Amalgamation of

Prime Finance PLC

and HNB Finance PLC

with the amalgamated company being

HNB Finance PLC

AMALGAMATION PROPOSAL

15th March 2022

1. INTRODUCTION

LODGEMENT WITH THE REGISTRAR GENERAL OF COMPANIES

This Amalgamation Proposal ("Proposal") shall be lodged with the Registrar General of Companies in Sri Lanka upon obtaining the approval of the shareholders of HNB Finance PLC and Prime Finance PLC for the amalgamation of HNB Finance PLC with Prime Finance PLC, in accordance with the provisions of Section 243 of the Companies Act No. 7 of 2007 (the "Companies Act").

HNB Finance PLC and Prime Finance PLC shall hereinafter jointly be referred to as the "amalgamating companies" and HNB Finance PLC individually as the "amalgamated company".

This Proposal is dated 15th March 2022.

2. CORPORATE INFORMATION

HNB Finance PLC	Prime Finance PLC
Legal Form	
HNB Finance PLC is a limited liability company incorporated in Sri Lanka on 20th December 1999 under the Companies Act bearing company No. PB 965 PQ and is a finance company licensed under the Finance Business Act No. 42 of 2011 ("Finance Business Act"). HNB is also a finance leasing establishment registered under the Finance Leasing Act No. 56 of 2000 ("Finance Leasing Act").	Prime Finance PLC is a limited liability company incorporated in Sri Lanka on 10th September 2004 under the Companies Act bearing company No. PB 351 PQ and is a finance company licensed under the Finance Business Act. Prime Finance PLC is also a finance leasing establishment registered under the Finance Leasing Act.

HNB Finance PLC	Prime Finance PLC
Business	
In terms of the Articles of Association, the company is empowered, *inter alia*, - 1. To carry on finance business in conformity with the provisions of the Finance Business Act, and any other law relating to finance companies including all regulations directions, determinations, rules, orders or requirements made, given or imposed thereunder; 2. To carry on finance leasing business in conformity with the provisions of the Finance Leasing Act and any other law relating to finance leasing establishments including all regulations, directions, determinations, rules, orders or requirements made, given or imposed thereunder, including without limitation, micro leasing; 3. To carry on the business of money transfer money transfer from one destination to another through any means including electronic media, facsimile, internet, credit card, wire transfer, through satellite transmission and any other means of safe transmission within and outside Sri Lanka in conformity with the provisions of the Payment and Settlement Systems Act, No. 28 of 2005 and all regulations, directions, determinations,	In terms of the Articles of Association, the company is empowered, *inter alia*,- 1. To carry on the finance business in conformity with the provisions of the Finance Business Act together with any amendments thereto, every other statute that may repeal, substitute and replace it and any other statute relating to finance companies and in conformity with regulations, directions, determinations, rules, orders or requirements made, given or imposed under the aforesaid statutes. 2. To carry on finance leasing business in conformity with the provisions of the Finance Leasing Act as amended from time and all other statutes for the time being in force with specific provisions relating to the conduct of finance leasing business and all regulations, directions, determinations, rules, order or requirements made, given or imposed thereunder; 3. To commence, undertake, engage in and carry on the business of micro finance activities and in particular arrange micro finance for persons engaged in the cultivation of cash crops and other crops, micro enterprises, self-employed persons and other individuals and groups including those with minimal or no access to security and working capital;

HNB Finance PLC	Prime Finance PLC
rules, orders or requirements made, given or imposed thereunder; 4. To carry on the business of training and skills development and entrepreneurship development programs for unemployed youth and micro-entrepreneurs in Sri Lanka and to provide such persons with technical support and assistance.	4. To promote, guarantee, underwrite, participate, in, manage, act as agents for and carry out any issue of shares, stocks, debentures or debenture stock of any company, corporation, or association and to undertake, perform and discharge any trust, trust agency business and any office of confidence; 5. To carry on business as financiers and investors, to lend money to any person, company, association or undertaking subject to the provisions of the Finance Companies (Lending) Direction No. 01 of 2007 and any Direction issued under the Finance Business Act together with any amendments thereto and every other statute that may repeal, substitute and replace it, and to invest the capital and other monies of the company in real estate, property development, gold, projects for construction of commercial, residential or other buildings of every description, purchase of or upon the security of shares, stocks, debenture stocks, bonds, mortgages, obligations and securities of any kind issued or guaranteed by any company, corporation or undertaking of whatsoever nature; 6. To carry on the business of Pawn Broking and all matters incidental there to upon obtaining necessary licenses and approvals;

HNB Finance PLC	Prime Finance PLC
	7. To carry on the business of debt factoring and to undertake the purchase of debt portfolios at a discount from other establishments with the view to recover same. Act as managing agents for companies or other such institutions whether incorporated or otherwise engaged in finance or finance related business.
Shareholding	
The total number of issued shares of HNB Finance PLC is as follows: • Ordinary voting shares – 1,421,380,624 • Ordinary non-voting shares – 298,200,000 The ordinary voting shares confer on the holders thereof the right, for each share held, to: (a) one vote on a poll at a meeting of the company on any resolution; (b) an equal share in dividends paid by the company; and (c) an equal share in the distribution of the surplus assets of the company on liquidation. The ordinary non-voting shares do not carry any voting rights but confer on the holders thereof the right, for each share held, to:	The total number of issued shares of Prime Finance PLC is 121,000,000 ordinary voting shares. The ordinary voting shares confer on the holders thereof the right, for each share held, to: (a) one vote on a poll at a meeting of the company on any resolution; (b) an equal share in dividends paid by the company; and (c) an equal share in the distribution of the surplus assets of the company on liquidation. The top ten shareholders of Prime Finance PLC as at 28th February 2022 are as follows:

HNB Finance PLC

(a) an equal share in dividends paid by the company; and

(b) an equal share in the distribution of the surplus assets of the company on liquidation.

The top ten holders of ordinary voting shares of HNB Finance PLC as at 28th February 2022 are as follows:

Name	Number of shares	Percentage
Hatton National Bank PLC A/C. No. 1	724,904,118	51.00%
Seylan Bank PLC/Prime Lands (Private) Limited - (Collateral)	400,000,000	28.14%
Prime Lands (Private) Limited	150,304,554	10.57%
DWM Funds S.C.A, SICAV – SIF	112,700,000	7.93%
Mr. B.M.D.C. Prabhath	1,000,000	0.07%
Mrs. L.L.C.C. Thambiah	1,000,000	0.07%
People's Leasing & Finance PLC/Mr. S. Gobinath	380,000	0.03%
Mr. P.C.P. Samarasinghe	267,609	0.02%
Mr. G.D.J. Prasantha	240,803	0.02%
Mr. R.L. Maheswaran	218,509	0.02%

Prime Finance PLC

Name	Number of shares	Percentage
HNB Finance PLC *	105,716,231	87.37%
Mr. Weerathunga Arachchige Sampath Palitha De Saram	671,982	0.56%
Sampath Bank PLC/Dr.T. Senthilverl	636,061	0.53%
Seylan Bank PLC /Mr. F.J.P. Raj	315,231	0.26%
Mr. Dinesh Prakash Navaratnam	275,393	0.23%
Seylan Bank PLC/Mr. Shermal Hemaka Jayasuriya	185,099	0.15%
Mr. Suppiapillai Karunamoorthy	155,000	0.13%
Bansei Securities Capital (Pvt) Ltd/Mr. P.M.D.N.Tissera	126,082	0.10%
Mr. Lalith Rukman Jayaweera	113,795	0.09%
Bansei Securities Capital (Pvt) Ltd/Mr. M.A.U. Gnanatilake	113,523	0.09%

* Under the recently concluded mandatory offer made by HNB Finance PLC to the shareholders of Prime Finance PLC, HNB Finance PLC received acceptances from shareholders for a total of 11,341,912 shares. The relevant procedural steps are currently being carried out for the completion of the transfer of such shares

HNB Finance PLC	Prime Finance PLC
With regard to ordinary non-voting shares, Seylan Bank PLC holds 233,200,000 ordinary non-voting shares which amounts to 78.20% of the ordinary non-voting shares of HNB Finance PLC and Prime Lands (Private) Limited holds 35,972,653 ordinary non-voting shares which amounts to 12.06% of the ordinary non-voting shares of HNB Finance PLC. Wealth Guard (Private) Limited holds 27,227,852 ordinary non-voting shares which amounts to 9.13% of the ordinary non-voting shares of HNB Finance PLC.	from the transferors to HNB Finance PLC and for the crediting of such shares in the securities account maintained by HNB Finance PLC with the Central Depository Systems (Private) Limited. Upon the completion of such procedural steps, the total number of shares held by HNB Finance PLC in Prime Finance PLC will accordingly increase by 11,341,912 shares (which will amount to a shareholding percentage increase of 9.37%).
Directors	
The directors of HNB Finance PLC are as follows: 1. Dilshan Peter Nirosh Rodrigo 2. Bamunuachchi Mangedarage Don Chaminda Prabhath 3. Anushka Sheran Wijesinha 4. Sampathawaduge Udan Hithesi Fernando 5. Pathirana Arachchige Hasitha Danushka Wijesundara 6. Aloysius Gerard Rajive Dissanayake 7. Mahinda Perera 8. Deyalage Kovinda Gimnada Perera 9. Ruwan Damintha Manatunga 10. Punsisi Lalith Patuwatha Withana	The directors of Prime Finance PLC are as follows: 1. Mestiyage Don Saddha Mangala Goonatilleke 2. Lydia Laura Crysanthi Crossette Thambiah 3. Brahmanage Premalal 4. Pathirage Anura Wijesiri Perera 5. Mahinda Perera 6. Dhammika Hemantha Kalapuge 7. Bamunuachchi Mangedarage Don Chaminda Prabhath 8. Aloysius Gerard Rajive Dissanayake

HNB Finance PLC	Prime Finance PLC
Company Secretary	
S S P Corporate Services (Private) Limited No. 101, Inner Flower Road, Colombo 3.	S S P Corporate Services (Private) Limited No. 101, Inner Flower Road, Colombo 3.
Auditors	
KPMG Chartered Accountants No. 32A, Sir Mohamed Macan Markar Mawatha, Colombo 03	Ernst & Young Chartered Accountants No. 201, de Saram Place, Colombo 10
Bankers of the Company	
Hatton National Bank PLC Seylan Bank PLC DFCC Bank PLC Bank of Ceylon Sampath Bank PLC People's Bank Nations Trust Bank PLC National Development Bank Cargills Bank Limited	Hatton National Bank PLC Commercial Bank of Ceylon PLC Seylan Bank PLC DFCC Bank PLC Bank of Ceylon Sampath Bank PLC People's Bank Nations Trust Bank National Development Bank PLC Cargills Bank Limited Union Bank of Colombo PLC
Registered Address	
No. 168, Nawala Road, Nugegoda	No. 61, D.S. Senanayake Mawatha, Colombo – 08.

3. CAPITAL STRUCTURE

As at 28th February 2022	Number of shares	Stated Capital
HNB Finance PLC	1,421,380,624 ordinary voting shares and 298,200,000 ordinary non-voting shares	LKR 223,545,481
Prime Finance PLC	121,000,000 ordinary voting shares	LKR 1,899,180,000

4. RATIONALE FOR THE AMALGAMATION

HNB Finance PLC is the parent company of Prime Finance PLC.

The amalgamation is carried out in furtherance of the proposal of the Central Bank of Sri Lanka to consolidate Non-Bank Financial Institutions that is being implemented with a view to streamlining and strengthening the financial sector.

The amalgamation of the companies will allow the consolidation of the business under "HNB Finance PLC".

5. THE AMALGAMATION

5.1 AMALGAMATION MECHANISM

The Board of Directors of each of the amalgamating companies have resolved on 15th March 2022 to amalgamate the two companies, with HNB Finance PLC remaining as the amalgamated entity. The amalgamation shall be subject to making the relevant submissions to the regulatory authorities and receiving approval of the shareholders of each of the amalgamating companies in accordance with Section 241(5) of the Companies Act.

The Board of Directors of HNB Finance PLC and Prime Finance PLC have further resolved that, in their respective opinions, the amalgamation is in the best interest of the respective companies and that they are satisfied that the amalgamated company will immediately after the amalgamation satisfy the Solvency Test. The Directors of amalgamating companies who voted in favour of each resolution have also issued certificate to that effect.

The amalgamation will be effected in a manner whereby Prime Finance PLC will be absorbed into HNB Finance PLC and shareholders of Prime Finance PLC (other than HNB Finance PLC) will be paid in the manner as mentioned in 5.2 in lieu of their shareholding in Prime Finance PLC as at the date of the Amalgamation.

5.2 SHARE PURCHASE CONSIDERATION

The shares of Prime Finance PLC will not to be converted into shares of HNB Finance PLC under the amalgamation and all shareholders of Prime Finance PLC other than HNB Finance PLC who will hold shares of Prime Finance PLC as at the time of the amalgamation will receive cash consideration amounting Sri Lankan Rupees Twenty Cents Ten (LKR 20.10) per each share held in Prime Finance PLC. This cash consideration has been determined pursuant to an independent valuation carried out of the shares of Prime Finance PLC by NDB Investment Bank Limited and the valuation report is attached hereto in Annexure 1 for the reference of the shareholders.

The shares held by HNB Finance PLC in Prime Finance PLC shall be cancelled in the entirety without payment or the provisions of other consideration when the amalgamation becomes effective.

5.3 RIGHTS OF SHAREHOLDERS UNDER SECTION 93 OF THE COMPANIES ACT

Any shareholder who votes against the amalgamation is entitled to require the respective company to purchase his shares in line with the provisions of section 93 of the Companies Act.

6. DETAILS OF THE AMALGAMATED COMPANY

6.1 NAME

The name of the amalgamated company will be **HNB Finance PLC**.

6.2 REGISTERED OFFICE

The registered office of the amalgamated company will be **No. 168, Nawala Road, Nugegoda.**

6.3 DIRECTORS

The following are the present directors of HNB Finance PLC and they shall continue to remain as the directors of HNB Finance PLC, the amalgamated company:

Name	**Residential Address**
Dilshan Peter Nirosh Rodrigo	No. 135 A, Ruhunupura, Robert Gunawardena Mawatha, Battaramulla Post Code- 10120
Bamunuachchi Mangedarage Don Chaminda Prabhath	No. 211, Lake Drive, Rajagiriya Post Code- 10250
Anushka Sheran Wijesinha	No. 146/8, Havelock Road, Colombo 05 Post Code- 00500
Sampathawaduge Udan Hithesi Fernando	No. 32/4, Bellanwila, Boralesgamuwa Post Code- 10120

Name	Residential Address
Pathirana Arachchige Hasitha Danushka Wijesundara	No. 155/34, Pannipitiya Road, Battaramulla Post Code- 10120
Aloysius Gerard Rajive Dissanayake	23B, College Street, Colombo 13 Post Code- 00130
Mahinda Perera	Apart, 9/6, No. 10, Alfred House Gardens, Colombo 03 Post Code- 00300
Deyalage Kovinda Gimnada Perera	No. 721/59, Birds Park Residencies, Madinnagoda, Rajagiriya Post Code- 10100
Ruwan Damintha Manatunga	No. 4/10G, Thalakotuwa Gardens, Colombo 05 Post Code- 00500
Punsisi Lalith Patuwatha Withana	No. 14/60, 10th Lane, Wickramasinghe Pura, Battaramulla Post Code- 10120

6.4 COMPANY SECRETARY

The details of the secretary of the amalgamated company are as follows:

S S P Corporate Services (Private) Limited
No. 101, Inner Flower Road, Colombo 3

6.5 SHARE STRUCTURE

The total number of shares of the amalgamated company will be as follows:

- Ordinary voting shares – 1,421,380,624
- Ordinary non-voting shares – 298,200,000

As discussed in 5.1 above, no shares in the amalgamated company will be issued to the holders of shares in Prime Finance PLC as such shareholders will receive cash consideration for their shares in Prime Finance PLC in lieu of receiving shares in the amalgamated entity.

Other than for the payments referred to in the above, no payments will be made to a shareholder or director of the amalgamating companies.

6.6 ARTICLES OF ASSOCIATION

The Articles of Association of the amalgamated company will be the articles of association of HNB Finance PLC as at date without any change thereto. The said articles of association are attached in the Annexure 2 hereto.

7. POST AMALGAMATION MANAGEMENT AND OPERATION ARRANGEMENTS

Subsequent to the amalgamation, HNB Finance PLC would become the amalgamated company, with the particulars of Prime Finance PLC being removed from the register maintained by the Registrar General of Companies.

The amalgamation will result in HNB Finance PLC succeeding, by operation of the provisions of the Companies Act, to the property, rights, powers and privileges of Prime Finance PLC and also to all liabilities and obligations of Prime Finance PLC as at the time of the amalgamation. The liabilities that HNB Finance PLC shall succeed to as a consequence of the amalgamation shall include all the deposit liabilities of Prime Finance PLC and accordingly HNB Finance PLC shall thereafter be liable to pay interest and repay the capital on all such deposits as per the terms and conditions thereof.

The business currently carried on by Prime Finance PLC will, pursuant to the completion of the amalgamation, be carried on by HNB Finance PLC, subject to certain changes to the branch network presence, as a few branches of Prime Finance PLC will have to be relocated or discontinued due to HNB Finance PLC already having branches in such locations. HNB Finance PLC will be absorbing the entire staff of Prime Finance PLC under the amalgamation process and therefore, there could be certain changes in the operational structure of HNB Finance PLC based on the experience, expertise and capacity of the staff absorbed.

8. EFFECTIVE DATE OF THE AMALGAMATION

It is intended that the effective date of the amalgamation will be 12th May 2022.

9. STATUTORY DECLARATION BY THE DIRECTORS

We, the undersigned, being two directors of HNB Finance PLC, hereby declare and confirm that we have read the provisions of the Companies Act No. 7 of 2007 relating to the issue of the Proposal and that those provisions have been complied with herein. This Proposal has been seen and approved by us and we collectively and individually accept full responsibility for the accuracy of the information given and confirm that having made reasonable inquiry and to the best of our knowledge and belief, there are no other facts, the omission of which would make the statement contained herein misleading or inaccurate.

Name	Date	Signature
B. M. D. C. Prabhath	15th March 2022	.....
A. G. R. Dissanayake	15th March 2022	.....

We, the undersigned, being two directors of Prime Finance PLC, hereby declare and confirm that we have read the provisions of the Companies Act No. 7 of 2007 relating to the issue of the Proposal and that those provisions have been complied with herein. This Proposal has been seen and approved by us and we collectively and individually accept full responsibility for the accuracy of the information given and confirm that having made reasonable inquiry and to the best of our knowledge and belief, there are no other facts, the omission of which would make the statement contained herein misleading or inaccurate.

Name	**Date**	**Signature**
M. D. S. M. Goonatilleke	15th March 2022	MDSGoonatilleke .....
L. L. C. C. Thambiah	15th March 2022	.....

Colombo, on this 15th day of March, 2022

Valuation of Prime Finance PLC for the purpose of Proposed Amalgamation with HNB Finance PLC

Financial Advisor

NDB Investment Bank

March 14, 2022

March 14, 2022

Board of Directors
Prime Finance PLC
No. 61, D. S. Senanayake Mawatha,
Colombo 08

NDB Investment Bank

Level 1, NDB Capital Building,
No. 135, Bauddhaloka Mawatha,
Colombo 04
Sri Lanka.
Tel: +94 11 2300385
Fax: +94 11 2300393
Email: info@ndbib.com

Dear Sir / Madam,

REPORT ON THE FAIR VALUE ASSESSMENT OF PRIME FINANCE PLC

We refer to the Mandate Letter dated February 28, 2022 appointing NDB Investment Bank Limited ("NDBIB") to act as the Financial Advisor to the Board of Directors of Prime Finance PLC ("Prime Finance" or "PFP") to carry out an independent valuation of the ordinary shares of PFP to determine the price that needs to be paid as cash consideration to the shareholders of PFP during the proposed amalgamation with HNB Finance PLC ("HNBF").

NDBIB is pleased to forward herewith an "Independent Opinion" assessing the value of PFP shares. We believe NDBIB possesses requisite expertise to perform a valuation of this nature.

Should you require any clarification in this regard, please do not hesitate to contact us.

Thank you.

Yours faithfully,

NDB INVESTMENT BANK LIMITED

Darshan Perera
Director/Chief Executive Officer

Executive Summary

- Reference is made to the Mandate Letter entered into between Prime Finance PLC (hereinafter referred to as "PFP" or "the Company") and NDB Investment Bank Limited (hereinafter referred to as "NDBIB") in relation to the proposed amalgamation with HNB Finance PLC ("HNBF").
- Pursuant to the Mandate, NDBIB has carried out an equity valuation of PFP using the information provided by the Management of the Company and other publicly available information to provide a recommendation to the Board of Directors of PFP on the cash consideration to be paid by HNBF to the remaining shareholders of PFP in order to proceed with the amalgamation
- NDBIB estimated the equity value of PFP using five different methodologies based on the current market conditions and nature of operation of PFP. Accordingly, summary of such valuations of PFP is as follows:

Valuation Method	Equity Value per Share (LKR)
NAV Based Valuation	20.06
PBV Based Valuation	17.30
PER Based Valuation	17.24
Market Based Valuation	19.95
Residual Income Based Valuation	8.70

- It should be noted that the Management of PFP has taken a conservative approach in their business forecasts in order to incorporate the potential impact of the current macro economic concerns. Further, the impact of the recent discontinuation of the Real Estate Business carried out by PFP has also played a part in a reduction of the valuation arrived based on the Residual Income Valuation
- Thus, based on the remaining valuation techniques, NDBIB recommends a cash consideration of LKR 20.10 per share be paid to the remaining shareholders of PFP in line with the price at which HNBF initially acquired the shares of PFP via the stock exchange and the subsequent mandatory offer, subject to qualitative considerations that need to be taken into consideration by the Board

Contents

I. Background

II. About PFP

III. Sources of Information

IV. Valuation

V. Recommendation and Other Considerations

VI. Annexures

I. Background

Background

- HNB Finance PLC ("HNBF"), pursuant to its acquisition of 105,602,251 Ordinary Voting Shares of Prime Finance PLC ("PFP") at a price of LKR 20.10 on December 23, 2021, by way of a crossing transaction executed on the Colombo Stock Exchange ("CSE") on December 20, 2021, subsequently acquired a further 11,341,912 shares though the Mandatory Offer. Moreover, from the date of the closure of the offer and up to February 28, 2022, HNB Finance PLC acquired further 113,980 shares in the market and as a result the shareholding of HNBF in PFP increased up to 96.74% as at February 28, 2022.
- HNBF, in congruence with the consolidation plan issued by the Central Bank of Sri Lanka ("CBSL") to foster financial system stability by facilitating consolidation within the NBFI sector wishes to amalgamate with PFP
- HNBF shall remain the surviving entity under the proposed amalgamation, as per Section 239 of the Companies Act, and intends to pay a cash consideration to all other existing shareholders of PFP
- NDBIB has been mandated by PFP to determine the valuation at which such cash consideration is to be paid to the existing shareholders of PFP (except HNBF) under the proposed Amalgamation Offer.
- It should be noted that prior to this engagement, NDBIB was mandated by the Board of Directors of PFP, in December 2021, to act as Independent Advisors to the Board of PFP to provide an "Independent Opinion", in relation to the Mandatory Offer made by HNBF, to the remaining shareholders of PFP on the reasonableness of the Offer, in terms of the Takeovers and Mergers Code of SEC.

II. About PFP

About the Company
A Snapshot

Total Assets	Loan Book	Equity
Over LKR 6.5 Bn	LKR 4.8 Bn	LKR 2.4 Bn

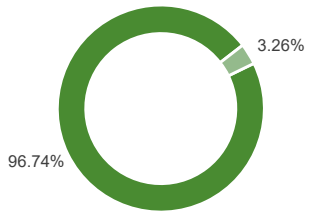
Total Customer Base	Number of Branches
c. 11,000	7

Staff Strength	Public Deposits
172 Employees	LKR 3.2 Bn

- Incorporated in 2004, PFP is a Licensed Finance Company registered with the Monetary Board of the Central Bank of Sri Lanka under Finance Business Act. 42 of 2011
- The Company provides a diverse range of products and services to its customers including Property Finance, Fixed Deposits, Business Loans, Vehicle Leasing and Savings Accounts.
- PFP's diverse customer base ranging from grass root level entrepreneurs and small and medium scale business holders to well reputed corporates across the country are connected through their 6 branches and Head Office in operation

(Source: PFP Annual Report, FY21)

Shareholding Percentage



** Includes 11,341,912 shares acquired through the acceptance of the Mandatory Offer and subsequent acquisitions upto Feb 28, 2022*

III. Sources of Information

Sources of Information

- Annual Reports of PFP for the Financial Years ended March 31, 2021, March 31, 2020, March 31, 2019 and March 31, 2018
- Management Accounts of PFP for the 10 months ended January 31, 2021 and January 31, 2022
- Un-Audited Quarterly Financials of PFP for the nine months ended December 31, 2021
- 5 year Business Plan prepared by the Management of PFP, assuming the Company shall continue as a going concern
- Information and explanations provided by the Management of Prime Finance
- Information on S&P Capital IQ Platform
- Trading related information available on the Colombo Stock Exchange
- Other publicly available information

Note: Any nonpublic price sensitive information mentioned in this report may have to be published/disclosed to the public prior to dissemination of this report.

NDBIB is of the view that the information sources listed above were adequate to facilitate an informed Independent Opinion assessing the value of PFP shares and to provide a reasonable basis for our opinion stated herein.

However, NDBIB has not carried out an independent verification of the information provided by the Company and/or other available information. Also, no investigations were carried out on the business affairs of the Company. In addition, no information has come to the attention of NDBIB to believe that the facts and data set forth in the Report are incorrect.

IV. Valuation

Method I : Net Asset Value Based Valuation

Net Asset Value (NAV) Based Method

- Under a net asset-based valuation approach, total value of equity is based on the sum of book value of net assets plus, a premium/discount if appropriate to account for any value that is not represented through book value of net assets
- Being an NBFI, most assets of PFP are valued at market prices and hence an adjustment on the assets was not required
- This methodology is most suitable for businesses where a significant portion of firm value lies in the underlying assets

Prime Finance PLC	
Net Asset Value Method	
Net Asset Value as at January 31, 2022 (LKR)	2,427,803,679
Divide: Shares in Issue	121,000,000
Net Asset Value per share (LKR)	**20.06**

Method II : Price to Book Value (PBV) Based Valuation

NDB Investment Bank

PBV Based Valuation

- Price to Book Value ratio is calculated as;

$$PBV = \frac{Market\ Value\ of\ an\ Ordinary\ Share}{Net\ Asset\ Value\ per\ Share}$$

- The ratio is used to determine the extent of the premium/discount paid by investors on the book value of a share of an entity. The book value of shares is multiplied by an appropriate PBV ratio in order to arrive at the market value of the company.
- This approach is commonly used in valuing asset heavy companies due to the significance of book value in determining the ability to generate future income
- The value of an ordinary share of PFP has been computed using the Median PBV ratio of a peer set consisting of Licensed Finance Companies listed under the 'Diversified Financials' sector in the CSE, with Equity Values ranging from LKR 2 Bn to LKR 5 Bn. The peer set and the relevant multiples are presented in Annexure I.

Prime Finance PLC	
Price to Book Value Based Valuation	
Net Asset Value per Share as at January 31, 2022 (LKR)	20.06
Price to Book Value Ratio (x) (Median of the identified peer companies as at March 9, 2022 - Refer Annexure I)	0.86
Estimated Value of an Ordinary Share of PFP (LKR)	**17.30**

Method III : Price to Earnings Ratio (PER) Based Valuation

NDB Investment Bank

PER Based Method

- Price to Earnings ratio is calculated as;

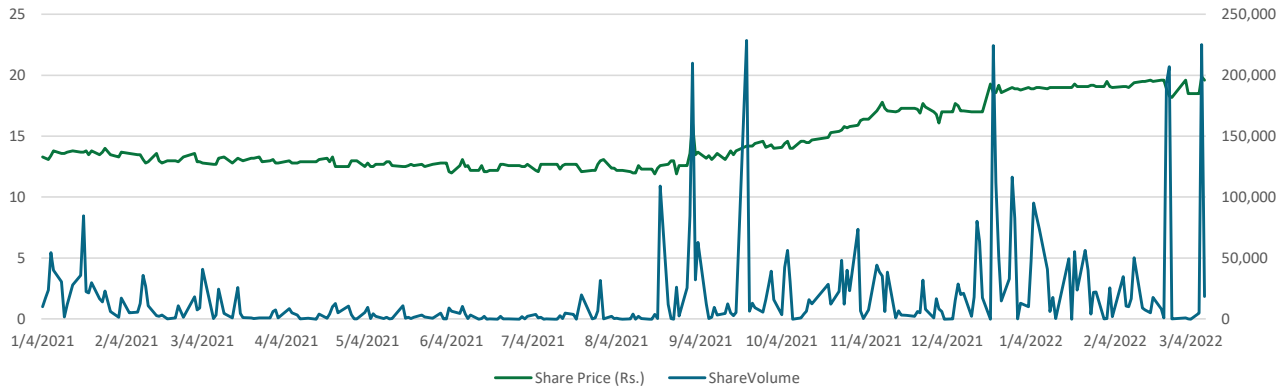
$$PER = \frac{Market\ Value\ of\ an\ Ordinary\ Share}{Earnings\ per\ Share}$$

- Under this commonly used approach, a company's earnings are multiplied by an appropriate Price Earnings Ratio in order to arrive at the market value of the company's equity. The ratio is used to determine the extent of premium/discount that is paid by investors on the earnings of an entity.
- PFP recorded a Trailing Twelve-Month (TTM) profit of LKR 189.6 Mn as of January 31, 2022. Thus, the resultant TTM Earning Per Share of PFP stood at LKR 1.57 per share (refer Annexure II)
- It should be noted that the Earnings of PFP include the profits of the Real Estate business which was discontinued recently and hence the EPS may be overstated going forward

Prime Finance PLC	
Price to Earnings Based Valuation	
TTM Earnings per Share as at January 31, 2022 (LKR) - Refer Annexure II	1.57
Price to Earnings Ratio (x) (Median of the identified peer companies as at March 09, 2022 - Refer Annexure I)	11.00
Estimated Value of an Ordinary Share of PFP (LKR)	**17.24**

Method IV : Market Price Based Valuation

- Historical movement of the share price of PFP for the period from January 2021 to March 2022 is depicted below.



Note: Transactions on date of acquisition by HNBF not included to avoid loss of clarity that may occur with change in scale

- The 12-month VWAP of Ordinary Voting Shares of PFP for the period ended December 17, 2021 (date of Corporate Disclosure on initial acquisition by HNBF) is LKR 14.38.

Note : The 12-month VWAP of Ordinary Voting Shares of PFP for the period ended March 9, 2022 is LKR 19.95. The corresponding VWAP value disregarding transactions that occurred on the date of the acquisition is LKR 16.80

Method V : Residual Income (1/3)

Residual Income Method (RI)

- This method calculates the value of equity as the present value of a future stream of residual income.
- Residual income is the net income of a firm less a charge that measures stockholders' opportunity cost of capital calculated as

$$RI_t = E_t - (r \times B_{t-1})$$

- *Where:*

  RI_t = residual income in year t
  E_t = expected net income for year t
  r = required return on equity
  B_{t-1} = book value of equity in year t-1

- In the RI method, the following formula is used to determine the Business Value attributable to the equity providers:

$$V_0 = B_0 + \left\{\sum_{t=1}^{t-1} \frac{RI_t}{(1+r)^t}\right\} + TV_t$$

Where,

V_0	*= intrinsic value in year 0*
B_0	*= book value of equity in year 0*
RI_t	*= residual income in year t*
r	*= required return on equity*
TV_t	*= terminal value at year t*

Method V : Residual Income (2/3)

- The Terminal Value at year t (TV_t) in a continuing residual income model is calculated using the following standard formula.

$$TV_t = \frac{RI_t}{(1 + r - \omega)(1 + r)^{t-1}}$$

Where, ω = persistence factor

- In order to determine a fair value for the business operation of PFP, the RI method was considered taking into account the fact that it is an ongoing business dealing primarily in financial assets.

Method V : Residual Income (3/3)

The Residual Income has been determined based on the forecast Financial Statements (as provided in Annexure III) prepared by NDBIB and agreed to by the management of PFP. Such forecasts were prepared as per information provided by management of PFP.

LKR Mn	FY2022F	FY2023F	FY2024F	FY2025F	FY2026F	FY2027F
Opening Book Value of Equity	2,427.8	2,441.3	2,493.6	2,561.8	2,643.3	2,755.6
Net Profit for the Year	13.5	52.3	68.2	81.5	112.3	120.8
Equity Charge	(72.8)	(439.4)	(448.8)	(461.1)	(475.8)	(496.0)
Residual Income	**(59.4)**	**(387.1)**	**(380.7)**	**(379.6)**	**(363.5)**	**(375.2)**

Valuation	LKR Mn
Discounted Residual Income	(1,374.5)
Opening Book Value of Equity as at Jan 31, 2022	2,427.8
Equity Valuation	**1,053.3**
Shares in Issue (#)	121,000,000
Equity Value per Share (LKR)	**8.70**

Assumptions	
9 Year Treasury Bond Rate (on March 8, 2022)	13.75%
Equity and Corporate Risk Premium	4.25%
Cost of Equity	**18.00%**
Persistence Factor	**0.60**

V. Recommendation and Other Considerations

Recommendation

- A summary of the valuations indicated above is given below

Valuation Method	Equity Value per Share (LKR)
NAV Based Valuation	**20.06**
PBV Based Valuation	**17.30**
PER Based Valuation	**17.24**
Market Based Valuation	**19.95**
Residual Income	**8.70**

- It should be noted that the acquisition of shares of PFP by HNBF was carried out at a share price of LKR 20.10 per share
- Given that all valuation techniques considered result in a valuation lower than said acquisition price, NDBIB recommends a price of LKR 20.10 per share to be paid as the cash consideration to the shareholders of PFP at the time of amalgamation with HNBF
- It is noted that the Residual Income results in a significantly lower valuation compared to the other approaches, mainly due to the conservative business plans of PFP upon which the valuation was based on and the discontinuation of the real estate business.

While NDBIB recommends a share price of LKR 20.10 per share to be paid as the cash consideration based on the quantitative aspects reflected in the valuation, the Board may take into consideration certain qualitative aspects highlighted in "Other Considerations" when determining the final price

Other Considerations (1/2)

NDB Investment Bank

PFPs strategy during the downturn

- NBFI sector profitability saw a reduction due to high loan loss provisioning and a decrease in Net Interest Margin amidst the increased challenges faced by the sector such as increasing nonperforming loans, rising credit costs, and poor credit growth (Source: CBSL Annual Report, 2020).
- PFP, in order to achieve improved asset quality and enhanced liquidity to tackle short-term uncertainty while achieving long-term growth, proactively explored new adjacent markets such as small ticket leasing businesses/micro leasing which may have contributed towards the reduction of loan concentration risk and enhanced interest spread with higher Internal Rates of Return, stimulated by smaller facility sizes.
- In addition, PFP adopted a conservative strategy where the Company targets higher quality assets at the expense of rapid loan book growth, to address the worsened market conditions and associated credit risk
- The Business Plan prepared by PFP, which was used as the base for the Residual Income based valuation was also based on a similarly conservative growth plan

Possible Synergies

- As both HNBF and PFP operate in the NBFI sector, the amalgamation is expected to create synergies, specially as HNBF belongs to the Hatton National Bank Group, the ultimate parent of which is the second largest listed bank in Sri Lanka.
- It should be noted that PFP shareholders may request for an enhancement in the cash offer, as they would not be able to benefit from such synergies since they would not be shareholders of the post amalgamation entity

Other Considerations (2/2)

NDB Investment Bank

Impact of External Events

- As in the case of many industries, the Non-Bank Financial Institutions ("NBFI") sector faced challenges in the recent past due to continuous external events which detracted the socio-economic landscape starting with natural disasters in 2018 to the Easter attacks in April 2019, the current Covid-19 Pandemic and Financial Crisis.
- The NBFI Sector witnessed a loan book contraction, asset quality deterioration, growth in Non-Performing Assets (NPA) ratios, and a decline in profitability measured by weakened ROE and ROA ratios amongst other growing challenges, such as vehicle import restrictions and GDP contraction (Source: CBSL Annual Report, 2020).
- On the back of economic slowdown, the loan recoveries of PFP were heavily impacted since a major portion of the Company's portfolio constituted of SMEs and daily and monthly wage earners. PFP has been proactive in responding to the same by actively engaging with customers to formulate customised payment plans and recovery strategies whilst adhering to CBSL mandated concessions and debt moratorium schemes (Source: PFP Annual Report, FY21).

Recent Developments

- Minimum regulatory capital requirements mandated by the CBSL have resulted in significant capital infusions over the recent past.
- While PFP fell short of the minimum CBSL capital requirement of LKR 2.5 Bn as at January 31, 2022 (with PFP recording a total equity capital value of only LKR 2.4 Bn as at January 31, 2022), HNBF as the amalgamated entity is expected to satisfy the latest capital requirements comfortably.

Disclaimer

As mentioned in Section "Sources of Information", the information, analysis and opinions contained herein have been compiled or arrived at based on information obtained from PFP and other publicly available information. Such information has not been independently verified by NDBIB and no guarantee, representation or warranty, expressed or implied is made as to its accuracy, completeness or correctness.

No representation is made that any estimate, projection, forecast or valuation contained in this Report will materialise. The actual future events may vary significantly from the estimates, projections, forecasts or valuations and each estimate, projection, forecast or valuation is based on a number of assumptions and is subject to matters, which are outside the control of PFP and NDBIB. It should also be noted that if the amalgamation contemplated takes place, PFP would cease to exist, and the Residual Income based valuation which is based on an as-is valuation would be rendered redundant

Whilst reasonable care has been exercised in compiling this Report, NDBIB or any director, officer or employee of the same shall not be made liable for any loss or damage howsoever arising as a result of any person acting or refraining from acting in reliance on any information, analysis and opinions contained herein.

The opinion expressed herein is valid for a period of three months (03) from the date of this Report, however, subject to there being no material changes to the parameters impacting operations of PFP other than those disclosed. This Report communicates a generalised opinion and NDBIB has not considered any specific circumstance and/or needs of each shareholder.

VI. Annexures

Annexure I – Peer Analysis

Licensed Finance Companies listed under the 'Diversified Financials' sector in the CSE, with Equity Values ranging from LKR 2 Bn to LKR 5 Bn were considered as peers in this valuation exercise after the consideration of the equity value of PFP (i.e. LKR 2.4 Bn as per the latest management accounts of PFP).

Company Name	Segment (as per CSE)	P/BV (x)	P/LTM EPS (x)	Total Assets (LKR Mn)	Total Equity (LKR Mn)
Merchant Bank of Sri Lanka & Finance PLC	Diversified Financials	0.86	3.13	36,316	4,807
Singer Finance (Lanka) PLC	Diversified Financials	0.71	6.00	29,050	4,577
Orient Finance PLC	Diversified Financials	1.13	12.30	17,152	3,226
LOLC Development Finance PLC	Diversified Financials	26.80	NM	20,578	2,914
Asia Asset Finance PLC	Diversified Financials	0.36	11.00	17,724	2,710
Lanka Credit and Business Finance Limited	Diversified Financials	0.85	19.40	4,111	2,689
People's Merchant Finance PLC	Diversified Financials	1.03	101.70	7,848	2,674
Associated Motor Finance Company PLC	Diversified Financials	0.51	6.00	15,318	2,540
Dialog Finance PLC	Diversified Financials	3.57	NM	4,021	2,537
Abans Finance PLC	Diversified Financials	0.83	5.22	9,986	2,299
Sarvodaya Development Finance PLC	Diversified Financials	0.93	12.60	9,452	2,216
Median		**0.86**	**11.0**		

Source: Capital IQ (https://www.capitaliq.com) accessed on March 9, 2022)

Annexure II - TTM EPS Calculation

TTM EPS Calculation	LKR
Profit/Loss for the ten months ended January 31, 2022	163,618,144
Add: Profit for the FY ended March 31, 2021	45,989,690
Less: Profit for the ten months ended January 31, 2021	19,998,349
Profit for the last 12 months ended January 31, 2022	189,609,485
Divide: Shares in issue	121,000,000
EPS	**1.57**

Annexure III: Forecast Financial Statements and Assumptions

Forecast Income Statement

Statement of Profit and Loss (LKR Mn)	FY2020	FY2021	FY2022F	FY2023F	FY2024F	FY2025F	FY2026F	FY2027F
Interest Income	1,095.0	919.1	1,073.6	1,239.9	1,383.6	1,618.3	1,846.9	2,043.9
Interest Expense	(510.8)	(493.4)	(434.1)	(500.7)	(597.6)	(724.6)	(848.1)	(960.3)
Net Interest Income	**584.2**	**425.7**	**639.5**	**739.2**	**785.9**	**893.6**	**998.8**	**1,083.6**
Fee and Commission Income	12.5	9.4	11.6	11.1	12.6	14.3	16.0	17.5
Other Operating Income	145.9	227.3	280.7	18.0	18.6	19.9	21.5	23.0
Total Operating Income	**742.7**	**662.4**	**931.8**	**768.2**	**817.1**	**927.9**	**1,036.2**	**1,124.2**
Impairment Charges and Net Write Off	(259.1)	(238.6)	(213.6)	(252.8)	(234.8)	(276.7)	(285.8)	(307.1)
Net Operating Income	**483.6**	**423.8**	**718.2**	**515.4**	**582.4**	**651.1**	**750.4**	**817.1**
Personnel Costs	(126.1)	(157.8)	(176.1)	(180.8)	(199.3)	(219.7)	(242.1)	(266.7)
Depreciation and Amortisation	(28.4)	(26.1)	(25.3)	(25.5)	(25.7)	(28.6)	(28.1)	(30.4)
Other Operating Expenses	(148.3)	(152.6)	(169.7)	(178.2)	(194.8)	(212.7)	(231.4)	(251.0)
Operating Profit before VAT and NBT on Financial Services	**181.0**	**87.4**	**347.1**	**130.9**	**162.5**	**190.2**	**248.8**	**269.0**
Tax on FS	(44.3)	(18.1)	(94.2)	(56.1)	(65.1)	(73.8)	(88.3)	(96.4)
Profit before Income Tax	**136.6**	**69.3**	**253.0**	**74.8**	**97.4**	**116.5**	**160.4**	**172.6**
Income Tax Expense	(65.2)	(23.3)	(75.9)	(22.4)	(29.2)	(34.9)	(48.1)	(51.8)
Profit for the Period	**71.4**	**46.0**	**177.1**	**52.3**	**68.2**	**81.5**	**112.3**	**120.8**

Note: Drop in Other Operating Income is mainly due to discontinuation of real estate business

Forecast Balance Sheet

Statement of Financial Position (LKR Mn)	FY2020	FY2021	FY2022F	FY2023F	FY2024F	FY2025F	FY2026F	FY2027F
Cash and Cash Equivalents	470.7	1,475.0	492.3	1,041.2	884.6	749.6	759.7	926.4
Financial Assets at Amortised Cost - Loans and Leases	4,594.1	4,248.6	5,273.9	5,068.4	5,774.8	6,498.1	7,224.8	7,910.6
Financial Investments	326.0	579.0	556.0	602.4	655.7	716.9	787.2	868.0
PPE and Other Assets	850.8	857.2	104.0	108.2	114.5	120.4	129.4	138.9
Total Assets	**6,241.6**	**7,159.9**	**6,426.1**	**6,820.1**	**7,429.6**	**8,085.0**	**8,901.1**	**9,843.9**
Due to Banks and Other Financial Institutions	1,408.3	1,506.8	627.7	480.2	460.5	390.7	356.3	331.3
Due to Customers	2,759.1	2,984.1	3,192.1	3,666.2	4,211.0	4,837.1	5,556.4	6,383.0
Other Financial and Nonfinancial Liabilities	382.1	404.8	165.1	180.1	196.3	213.9	232.8	253.2
Total Liabilities	**4,549.5**	**4,895.7**	**3,984.9**	**4,326.6**	**4,867.8**	**5,441.7**	**6,145.5**	**6,967.5**
Stated Capital	1,372.5	1,899.2	1,899.2	1,899.2	1,899.2	1,899.2	1,899.2	1,899.2
Retained Earnings	298.4	341.5	518.6	570.9	639.1	720.6	832.9	953.7
Statutory Reserve	21.2	23.5	23.5	23.5	23.5	23.5	23.5	23.5
Total Shareholders' Equity	1,692.1	2,264.2	2,441.3	2,493.6	2,561.8	2,643.3	2,755.6	2,876.4
Total Equity and Liabilities	**6,241.6**	**7,159.9**	**6,426.1**	**6,820.1**	**7,429.6**	**8,085.0**	**8,901.1**	**9,843.9**

Forecast Assumptions
Gross Portfolio

Gross Portfolio (LKR Mn)	FY2020	FY2021	FY2022F	FY2023F	FY2024F	FY2025F	FY2026F	FY2027F
Easy Payment Loans	1,096.5	1,452.7	1,525.3	1,677.9	1,929.5	2,122.5	2,334.7	2,568.2
Mortgage Loans	1,907.1	1,499.0	1,349.1	269.8	286.0	314.6	346.1	380.7
Term Loans	645.5	582.1	523.9	104.8	111.1	122.2	134.4	147.8
Other Loans and Advances	690.4	430.1	387.1	77.4	82.1	90.3	99.3	109.2
Lease	771.6	945.9	2,270.1	3,632.2	4,177.0	4,803.5	5,404.0	5,944.4
Gross Portfolio	**5,111.1**	**4,909.8**	**6,055.5**	**5,762.0**	**6,585.7**	**7,453.1**	**8,318.5**	**9,150.3**
Yoy Growth	12.0%	-3.9%	23.3%	-4.8%	14.3%	13.2%	11.6%	10.0%
Net Portfolio	**4,594.1**	**4,248.6**	**5,273.9**	**5,068.4**	**5,774.8**	**6,498.1**	**7,224.8**	**7,910.6**
Yoy Growth	6.7%	-7.5%	24.1%	-3.9%	13.9%	12.5%	11.2%	9.5%

Note: The Management plans to significantly reduce the portfolio in Mortgage Loans, Term Loans and Other Loans and Advances in 2023F as a prudential measure whilst focusing on Leases and Easy Payment loans

Product Type	Interest Rate in FY2022F
Easy Payment Loans	22.2%
Mortgage Loans	25.3%
Term Loans	20.9%
Other Loans and Advances	14.5%
Lease	18.7%

Note: Rates are assumed to vary with assumed prime lending rates

Forecast Assumptions
Customer Deposits

Funding (LKR Mn)	FY2020	FY2021	FY2022F	FY2023F	FY2024F	FY2025F	FY2026F	FY2027F
Fixed Deposits	2,648.5	2,896.1	3,098.8	3,563.6	4,098.2	4,712.9	5,419.9	6,232.8
Savings Deposits	110.5	88.0	93.3	102.6	112.9	124.1	136.5	150.2
Total Deposits	**2,759.1**	**2,984.1**	**3,192.1**	**3,666.2**	**4,211.0**	**4,837.1**	**5,556.4**	**6,383.0**
Total Deposit Growth (YoY %)	0.5%	8.2%	7.0%	14.9%	14.9%	14.9%	14.9%	14.9%
Bank Borrowings	**1,408.3**	**1,506.8**	**627.7**	**480.2**	**460.5**	**390.7**	**356.3**	**331.3**
Funding Mix								
Fixed Deposits	63.6%	64.5%	81.1%	85.9%	87.7%	90.2%	91.7%	92.8%
Savings Deposits	2.7%	2.0%	2.4%	2.5%	2.4%	2.4%	2.3%	2.2%
Bank Borrowings	33.8%	33.6%	16.4%	11.6%	9.9%	7.5%	6.0%	4.9%
Loans to Deposit Ratio	166.5%	142.4%	165.2%	138.2%	137.1%	134.3%	130.0%	123.9%

Funding	Interest Rate in FY2022F
Fixed Deposit	10.2%
Saving Deposit	5.2%
Bank Borrowings	11.6%

Note: Rates are assumed to vary with assumed prime lending rates

Forecast Assumptions
Other Expenses

Staff, Marketing and Other Operating Expenses (LKR Mn.)	FY2020	FY2021	FY2022F	FY2023F	FY2024F	FY2025F	FY2026F	FY2027F
Total Staff Related Expenses (LKR Mn)	126.1	157.8	176.1	180.8	199.3	219.7	242.1	266.7
Yoy Growth	10.9%	25.2%	11.6%	2.7%	10.2%	10.2%	10.2%	10.2%
Total Marketing Expenses	19.2	32.0	39.4	37.5	42.9	48.5	54.2	59.6
As a % of Gross Loans	0.4%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Total Other Operating Expenses	129.0	120.6	130.3	140.7	152.0	164.1	177.3	191.4
Yoy Growth	-15.0%	-6.5%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%

Forecast Assumptions
Key Indicators

Key Performance Indicators	FY2020	FY2021	FY2022F	FY2023F	FY2024F	FY2025F	FY2026F	FY2027F
Net Interest Margin	11.9%	8.7%	12.0%	12.9%	13.0%	13.1%	13.1%	12.9%
Return on Assets (ROA)	1.1%	0.7%	2.6%	0.8%	1.0%	1.1%	1.3%	1.3%
Return on Equity (ROE)	4.2%	2.3%	7.5%	2.1%	2.7%	3.1%	4.2%	4.3%
Gross NPL Ratio	21.2%	20.6%	17.0%	12.6%	12.6%	12.8%	12.8%	13.2%

Annexure 2

ARTICLES OF ASSOCIATION

OF

H N B FINANCE PLC

(Adopted by Special Resolution of the Shareholders passed on 27th August 2019)

1. The Company shall be governed by the following Articles.

For the avoidance of doubt, the articles of association set out in the First Schedule of the Companies Act No. 7 of 2007 shall not apply to the Company.

A. INTERPRETATION

2. In the interpretation of these Articles, the following words and expressions shall have the respective meanings given against each such word unless such meanings are inconsistent with or repugnant to the subject or context. The words used or defined in the Companies Act when used in the Articles shall have and be given the same meaning as in the Companies Act.

"Articles" mean these articles of association, as may be amended from time to time.

"Board" and "Board of Directors" mean the directors of the Company who number not less than the required quorum acting together as a board of directors.

"Companies Act" means and includes the Companies Act No. 7 of 2007, as amended or modified from time to time or replaced by another Act of Parliament enacted to govern companies.

"Company" means H N B Finance PLC

"Director" or "Directors" means a director or the directors (as the case may be) for the time being of the Company, including where the context so requires or admits alternate directors, and the directors assembled at a board meeting.

"dividend" means a distribution out of the profits of the Company.

"Finance Business Act" means and includes the Finance Business Act No. 42 of 2011 as amended or modified from time to time or replaced by another Act of Parliament enacted to govern companies carrying on finance business.

"Finance Leasing Act" means and includes the Finance Leasing Act No. 56 of 2000 as amended or modified from time to time or replaced by another Act of Parliament enacted to govern companies carrying on finance leasing.

"HNB" means the Hatton National Bank PLC.

"PLPL" means the Prime Lands (Private) Limited

"in writing" and "written" includes printing and other such modes of representing or reproducing words in a visible form.

"month" means a calendar month.

"registered office" means the registered office for the time being of the Company.

"presence" or "present" with regard to a shareholder at a meeting, means presence or present personally or by proxy or by attorney duly authorised.

"shares" shall mean shares issued by the Company.

"secretary" or "secretaries" include any individual, firm or company appointed by the Board to perform any of the duties of the secretary.

"year" means a calendar year.

"working day" means a day other than Saturday, Sunday or a public holiday.

In the interpretation of these Articles,
(i) words importing the masculine gender only shall include the feminine gender;
(ii) words importing the singular number only shall include the plural number and vice versa; and
(iii) words importing persons shall include corporations.

B. OBJECTS OF THE COMPANY

3. The objects for which the Company is established areto carry on:-

(a) finance business in conformity with the provisions of the Finance Business Act, and any other law relating to finance companies including all regulations, directions, determinations, rules, orders or requirements made, given or imposed thereunder, including without limitation,

(i) financing of agriculture related business activities such as cultivation, agricultural processing and any other agriculture development projects for smallholder farmers and/or business entities and for fisheries and dairy related business;

(ii) providing financial assistance on interest to Industry, Trading and Service sector entrepreneurs and corporate bodies;

(iii) granting of loans and advances by way of re-financing of any loans or advances received from local or international institutions approved by the Company; and

(iv) administering of funds received by the Company for re-financing and re-lending purposes;

(b) finance leasing business in conformity with the provisions of the Finance Leasing Act and any other law relating to finance leasing establishments including all regulations, directions, determinations, rules, orders or requirements made, given or imposed thereunder, including without limitation,micro leasing;

(c) the business of money transfer from one destination to another through any means including electronic media, facsimile, internet, credit card, wire transfer, through satellite transmission and any other means of safe transmission within and outside Sri Lanka in conformity with the provisions of the Payment and Settlement Systems Act No. 28 of 2005 and all regulations, directions, determinations, rules, orders or requirements made, given or imposed thereunder;

(d) training and skills development and entrepreneurship development programs for unemployed youth and micro-entrepreneurs in Sri Lanka and to provide such persons with technical support and assistance; and

(e) such activities of a similar, ancillary and/or related nature which may otherwise be advantageously combined with the foregoingfor the purpose of promoting of micro enterprise development among under privileged persons in all parts of Sri Lanka, with the objective of poverty alleviation and economic empowerment of such persons by creating and improving opportunities for income generating activities and employment.

(f) subject to the provisions of the law, any business or activity that is not specifically referred to above, both within and outside Sri Lanka including without limitation manufacturing or trading activities and the provision of services of any nature and kind whatsoever, as is deemed beneficial to the Company and/or conducive to the interests of the Company.

C. SHARES

4. ISSUE OF SHARES

(1) The Board may issue such shares to such persons as it considers appropriate, in accordance with Section 51 of the Companies Act. Where the shares confer rights other than those specified in subsection (2) of Section 49 of the Companies Act, or impose any obligation on the holder, the Board shall approve terms of issue which set out the rights and obligations attached to those shares.

(2) Before it issues shares, the Board shall decide the consideration for which the shares may be issued and shall resolve that in the opinion of the Board, such consideration is fair and reasonable to the Company and to all existing shareholders.

(3) Where the Company issues shares which rank equally with or above existing shares in relation to voting or distribution rights, those shares shall be offered to the holders of the existing shares in a manner which would, if the offer is accepted, maintain the relative voting and distribution rights of those shareholders.

(4) The said offer shall remain open for acceptance for a reasonable period of time and, if not expressly accepted within such time, the offer shall be deemed to have been declined by the respective offeree holder. The Company may, at the time of making the said offer, request holders of the existing shares who desire an allotment of shares in excess of their respective proportions to state how many excess shares each such holder desires and if any holders of existing shares decline to accept the whole of their respective proportions, the shares so declined may be allotted to those holders who desire an excess allotment in such numbers as the Directors may decide, or may be allotted and issued to such other persons as the Directors consider it appropriate.

(5) The Company may, subject to and in accordance with the provisions of the rules and regulations in force for the time being and from time to time, of a licensed stock exchange, if and to the extent applicable to the Company,

(a) issue shares that may result in an increase or decrease of the number of shares issued by the Company pursuant to a decision of the Company to effect a sub division of existing shares into a greater number of or a consolidation and division of shares;

(b) issue shares pursuant to a capitalization of the reserves of the Company or by way of dividends; or

(c) issue shares by way of private placement, subject to the Rules of the Colombo Stock Exchange, to persons approved by the shareholders, whose relative voting and distribution rights would be affected by such issue of shares, by way of a special resolution.

(6) The provisions of paragraph 3 of this Article shall not apply to an issue of shares under paragraph 5 of this Article.

(7) The Company shall not register more than three persons as joint holders (including the principal holder) of any shares (except in the case of executors, administrators or heirs of a deceased shareholder).

(8) The Company may issue redeemable shares as decided by the Board at the time of each issue, which may be redeemed by the Company at the option of the Company, or at the option of the holders of such shares, or on a date specified by the Board, for a consideration that is specified by the Board at the time of issue, or at a sum to be calculated by reference to a formula, or fixed by a suitably qualified person, who is not associated with or interested in the Company, as decided by the Board at the time of issue.

5. CALLS ON SHARES

(1) Where a share imposes any obligation on the holder to pay an amount of money —

(a) on a fixed date, the holder shall pay that amount on that date; or

(b) when called on to do so by the Board, the Board may at any time give written notice to the holder requiring the payment to be made within a specified period of not less than fifteen (15) working days, and the payment shall be made in accordance with that notice.

Any amount not paid by the due date shall carry interest at a rate fixed by the Board not exceeding [ten percent (10%)] per annum, accruing daily. The Board may, at its discretion, waive payment of interest.

(2) Joint holders of a share are jointly and severally liable for any payments to be made under paragraph (1) of this Article.

(3) The Company shall have a first charge or a paramount lien on every share to which paragraph (1) of this Article applies and on every distribution payable in respect of that share, for all amounts presently due and payable to the Company in respect of that share.

(4) For the purpose of enforcing such lien, the Company may sell in such manner as the Board thinks fit, any shares on which the Company has a lien, if—

(a) the Company has given written notice of its intention to do so to the shareholder; and

(b) the shareholder has failed to make the payment in respect of which the lien has arisen, within ten (10) working days of the giving of that notice.

Upon any sale for enforcing a lien, the Board may appoint any person to execute an instrument of transfer of the shares sold, whereupon the purchaser shall be registered as the holder of the shares transferred and his title shall not be affected by any irregularity or invalidity in the sale.

(5) The proceeds of a sale under paragraph (4) of this Article shall be received by the Company and applied first in payment of the costs of sale, and then in payment of the amount in respect of which the lien arose. The remainder, if any, shall be paid to the person entitled to the shares, at the time of the sale.

6. SHARE REGISTER

The Company shall maintain a share register, which complies with Section 123 of the Companies Act. The share register shall be kept at the registered office of the Company or at any other place in Sri Lanka, notice of which has been given to the Registrar in accordance with subsection (4) of Section 124 of the Companies Act.

7A SHARE TRANSFER

(1) The instrument of transfer of any share shall be executed by or on behalf of the transferor and transferee, and the transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the register of shareholders in respect thereof.

(2) Subject to the restrictions imposed by these articles as may be applicableincluding the restrictions in Article 7B, any shareholder may transfer all or any of his shares by an instrument in writing in any usual or common form or any other form which the Directors may approve.

(3) The Directors may decline to register the transfer of a share which is not fully paid up and they may also decline to register the transfer of a share on which the Company has a lien.

(4) The Directors may also decline to recognise any instrument of transfer unless:-

a. the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; and

b. the instrument of transfer is in respect of only one class of shares.

(5) Where the Directors refuse to register a transfer they shall, within one (1) month from the date on which the transfer was lodged with the Company, send to the transferee notice of the refusal.

(6) The registration of transfers may be suspended at such time and for such periods as the Directors may from time to time determine, provided always that such registration shall not be suspended for more than thirty (30) days in any year.

(7) The Company shall be entitled to charge a fee not exceeding Rupees Five (to be confirmed) on the registration of every probate, letters of administration, and certificate of death or marriage, power of attorney or other instrument.

(8) Notwithstanding any provision in these Articles suggesting the contrary, shares if any, listed on the Colombo Stock Exchange shall be freely transferable and registration of the transfer of such listed shares shall not be subject to any restriction, save and except to the extent required for compliance with statutory requirements.

(9) Notwithstanding anything to the contrary in these Articles, if and as long as the shares of the Company are listed in Colombo Stock Exchange, the Board may register without assuming any liability therefor any transfer of shares which is in accordance with the rules and regulations in force for the time being and from time to time as laid down by the Colombo Stock Exchange and/or by the Central Depository of the Colombo Stock Exchange.

7B RESTRICTIONS ON TRANSFER OF SHARES

(1) Otherwise than in accordance with the following provisions of this Article,no shareholder shall:

i. pledge, mortgage (whether by way of fixed or floating charge) or otherwise encumber his legal or beneficial interest in hisshares; or
ii. sell, transfer or otherwise dispose of any of such shares (or any legal or beneficial interest therein); or
iii. enter into any agreement in respect of the votes attached to shares; or
iv. agree, whether or not subject to any condition precedent or subsequent, to do anyof the foregoing.

(2) Subject to the provisions in Article7B (4) hereof, the following restrictions shall apply to a transfer of shares held by a shareholder.

(3) In the event any shareholder wishes to dispose of all or part ofhisshares (the "selling shareholder") such party shall first offer such shares to all the other shareholders (the "offered shareholders") in the proportion of the shares held by them respectively in the Company at the time of the offer, at such price determinedas per Article7B (4) below,and such offer shall be made to them in writing.The offered shareholders may within 42 days of such written offer being made accept the same unconditionally. In the event any of the offered shareholdershave not exercised its rights of pre-emption in terms thereof by purchasing the shares offered within the aforementioned time period, then the selling shareholdershall be free to sell or otherwise dispose of the saidshares to any other person, provided that no shares shall be transferred without the prior written consent of the offered shareholders to any other person on terms more favourable than those offered in the first instance to the offered shareholders.

(4) The selling shareholder shall initially attempt to determine the price through mutual discussion with the other shareholders. In the absence of an agreement being reached between theselling shareholder and the other shareholderswithin 14 days, such sale price as

shall upon the application of the selling shareholderand/or other shareholders be determined by an independent chartered accountant nominated by the President of the Institute of Chartered Accountants of Sri Lanka from among those approved by the Central Bank of Sri Lanka to undertake external audits of banks (but excluding the auditors of the Company). The person so nominated for the valuation shall act as an expert and not as an arbitrator and shall make his valuation on the basis of fair market value on the basis of the Company as a going concern (if such shall be the case) and having regard to all material relevant circumstances. The fees of the independent chartered accountant shall be paid by the selling shareholder and the offered shareholder(s) who purchases the shares offered, in equal amounts.

(5) In the event of an deadlock between the shareholders which results in the operation of the Company being obstructed and/or the returns to shareholders being substantially affected and no resolution is possible despite all reasonable efforts by the parties to reach mutual agreement thereupon, any of the shareholders (who in the context of this Article will hereinafter be referred to as the 'offeror') shall be entitled to make an offer to the other shareholder(s) (who in the context of this Article will hereinafter be referred to as the 'offeree') to purchase the shares of the offeree at a price specified by the offeror. In the event that such an offer is made, the offeree shall either be required to sell his shares to the offeror or to make a counter offer to purchase the shares of the offeror at a price not less than the price specified by the offeror within 14 days of the receipt of the initial offer by the offeror. In the event of such counter offer being made by the offeree the offeror shall be obliged to sell his shares in the Company to the offeree. The Provisions of Article 7B (3) shall not apply to such sales.

(6) The sale of the shares in terms of Article7B(5) above shall be completed within 14 working days of acceptance of the offer. The seller shall make available to the buyer duly executed transfer forms and the original share certificates in respect of the shares sold. The buyer shall pay by banker's draft or other agreed method, the price payable. The Companyshall take all relevant steps to ensure the transfer and registration of shares in terms of the sale.

8. TRANSMISSION OF SHARES

(1) In case of the death of a shareholder, the survivor or survivors where the deceased was a joint holder, and the legal representative of the deceased where he was a sole holder, shall be the only persons recognised by the Company as having any title to his interest in the shares; but nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by him with other persons.

(2) There shall be no restriction by way of limitation of number with regard to the persons to be registered as joint holders of a share where such persons are executors or administrators or heirs of a deceased holder.

(3) Any person becoming entitled to a share in consequence of the death, bankruptcy or insolvency of a shareholder may, upon such evidence being produced as may from time to time properly be required by the Directors and subject as hereinafter provided, elect either to be registered himself as holder of the share or to have some person nominated by him registered as the transferee thereof, but the Directors shall in either case have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by that shareholder before his death, bankruptcy or insolvency, as the case may be.

(4) Where the person so becoming entitled elects to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. Where he elects to have another person registered he shall testify his election by executing to that person a transfer of the share. All the limitations, restrictions and provisions of these Articles relating to the right to transfer and the registration of transfers of shares shall be applicable to any

such notice or transfer as aforesaid as if the death, bankruptcy or insolvency of the shareholder had not occurred and the notice or transfer were a transfer signed by the shareholder.

(5) A person becoming entitled to a share by reason of the death, 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 shareholder in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company;

Provided always that the Directors may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share, and where the notice is not complied with within ninety (90) days the Directors may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the share until the requirements of the notice have been complied with.

9. SHARE CERTIFICATES

(1) Where the Company issues shares or the transfer of any shares is entered on the share register, the Company shall within two (2) months complete and have ready for delivery a share certificate in respect of the shares.

(2) Where a share certificate is defaced, lost or destroyed it may be re-issued on payment of the cost of issue or such lesser sum and on such terms (if any) as to evidence and indemnity and the payment of out-of-pocket expenses of the Company for investigating evidence as the Directors think fit.

10. PURCHASE OF OWN SHARES

The Company may purchase or otherwise acquire its own shares in accordance with Section 64 of the Companies Act.

11. SUB-DIVISION OF SHARES

The Company may subdivide all of the shares in the Company or all of the shares in a particular class of shares in the Company into a greater number of shares, in proportion to those shares, leaving unaffected the relative voting and distribution rights of the holders of those shares, by following a procedure that the Board may consider appropriate.

12. RESERVES AND DISTRIBUTIONS

(1) The Company may make distributions to shareholders in accordance with Section 56 of the Companies Act. The Board shall be satisfied that the Company shall immediately after the distribution satisfy the solvency test. The Directors who vote in favour of the distribution shall sign a certificate of their opinion to that effect.

(2) The Company is deemed to have satisfied the solvency test if-

(a) it is able to pay its debts as they become due in the normal course of business; and

(b) the value of its assets is greater than the sum of the value of its liabilities and its stated capital.

(3) Except in the case where a distribution is a final dividend, the approval of the shareholders by an ordinary resolution or otherwise shall not be required before such distribution is made.

(4) The profits of the Company shall be distributable and divisible among the shareholders in proportion to the capital paid or credited as paid on the shares held by them respectively, subject to:

(a) the rights of holders of shares issued upon special conditions;
(b) any arrangements that may be made by the Company to the contrary;
(c) shares not fully paid up;
(d) any special arrangement made as regards money paid in advance of calls; and
(e) the provisions of these Articles as to reserve funds.

(5) Before the Directors make any distributions, they may set aside, out of the profits of the Company, such sum as they think proper as a reserve fund or funds.

(6) The Directors may divide the reserve fund or funds into such special funds as they think fit, with full power to employ the assets constituting the reserve fund in the business of the Company for any purpose which they may from time to time deem expedient and that without being bound to keep the same separate from the other assets and the Directors may also carry forward any profits which they may deem it not prudent to divide.

(7) The Board may decide to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve funds/accounts or to the credit of the profit and loss account or otherwise available for distribution, and accordingly to set free such sum for distribution amongst the shareholders who would have been entitled thereto if distributed by way of dividend and in the same proportions, on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such shareholders respectively or paying up in full shares or debentures of the Company to be allotted, issued and distributed credited as fully paid up to and amongst such shareholders in the proportion aforesaid, or partly in the one way and partly in the other.

(8) Whenever such a decision as aforesaid shall have been made the Directors shall make all appropriations and applications of the undivided profits to be capitalised and all allotments and issues of fully paid shares or debentures, if any, and generally shall do all acts and things required to give effect thereto.

(9) The Board may authorize a distribution by way of a dividend to be paid to the shareholders according to their rights and interests in the profits and may fix the time for payment. No dividend shall be payable out of the capital of the Company.

(10) Any dividend or interim dividend which may be authorised by the Directors, may be paid by means of cash or by the distribution of specific assets and, in particular, of paid-up shares, debentures or debenture stock of the Company or of any other company or in any other form of *specie* or in any one or more of such ways and where any difficulty arises with regard to the distribution, they may settle the same as they think expedient and in particular may fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any shareholders upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees upon such trusts for the persons entitled to the dividend as may seem expedient to the Board.

(11) No shareholder shall be entitled to receive payment of any dividend or any allotment and issue of shares credited as fully paid up in respect of his share or shares whilst any moneys may be due or owing from him (whether alone or jointly with any other person) to the Company in respect of such share or shares or otherwise howsoever.

(12) No dividend shall bear interest against the Company.

(13) The Directors may deduct from the dividend payable to any shareholder all sums of money due from him (whether alone or jointly with any other person) to the Company and notwithstanding such sums shall not be payable until after the date when such dividend is payable. A transfer of shares shall not pass the rights to any dividend declared thereon before the registration of the transfer.

(14) Unless otherwise directed any dividend may be paid by cheque or warrant sent by post to the registered address of the shareholders entitled thereto or, in the case of joint-holders, to the registered address of that one whose name stands first on the register in respect of the joint-holding; but the Company shall not be liable or responsible for the loss of any such cheque or dividend warrant sent through the post.

(15) All dividends unclaimed for one (1) year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends unclaimed for six (6) years after having been declared shall be forfeited and shall revert to the Company.

(16) Every dividend payable in respect of any share held by several persons jointly may be paid to and an effectual receipt given by, any one of such persons.

D. MEETINGS OF SHAREHOLDERS

13. MEETINGS OF SHAREHOLDERS

(1) Written notice of the time and place of a meeting of shareholders (including a meeting where it is intended to propose a resolution as a special resolution) shall be given to every shareholder entitled to receive notice of the meeting and to every Director and the auditor of the Company—

(a) not less than fifteen (15) working days before the meeting, if the meeting is an annual general meeting or the meeting is one where it is intended to propose a resolution as a special resolution; and

(b) not less than ten (10) working days before the meeting, in any other case.

provided that a meeting of the Company shall notwithstanding that it is called by shorter notice than that specified in this Article be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as the annual general meeting, by all the shareholders entitled to attend and vote at such meeting; and

(ii) in the case of any other meeting, by the shareholders having a right to attend and vote at the meeting, being shareholders together holding shares which carry not less than ninety five *per centum* (95%) of the voting rights, on each issue to be considered and voted on at that meeting.

(2) The notice shall set out—

(a) the nature of the business to be transacted at the meeting in sufficient detail to enable a shareholder to form a reasoned judgment in relation to it;

(b) the intention, if any, to propose a resolution as a special resolution; and

(c) the text of any resolution to be submitted to the meeting.

(3) An irregularity in a notice of a meeting is waived if all the shareholders entitled to attend and vote at the meeting attend the meeting without protest as to the irregularity, or if all such shareholders agree to the waiver.

(4) If a meeting of shareholders is adjourned for less than thirty (30) days, it is not necessary to give notice of the time and place of the adjourned meeting, other than by announcement at the meeting which is adjourned.

(5) In the event the Company shall have only one (1) shareholder, such shareholder, or if the Company shall have more than one (1) shareholder, two (2) or more shareholdersholding shares which carry not less than ten *percentum* (10%) of the votes which may be cast on an issue, may call a meeting to consider andvote on that issue only in accordance with the provisions of Section 134 of the Companies Act.

14. METHOD OF HOLDING MEETINGS

A meeting of shareholders (including a meeting where it is intended to propose a resolution as a special resolution) may be held by a number of shareholders who constitute a quorum, being assembled together at the place, date and time appointed for themeeting.

15. QUORUM

(1) Subject to paragraph (3) of this Article, no business may be transacted at a meeting of shareholders if a quorum is not present.

(2) A quorum for a meeting of shareholders is present (i) if the Company shall have only one (1) shareholder, by such shareholder, or (ii) if the Company shall have two (2) shareholders, by both such shareholders, or (iii) if the Company shall have more than two (2) shareholders, by at least three (3) shareholders together holding sixty *per centum* (60%) or more of the voting rights conferred on holders of shares of the Company, being present in person or by proxy or by corporate representative or otherwise, at such meeting.However, with regard to a class of shares that do not confer voting rights, a quorum at a meeting of holders of such class of shares shall be such number of shareholders holding fifty *per centum* (50%) or more of the shares of that particular class.

(3) If a quorum is not present within thirty (30) minutes after the time appointed for the meeting, the meeting is adjourned to a datenot earlier than ten (10) days but not later than twenty-one (21) days thereafter as the Chairman of the meeting may determine and such adjourned meeting shall be held on the date so determined at the same time and same place as the first mentioned meeting. If at the adjourned meeting, a quorum is not present within thirty (30) minutes after the time appointed for the meeting, the shareholders present or their proxies shall be deemed to form a quorum.

16. CHAIRMAN

(1) If the Directors have elected a chairman of the Board, and the chairman of the Board is present at a meeting of shareholders, he or she shall chair the meeting.

(2) If no chairman of the Board has been elected or if at any meeting of shareholders the chairman of the Board is not present within fifteen (15) minutes of the time appointed for the commencement of the meeting, the Board may choose one of their number to be chairman of the meeting.

17. VOTING

(1) Voting at a meeting of shareholders held under Article 14 above shall, unless a poll is demanded, bebya show of hands.

(2) A declaration by the chairman of the meeting that a resolution is carried by the requisite majority is conclusive evidence of that fact, unless a poll is demanded in accordance with paragraph (3) of this Article.

(3) At a meeting of shareholders, a poll may be demanded by —

(a) the chairman; or

(b) not less than five (5) shareholders having the right to vote at the meeting; or

(c) a shareholder or shareholders representing not less than ten *per centum* of the total voting rights of all shareholders having the right to vote at the meeting.

(4) A poll may be demanded either before or after the vote is taken on a resolution, however the demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.

(5) If a poll is taken, votes shall be counted according to the votes attached to the shares of each shareholder present and voting.

(6) The chairman of a shareholders' meeting shall be entitled to a casting vote.

18. PROXIES

(1) A shareholder may exercise the right to vote either by being present in person or by proxy.

(2) A proxy for a shareholder is entitled to attend and be heard at a meeting of shareholders as if the proxy were the shareholder.

(3) A proxy shall be appointed by notice in writing signed by the shareholder. The notice shall state whether the appointment is for a particular meeting, or for a specified term.

(4) No proxy is effective in relation to a meeting, unless a copy of the notice of appointment is given to the Company not less than forty eight (48) hours before the start of the meeting.

(5) An instrument of proxy shall be in the following form or a form as near thereto as circumstances permits:-

"H N B Finance PLC"

"I/We…….....of …….....……being a shareholder/shareholders of H N B Finance PLC hereby appoint …….. of ……. or failing him ……..as my/our proxy to attend and vote at the (Annual or Extraordinary, as the case may be) General Meeting of the Company to be held on the…… day of 20. ……..and at any adjournment thereof.

Signed this…… day of …….20……."

(6) A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal or the revocation of the proxy, or of the authority under which the proxy was executed, or the transfer of the share in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the Company at the registered office before the commencement of the meeting or adjourned meeting (or in the case of a poll before the time appointed for the taking of the poll) at which the proxy is used.

19. MINUTES

(1) The Board shall ensure that minutes are kept of all proceedings at meetings of shareholders.

(2) Minutes which have been signed by the chairman of the meeting at which the proceedings were had, or by the chairman of the next succeeding meeting, shall be *prima facie* evidence of the proceedings.

20. CORPORATIONS MAY ACT BY REPRESENTATIVES

A body corporate which is a shareholder may appoint a representative to attend a meeting of shareholders on its behalf in the same manner as it could appoint a proxy.

21. VOTES OF JOINT HOLDERS

Where two (2) or more persons are registered as the holder of a share, the vote of the person named first in the share register and voting on a matter shall be accepted to the exclusion of the votes of the other joint holders. Where there are several executors or administrators of a deceased shareholder in whose sole name any shares stand, any one of such executors or administrators may vote in respect of such shares unless anyother of such executors or administrators is present at the meeting at which such a vote is tendered and objects to the vote.

22. LOSS OF VOTING RIGHTS IF CALLS UNPAID

If a sum due to a Company in respect of a share has not been paid, no vote shall be cast in relation to that share at a shareholders' meeting other than a meeting of a group of shareholders whose affected rights are identical and whose rights are affected by the action or proposal in the same way.

23. ANNUAL GENERAL MEETINGS AND EXTRAORDINARY GENERAL MEETINGS OF SHAREHOLDERS

(1) Subject to paragraphs (2) and (3) of this Article, the Board shall call an annual general meeting of the Company to be held —

(a) once in each calendar year;

(b) not later than six (6) months after the balance sheet date of the Company; and

(c) not later than fifteen (15) months after the previous annual general meeting.

The meeting shall be held on the date on which it is called to be held.

(2) An extraordinary general meeting of shareholders entitled to vote on an issue may be called at any time by the Board, and shall be called by the Board on the written request of shareholders holding shares, carrying not less than ten *per centum (10%)* of votes which may be cast on that issue.

(3) Noresolution in writing (whether ordinary or special other than a resolution requiring special notice in terms of the Companies Act) shall be deemed to have been duly passed by the shareholders of the Company unless such resolution has been circulated in draft form, together with the information required to make a fully informed, good faith decision with respect to such resolution and appropriate documents required to evidence passage of such resolution, if any, to all shareholders of the Company at their address recorded in the share register and has been unanimously approved in writing by those shareholders who are entitled to vote on the resolution.

(4) Within five (5) working days of a resolution being passed under paragraph (3) of this Article the Company shall send a copy of the resolution to every shareholder who did not sign it.

(5) A resolution may be passed under paragraph (3) of this Article without any prior notice being given to shareholders.

24. VOTING IN INTEREST GROUPS

Where the Company proposes to take action which affects the rights attached to shares within the meaning of Section 99 of the Companies Act, the action may not be taken unless it is approved by a special resolution of each interest group, as defined in the Companies Act.

25. SHAREHOLDERS ENTITLED TO RECEIVE DISTRIBUTIONS, EXERCISE PRE-EMPTIVE RIGHTS AND ATTEND AND VOTE AT MEETINGS.

(1) The shareholders who are entitled to receive notice of a meeting of shareholders for any purpose shall be those shareholders who, on the date fixed by the Board for the purpose, are registered in the share register on that date.

(2) A date fixed under paragraph (1) of this Article should not precede by more than thirty (30) working days, the date on which the meeting is to be held.

(3) Before a meeting of shareholders, the Company may prepare a list of shareholders entitled to receive notice of the meeting arranged in alphabetical order, and showing the number of shares held by each shareholder on the date fixed under paragraph (1) of this Article.

(4) A person named in a list prepared under paragraph (3) of this Article is entitled to attend the meeting and vote in respect of the shares shown opposite his name in person or by proxy, except to the extent that—

(a) such person has, since the date on which the shareholders entitled to receive notice of the meeting were determined, transferred any of his shares to some other person; and

(b) the transferee of those shares has been registered as the holder of those shares, and has requested before the commencement of the meeting that his or her name be entered on the list prepared under paragraph (3) of this Article.

(5) A shareholder may examine a list prepared under paragraph (3) of this Article during normal business hours on any date prior to two (02) working days of the date scheduled for the meeting of shareholders, at the registered office of the Company.

E. DIRECTORS AND SECRETARY

26. APPOINTMENTAND REMOVAL OF DIRECTORS

(1)

i. Unless otherwise determined by ordinary resolution of the shareholders of the Company, the number of Directors shall not be less than Five (5) and not more than Thirteen (13).

ii. So long as HNB and/or its subsidiaries holdnot less than fifty one *per centum*(51%) of the shares of the Company, HNB shall be entitled to nominate, appoint and have on the BoardFour (4) Directors of the Company.

iii. So long as PLPL and/or its subsidiaries hold thirty five *per centum* (35%) of the shares of the Company, PLPL shall be entitled to nominate, appoint and have on the Board three (3) Directors of the Company.

iv. Any Director nominated and appointed byHNBin terms ofparagraph ii of this Article and any Director nominated by PLPL in terms of paragraph iii of this Article, shall be referred to in these Articles as a “nominee Director”.

v. HNB shall have the right to remove from time to time its appointees and so long as HNB has the right conferred on it by the paragraph ii of this Article; HNB has the right to appoint others in place of those removed by it.

vi. PLPL shall have the right to remove from time to time its appointees and so long as PLPL has the right conferred on it by the paragraph iii of this Article; PLPL has the right to appoint others in place of those removed by it.

vii. A letter from HNB addressed to the Company appointing or removing its appointees shall be sufficient for such appointment or removal and any appointment or removal shall become effective upon the delivery of such letter at the registered office of the Company.

viii. A letter from PLPL addressed to the Company appointing or removing its appointees shall be sufficient for such appointment or removal and any appointment or removal shall become effective upon the delivery of such letter at the registered office of the Company.

ix. Subject to the applicable law, at least one-fourth ($1/4^{th}$) of the Directors of the Company shall be independent Non-Executive Directors.

For the purposes of these Articles, an independent Director shall mean a Director who satisfies the criteria specified in the applicable law for determining an independent director.

For the purposes of these Articles, Executive Directors shall mean the Directors appointed to be Executive Directors under Article 43 hereof.

For the purposes of these Articles a Non-Executive Director shall mean any Director other than an Executive Director.

(2) Subject to paragraphs ii and iii of Article 26(1), the Directors shall have power at any time, and from time to time, to appoint any person to be a Director, either to fill a casual vacancy, or as an addition to the existing Directors, but so that the total number of Directors shall not at any time exceed the number fixed in accordance with paragraph i of Article 26 (1) above.

(3) A Director who is not a nominee Director may be appointed or removed by ordinary resolution passed at a meeting called for that purpose or by a written resolution in accordance with paragraph (3) of Article 23. The shareholders may only vote on a resolution to appoint a Director if-

(a) the resolution is for the appointment of one (1) Director; or

(b) the resolution is a single resolution for the appointment of two (2) or more persons as Directors, and a separate resolution that it be so voted on has first been passed without a vote being cast against it.

(4) A Director (other than a nominee Director) may resign by delivering a signed written notice of resignation to the registered office of the Company. Subject to Section 208 of the Companies Act, the notice is effective when it is received at the registered office or at any later time specified in the notice.A nominee Director may resign by writing under his hand sent to the respective shareholderswho nominated that Director (hereinafter referred to as the "Appointer").Provided that his office shall not be vacated until the Company receives from the Appointer, a notice in writing that he has resigned and that his resignation has been accepted by the Appointer.

(5) The office of Director shall, *ipso facto*, be vacated in the instances specified in the Companies Act or if —

(a) all the other Directors request the Director, in writing, to resign from office;

(b) the Director is removed from office under this Article 26; or

(c) the Director becomes disqualified in terms of the Finance Business Act and directions issued thereunder (or any other law applicable to the Company).

(6) The continuing Directors may act notwithstanding any vacancy in the Board; but so that if the number of Directors falls below the minimum above fixed, the remaining Directors or Director shall act only for the purpose of appointing a Director or Directors to fill one or more of the vacancies.

(7) The share qualification of Directors may be fixed by the Company in general meeting, and unless and until so fixed no share qualification shall be required.

27. ROTATION OF DIRECTORS

(1) Subject to the provisions of the Finance Business Act, the Finance Leasing Act and/or any other relevant laws or regulations thereunder, at every Annual General Meeting of the Company, one fourth (1/4) of the Directors, or if their number is not a multiple of four (4), then the number nearest to, but not exceeding one four (1/4), shall retire from office. Any nominee Director, appointed under the provision of Article 26 (1) shall not while holding office require any qualification or be subject to retirement by rotation or be taken into account in determining the rotation of the retirement of the Directors.

(2) The Directors to so retire in every year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day, those to retire shall, unless they otherwise agree among themselves, be determined by lot.

(3) A retiring Director shall act as a Director throughout the meeting at which he retires and shall eligible for re-election.

(4) The Company, at the meeting at which a Director retires in the manner aforesaid may fill the vacated office by electing a person thereto and in default the retiring Director shall be deemed to have been re-elected unless:

a. at such meeting it is expressly resolved not to fill such vacated office; or
b. unless a resolution for re-election of such Director shall have been put to the meeting and lost; or
c. such Director has given notice in writing to the Company that he is unwilling to be re-elected.

(5) No person other than a retiring Director shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a shareholder has at least seven (7) days before the meeting left at the office a notice in writing under his hand, signifying his intention to propose such person for election accompanied by a notice in writing, signed by the person of his willingness to be elected.

(6) The Company in general meeting may at any time or times alter the rotation in which the Directors are to go out of office.

28. ALTERNATE DIRECTORS

(1) A Director or in the case of a nominee Director, the Appointer may, if the Director/nominee Director is unable to attend to his duties as a Director, by notice in writing under his/its hand, appoint any person to be an alternate director of the Company to act for such Director/nominee Director for a period as may be determined by such Director or in the case of a nominee Director, by the Appointer.

Provided however that in the event that both the nominee Director and the Appointer designate a person as an alternate director for such nominee Director, the designation made by the Appointer, shall prevail.

(2) Such alternate director shall be entitled to receive notices of all meetings of Directors and to attend and vote as Director at any such meeting at which the Director for whom he is an alternate is not personally present and to exercise (in addition to his own right of voting as a Director) the rights of the Director for whom he is an alternate at meetings of the Board.

(3) An alternate director shall *ipso facto* cease to be an alternate director if the Director for whom he is an alternate ceases for any reason to be a Director or if the appointment is revoked by the appointer in writing which is served at the registered office of the Company.

(4) An alternate director shall vacate office in the instances and the manner specified in Article 26 (4).

(5) A Director may by notice in writing under his hand at any time remove the alternate director and appoint another person as his alternate director.

29. POWERS AND DUTIES OF DIRECTORS

(1) Subject to Section 185 of the Companies Act which relates to major transactions and the provisions contained therein, the business and affairs of the Company shall be managed by or under the direction or supervision of the Board. The Board shall have all the powers necessary for managing and for directing and supervising the management of the business and affairs of the Company.

(2) The Board may delegate to a committee of Directors or to any person it deems fit, any of its powers which it is permitted to delegate under Section 186 of the Companies Act.

(3) The Directors have the duties set out in the Companies Act, the Finance Business Act, the Finance Leasing Act,and other relevant laws of Sri Lanka and in particular—

(a) each Director shall act in good faith and in what he believes to be the best interest of the Company;

(b) no Director shall act or agree to the Company acting, in a manner that contravenes any provisions of the Companies Act, these Articles, the Finance Business Act or the Finance Leasing Act.

30. METHOD OF CONTRACTING

(1) The Directors and such other officers of the Company as are authorised by the Board may enter into a contract or other enforceable obligation (including an obligation if entered into by a natural person is required by law to be in writing signed by that person and be notarial attested) on behalf of the Company as stipulated in the Companies Act.

(2) Such a contract or other enforceable obligation, may also be entered into on behalf of the Company by the affixing of its common seal in the presence of two or more Directors, or alternatively of one Director and the secretary or alternatively any two persons authorized by the Board who shall attest the sealing thereof: such attestation, in the event of a firm or registered company being the secretary being signified by a partner or duly authorised manager, director, secretary, attorney or agent of the said firm or company signing for and on behalf of the said firm or company as such secretary. The common seal of the Company shall not be affixed other than in the manner set out herein.

(3) Notwithstanding any provision to the contrary contained herein, two nominee Directors consisting of one nominee Director nominated and appointed by HNB and one nominee Director nominated and appointed by PLPL shall be the signatories for all major transactions of the Company within the meaning of section 185 of the Companies Act.

31. ATTORNEY

The Company may, from time to time, appoint any person as its attorney for such purposes and with such powers, authorities and discretions and for such periods and subject to such conditions as such person may from time to time think fit.Any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorneys as the Board may think fit, and may also authorize any such attorney to delegate, subject to the provisions of the Companies Act or other applicable law, all or any of the powers, authority and discretion vested in him.

32. DIRECTORS INTEREST IN CONTRACTS

(1) A Director who is interested in a transaction to which the Company is a party shall disclose

that interest in accordance with Section 192 of the Companies Act.

(2) Subject to paragraph (3) of this Article, a Director is interested in a transaction to which the Company is a party, if the Director—

(a) is a party to or shall or may derive a material financial benefit from the transaction;

(b) has a material financial interest in another party to the transaction;

(c) is a director, officer or trustee of another party to, or person who shall or may derive a material financial benefit from the transaction, not being a party or person that is—

(i) the Company's holding company, being a holding company of which the Company is a wholly-owned subsidiary;

(ii) a wholly-owned subsidiary of the Company; or

(iii) a wholly-owned subsidiary of a holding company of which the Company is also a wholly-owned subsidiary;

(d) is the parent, child or spouse of another party to or person who shall or may derive a material financial benefit from the transaction; or

(e) is otherwise directly or indirectly materially interested in the transaction.

(3) A Director is not interested in a transaction to which the Company is a party, if the transaction comprises only the giving by the Company of security to a third party which has no connection with the Director, at the request of the third party, in respect of a debt or obligation of the Company for which the Director or another person has personally assumed responsibility in whole or in part, under a guarantee, indemnity or by the deposit of a security.

(4) Paragraph (2) of this Article shall not apply to any remuneration or other benefit given to a Director in accordance with Section 216 of the Companies Act, or, to any insurance or indemnity provided in accordance with Section 218 of the Companies Act.

(5) A transaction entered into by the Company in which a Director has an interest may be avoided by the Company in accordance with Section 193 of the Companies Act.

(6) A Director who is interested in a transaction entered into or to be entered into by the Company, may, if not prohibited from doing so by applicable law or regulations, including without limitationthe Finance Companies (Corporate Governance) Direction No. 3 of 2008 as modified or replaced from time to time,

(a) vote on a matter relating to the transaction;

(b) attend a meeting of Directors at which a matter relating to the transaction arises and be included among the Directors present at the meeting for the purpose of a quorum;

(c) sign a document relating to the transaction on behalf of the Company; or

(d) do any other thing in his capacity as a Director in relation to that transaction.

33. DIRECTORS DEALINGS IN SHARES

A Director shall disclose all dealings in shares of the Company in which he has a relevant interest, in accordance with Sections 198, 199 and 200 of the Companies Act.

34. CONFIDENTIAL INFORMATION

(1) A Director who has information in his capacity as a Director or employee of the Company which would not otherwise be available to him, shall not disclose that information to any person or make use of or act on the information, except—

(a) for the purposes of the Company;

(b) as required by law; or

(c) in accordance with paragraph (2) of this Article.

(2) A Director may disclose, make use of or act on information if—

(a) the Director is first authorized to do so by the Board under paragraph (3) of this Article; and

(b) particulars of the authorization are entered in the interests register.

(3) The Board may authorize a Director to disclose, make use of or act on information, if it is satisfied that to do so shall not be likely to prejudice the Company.

35. REMUNERATION OF DIRECTORS

(1) The Board may approve;

(a) the payment of any remuneration and/or other benefits by the Company to a Director for services as a Director or for services rendered to the Company in any other capacity,

(b) the payment by the Company to a Director or a former Director of compensation for loss of office,

(c) the entering into of a contract to do any of the above,

if the Board is satisfied that to do so is fair to the Company.

(2) The Company may by ordinary resolution also (i) vote extra remuneration to the Directors or to any Director or (ii) approve repayment of any other expenses properly incurred by them/him in or with a view to the performance of their/his duties including attendance at Board meetings.

36. PROCEDURE AT MEETINGS OF DIRECTORS

(1) Articles 36 to 42 sets out the procedure to be followed at meetings of Directors.

(2) The Directors may meet together for the conduct of business, adjourn and otherwise regulate their meetings as they think fit. Meeting of the Board shall be held at least once a month ("Regular Board Meetings") unless otherwise agreed by a majority for the time being of the Directors;

(3) A Director or, if requested by a Director to do so, the secretary or in the absence of the secretary, the Chief Operating Officer of the Company,may convene a meeting of the Board by giving notice in accordance with this Article.

(4) Not less than seven (7) workingdays' notice of a meeting of the Board shall be given to

every Director who is in Sri Lanka. The Board may decide, from time to time, the time period for notice of meetings of the Board and the manner in which such notice is to be given to the Directors.

(5) An irregularity in the notice of a meeting is waived if all Directors entitled to receive notice of the meeting attend the meeting without protest as to the irregularity or if all Directors entitled to receive notice of the meeting agree to the waiver.

37. CHAIRMAN/ DEPUTY CHAIRMAN

(1) So long as HNB has the right to appoint nominee Directors under Article 26(1), the board of directors of HNB may nominate (either at the time of appointing a nominee Director or at any time thereafter) any Director or nominee Director as the chairmanof the Board and may determine the period for which the chairman is to hold office.

(2) So long as PLPL has the right to appoint nominee Directors under Article 26(1), the board of directors of PLPL may nominate (either at the time of appointing a nominee Director or at any time thereafter) any Director or nominee Director as the deputy chairman of the Board and may determine the period for which the chairman is to hold office.

(3) If no chairman is nominated by HNB or if at a meeting of the Board the chairman is not present within fifteen (15) minutes after the time appointed for the commencement of the meeting, the deputy chairman shall chair the meeting. If the deputy chairman is unable to attend the meeting after fifteen (15) minutes of the time appointed to convene the meeting then the Directors present may choose one (1) of their number to be chairperson of the Board or the meeting (as the case may be).

38. METHODS OF HOLDING MEETINGS

A meeting of the Board may be held either—

(a) by a number of the Directors who constitute a quorum being assembled and physically present together at the place, date and time appointed for the meeting; or

(b) by means of audio or audio and visual communication by which all persons participating in the meeting are able to hear and be heard, at a time appointed by notice in writing setting out a detailed agenda of the business to be transacted at the meeting accompanied by all documents relevant to that business.

39. QUORUM

(1) The quorum necessary for the transaction of the business at a meeting of the Board shall be five (05) Directors comprising of at least (i) one independent Director (ii) a Non-executive Director nominated by HNB and (iii) a Non-executive Director nominated by PLPL, are present throughout the meeting provided that, at least one half of the number of Directors that constitute the quorum as aforesaid at such meeting are Non-Executive Directors.

(2) In the event that a quorum is not present within thirty (30) minutes after the time appointed for the meeting, the meeting shall be adjourned to a date not later than fourteen (14) calendar days thereafter and written notice of the adjourned meeting shall be given to every Director who is in Sri Lanka.

(3) No business may be transacted at a meeting of Directors if a quorum is not present.

40. VOTING

(1) Every Director has one (1) vote. Provided however, so long as the Company is not listed on the Colombo Stock Exchange, in the event one or more nominee Directors appointed under Article 26(1) are not present at a Board meeting, the nominee Director(s) representing the Appointer that is/are present shall exercise, in addition to his or her vote, the voting right(s) of the absent nominee Director(s) of that Appointer so that the total votes entitled to each Appointer is exercised when conducting business at the meeting.

(2) The chairman has no casting vote.

(3) A resolution of the Board is passed if it is agreed to by all Directors present without dissent or if a majority of the votes cast on it are in favour of it.

(4) A Director present at a meeting of the Board is presumed to have agreed to and to have voted in favour of a resolution of the Board, unless he or she expressly dissents from or votes against the resolution at the meeting.

41. MINUTES

(1) The Board shall ensure that minutes are kept of all proceedings at meetings of the Board and are recorded in terms of the Finance Companies (Corporate Governance) Direction No. 3 of 2008 as modified or replaced from time to time.

(2) Minutes which have been signed by the chairman of the meeting at which the proceedings were had, or by the chairman of the next succeeding meeting, shall be *prima facie* evidence of the proceedings.

42. UNANIMOUS RESOLUTIONS

(1) A resolution in writing signed or assented to by all Directors entitled to receive notice of a Board meeting, is as valid and effective as if it had been passed at a meeting of the Board duly convened and held.

(2) Any such resolution may consist of several documents (including facsimile or other similar means of communication) in like form; each signed or assented to by one or more Directors.

(3) A copy of any such resolution shall be entered in the minute book of Board proceedings.

(4) A resolution assented to by all Directors for the time being in Sri Lanka entitled to receive notice of a Board meeting, held in accordance with Article 38 (b) above shall, upon being reduced to writing by the person appointed to do so at such meeting, be as valid and effectual as if the same had been passed at a meeting of Directors held on the day on which and at the time at which the meeting was held and at the place where the chairman was located during the course of that meeting.

43. CHIEF EXECUTIVE OFFICER AND OTHER EXECUTIVE DIRECTORS

(1) The Board may from time to time appoint one or more Directors or employees as Executive Directors including the office of Chief Executive Officer for such period and on such terms as it thinks fit.If any Director is appointed as the Chief Executive Officer such Director shall so long as he holds the office of the Chief Executive Officer be deemed to be an employee of the Company.

(2) Subject to the terms of an Executive Director's appointment, the Board may at any time cancel an appointment of an Executive Director.

(3) A Director who holds office as an Executive Director ceases to hold office as such Executive Director, if he ceases to be a Director of the Company.

(4) The Chief Executive Officer and other Executive Directors shall be paid such remuneration as may be agreed between them and the Board. Their remuneration may be by way of salary, commission, participation in profits or any combination of these methods or any other method of fixing remuneration.

(5) The Board may delegate to the Executive Directors, subject to any conditions or restrictions which they consider appropriate, any of their powers which may be lawfully delegated. Any such delegation may at any time be withdrawn or varied by the Board. The delegation of a power of the Board to an Executive Director does not prevent the exercise of the power by the Board, unless the terms of the delegation expressly provide otherwise.

(6) The Chief Executive Officer shall have power to delegate such of his powers as he may think necessary or desirable to any executive officer of the Company unless the power so delegated to the Chief Executive Officer or to any Executive Director has been revoked, varied, altered or withdrawn by the Board.

44. SECRETARY

(1) The Company shall at all times have a secretary.

(2) The Board may appoint the secretary for such term and on such conditions as it thinks fit and remove such secretary.

(3) The secretary so appointed shall be eligible to be appointed as the secretary to the Board.

F. ACCOUNTS AND AUDIT

45. ACCOUNTING RECORDS, FINANCIAL STATEMENTS, AUDITS ETC.

(1) The Board shall ensure that the Company keeps accounting records which —

(a) correctly record and explain the Company's transactions, including all sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure takes place and all sales and purchases of goods made by the Company;

(b) shall at any time enable the financial position of the Company to be determined with reasonable accuracy;

(c) shall enable the Board to prepare financial statements in accordance with the Companies Act; and

(d) shall enable the financial statements of the Company to be readily and properly audited.

(2) The accounting records shall comply with subsection (2) of Section 148 of the Companies Act.

(3) The Board shall ensure that within six (6) months after the balance sheet date of the Company, financial statements which comply with Section 151 of the Companies Act (and if applicable, group financial statements which comply with Section 153 of the Companies Act) are completed in relation to that balance sheet date and are dated and signed on behalf of the Board by two (2) Directors or if the Company has only one (1) Director, by that Director.

(4) At every annual general meeting, the Company shall appoint an auditor for the following year in accordance with Section 154 of the Companies Act. An auditor who is appointed at an annual general meeting is deemed to be reappointed at the following annual general meeting, unless—

(a) he is not qualified for re-appointment;

(b) the Company resolves at that meeting to appoint another person in his place; or

(c) the auditor has given notice to the Company that he does not wish to be re-appointed.

(5) The Board shall within six (6) months after the balance sheet date of the Company, prepare an annual report on the affairs of the Company during the accounting period ending on that date which complies with Section 168 of the Companies Act. The Board shall send a copy of the annual report to every shareholder not less than fifteen (15) working days before the date fixed for holding the annual general meeting of shareholders.

G. LIQUIDATION

46. WINDING UP AND DISTRIBUTION OF SURPLUS ASSETS

(1) A general meeting of the Company may be convened by any contributory or by the continuing liquidators, as the case maybe, in terms of the Companies Act by giving notice in the manner set out hereinfor convening an extraordinary general meeting.

(2) The liquidator may with the approval of a special resolution, divide the surplus assets of the Company among the shareholders in kind. For this purpose he may set such value as he considers fair on any property to be divided, and may determine how the division shall be carried out as between the shareholders or different classes of shareholders.

47. PUBLIC COMPANY AND LIABILITY OF SHAREHOLDERS

The Company is a limited company within the meaning of the Companies Act. The liability of any holder of shares issued by the Company to contribute to the assets of the Company is limited to the consideration paid or payable for the issue of shares held by such holder.

H. MISCELLANEOUS

48. DOCUMENTS TO BE KEPT BY THE COMPANY

(1) The Company shall keep at its registered office or at some other place, notice of which has been given to the Registrar General of Companies, in accordance with subsection (4) of Section 116 of the Companies Act, the following documents :—

(a) the certificate of incorporation and the Articles of the Company;

(b) minutes of all meetings and resolutions of shareholders within the last ten (10) years;

(c) an interests register;

(d) minutes of all meetings and resolutions of Directors and Directors' committees within the last ten (10) years;

(e) certificates given by Directors under the Companies Act within the last ten (10) years;

(f) the register of Directors and secretaries required to be kept under Section 223 of the Companies Act;

(g) copies of all written communication to all shareholders or all holders of the same class of shares during the last ten (10) years, including annual reports prepared under Article 43 (5);

(h) copies of all financial statements and group financial statements required to be completed under the Companies Act for the last ten (10) completed accounting periods of the Company;

(i) the copies of instruments creating or evidencing charges and the register of charges required to be kept under Sections 109 and 110 of the Companies Act;

(j) the share register required to be kept under Section 123 of the Companies Act; and

(k) the accounting records required by Section 148 of the Companies Act for the current accounting period and for the last ten (10) completed accounting periods of the Company.

(2) The references in paragraph (1) of this Article to "ten (10) years" and to "ten (10) completed accounting periods" shall include such lesser periods as the Registrar General of Companies may approve, by notice in writing to the Company.

49. RIGHTS OF DIRECTORS AND SHAREHOLDERS TO DOCUMENTS ETC.

(1) The Directors of the Company are entitled to have access to the Company's records in accordance with Section 118 of the Companies Act.

(2) A shareholder of the Company is entitled—

(a) to inspect the documents referred to in Section 119 of the Companies Act, in the manner specified in Section 121 of the Companies Act; and

(b) to require copies of or extracts from any document which he may inspect, within five (5) working days of making a request in writing for the copy or extract, on payment of any reasonable copying and administration fee determined by the Company. The fee may be determined by any Director or by the secretary, subject to any directions from the Board.

50. NOTICES

(1) Where the Company is required to send any document to a shareholder or to give notice of any matter to a shareholder, it shall be sufficient for the Company to send the document or notice to the registered address of the shareholder, by ordinary post and/or courier. Any document or notice so sent is deemed to have been received by the shareholder on the day following the dispatch of a properly addressed and prepaid letter containing the document or notice.

(2) A shareholder whose registered address is not within Sri Lanka may name an address within Sri Lanka which for purposes of notice, shall be considered as his registered address.

(3) A document may be sent or notice given by the Company to the joint holders of a share, by

giving the notice to the holder first named on the share register in respect of the share.

(4) Where a shareholder has died or has become bankrupt or insolvent, the Company may continue to send all notices and documents in respect of his shares addressed to him at his registered address, notwithstanding that some other person has by reason of the death, bankruptcy or insolvency, become entitled to those shares, or may sendany notice or document to an address to which that other person requests the Company to send such notices.

(5) Any notice required to be given by the Company to the shareholders or any of them and not expressly provided for by these Articles shall be sufficiently given if given by way of a public notice in terms of Section 529 (4) of the Companies Act.

(6) Where notice is given by an advertisement, such advertisement, shall be published in Sinhala, Tamil and English national daily newspapers.

(7) A copy of every notice or document sent to all shareholders shall be sent to the auditor of the Company.

(8) For the purpose of this Article, the registered address of the shareholder shall be the address registered by such shareholder in the share register.

51. INSURANCE AND INDEMNITY

(1) The Company may indemnify a Director or employee of the Company in the circumstances specified in subsections (2) and (3) of Section 218 of the Companies Act.

(2) The Company may effect insurance for a Director or employee of the Company in the circumstances specified in Sections 218 (4)of the Companies Act, with the prior approval of the Board.

For the purposes of this Article, the term ‘Director” includes a former Director and the term ‘employee’ includes a former employee.

52. COMPLIANCE WITH THE LISTING RULES AND CDS RULES OF THE COLOMBO STOCK EXCHANGE

Notwithstanding anything to the contrary contained in these Articles, if and so long as the Company is listed on the Colombo Stock Exchange, the Company shall comply with the rules of the Colombo Stock Exchange and the Central Depositary System (CDS), which shall be in force from time to time.

53. COMPLIANCE WITH APPLICABLE LAWS

Notwithstanding anything to the contrary contained in these Articles, the Company shall at all times comply with the provisions of the laws applicable to its business including the Finance Business Act, Finance Leasing Act and all regulations, directions, determinations, rules and orders or requirements made, given or imposed thereunder.

HNB FINANCE PLC

Certification by the Directors under Section 241(2) of the Companies Act No. 07 of 2007

WHEREAS;

(a) HNB Finance PLC is the parent company of Prime Finance PLC;

(b) in furtherance of the proposal of the Central Bank of Sri Lanka to consolidate Non-bank Financial Institutions that is being implemented with a view to streamlining and strengthening the financial sector, HNB Finance PLC is desirous of amalgamating with Prime Finance PLC in terms of section 239 of the Companies Act No. 7 of 2007 (the "**Companies Act**") with HNB Finance PLC continuing as the amalgamated company;

(c) the amalgamation will allow the business of HNB Finance PLC and Prime Finance PLC to be consolidated and continued under "HNB Finance PLC".

We being the Directors of HNB Finance PLC having taken into consideration *inter alia,*

a) the fact that each of the amalgamating companies do not have any serious liquidity problems and consequently the amalgamated company too would not have any substantial liquidity concerns consequent to the amalgamation; and

b) the fact that the stated capital of the amalgamated entity has been disregarded as per Section 241(6) of the Companies Act and consequently is not a consideration in the computation of solvency.

are of the opinion that the conditions set out in section 241(1) (a) and (b) namely,

i. that the Board of HNB Finance PLC is satisfied that the amalgamation is in the best interests of HNB Finance PLC, and

ii. that the Board of HNB Finance PLC is satisfied that the amalgamated company will satisfy the solvency test immediately after the amalgamation becomes effective.

are satisfied.

Name		**Signature**
Dilshan Peter Nirosh Rodrigo	I consent/~~dissent~~	.....
Bamunuachchi Mangedarage Don Chaminda Prabhath	I consent/~~dissent~~	.....
Anushka Sheran Wijesinha	I consent/~~dissent~~	.....
Sampathawaduge Udan Hithesi Fernando	I consent/~~dissent~~	.....
Hasitha Danushka Wijesundara	I consent/~~dissent~~	.....
Aloysius Gerard Rajive Dissanayake	I consent/~~dissent~~	.....
Mahinda Perera	I consent/~~dissent~~	.....
Deyalage Kovinda Gimnada Perera	I consent/~~dissent~~	.....
Ruwan Damintha Manatunga	I consent/~~dissent~~	.....
Punsisi Lalith Patuwatha Withana	I consent/~~dissent~~	.....

On this 15th day of March 2022

PRIME FINANCE PLC

Certification by the Directors under Section 241(2) of the Companies Act No. 07 of 2007

WHEREAS;

(a) HNB Finance PLC is the parent company of Prime Finance PLC;

(b) in furtherance of the proposal of the Central Bank of Sri Lanka to consolidate Non-Bank Financial Institutions that is being implemented with a view to streamlining and strengthening the financial sector, HNB Finance PLC is desirous of amalgamating with Prime Finance PLC in terms of section 239 of the Companies Act No. 7 of 2007 (the "**Companies Act**") with HNB Finance PLC continuing as the amalgamated company;

(c) the amalgamation will allow the business of HNB Finance PLC and Prime Finance PLC to be consolidated and continued under "HNB Finance PLC".

We being the Directors of Prime Finance PLC having taken into consideration *inter alia,*

a) the fact that each of the amalgamating companies do not have any serious liquidity problems and consequently the amalgamated company too would not have any substantial liquidity concerns consequent to the amalgamation; and

b) the fact that the stated capital of the amalgamated entity has been disregarded as per Section 241(6) of the Companies Act and consequently is not a consideration in the computation of solvency.

are of the opinion that the conditions set out in section 241(1) (a) and (b) namely,

i. that the Board of Prime Finance PLC is satisfied that the amalgamation is in the best interests of Prime Finance PLC, and

ii. that the Board of Prime Finance PLC is satisfied that the amalgamated company will satisfy the solvency test immediately after the amalgamation becomes effective.

are satisfied.

Name	**Signature**
M. D. S. M. GOONATILLEKE	MDSGoonatilleke .....

Name	Signature
B. PREMALAL	.....
P. A. W. PERERA	.....
M. PERERA	.....
D. KALAPUGE	.....
L. L. C. C. THAMBIAH	.....
B. M. D. C. PRABHATH	.....
A. G. R. DISSANAYAKE	.....

On this 15th day of March, 2022

HNB FINANCE PLC

Certification by the Directors under Section 243 (c) of the Companies Act No. 07 of 2007

We, being the Directors of HNB Finance PLC, hereby certify that the amalgamation of HNB Finance PLC and Prime Finance PLC has been approved in accordance with the provisions of the Companies Act No. 7 of 2007 and the Articles of Association of HNB Finance PLC.

Names of the Directors		**Signature**
Dilshan Peter Nirosh Rodrigo	I consent/~~dissent~~	.....
Bamunuachchi Mangedarage Don Chaminda Prabhath	I consent/~~dissent~~	.....
Anushka Sheran Wijesinha	I consent/~~dissent~~	.....
Sampathawaduge Udan Hithesi Fernando	I consent/~~dissent~~	.....
Hasitha Danushka Wijesundara	I consent/~~dissent~~	.....
Aloysius Gerard Rajive Dissanayake	I consent/~~dissent~~	.....
Mahinda Perera	I consent/~~dissent~~	.....
Deyalage Kovinda Gimnada Perera	I consent/~~dissent~~	.....
Ruwan Damintha Manatunga	I consent/~~dissent~~	.....
Punsisi Lalith Patuwatha Withana	I consent/~~dissent~~	.....

On this 15th day of March 2022

PRIME FINANCE PLC

Certification by the Directors under Section 243 (c) of the Companies Act No. 07 of 2007

We, being the Directors of Prime Finance PLC, hereby certify that the amalgamation of HNB Finance PLC and Prime Finance PLC has been approved in accordance with the provisions of the Companies Act No. 7 of 2007 and the Articles of Association of Prime Finance PLC.

Names of the Directors	**Signature**
M. D. S. M. GOONATILLEKE	.....
B. PREMALAL	.....
P. A. W. PERERA	.....
M. PERERA	.....
D. KALAPUGE	.....
L. L. C. C. THAMBIAH	.....
B. M. D. C. PRABHATH	.....
A. G. R. DISSANAYAKE	.....

On this 15th day of March, 2022

(3)

HNB FINANCE PLC

STATEMENT BY THE DIRECTORS IN ACCORDANCE WITH SECTION 241 (3) (c) OF THE COMPANIES ACT NO. 07 OF 2007

We, the directors of HNB Finance PLC hereby state in terms of Section 241 (3) (c) of the Companies Act No. 7 of 2007 (the "Companies Act") that any shareholder who (i) casts all his votes against the resolution or (ii) does not sign a resolution passed in terms of section 144 of the Companies Act, to approve the amalgamation of HNB Finance PLC and Prime Finance PLC shall be entitled, in terms of section 93 of the Companies Act, to require HNB Finance PLC to purchase those shares in accordance with section 94 of the Companies Act.

Names of the Directors		**Signature**
Dilshan Peter Nirosh Rodrigo	I consent/~~dissent~~	.....
Bamunuachchi Mangedarage Don Chaminda Prabhath	I consent/~~dissent~~	.....
Anushka Sheran Wijesinha	I consent/~~dissent~~	.....
Sampathawaduge Udan Hithesi Fernando	I consent/~~dissent~~	.....
Hasitha Danushka Wijesundara	I consent/~~dissent~~	.....
Aloysius Gerard Rajive Dissanayake	I consent/~~dissent~~	.....
Mahinda Perera	I consent/~~dissent~~	.....
Deyalage Kovinda Gimnada Perera	I consent/~~dissent~~	.....

Ruwan Damintha Manatunga	I consent/~~dissent~~	.....
Punsisi Lalith Patuwatha Withana	I consent/~~dissent~~	.....

On this 15th day of March 2022

(A)

HNB FINANCE PLC

STATEMENTS BY THE DIRECTORS IN ACCORDANCE WITH SECTION 241 (3) (d) OF THE COMPANIES ACT NO. 07 OF 2007

We being all the Directors of the HNB Finance PLC state that, to the best of our knowledge, there are no material interests of any director in the amalgamation proposal relating to the amalgamation of HNB Finance PLC and Prime Finance PLC whether, in that capacity or otherwise.

Names of the Directors		**Signature**
Dilshan Peter Nirosh Rodrigo	I consent/~~dissent~~	.....
Bamunuachchi Mangedarage Don Chaminda Prabhath	I consent/~~dissent~~	.....
Anushka Sheran Wijesinha	I consent/~~dissent~~	.....
Sampathawaduge Udan Hithesi Fernando	I consent/~~dissent~~	.....
Hasitha Danushka Wijesundara	I consent/~~dissent~~	.....
Aloysius Gerard Rajive Dissanayake	I consent/~~dissent~~	.....
Mahinda Perera	I consent/~~dissent~~	.....
Deyalage Kovinda Gimnada Perera	I consent/~~dissent~~	.....
Ruwan Damintha Manatunga	I consent/~~dissent~~	.....
Punsisi Lalith Patuwatha Withana	I consent/~~dissent~~	.....

On this 15th day of March 2022