

CEYLON INVESTMENT PLC - PQ 68

CIRCULAR TO SHAREHOLDERS

Dear Shareholder/s,

1. FINAL DIVIDEND FOR THE FINANCIAL YEAR 2019/2020

As allowed by Article 125(i) and Article 135 of the Articles of Association of the Ceylon Investment PLC, the "Company", the Board of Directors of the Company is pleased to inform its shareholders that a final dividend of Rs.1/- per share is recommended, which will consist of 25 Cents (Rs.0.25) per share in Cash and 75 Cents (Rs.0.75) per share in the form of a Scrip Dividend on the ordinary shares for the financial year ended 31st March 2020, to be paid entirely out of dividend income received by the Company which is part of the retained earnings as at 31st March 2020, subject to approval of the Shareholders.

The amount of dividends to be paid in cash and the number of shares to be issued

- (i) The total sum that the Company proposes to distribute to the Shareholders in cash is **Rs.24,862,764/75**.
- (ii) With regard to the Scrip Dividend, the following table sets out the maximum number of shares to be issued, the proportion and consideration at which shares are to be issued in respect of the Scrip Dividend based on the number of issued shares as at 14th September 2020.

	Ordinary Shares
Existing Ordinary shares as at 7th August 2020	99,451,059
The maximum number of shares to be issued - on the basis of 75 Cents per existing share (the number to be eventually issued will depend on the residual fractions arising which will be disregarded and cash will be paid for same)	1,888,311
Amount to be capitalized for the issue of shares - Scrip Dividend	Rs.74,588,294/25
Consideration for which the shares are to be issued - market value of a share as at 7th August 2020	Rs.39/50
The proportion with which the shares are to be issued	1 share for every 52.6666735511 shares

The number of shares to be issued to each Shareholder will be computed based on the following formula.

No. of shares to be issued = $\frac{\text{No. of shares held by the Shareholder as at end of trading on the date of the AGM}}{52.6666735511} \times 1$
to each Shareholder

- (iii) The new ordinary voting shares to be issued under the proposed Scrip Dividend will rank equal and *pari passu* in all respects with the existing ordinary shares of the Company, immediately after the issue of such shares.

- (iv) The new ordinary shares arising from the Scrip Dividend shall not be eligible for the payment of the final Cash Dividend referred to herein.

Entitled Shareholders

- (i) The Shareholders entitled to the final dividend shall be those shareholders, whose names have been duly registered in the Register of Shareholders and those Shareholders whose names appear on the Central Depository Systems (Private) Limited ('CDS') as at end of trading on 14th September 2020.
- (ii) In determining the number of shares held by a shareholder as at the relevant date for the proposed dividend, the shareholding of the shareholder as appearing in the CDS and the Register of Shareholders maintained by the Company will not be aggregated for the purpose of calculation but the calculation would be done separately. However, if a shareholder holds shares with multiple stockbrokers, such shares will be aggregated for calculation purposes and the shares arising as a result of the Scrip Dividend will be uploaded proportionately to the respective CDS accounts held with each broker.

Residual Fractions of Shares

- (i) The residual fractions arising from the Scrip Dividend will be disregarded in its entirety and the value of such fractions (computed based on the aforesaid consideration for the shares to be issued) will be paid by cheque/ Sri Lanka Interbank Payment System ('SLIPS') to the shareholders and such payment on the fractions will be added on to the Cash Dividend.
- (ii) The residual fractions referred to herein will mean the fractions arising after applying the following formula:

No. of shares to be issued = $\frac{\text{No. of shares held by the Shareholder as at end of trading on the date of the AGM}}{52.6666735511} \times 1$
to each Shareholder

Compliance with the Law

(i) Compliance with the Companies Act, No.07 of 2007 ("the Companies Act")

(a) In terms of Section 52 (1)(a) of the Companies Act, the Board has decided that the shares to be issued to Shareholders under the proposed Scrip Dividend issue shall be issued at a consideration of Rs.39/50 per share.

(b) In terms of Section 52 (1)(b), the Board of Directors has also opined that the aforesaid consideration for which the shares are to be issued under the Scrip Dividend is fair and reasonable to the Company and to all existing Shareholders of the Company.

(c) Section 53 (1) of the Companies Act, provides that subject to the Articles of Association, where a Company issues shares which rank equally with or above the existing shares in relation to voting or distribution rights, those shares must first be offered to the holders of existing shares in a manner which

would, if the offer was accepted, maintain the relative voting and distribution rights of those shareholders, Vide (ii) below.

(d) Section 56 of the Companies Act provides that unless the Company's Articles provide otherwise, every distribution must be approved by Shareholders by Ordinary Resolution, Vide (ii) below.

(e) The proposed dividend is paid entirely out of dividend income received by the Company which is part of the retained earnings as at 31st March 2020. The Company also conducted the solvency test as required by Section 56 of the Companies Act and obtained a Certificate of Solvency from the Auditors. The Board is satisfied that the Company will, immediately after the dividend is paid, meet the solvency test in terms of the provisions of the Companies Act.

(ii) Compliance with Articles of Association

(a) Article 9(i) of the Articles of Association of the Company provides that, where the Company issues shares, those shares should be offered to the then Shareholders in proportion to the number of shares held by them, unless authorized by an Ordinary Resolution of the Company.

(b) Article 125(i) of the Articles of Association of the Company provides that a Final Dividend distribution requires approval by way of an Ordinary Resolution of Shareholders. Given that the proposed dividend of Rs.1/- is a Final Dividend for the year ended 31st March 2020, the approval of the Shareholders of the Company is required therefore by an Ordinary Resolution.

(iii) Compliance with the rules of the Colombo Stock Exchange

The Company has:

(a) taken necessary steps to comply with all relevant provisions of the Listing Rules of the Colombo Stock Exchange in relation to the Final Dividend referred to in this Circular.

(b) obtained in principle approval from the Colombo Stock Exchange for the issue and listing of the ordinary shares under the proposed Scrip Dividend.

The above which requires the approval of the Shareholders of the Company will be taken up at the Annual General Meeting of the Shareholders of the Company to be held on Monday, 14th September 2020.

Uploading of Shares into CDS Accounts

- (i) As required in terms of a Directive issued by the Securities and Exchange Commission of Sri Lanka ("SEC") under Circular No. 08/2010 dated 22nd November 2010 and Circular No. 13/2010 dated 30th November 2010 issued by the Central Depository Systems (Private) Limited ("CDS"), all new shares to be issued under the proposed Scrip Dividend, will be directly uploaded to the securities accounts of Shareholders maintained with the CDS, within seven (7) Market days from the date of the Annual General Meeting (but excluding the date on which the Annual General Meeting is held where the relevant resolution is to be passed by the Shareholders). If a Shareholder holds multiple CDS accounts, the total entitlement will be directly deposited to the respective CDS accounts proportionately.

- (ii) No share certificate will be issued to any Shareholder. In the event of the non-availability of a CDS account number, the new shares to be allotted to any Shareholder, will only be registered in the share ledger/register maintained by the Company. Such Shareholder **will not be entitled** to a share certificate **nor be able to trade** the new shares until such time these shares are deposited with the CDS. Therefore, the Shareholders must ensure strict adherence to the aforementioned Directives and Circulars. Consequent to the 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 Shareholders to deposit such shares will be done every fortnight.

Impact of COVID-19 to the business operations of the Company

On 20 March 2020, the Government imposed an island wide curfew aimed at controlling the spread of COVID-19 in the country. Accordingly, the Colombo Stock Exchange was closed for trading activities from 21st March 2020 onwards, nearly for a period of two months. With the relaxation of curfew to recommence business activities, the Colombo Bourse resumed trading activities on 11th May 2020. After closing at 4,571.63 points on the last trading day in March, the ASPI has since recovered to 5,176.48 points by 7th August 2020. Accordingly, we have seen a partial recovery of the stock market as at the date of the issuance of the Shareholder Circular when compared with the pre COVID-19 level ASPI of 6,129.21 as at 31st December 2019. Further, the Company maintains a strict disciplined approach of choosing fundamentally strong stocks that indicate potential for medium to long-term growth. The management will continue to monitor new developments and events in the present market dynamics and take appropriate and timely action as and when required.

Registrars to the Issue

Corporate Solutions Unit Central Depository Systems (Private) Limited located at M&M Center - 341/5, Kotte Road, Rajagiriya will be the Registrars to the Scrip Dividend.

2. ADOPTION OF THE PROPOSED NEW SET OF ARTICLES OF ASSOCIATION IN PLACE OF THE EXISTING ARTICLES OF ASSOCIATION OF THE COMPANY

Ceylon Investment PLC (“the Company”) was originally incorporated on 26.11.1919 and re-registered on 10.08.2007, under the present Companies Act, No.07 of 2007 (“the Present Act”). The existing Articles of Association of the Company had been adopted on 12.01.1991. Thereafter, certain changes had been made to these Articles from time to time in terms of the Companies Act, No.17 of 1982 and Companies Act, No.07 of 2007.

It is recommended by the Directors, to consider adopting a new set of Articles of Association (“proposed new Articles”) to replace the existing set of Articles of Association of the Company, with the objective of having a simplified set of Articles drafted in line with the provisions of the Present Companies Act and the Listing Rules of the Colombo Stock Exchange.

The structure of the proposed new Articles is described below, with a view to facilitate the understanding of same;

The proposed new Articles of Association are organized under 8 main section titles.

1. **Preliminary** - This section states that, the Articles apply to the Company to the exclusion of the regulations contained in the First Schedule to the Present Act. This segment also sets out the definitions applicable to the proposed new Articles.
2. **Objects** - This section deals with the Objects of the Company. In terms of the Present Act it is not mandatory to limit the activities that a company may undertake by setting out the objects in the Articles. Accordingly, the objects of the Company are not limited by the proposed new Articles and the Company may undertake any type of business as may be decided by the Directors. This is as opposed to the large number of object clauses contained in the existing Articles.
3. **Shares** - This section deals with matters relating to Issue of Shares, Variation of Rights, Calls on Shares, Lien, Consolidation and Sub-Division of Shares, Distributions to Shareholders, Repurchase of Shares, Financial Assistance in Connection with Purchase of Shares, Share Register, Transfer of Shares, Transmission of Shares and Share Certificates.
 - (i) Concepts such as “authorised share capital”, “paid up amount”, “stocks”, “nominal value” and “share premium account” have been removed from the New Articles, since the Present Companies Act has done away with such concepts.
 - (ii) Articles 4(1) to 4(3) have been worded in line with the language and requirements of the Present Companies Act in relation to issuance of shares, the right to issue redeemable shares, the obligation of the Board of Directors to determine the consideration for issue of shares and pre-emptive rights attached to shares.
4. **Meetings of Shareholders** - This section deals with Shareholder meetings. Standard clauses relating to the procedures convening and holding Shareholder meeting have been set out. Quorum for Shareholders meeting which is 3 shareholders has been retained.
5. **Directors** - This section contains standard Articles relating to directors such as appointments, removals, transactions in which a director is interested, appointment of alternate directors, proceedings of directors, general powers of directors, borrowing powers and appointment of company secretary etc. The existing minimum number of directors 3 and maximum number of directors being 7 has been retained in the proposed new Articles. Quorum for directors’ meetings being 3 directors has also been retained. Provisions relating to retirement and re-election of directors and appointment of Nominee Directors have also been retained.

Directors general powers have been restricted under Article 85(1) whereby a special resolution of shareholders is required for certain actions such as to (i) sell, exchange or otherwise dispose of immovable assets/property of the Company other than a sale or disposal of fixed assets or any part thereof in the ordinary course of business; (ii) lease or sub-lease any land belonging to or held by the Company or any part thereof for a period exceeding 21 years; (iii) alter any provisions of the Articles (iv) alter the maximum or minimum number of directors (v) exceed the borrowing powers set out in the Articles.

6. **Accounts and Audit** - This section contains standard provisions relating to accounting records, financial statements, audit and appointment of auditor.
7. **Liquidation** - This section deals with voluntary winding up of the company by shareholders and the distribution of surplus assets.
8. **Miscellaneous** - This section covers miscellaneous matters such as method of contracting and placing of the common seal, authentication of documents, minutes, documents to be kept by the Company, rights of directors and shareholders to documents, insurance and indemnity, change of name of the Company, Change of registered address of the Company, sending notices and compliance with the Listing Rules and CDS Rules of the Colombo Stock Exchange.

The proposed new set of Articles of Association is available on/via the,

- Group website www.carsoncumberbatch.com
- URL link
http://www.carsoncumberbatch.com/investor_information/announcements/pdf/cinv/Proposed-new-set-of-Articles-of-Association-of-CINV.pdf
- Colombo Stock Exchange website www.cse.lk

If you wish to receive a printed copy of the proposed new set of Articles of Association of the Company, you are kindly requested to complete and forward the attached Form of Request to the following address **on or before 12th September 2020.**

Carsons Management Services (Private) Limited
Secretaries to **CEYLON INVESTMENT PLC**
No.61, Janadhipathi Mawatha, Colombo 1
Sri Lanka

Or fax to +94 112337 671 or +94 112039 300 to the attention of Mayanthi Dias / Chathuri Chandrasiri or email to mayanthid@carcumb.com / chathuric@carcumb.com

By Order of the Board of
CEYLON INVESTMENT PLC
Carsons Management Services (Private) Limited
Secretaries

No.61, Janadhipathi Mawatha,
Colombo 1
Sri Lanka

10th August 2020

CEYLON INVESTMENT PLC - PQ 68
FORM OF REQUEST FOR A PRINTED COPY OF THE
NEW SET OF ARTICLES OF ASSOCIATION

TO: Carsons Management Services (Private) Limited
Secretaries to
Ceylon Investment PLC
No. 61, Janadhipathi Mawatha
Colombo 1,
Sri Lanka

I would like to receive a printed version of the proposed new set of Articles of Association of Ceylon Investment PLC

SHAREHOLDER DETAILS

Full name of Shareholder	
Shareholder's NIC/ Passport/ Company Registration No.	
Address	
Contact No.	

.....
Signature

.....
Date

Notes:

1. Please complete the Form of Request by filling in legibly the required information, signing in the space provided and filling in the date of signature.
2. Please forward the completed Form of Request to the Company Secretary at the address given above or fax to +94 11 2337671 / +94 11 2039300 or email to mayanthid@carcumb.com / chathuric@carcumb.com to reach us **on or before 12th September 2020**.
3. In the event the Shareholder is a Company, the Form of Request should be signed under its Common Seal or by a duly authorised officer of the Company in accordance with its Articles of Association.
4. If you have any query regarding this Form of Request please contact us on +94 11 2039273 / +94 11 2039272 / + 94 712 791 246.