

YORK ARCADE HOLDINGS PLC
(PQ 181)

C/o. Corporate Managers & Secretaries (Pvt) Ltd.
8-5/2, Leyden Bastian Road,
York Arcade Building,
Colombo 1.

Date : 11th October 2017.

CIRCULAR TO SHAREHOLDERS

Dear Shareholder/s,



Your Company York Arcade Holdings PLC (hereinafter referred to as 'YAH' and or the 'Company'), was incorporated in the year 1983 and leased out the land from The Colombo Fort Land & Building PLC (hereinafter referred to as CFLB) on a 33 year lease, on which the York Arcade building was constructed. The Company's main income stream was the revenue earned from renting these premises.

Between the period December 2000 and April 2009 the Company made a Return of Capital to the Shareholders of the Company in the form of a capital repayment by refunding Rs.9/- per share without effecting any change to the number of shares in issue which is 12,000,000 ordinary shares.

As the shareholders are aware, at a meeting of the Board of Directors held on 31st March 2017 it was decided not to seek to renew the lease as it would not be economically feasible for the Company and accordingly as per the terms of the lease agreement, the aforementioned lease lapsed on 31st August 2017. On the termination of the lease CFLB is required to pay YAH 66% of the total cost of constructing the building as certified by the Company's Auditors which would amount to Rs.86.86M.

The Directors of the Company are in the process of identifying and evaluating alternative business opportunities in order that the Company may continue in business upon the termination of the Lease Agreement.

Consequently the Board of YAH having carried out an analysis of the existing capital structure of YAH has as per a decision of the Board made on 2nd August 2017, resolved to restructure its capital in order to maximize the returns to shareholders.

It is recommended that the aforesaid restructuring be carried out to by way of a Repurchase of Shares by the Company followed by a Consolidation of the balance share capital.

This circular contains information relating to the proposed repurchase of shares by the Company and the subsequent consolidation of the balance shares for purposes of enabling the shareholders of YAH to consider and, if thought fit, approve the proposed transactions.

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REPURCHASE OF SHARES BY YAH

The Board of YAH at a meeting held on 2nd August 2017 resolved to offer, on a pro rata basis, to repurchase up to a maximum of 4,500,000 ordinary shares from and out of the 12,000,000 ordinary shares issued by YAH, from all of its shareholders as at the end of trading on 30th October 2017 ("Eligible Shareholders") at a price of Rs.17/- per ordinary share on the basis of Three (03) ordinary shares for every Eight (08) ordinary shares held in YAH (the "Repurchase Offer").

If the number of shares subject to the Repurchase Offer made to any shareholder, when calculated based on the above ratio, is not a whole number, such number would be rounded down to the nearest whole number by disregarding any fractions arising from such calculation.

Article 10 (1) of the Articles of Association of YAH permits YAH to repurchase its shares.

The Board of YAH has obtained a confirmation from M/s. KPMG, the Auditors of YAH that the aforementioned consideration is in the opinion of the Auditors, a fair value. The Board of YAH has also, as required in terms of Section 64(2) of the Companies Act No.7 of 2007 (hereinafter referred to the 'Act'), resolved that:

- (a) the acquisition of shares in the manner set out above is in the interests of YAH;
- (b) the terms of the offer of repurchase and the consideration to be paid for the shares are in the opinion of YAH's Auditors, a fair value; and
- (c) it is not aware of any information that has not been disclosed to shareholders which is material to an assessment of the value of the shares and as a result of which the terms of the offer or the consideration offered for the shares are unfair to shareholders accepting the offer.

Further, the Board of YAH has, as required in terms of Section 56(2) of the Act, obtained a certificate of solvency from the said Auditors. The Directors who voted in favour of the repurchase have signed a certificate as required by Section 56(3) of the Act that in their opinion, YAH will satisfy the solvency test immediately after the completion of the repurchase.

The aforesaid share purchase will be carried out by utilizing the revenue reserves of YAH. The revenue reserves standing to the credit of the Company as at 31st March 2017 and 30th June 2017 were Rs. 178,777,701/- (Audited) and Rs. 186,835,352/- (Unaudited) respectively.

The payment of consideration to the shareholders accepting the Repurchase Offer, being a distribution within the meaning of the Act, requires the approval of the shareholders of YAH in terms of Section 56 of the Act.

Subsequent to obtaining the requisite approvals from the shareholders, the Repurchase Offer is expected to open on 10th November 2017 and close on 23rd November 2017, ("Closing Date"). The Circular detailing the terms of the Repurchase Offer, the forms to be completed for the acceptance of the Repurchase Offer and the procedure for acceptance will be duly circulated to the shareholders of YAH listed in the share

register and in the Central Depository System (CDS) as at the end of trading on 30th October 2017 ("the Entitlement Date"). Shareholders who wish to accept the Repurchase Offer are required to submit the duly completed Forms of Acceptance during this period. The shareholders accepting the Repurchase Offer will not be permitted to withdraw their acceptance.

In the event an Eligible Shareholder accepts the Repurchase Offer through the CDS, such shares would not be traded from the date of acceptance and such shares will be credited to a reserve account titled 'YAH Share Repurchase Acceptance Account' maintained by the CDS for this purpose immediately upon the receipt of such "Forms of Acceptance" by the CDS, until the completion of the share repurchase process.

The payment due on the shares in respect of all acceptances received up to the date of closing will be made within ten (10) market days from the Closing date (excluding the Closing Date of the Repurchase Offer).

With regard to any payments not made within the aforementioned period, the shareholders accepting the Repurchase Offer will be entitled to receive interest at the last quoted Average Weighted Prime Lending Rate (AWPLR) published by the Central Bank of Sri Lanka plus 5%.

The Eligible Shareholders will also be given the opportunity to tender for repurchase by YAH, additional shares over and above their pro-rata entitlement. The Board of YAH may at its discretion, decide to repurchase any number of shares from the additional shares tendered by the shareholders, in the event that any of the shareholders do not accept the Repurchase Offer in full and the total number of shares accepted by the shareholders pursuant to the Repurchase Offer is less than 4,500,000 (i.e. the maximum number of shares available for repurchase).

In the event the total number of such additional shares tendered by shareholders exceeds the maximum number of additional shares that the Company is willing to repurchase, the number of such additional shares to be purchased from each shareholder who has tendered additional shares will be determined on a pro-rata basis in accordance with the repurchase entitlement (as of the Entitlement Date) of each shareholder and a residue if any, as determined by the Directors.

In any event the maximum number of shares to be repurchased (including the additional shares) pursuant to the Repurchase Offer will not exceed 4,500,000 (i.e. the maximum number of shares available for repurchase). If YAH does not repurchase any additional shares tendered by an Eligible Shareholder, such additional shares will be credited back into the respective CDS account of the Eligible shareholder. In respect of shares held in script form, if YAH does not repurchase any additional shares tendered, such additional shares will be credited to the respective shareholder under his/her respective name in the Share Register until such time a valid CDS account is opened by such Eligible Shareholder of YAH.

The shares that are repurchased by YAH under the Repurchase Offer will be deemed cancelled immediately upon such repurchase.

Pursuant to the cancellation of the shares repurchased and the consequent cancellation of all existing distinctive numbers and reallocation of fresh distinctive numbers for the shares in issue subsequent to the said repurchase of shares, all existing share certificates which are in issue as of the end of trading on the tenth market day from the date of the closure of the offer (i.e. from end of trading on 8th December 2017) will be deemed cancelled and the respective shareholders ledger accounts will be credited with the respective number of shares standing to his/her credit as of the said date. Shareholders who require to deposit their shares with the CDS after the said date (i.e. 8th December 2017) are requested to surrender the old certificates to the Company's Secretaries, Corporate Managers & Secretaries (Private) Limited, 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 1, and forward a written request for the deposit of their shares in CDS via their respective stockbroker.

The repurchase of shares, as detailed above will be carried out in accordance with applicable provisions set out in the Act, the Listing Rules of the Colombo Stock Exchange and Article 10(1) of the Articles of Association of YAH.

CONSOLIDATION OF SHARES (POST REPURCHASE)

The Directors have also resolved that following the completion and finalization of the Repurchase of shares to the extent of 4,500,000 Ordinary Shares which shall then amount to 7,500,000 Ordinary Shares, be consolidated as expressly provided for in Article 12 (1)(a) of the Articles of Association, on the basis of every Ten (10) Ordinary Shares being Consolidated into One (01) Ordinary Share (inclusive of the aggregate of the residual fractions arising from such consolidation), thereby reducing the number of shares of the Company to 750,000 Shares.

In the event the number of shares repurchased were to be less than the proposed 4,500,000 shares, the number of shares to be consolidated and the reduced number of shares arising out of such consolidation would be a higher amount than is stated above.

The Consolidation shall not result in a change to the Stated Capital of the Company.

The Ordinary Shares post Consolidation shall rank pari passu in respect of voting and other rights enjoyed by the existing Ordinary Shares that are being Consolidated.

No duly registered Shareholder of the Ordinary Shares in the Capital of the Company shall be entitled upon the aforesaid Consolidation to a fractional part of a Share and such Shares as shall represent fractional entitlements shall be held by a Trustee to be duly appointed by the Board of Directors therefor and shall be disposed of at such prices and in such manner as the Board of Directors shall think fit and the net proceeds of sale shall be dealt with as the Directors may determine.

It should be noted that shareholders holding less than Ten (10) shares will consequent to the said consolidation cease to be shareholders of the Company.

The modality the Company proposes to adopt in effecting the reduction of shares by way of a Consolidation is consistent with the provisions of the Companies Act No. 7 of 2007.

The Colombo Stock Exchange does not approve and /or assume any responsibility and/or regulate the modality adopted by the Company in relation to such reduction of shares by way of a consolidation and/or for the validity of shares arising from such Consolidation.

In terms of the Company's Articles of Association it is required to obtain the approval of shareholders for the abovementioned consolidation, by way of an Ordinary Resolution of the shareholders.

Subject to receiving shareholder approval, the Consolidation of shares shall be given effect to on a date (i.e. the Entitlement date) to be determined by the Board of Directors only upon receiving the required Regulatory approvals and other procedural matters being finalized and concluded consequent to the Repurchase of Shares. Due notifications would be made to the Colombo Stock Exchange no sooner the entitlement date is determined. The said date shall thus be considered for purposes of effecting the Consolidation of shares. Accordingly dates applicable in respect of the Consolidation shall be announced by the Company upon the completion / finalization of the Repurchase.

In the event the said resolution is approved, trading in the Company's shares will be suspended for a period of three (3) market days commencing from the date after the entitlement date for the purpose of updating the Share Register and the CDS records. The share shall commence trading, on the fourth market day after the date of entitlement. (i.e. excluding the date of entitlement)

In determining the number of shares held by a shareholder for the purpose of the proposed consolidation, shares that have been deposited in the CDS will not be aggregated with those duly registered in the Company's Share Register. A stockbroker wise entitlement schedule will be obtained from the CDS as at the entitlement date.

Subsequent to the number of shares being reduced consequent to the proposed consolidation, the revised shareholding of the CDS account holders will be directly uploaded to their respective CDS account within 3 market days from the date of entitlement.(3 market days would be calculated excluding the date of entitlement.)

Please note that in respect of those shareholders who do not maintain CDS accounts, the reduced number of shares arising from the consolidation will be registered in the Register of Shareholders maintained by the Company in respect of such shareholder. Such shareholders will not be given the option to request for the deposit of their revised shareholding of the ordinary shares in the CDS until the consolidation process has been completed.

Shareholders who do not possess CDS Accounts are advised to open such an account immediately through any one of the Members and Trading Members of the CSE or any one of the registered Custodian Banks.

GENERAL

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, attorney-at-law or other professional advisor immediately.

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.

EXTRAORDINARY GENERAL MEETING

An Extraordinary General Meeting of the members of the Company will be convened in terms of the attached Notice, at which the members will be requested to consider and if thought fit to pass the Ordinary Resolutions necessary to give effect to the foregoing proposal of the Directors.

If you are unable to be present at this Extraordinary General Meeting to be held on 30th October 2017, you are kindly requested to complete and return the Form of Proxy to reach the Registered Office of the Company, at 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 1, not less than 48 hours before the time appointed for the Meeting.

By Order of the Board
YORK ARCADE HOLDINGS PLC
Corporate Managers & Secretaries (Private) Limited
Secretaries

YORK ARCADE HOLDINGS PLC
(PQ 181)

NOTICE OF AN EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of York Arcade Holdings PLC will be held at the Grand Oriental Hotel No.2, York Street, Colombo 1, on 30th October 2017, at 10.00 a.m. for the purpose of considering and if thought fit, to pass the following ORDINARY RESOLUTIONS:

A. REPURCHASE OF SHARES
(By way of an Ordinary Resolution)

Resolved –

“THAT pursuant to Article 10(1) of the Company’s Articles of Association, the Company do offer to Repurchase 4,500,000 issued Ordinary Shares, out of the total Issued Ordinary Shares of 12,000,000 in the proportion of Three (03) Ordinary Shares for every existing Eight (08) Ordinary shares held at a price of Rs.17/- per share as at the end of trading on 30th October 2017 and that the payment by the Company of the consideration for the Repurchase of the said Shares up to a sum not exceeding Rs.76,500,000/- be and is hereby approved; and

THAT all the existing distinctive numbers be deemed cancelled and fresh distinctive numbers be re-allocated; and

THAT Pursuant to the cancellation of the Shares Repurchased and the consequent cancellation of all the existing distinctive numbers and re-allocation of fresh distinctive numbers for the Shares in issue subsequent to the said Repurchase of Shares, all existing share certificates which are in issue as of the end of trading on the tenth market day from the date of the closure of the offer (i.e. 8th December 2017) be deemed cancelled and the respective Shareholders ledger accounts be credited with the respective number of shares standing to his/her credit as of the said date.”

B. CONSOLIDATION OF SHARES
(By way of an Ordinary Resolution)

Resolved-

“THAT pursuant to Article Number 12(1)(a) of the Articles of Association of the Company, and consequent to the Repurchase of Shares, and subject to the 4,500,000 Shares being Repurchased and being duly cancelled, the balance 7,500,000 shares be Consolidated, without effecting any change to the Stated Capital of the Company, on the basis of every Ten (10) Ordinary Shares being Consolidated into One (01) Ordinary Share (inclusive of the aggregate of the residual fractions arising from the such Consolidation) thereby reducing the number of shares of the Company to 750,000 Ordinary Shares which will rank pari passu in respect of voting and other rights enjoyed by the existing Ordinary Shares that are being Consolidated.”

That in the event the number of Shares Repurchased were to be less than the proposed 4,500,000 Shares, the number of Shares to be Consolidated and the reduced number of shares arising out of such Consolidation would be a higher amount than is stated above.

That the said Consolidation shall be effected on a date to be determined by the Board of Directors of the Company, which will only be upon receiving certain Regulatory approvals and other procedural matters being finalized and concluded consequent to the Repurchase of Shares.

That no duly registered Shareholder of the Ordinary Shares in the Capital of the Company shall be entitled upon the aforesaid Consolidation to a fractional part of a Share and that such Shares as shall represent fractional entitlements shall be held by a Trustee to be duly appointed by the Board of Directors therefor and shall be disposed of at such prices and in such manner as the Board of Directors shall think fit and the net proceeds of sale shall be dealt with as the Directors may determine.

THAT the existing distinctive numbers be deemed cancelled and fresh distinctive numbers be re-allocated for such number of reduced Shares consequent to the said Consolidation.

That subsequent to the number of shares being reduced consequent to the Consolidation of Shares, the revised Shareholding of the CDS account holders be directly uploaded to their respective CDS account within 3 market days from the date of such Consolidation of Shares and in respect of the Shareholders whose Shares are registered in the Share Ledger accounts, the revised number of shares of each such Shareholder be entered in their Ledger accounts maintained by the Company."

By Order of the Board
YORK ARCADE HOLDINGS PLC
CORPORATE MANAGERS & SECRETARIES (PRIVATE) LIMITED
Secretaries

Colombo
11th October 2017.

Note:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of him.
2. A proxy need not be a member of the Company.
3. A Form of Proxy accompanies this Notice.