

L B FINANCE PLC
[Company Reg. No. PQ 156]
No.275/75, Prof. Stanley Wijesundera Mawatha
Colombo 7

Circular to Shareholders

Dear Shareholder

**Amalgamation of Multi Finance PLC with L B Finance PLC
in terms of the provisions of the Companies Act, No. 07 of 2007**

(1) Introduction

In furtherance of the in-principle approval received from the Monetary Board of the Central Bank of Sri Lanka on 10th December 2021, under the Masterplan for the Consolidation of Non-Bank Financial Institutions, L B Finance PLC [LBFP] acquired 41,110,075 shares of Multi Finance PLC [MFP] (constituting 64.63% of the issued shares of MFP) on 16th March 2022 on the trading floor of the Colombo Stock Exchange [CSE] (of which 28,787,350 shares were acquired at Rs.9/70 per share and 12,322,725 shares at Rs.9/80 per share), to support MFP to achieve the necessary financial stability and to amalgamate MFP with LBFP subject to the requisite approvals once the legal impediments against such amalgamation were resolved.

Consequently, pursuant to a Mandatory Offer made by LBFP to the shareholders of MFP in terms of Rule 31(1)(a) of the Company Take-overs and Mergers Code 1995 (as amended), LBFP increased its stake in MFP to 41,195,281 shares representing 64.76%.

The Securities of MFP were transferred to the Watch List on 10th July 2019, in terms of the Listing Rule 7.5(d)(ii)A(4) of the Listing Rules of the CSE (Enforcement Rules) due to the Independent Auditor's Report on the Audited Financial Statements of the Company for the year ended 31st March 2019, containing an Emphasis of Matter on Going Concern relating to non-compliance with Finance Companies (Minimum Core Capital) Direction No. 02 of 2017. Subsequently, an Emphasis of matter on going concern contained in the Independent Auditor's Report on the Audited Financial Statements for the years ended 31st March 2020, 31st March 2021 and 31st March 2022 were added as reasons to be on the Watch List with effect from 14th September 2020, 09th July 2021 and 07th July 2022 respectively.

Following applications made by MFP, requesting for further time to resolve the matters giving rise to the emphasis of matter on going concern, the Securities and Exchange Commission of Sri Lanka [SEC], granted four (4) extensions up to 31st December 2020, 30th June 2021, 31st December 2021 and 31st March 2022 respectively, whereby suspension of trading in securities was deferred.

In response to the request made by MFP for a further deferment, the SEC by way of letter dated 22nd September 2022, informed MFP that the Commission has decided to suspend the trading of the securities of MFP from 30th September 2022 in the event MFP fails to submit the proposed capital infusion plan.

As MFP could not resolve the said matters, trading of the securities of MFP was suspended on 14th October 2022.

The Audited Financial Statements for the year ended 31st March 2023 also had an emphasis of matter contained in the Independent Auditor's Report and, the said emphasis of matter was added as a reason to be on the Watch List with effect from 16th June 2023.

Having resolved the legal impediments and with the in-principle approval received from the Central bank of Sri Lanka on 10th December 2021 ref. 24/12/001/0001/016, further confirmed by letter dated 8th May 2024 ref.24/12/001/0001/049, the two companies are now ready to proceed with the amalgamation of MFP with LBFP in terms of section 239 of the Companies Act, No.07 of 2007, subject to the approval of the shareholders of both MFP and LBFP, regulatory approvals and compliance with other applicable statutory requirements.

The proposed amalgamation is to be completed at the fair value of a MFP share of Rs.4/50 as per a valuation of MFP shares carried out by its Auditors, Messrs KPMG, Chartered Accountants, based on the net book value of Multi Finance PLC as of 30th September 2023.

The shares of MFP will not be converted to LBFP shares through the amalgamation, and instead, MFP shareholders except LBFP will be paid a cash consideration of Rs.4/50 for each share held by the shareholders in MFP.

Accordingly, the Boards of Directors of MFP and LBFP, on 17th April 2024, resolved to amalgamate MFP with LBFP and continue as one entity in terms of Section 239 of the Companies Act, No.7 of 2007, whereby the amalgamated entity, i.e. the surviving entity will be LBFP, subject to the approval of the shareholders of both companies, regulatory approvals as are required and compliance with other applicable statutory requirements.

(2) Amalgamation Proposal

Please see attached, the Amalgamation Proposal of LBFP (marked "A"), in terms of which the shareholders of MFP (other than with respect to the shares held by LBFP in MFP) will be paid a consideration of Rs.4/50 per share by LBFP to give effect to the Amalgamation.

In terms of the Order made in the Fort Magistrate's Court, Case No.B290/16, granting permission to acquire the shares of Multi Finance PLC held by Entrust Holdings Ltd and Entrust Ltd, two shareholders of MFP [holding 19,037,186 shares (29.93%) and 186,000 shares (0.29%) respectively of MFP] at the fair value of Rs.4/50 per share, the consideration due to the said two shareholders will be deposited to the credit of the said Case No. B 290/16, whereas in respect of the other shareholders, the said consideration will be paid by way of Bank Drafts drawn in favour of the respective shareholders.

Upon payment as aforesaid, all the shares (100%) of MFP will be cancelled effective on the "Date of the Amalgamation" as per the Certificate of Amalgamation to be issued by the Registrar General of Companies, and thereupon MFP shall cease to exist.

(3) Certificates / Statements by the Directors in terms of Section 241 of the Companies Act

Please see attached, the Certificates signed by the Directors of both MFP and LBFP as required by Section 241 (2) of the Companies Act (marked “B1” and “B2” respectively) and Statements signed by the Directors of MFP and LBFP in terms of Section 241(3)(d) of the Companies Act (marked “C1” and “C2” respectively).

(4) Rights of Shareholders under Section 93 of the Companies Act, No.7 of 2007

Please see attached, a Statement setting out the rights of shareholders under Section 93 of the Companies Act (marked “D”).

(5) Extraordinary General Meeting

An Extraordinary General Meeting (EGM) of LBFP will be held on 28th June 2024 at the Corporate Office of the Company, No.20, Dharmapala Mawatha, Colombo 3, at 9.00 a.m. [or as soon thereafter as the Annual General Meeting which has been convened for the same day and place at 8.30 a.m. shall have been concluded or adjourned] for the purpose of passing the requisite Special Resolution for the proposed amalgamation as set out in the Notice of Extraordinary General Meeting attached hereto.

(6) Documents attached:

- (i) Amalgamation Proposal, marked “A”.
- (ii) Certificates given by the Directors of each Board in terms of Section 241(2) of the Companies Act, marked “B1” and “B2”.
- (iii) Statements setting out any material interest of any Director in the Amalgamation Proposal in terms of Section 241(3)(d) of the Companies Act, marked “C1” and “C2”.
- (iv) A statement setting out the rights of shareholders under Section 93 of the Companies Act, No.7 of 2007, marked “D”.
- (v) Notice of EGM and Form of Proxy.

By Order of the Board
L B Finance PLC

Sgd. Anusha Wijesekara

P W Corporate Secretarial (Pvt) Ltd
Secretaries

June 3, 2024

L B FINANCE PLC
 [Company Reg. No. PQ 156]
No.275/75, Prof. Stanley Wijesundera Mawatha
Colombo 7

Amalgamation Proposal in terms of Section 240 of the Companies Act No.7 of 2007 -
Amalgamation of Multi Finance PLC (Amalgamating Company)
with L B Finance PLC (Amalgamated Company)

(1) Information as per Section 240(1) of the Companies Act:

(a) Name of the Amalgamated Company

L B Finance PLC (LBFP) [Company Registration No. PQ 156]

(b) Registered Office of the Amalgamated Company

No. 275/75, Prof. Stanley Wijesundera Mawatha, Colombo 7

(c) Full names and residential addresses of each of the Directors of the Amalgamated Company

- (i) Godewatta Arachchige Rasika Dimuth Prasanna
No. 28, Fonseka Road, Panadura.
- (ii) Moderage Ashane Joseph Waas Jayasekara
No. 400/60/2, Sarana Road,, Bauddhaloka Mawatha, Colombo 07.
- (iii) John Anthony Sunil Sumith Adhihetty
No. 01, Cambridge Terrace, Colombo 07.
- (iv) Niroshan Udage
No. 41/21, Pepiliyana Road, Nedimala, Dehiwela.
- (v) Biyanwilage Dudley St. Auburn Perera
No. 18, Pirivena Road, Mount Lavinia.
- (vi) Ravindra Shanaka Yatawara
No. 19, Queens Road, Colombo 03.
- (vii) Yogadinusha Bhaskaran
No. 12/1, Park Heights Apartments, No. 143, Park Road, Colombo 05,
- (viii) Ashwini Natesan
No. 59, College Street, Colombo 13.
- (ix) Dharmadasa Rangalle
No. 388/A, Pintaliya Road, Pahala Biyanwila, Kadawatha.

- (x) Yanika Amarasekera
No. 03, Sravasti Place (Off Flower Road), Colombo 07.

[Application has been made for the requisite approval of the Director, Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka, in terms of Finance Business Act Directions No. 06 of 2021 for the continuation of office of the above officers, post amalgamation]

(d) **Full name and address of the Secretary of the Amalgamated Company** \

Witharanage Samuel Tharanga Dhanandani Nandasena
No.275/75, Prof. Stanley Wijesundera Mawatha, Colombo 7

[Application has been made for the requisite approval of the Director, Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka, in terms of Finance Business Act Directions No. 06 of 2021 for the appointment and continuation of the above officer, post amalgamation]

(e) **Share Structure of the Amalgamated Company**

Stated Capital of Rs. 838,282,159/- represented by 554,057,136 Ordinary Shares., all of which rank equal and *pari passu* with each other.

(f) **Manner in which the shares of amalgamating company are to be converted into shares of the amalgamated company**

The shares of Multi Finance PLC (MFP) will not be converted into shares of LBFP.

The holders of 22,414,900 shares constituting 35.24% of the issued shares of MFP [which excludes 41,195,281 shares held by LBFP constituting 64.76%], will be paid a cash consideration of Rupees Four and Cents Fifty (Rs.4.50) per share.

- (g) Consideration that a holder of shares is to receive in place of shares of the amalgamating company (if shares of the amalgamating company are not to be converted into shares of the amalgamated company) :

Rupees Four and Cents Fifty (Rs.4.50) per share of MFP.

- (h) Any payment to be made to a shareholder or director of an amalgamating company other than payment of the kind described in paragraph (g) :

Not Applicable

- (i) Details of any arrangement necessary to complete the amalgamation and to provide for the subsequent management and operation of the amalgamated company

:

This amalgamation being part of the Financial Sector Consolidation Plan announced by the Central Bank of Sri Lanka **is conditional upon** the happening of the following events:

- (i) Special Resolutions to give effect to the amalgamation, being passed by the shareholders of both amalgamating companies in terms of the Companies Act, No.7 of 2007.

- (ii) Approval of the Central Bank of Sri Lanka being received for the directorate and the Secretary of the Amalgamated Company, post amalgamation, in terms of the applicable Finance Business Act, Directions.
- (j) Date on which the amalgamation is intended to become effective
25th July 2024.

(2) Articles of Association of the Amalgamated Company [Section 240(2) of the Companies Act]

The Articles of Association of LBFP (the amalgamated company) is different to the model articles set out in the First Schedule to the Companies Act. The Articles of Association of the amalgamated company shall be the same as that of LBFP, which is available for download on the company page [L B Finance PLC] of the Colombo Stock Exchange website www.cse.lk.

(3) Shares held by LBFP in MFP [Section 240(3) of the Companies Act]

The shares held by LBFP in MFP namely, 41,195,281 shares will be cancelled, without payment or the provision of other consideration when the Amalgamation becomes effective.

By Order of the Board
L B Finance PLC

Sgd. Anusha Wijesekara

P W Corporate Secretarial (Pvt) Ltd
Secretaries

June 3, 2024

MULTI FINANCE PLC**Amalgamation of Multi Finance PLC (amalgamating company) with L B Finance PLC
(amalgamated company)****CERTIFICATE REQUIRED UNDER SUB-SECTION (2) OF SECTION 241
OF THE COMPANIES ACT NO.7 OF 2007**

We being the Directors of **Multi Finance PLC**, hereby certify that in our opinion, the conditions set out in Section 241(1)(a) and (b) are satisfied for the reasons given below :

(1) the amalgamation of **the Company with L B Finance PLC** is in the best interests of the Company for the following reasons :

(i) The Company was non-compliant with **the Finance Companies (Minimum Core Capital) Direction No. 02 of 2017**, which has a detrimental impact on the going concern status of the Company as highlighted in the Independent Auditors’ Reports on the Audited Financial Statements of the Company for the years ended 31st March 2019 to 31st March 2023 (both years inclusive), which contained an Emphasis of Matter on Going Concern arising from the said non-compliance.

Due to the said Emphasis of the Matter and the failure to submit a Capital Infusion Plan addressing such non-compliance, which was because of the requirement to amalgamate the Company with L B Finance PLC and appreciating that there would be little point in re-capitalizing the Company only to amalgamate the same with L B Finance PLC as opposed to the Company being allowed to run as an independent stand-alone entity, the Securities of the Company were transferred to the “Watch List” in terms of the Listing Rules of the Colombo Stock Exchange on 10th July 2019 and subsequently, on 14th October 2022, the trading of the said Securities was suspended.

(ii) **The amalgamation is carried out in line with the Masterplan for Consolidation of Non-Bank Financial Institutions** as announced by the Central Bank of Sri Lanka in November 2020, which is applicable to the amalgamating companies, thereby being compliant with the Regulator’s requirements.

(iii) **The shareholders of the Company will receive Rs.4/50 per share**, being the fair value of a share as per a valuation of the shares of the Company carried out by the Auditors of the Company, based on the net book value of the Company as at 30th September 2023.

[Cont...2]

Annex “B1”**Multi Finance PLC**

Amalgamation of Multi Finance PLC (amalgamating company) with L B Finance PLC (amalgamated company)

Certificate required under sub-section (2) of section 241 of the Companies Act No.7 of 2007 (Cont...d)

- (2) L B Finance PLC, being the Amalgamated Company will immediately after the said amalgamation becomes effective, satisfy the Solvency Test (without taking into consideration the Stated Capital of the said company), as the Amalgamated Company would be able to pay its debts as they become due in the normal course of business and the value of the said company’s assets will be greater than the value of the liabilities of the said company.

Signed on this 16th day of May 2024.

Godewatta Arachchige Rasika Dimuth Prasanna

Sgd.

John Anthony Sunil Sumith Adhihetty

Sgd.

Niroshan Udage

Sgd.

Biyanwilage Dudley St. Auburn Perera

Sgd.

Ravindra Shanaka Yatawara

Sgd.

Yogadinusha Bhaskaran

Sgd.

Dharmadasa Rangalle

Sgd.

L B FINANCE PLC**Amalgamation of Multi Finance PLC (amalgamating company) with L B Finance PLC
(amalgamated company)****CERTIFICATE REQUIRED UNDER SUB-SECTION (2) OF SECTION 241
OF THE COMPANIES ACT NO.7 OF 2007**

We being the Directors of **L B Finance PLC (the Company)**, hereby certify that in our opinion, the conditions set out in Section 241(1)(a) and (b) are satisfied for the reasons given below :

- (1) the amalgamation of **Multi Finance PLC with the Company**, is in the best interests of the Company as the amalgamation is carried out in line with the Masterplan for Consolidation of Non-Bank Financial Institutions as announced by the Central Bank of Sri Lanka in November 2020, which is applicable to the amalgamating companies, thereby being compliant with the Regulator’s requirements.
- (2) the Company which will be Amalgamated Company, will immediately after the said amalgamation becomes effective, satisfy the Solvency Test (without taking into consideration the Stated Capital of the Company), as the Company would be able to pay its debts as they become due in the normal course of business and the value of the Company’s assets will be greater than the value of the liabilities of the Company.

Signed on this 16th May 2024.

Godewatta Arachchige Rasika Dimuth Prasanna *Sgd.*

Moderage Ashane Joseph Waas Jayasekara *Sgd.*

John Anthony Sunil Sumith Adhihetty *Sgd.*

Niroshan Udage *Sgd.*

Biyanwilage Dudley St. Auburn Perera *Sgd.*

Ravindra Shanaka Yatawara *Sgd.*

Yogadinusha Bhaskaran *Sgd.*

Ashwini Natesan *Sgd.*

Dharmadasa Rangalle *Sgd.*

Yanika Amarasekera *Sgd.*

MULTI FINANCE PLC**Amalgamation of Multi Finance PLC (amalgamating company) with L B Finance PLC
(amalgamated company)****STATEMENT OF ANY MATERIAL INTERESTS OF ANY DIRECTOR IN THE AMALGAMATION PROPOSAL
AS REQUIRED BY SUB SECTION (3)(d) OF SECTION 241 OF THE COMPANIES ACT NO.7 OF 2007**

We being the Directors of **Multi Finance PLC**, hereby certify in terms of sub-section (3) (d) of Section 241 of the Companies Act No. 07 of 2007, that we have no material interest in the Amalgamation Proposal whether in our capacity as Directors or otherwise, except that :

- (i) Godewatta Arachchige Rasika Dimuth Prasanna, John Anthony Sunil Sumith Adhihetty, Niroshan Udage, Biyanwilage Dudley St. Auburn Perera, Ravindra Shanaka Yatawara, Yogadinusha Bhaskaran and Dharmadasa Rangalle comprising the directorate of the Company also serve as Directors of L B Finance PLC, which will be the Amalgamated Company.
- (ii) L B Finance PLC which will be the Amalgamated Company is the holding company of Multi Finance PLC, with an ownership of 64.76% of the issued shares of Multi Finance PLC, and on completion of amalgamation, the Directors named in (i) above, will be Directors of the Amalgamated Company.
- (iii) The spouse of Mr Dharmadasa Rangalle, who serves as a Director of both L B Finance PLC and Multi Finance PLC, namely, Mrs Pahala Gedara Hewayalage Indranee Chandralatha Rangalle owns 13,869 shares of Multi Finance PLC.

Signed on this 16th day of May 2024.

Godewatta Arachchige Rasika Dimuth Prasanna *Sgd.*

John Anthony Sunil Sumith Adhihetty *Sgd.*

Niroshan Udage *Sgd.*

Biyanwilage Dudley St. Auburn Perera *Sgd.*

Ravindra Shanaka Yatawara *Sgd.*

Yogadinusha Bhaskaran *Sgd.*

Dharmadasa Rangalle *Sgd.*

L B FINANCE PLC**Amalgamation of Multi Finance PLC (amalgamating company) with L B Finance PLC
(amalgamated company)****STATEMENT OF ANY MATERIAL INTERESTS OF ANY DIRECTOR IN THE AMALGAMATION PROPOSAL
AS REQUIRED BY SUB SECTION (3)(d) OF SECTION 241 OF THE COMPANIES ACT NO.7 OF 2007**

We being the Directors of **L B Finance PLC**, hereby certify in terms of sub-section (3) (d) of Section 241 of the Companies Act No. 07 of 2007, that we have no material interest in the Amalgamation Proposal whether in our capacity as Directors or otherwise, except that:

- (i) Seven (7) out of the Ten (10) Directors of the Company, namely, Godewatta Arachchige Rasika Dimuth Prasanna, John Anthony Sunil Sumith Adhihetty, Niroshan Udage, Biyanwilage Dudley St. Auburn Perera, Ravindra Shanaka Yatawara, Yogadinusha Bhaskaran and Dharmadasa Rangalle serve as Directors of Multi Finance PLC, the Amalgamating Company.
- (ii) L B Finance PLC, which will be the Amalgamated Company is the holding company of Multi Finance PLC, with an ownership of 64.76% of the issued shares of Multi Finance PLC, and on completion of amalgamation, the Directors named in (i) above, will be Directors of the Amalgamated Company.
- (iii) The spouse of Mr Dharmadasa Rangalle, who serves as a Director of both L B Finance PLC and Multi Finance PLC, namely, Mrs Pahala Gedara Hewayalage Indranee Chandralatha Rangalle owns 13,869 shares of Multi Finance PLC.

Signed on this 16th day of May 2024.

Godewatta Arachchige Rasika Dimuth Prasanna	<i>Sgd.</i>
Moderage Ashane Joseph Waas Jayasekara	<i>Sgd.</i>
John Anthony Sunil Sumith Adhihetty	<i>Sgd.</i>
Niroshan Udage	<i>Sgd.</i>
Biyanwilage Dudley St. Auburn Perera	<i>Sgd.</i>
Ravindra Shanaka Yatawara	<i>Sgd.</i>
Yogadinusha Bhaskaran	<i>Sgd.</i>
Ashwini Natesan	<i>Sgd.</i>
Dharmadasa Rangalle	<i>Sgd.</i>
Yanika Amarasekera	<i>Sgd.</i>

IMPORTANT – Rights of a dissenting shareholder in terms of Section 93 of the Companies Act

In respect of the Special Resolutions set out in the Notice of Extraordinary General Meeting, we set out below the rights of a dissenting shareholder as enumerated in sections 92, 93, 94 and 95 of the Act:

- 1) A shareholder who casts all the votes against the resolution shall be entitled to in writing to require the company within 10 working days of the passing of the resolution at the meeting of shareholders to require the company to purchase those shares.
- 2) Within 20 working days of receiving the written notice the Board shall agree to purchase the shares either by the Company or arrange for some other person to agree to purchase the shares in terms of Section 94(2) of the Act.
- 3) The Board shall give notice in writing within 5 working days nominating a fair and reasonable price at which the shares would be purchased.
- 4) Upon receipt of the notice by the dissenting shareholder the shares are deemed to have been purchased by the Company.
- 5) A dissenting shareholder who considers that the price nominated by the Board is not fair or reasonable, shall forthwith give a notice of objection to the Company.
- 6) If within 10 working days of giving notice to a dissenting shareholder an objection is not received by the Company, the Company shall forthwith pay the price nominated by it to the dissenting shareholder.
- 7) If within 10 working days of giving notice to a dissenting shareholder an objection to the price has been received by the Company, the Company shall within 5 working days refer the question as to what amounts to a “fair and reasonable price” to the Auditors of the Company. Upon such reference the Auditors shall expeditiously determine the “fair and reasonable price”.
- 8) Where the Company fails to refer the matter to the Company’s Auditors or the dissenting shareholder is not satisfied with the price determined by the Auditors he may apply to Court to appoint a fit and proper person to determine a fair and reasonable price for the shares.
- 9) The Court may appoint such person as it may think fit to make such determination.”

L B FINANCE PLC

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Shareholders of L B Finance PLC (the Company) will be held on 28th June 2024, at the Corporate Office of the Company, No.20, Dharmapala Mawatha, Colombo 3, at 9.00 a.m. [or as soon thereafter as the Annual General Meeting which has been convened for the same day and place at 8.30 a.m. shall have been concluded or adjourned] for the following purpose:

AMALGAMATION OF MULTI FINANCE PLC WITH THE COMPANY

To consider and if thought fit to pass the following Resolution as a SPECIAL RESOLUTION:

“IT IS HEREBY RESOLVED that Multi Finance PLC be amalgamated with L B Finance PLC in terms of Section 239 of the Companies Act, No.07 of 2007 as per the Amalgamation Proposal marked as Annex “A” attached to the Circular dated 3rd June 2024 enclosed with this Notice of Meeting, to continue as One Company and that the Company to so continue shall be L B Finance PLC.”

**By Order of the Board
L B Finance PLC**

Sgd. Anusha Wijesekara

**P W Corporate Secretarial (Pvt) Ltd
Secretaries**

June 3, 2024

Note:

- (1) A shareholder entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of him/her. A Proxy need not be a shareholder of the Company.
- (2) The completed Form of Proxy should be received by the Registered Office of the Company at No. 275/75, Prof. Stanley Wijesundera Mawatha, Colombo 7 not later 9 a.m. on 26th June 2024.
- (3) A Form of Proxy accompanies this Notice.

If undelivered, please return to:

L B FINANCE PLC
C/o P W CORPORATE SECRETARIAL (PVT) LTD
No.3/17, Kynsey Road, Colombo 08.