

CEYLON HOSPITALS PLC

(PQ 113)

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 Shareholders,

1. The Board of Directors of Ceylon Hospitals PLC (The ‘Company’) resolved on 19th February 2024 to issue three million eight hundred seventy four thousand six hundred seventy five (3,874,675) new voting ordinary shares and one million two hundred sixty six thousand seven hundred twenty one (1,266,721) new non voting ordinary shares by way of a Rights Issue at a consideration of Rs.112/50 per voting ordinary share and Rs.90/- per non voting ordinary share respectively.
2. RIGHTS ISSUE OF ONE NEW ORDINARY SHARE FOR EVERY SEVEN (7) ORDINARY SHARES HELD BY EACH CLASS OF SHAREHOLDERS OF VOTING AND NON VOTING ORDINARY SHARES.

- 2.1. The ordinary shares under the proposed Rights Issue will be issued in the proportion of one (01) new ordinary share for every seven (07) shares held by each class of shareholders as at the end of trading on the 3rd market day from and excluding the date of the EGM (“entitlement date/ record date”) provided that no shareholder will be entitled to any fraction of any share.

Fractional entitlements referred to herein shall mean the fractions arising after applying the following formula.

Number of ordinary shares held by a shareholder of any class as at the entitlement date/record date

7

The Rights Issue intends to raise approximately Rupees Five Hundred and Fifty Million (Rs.550 Mn.).

- 2.2. In the opinion of the Board of Directors the consideration of Rs.112.50 per voting ordinary share and Rs.90/- per non voting ordinary share respectively is fair and reasonable to the Company and all its existing shareholders. All new shares so issued shall upon the due acceptance and payment, rank Pari Passu in all respects with the

existing ordinary shares of similar nature of the Company including the right to participate in any dividend declared after the final allotment which shall be after the last date of acceptance and payment.

3. EQUITY AND CAPITAL STRUCTURE.

Stated capital of the Company Pre and Post Rights Issue is as follows.

	Pre Rights Issue	Proposed Rights Issue	Post Proposed Rights Issue
No of voting ordinary Shares	27,122,726	3,874,675	30,997,401
No of non voting ordinary shares	8,867,044	1,266,721	10,133,765
Stated capital (Rs.)	1,142,797,779/-	549,905,827/50	1,692.703,606.50

4. LICENSES

License issued by the Private Health Services Regulatory Council is renewed annually. Existing license is valid up to 31st December 2024

5. THE PURPOSE OF THE RIGHTS ISSUE

5.1. The funds raised from the Rights Issue will be utilised for repayment of part of the high interest bearing loans of the company. The entirety of the loan obtained has been utilised by the company as at date.

The Vision 2022 redevelopment project has been successfully completed apart from dry finishing work at the Wellness Centre and the extended EYE Clinic.

As communicated in the previous Rights Issue circular to the shareholders' published on the Colombo Stock Exchange on 30th January 2023, the Company financed the redevelopment project through internally generated funds, long term borrowings and the proceeds from the previous rights issue.

The Board of Directors are of the view that it would be prudent to redeem some of outstanding loans taking into account of market interest rates prevailing at present as against that were applicable to when obtaining said loans back in FY 2021/22. This strategic move will improve our debt-to-equity ratio and refine our capital structure, thereby significantly boosting our potential for earnings. The cost savings derived from this step are essential in strengthening our

financial resilience. This aligns perfectly with our foremost objective of augmenting shareholder value and increasing returns for our shareholders.

Accordingly, the purpose of the rights issue is to raise equity funding to settle the loans amounting to Rs.550 Million. The creditor is not a related party and therefore the funds raised from the Rights Issue shall not be utilized to settle related parties.

Bank borrowing

Financial Institution	Date Loan Obtained	Loan Amount	Loan Balance as at 29th Feb 2024	Early Settlement Value	Interest
		Rs.Mn	Rs.Mn	Rs.Mn	%
Commercial Bank PLC	22nd April 2022	300	300	150	AWPLR+1.5
Hatton National Bank PLC	27th Dec 2022	200	200	200	AWPLR+1.5
Central Finance PLC	26th June 2023	200	200	200	AWPLR+1.5 Subject to a floor rate of 16%
		700	700	550	

The Directors have also taken into account the conditions attached to premature settlement of loans in their selection.

The funds with respect to the objective aforesaid would be utilized immediately upon allotment of shares in the rights issue.

5.2. Minimum Amount to be raised under the Rights Issue.

There is no specific minimum amount that the Company is required to raise under the rights issue in order to meet the objectives of the rights issue. However please refer Clause No. 8 of this circular with respect to the arrangements made by the company to receive the total subscription to meet its objectives.

5.3. If the proceeds of the rights issue are not utilized immediately upon the receipts of the funds the Company will invest such funds with NDB Wealth Management Ltd where fund is rated AAA and DFCC Bank with Fitch Rating A-. Ongoing interest rates of the above mentioned banks are as follows :

- NDB Wealth Management Ltd – Interest Rate 12.4 % per annum.
- DFCC Bank – Interest Rate 8.5% per annum

6. RISKS ASSOCIATED WITH THE ACHIEVEMENT OF THE OBJECTIVES OF THE RIGHTS ISSUE.

The Company does not foresee any risk of (i) the proceeds of the Rights Issue not being utilised for the abovementioned purposes or (ii) any delay in the utilisation of the proceeds for such purposes.

However, if, due to any unforeseen reasons, the proceeds of the Rights Issue are utilized for a purpose, other than the purposes mentioned above, or if there is a change in the timing of utilization as which is specified herein, the Company will make necessary disclosures to the shareholders via the CSE and include relevant disclosures in the Interim Financial Statements and Annual Report as appropriate. Further, the Company will take necessary steps to obtain the approvals of the relevant parties including the shareholders as appropriate at that point in time.

7. BENEFITS TO SHAREHOLDERS

The utilisation of funds, as aforesaid will improve the financial position of the Company and thereby would benefit all the shareholders. Such improvement in the financial position would provide flexibility for the Company to adapt to changes in the current business environment.

8. UNDERWRITING ARRANGEMENTS

The Company has not entered into any formal underwriting arrangement in relation to the Rights Issue. The Board of Directors believe that the proposed Rights Issue will be viewed positively by the Shareholders as an attractive investment since it was over 80% participation in the 2023 Rights Issue and as such does not warrant an underwriting for the issue. In the event the Issue is not fully subscribed the Company would make arrangements to subscribe for all declined shares through the holding company ie. Durdans Management Services Limited (DMSL) and /or other associated companies (primarily the shareholders of DMSL)

Currently the composition of the voting shareholding of the company is as follows.

SHAREHOLDER	Nos of Shares	%
Durdans Management Services Limited	18,628,342	68.68
Directors of the Company <ul style="list-style-type: none">• Mr. A.E. Tudawe• Mr. U.D. Tudawe• Dr. A.D.P.A. Wijegoonewardene	1,179,585	4.35

<ul style="list-style-type: none"> • Mr. Y.N.R. Piyasena • Mr. A.D.B. Talwatte • Mr. A.V.R. De Silva Jayatilleke • Mr. A.S. Tudawe • Mr. S. Renganathan • Mr. H.M.A. Jayasinghe 		
Spouse, Children, Close family members of Directors <ul style="list-style-type: none"> • Mrs. R.L. Tudawe • Mrs. D.N. Tudawe • Mrs. S. Wijegoonewardene • Mr. A.D. Tudawe • Mast. E.H. Tudawe • Mr. H.L. Tudawe • Mr. P.V. Tudawe • Mrs. V. Tudawe • Mr. J.S.P. Tudawe • Miss. Y.A.D. Piyasena • Mr. W.N. Tudawe • Mr. G.A. Tudawe • Dr. M.N. Tudawe 	727,106	2.68
Lawrance Tudawe Management Services (Pvt) Ltd	637,581	2.35
Public	5,950,112	21.94
Total	27,122,726	100.00

Subsequent to the proposed rights issue the total voting shares of the company would be 30,997,401. The public holding percentage as at 31st December 2023 is 21.94%. in the event of the full subscription of the ordinary voting shares issued via the rights issue, the public holding percentage would remain unchanged.

9. DISCLOSURES IN THE INTERIM FINANCIAL STATEMENTS AND THE ANNUAL REPORT

9.1. Information as per the template below will be disclosed in the Interim Financial

Statements and the Annual Report/s from the date of raising funds until objectives are achieved and funds are fully utilized by the Company.

Continuous Disclosures regarding status of utilization of funds raised via Rights Issue.

Rights Issue proceeds utilization at (dd-mm-yyyy) Objective number	Objective as per circular	Amount allocated as per Circular in Rs.	Proposed date of utilisation as per Circular	Amount allocated from proceed in Rs. (A)	% of total proceeds	Amount utilised in Rs. (B)	% of utilized against allocation (B)(A)	Clarification if not fully utilized including if not utilized where are the funds invested (e.g. whether lent to related parties)
1.								

9.2. The Company would disclose any material change to the use of funds raised in terms of this Rights Issue and obtain the shareholders approval for such deviation.

9.3. If the funds so raised are fully utilized between two financial years, the Company would disclose in the immediate succeeding Annual Report or the Interim Financial Statements, whichever is published first.

9.4. The Rights Issue and the achievement of the objectives thereof would not amount to a major transactions as per the Companies Act No. 7 of 2007.

10. MARKET PRICES OF SHARES

The highest, lowest, and closing prices of the Company's shares for the preceding three months are given below.

	Voting (Rs.)			Non Voting (Rs)		
	Highest	Lowest	Closing	Highest	Lowest	Closing
December	130.00	120.00	120.00	104.50	100.00	104.00
January	127.00	112.75	126.50	110.00	96.60	109.50
February	126.75	112.00	115.00	107.75	97.00	97.00

LIST OF 20 MAJOR SHAREHOLDERS AS A 31st DECEMBER 2023

10.1. **List of Top 20 Voting Ordinary shareholders.**

No.	Name of the Shareholder	No. of Shares	%
01	Durdans Management Services Ltd	18,628,342	68.68
02	Lawrance Tudawe Management Services (Pvt) Ltd	637,581	2.35
03	Mr. D.G. Wijemanna	600,000	2.21
04	Mr. R.P. Weerasooriya	572,149	2.11
05	Mr. Y. N. R. Piyasena	527,567	1.95
06	Mr. Deen Mohamed Fazal Aslam	517,000	1.91
07	Galle Face Capital Partners PLC	447,774	1.65
08	Mr. Merrill J. Fernando (Deceased)	390,500	1.44
09	Cargo Boat Development Company PLC	324,577	1.20
10	MJF Holdings (Pvt) Ltd	287,917	1.06
11	Mr. A. E. Tudawe	235,152	0.87
12	Dr. A. D. P. A. Wijegoonewardene	234,368	0.86
13	Mr. U. D. Tudawe	181,279	0.67
14	Mr. H. L. Tudawe	175,433	0.65
15	Mr. A. D. Tudawe	172,108	0.63
16	Mr. P.V. Tudawe	166,789	0.61
17	Commercial Bank of Ceylon PLC A/C No. 04	88,187	0.33
18	Merrill J Fernando & Sons (Pvt) Ltd	80,914	0.30
19	Mr. G. A. Tudawe	77,576	0.29
20	E.W. Balasuriya & Co. (Pvt) Ltd	75,256	0.28
	TOTAL	24,420,469	90.05

10.2. **List of Top 20 Non Voting Ordinary shareholders.**

No.	Name of the Shareholder	No. of Shares	%
01	Durdans Management Services Ltd	2,929,948	33.04
02	Employees' Provident Fund	1,154,371	13.02
03	MJF Holdings (Pvt) Ltd	636,061	7.17
04	E. W. Balasuriya & Co. (Pvt) Ltd	351,282	3.96
05	Mr. D. Ratnayake	156,045	1.76
06	Tudawe Engineering Services (Pvt) Ltd	97,735	1.10
07	Mr. D. A. Cabraal	87,656	0.99
08	Mr. S. S. Sithambaranathan	82,563	0.93
09	Mr. A. H. Munasinghe	80,000	0.90
10	Mr. A. D. Tudawe	75,597	0.85
11	Mr. P. S. De Mel	75,248	0.85
12	Ms. T. T. Weerasinghe	70,485	0.79
13	Commercial Bank of Ceylon PLC A/C No. 04	64,918	0.73
14	Peoples Leasing & Finance PLC /Mr. P. A. I. S. Perera	63,750	0.72
15	Mr. D.P. L. De Mel	62,589	0.71
16	Saman Villas Limited	62,115	0.70
17	Mr. G. D. M. Ranasinghe	55,000	0.62
18	Mr. D. G. Wijemanna	53,264	0.60
19	Mr. H. A. Cabraal	53,125	0.60
20	Mr. U. D. Wickremesooriya	53,125	0.60
	TOTAL	6,264,877	70.65

11. DIVIDEND HISTORY

The dividend history of the Company (Audited) to the past three years was as follows:

FINANCIAL YEAR	2020/2021	2021/2022	2022/2023
Dividend per Share	2.20	3.20	5.00
Total dividend paid	74,519,997/-	108,392,723/-	169,393,630/-

12. CONTINGENT LIABILITIES

There has not been any material changes in the nature of contingent liabilities as disclosed in the Company's unaudited Interim Financial Statements as at 31st December 2023.

13. APPLICATION FOR RIGHTS AND PROVISIONAL ALLOTMENT

13.1. As stated under clause No.01 in this Circular, the **3,874,675** voting ordinary Shares and **1,266,721** non-voting ordinary Shares will be provisionally allotted on the Record Date (3rd market day from and excluding the date of the EGMs) after obtaining the approval of the shareholders, at the EGMs to be held on 14th May 2024, approving the Resolution to provisionally allot the new Ordinary Shares as recommended by the Board to shareholders in the Register of Shareholders as at end of Trading on 17th May 2024 (Record Date / Date of Provisional Allotment) on the Rights.

13.2. New ordinary shares, not duly subscribed for as at the last date of acceptance and payment specified in the Provisional Letter of Allotment, shall be deemed to have been declined.

13.3. The new voting ordinary shares provisionally allotted will upon due acceptance and payment, rank *pari passu* in all respects with the existing issued voting ordinary shares of the Company and will qualify for all dividends declared on voting ordinary shares, only after the final allotment which shall be after the last date of acceptance and payment.

13.4. The new non-voting ordinary shares provisionally' allotted will upon due acceptance and payment, rank *pari passu* in all respects with the existing issued non voting ordinary shares of the Company and will qualify for all dividends declared on non-voting ordinary shares, only after the final allotment which shall be after the last date of acceptance and payment.

13.5. 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.

13.6. If you do have a CDS Account and your existing shares are not lodged in the said CDS Account/ or you propose to open a CDS Account prior to 14th May 2024 , you are advised to lodge your Shares prior to such date, to facilitate the direct lodgement of Rights to your CDS Account.

13.7. The Provisional Letters of Allotment together with the Acceptance and Registration Form and Form of Application for Additional Shares will be dispatched to you on 28th May 2024 by post.

13.8. Shareholders must strictly follow and adhere to the instructions provided in the Provisional Letter of Allotment in respect of acceptance, renunciation and applying for additional shares.

13.9. 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.

13.10. The Rights entitlement of the Shareholders whose shares are held in the CDS, will be directly uploaded to their CDS Accounts within three (3) Market Days from and excluding the Record Date to facilitate trading.

13.11. The last date for acceptance and payment shall be 14th June 2024.

13.12. Application for additional Shares will be permitted.

13.13. Additional Shares will be available for allotment only in the event any of the existing shareholders do not take up their rights entitlement in part or in full or if the Letter of Acceptance and Registration is rejected by the Company as being invalid. The Shares not subscribed for as at the last day of acceptance specified in the Provisional Letter of Allotment will be deemed to have been declined and such declined shares, will be allotted at time same price to the shareholders applying for additional shares, on a reasonable basis determined by the Directors (to be determined upon ascertaining the number of shares declined and / or deemed to be declined).

14. UPLOADING OF SHARES

14.1. 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.

14.2. 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 Registrars to the Company **will not be issued Share Certificates in their favour.**

14.3. The shares allotted in respect of Letters of Acceptance which do not carry a valid CDS Account Number or which indicate an incorrect/inaccurate CDS Account Number will not be uploaded to the CDS Accounts on the date specified for upload as per the Rules of the CSE. Shares allotted in respect of such acceptances will be uploaded on a weekly basis when the Shareholders/Applicants forward to the Secretaries/Registrars their correct CDS Account Numbers.

14.4. Shareholders/Applicants who do not have a CDS Account are advised to open a CDS Account, prior to submitting the completed Form 'A' and Form 'C'(if applicable) in order to facilitate the uploading of the Shares allotted to them.

14.5. The new shares will commence trading on or before 04th July 2024.

15. GENERAL INSTRUCTIONS FOR THE RIGHTS ISSUE

15.1. **Non Resident Shareholders** — Non Resident Shareholders are required to make payments for rights through their Inward Investment Account (IIA). 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.

15.2. 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.

16. APPROVAL FROM COLOMBO STOCK EXCHANGE

16.1. An Application has been made to the CSE for listing of the new ordinary shares on the CSE. Approval in principle has been obtained from the CSE to issue and list the new shares to be issued from the Rights Issue. 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 statement made, opinions expressed or reports included.

17. EXTRA ORDINARY GENERAL MEETING

17.1. An Extra Ordinary General Meeting of the shareholders of the Company as a

virtual meeting will be convened in terms of the Notice of Meeting enclosed herewith, at which the shareholders will be requested to consider and if thought fit to pass the Ordinary Resolution necessary to approve the Rights Issue. If you are unable to be present at this meeting, you are kindly requested to complete and forward the attached form of proxy to the Registered Office of the Company at No. 3, Alfred Place, Colombo 03 not less than 48 hours before the time appointed for the holding of the meeting.

By order of the Board
Nexia Corporate Consultants (Private) Limited

NEXIA CORPORATE CONSULTANTS (PVT) LTD
PV 106

Secretaries to

Ceylon Hospitals PLC

At Colombo on 23rd April 2024