

CEYLON HOLIDAY RESORTS LIMITED

Company No: PB 40

CIRCULAR TO SHAREHOLDERS

1st July 2009

Dear Sir / Madam,

AMENDMENTS TO ARTICLES OF ASSOCIATION

The Company proposes to adopt a new set of Articles of Association with the objective of bringing the Articles in line with the provisions of the new Companies Act No. 7 of 2007 (the “Act”) and also to garner the various benefits afforded to companies by the Act. Copies of the proposed Articles are available with the Secretaries, Keells Consultants Limited at 130, Glennie Street, Colombo 2 and can also be viewed on [http:.....](http://.....) for your easy reference. In order to enable you to better understand the amendments that are being proposed, we have summarized below on a conceptual basis, the salient additions/modifications or deletions recommended to the existing Articles of Association along with explanations as to why the amendment is proposed:

1. Objects

The existing Objects of the Company as contained in the Memorandum of Association will be excluded in the new Articles of Association as there is no necessity for a Company to have objects as per the current Act.

2. Share Capital

The provisions relating to capital, increase and variation in capital and share premium accounts which existed previously are not contained in the new Articles of Association as the concepts of par value, issued or authorised share capital and share premium are redundant under the new Act.

3. The Right to Purchase or Redeem its own Shares

Section 64 of the Act permits a company to purchase or redeem its own shares if so authorised by its Articles. In order to take advantage of this law provision has been made in the new Articles of Association to purchase or redeem the Company’s own shares in terms of the Act (Article 3).

4. Issue of Shares

Provisions to permit both Bonus Issues, Rights Issues and issue of preference shares to be with Board approval without the need to go to the shareholders for their consent.

5. Variation of Rights & Winding Up

The Articles have been amended to replace the requirement for an Extraordinary Resolution for variation of rights attached to shares (Article 9) and also in the case of distribution of assets in specie in a winding up (Article 151), with a Special Resolution. This has been necessitated as there is no longer a concept of an Extraordinary Resolution in the Act.

6. Consideration for Shares

Section 52 of the Act stipulates that the Board of Directors must decide the consideration for which shares will be issued and that such consideration be fair and reasonable to the Company and to all existing shareholders. Provision for this has been made in the new Articles of Association (Article 6).

7. Issue of Share Certificates

The Act does not require the placement of the Company Seal on Share Certificates and the requirement to issue the Share Certificate under seal has been removed from Article 14 to facilitate ease of processing the issue of share certificates.

8. Written Resolution of the Shareholders

Section 144 of the Act provides for resolutions of the Company to be passed with the signature of 85% of the shareholders and in keeping with the scheme of the new Act, a provision in this regards has been introduced as Article 45.

9. Notice period for General Meetings

Notice periods for General Meetings have been reworded to fall within the wording used in the Act in Article 46.

10. Proceedings of the Board

A provision to enable Board Meetings to be called with 24 hours notice. A provision to allow irregularities in the Notice of a meeting to be waived if all the Directors entitled to receive notice of the meeting attend the meeting without protest as to the irregularity or

if all the Directors entitled to receive notice of the meeting agree to the waiver has also been included. (Article 90)

11. Signature of Notarial Documents

Section 19 of the Act requires the Articles of Association to contain specific provision authorizing non directors to sign notarial documents. For the purpose of business efficacy a provision (Article 101) permitting the Directors to delegate the execution of notarial documents to non directors has been included.

12. Distributions with Board Approval

The existing Articles of Association which permitted Directors to grant interim dividends has been amended in line with the new Act for the Directors to grant all distributions including final dividends as the Act stipulates that Directors are ultimately responsible for certifying that the Company will pass the solvency test immediately after a distribution. (Article 119)

13. Scrip Dividends

Article 119 has been amended to provide for the issue of scrip dividends.

14. Accounts

The words “profit and loss accounts” has been replaced with “income statements” in keeping with the current regime. (Articles 137 & 138)

15. Notices

Provision has been made to allow Notices to be posted on the official website of the Company. (Article 147)

16. Insurance

Section 218 of the Act requires there to be provision in the Articles for the Company to provide insurance to Directors and accordingly provision has been made in this regard. (Article 153 – 156)

17. Secrecy And Confidentiality

Provisions for secrecy and confidentiality have been included in the Articles of Association. (Articles 157 & 158)

18. Provisions not to be included

The new Articles of Association will also not make provision for the following although the Act permits special provision to be made in the Articles to achieve those objectives:

- a) S. 92 of the Act provides for certain specific decisions to be taken with the sanction of a special resolution of shareholders (which are otherwise taken by majority vote). Your Board of Directors believes that inclusion of same would put restrictions on the existing shareholder rights and of majority rule as a Public Quoted Company.
- b) S. 136 of the Act provides that two or more shareholders holding ten per centum (10%) or more of voting rights may call a meeting. Previously, shareholders representing 1/10 of the paid up capital were entitled to call a meeting. Your Board of Directors is of the opinion that this right which shareholders have hitherto enjoyed should not be restricted.
- c) S. 139 of the Act permits a shareholder to appoint more than one proxy to attend the same occasion. As both the Statute and the Articles provide for voting on the first round by a show of hands, providing for more than one shareholder is considered cumbersome and necessitates the taking of a poll at all times.
- d) S. 185 of the Act provides for express authorisation of major transactions without the requirement of a Special Resolution. However, your Board of Directors is of the opinion that such restriction is not recommended in the best interest of good corporate governance.
- e) Your Board of Directors recommends that the current regime prevail in relation to:
 - (1) S. 186 of the Act provides for restricting the power of Directors to delegate its powers.
 - (2) S. 190 of the Act provides for expanding the power of a Director to use company information.
 - (3) S. 202 of the Act contain qualifications of Directors.
 - (4) S. 212 of the Act provides for lowering of the statutory retirement age of 70 years.

- (5) S. 221 of the Act makes special provision for the removal of the Secretaries and also restricts or amends the right of the Board of Directors to appoint the Secretaries.
- (6) S. 343 of the Act makes provisions for the preferential distribution of assets on a winding up of the Company other than to shareholders according to their rights and interests in the Company.

19. Re-numbering of Articles

The Articles have been re-numbered to allow for the additions/deletions as mentioned above.

The requisite resolution to give effect to the above amendments is set out in the attached Notice of Meeting convening an Extraordinary General Meeting of the Company and your Board of Directors recommend that it be approved by the shareholders.

By order of the Board
CEYLON HOLIDAY RESORTS LIMITED

Keells Consultants Limited
Secretaries

NOTICE OF MEETING

Notice is hereby given that an Extraordinary General Meeting of CEYLON HOLIDAY RESORTS LIMITED will be held at on 24th July 2009 immediately after the Annual General Meeting of the Company for the purpose of considering and if thought fit passing the following resolution as a SPECIAL RESOLUTION:

SPECIAL RESOLUTION – ARTICLES OF ASSOCIATION

“THAT the proposed revised Articles of Association of the Company be and are hereby approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of the existing Articles of Association of the Company.

By order of the Board
CEYLON HOLIDAY RESORTS LIMITED

Keells Consultants Limited
Secretaries

Colombo

1st July 2009

Note :

- i. A member who is unable to attend the Meeting is entitled to appoint a proxy to attend and vote in his/her place,
- ii. A proxy need not be a member of the Company
- iii. A form of proxy accompanies this notice.

PROXY FORM

I/We

of.....being a member/s of Ceylon Holiday Resorts Limited

hereby appoint

of.....

or failing him/her

MR. S C RATNAYAKE
MR. A D GUNewardENE
MR. J R F PEIRIS
MR. J E P KEHELPANNALA

of Colombo, or failing him
of Colombo, or failing him
of Colombo, or failing him

as my/our proxy to represent me/us and vote on my/our behalf at the Extraordinary General Meeting of the Company to be held on 24th July 2009 immediately after the Annual General Meeting of the Company, and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

I/We, the undersigned, hereby direct my/our proxy to vote for me/us and on my/our behalf on the specified Resolution as indicated by the letter "X" in the appropriate cage:

FOR AGAINST

SPECIAL RESOLUTION

ARTICLES OF ASSOCIATION

Signed on this day of Two Thousand and Nine.

.....
Signature/s of Shareholder/s

NOTE: INSTRUCTIONS AS TO COMPLETION OF PROXY FORM ARE NOTED ON THE REVERSE HEREOF.

INSTRUCTIONS AS TO COMPLETION OF PROXY

1. Please perfect the Form of Proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be deposited at the Registered Office of the Company at No. 130, Glennie Street, Colombo 2, not later than 48 hours before the time appointed for the holding of the Meeting.
3. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
4. If the appointer is a company or corporation, the Form of Proxy should be executed under its Common Seal or by a duly authorised officer of the company or corporation in accordance with its Articles of Association or Constitution.
5. If this Form of Proxy is returned without any indication of how the person appointed as Proxy shall vote, then the Proxy shall exercise his/her discretion as to how he/she votes or, whether or not he/she abstains from voting.