spending tourist Groups from European markets and have already entered into new agreements with tour agents operating from such markets. The sales teams are actively participating in all international travel trade fairs in this pursuit. The management also increased its focus on online sales, building brand equity and visibility, the results of which have been seen over the first 3 quarters of FYE2019. A concerted effort is also in place to market the banquet facilities of the hotels to local corporates, international MICE and destination weddings. The current financial year has seen some positive traction from the same. The management believes that the above initiatives, together with the Government of Sri Lanka's current digital marketing campaigns and the Government's plans to market and bring high spending tourists to the destination would turnaround the Group performance.

Furthermore, the management is continuously trying to upgrade its product and service offering whilst prudent cost management practices are in place to mitigate the escalating costs due to increases in taxes especially, VAT, minimum wages, fuel and gas prices etc., seen during the FYE 2016 to FYE 2018.

The other fundamental reason for the losses during the past three years, FYE 2016 to FYE 2018, is the high finance costs of the Company and the Group. The finance costs drastically escalated from FYE 2016 to FYE 2018 due to the rapid increase in the bank interest rates where AWPLR increased from 7.09% to 11.55%. At the Company level, a bulk of the finance cost will no longer be applicable upon this rights issue as a large part of the intercompany loans will be settled as a result of the rights issue. Hence, this Debt Restructuring initiative under the advice of NDB Investment Bank Limited will be a step towards resolving the high finance cost at the Company Level.

At the Group level this Debt Restructuring initiative and rights issue will also bring down the finance cost with most of the intercompany loans being settled. However, the finance cost impact of the Bank borrowings needs further mitigation. The Citrus Group Restructure which was announced on 27th September 2016 under the financial advice of NDBIB was completed in February 2018. Resulting from the same, apart from achieving higher levels of fiscal and management efficiency, in mid-2018 the Group was able to successfully restructure its bank loans on more favorable terms, extend loan tenures and was also able to make part settlements. The details of which are contained in the REEF FYE 2018 Annual Report page 119 Note 28.3. In addition, CITH received the shareholders' approval at the EGM held on 21st May 2018 to dispose the land situated at Kalpitiya and to utilize such proceeds to restructure existing debts. Accordingly, CITH is actively pursuing the same.

Furthermore, as mentioned in Section 3.0, post this Debt Restructuring initiative and Rights issue, the Group will be in an even better and more attractive position to pursue fund raising possibilities due to its improved profitability ratios and stronger balance sheet; and negotiate better lending terms with financiers. Currently, the Group is actively exploring such opportunities both via equity and debt through strategic partners and financial institutions locally as well as from overseas in line with the Citrus Group Restructure.

It must be also noted that two of the hotel properties in the Group are relatively new entrants and are still in their growth phase in this industry that is relatively long term in nature. However, the management is confident that the above initiatives are making substantial progress in rectifying the losses being made.

7.0 CONTINGENT LIABILITIES

There has not been any material change in the nature of contingent liabilities as disclosed in the Company's Annual Report as at 31st March 2018.

8.0 UNDERWRITING ARRANGEMENTS

As set out elsewhere in this Circular, REEF owes Rs. 769,013,672/- and Rs. 83,618,790/- respectively to George Steuart and Company Limited and Divasa Equity (Private) Limited [holding 27,501,500 shares (constituting 28.455%) and 9,592,488 shares (constituting 9.925%) respectively of the Company]. The value of the Rights entitlement of George Steuart and Company Limited and Divasa Equity (Private) Limited being Rs. 247,513,500/- and Rs.86,332,392/- respectively, George Steuart and Company Limited has expressed their commitment to take-up their rights entitlement in full and further, to apply for additional shares to the extent necessary for settlement of the aforesaid loan outstanding of Rs.769,013,672/- whilst Divasa Equity (Private) Limited has expressed their commitment to take up their Rights entitlement to the extent that their loan is settled thus raising a minimum of Rs. 852,632,462/- via the Rights Issue.

In the event of the Company not having sufficient subscription to settle partly / fully the loan referred to in 2.1 (iii) and for working capital referred to in 2.1(iv) due to the issue being undersubscribed by shareholders other than George Steuart and Company Limited and Divasa Equity (Private) Limited, the loan referred to in 2.1(iii) will continue to be serviced by the Company as before and the working capital requirement referred to in 2.1(iv) will be financed through borrowings as per the requirements.

If in the event, resulting from the commitment aforesaid, George Steuart and Company Limited, were to exceed 2% of the shares in issue [since currently the said Related Party and Divasa Equity (Private) Limited hold 38.38%], the provisions of the Company Takeovers & Mergers Code 1995 (as amended) will be applicable to George Steuart and Company Limited, obligating George Steuart and Company Limited to make a Mandatory Offer.

The current Public Float is approximately 58.77%. If in the event of the Company not being in compliance with the minimum requirements set out in the CSE Listing Rules pertaining to Public Holding post Rights Issue, consequent to the two Related parties subscribing to Rights pursuant to the commitment as aforesaid, the Company would take necessary steps in compliance with the procedure set out in the CSE Listing Rules.

9.0 APPLICATION FOR RIGHTS AND PROVISIONAL ALLOTMENT

The Rights Shares will be provisionally allotted upon receiving the approval of the shareholders, as set out in the Notice of EGM.

The Provisional Letters of Allotment will be dispatched on 16th April, 2019.

Trading of the "Rights" shall commence on the Fourth (4th) market day from and excluding the date of dispatch of Letters of Provisional Allotment. Such trading shall continue throughout the period of **renunciation to the CDS (from 23rd April 2019 to 30th April 2019)**.

Application for additional Shares will be permitted. Additional Shares will be available for allotment only in respect of shares, not duly subscribed for, partly or fully, as at the last date of acceptance and payment specified in the Provisional Letter of Allotment and / or where the Letter of Acceptance and Registration is rejected by the Company as invalid. Such shares, shall be deemed to have been declined, and such declined shares and any unsubscribed shares, together with the aggregate of fractional shares will be available for allotment at the same

price to the existing shareholders applying for additional shares, on a fair and reasonable basis, as determined by the Board, any shares remaining unsubscribed thereafter shall be allotted to any person at the discretion of the Board. Provided however, in making such further allotments the Company will comply with the timelines set out in Rule 5.2 of the Listing Rules.

The Shares arising from the Rights Issue would be directly deposited to the respective shareholder's CDS Accounts within twelve (12) market days from the last day of acceptance and payment. Shareholders/Applicants who do not have a CDS Account are advised to open a CDS Account, prior to submitting the completed Form 'A' in order to facilitate the uploading of the Shares allotted to them.

10.0 ADDITIONAL INFORMATION

10.1 The Top 20 Shareholders and shares held by other Shareholders as at 28th February 2019:

	Names of shareholders	No. of shares	%
1	Union Bank of Colombo PLC / George Steuart & Company Ltd	25,655,500	26.545
2	Pan Asia Banking Corporation PLC / Divasa Equity (Pvt) Ltd	8,677,070	9.925
	Divasa Equity (Pvt) Ltd	909,518	
	Seylan Bank PLC/Divasa Equity (Pvt) Ltd	5,900	
3	Vallibel One PLC	8,672,810	8.973
4	Seylan Bank PLC/ George Steuart Engineering (Pvt) Ltd	8,389,400	8.680
5	Lotus Technologies (Private) Limited	7,063,819	7.309
6	Hatton National Bank PLC/Capital Trust Holdings Limited	5,957,408	6.164
7	Royal Ceramics Lanka PLC	2,768,276	2.864
8	George Steuart & Co Ltd A/C No 01	1,846,000	1.910
9	Corona T Stores (Private) Limited	1,585,331	1.640
10	Capital Trust Holdings Limited	1,507,776	1.560
11	Laugfs Gas PLC	1,500,000	1.552
12	Mr C N Samarathunga & Mrs W M Botheju	1,263,428	1.307
13	Seylan Bank Plc / Jayantha Dewage	1,131,055	1.170
14	Mr T G Thoradeniya	732,310	0.758
15	Pan Asia Banking Corporation PLC / Mr S S Weerabahu	630,033	0.652
16	Mrs W M Botheju	568,300	0.588
17	Seylan Bank PLC / Karagoda Loku Gamage Udayanda	549,416	0.568
18	Seylan Bank PLC / W D N H Perera	518,024	0.536
19	Mrs.K.M.Goonewardene	486,519	0.503
20	Mrs L A I Silva	389,528	0.403
	Sub Total	80,807,421	83.608
	Others	15,843,006	16.392
	Total	96,650,427	100.000

- 10.2 Shareholders attention is drawn to the Audited Financial Statements for the year ended 31st March 2018 hosted on <https://www.cse.lk/home/company-info/REEF.N0000/financial> and Interim Financial Statements as at 31st December 2018, hosted on <https://www.cse.lk/home/company-info/REEF.N0000/financial>

11.0 GENERAL INSTRUCTIONS

- 11.1 As per the Directive of the Securities & Exchange Commission ('SEC') made under Circular No. 08/2010 dated November 22, 2010 and Circular No. 13/2010 issued by the CDS dated November 30, 2010 all Shares arising from the Rights Issue shall be directly uploaded to the CDS Accounts.

Pursuant to a Direction issued by SEC pertaining to the de-materialization of listed Securities, the Shareholders who hold shares in Scrip form (i.e. Share Certificates) as per the Register maintained by the Secretaries to the Company **will not be issued Share Certificates in their favour.**

The Shares of Shareholders, who do not indicate a correct/accurate CDS Account Number in the documents provided, will not be uploaded on the date specified for upload by the Rules of the CSE. They will be registered in the share ledger maintained by the Company and **will not be issued Share Certificates.** Such Shareholder would not be able to trade in the Shares arising from the Rights Issue until, such time the same has been deposited with the CDS. **Therefore please ensure strict adherence to the Directive issued by the SEC.**

- 11.2 In the allotment of Shares, the Ordinary Voting shareholding of each shareholder, as appearing in the CDS and the Shareholders Register maintained by the Company will be aggregated, in so far as the National Identity Card Number of such shareholders are available with the Company for the identification purposes.

If there is a discrepancy between the CDS information given in the attached Form / Form 'A', Letter of Acceptance and Registration **and** the CDS Account Number maintained at the CDS, the number maintained at the CDS will be taken as correct.

- 11.3 **Lodgment of Shares arising from Rights Issue-** With respect to the Ordinary Voting Shares of the Shareholders lodged in the CDS, the Company will obtain as per the procedure of the CSE, a 'Broker-wise' entitlement schedule from the CDS as at end of trading on the date of the EGM, for the purpose of carrying out the direct upload of Shares arising from the Rights Issue to the respective account in the CDS.

If you do have a CDS Account and your existing Ordinary Voting Shares are not lodged in the said CDS Account / or you propose to open a CDS Account prior to 8th April 2019 you are advised to lodge your Shares prior to such date.

Please note, when uploading new shares arising from the proposed Rights Issue to your CDS Account, such Shares would be lodged based on the Account details given by you to the Company in the Letter of Acceptance and Registration that would be dispatched to you, together with the Provisional Letter of Allotment. The said Form makes provision for you to indicate as to whether the Shares are to be lodged in the Trading balance/Locked balance (as applicable). If there is no indication the shares will be lodged into the trading balance.

As stated above, shareholders whose existing Ordinary Voting Shares are not lodged in the CDS, Certificates in respect of the Rights will not be issued. They are required to open a CDS Account and inform the Secretaries of their CDS Account details in order to upload their Shares arising from the Rights Issue.

Direct uploads pertaining to written requests received from shareholders, to deposit such Shares, after the time for uploading of the Shares in terms of the Rules will be done on a weekly basis.

- 11.4 **Non Resident Shareholders** – Non Resident Shareholders are required to make payments for rights through their Inward Investment Account (IIA) (formerly known as Securities Investment Account [SIA]), If the payment is not made out of an IIA (or SIA), but out of an inward remittance or remittable funds, the approval of the Director, Department of Foreign Exchange, Central Bank of Sri Lanka, to make such payments must accompany the Letter of Acceptance and Registration and the Application for Additional Shares (as applicable), more details will be set out in the Provisional Letter of Allotment which would be dispatched to the Shareholders, once the Rights Issue is approved by the Shareholders at the meeting of the shareholders to be convened by the Company.
- 11.5 **Additional Details and Assistance** – Shareholders who may require additional details or assistance in relation to any of the above mentioned matters may contact P W Corporate Secretarial (Pvt) Ltd, Managers and Registrars to the Issue at No.3/17, Kynsey Road, Colombo 08 [Te.011-4640360].
- 11.6 Relevant documentation with respect to the listing of up to 173,970,769 new Shares through the issue of Rights has been submitted to the CSE. Such new Shares will be provisionally allotted to the existing shareholders based on their shareholdings as at the date of Entitlement, as referred to herein. Approval, in principle, has been obtained from the CSE to issue and list the new shares of the Company.
- 11.7 **The listing of the Shares by the CSE will in no way be reflective of the merits of the issue. The CSE assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports included.**
- 11.8 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.

12.0 EXTRAORDINARY GENERAL MEETING

- 12.1 The issue of Shares by way of Rights, requires the approval of the shareholders by way of an Ordinary resolution, at a General Meeting as set out in attached Notice of Meeting, as required by CSE Listing Rule 5.2(a).
- 12.2 Attached hereto is a Notice of an Extraordinary General Meeting convened to be held on 8th April 2019.
- 12.3 Shareholders who are unable to attend the Meeting in person are kindly requested to complete the enclosed Form of Proxy, in accordance with the instructions specified therein, and deposit the same at the at the Registered Office of the Company at No.7/5, Gregory's Road, Colombo 7 not less than forty eight (48) hours, before the time appointed for the commencement of the Meeting.

By Order of the Board
CITRUS LEISURE PLC
(Sgd) Anusha Wijesekara
P W Corporate Secretarial (Pvt) Ltd
Secretaries
On this 15th day of March 2019.

Annex I – Information on Restructured Debt of Citrus Leisure PLC

	Institution	Initial Date of Obtaining the Loan	Initial Lender	The Subsidiary the loans were given to / which owed money prior to restructure	Purpose	Tenure	Balance outstanding as at 30-09-2018 (Rs.)
Part I							
(1)	Divasa Equity (Private) Limited	27-Jun-13	NA	Hikkaduwa Beach Resort PLC	External debt settlement	06 months (renewable)	24,091,655
(2)	Divasa Equity (Private) Limited	31-Mar-15	NA	Citrus Vacations Limited	To grant a loan to parent	06 months (renewable)	28,349,699
	Total						52,441,354
Part II							
(1)	George Steuart and Company Limited	22-Jul-16	Power House Limited	NA *	To grant a loan to subsidiary (CITW)	03 years (renewable)	29,419,395
(2)	George Steuart and Company Limited	19-Sep-17	Power House Limited	NA *	To grant a loan to subsidiary (CITH)	03 years (renewable)	16,814,055
(3)	George Steuart and Company Limited	2-Oct-17	Power House Limited	NA *	To grant a loan to subsidiary (CITH)	03 years (renewable)	27,916,575
(4)	George Steuart and Company Limited	15-Nov-17	Power House Limited	NA *	To grant a loan to subsidiary (CITH)	03 years (renewable)	27,554,932
(5)	George Steuart and Company Limited	30-Nov-17	Power House Limited	NA *	To grant a loan to subsidiary (CITW)	03 years (renewable)	37,307,036
(6)	George Steuart and Company Limited	19-Dec-17	Power House Limited	NA *	To grant a loan to subsidiary (CITW) and for operational purposes of REEF including staff related payments, statutory payments and supplier payments	03 years (renewable)	27,275,479
(7)	George Steuart and Company Limited	22-Jan-18	Power House Limited	NA *	To grant a loan to subsidiary (CITH)	03 years (renewable)	27,000,959
(8)	George Steuart and Company Limited	27-Feb-18	Power House Limited	NA *	To grant a loan to subsidiary (CITW)	03 years (renewable)	26,700,137
(9)	George Steuart and Company Limited	2-Apr-18	Power House Limited	NA *	To grant a loan to subsidiary (CITW)	02 years (renewable)	26,421,096
(10)	George Steuart and Company Limited	3-May-18	Power House Limited	NA *	To settle a related party loan and for operational purposes of REEF	02 years (renewable)	26,122,822

	Institution	Initial Date of Obtaining the Loan	Initial Lender	The Subsidiary the loans were given to / which owed money prior to restructure	Purpose	Tenure	Balance outstanding as at 30-09-2018 (Rs.)
(11)	George Steuart and Company Limited	1-Jun-18	Power House Limited	NA *	including staff related payments, statutory payments and supplier payments To settle a related party loan and for operational purposes of REEF including staff related payments, statutory payments and supplier payments	02 years (renewable)	25,952,603
(12)	George Steuart and Company Limited	26-Jun-18	Power House Limited	NA *	To grant a loan to subsidiary (CITW) and for operational purposes of REEF including staff related payments, statutory payments and supplier payments	02 years (renewable)	25,757,397
(13)	George Steuart and Company Limited	31-Jul-18	Power House Limited	NA *	To grant a loan to subsidiary (CITH) and operational purposes including staff related payments, statutory payments and supplier payments	02 years (renewable)	10,193,644
(14)	George Steuart and Company Limited	14-Aug-18	Power House Limited	NA *	To grant a loan to subsidiary (CITW)	06 months (renewable)	10,149,918
(15)	George Steuart and Company Limited	20-Jul-17	Power House Limited	Hikkaduwa Beach Resort PLC	To grant a loan to subsidiary (CITW) To grant a loan to subsidiary (CITW) and external debt settlement	06 months (renewable)	57,049,589
(16)	George Steuart and Company Limited	14-Aug-17	Power House Limited	Hikkaduwa Beach Resort PLC	and for operational purposes of CITH including staff related payments, statutory payments and supplier payments	06 months (renewable)	28,286,438

	Institution	Initial Date of Obtaining the Loan	Initial Lender	The Subsidiary the loans were given to / which owed money prior to restructure	Purpose	Tenure	Balance outstanding as at 30-09-2018 (Rs.)
					payments		
(17)	George Steuart and Company Limited	18-Sep-17	Power House Limited	Hikkaduwa Beach Resort PLC	To grant a loan to subsidiary (CITW)	06 months (renewable)	11,212,658
(18)	George Steuart and Company Limited	9-Dec-14	NA	Hikkaduwa Beach Resort PLC	Legal fees and the relevant title clearance charges for Passikudah Land	06 months (renewable)	94,781,626
(19)	George Steuart and Company Limited	27-May-14	Sarva Intergrated (Private) Limited	Waskaduwa Beach Resort PLC	To partly settle loans granted by CITH	01 year (renewable)	33,185,133
(20)	George Steuart and Company Limited	NA	NA	Citrus Silver Limited	Lease Payable (5 months from March 2016 to July 2016) to George Steuart & Co. Ltd for the lease of the building where 'The Steuart by Citrus' hotel is located	On Demand	36,739,286
	Total						605,840,777

Note

* The borrower was REEF and consequent to the debt restructure, the said debt was restructured under George Steuart and Company Limited as the lender whilst REEF continues as the borrower.

Annex 2 – Dates on which the Debt (other than that restructured on November 16, 2018) were obtained by Citrus Leisure PLC

Institution	Date of Obtaining the Loan	Balance outstanding as at September 30, 2018 (Rs.)
Divasa Equity (Private) Limited	14-May-14	31,177,436
George Steuart & Company Limited	3-Oct-16	32,088,268
	29-Dec-16	25,735,042
	26-Apr-17	28,054,488
	14-Jun-17	40,348,959
	15-Mar-18	21,149,699
	25-Apr-18	10,590,302
	26-Jun-18	5,206,137
Total		163,172,895

Annex 3 – Salient Features of Existing Related Party Borrowings of Citrus Leisure PLC

Institution	Date of Loan Agreement	Interest Rate	Tenure	Balance outstanding as at September 30, 2018 (Post Debt Restructure) (Rs.)	Balance as at November 30, 2018 (Rs.)
Divasa Equity (Private) Limited	16-Nov-18	12.00%	06 months (renewable)	83,618,790	84,283,619
George Steuart and Company Limited	16-Nov-18	12.00%	06 months (renewable)	769,013,672	850,889,072

Annex 4 – Break down of Working Capital Requirements of Citrus Leisure PLC

The payables balances of the Company as at September 30, 2018 in the order of settlement is given below

Working Capital (Rs.)	As at September 30, 2018
Statutory Payables	952,332
Staff Related Payables	2,742,808
Services Payables	4,288,321
Total	7,983,461

CITRUS LEISURE PLC
Company Registration No.PQ 211
7/5, Gregory's Road, Colombo 7

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company, will be held on 8th April 2019, at 10.10 a.m. at Sri Lanka Foundation, No.100, Sri Lanka Padanama Mawatha, Independence Square, Colombo 7, to consider and if thought fit, pass the following Resolution with or without modification as an **ORDINARY RESOLUTION**:

“IT IS HEREBY RESOLVED to provisionally allot One Hundred and Seventy Three Million Nine Hundred and Seventy Thousand Seven Hundred and Sixty Nine (173,970,769) Ordinary Voting Shares, to the Shareholders holding the existing Ordinary Voting Shares of the Company, in the Register of Shareholders, as at end of trading on 8th April, 2019 (being the date of the Extraordinary General Meeting “Date of Entitlement”), by way of a Rights Issue, on the basis that every Shareholder holding Five (05) Ordinary Voting Shares, be provisionally allotted Nine (09) New Ordinary Voting Shares [rounded down to the nearest whole number, so that no Shareholder shall upon or in consequence of such provisional allotment be entitled to a fraction of a share, as morefully set out in the Circular to Shareholders dated 15th March 2019, attached to this Notice of Extraordinary General Meeting] at a consideration of Rupees Five (Rs.5/-) per share, which consideration is in the opinion of the Board fair and reasonable to the Company and to all existing shareholders of the Company, so that, if the Rights Issue is fully subscribed, the Stated Capital of the Company would increase from Rupees Two Billion Four Hundred and Three Million Two Hundred and Seventy Six Thousand One Hundred and Eighty Two (Rs.2,403,276,182/-) represented by Ninety Six Million Six Hundred and Fifty Thousand Four Hundred and Twenty Seven (96,650,427) Ordinary Voting Shares to Rupees Three Billion Two Hundred and Seventy Three Million One Hundred and Thirty Thousand and Twenty Seven (Rs.3,273,130,027/-) represented by Two Hundred and Seventy Million Six Hundred and Twenty One Thousand One Hundred and Ninety Six (270,621,196) Ordinary Voting Shares;

THAT the said Ordinary Voting Shares be issued with a right to request for additional shares, and the right to renounce the Rights Entitlement only to the Central Depository Systems (Pvt) Ltd;

THAT the Ordinary Voting Shares not duly subscribed for partly or fully as at the last date of Acceptance specified in the Provisional Letter of Allotment and / or where the Letter of Acceptance and Registration is rejected by the Company, as invalid be deemed to have been declined and such declined Ordinary Voting Shares be pooled together with any fractional Ordinary Voting Shares arising from the provisional allotment, post rounding down to the nearest whole number as referred to herein, be available for allotment at the same price to the existing shareholders applying for additional shares, on a fair and reasonable basis as determined by the Directors, which basis shall be based on the existing holding of the shareholders applying for additional shares, and any further unsubscribed shares remaining thereafter to be allotted to any person at the discretion of the Board; and

THAT the new Ordinary Shares so allotted shall, upon acceptance and due payment having been received by the Company, rank *pari passu* in all respects with the existing Ordinary Shares of the Company including the right to participate in any dividend declared, only after the final allotment which shall be after the last date of acceptance and payment.”

By Order of the Board
Citrus Leisure PLC
(Sgd) Anusha Wijesekara
P W Corporate Secretarial (Pvt) Ltd
Secretaries

On this 15th day of March 2019

NOTE:

- 1) A shareholder entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of him/her. A Proxy need not be a shareholder of the Company.
- 2) The completed Form of Proxy should be received by the Company at its Registered Office No. 7/5, Gregory's Road, Colombo 7, by 10.10 am on 6th April 2019.
- 3) A Form of Proxy accompanies this Notice.

CITRUS LEISURE PLC

FORM OF PROXY

*I/We.....
(NIC No / Company Registration No.....) of
.....
being a shareholder / shareholders of Citrus Leisure PLC hereby appoint
..... (NIC No.) of
.....or
failing him/her.

Mr. E P A Cooray	or failing him
Mr. D S Jayaweera	or failing him
Mr. R Seneviratne	or failing him
Ms. V S F Amunugama	or failing her
Mr. J M B Pilimalawwe	or failing him
Mr. S D De Mel	or failing him
Mr. P C B Talwatte	or failing him
Mr. P V S Premawardhana	or failing him
Mr. S A Ameresekere	or failing him

as my/our* proxy to represent and speak and vote as indicated hereunder for me/us* and on my/our* behalf at the Extraordinary General Meeting of the Company to be held on 8th April 2019 at 10.10 a.m. and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof.

FOR AGAINST

To pass the ordinary resolution set out in the Notice of Extraordinary General Meeting for the Issue of 173,970,769 Ordinary Voting Shares

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

Signed this day of Two Thousand and Nineteen.

**Please delete as appropriate*

.....
Signature of Shareholder/s

Note: 1. A proxy need not be a shareholder of the Company
 2. Instructions as to completion appear below.

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy by filling in legibly your full name address and signing in the space provided and filling in the date of signature.
2. A shareholder entitled to attend and vote at the meeting is entitled to appoint a Proxy who need not be a shareholder, to attend and vote instead of him. Please indicate with an "X" in the box provided how your Proxy is to vote on the resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.
3. If you wish to appoint a person other than the Chairman or a Director of the Company as your Proxy, please insert the relevant details in the space provided (above the names of the Board of Directors) on the Proxy Form.
4. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration if such Power of Attorney has not already been registered with the Company.
5. If the appointer is a Company / Incorporated body this Form must be executed in accordance with the Articles of Association / Statute.
6. The completed Form of Proxy should be deposited at the Registered Office, No.7/5, Gregory's Road, Colombo 7 by 10.10 a.m. on 6th April 2019.

If undelivered, please return to:

CITRUS LEISURE PLC
C/o P W CORPORATE SECRETARIAL (PVT) LTD
No. 3/17, Kynsey Road
Colombo 8