

GUARDIAN CAPITAL PARTNERS PLC - PQ 49

CIRCULAR TO SHAREHOLDERS

Dear Shareholder,

TO SEEK SHAREHOLDER APPROVAL UNDER SECTION 185(2)(d) OF THE COMPANIES ACT, NO. 07 OF 2007

Further to the announcement made by Guardian Capital Partners PLC to the Colombo Stock Exchange on 23rd September 2020 on the signing of a Share Sale and Purchase Agreement ("SSPA") by Guardian Capital Partners PLC ("GCP") and Ceylon Guardian Investment Trust PLC ("GUAR") [subsidiaries of Carson Cumberbatch PLC Group] with Gazelle Asset Management Pte Ltd ("GAZELLE") for the sale of 21,692,800 ordinary shares being 83.97% stake held by GUAR in GCP to GAZELLE. As informed the said transaction is subject to certain conditions precedent, contained in the SSPA. As part of the said Condition Precedents, GCP is required to dispose all its assets and settle all its liabilities which would then have the effect of substantially altering the nature of the business carried on by GCP thereby requiring Shareholder approval of GCP under Section 185(2)(d) of the Companies Act, No.07 of 2007 .

RATIONALE AND BACKGROUND TO THE TRANSACTION

Guardian Capital Partners PLC ("GCP") is the designated private equity investment arm of the Ceylon Guardian Group. GCP ventured into Private Equity ("PE") Business in the financial year 2010/11 taking into consideration the steady growth forecast of the Sri Lankan economy with the end of decades long civil war in the country. Consequently, with the then envisaged economic growth and expansion opportunities, we anticipated many private companies to raise capital via private equity funding to fund new ventures and to realize value for their promoters. In view of the above, GCP carried out a purpose driven Rights Issue of Rs.503.26 million to venture into private equity business. Post Rights Issue, as at 31st March 2011, the Net Assets Value of GCP stood at Rs.508.2 million.

However, the industry conditions did not materialize as expected and finding optimal number of investments that meet GCP's investment criteria continue to be extremely challenging. Most companies that are worthy of private equity investments prefer funding sources from financial institutions due to various concerns including providing structured exit route to the PE investors.

Taking the above into consideration, the Boards of Directors of GUAR and GCP decided that it is not viable to operate a dedicated listed private equity investment company within the Group. Consequently, after evaluating the options available, the Guardian Group decided to divest GCP as aforesaid. Upon successful completion of the proposed transaction by GUAR and GAZELLE, the latter would be required to make a Mandatory Offer to the other Shareholders of GCP as per the Takeovers and Mergers Code of Sri Lanka.

Accordingly, this provides an equal exit opportunity to all GCP Shareholders, should they wish, to realize their investment based on the consideration described below.

DETERMINATION OF PURCHASE CONSIDERATION FOR THE TRANSACTION

The purchase consideration per share will be determined based on the Net Asset Value of GCP as at a future date to be mutually agreed by the parties after the completion of the agreed condition precedents for the transaction, plus a premium of Rs.40 million. The total Net Assets Value of GCP as at 30th September 2020 based on fair valuation of the investment portfolio of GCP stood at Rs.768.5 million. GCP had 25,833,808 shares in issue as at 30th September 2020.

Fair valuation of the equity investment portfolio and cash and cash equivalent including investment in unit trusts as at 30th September 2020 as per the published Interim Financial Statements are as follows;

Name of the Investment	No. of shares	Fair valuation as at 30th September 2020 (Rs. 000')
hSenid Business Solution (Pvt) Limited	163,419	123,157
Findmyfare (Pvt) Limited	302,791	28,948
LVL Energy Fund PLC	10,312,500	95,906
Cash and cash equivalent and investment in unit trusts	-	527,840

The two private equity investments of GCP, Findmyfare (Pvt) Ltd and hSenid Business Solutions (Pvt) Ltd, will be disposed to the parent entity, GUAR, since an opportunity to exit the said investments is unlikely to be achieved within the buyer's stipulated timeline. The said disposal will be carried out based on an independent valuation by PricewaterhouseCoopers Sri Lanka and reviewed by KPMG Sri Lanka. As at the date of the Circular, the entirety of the listed equity investment, LVL Energy Fund PLC shares, had been sold as third-party market transactions on the trading floor of the Colombo Stock Exchange subsequent to 30th September 2020.

BACKGROUND FOR THE APPROVAL SOUGHT

As part of the preconditions to the transaction, GAZELLE has requested GCP to hold only cash on the Balance Sheet immediately prior to the disposal. Accordingly, all investments currently held by GCP will be disposed as aforesaid which would have the effect of substantially altering the nature of the business carried on by GCP in terms of Section 185(2)(d) of the Companies Act, No. 07 of 2007.

EXTRAORDINARY GENERAL MEETING

An Extraordinary General Meeting of the Shareholders of GCP has been convened in terms of the attached Notice, at which the Shareholders will be requested to consider and if thought fit to pass the Special Resolution to approve a major transaction as required under Section 185(2)(d) of the Companies Act, No.07 of 2007 and Article 87(1)(vi) of the Articles of Association of GCP, since the disposal of the totality of private equity investments of GCP has the effect of substantially altering the nature of the business carried on by GCP.

The requisite Resolution to give effect to the above is set out in the attached Notice convening the Extraordinary General Meeting of GCP, at which the Shareholders will be requested to consider and if thought fit to pass the necessary Resolution to give effect to the foregoing proposals of the Board of Directors.

A **Virtual Extraordinary General Meeting** of the Shareholders has been convened for **Thursday, 07th January 2021 at 9.30 a.m.** at the 8th Floor, No.65C, Dharmapala Mawatha, Colombo 7, by means of audio and/or visual technology as morefully explained in the attached document titled **“Procedure to be followed at the Virtual Extraordinary General Meeting of the Company scheduled for 07th January 2021”**.

Shareholders who are unable to participate at the **Virtual Extraordinary General Meeting** to be held at the 8th Floor of No.65C, Dharmapala Mawatha, Colombo 7, Sri Lanka on **Thursday, 07th January 2021 at 9.30 a.m.**, may appoint a proxy as his/her/its proxy by forwarding the duly completed Form of Proxy not later than 4.45 p.m. on 05th January 2021, clearly indicating their vote under the matter set out in the Form of Proxy as per the instructions set out in the **‘Procedure to be followed at the Virtual Extraordinary General Meeting of the Company scheduled for 07th January 2021’**, attached with this Notice.

The above referred venue may be changed in the event of any Regulation/decision by a Government authority affecting the said venue. Only those who are essential for the administration of the formalities of the meeting, including the Board of Directors, Company Secretary, Key Management Officials, representatives of the Auditors, Legal Counsel and Scrutinizers will be physically present at the 8th Floor of No.65C, Dharmapala Mawatha, Colombo 7, Sri Lanka or at any other venue, if change is necessary due to any Regulation/decision by a Government Authority affecting the above given venue.

Yours faithfully,
By Order of the Board of
GUARDIAN CAPITAL PARTNERS PLC
Carsons Management Services (Private) Limited
Secretaries

61, Janadhipathi Mawatha,
Colombo 1
Sri Lanka

10th December 2020