

Central Finance Company Plc - Pg 67

Circular to Shareholders

Dear Shareholder/s,

FINAL DIVIDEND FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2021

The board of directors (the "Board") of Central Finance Company PLC (the "Company"), having obtained all necessary regulatory approvals including the approval from the Central Bank of Sri Lanka, decided to recommend, subject to the approval of the shareholders, to pay a final dividend of Rupees Three and Cents Fifty (Rs. 3.50) consisting of (i) Rupees Two and Cents Thirty (Rs. 2.30) per share by way of a cash dividend and (ii) Rupees One and Cents Twenty (Rs. 1.20) per share in the form of a scrip dividend amounting to a total dividend of Rupees Seven Hundred and Eighty Four Million Eighty Seven Thousand Four Hundred and Fifty Four and Cents Fifty (Rs. 784,087,454.50).

THE AMOUNT OF DIVIDENDS TO BE PAID IN CASH AND THE NUMBER OF SHARES TO BE ISSUED

The total sum that the Company proposes to distribute to the shareholders in cash is Rupees Five Hundred and Fifteen Million Two Hundred and Fifty Seven Thousand Four Hundred and Seventy and Cents Ten (Rs. 515,257,470.10). The cash dividend will be paid out of the profit for the year ended 31st March 2021.

The maximum number of shares to be issued as a scrip dividend shall be Three Million Three Hundred and Thirty One Thousand Two Hundred and Twenty Six (3,331,226) ordinary shares computed on the basis of the following formula.

Number of shares to be issued = Number of shares held as at end of trading x $\frac{1}{67.2500116}$
to each shareholder on the date of the Annual General Meeting

The number of shares to be eventually issued will depend on the number of residual fractions arising from the scrip dividend but the maximum number of shares shall not exceed Three Million Three Hundred and Thirty One Thousand Two Hundred and Twenty Six (3,331,226) shares.

The residual fractions arising from the scrip dividend will be disregarded in its entirety and the value of such fractions (computed based on the aforesaid consideration for the shares to be issued) will be paid by cheque to the shareholders.

The residual fractions referred to herein shall mean the fractions arising after applying the following formula:

$$\frac{(\text{Number of shares held by a shareholder as at end of trading on the AGM date} \times 1)}{67.2500116}$$

With regard to the scrip dividend, the following table sets out the number of shares to be allotted, the proportion and consideration at which shares are to be issued out of the profits earned during the financial year ended 31st March 2021 based on the number of issued shares at present.

Existing ordinary shares as at date	Two Hundred and Twenty Four Million Twenty Four Thousand Nine Hundred and Eighty Seven (224,024,987) ordinary shares
The maximum number of shares to be issued (the number to be eventually issued will depend on the residual fractions arising which will be disregarded)	Three Million Three Hundred and Thirty One Thousand Two Hundred and Twenty Six (3,331, 226) ordinary shares
Amount to be capitalized for the scrip dividend	Rupees Two Hundred and Sixty Eight Million Eight Hundred and Twenty Nine Thousand Nine Hundred and Eighty Four and Cents Forty (Rs. 268,829,984.40)

Market price of a share as at 10th May 2021 (which is the last trading day prior to the date of the circular resolution by the Board through which the final dividend was recommended)	Rupees Eighty and Seventy Cents (Rs. 80.70)
The proportion in which the shares are to be issued	One (01) for Sixty Seven Decimal Two Five Zero Zero One One Six (67.2500116)
Total number of shares in the Company after the scrip dividend (if the maximum number of shares referred to above are issued)	Two Hundred and Twenty Seven Million Three Hundred and Fifty Six Thousand Two Hundred and Thirteen (227,356,213) ordinary shares

The new ordinary shares to be issued under the proposed scrip dividend will rank equal and pari passu in all respects with the existing ordinary shares of the Company immediately after the issue of such shares.

The new ordinary shares to be allotted and issued under the scrip dividend will not be eligible for the payment of dividend referred to herein.

ENTITLED SHAREHOLDERS

The shareholders entitled to the final dividend shall be those shareholders whose names have been duly registered in the Register of Shareholders and those shareholders whose names appear on the Central Depository Systems (Private) Limited ("CDS") as at end of trading on 30th June 2021.

In determining the number of shares held by a shareholder as at the relevant date for the proposed dividend, the shareholding of the shareholder as appearing in the CDS and the Register of Shareholders maintained by the Company will not be aggregated for the purpose of calculation. However, if a shareholder holds shares with multiple stockbrokers, such shares will be aggregated for calculation purposes and the shares arising as a result of the scrip dividend will be uploaded proportionately to the respective CDS accounts held with each broker.

IMPACT OF COVID19 ON THE COMPANY'S BUSINESS

The Company has disclosed the impact of Covid-19 on the business of Company in the disclosure to the Colombo Stock Exchange dated 04th May 2020. There are no material changes to the facts disclosed in the referred disclosure.

COMPLIANCE WITH THE LAW

i) Compliance with the Companies Act No 7 of 2007 ("the Companies Act")

In terms of section 52 of the Companies Act, the Board has decided that the shares to be issued to shareholders under the proposed scrip dividend issue shall be issued at a consideration of Rupees Eighty and Cents Seventy (Rs. 80.70) per share.

The Board of Directors has also opined that the aforesaid consideration for which the shares are to be issued under the scrip dividend is fair and reasonable to the Company and to all existing shareholders of the Company.

Section 53 (1) of the Companies Act provides that subject to the Articles of Association, where a company issues shares which rank equally with or above existing shares in relation to voting or distribution rights, those shares must first be offered to the holders of existing shares in a manner which would, if the offer was accepted, maintain the relative voting and distribution rights of those shareholders, Vide: (ii) below.

Section 56 of the Companies Act provides that unless the Company's Articles of Association provide otherwise, every distribution must be approved by shareholders by ordinary resolution, Vide: (ii) below.

The proposed dividend is paid out of profits of the Company as at 31st March 2021 (which includes dividends received by the Company). The Company also conducted the solvency test as required by section 56 of the Companies Act and obtained a certificate of solvency from the auditors. The Board is satisfied that the Company will, immediately after the dividend is paid, meet the solvency requirements in terms of the provisions of the Companies Act.

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Accordingly, the Company has taken necessary steps to comply with all relevant provisions of the Companies Act in relation to the final dividend referred to in this circular.

ii) Compliance with Articles of Association

Article 8 of the Articles of Association of the Company (the "Articles") provides that, where the Company issues shares, those shares must be first offered to the holders of existing shares, in accordance with their rights and subject to any limitations as to participating in any issue of shares which may attach to such shares, as nearly as possible in proportion to the shares already held by them.

Accordingly, the issue of ordinary shares to the shareholders under the scrip dividend, substantially retains the existing shareholding proportions which is in conformity with the Articles.

Article 151 of the Articles provides that the Company, in a general meeting, may declare a dividend to be paid to the shareholders according to their rights and interests in the profits and may fix the time for payment. Accordingly, the payment of the above dividend requires the approval of the shareholders by ordinary resolution.

iii) Compliance with the rules of the Colombo Stock Exchange

The Company has taken necessary steps to comply with all relevant provisions of the Listing Rules of the Colombo Stock Exchange in relation to the final dividend referred to in this circular. The Company has received approval in-principal from the Colombo Stock Exchange for the issue and listing of shares to be issued by way of the scrip dividend referred to in this circular.

The payment of the dividend which requires the approval of the shareholders of the Company will be taken up at the Annual General Meeting of the shareholders of the Company to be held on 30th June 2021.

UPLOADING OF SHARES INTO CDS ACCOUNTS

As required in terms of Directive issued by the Securities and Exchange Commission of Sri Lanka ("SEC") under Circular No. 08/2010 dated 22nd November 2010 and Circular No. 13/2010 dated 30th November 2010 issued by the Central Depository Systems (Private) Limited ("CDS"), all new shares to be issued under the proposed scrip dividend, will be directly uploaded in securities accounts of shareholders maintained with the CDS, within seven (7) market days from the date of the Annual General Meeting (but excluding the date on which the Annual General Meeting is held where the relevant resolutions are to be passed by the shareholders). If a shareholder holds multiple CDS accounts, the total entitlement will be directly deposited to the respective CDS accounts proportionately.

No share certificate will be issued to any shareholder. In the event of the non-availability of a CDS account number, the new shares to be allotted to any shareholder, will only be registered in the share ledger/register maintained by the Company.

Such shareholder will not be entitled to a share certificate nor be able to trade the new shares until such time these shares are deposited with the CDS.

Therefore, the shareholders must ensure strict adherence to the aforementioned Directives and Circulars. Consequent to the opening of the CDS account by such shareholder, the new shares will be credited to such CDS account.

Direct uploads pertaining to written requests received from shareholders to deposit such shares will be done every fortnight.

By Order of the Board,



Corporate Services (Private) Limited
Secretaries
Central Finance Company PLC