

Business Intelligence (Private) Limited

8 Tickell Road Colombo 8 Sri Lanka
Telephone : +94 11 2015900
Fax : +94 11 2015950, 2015960
E-mail : bil@msl.lk
Company Reg. No.: PV 4598

01st September 2022

Ms. Nilupa Perera
Head of Trading, Market Surveillance & Corporate Affairs
Colombo Stock Exchange
#04-01 West Block
World Trade Centre, Echelon Square,
Colombo 00100

Dear Madam

MULTI FINANCE PLC
ENFORCEMENT PROCEDURE FOR INDEPENDENT AUDITOR'S REPORT CONTAINING AN
EMPHASIS OF MATTER

Further to the previous monthly announcements made in terms of Rule 7.5 (d) (ii) (A)(6) of the Listing Rules of the Colombo Stock Exchange (CSE), Multi Finance PLC (the Company) hereby announces that

- (1) The Securities of the Company were transferred to the "Watch List" in terms of Rule 7.5 (d) (ii) A (4) of the Listing Rules of the Colombo Stock Exchange (CSE) (Enforcement Rules), due to the Independent Auditor's Report on the Audited Financial Statements of the Company for the years ended 31/03/2019, 31/03/2020, 31/03/2021 and 31/03/2022 containing an Emphasis of Matter on Going Concern relating to non-compliance with Finance Companies (Minimum Core Capital) Direction No. 02 of 2017. The initial transfer to the Watch List was on 10th July 2019, which was followed by the transfers made on 14th September 2020, 9th July 2021 and 7th July 2022.

Consequent applications made by the Company, 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 31/12/2020, 30/06/2021, 31/12/2021 and 31/03/2022 respectively, whereby suspension of trading in securities was deferred.

- (2) The final deferment from suspension of trading in securities of the Company, granted by the SEC expired on the 31st day of March 2022; and

The Company has sought a further deferment from the SEC and is currently in the process of providing further clarifications sought by them to resolve the matter giving rise to the emphasis of matter on going concern, in order to secure that the dealings in shares of the Company will not be suspended and /or to restore the dealings in shares if suspended, based on the steps taken by the Company as reported below.

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- (a) As per the proposal forwarded to Central Bank of Sri Lanka (CBSL) in accordance with the Master Plan for Consolidation of Non-Bank Financial Institutions (NBFIs), the Monetary Board of CBSL granted approval in-principle on 10th December 2021, for the acquisition of the shares of the Company as disclosed in LBFP's announcement dated 31st January 2022. The said Announcement further disclosed that, as required by the CBSL, the Company is to be amalgamated with LBFP once the current legal impediments against such amalgamation are resolved.

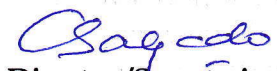
The initial acquisition by LBFP of the shares held by the majority shareholder, Fairway Holdings (Private) Limited amounting to 41,110,075 shares (64.63%) took place on 16th March 2022.

- (b) Consequent to the above initial acquisition, LBFP, in terms of Rule 31(1)(a) of the Company Take-overs and Merges Code 1995, made a Mandatory Offer to the Shareholders of the Company and completed same on 30th May 2022. Accordingly, balance steps in respect of the Master Plan for consolidation of non-bank financial sector is to be completed under the advice of CBSL as per CBSL's Consolidation Plan for NBFIs. The strategic direction of the entity is under discussion and not yet finalized.
- (c) Subsequent to the aforesaid transactions, the Company is expected to fulfil the, the Auditors' observation on emphasis of matter which, would be addressed and resolved.
- (3) As per the corporate disclosure in terms of section 8 of the Listing Rules dated 13th July 2022, the accumulated losses (unaudited) of the Company as of 31.03.2022 has amounted to Rs. 616,219,637, resulting in the Net Assets of the Company reaching below 50% of the Stated Capital of the Company. In terms of section 220 of the Companies Act No,07 of 2007, the Company convened an Extra Ordinary General Meeting on 26th August 2022 and advised the Shareholders on the status and presented the Directors Report in compliance with the regulatory requirements.

In terms of Rule 7.5(d)(ii)(A)(5)(d) of the Listing Rules of the CSE, the Company further announces that,

- (i) In the event of any deviation from the proposed remedial action, the extent of the deviation shall be communicated to the investors by way of a subsequent announcement to the market via CSE within one (01) market day from the date of obtaining the approval of the Board of Directors of the Company for such deviation.
- (ii) In the event the matters giving rise to the emphasis of matter on going concern are not resolved within the extended period as granted by the SEC, the trading of Securities of the Company shall be suspended. In the event the trading suspension continues for a period in excess of twelve (12) months, the Securities of the Company shall be delisted by the Board of Directors of the CSE in terms of Rule 11.3 (a) of the Listing Rules.
- (iii) In the event the matters giving rise to the emphasis of matter on going concern are resolved and such fact is independently verified by an auditor during the period the Securities of the Company are on the Watch List, it shall be announced to the Market via the CSE forthwith.

By order of the Board
MULTI FINANCE PLC
BUSINESS INTELLIGENCE (PRIVATE) LIMITED


Director / Secretaries