

LANKEM DEVELOPMENTS PLC
(Company No.PQ86)

C/o. Corporate Managers & Secretaries (Private) Ltd.
8-5/2, Leyden Bastian Road,
York Arcade Building, Colombo 1.

26th November 2020.

CIRCULAR TO SHAREHOLDERS

Dear Sir(s)/Madam,

EXTRAORDINARY GENERAL MEETING IN TERMS OF SECTION 220 OF THE COMPANIES ACT NO.7 OF 2007

The Companies Act No.7 of 2007, by Section 220 stipulates that in the event the Net Assets of the Company are less than half of its Stated Capital, on this fact becoming known, the Directors are required to convene an Extraordinary General Meeting of the shareholders of the Company.

*Accordingly, in order to comply with the said provisions of the Companies Act your Directors initially decided to convene an Extraordinary General Meeting of the Company on 2nd December 2020. However, following the imposition of curfew in the Western Province due to the resurgence of the COVID 19 outbreak, and having taken into consideration the prevailing situation in the Country and the Health and Safety Guidelines issued by the Authorities and restrictions on gatherings and conduct of physical meetings, the Board of Directors decided to postpone the Extraordinary General Meeting (EGM) to **18th December, 2020**. Accordingly the said meeting will take place on 18th December 2020 at 9.30 a.m. and will be conducted as a Virtual Meeting from 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 01 or No. 98, Sri Sangaraja Mawatha, Colombo 10, in keeping with the guidelines issued by the Colombo Stock Exchange (CSE) in respect of virtual meetings.*

The business to be brought before the Meeting, as stated in the Notice of Meeting is "To discuss the Report prepared by the Directors in terms of Section 220 of the Companies Act No. 7 of 2007 and the financial position of the Company". A copy of the Report is attached hereto.

After the foregoing matters have been discussed, the shareholders will be requested to consider and if thought fit pass the Ordinary Resolution which has also been set out in the said Notice of Meeting.

Shareholders who wish to participate at the aforesaid meeting through Audio/Video and visual means are kindly requested to complete and return the Registration Form attached to this Circular, to reach the Registered Office of the Company Secretaries, Corporate Managers & Secretaries (Pvt) Ltd, 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 01 or via e-mail to ldevagmegm2020@cmsl.lk at least three (3) days prior to the date of the Meeting.

Upon receipt of the duly completed Registration Form the Company Secretaries will email Virtual Meeting Attendance login information to the eligible shareholders or their duly nominated proxies to enable them to join the meeting.

*If a Shareholder/Proxy holder intends joining the Virtual AGM via a smart phone, it is necessary for him/her to download the “**Zoom Mobile App**” onto his/her smart phone.*

*Similarly if the Shareholder/Proxy holder wishes to join the meeting via a desktop computer, the link could be opened by downloading the “**Zoom Desktop App**” to the respective desktop computer (compatible web browser: **Google Chrome**)*

Further, if shareholders are unable to participate at the Meeting and wish to raise any queries, such queries could be sent in writing to the Company Secretaries or via e-mail, as mentioned above, not less than three (3) days before the date of the Meeting. This is in order to enable the Company Secretaries to compile the queries and forward same for the attention of the Board of Directors so that same could be addressed at the meeting.

If you are unable to be present at this Extraordinary General Meeting you are kindly requested to complete and return the Form of Proxy to reach the Registered Office of the Company Secretaries Corporate Managers & Secretaries (Pvt) Ltd, 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 01 not later than 48 hours before the time fixed for the holding of the Meeting.

By Order of the Board

LANKEM DEVELOPMENTS PLC

CORPORATE MANAGERS & SECRETARIES (PRIVATE) LIMITED

Secretaries

LANKEM DEVELOPMENTS PLC

(Company No.PQ86)

NOTICE OF AN EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that in terms of Section 220 of the Companies Act No.7 of 2007 an Extraordinary General Meeting of the Company will be held on 18th December 2020, at 9.30 a.m. and will be conducted as a Virtual Meeting from 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 01 or No. 98, Sri Sangaraja Mawatha, Colombo 10, for the following purposes:

- To discuss the Report prepared by the Directors in terms of Section 220 of the Companies Act No.7 of 2007 and the financial position of the Company.
- To consider and if thought fit to pass the following resolution as an Ordinary Resolution:

Ordinary Resolution

The shareholders participating in this meeting having read and considered the Circular to Shareholders and the Report of the Directors prepared in terms of Section 220 of the Companies Act No.7 of 2007 dated 26th November 2020 and the explanations given by the Board of Directors hereby resolve –

“That the Directors of the Company be authorized to carry on the business of the Company to the best advantage of all Stakeholders of the Company.”

By Order of the Board

LANKEM DEVELOPMENTS PLC

CORPORATE MANAGERS & SECRETARIES (PRIVATE) LIMITED

Secretaries

Colombo

26th November 2020.

Note:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of him.
2. A proxy need not be a member of the Company.
3. A Form of Proxy accompanies this Notice.
4. In the event the Company is required to take any further action in relation to the meeting due to the COVID-19 Pandemic, and / or any communications, guidelines, directives or orders issued by the Government of Sri Lanka, Notice of such action shall be given by way of an announcement to the Colombo Stock Exchange.

LANKEM DEVELOPMENTS PLC

(Company No.PQ86)

Report of the Board of Directors to the Shareholders of Lankem Developments PLC in compliance with the requirements of Section 220 of the Companies Act No. 7 of 2007.

Lankem Developments PLC (LDPLC) was incorporated in 1974. The principal activity of the Company is Investment Holding. Currently the Company's main investment holdings are in its subsidiaries Agarapatana Plantations Limited (APL) and Waverly Power (Private) Ltd (WPL).

The Company has recorded a loss of Rs. 135.9Mn for the year ended 31st March 2020, after making an adjustment for impairment of Rs. 181.9Mn for the Investment in Agarapatana Plantations Limited (APL) in compliance with the Sri Lanka Financial Reporting Standards. Consequently, the Net Asset position of the Company reduced to Rs. 645.76 Mn, resulting in the ratio of Net Assets to its Stated Capital reducing to 41%, which is below 50% of the Stated Capital. The said status has triggered Section 220 of the Companies Act No.7 of 2007. This position was reflected as of 30th June 2020 as well with the said net assets ratio being below 50% of the stated capital of the Company.

In Order to maintain the required ratio of 50% in compliance with said Section of the Companies Act No. 07 of 2007 the Company would be required to either increase its Profitability or make a further Capital Infusion.

The impairment of the Investment in the subsidiary, Agarapatana Plantations Limited, depends on market prices of peer companies in the plantation industry and performance of the company.

(A) Agarapatana Plantations Limited (APL)

During the financial year ended 31.03.2020, APL incurred a loss of Rs.1,211,933,983/-, making a total accumulated loss of Rs.2,546,584,851/- as at 31.03.2020. Further the five months period ended 31 August 2020 too resulted in a loss of Rs.76,806,415/- and the accumulated loss further increased to Rs.2,623,390,474/- resulting in the shareholders' funds declining to a negative figure of Rs. 45,311,046/-. The company's net asset position being below 50% of the Stated Capital, has triggered Section 220 of the Company's Act No.7 of 2007.

- The losses occurred mainly due to the significant reduction in Colombo Auction prices and also due to decrease in crop as a result of adverse weather conditions. Accordingly, the prices of the company's Teas dropped from Rs.523/- to Rs.458/- from 2018/19 to 2019/20. If the prices remained at 2018/19 levels, the company would have earned an additional revenue of Rs.447Mn. Further during the year 2020, production decreased by 0.8Mn Kgs. If the production remained at 2018/19 level, the company would have earned an additional revenue of Rs.372Mn.

The Management of APL has taken several steps to improve the company's profitability and liquidity position, which comprises of the following:

- I. Enhancement of fertilizer applications and thereby achieving significant improvements to the yield as well as quality, which is expected during the 2nd half of the current year. A separate Broker funding in the form of a revolving short term loan has been negotiated to meet this requirement.
- II. Negotiations are underway with a bank to raise a working capital facility of Rs.200 Mn at a reduced interest rate under the COVID -19 conditions, whereby the current AWPLR being around 6.5% the lending rate would be around 9% (AWPLR+2.5%), which would thus be a very competitive rate to replace the Broker borrowings at 17%. The company will make all attempts to avail this facility from Bank of Ceylon consequent to the fact that one of the previous loans of Rs.250Mn from BOC has been successfully settled with a current outstanding balance of Rs.50Mn.

- III. The management has committed to bring in significant savings in the cost of harvesting by introducing machine plucking, with an increase in the production at a reduced labour cost which accounts for 60% of the COP. In this regard the management has strategized for 30% of the plucking extent to be mechanized within the next two years.

The company has successfully implemented the first phase of the mechanized plucking during the month of August 2020, whereby almost 50 machines are already in operation and will be increased to 110 machines by the end of March 2021.

Machine plucking operates by way of two pluckers per machine, harvesting at the rate of 50 Kgs per plucker per day, with a norm of 40 Kgs and the over kilos are paid at Rs.30/-, whereas manual plucking brings 16 Kgs per plucker with a norm of 18 Kgs and the over kilos are paid at Rs.40/- . The company has lost a fair amount of workers due to retirement etc and as such, currently the required plucking rounds are unable to be implemented due to shortage of workers, which will be mitigated by mechanized plucking.

- IV. The management has issued a stringent operational policy on labour management that are to be strictly observed by the Estate management, whereby each and every estate should keep up to the total labour cost at 60% of the total COP, by way of deploying labour efficiently in terms of labour allocation to plucking rounds and other related works considering lean vs cropping periods whilst meeting the projected crop.
- V. The Board of Directors of Lankem Tea & Rubber Plantations (Pvt) Ltd, Managing Agents have decided to extend the moratorium placed on Management Fees for the coming financial year too.
- VI. Related companies have assured that they will not demand for the payments on account of creditors for a minimum period of 12 months from the date of signing the financial statements of Agarapatana Plantations Ltd for the year ended 31 March 2020.

The Board of Directors of the Company believe that in addition to the positive outcome from the aforesaid steps taken by the subsidiary Agarapatana Plantations Limited, which will enable improve the profitability of the Subsidiary, the plantation industry will also perform well in the future and as a result, market prices of peer companies in the plantation industry will increase.

As such, a reversal of the impairment provision made against the investment in subsidiary APL will make possible the improvement in profitability of the Company.

(B)Waverly Power (Pvt) Ltd (WPL)

In addition, the Board of Directors also believe that Waverly Power (Pvt) Ltd, which is the other subsidiary of the Company which declared dividends during the year 2019/20 will continue to perform well and contribute more towards the profitability of the Company. WPL is currently having a power purchase agreement with CEB for 20 years.

A positive outcome from the aforesaid (A) and (B) will enable LankemDevelopments PLC to maintain the required ratio of 50% in compliance with the provisions of the Companies Act No.7 of 2007.

By Order of the Board

LANKEM DEVELOPMENTS PLC

CORPORATE MANAGERS & SECRETARIES (PVT) LIMITED

Secretaries

Colombo

26th November 2020

LANKEM DEVELOPMENTS PLC

(Company No.PQ86)

FORM OF PROXY

I/We.....of
.....being a member
/ members of LANKEM DEVELOPMENTS PLC hereby appoint
.....of
.....or failing him

- | | | |
|----|------------------------------------|---------------------------|
| 1. | Sri DhamanRajendram Arudpragasam | of Colombo or failing him |
| 2. | Ranjit Noel Bopearatchy | of Colombo or failing him |
| 3. | DamithaLaksiriVitharana | of Colombo or failing him |
| 4. | Kamalanesan Ponniah David | of Colombo or failing him |
| 5. | Chrisantha Priyange Richard Perera | of Colombo or failing him |
| 6. | ParakramaMaithri Asoka Sirimane | of Colombo or failing him |
| 7. | ShanthikumarNimalPlacidusPalihena | of Colombo or failing him |
| 8. | Anushman Rajaratnam | of Colombo |

as my/our* Proxy to represent me/us* to speak for me/us* and to vote on my/our* behalf at the Extraordinary General Meeting of the Company to be held on 18th December 2020, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

*In favour of The Ordinary Resolution set out in the Notice convening the
Against aforesaid Meeting.

As witness my/our* hand(s) this day of 2020.

.....
Signature of Shareholder

Note:

* Please delete the inappropriate words.

1. A Proxy need not be a member of the Company.
2. Instructions as to completion appear on the reverse.

INSTRUCTIONS AS TO COMPLETION OF FORM OF PROXY

1. To be valid, this Form of Proxy must be deposited at the Registered Office of the Company's Secretaries, Corporate Managers & Secretaries (Private) Ltd., 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 1, not less than 48 hours before the time appointed for the holding of the meeting.
2. In perfecting the Form of Proxy, please ensure that all details are legible.
3. Please indicate clearly how your proxy is to vote on the resolution. If no indication is given the proxy at his discretion may vote as he thinks fit.
4. In the case of Corporate members the form of proxy must be under seal or under the hand of an authorized Officer or Attorney.
5. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of the same, or a copy certified by a Notary Public must be lodged with the Company along with the Form of Proxy.

LANKEM DEVELOPMENTS PLC

(Company No. PQ 86)

Registration Form

Participation at the EXTRAORDINARY GENERAL MEETING (EGM) of LANKEM DEVELOPMENTS PLC to be held on 18th December 2020 and to be conducted as a Virtual Meeting.

DETAILS OF SHAREHOLDER

Full Name of the Principal Shareholder :

NICNo./PassportNo./CompanyRegistrationNo.:

CDS Account No. :

Folio No. indicated in the Address Label:

Residential Address :

Telephone No/s :

Email :

Full Name of 01st Joint Holder :

NIC No/ Passport No. :

Full Name of 02nd Joint holder:

NIC No/Passport No. :

In the event a Proxy holder is appointed by the Shareholder the following details of him/her will also be required.

DETAILS OF PROXY HOLDER : (only if a proxy is appointed)

FullnameofProxyholder:.....

NIC No./Passport No. of Proxyholder:

Telephone No/s. : Email :

Signature/s: : :
Principal Shareholder 01st Joint holder 02nd Joint holder

Date :

Note : In the case of a Company/Corporation, the Shareholder Registration Form must be signed under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association and in the case of the Registration Form being signed by an Attorney, the Power of Attorney, must be deposited at the Registered Office of the Company Secretaries, Corporate Managers & Secretaries (Pvt) Ltd, 8-5/2 Leyden Bastian Road, Colombo 01, Sri Lanka or emailed to ldevagmegm2020@cml.lk