

PARLIAMENT OF CEYLON

1st Session 1965-66



Ceylon Hotels Corporation Act, No. 14 of 1966

Date of Assent : June 15, 1966

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Ceylon Hotels Corporation Act, No. 14 of 1966

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AN ACT TO PROVIDE FOR THE ESTABLISHMENT AND REGULATION OF A GOVERNMENT-SPONSORED HOTELS CORPORATION IN CEYLON.

[Date of Assent : June 15, 1966]

BE it enacted by the Queen's Most Excellent Majesty, by and with the advice and consent of the Senate and the House of Representatives of Ceylon in this present Parliament assembled, and by the authority of the same, as follows:—

1. This Act may be cited as the Ceylon Hotels Corporation Act, No. 14 of 1966, and shall come into operation on such date as the Minister may appoint by Order published in the *Gazette*. Short title and date of operation.

2. A corporation to be called the Ceylon Hotels Corporation is hereby established. Establishment of the Ceylon Hotels Corporation.

3. The Corporation shall be a body corporate with perpetual succession and a common seal and may sue and be sued in its corporate name. Corporation to be a body corporate.

4. The objects of the Corporation shall be the objects specified in Part I of the First Schedule. Objects of the Corporation.

5. The Corporation shall have the powers specified in Part II of the First Schedule subject to the limitations, if any, specified therein. Powers of the Corporation.

6. The head office of the Corporation shall be at Colombo in Ceylon. Head office.

7. The Corporation may establish and maintain—
(a) agencies in any part of the world;
(b) branches in Ceylon or elsewhere. Branches and agencies.

8. (1) The board shall consist of not more than five directors. Constitution of the board.

(2) The Minister and the Minister of Finance shall each have the right to nominate one director. The two directors so nominated are hereinafter referred to as "nominated directors".

(3) The first four directors shall be nominated by the Minister and the other first director shall be nominated by the Minister of Finance.

(4) The nomination of a director shall be made by an instrument in writing, hereinafter called the "instrument of nomination," signed by or on behalf of the appropriate Minister and shall take effect upon the signing of the instrument of nomination.

(5) The Minister shall specify in the instrument of nomination of the first four directors which one of such directors is the nominated director.

(6) The other three first directors shall, for all purposes, be regarded as if they had been elected on the date on which they were nominated and shall be deemed to be elected directors.

**Chairman and
Deputy Chairman of the
board.**

9. The directors shall from amongst their number elect—

(a) a Chairman, who shall be a nominated director, and

(b) if they think necessary, a Deputy Chairman:

Only nominated directors and such other directors as shall have been approved previously in writing by the Minister shall be eligible for election to either office.

**Qualifications
of director.**

10. No person shall be qualified to be a director unless—

(a) he is a citizen of Ceylon;

(b) except in the case of a nominated director, he holds shares of the Corporation of the face value of five thousand rupees or more;

(c) being a Senator or a Member of Parliament, he shall resign therefrom within one month of being elected or nominated a director;

(d) except in the case of a nominated director, being a whole-time salaried officer of the Government he shall resign from such post within one month of being elected a director.

11. The office of director shall be vacated if a director—

Vacation of
office of
director.

- (a) accepts or holds any office or place of profit under the Corporation;
- (b) becomes bankrupt or is adjudicated insolvent or compounds with his creditors;
- (c) becomes of unsound mind or is adjudged to be of unsound mind;
- (d) is absent from meetings of the board for more than three consecutive months without the leave of the board;
- (e) except in the case of a nominated director, ceases to hold the number of shares required to qualify him to the office;
- (f) being a Senator or Member of Parliament at the time of his election or nomination as director, fails to resign therefrom within one month of such election or nomination;
- (g) becomes a Senator or Member of Parliament;
- (h) except in the case of a nominated director, becomes a whole-time salaried officer of the Government;
- (i) by a notice in writing to the Corporation resigns his office.

12. A nominated director shall be entitled to attend any general meeting and to take part in the proceedings.

Right of nomi-
nated director
to attend
general meeting

13. At the ordinary general meeting in such year as may be determined by the Minister, and every year thereafter at the annual general meeting, one out of the directors for the time being including the nominated directors shall retire from office.

Retirement of
directors.

14. (1) The directors retiring in the year determined by the Minister under section 13 and the year immediately following that year shall be the nominated directors. Thereafter the directors retiring from office shall be those who have been longest in office since their last election or nomination.

Order of retire-
ment of
directors.

(2) As between directors elected or nominated on the same day those to retire shall, unless they otherwise agree among themselves, be determined by lot.

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Re-election or
renomination
of directors.

15. A retiring director shall be eligible for re-election or renomination.

Termination
of office.

16. A director retiring at a meeting shall retain office until the close or adjournment of the meeting.

Filling up of
vacancy in
office of
elected
director.

17. Upon the retirement of an elected director, the shareholders shall fill up the vacated office by electing a qualified person thereto and in default, the retiring director shall be deemed to have been re-elected unless at such meeting with a view to reducing the number of directors it is expressly resolved not to fill up such vacated office.

Filling up of
vacancy in
office of nomi-
nated director.

18. Upon the retirement of a nominated director, the appropriate Minister shall fill up the vacated office by renominating the retiring director or nominating any other person.

Effect of re-
election or re-
nomination.

19. On re-election or renomination a retiring director shall at once become a director without any further formality.

Who may be
proposed for
election as
director.

20. (1) A shareholder shall not propose for election as director any person other than—

(a) a retiring director; or

(b) a qualified shareholder whose name has been duly notified in writing to the Secretary of the board.

(2) The name of a shareholder shall not be deemed to have been duly notified for the purpose of paragraph (b) of sub-section (1) unless a written instrument setting out the name of the shareholder who is to be proposed for election, signed by the shareholder giving the notice, together with the written consent of the shareholder whose name is set out in such instrument is delivered to the Secretary of the board not less than four nor more than twenty-eight clear days before the date of the meeting at which the election is to take place.

(3) A shareholder shall not be qualified to give any notice under this section nor propose any person for election as director at any meeting unless he is entitled to be present and to vote at the meeting at which the election takes place.

21. (1) If a nominated director dies or vacates his office, the appropriate Minister shall have power at any time to nominate another person in place of the director so dying or vacating his office.

Casual
vacancies
among
nominated
directors.

(2) The director so nominated shall be subject to retirement at the same time as the director in whose place he has been nominated would have retired had he remained in office.

22. (1) If any elected director dies or vacates his office, the board may appoint any other person to be a director in place of the director so dying or vacating his office.

Casual
vacancies among
elected
directors.

(2) The director so appointed shall hold office until the next following ordinary meeting, and shall then be eligible for re-election.

23. If it appears to the appropriate Minister that a nominated director is unlikely to be able to discharge the duties of his office for a period of one year by reason of absence from Ceylon, illness, ill health, or any other cause whatsoever, he may nominate another person to act in the place of such director for such period as he may deem fit.

Acting appoint-
ment in case
nominated
director unable
to discharge his
duties owing
to illness, &c.

24. If it appears to the board that an elected director is unlikely to be able to discharge the duties of his office for a period exceeding one month by reason of absence from Ceylon, illness, ill health, or any other cause whatsoever, the board may appoint a person qualified to be a director to act until the resumption of duties by such director:

Acting appoint-
ment in case
elected
director unable
to discharge
his duties
owing to
illness, &c.

Provided that in no case may the board appoint a person to act as director for a period exceeding twelve months.

25. (1) The board may, with the approval of the Minister, at any time and from time to time, appoint any person to be a director as an addition to the existing board:

Additional
directors.

Provided that the total number of directors shall not at any time exceed the maximum number prescribed by this Act:

And provided, further, that the exercise by the board of the power conferred by this sub-section shall be subject to any right of nominating a director or directors which may for the time being be vested in a Minister under any other provision of this Act.

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(2) Any person so appointed shall hold office until the next following ordinary meeting and shall be eligible for re-election.

Interests of members of the board.

26. A member of the board who is, directly or indirectly, interested in a contract proposed to be made by the Corporation shall disclose the nature of his interest at a meeting of the board. The disclosure shall be recorded in the minutes of such meeting, and such member shall not take part in any deliberation or decision of such board with respect to such contract.

Removal of nominated directors.

27. (1) The appropriate Minister may, from time to time, remove a nominated director, and nominate any other person to fill the vacancy caused by such removal. Any director so nominated shall be subject to retirement at the same time as the director in whose place he has been nominated would have retired had he remained in office.

(2) The removal of a nominated director shall be effected by an instrument in writing signed by or on behalf of the appropriate Minister and shall take effect upon the signing of such instrument.

Removal of elected directors.

28. The shareholders may by extraordinary resolution remove from office any elected director, and at the same or a subsequent meeting by an ordinary resolution elect any other person in his stead, and such person shall be subject to retirement at the same time as if he had become a director on the day on which the director in whose place he was elected a director.

Loan by Government to the Corporation.

29. The Government may grant a loan of one million five hundred thousand rupees to the Corporation on such terms or conditions as may be determined by the Minister in consultation with the Minister of Finance.

Capital.

30. (1) The capital of the Corporation shall be fifty million rupees divided into such number of convertible preference shares each of such amount, and such number of ordinary shares each of such amount, as may be determined by the Minister by Order published in the *Gazette*.

(2) There shall be an initial issue of shares of the amount of seven million five hundred thousand rupees. Such initial issue shall consist of preference shares of the amount of one million five hundred thousand rupees. The balance of such issue shall consist of ordinary shares.

(3) The whole of the preference shares shall be allotted to the Government and the nominal amount thereof shall be paid by the Government.

(4) The ordinary shares shall be offered, for public subscription, in such number, on such date, and in such manner, as the Minister may determine.

(5) The Government shall hold at all times no less than twenty *per centum* of the issued capital of the Corporation.

31. The capital of the ordinary shares offered under section 30 (4) shall be payable—

- (a) as to ten *per centum* on application;
- (b) as to a further fifteen *per centum* on allotment;
- (c) as to a further twenty-five *per centum* within three months after the date of allotment; and
- (d) as to the unpaid balance by such further calls as the directors may from time to time deem necessary.

Capital of
the ordinary
shares how
paid.

32. (1) The board shall, out of the profits available for payment of dividend and before any dividend is declared, set aside a sum equivalent to twenty *per centum* of such profits to the credit of a fund called the permanent reserve fund of the Corporation and shall also carry to the credit of such fund any premiums received on the issue of shares until such permanent reserve fund is equivalent to one-half of the paid-up capital of the Corporation for the time being; and in the event that at any time thereafter the amount of such permanent reserve fund is less than half of the paid-up capital of the Corporation for the time being, the board shall as soon as practicable carry to that fund such further sum or sums out of the profits available for dividend as may be necessary until the amount of the permanent reserve fund is equivalent to one-half of the paid-up capital of the Corporation for the time being. The board may, from time to time, in its discretion, carry to the permanent reserve fund out of profits such further sums as it may deem fit, in addition to the sums required by the preceding provisions of this sub-section to be carried thereto.

Permanent
reserve fund.

(2) The permanent reserve fund shall be shown separately in the balance sheet of the Corporation.

**Contingency
fund.**

33. (1) In addition to the permanent reserve fund the board shall create a fund called the contingency fund of the Corporation and shall carry to that fund—

- (a) all premiums received on the issue of shares which are not carried to the permanent reserve fund; and
- (b) such sums out of the profits of the Corporation as the board think proper.

(2) The contingency fund may be applied from time to time in such manner as the board shall determine—

- (a) for meeting depreciation and losses;
- (b) for equalizing dividends;
- (c) for repairing, improving or maintaining any of the property of the Corporation;
- (d) for any other purposes which the board may think proper.

(3) The board may divide the contingency fund into such special funds as they think fit, and may consolidate into one fund any special funds or any parts of any special funds into which the contingency fund may have been divided as they think fit, with full power to employ the whole or any part of the assets constituting the contingency fund in the business of the Corporation without being under any obligation to keep the same separate from the other assets of the Corporation. The board may also (subject to the provisions of this Act) without placing the same to reserve, carry over any profits which they may think it not prudent to divide.

(4) It shall not be necessary to show the contingency fund separately in the balance sheet of the Corporation.

**Preference and
ordinary shares.**

34. (1) For a period of five years from the date of the commencement of business by the Corporation the preference and ordinary shares shall rank for dividend *pari passu* according to the capital for the time being paid up thereon respectively:

Provided that in no event shall a dividend be paid on the preference shares at any time exceeding six *per centum* per annum.

(2) After the expiration of such period of five years the preference shares shall carry the right to a fixed non-cumulative preference dividend at the rate of six

per centum per annum on the capital for the time being paid up thereon and in a winding-up the preference shares shall rank equally as regards return of capital in priority to the ordinary shares but shall not confer the right to any further participation in profits or to any return of capital paid thereon.

35. (1) At any time after a dividend of not less than six *per centum*, or dividends amounting in all in any one year to not less than six *per centum*, has or have been declared on the ordinary shares of the Corporation any preference shareholder, including any purchaser or purchasers, but not the Government, shall, upon giving due notice to the Corporation, be entitled to exchange the preference shares held by him for an equal number of fully paid ordinary shares.

Conversion of
preference
shares.

(2) A notice shall not be deemed to be due notice unless the notice—

- (a) is in writing addressed to the Corporation at its head office; and
- (b) is sent either by registered post or otherwise so as to reach the head office within twelve months from the date on which the preference shareholder giving the notice acquired the preference shares in respect of which the notice is given.

(3) A notice if sent by registered post shall be deemed to be served in the ordinary course of post.

(4) On the receipt of due notice the Corporation shall with all convenient speed cancel the preference share or shares in respect of which the notice is given and in lieu thereof issue to the holder thereof an ordinary share or ordinary shares which shall from the date of issue rank in every respect *pari passu* with the existing ordinary shares due regard being had to any difference in the amount paid up on any such shares.

(5) The provisions of sub-section (1) shall not apply to any preference shares created under section 37.

36. The shareholders may at any time by special resolution subdivide the capital or any part thereof by the division of the existing shares or any of them into shares of smaller amounts:

Subdivision of
shares.

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Provided that the proportion between the amount which is paid and the amount if any which is unpaid on each share of reduced amount shall be the same as it was in the case of the existing share or shares from which the share of reduced amount is derived.

Increase and reduction of capital.

37. (1) The board may, from time to time, when authorized by special resolution issue any of the capital of the Corporation for the time being unissued or increase the capital of the Corporation by the creation of new shares or reduce the capital in the manner provided for in any law which may be declared to be applicable to the Corporation:

Provided that no such issue, increase or reduction of capital shall take place or be effective without the prior consent in writing of the Minister.

(2) Any unissued capital and any new capital raised by the creation of new shares shall be issued by the board on such terms and conditions as shall be previously approved in writing by the Minister. Such terms and conditions may provide for the issue of shares at a premium.

(3) In the allotment of shares issued or created under this section the board shall observe such general or special written directions as the Minister may give in that behalf.

Liability of shareholders.

38. The liability of the shareholders shall be limited.

Contracts.

39. (1) Contracts on behalf of the Corporation may be made as follows:—

(a) a contract which if made between private persons would be by law required to be in writing, may be made on behalf of the Corporation in writing under the common seal of the Corporation;

(b) a contract which if made between private persons is by law required to be in writing, signed by the parties to be charged therewith, may be made on behalf of the Corporation in writing signed by any person or persons duly authorized thereto as hereinafter provided; and

(c) a contract which if made between private persons would by law be valid although made by parol only and not reduced into writing, may be made by parol on behalf of the Corporation by any person or persons duly authorized thereto as hereinafter provided.

(2) A contract made according to this section shall be effectual in law and shall bind the Corporation and all other parties thereto and their legal representatives.

(3) A contract made according to this section may be varied or discharged in the same manner in which it is authorized in this section to be made.

40. No person, other than the directors and persons thereunto expressly authorized by the board and acting within the limits of the authority so conferred on them, shall have any authority to make, draw, accept or endorse any cheque or order for the payment of money in the name or on behalf of the Corporation, or to enter into any contract so as to impose thereby any liability on the Corporation or otherwise to pledge the credit of the Corporation.

Persons authorized to act on behalf of the Corporation.

41. (1) The Corporation may, by writing under its common seal, empower any person either generally or in respect of any specific matter, as its attorney, to execute deeds on its behalf in any place not situate in Ceylon.

Execution of deeds abroad.

(2) A deed signed by such an attorney on behalf of the Corporation and under his signature or seal shall bind the Corporation and have the same effect as if it were under its common seal.

42. The Corporation shall not commence business until—

Commencement of business.

(a) the total number of ordinary shares constituting the initial issue of shares have been subscribed by and allotted to the public;

(b) the total number of preference shares constituting such issue have been subscribed by and allotted to the Government and paid for in full; and

(c) a certificate signed by the Minister authorizing the Corporation to commence business has been given.

Powers of
Minister until
commencement
of business by
the Corporation.

43. The Minister may, upon the date of the coming into operation of this Act and until the date of the commencement of business by the Corporation—

- (a) invite and receive applications for shares;
- (b) allot shares;
- (c) do and perform any of the acts which the board is by this Act empowered to do or perform; and
- (d) do all other acts whatsoever as he may deem necessary for the formation of the Corporation.

Acts commenced
by the Minister
may be continued
by the board.

44. (1) Any act done or performed by the Minister by virtue of section 43 shall, for all purposes, have the same effect as if such act had been done or performed by the board.

(2) The board may continue any action or thing commenced by the Minister, remaining unfinished or incomplete at the date of commencement of business by the Corporation, as if such action or thing had been commenced by the board.

Persons who
may execute
documents and
make payments
on behalf of the
Government.

45. The Secretary to the Treasury is hereby authorized to sign and execute all documents which are required to be executed by the Government as shareholder of the Corporation or otherwise.

Funds from
which moneys
payable under
this Act are
to be paid.

46. All sums of money whatsoever required to be paid or granted by the Government under this Act shall, where it is not expressly provided by this Act that such sums should be paid out of the Consolidated Fund, be paid out of such fund or funds of the Island as the Minister shall determine.

Payment of
moneys
authorized
by this Act to
be made.

47. The Secretary to the Treasury is hereby authorized and empowered to make or cause to be made all payments and grants required by this Act to be made to the Corporation—

- (a) out of the Consolidated Fund where it is so provided by this Act; and
- (b) in any other case out of such funds as may be determined by the Minister under section 46.

48. All payments out of such funds as may be determined by the Minister under section 46 shall be shown in every statement of assets and liabilities of Ceylon in such manner as he shall determine.

Payments how shown in Ceylon's statement of assets and liabilities.

49. The board shall have power to appoint the staff of the Corporation including the subordinate staff:

Appointment of officers.

Provided that the Minister's approval shall not be necessary for the appointment of an officer of the Corporation to act for the general manager during his absence if such appointment is for a period not exceeding four months.

50. (1) Every officer of the Corporation, not being a member of the subordinate staff, may be required by the board to give security to the satisfaction of the board for the due and faithful performance of his duties.

Officers to furnish security.

(2) The expression "subordinate staff" for the purposes of section 49 and of sub-section (1) shall include only such officers as are by the board deemed to be members of the subordinate staff.

51. No general manager shall be dismissed except on a resolution of the board passed by a majority of not less than three directors.

Dismissal of general manager.

52. No director or officer of the Corporation shall be liable for any damage or loss suffered by the Corporation unless such damage or loss was caused by his misconduct or wilful default.

No liability for damage or loss caused otherwise than by misconduct or wilful default.

53. Every director, auditor, manager, secretary, or other officer of the Corporation shall be indemnified by the Corporation from all losses and expenses incurred by him in or about the discharge of his duties, other than such losses and expenses as the board may deem to have been occasioned by his misconduct or wilful default.

Reimbursement for expenses incurred on behalf of the Corporation.

54. A receipt signed by two directors or by any person expressly authorized by the board to give receipts shall be an effectual discharge for moneys paid to the Corporation.

Receipts when valid.

**Inspection
of documents.****Balance sheet,
statement of
accounts and
reports of
directors to
be furnished to
general meeting.**

55. No shareholder, unless he is a director, auditor, or officer, clerk, accountant, or other person whose duty requires him to do so, shall be entitled to inspect any of the books, accounts, documents, or writings of the Corporation except such as are produced for the purpose of inspection at a general meeting.

56. (1) At every ordinary meeting the directors shall lay before the meeting a balance sheet and statement of the accounts of the Corporation made up to a date not more than six months before the meeting from the time when the last preceding balance sheet and statement was made, or in the case of the first balance sheet and statement from the date of commencement of business by the Corporation.

(2) Every such balance sheet and statement shall be accompanied by a report of the directors as to the state and condition of the Corporation and as to the amount, if any, which they recommend to be paid out of the profits by way of dividend to the shareholders, and the amount, if any, which they recommend to be retained for the reserve fund.

**Appointment
of auditors.**

57. (1) The accounts of the Corporation shall be audited at such intervals as the board may decide, not being more than twelve months, by two auditors one of whom shall be the Auditor-General, and the other of whom shall be a qualified auditor elected by the Corporation in general meeting and who shall hold office for one year.

(2) No qualified auditor (other than an auditor retiring from office) shall be proposed for election at any meeting unless notice of intention to propose that auditor has been given not less than five days and not more than one month before that meeting.

(3) A director or any officer of the Corporation shall not be eligible for the office of auditor.

(4) In this section, the expression "qualified auditor" means—

(a) an individual who, being a member of the Institute of Chartered Accountants of Ceylon, possesses a certificate to practise as an Accountant issued by the Council of that Institute; or

(b) a firm of Chartered Accountants each of the partners of which, being a member of that Institute, possesses a certificate to practise as an Accountant issued by the Council of that Institute.

58. (1) The auditors shall examine the accounts of the Corporation and ascertain the correctness of the balance sheet and statement of accounts and report to the shareholders—

Auditors' report.

(a) whether or not they have obtained all the information and explanations they have required; and

(b) whether in their opinion the balance sheet and statement of accounts referred to in the report is properly drawn up so as to exhibit a true and correct view of the Corporation's affairs according to the best of their information and the explanations given to them and as shown by the books of the Corporation.

(2) For the purpose of ascertaining the correctness of the balance sheet and statement of accounts the auditors may, with the sanction of the board and the Minister, accept, in respect of any branch of the Corporation, any copies or abstracts from the books of such branch which have been transmitted to the head office of the Corporation and which have been certified to be correct by an officer of the Corporation authorized in that behalf by the board.

59. At least seven days before every ordinary meeting a printed copy of the balance sheet as audited and the statement of accounts and the auditors' report as aforesaid shall be sent by the board to every shareholder at his registered address.

Copy of accounts to be sent.

60. (1) Every balance sheet and statement of accounts when audited shall after adoption by a general meeting be conclusive except as regards any error discovered therein within three months next after the adoption thereof.

Balance sheet and statement of accounts conclusive after approval.

(2) Whenever any such error is discovered within that period the balance sheet and the statement of accounts shall be forthwith corrected by the auditors and shall thenceforth be conclusive.

(3) The audited balance sheet and the statement of accounts of the Corporation and the report of the directors shall be tabled in the Senate and the House of Representatives.

**Application of
the provisions
of the
Companies
Ordinance.**

61. (1) The provisions of the Companies Ordinance or any other enactment regulating the incorporation of companies shall not apply to the Corporation.

(2) Notwithstanding the provisions of sub-section (1), the Minister may, whenever it shall seem to him expedient to do so, by Order declare that any one or more or all the provisions of the Companies Ordinance or any other enactment relating to companies for the time being in force shall apply to the Corporation, and such provision or provisions shall thereupon have effect as if such provision or provisions is or are part of this Act.

**By-laws of the
Corporation.**

62. The provisions contained in the Second Schedule shall be the by-laws of the Corporation in regard to the matters to which they relate.

**Alteration of
Second
Schedule.**

63. (1) The shareholders may by special resolution alter the provisions of the Second Schedule:

Provided that no such resolution shall take effect unless and until such resolution is approved by the Minister.

(2) All resolutions made under sub-section (1) shall be published in the *Gazette*.

**Applications to
the Minister.**

64. All applications to the Minister by the board for his approval or sanction for any matter or thing for which the Minister's approval or sanction is by this Act required, shall be made in writing signed by the officer or person authorized in that behalf by the board.

**Corporation to
be subject to
general or spe-
cial directions
of Minister.**

65. In the exercise, discharge and performance of its powers, functions and duties, the Corporation shall be subject to and act in accordance with such general or special directions as the Minister may from time to time issue.

66. In this Act, unless the context otherwise requires—

Interpretation.

“ appropriate Minister ”, in any context relating to a nominated director or the nomination of a director, means the Minister by whom such director was nominated, or who is entitled under this Act to nominate such director;

“ board ” means a duly convened and constituted meeting of the directors of the Corporation for the time being;

“ capital ” means the capital for the time being of the Corporation;

“ Corporation ” means the Ceylon Hotels Corporation established by this Act;

“ director ” means a person holding the office of a director of the Corporation;

“ elected director ” means a person elected to the office of director by the shareholders and includes the first directors other than the nominated directors;

“ extraordinary resolution ” means a resolution passed by a majority of not less than three-fourths of the shareholders entitled to vote, and voting in person or by proxy, at a general meeting of which notice specifying the intention to propose the resolution as an extraordinary resolution has been duly given;

“ general meeting ” includes an ordinary meeting and extraordinary meeting;

“ head office ” means the head office of the Corporation;

“ officer ” means an employee of the Corporation and shall not be construed to include a director or an auditor of the Corporation;

“ ordinary meeting ” means an ordinary meeting of the shareholders duly called and constituted;

“ Schedule ” means a Schedule to this Act;

“ Secretary to the Treasury ” means the person for the time being performing the functions of the Secretary to the Treasury of the Government;

“ shareholder ” means any duly registered holder from time to time of one or more shares;

“ special resolution ” means a resolution passed by three-fourths in value of the shareholders present in person or by proxy at any meeting of the Corporation of which notice specifying the intention to propose such resolution has been duly given and confirmed by a majority in value of the shareholders present in person or by proxy at a subsequent meeting of which notice specifying the intention to propose such confirmation has been duly given:

Provided that the subsequent meeting shall be held at an interval of not less than fourteen days or more than two months from the date of the meeting at which the resolution was first passed.

FIRST SCHEDULE [Sections 4 and 5]

PART I

Objects of the Corporation

The objects of the Corporation shall be the promotion and development of tourism in Ceylon—

(a) by establishing, maintaining and operating adequate, efficient and attractive services for the living accommodation, refreshment, entertainment and recreation of tourists in Ceylon;

(b) by establishing, maintaining and operating adequate, efficient and attractive services for the carriage of tourists and their personal belongings to, in and from, Ceylon;

(c) by doing all such other acts or things as are necessary for, or incidental or conducive to, the attainment of the objects herein before mentioned.

PART II

Powers of the Corporation

1. The Corporation shall have the power to do anything necessary for, or conducive or incidental to, the attainment of its objects.

2. Without prejudice to the generality of the powers conferred by paragraph 1, the Corporation shall have all or any of the following powers:—

- (a) to acquire, hold, take or give on lease or hire, mortgage, pledge and sell or otherwise dispose of any immovable or movable property;
- (b) to construct, manufacture, purchase, maintain and repair anything required for the purpose of the business of the Corporation, including in particular hotels, motels, resthouses or other living accommodation, places for entertainment and recreation, and services for the carriage of tourists and their personal belongings;
- (c) to acquire by agreement (whether absolutely or for any period) the whole or any part of the undertaking of any other person, being an undertaking or part of an undertaking, the activities whereof are wholly or mainly confined to the attainment of the objects of the Corporation;
- (d) to enter into and carry out agreements with any other person for the carrying on by that person, whether as agent for the Corporation or otherwise, of any activities necessary for, or conducive or incidental to, the attainment of the objects of the Corporation;
- (e) to enter into any arrangements for sharing profits, union of interest, joint adventure, reciprocal concessions or otherwise with any other person or company carrying on or engaged in or about to carry on or engage in any business or transaction which the Corporation is authorized to carry on or engage in;
- (f) to give any guarantee or indemnity and to enter into arrangements with the Government of Ceylon or any other Government or any local authority in order to obtain any rights, concessions and privileges that may seem conducive to the Corporation's objects or any of them;
- (g) to acquire or hold shares or stock in any company having objects similar or substantially similar to the objects of the Corporation;

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- (h) to do anything for the purpose of advancing the skill of persons employed by the Corporation or the efficiency of the equipment of the Corporation or the manner in which that equipment is operated, including the provision by the Corporation, and the assistance of the provision by others, of facilities for training persons required to carry on the work of the Corporation;
- (i) to establish a provident fund, and provide welfare and recreational facilities, housing, hostels and other like accommodation for persons employed by the Corporation;
- (j) to enter into and perform all such contracts as may be necessary for the performance of the duties and the exercise of the powers of the Corporation;
- (k) to do any such acts or things, and in particular any such acts or things as are herein before referred to, to or with foreign participants, that is to say, individuals or bodies of persons (whether corporate or incorporate) outside Ceylon, as may be necessary for, or conducive or incidental to, the attainment of the objects of the Corporation;
- (l) to make rules in relation to the staff of the Corporation including their appointment, promotion, remuneration, disciplinary control, conduct and grant of leave to them; and
- (m) to make rules in relation to the administration of the affairs of the Corporation.

[Section 62]

SECOND SCHEDULE

PART I

Shares

**Application for
and allotment of
shares.**

1. All applications for shares, signed by or on behalf of the applicant, followed by an allotment of any shares thereon, shall be deemed to be an acceptance of such allotted shares, and the board shall be entitled to place the name of the allottee on the register in respect thereof; and every person who thus or otherwise accepts any share, and whose name is on the register, shall be a shareholder.

**Share
certificates**

2. Every shareholder shall be entitled to one certificate under the common seal of the Corporation specifying the shares held by him and the amount paid thereon.

**Renewal
certificates.**

3. If any share certificate be worn out, lost or destroyed, it may be renewed on payment of such a sum, not exceeding one rupee, as the board may from time to time prescribe, provided

such evidence as the board deems reasonable be afforded of the title of the party applying for the renewal, and such indemnity be given as the board thinks fit to require.

4. The Corporation shall have a first and paramount lien available at law and in equity upon all the shares of every shareholder, whether held by him solely or jointly with any other person, for all his debts, liabilities, and engagements, of what nature or kind soever, to or with the Corporation and in case such shareholder becomes bankrupt or compounds with his creditors, the board may absolutely sell either by private contract or public auction, all the shares registered solely in such shareholder's name, and all his interest in any shares registered in his name jointly with that of any other or others, or such portion thereof, as shall be sufficient to discharge or satisfy such debts, liabilities, and engagements and may apply the proceeds, so far as the same will extend, in discharge or satisfaction of such debts, liabilities, and engagements and upon such sale the board may, without notice to or consent of such shareholder or any other person whomsoever, transfer all or any of such shares to the purchaser thereof, and may enter such purchaser's name on the register as the holder of such shares.

Corporation's
lien on shares.

5. If any share shall stand in the names of two or more persons the person first named in the register shall, as regards voting at general meetings, receipt of dividends, service of notices and documents, and all or any other matters connected with the Corporation except the transfer of the share and the Corporation's lien thereon and the payment of money in the nature of a return of capital, be deemed the sole holder thereof.

Rights of
joint holders.

6. The Corporation shall not be bound by, nor recognize any equitable, contingent, future, or partial interest in any share, nor (except only as is by these by-laws otherwise expressly provided) any other right in respect of a share than an absolute right thereto, in accordance with these presents, in the person for the time being registered as the holder thereof.

Corporation
not bound to
recognize an
interest in
share other
than that of
registered
holder.

7. No shareholder who shall change his name, or being a female, shall marry, shall be entitled to receive any dividend or to vote until notice of the change of name or marriage be given to the Corporation.

Notice of
change of
name or
marriage of
shareholder.

PART II

Deposit and Calls

8. Any moneys which the board, on allotting any share or shares, requires to be paid by way of deposit or call, or otherwise in respect thereof shall immediately on the entry of the name of the allottee in the register as the holder of such shares become a debt due to and recoverable by the Corporation.

Moneys
payable on
allotment.

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Calls.

9. In addition to such deposit and call as last aforesaid, the board may from time to time, but subject to the conditions, hereinafter mentioned, make such calls upon the shareholders in respect of all moneys unpaid on their shares as the board thinks fit; and every shareholder shall be liable to pay the amount of every call, made in accordance with these by-laws, to the person and at the time and place appointed by the board.

Liability of joint holders.

10. The joint holders of a share or shares shall be jointly and severally liable to pay all sums due in respect of such shares by way of money due on allotment, calls, and interest on calls.

Notice of call.

11. (1) One month's notice at the least shall be given of the time and place appointed by the board for the payment of every call.

(2) Such notice shall be given to the persons registered as shareholders at the time when the resolution authorizing such call was passed, and such call shall be deemed to be due in the first place from the persons to whom such notice is given.

Interest on unpaid calls.

12. If any shareholder fails to pay the amount payable by him on allotment, or any call due from him on the day appointed for payment thereof, he shall be liable to pay interest on the same at a rate to be fixed by the board from the day appointed for the payment thereof to the time of actual payment (but without prejudice to the provisions herein contained for the forfeiture of the share or shares in respect of which any monev payable by way of deposit or call as aforesaid shall be payable), and he shall not be entitled to any dividend that may be payable during the time such call and interest remain unpaid.

Evidence in action for calls.

13. On the trial or hearing of any action to be brought by the Corporation against any shareholder to recover any money payable on allotment or any call, it shall be sufficient in the case of monev payable on allotment to prove that the defendant applied for the number of shares in respect of which such money is claimed, and in the case of a call that the name of the defendant is at the time of commencement of the action, or was at the time the resolution of the board to make the call was passed, duly entered on the register as the holder of the number of shares in respect of which the action for recovery of the call is made.

Payment in advance of calls.

14. (1) The board may, if they think fit, receive from any shareholder willing to advance the same, the whole or any part of the amount remaining uncalled and unpaid on any shares held by him, and upon the moneys so advanced the board may pay interest at such a rate as may be agreed between the shareholder and the board.

(2) The moneys so advanced shall be appropriated against calls whenever made.

(3) The Corporation shall refund any money advanced under sub-paragraph (1) remaining unappropriated against calls in the event of—

- (a) the sale of the share or shares in respect of which the advance has been made; or
- (b) the Corporation going into liquidation.

PART III

Transfer and Transmission of Shares

15. The Corporation shall keep, in addition to the register of shareholders, a book to be called the "Register of Transfers" and therein shall be entered the particulars of every transfer and transmission of any share, and the book may from time to time be authenticated by having the common seal affixed thereto at a general meeting.

Register of transfers.

16. The register of shareholders and the register of transfers shall be closed for a period of fourteen days immediately preceding and on the day of the ordinary meeting in every year, and may be closed at such other times as the board may deem fit:

Closing of register.

Provided that the aggregate of the period for which such registers are closed in any year shall not exceed thirty days.

17. The Corporation may refuse to register any transfer of shares while the shareholder making the same is either alone or jointly with any other person indebted to the Corporation on any account whatsoever, and unless the transferee is approved by the board. Before registering any transfer the board may require the certificates of the shares therein mentioned to be left at the office during twenty-four hours for examination.

Corporation may refuse to register transfers.

18. Where a shareholder who has not during his lifetime executed a valid transfer of his shares dies leaving an estate requiring administration the only persons recognized by the Corporation as having any title to the shares shall be the executors or administrators.

Title on death of shareholder.

19. Any person becoming entitled to a share in consequence of the death, bankruptcy or insolvency of a shareholder shall, upon such evidence being produced as may from time to time be properly required by the board, have the right either to be registered as a shareholder in respect of the share, or, instead of being registered himself, to make such transfer of the share as the deceased or bankrupt or insolvent person could have made; but the board shall, in either case, have the same right to decline or suspend registration as it would have had in the case of a transfer of the share by the deceased or bankrupt or insolvent person before the death, bankruptcy or insolvency.

Rights of person entitled on death or bankruptcy of shareholder.

20. A person becoming entitled to a share by reason of the death, or bankruptcy or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a

Dividend and voting powers of persons entitled to share on death or bankruptcy.

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shareholder in respect of the share, be entitled to exercise any right conferred on a shareholder in relation to meetings of shareholders.

Transfer how effected.

21. Every transfer of a share shall be in such form as the board may from time to time approve, and shall be presented to and retained by the Corporation accompanied by such evidence as the board may require to prove the title of the transferor. The instrument of transfer shall be executed both by the transferor and transferee, and the transferor shall be deemed to remain the holder of such share until the name of the transferee is inserted in the register in respect thereof.

Form of transfer.

22. Unless the board otherwise determines the following shall be the form of the instrument of transfer, and it shall be under the respective hands of the transferor and the transferee:—

I, of, (in consideration of the sum of Rs. paid to me by of),* do hereby transfer to the said share (s) numbered in Ceylon Hotels Corporation standing in my name in the books of the Corporation, to hold unto the said his heirs, executors, administrators, and assigns, subject to the several conditions on which I hold the same, and I, the said, do hereby agree to take the said share (s) subject to the same conditions.

As witness our hands this day of, 19 ..

*(The words within brackets to be omitted if no consideration is paid.)

Board may require evidence of transmission.

23. Every transmission of a share shall be verified in such manner as the board may require, and the Corporation may refuse to register any such transmission until the same be so verified.

Fee on transfer or transmission.

24. There shall be paid to the Corporation in respect of the registration of the transfer or transmission of any number of shares to the same person or persons such sum of money not exceeding two rupees and fifty cents as the board may from time to time prescribe.

PART IV

Forfeiture of Shares

Notice to pay call overdue.

25. If any person fails to pay any money payable by him to the Corporation in respect of his shares on the day appointed for payment thereof, the board may serve a notice on him or his executors or administrators requiring payment of such money, together with any interest accrued thereon and any expenses that may have been incurred by reason of such non-payment.

Contents of notice.

26. The notice shall name a day (not being less than thirteen days from the date of the notice) on or before which such money, interest, and expenses are to be paid, and it shall also state that in the event of the non-payment of such money,

interest, and expenses at the time appointed, the share in respect of which such money, interest and expenses are payable shall be liable to be forfeited.

27. If the requirements of a notice served under by-law 25 be not complied with, any shares in respect of which such notice has been given may be forfeited by a resolution of the board to that effect.

Forfeiture for non-payment.

28. (1) When any share is declared to be forfeited by a resolution of the board, notice of the forfeiture shall forthwith be given to the registered holder thereof, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the register of shareholders.

Treatment of forfeited shares.

(2) Every share which shall be forfeited shall thereupon become the property of the Corporation, and may be sold, extinguished, reallocated, or otherwise disposed of, either to the former holder thereof, or to any other person, upon such terms and in such manner as the board think fit:

Provided always that it shall be lawful for the board in its discretion to remit or annul the forfeiture of any share upon such terms as they think fit, and to cause the entry of forfeiture in respect thereof in the register of shareholders to be cancelled.

29. Any person whose shares are forfeited shall, notwithstanding the forfeiture, be liable to pay to the Corporation all calls, interest and expenses payable to the Corporation in respect of such shares at the time of forfeiture, and payment thereof may be enforced by the board, notwithstanding and without prejudice to such forfeiture.

Liability on forfeited shares.

30. The forfeiture of a share shall involve the extinction at the time of such forfeiture of all interest in and all claims and demands whatsoever against the Corporation in respect of such share, except the right to any dividend declared on such share and remaining unpaid.

Effect of forfeiture.

31. (1) A certificate in writing under the common seal of the Corporation signed by two directors and countersigned by the manager or by such other officer as the board may appoint, stating that the share therein mentioned has been duly forfeited in pursuance of these presents and the amount paid thereon at the time when it was forfeited, shall be conclusive evidence of such forfeiture as against all persons claiming to be entitled to such share.

Certificate of forfeiture.

(2) Such certificate and the receipt of any two directors, countersigned by the manager or by such other officer as aforesaid, for the price of such share, shall constitute a good title to such share, and a certificate of proprietorship shall be delivered to the purchaser thereof, and thereupon the purchaser shall be deemed to be the holder of such share, and shall be discharged from all calls prior to such purchase (unless otherwise expressly agreed), and his name shall be entered in the register of shareholders, and he shall not be bound to see to the application of the purchase money, nor shall his title to such share be affected by any irregularity in the proceedings in reference to such forfeiture or sale.

PART V

General Meetings

First ordinary meeting.

32. The first ordinary meeting of the Corporation shall be held at such place and at such time, within four months, after the date of commencement of business by the Corporation as the board may determine.

Subsequent ordinary meetings.

33. Subsequent ordinary meetings shall be held once in every year at such time and place as the board may from time to time determine.

Business of ordinary meetings.

34. The business of an ordinary meeting shall be—
(a) to elect directors and auditors,
(b) to receive and consider, and either in whole or in part adopt, confirm or reject the accounts and balance sheets,
(c) to receive the reports of the directors and auditors respectively,
(d) to decide on any recommendation of the board with respect to dividend, and
(e) subject to the provisions of these by-laws, generally to discuss any affairs of or relating to the Corporation.

Extraordinary meetings summoned by board.

35. (1) The board may, whenever they think proper, call an extraordinary meeting, and they shall do so upon receiving a requisition in writing signed—

- (a) by the Minister; or
- (b) by the holder or holders of not less than one-third of the preference shares, or
- (c) by ten or more shareholders holding in the aggregate not less than one-fifth of the ordinary shares issued on which all calls and other sums then due have been paid.

(2) Any requisition so made shall express the object of the meeting proposed to be called, and shall be deposited at the head office of the Corporation.

Extraordinary meetings summoned by shareholders.

36. Upon the receipt of any such requisition the board shall forthwith convene an extraordinary meeting and if they neglect to do so for one month after the deposit of the requisition, the requisitionists may convene such meeting by giving to the shareholders fourteen days' notice thereof at the least, specifying the place, day, and hour of meeting and the objects and business of the meeting.

Confirmation of resolution passed by extraordinary meeting.

37. No resolution passed at an extraordinary meeting convened by shareholders as aforesaid shall be binding on the Corporation, or have any effect, unless and until the same be confirmed by a second extraordinary meeting which shall be convened for the purpose in accordance with the foregoing provisions, except that seven days' notice thereof only shall be given.

38. No business shall be transacted at an extraordinary meeting other than business specified in the notice of the meeting.

Business of extraordinary meeting.

39. (1) Not less than seven nor more than fifteen days' notice of every general meeting specifying the place, time and hour of meeting and (except as regards the business to be transacted without notice at ordinary meetings) the objects and business of the meeting shall be given to the shareholders by circular and by advertisement.

Notice of general meeting.

(2) When it is proposed to pass a special resolution both the meetings required for the purpose of passing such resolution may be convened by one and the same notice and it shall be no objection to such notice that it only convenes the second meeting contingently on the resolution being passed by the requisite majority at the first meeting.

40. When any general meeting is adjourned for seven days or more, the board shall give not less than four days' notice of the adjournment to all the shareholders in the same manner as notice was given of the original meeting; but when such meeting is adjourned for less than seven days such notice shall when practicable, be served on each shareholder as early as conveniently may be before the day appointed for holding such adjourned meeting.

Notice of adjourned meetings.

41. Every notice of a general meeting given by the board shall be signed by the general manager or by such officer as the board may appoint, and every such notice given by shareholders shall be signed by the shareholder or shareholders convening the meeting. The non-receipt by any shareholder of a notice convening a general meeting shall not invalidate the proceedings at such meeting.

By whom notice signed.

42. Except as otherwise provided by these presents no business shall be transacted at any general meeting unless there be present at the commencement of the business ten or more shareholders entitled to vote.

Quorum.

43. If at the expiration of one half-hour after the time appointed for holding a general meeting the required number of shareholders be not present, the meeting, if convened upon the requisition of shareholders, shall be dissolved, but in any other case it may adjourn to such time on the following day or to such other day and to such place as the shareholders present at the expiration of the half-hour determine:

Procedure when quorum not present.

Provided always that if five shareholders entitled to vote be not then present, the meeting shall stand adjourned to the next working day at the same hour and place as were appointed for the original meeting.

44. At any adjourned general meeting the shareholders present whatever their number, shall have power to decide upon all matters which were on the agenda of the meeting from which the adjournment took place; but no business shall be transacted at any adjourned meeting other than the business which was on such agenda and which was not taken up, or remained unfinished at the meeting from which the adjournment took place.

Business of adjourned meeting.

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**Chairman of
the meeting.**

45. At every general meeting the chairman, if any, of the directors, or during his absence the deputy chairman, if any, or in the case of the absence or unwillingness to act of both, a director chosen by the directors present or, in the case of the absence of all the directors at the expiration of one half-hour from the time appointed for holding the meeting, then a shareholder chosen by the shareholders present shall preside as chairman.

**Chairman's power
to adjourn
meeting.**

46. The chairman, with the consent of a majority of the shareholders present at any general meeting, may adjourn such meeting from time to time and from place to place.

Voting.

47. Every motion submitted to a general meeting except otherwise provided by law or by this Act shall be decided by a simple majority of the shareholders present and entitled to vote and voting by a show of hands unless a poll is demanded. In case of an equality of votes, the chairman shall have a second or casting vote.

**Taking of
poll.**

48. If immediately on the declaration by the chairman of a general meeting of a division on any motion submitted to the meeting, and not relating to the appointment of a chairman or adjournment of the meeting, a poll be demanded by at least five shareholders present and entitled to vote at the meeting or by the Government representative it shall be taken at such time and place and in such manner as the chairman shall direct, and for that purpose he shall have power to adjourn the meeting, if he thinks fit to do so, for any time not exceeding fourteen days and the chairman's declaration of the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand of a poll or any adjournment of a meeting for the taking of a poll shall not prevent the continuance of such meeting for the transaction of any business other than that on which the poll shall have been demanded.

**Notice of
postponed poll.**

49. In case such poll be not taken on the day on which it is demanded, notice shall be given of the time and place of taking it in the same manner as in the case of an adjourned general meeting.

**Chairman's
declaration
of result
conclusive.**

50. A declaration by the chairman that a resolution has been carried or in the case of a resolution requiring any particular majority that it has been passed by the requisite majority shall be final and an entry of such declaration in the book of proceedings of the Corporation shall be conclusive evidence thereof, without proof of the number or proportion of the votes recorded in favour of or against the motion to which such declaration relates.

**Proceedings and
resolutions
binding notwithstanding
defect
in mode of
convening
meeting.**

Votes.

51. The proceedings of every general meeting purporting to have been duly called and constituted, and all resolutions and decisions of such meeting shall be valid and binding on the Corporation notwithstanding any defect in the mode of convening the meeting or otherwise.

52. On a show of hands every member, who, being an individual, is present in person or, being a corporation, is present by proxy or representative, shall have one vote. On a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder:

Provided that the preference shares shall not entitle the holder thereof to attend and vote at any ordinary annual meeting at which only ordinary business is to be transacted; but shall entitle such holder to be present and vote at all extraordinary meetings, and to be present at annual meetings at which special business is to be transacted and to vote at such meetings on such special business.

53. (1) Any authority or corporation which is a shareholder of the Corporation may by resolution of its directors or other governing body authorize such person as it thinks fit to act as its representative at any general meeting, and the person so authorized shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation would exercise if it were an individual member of the Corporation and shall be reckoned in the quorum present at the meeting.

Voting by
representative.

(2) The Government director shall by virtue of his office be entitled to exercise all the rights of the Government in respect of any shares held by it.

54. (1) If any shareholder be an idiot or a person of unsound mind, his legally appointed manager may exercise his vote and if any shareholder be a minor, his legally appointed curator or guardian may exercise his vote.

How
incapacitated
shareholder
may vote.

(2) No such manager, curator or guardian shall be entitled to vote unless he shall have deposited at the head office of the Corporation not less than forty-eight hours before the time of holding the meeting at which he proposes to vote, such evidence as the board may require that he is in fact the manager, curator or guardian of the shareholder whose vote he claims to exercise.

55. No shareholder shall be entitled to vote in person or by proxy at any general meeting in respect of any share held by him while any call or interest or an unpaid call due from him remains unpaid.

Shareholder
in default may
not vote.

56. No objection shall be taken to the validity of any vote except at the meeting or poll at which such vote shall be tendered, and the chairman of such meeting shall be the sole judge of the validity of every vote tendered thereat.

Chairman to
decide
validity of
vote.

57. Votes may be given either in person or by proxy, but every proxy shall be appointed in writing under the hand of the appointor, or in the case of a corporation under the hand of the secretary or other chief officer thereof.

Voting in
person or by
proxy.

58. Until the board otherwise prescribe, the following form with any requisite modification thereof, shall be the form of instrument of proxy:—

Form of
proxy.

I, A. B. of, a shareholder of the Ceylon Hotels Corporation, appoint C. D. of or him failing E. F. of both being shareholders of the Corporation, to vote as my proxy at the general meeting of the Corporation, to be held at on the, 19....., and at any adjournment thereof.

As witness my hand this day of, 19.....

Qualification of proxy holder.

59. No person shall be appointed or act as a proxy unless he is a shareholder qualified to vote, and unless the instrument of his appointment be left at the head office at least forty-eight hours before the hour for holding the meeting at which he is to vote.

Meeting of directors.

60. The directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit and may determine the quorum necessary for the transaction of business. Until otherwise fixed the quorum shall be three.

Who may preside at meetings.

61. The board shall be presided over by the chairman if present, or in his absence, by the deputy chairman, if any; but if neither a chairman nor a deputy chairman shall have been appointed, or if neither the chairman nor the deputy chairman be present at the time fixed for holding the meeting of the board, the directors present shall choose one of their number to preside.

How questions at board meetings decided.

62. Any question which shall arise at any meeting of the board shall be decided by a majority of votes of those present, and in the case of an equality of votes the director presiding at the meeting shall have a second or casting vote.

Acts to be valid notwithstanding defects in appointments.

63. All acts done by the board or by a committee of directors or by a person acting as director, whether solely or as a member of the board or of a committee, shall, notwithstanding that it be afterwards discovered that there was a defect in the appointment of the board, committee, or person acting as director, or that such person was not qualified to be a director, be as valid as if there had been no such defect and the person acting as director had been duly qualified.

Meetings of committees.

64. The meetings and proceedings of any committee shall be governed by the provisions of this Schedule for regulating the meetings and proceedings of directors, so far as the same are applicable thereto, and are not superseded by the express terms of the appointment of the committee. In any matter in which no provisions are made by the board or by this Schedule a committee may conduct its business in such manner as it thinks fit.

Minutes of proceedings of directors to be kept.

65. (1) The board shall cause minutes to be made in books provided for the purpose of the following matters, namely:—

- (a) all appointments of officers and committees made by the board;
- (b) the name of the directors present at every meeting of the board, and at every meeting of a committee;
- (c) the proceedings and resolutions of all meetings of the shareholders, the board, and committees.

(2) Such minutes if signed by some person purporting to be the chairman of the meeting or of the board or committee to which it refers, or by any two directors present thereat, or by

the chairman of the next succeeding meeting, shall be receivable in evidence without further proof of the matters therein contained or any other proof.

66. (1) The board shall provide a common seal for the purposes of the Corporation, and may from time to time change the same; and such seal may be kept by such person and in such manner as the board from time to time may determine, but shall not be used except by the authority of the board and in the presence of at least two directors, or of one director and the general manager or other officer appointed for that purpose by the board, who shall sign the document to which the seal is affixed.

Custody and
use of common
seal.

(2) The board shall have full power to use the common seal in the execution of all or any of the powers hereby vested in them, or otherwise in relation to the affairs and business of the Corporation as they in their discretion see fit.

67. No director shall be disqualified by his office from contracting with the Corporation nor shall any such contract entered into by or on behalf of the Corporation in which any director shall be in any way interested, be voided, nor shall any director so contracting or being interested be liable to account to the Corporation for any profit realized by or arising out of any such contract but the fact of his being interested and the nature of his interest shall be disclosed by him at the meeting of the directors at which the contract is considered if his interest then exists, or in any other case at the first meeting of the directors after the acquisition of his interest.

Directors may
contract with
Corporation.

A general notice that a director is a member of a specified firm or company, and is to be regarded as interested in any subsequent transactions with such firm or company, shall be sufficient disclosure under this by-law, and after such general notice it shall not be necessary to give any special notice relating to any particular transaction with such firm or company.

68. No director shall as a director vote in respect of any contract in which he is so interested as aforesaid and he shall withdraw from the meeting of the directors while any such contract is under consideration and the vote thereon is being taken. If any director does so vote, his vote shall not be counted.

When director
may not vote.

69. Nothing in by-law 68 shall apply to any contract made by or on behalf of the Corporation to give to the directors or any of them any security for advances or by way of indemnity.

Exemptions
from provisions
of by-law 68.

70. The business of the Corporation shall be controlled by the board, who, in addition to the powers and authorities by law and by this Act expressly conferred upon them may, without any further power or authority from the shareholders, exercise all such powers, give all such consents, make all such arrangements, and generally do all such acts and things as are or shall be by law or by this Act directed or authorized to be exercised, given, made, or done by the Corporation, and are not thereby expressly directed to be exercised, given, made or done by the Corporation in general meeting.

Powers of
the board

Delegation of functions of board.

71. The board may delegate any of its powers, other than the power to make calls or to appoint the general manager, to committees consisting of two or more directors, or to a director, or to the general manager or to any other officer of the Corporation selected by the board, and they may from time to time revoke any such delegation either wholly or in part and either as to persons or purposes; but every such committee, director, general manager or other officer shall, in the exercise of the powers delegated to it, or him, conform to all such regulations as are prescribed by the board. All acts done by any such committee, director, general manager or other officer, in conformity with such regulations and in fulfilment of the purposes of its or his appointment, but not otherwise, shall have the like force and effect as if done by the board.

PART VII

Powers and Duties of Directors

Procedure on Corporation acquiring title to its own shares.

72. Where by reason of forfeiture, surrender, or otherwise the Corporation acquires an interest in or title to any of its own shares, the board shall sell, cancel or otherwise dispose of such share as soon as conveniently may be.

Resolution without board meeting valid.

73. (1) A resolution signed by all the directors of the Corporation for the time being shall be as valid and effectual as if it had been passed at a meeting of the board.

(2) Any such resolution shall be recorded in the minutes book containing the proceedings of the board as if it had been passed at a meeting of the board.

PART VIII

Remuneration of Directors

Remuneration of directors.

74. During the five years commencing from the establishment of the Corporation the directors shall be paid out of the funds of the Corporation such remuneration as the Minister from time to time shall fix:

Provided that such remuneration shall not exceed three hundred rupees per month.

Remuneration of chairman.

75. The chairman shall out of the funds of the Corporation be paid an additional remuneration for his services at the rate of two hundred rupees per month.

Deduction for absence from meeting.

76. A sum of fifty rupees shall be deducted from the remuneration of the chairman or any director in respect of each meeting of the board which he fails to attend.

Remuneration of acting director.

77. A director in whose place a person has been appointed to act shall not receive the remuneration attached to his office during the continuance of such acting appointment, but such remuneration shall be paid to the person acting in his place.

Fixing remuneration after a period of five years.

78. After the period of five years aforesaid the remuneration of the directors shall be determined from time to time by the shareholders in general meeting.

79. Where any director is entrusted with any special mission or function or by request performs special services on behalf of the Corporation the board may grant him such additional remuneration as it thinks fit. The directors may be repaid by the Corporation all such reasonable travelling, hotel and incidental expenses as they may incur in attending meetings of the board or of committees of the board or meetings of shareholders or which they may otherwise incur in or about the business of the Corporation.

Remuneration of
directors for
special
services

80. All remuneration to which the Government director becomes entitled shall be paid to the Consolidated Fund.

Government
director's
remuneration to
be paid to
Consolidated
Fund.

PART IX

Dividends and Reserve

81. The directors may, with the sanction of the shareholders in general meeting, declare a dividend to be paid to the shareholders in proportion to the amount from time to time paid on their shares (but exclusive of any amount for the time being paid up in advance of calls and carrying interest at an agreed rate), and subject to any special privileges or priority for the time being subsisting with regard to any particular class of shares.

Declaration
of dividend.

82. In sanctioning a dividend recommended by the directors the shareholders shall not be entitled to increase such dividend.

Shareholders
may not
increase
dividend.

83. (1) If the profits of any financial year of the Corporation, available for distribution by way of dividend after providing for contingencies and transferring twenty *per centum* of the profits to the reserve fund in accordance with the provisions of this Act but before making any other transfer out of profits to the published reserve or reserves, are sufficient to pay the whole or any part of the dividend on the preference shares but the directors are of opinion that such dividend should not be paid but that such moneys should be retained in order to strengthen the position of the Corporation, the Secretary to the Treasury may require the distribution of such profits by way of dividend unless the directors furnish him with a certificate from the auditors for the time being of the Corporation to the effect that in the opinion of such auditors the course proposed to be adopted by the directors is necessary in the interest of the Corporation.

Government
entitled to
insist on
dividend being
declared unless
auditors certify
that dividend
should not be
declared.

(2) The directors shall, in the absence of the certificate provided for in paragraph (1), be bound to comply with any request made under this by-law by the Secretary to the Treasury.

84. If and so long as ordinary meetings are held once a year only, the directors may, without the sanction of a general meeting, declare half-yearly dividends in those half-years during which an ordinary meeting is not held:

Half-yearly
dividends.

Provided that the general manager shall have reported to the directors that the profits earned by the Corporation in the half-year justify the payment of such dividend.

All dividends
to be paid
out of profits.

85. As soon as may be convenient after the end of each financial year of the Corporation the general manager shall present to the board a statement of the Corporation's profits after making such provision as he considers necessary for all bad and doubtful debts and other contingencies. The board may increase but shall not reduce such provision and the profits available for payment of dividend shall be calculated after the deduction of the provision finally determined by the board. No dividend shall be paid except out of the profits arising from the business of the Corporation and except after providing for the maintenance of the capital of the Corporation and for the establishment and maintenance of such reserve fund or funds as the board is bound to establish and maintain and any directors who knowingly and wilfully concur in the declaration or making payable of any dividend in breach of the provision of this by-law shall be jointly and severally liable for the amount of such dividend as a debt by them to the Corporation.

Investment of
reserve fund.

86. Any amounts standing to the credit of any reserve funds and also any other funds of the Corporation not for the time being employed in or required for the purposes of the business of the Corporation shall be invested in stocks, shares, debentures, bonds or securities issued or guaranteed by the Government of Ceylon or by any other Government of any other country which is a member of the Commonwealth or any local or public authority in Ceylon.

Unpaid dividend
not to bear
interest.

87. No unpaid dividend shall at any time bear interest as against the Corporation.

Board may
deduct money
due for calls.

88. The board may deduct from the interest and dividends, payable to any shareholder all sums of money due from him to the Corporation on account of calls or interest thereon or otherwise.

Notice of
dividends.

89. (1) Notice of all dividends and of interest payable on capital paid in advance shall be given to every shareholder entitled thereto. Any such dividend, or interest unclaimed for three years after such notice may be forfeited by the board for the benefit of the Corporation.

(2) Notwithstanding such forfeiture the board may at any time thereafter, if they think fit, authorize the payment thereof to any claimant who shall adduce a title thereto to the satisfaction of the board.

PART X

Notices

Service of
notices on
shareholders.

90. (1) Any notice, circular or other document required to be served by the Corporation upon any shareholder may be served either personally or by being sent by post to the shareholder at his registered address, and every notice or document sent through the post shall be deemed to have been served at the time at which it would have been received in the ordinary course of post.

(2) In proving such service by post it shall be sufficient to prove that the notice or document, or the letter containing it, was duly addressed and posted.

91. Any notice or other document required to be served upon the Corporation by any shareholder may be served by leaving the same at the head office, or by sending it through the post addressed to the Corporation at the head office; and in proving such service by post, it shall be sufficient to prove that the notice or document, or the letter containing it, was duly addressed and posted or left at the head office.

Service of
notices by
shareholders.

92. All notices required by these presents to be or which may be given by advertisement shall be advertised in the *Gazette* and in one of the daily newspapers published in Colombo, and shall be deemed to have been sufficiently given if so advertised.

Advertisements.

93. Every person who by operation of law, transfer, or other means whatsoever shall become entitled to any share, shall be bound by any and every notice or other document which previous to his name and address being entered in the register in respect of that share, has been given to the person from whom he derives his title.

Shareholders
bound by
notice given
to previous
holders.

94. When any notice or document is sent in accordance with these regulations to the registered address of a shareholder, then, notwithstanding he be then deceased, and whether or not the Corporation has notice of his decease, such notice or other document shall, for all the purposes of these regulations, be deemed to have been served on his heirs, executors, or administrators, notwithstanding they are not named therein.

Service of
notice good
notwithstanding
death of
shareholder.