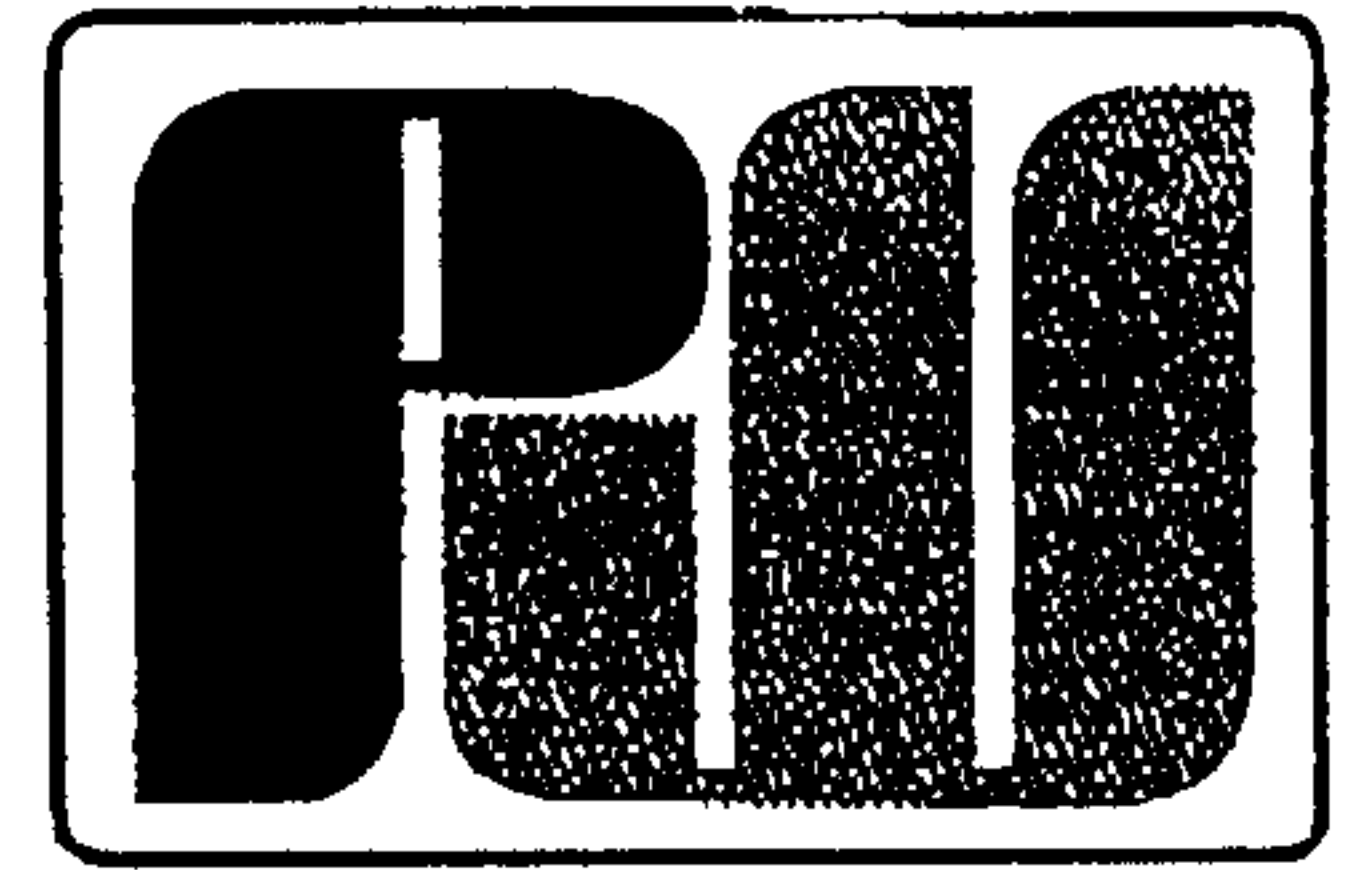


FAX: 2448925



P W Corporate Secretarial (Pvt) Ltd

(Company Registration No. PV 65966)

28th January 2011

Mr Renuke Wijewardene
Assistant General Manager
Regulatory Affairs
Colombo Stock Exchange
World Trade Centre
Colombo 01



Dear Sir

ANNOUNCEMENT

MANDATORY OFFER BY ROYAL CERAMICS (LANKA) PLC AND MR. KULAPPUARACHCHIGE DON DHAMMIKA PERERA TO PURCHASE ALL THE REMAINING ORDINARY SHARES OF HAYLEYS PLC

We write with reference to the above, and forward herewith the Announcement under the Company Takeovers & Mergers Code 1995 (as amended) having been approved by the Securities and Exchange Commission of Sri Lanka by their letter dated 28th January 2011 (a copy of which is attached hereto).

Please be informed that the Announcement being duly signed by the Offerors will be forwarded to you in due course.

Yours faithfully

**DIRECTOR
P W CORPORATE SECRETARIAL (PVT) LTD**

AW/ac

Najee
Circulate

28/01

ANNOUNCEMENT UNDER THE COMPANY TAKE-OVERS AND MERGERS CODE 1995 (AS AMENDED IN 2003) AND GAZETTED IN THE GAZETTE EXTRAORDINARY NO. 875/9 DATED 16TH JUNE 1995 AND AMENDED BY GAZETTE NO. 1299/6 DATED 29TH JULY 2003

MANDATORY OFFER BY ROYAL CERAMICS (LANKA) PLC AND MR. KULAPPUARACHCHIGE DON DHAMMIKA PERERA TO PURCHASE ALL THE REMAINING ORDINARY SHARES OF HAYLEYS PLC (PQ 22)

BACKGROUND TO THE OFFER

Royal Ceramics (Lanka) PLC (RCP), a Company incorporated in Sri Lanka, re-registered under the Companies Act No. 7 of 2007 (bearing registration no. PQ 125), listed on the Colombo Stock Exchange (CSE) and having its registered office at No. 10, R A De Mel Mawatha, Colombo 03 together with Mr. Kulappuarachchige Don Dhammika Perera (hereinafter collectively referred to as the "Offerors") hereby announce that in compliance with the provisions of the Takeovers and Mergers Code 1995 (as amended in 2003) (Code) published under the rules made by the Securities and Exchange Commission of Sri Lanka under Section 53 of the Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 as amended, they shall make a mandatory offer to holders of ordinary shares carrying voting rights of Hayleys PLC (Hayleys) subject to the terms and conditions hereinafter stipulated.

RCP and Mr. K D D Perera together with L B Finance PLC, being a party acting in concert with the Offerors, held as at 26th January 2011, 2,788,161 shares, 19,003,928 shares and 547,866 shares respectively each respectively, constituting approximately 29.78% of the total number of shares in issue in Hayleys.

On 27th January 2011, by the purchase of 161,272 shares by Royal Ceramics (Lanka) PLC at a price of Rs. 380/- per share, which constitutes approximately 0.2150% of the shares in issue in Hayleys, it has become obligatory in terms of Rule 31(1)(a) of the Company Takeovers & Mergers Code 1995 (as amended) (Code) that the Offerors together with parties acting in concert make a Mandatory Offer to purchase the balance 52,498,773 shares of the issued shares of Hayleys at a price of Rs. 380/- per share, constituting approximately 70% being the highest price paid by the Offerors and the party acting in concert during the period of one year prior to date, details of which are provided below;

| Name | As at | No. of Ordinary Shares | Percentage |
|----------------------------|--|------------------------|--------------|
| Royal Ceramics (Lanka) PLC | as at 26 th January 2011 | 2,788,161 | 3.7175 |
| | purchased on 27 th January 2011 | 161,272 | 0.2150 |
| Mr. K D D Perera | as at 26 th January 2011 | 19,003,928 | 25.338 |
| L B Finance PLC | as at 26 th January 2011 | 547,866 | 0.7304 |
| | Total holding | 22,501,227 | 30.00 |

1. TERMS OF THE OFFER

The Offerors offer to purchase from the shareholders of Hayleys all the ordinary shares (other than the shares already held by the Offerors namely 21,953,361 shares constituting approximately 29.27%, and 547,866 shares held by L B Finance PLC constituting 0.730%, being a party acting in concert with the Offerors, totaling 22,501,227 shares, constituting approximately 30%) at a price of Rs. 380/- per share being the price at which RCP acquired the shares of Hayleys on the trading floor on 27th January 2011 which is the highest price paid by RCP and Mr. K D D Perera and the party acting in concert during the period of one year prior to the date on which the obligation to make a Mandatory Offer arose, inclusive of the date of such acquisition. The number of such remaining shares, for which this offer is made, amounts to 52,498,773 shares constituting approximately 70% of the total number of shares in issue in Hayleys. The offer to be made by the Offeror as herein contemplated shall be open to all ordinary shareholders of Hayleys registered in the books of Hayleys at the close of the offer.

2. THE IDENTITIES OF THE OFFERORS

Royal Ceramics (Lanka) PLC is a Company duly incorporated in Sri Lanka and presently re-registered under the Companies Act No. 7 of 2007 bearing registration no. PQ 125. The registered Office of the Offeror is situated at No. 10, R A De Mel Mawatha, Colombo 03.

The principle activities of the Offeror consist of manufacturing and marketing wall and floor tiles. The following companies are fully owned subsidiaries of RCP;

- Royal Porcelain (Private) Limited
- Rocell Bathware Limited
- Royal Ceramic Distributors (Private) Limited

Mr. Kulappuarachchige Don Dhammika Perera is a well-known prominent entrepreneur and investor whose business interests include Hydropower Generation, Manufacturing, Hospitality, Entertainment, Banking and Finance.

He serves as the Chairman of L B Finance PLC, The Fortress Resorts PLC, Vallibel Power Erathna PLC, Vallibel Finance PLC, Vallibel One Ltd and holds directorships in his other private sector companies. He is the Deputy Chairman of Royal Ceramics Lanka PLC and Amaya Leisure PLC. He is also a Director of Sri Lanka Insurance Corporation Ltd, Sampath Bank PLC, Hayleys PLC, Haycarb PLC, Hayleys-MGT Knitting Mills PLC, Hotel Services (Ceylon) PLC which owns Ceylon Continental Hotel, Colombo, Hunas Falls Hotels PLC, Dipped Products PLC, Nirmalapura Wind Power (Pvt) Ltd and Alutec Anodising & Machine Tools (Pvt) Ltd.

He is the Secretary to the Ministry of Transport, Sri Lanka and is a member of the Board of Directors of Strategic Enterprise Management Agency (SEMA)

3. EXISTING SHAREHOLDING IN THE OFFEREE COMPANY

- | | |
|--|------------|
| (aa) The number of Hayleys shares the Offerors own or over which the Offerors have control | 21,953,361 |
|--|------------|

- (bb) The number of Hayleys shares owned or controlled by any person acting in concert with the Offerors 547,866
- (cc) The number of Hayleys shares in respect of which Hayleys has received an undertaking by any shareholder to accept the Offer Nil

4. **CONDITIONS OF THE OFFER**

The offer shall be unconditional as to acceptance from the date of commencement of the Offer and the shares shall be acquired free from all liens, charges, pledges and other encumbrances and together with all rights now or hereafter attached thereto.

5. **FURTHER DETAILS OF THE OFFER**

A detailed Mandatory Offer Document giving other relevant information including the period during which the offer would be kept open in terms of the aforesaid Company Take-Overs and Mergers Code, will be forwarded to all shareholders of Hayleys within thirty five days (35) days of incurring the obligation to make the Mandatory Offer [on or before 4th March 2011].

A shareholder who does not receive a copy of the Mandatory Offer Document due to a postal delay or any other reason is advised to collect a copy of the Mandatory Offer Document from the Managers & Registrars to the Offer, P W Corporate Secretarial (Pvt) Ltd of No. 3/17, Kynsey Road, Colombo 08.

The Board of Directors of Royal Ceramics (Lanka) PLC together with Mr. Kulappuarachchige Don Dhammika Perera hereby state that they have taken all reasonable care to ensure that no material facts have been omitted from this Announcement and that the facts stated herein are fair and accurate.

**BY ORDER OF THE BOARD OF
ROYAL CERAMICS (LANKA) PLC**

(Sgd) W D N H Perera
Director

(Sgd) T G Thoradeniya
Director

(Sgd) KULAPPUARACHCHIGE DON DHAMMIKA PERERA

This 28th day of January 2011