

"THIS DOCUMENT IS OF VALUE"

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER OR OTHER PROFESSIONAL ADVISOR IMMEDIATELY

CIRCULAR TO SHAREHOLDERS



**PEOPLE'S MERCHANT FINANCE PLC
(PQ 200)**

January 29, 2021

Dear Shareholders,

1. BACKGROUND

People's Merchant Finance PLC ("PMF" or the "Company") is a Licensed Finance Company ("LFC") incorporated in 1983. As the major shareholder, Sterling Capital Investments (Private) Limited ("SCIPL") holds a 68.20% controlling stake in the Company, whilst People's Bank, People's Leasing and Finance PLC (a subsidiary of People's Bank) and the public hold 16.06%, 11.86% and 3.89% of the ordinary shares of the Company respectively with the successful completion of private placement and the Rights Issue in 2019 to meet the minimum capital requirements stipulated for the year 2019.

The Company is now required to raise sufficient funding in order to meet the minimum capital requirements stipulated by the Monetary Board of the Central Bank of Sri Lanka (CBSL) under the Finance Business Act No. 42 of 2011 as per the Finance Business Act Direction No. 02 of 2017 issued on February 23, 2017. In this regard, the Company proposes to raise a total of Sri Lanka Rupees Eight Hundred and Eleven Million and Eight Hundred and Sixty Eight Thousand Seven Hundred and Fifty (LKR 811,868,750) via a rights issue of shares towards meeting the minimum capital requirement of LKR 2.0 Billion stipulated by the Monetary Board as at December 31, 2020 further to the press release made by CBSL on April 12, 2020. The subscription in full of the Rights Issue will increase the core capital of the Company from LKR 1,217.8 Mn to LKR 2,029.7 Mn upon completion of the Rights Issue.

2. RIGHTS ISSUE OF 115,981,250 NEW ORDINARY VOTING SHARES EACH ISSUED AT LKR 7.00 PER SHARE

As per the disclosure made to Colombo Stock of Exchange ("CSE") on January 15, 2021, the Board of Directors of the Company resolved on September 30, 2020 to issue One Hundred and Fifteen Million Nine Hundred and Eighty One Thousand Two Hundred and Fifty (115,981,250) ordinary voting shares by way of a rights issue of shares based on a ratio of Eleven (11) new ordinary voting shares for every Twenty (20) existing ordinary voting shares held in the Company, to the holders of issued ordinary voting shares of the Company at a consideration of Sri Lanka Rupees Seven (LKR 7.00) per share (the "Rights Issue"). Accordingly, the Company expects to raise up to Sri Lanka Rupees Eight Hundred and Eleven Million and Eight Hundred and Sixty Eight Thousand Seven Hundred and Fifty (LKR 811,868,750) through the Rights Issue towards meeting the minimum capital requirement envisaged by the CBSL.

The consideration at which the ordinary voting shares will be issued under the Rights Issue will be Sri Lanka Rupees Seven (LKR 7.00) per share and such consideration is, in opinion of the Board of Directors of the Company, fair and reasonable to the Company and all its existing shareholders as required by the Companies Act No. 07 of 2007 (the "Companies Act").

The new ordinary voting shares so provisionally allotted through the Rights Issue will rank *pari passu* in all respects with the existing ordinary voting shares of the Company including the right to participate in any dividend declared upon the final allotment which shall be after the last date of acceptance and payment.

Any fractions of ordinary voting shares arising from the computation of ordinary voting shares that each shareholder will be entitled to under the Rights Issue, based on the above ratio of Eleven (11) new ordinary voting shares for every Twenty (20) existing ordinary voting shares held, will be deemed to be declined by the shareholders and be aggregated into whole ordinary voting shares (with any fractions arising from such aggregation being disregarded) and the whole ordinary voting shares arising from such aggregation will be pooled together and allotted to the shareholders who have applied for additional ordinary voting shares in the manner set forth in Section 2.2.

2.1 UNDERWRITING ARRANGEMENTS

The Rights Issue has not been underwritten. However, SCIPL has given an undertaking to subscribe up to all of the ordinary voting shares not subscribed by any other shareholders of the Company, subject to and in accordance with the basis of allocation referred to in Section 2.2.

2.2 ALLOCATION OF SHARES NOT ACCEPTED BY SHAREHOLDERS

The ordinary voting shares that are not subscribed as at the last date for acceptance, the new ordinary voting shares for which payment has not been duly and validly received by the Company as at the last date for acceptance and payment, and the whole ordinary voting shares arising from the aggregation of fractional entitlements as aforesaid will be deemed to be rights not accepted by the shareholders under the Rights Issue and will be pooled together for allocation to shareholders who have applied for additional shares. Fractional entitlements referred to herein are the fractions arising after applying following formula:

Number of shares held by a shareholder as at end of trading on the Provisional Date of Allotment * 11

20

All ordinary voting shares that are not accepted by any of the shareholders as at the last date for acceptance and ordinary voting shares for which payment has not been duly and validly received by the Company as at the last date for acceptance and payment shall be allotted and issued to shareholders on a fair and reasonable basis determined by the Board of Directors that will allow the Company to increase its public holding percentage to the extent possible.

2.3 APPLICATION FOR RIGHTS

Upon the shareholders approving the requisite resolution giving effect to the Rights Issue set out in the attached "Notice of Meeting", 115,981,250 ordinary voting shares will be provisionally allotted to the shareholders in the proportion of Eleven (11) new ordinary voting shares for every Twenty (20) existing ordinary voting shares held by such shareholders as at end of trading on February 18, 2021 (hereinafter referred to as the "Date of Provisional Allotment").

Provisional Letters of Allotment, with provisions for renunciation in favour of the CDS, will be dispatched to shareholders within five (5) market days from and excluding the Date of Provisional Allotment. Applications for additional ordinary voting shares will also be permitted.

2.4 UPLOADING OF SHARES

As per the Directive of the Securities and Exchange Commission of Sri Lanka (SEC) made under circular No.08/2010 dated November 22, 2010 and circular No.13/2010 issued by the CDS dated November 30, 2010, share certificates will not be issued and all ordinary voting shares allotted will be directly uploaded to the CDS Accounts within twelve (12) market days from the last date of acceptance and payment as per the Listing Rules of the CSE. As such all shareholders who accept rights, should indicate their CDS Account Number in Form 'A' - Letter of Acceptance and Registration. Shareholders/Applicants who do not have a CDS Account are advised to open a CDS Account, prior to submitting the completed Form 'A' in order to facilitate the uploading of the allotted shares to them.

Forms which do not carry a valid CDS Account Number or which indicate an incorrect/inaccurate CDS Account Number will not be uploaded on the date specified for upload by the Listing Rules of the CSE. They will only be registered in the share ledger maintained by the Company and will not be issued a share certificate but would be issued an acknowledgement that the new ordinary voting shares are registered in the share ledger. Such shareholders would not be able to trade in the new ordinary voting shares until such time the same have been deposited with the CDS. Therefore, please ensure strict adherence to the Directive issued by the SEC.

Please note that share certificates will not be issued in respect of ordinary voting shares allotted in this issue.

Shareholders/Applicants have the option of having their ordinary voting shares "Locked" in the CDS. Ordinary voting shares that are locked would not be available for trading purposes and would not be visible to the participants. Shareholders/Applicants who wish to lock their ordinary voting shares allotted in this issue should indicate such preference in the Section provided in the Provisional Letter of Allotment (Form 'A' and Form 'C'). Ordinary voting shares of shareholders/Applicants, who do not request to lock their ordinary voting shares, would be deposited to their "trading balance" in the CDS Account. However, at the option and request of the Account Holder, the CDS would transfer a named quantity of ordinary voting shares from the locked balance to the trading balance of the CDS Account and/or from the trading balance to the locked balance of the CDS Account.

2.5 DECLARATIONS/APPROVALS IN RESPECT OF PROPOSED RIGHTS ISSUE

Approval in principle has been obtained from the CSE for the issue and the listing of ordinary voting shares under the Rights Issue, subject to the approval of shareholders of the Company.

The Company has applied for and obtained the approval in writing of the Director of the Department of Supervision of Non-Bank Financial Institutions of the CBSL (pursuant to approval being granted by the Monetary Board of the CBSL) for the issue of the ordinary voting shares under the Rights Issue via letter dated October 29, 2020.

The Company further confirms that no other approval is required for the proposed Rights Issue other than the approvals stated herein.

Trading of the "Rights" shall commence on the fourth (4th) market day from and excluding the date of dispatch of Provisional Letter of Allotment. Such trading shall continue throughout the period of renunciation to the CDS.

The listing of the shares to be issued under the Rights Issue, by the CSE will, in no way be reflective of the merits of the issue. The CSE assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports included.

The Directors of the Company collectively and individually accept full responsibility for the accuracy of the information given and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief that there are no other facts, the omission of which would render any statement in the Circular misleading.

3. PARTICULARS PERTAINING TO THE RIGHTS ISSUE

3.1 PURPOSE OF THE RIGHTS ISSUE AND THE UTILISATION OF PROCEEDS

Objective 1: Meet the Minimum Capital Obligations Stipulated by the CBSL

As per the Directions issued by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No.42 of 2011, Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) has to meet the minimum capital obligations stipulated by the CBSL. However, as per the CBSL press release dated April 12, 2020, the Monetary Board of the CBSL decided to introduce number of measures to provide flexibility to NBFIs namely LFCs and SLCs, facilitating them to support businesses and individuals affected by the outbreak of COVID-19. These measures include relaxation of regulatory requirements and granting liquidity support for needy LFCs. Accordingly, LFCs/SLCs has granted an extension of one year to comply with minimum core capital requirements as follows:

Minimum Core Capital (LKR Bn)	Original Regulatory Minimum Core Capital Requirement	Revised Regulatory Minimum Core Capital Requirement
1.0	January 01, 2018	January 01, 2018
1.5	January 01, 2019	January 01, 2019
2.0	January 01, 2020	December 31, 2020
2.5	January 01, 2021	December 31, 2021

Thus, the aforementioned proceeds of the Rights Issue amounting to LKR 811,868,750 are expected to increase the core capital of the Company to c. LKR 2.0 billion. However, due to Rights Issue execution process being delayed, as requested by the CBSL via the letter dated October 29, 2020, SCIPL has deposited the requisite funds in an account of PMF and communicated the same on January 01, 2021 to the CBSL with an undertaking by SCIPL to utilise such funds for the proposed Rights Issue to the extent required.

The funds raised via the Rights Issue will also change the capital structure of the Company as illustrated in the table below.

Item	*Pre-RI	*Post RI
Tier I Capital (LKR '000)	1,217,845	2,029,714
Tier II Capital (LKR '000)	(563)	(563)
Total Capital (LKR '000)	1,217,282	2,029,151
Total Risk Weighted Amount (LKR '000)	3,794,243	3,794,243
Core Capital Ratio (%)	32.10%	53.49%
Total Capital Ratio (%)	32.08%	53.48%

**as at September 30, 2020*

**capital structure is calculated on the assumption that the rights will be fully subscribed*

The strengthening of the capital base would enable the Company to meet regulatory requirements and thereafter maintain healthy capital adequacy levels.

Objective 2: Part Finance the Growth in the Loan Portfolio of the Company

The Company also intends to utilise the proceeds of the Rights Issue to expand its loan book in the ordinary course of business within 12 months based on the anticipated demand for credit. The Company will invest any proceeds not utilised for the time being for Objective 2 in either one or a combination of Government Securities, deposits in Licensed Commercial Banks and Money Market funds generating a minimum return equivalent to the prevailing overnight REPO rate until the need arises for such utilization. The monthly average disbursements made by PMF for the period from May 01, 2020 to September 30, 2020 amounts to LKR 201 Million. The disbursements carried out in the past may not be reflective of the disbursements that may be made by the Company upon completion of the Rights Issue of shares contemplated herewith.

The Company, as at the date of this Circular, has not recognised related parties for the lending of the proceeds from the fund raisings and as such, the Company will disburse the proceeds in the ordinary course of business. In the event the Company decides to disburse part of the proceeds of this issue to any related party, such disbursements would be carried out in compliance with Rule 9 of the Listing Rules of the CSE.

The members of the Related Party Transactions Review Committee ("RPT Committee") of the Company are as follows:

Mr. C.S.Manoharan	Chairman	Non-Executive Director Independent Director
Mr. K.R.P.Madusanka	Member	Non-Executive Director Non-Independent Director
Mr.D.N.Daluwatte	Member	Non-Executive Director Non-Independent Director

The Rights Issue and objectives thereof do not amount to a major transaction as per the Companies Act.

It is expected that the improvement in capital adequacy levels via the funds raised through the Rights Issue would enhance the stability of business operations of the Company thereby enabling the Company to expand its loan portfolio. The proposed Rights Issue would extend an opportunity for the shareholders to be part of the growth of the Company and benefit from returns in the future through improvement in expected profitability.

Utilisation of Proceeds

The Company will disclose the information pertaining to the utilisation of funds raised through the Rights Issue in the Annual Report and Interim Financial Statements from the date of raising funds until the objectives are achieved and funds are fully utilised as per the template referred to below.

Objective Number	Objective as per Circular	Amount Allocated as per Circular (LKR Mn)	Proposed Date of Utilisation as per Circular	Amount Allocated from Proceeds (LKR Mn) (A)	% of Total Proceeds	Amounts Utilised (LKR Mn) (B)	% of Utilisation against Allocation (B/A)	Clarification if not fully utilised including where the funds are invested (e.g. whether lent to related parties etc.)

In the event the proceeds raised are fully utilised in terms of the objectives disclosed in the Circular to Shareholders prior to submission of the Company's next immediate financial statements (i.e. either Interim Financial Statements or Annual Report which will be available at <https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=PMB.N0000>), the Company would disclose to the CSE the fact that proceeds have been utilised in its entirety as per the above template.

Further, utilization of the proceeds of the Private Placement (LKR 160,075,000) and Rights Issue (LKR 1,201,987,500) amounting to LKR 1,362,062,500 in year 2019 are as follows:

Objective Number	Objective as per Circular	Amount Allocated as per Circular (LKR Mn)	Proposed Date of Utilisation as per Circular	Amount Allocated from Proceeds (LKR Mn) (A)	% of Total Proceeds	Amounts Utilised (LKR Mn) (B)	% of Utilisation against Allocation (B/A)
1	Meeting the Minimum Capital obligation Stipulated by the CBSL	1,362.1	March 27, 2019 (Date of the Private Placement) May 13, 2019 (Date of the Rights Issue)	1,362.1	100%	1,362.1	100%
2	Settlement of the Short - term facility obtained from People's Bank	503.7	At the expiry of 3 months from the date of completion of the rights issue	503.7	37%	503.7	100%
3	Part Finance the Growth in the Loan Portfolio of the Company	858.4	In the ordinary course of business within the next 12 months from the date of allotment	551.5 for Leasing and 306.8 for Loans	63%	858.4	100%

3.2 SPECIFIC RISKS RELATING TO THE OBJECTIVES OF THE RIGHTS ISSUE

As detailed in Section 2.1, SCIPL has given an undertaking to subscribe for its entitlement and all other ordinary voting shares offered under the Rights Issue not accepted by any other shareholders after allotment in full to shareholders who have applied for additional Rights and hence the risk of the minimum required amount of funds not being raised is eliminated.

The funds raised through the Rights Issue will be utilised to meet the activities described under Section 3.1.

The Company does not foresee any deviations from its objectives or delays in deploying the funds raised via the Rights Issue as mentioned above during the time frames stipulated. However, if the funds raised are utilised for any purpose, other than the purposes mentioned above or if there are any delays in deploying the funds raised via the Rights Issue as mentioned above during the time frames stipulated, the Company will make necessary disclosures to the shareholders (via the CSE and in next immediate Interim Financial Statements or Annual Report) and take necessary steps to obtain the approvals of the relevant parties including the shareholders as appropriate at that point in time.

The Company expects to meet the Objective 1 mentioned under Section 3.1 immediately upon the allotment of shares through the Rights Issue.

3.3 PUBLIC HOLDING

The percentage of ordinary voting shares held by public shareholders as at December 31, 2020 was 3.89% and number of shareholders representing such public holding was 9,907. The Company is currently not in compliance with the minimum public holding requirements of the CSE. However, further to the announcement dated January 11, 2021, the Company is in the process of evaluating options available to comply with the said requirements. The Company will finalise the steps to be adopted by the Company to comply with the minimum public holding requirement upon the conclusion of this Rights Issue and depending on the level of public subscription.

In the event the Company does not comply with the minimum public holding requirement on or before February 05, 2021, the shares of the Company will be moved to the Second Board as stipulated under Rule 7.13 of the Listing Rules of the Colombo Stock Exchange.

3.4 CAPITAL STRUCTURE

Stated Capital of the Company post Rights Issue, based on the assumption that the Rights Issue will be fully subscribed, is as follows.

	Pre-Rights Issue*	Via Rights Issue	Post Rights Issue
Number of Ordinary Voting Shares	210,875,000	115,981,250	326,856,250
Stated Capital (LKR)	2,440,290,000	811,868,750	3,252,158,750

Note: *as at September 30, 2020

4. MARKET PERFORMANCE

The market price of the ordinary voting shares of the Company as at January 21, 2021 (i.e. the latest practicable date prior to dispatching of the Circular to Shareholders) is LKR 9.70.

The high, low, last traded prices, number of trades and share volume of the ordinary voting shares of the Company during the preceding three month period are as follows;

Month	High (LKR)	Low (LKR)	Last Traded (LKR)	Number of Trades	Share Volume
October - 2020	10.30	8.50	9.20	178	125,770
November - 2020	9.60	8.40	8.40	202	181,689
December - 2020	9.30	8.40	8.60	218	239,025

Source: Colombo Stock Exchange – Monthly Details

5. CONTINGENT LIABILITIES

There are no material changes to the contingent liabilities and litigations from the position disclosed in the Interim Financial Statements for the period ended September 30, 2020.

6. SHAREHOLDER INFORMATION

Top 20 largest shareholders of the Company as at December 31, 2020.

	Name	Number of Shares	
1	Sterling Capital Investments (Private) Limited	143,809,123	68.20%
2	People's Bank	33,856,246	16.06%
3	People's Leasing & Finance PLC	25,014,002	11.86%
4	Mr. L. De Fonseka	1,000,000	0.47%
5	Mr. H. G. Pakianathan	360,993	0.17%
6	People's Leasing & Finance Plc/Dr.H.S.D.Soyas & Mrs.G.Soyas	310,704	0.15%
7	Mr. Z. G. Carimjee	200,000	0.09%
8	Mr. H. Beruwalage	116,200	0.06%
9	Mr. B. W. Kundanmal	102,100	0.05%
10	Mrs. R. D. Jayawardana/ Mr. S. Munaweera	100,987	0.05%
11	Mr. P. K. Biswas	100,000	0.05%
12	Merchant Bank of Sri Lanka/ Mr. C.N.Pakianathan	92,975	0.04%
13	Mr. A. H. Munasinghe	84,084	0.04%
14	Mrs. R. D. Jayawardana	77,667	0.04%
16	Mr. S. Munaweera/ Mrs. R.D. Jayawardana	77,167	0.04%
17	Mr M.D.W.J.A. Gunathilake	77,021	0.04%
17	People's Leasing & Finance PLC/ L.P.Hapangama	76,335	0.04%
18	Dr. G. R. Constantine	70,315	0.03%
19	Mr. S. Munaweera	69,900	0.03%
20	Sandawe Limited	68,901	0.03%
	Others	5,210,280	2.47%
	Total	210,875,000	100.00%

Public Float

The percentage of ordinary shares held by the public as at December 31, 2020, was 3.89% and number of shareholders representing the public holding was 9,907.

7. DIVIDEND HISTORY

The Company has not declared any dividends during the past three (03) financial years.

8. CORPORATE GOVERNANCE PRACTICES

The Company is in compliance with Corporate Governance Requirements of the Listing Rules of the CSE.

9. PERFORMANCE OF THE COMPANY

The Company has made continuous losses for the period from FY2012/13 to FY19/20. However, with the acquisition of PMF in 2019 by SCIPL, the current major shareholder, PMF has recorded only a nominal loss of LKR 5.8 Mn for the 6 months ended September 30, 2020 with the LKR 22.3 Mn profit recorded for the quarter ended September 30, 2020. The continuous improvements and actions by the Board of Directors and the Management of PMF over the period have resulted in this turnaround. In light of the above, management of PMF is of the view that the Company will continue to improve their performance. Furthermore, the senior management of PMF is positive and confident on the general business outlook thereafter.

10. DIRECTORS' RECOMMENDATION

The Board of Directors of the Company recommends the Rights Issue in the manner referred to aforesaid, subject to shareholder approval at an Extraordinary General Meeting convened for February 18, 2021.

11. EXTRAORDINARY GENERAL MEETING

The Extraordinary General Meeting ("EGM"), notice of which is enclosed, will be held on February 18, 2021 at 9.30 a.m. The requisite resolution giving effect to the above Rights Issue is given in the Notice of the Meeting enclosed herewith.

If you are unable to attend the EGM, you are entitled to appoint a proxy to attend and vote on your behalf. In such an event, please complete and return the enclosed Form of Proxy (in accordance with the instructions specified therein) to the Registered Office of the Company, not less than forty eight (48) hours before the time appointed for the holding of the EGM so that your proxy could represent you thereat and exercise your vote in accordance with your directions.

Yours faithfully,

By Order of the Board

PEOPLE'S MERCHANT FINANCE PLC

Company Secretary

PEOPLE'S MERCHANT FINANCE PLC

PQ 200

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of People's Merchant Finance PLC (the "Company") will be held on February 18, 2021, at 9.30 a.m. at People's Merchant Finance PLC Office Complex at No 21, Nawam Mawatha, Colombo 02, for the following purpose:

Rights Issue of Ordinary Voting Shares

To consider and if thought fit, pass the following resolution by way of an Ordinary Resolution, which shall become effective, ipso facto, upon the issue of the ordinary voting shares under the rights issue referred to above.

"THAT the Company do issue up to a further One Hundred and Fifteen Million Nine Hundred and Eighty One Thousand Two Hundred and Fifty (115,981,250) ordinary voting shares ranking *pari passu* in all respects with the existing ordinary voting shares of the Company, by way of a rights issue of shares to all of the holders of the ordinary voting shares of the Company ("Rights Issue") based on a ratio of Eleven (11) new ordinary voting shares for every Twenty (20) existing ordinary voting shares by the shareholders as at end of trading on February 18, 2021 at a consideration of Sri Lanka Rupees Seven (LKR 7.00) per share, to raise an amount of up to Sri Lanka Rupees Eight Hundred and Eleven Million and Eight Hundred and Sixty Eight Thousand Seven Hundred and Fifty (LKR 811,868,750), with a view to meeting the minimum capital requirements of the Company in compliance with the Directions issued by the Monetary Board of the Central Bank of Sri Lanka under the Finance Business Act No.42 of 2011.

THAT any fractions of ordinary voting shares arising from the computation of ordinary voting shares that each shareholders will be entitled to under the Rights Issue as per the above ratio of Eleven (11) new ordinary voting shares for every Twenty (20) existing ordinary voting shares held based on the formula referred to in the Circular dated January 29, 2021, shall be aggregated into whole ordinary voting shares (with any fractions arising from such aggregation being disregarded) and be pooled together for allocation to shareholders who have applied for additional shares based on the basis of allocation referred to below.

THAT the ordinary voting shares that are not subscribed as at the last date for acceptance, the new ordinary voting shares for which payment has not been duly and validly received by the Company as at the last date for acceptance and payment and the whole ordinary voting shares arising from the aggregation fractional entitlements as aforesaid shall be deemed to be rights not accepted by the shareholders under the Rights Issue and shall be pooled together for allocation to shareholders who have applied for additional shares.

All ordinary voting shares that are not accepted by any of the shareholders as at the last date for acceptance and ordinary voting shares for which payment has not been duly and validly received by the Company as at the last date for acceptance and payment shall be allotted and issued to shareholders who have applied for additional ordinary voting shares on a on a fair and reasonable basis determined by the Board of Directors that will allow the Company to increase its public holding percentage to the extent possible.

By Order of the Board

PEOPLE'S MERCHANT FINANCE PLC



Company Secretary

January 29, 2021

Note:

1. The meeting is to be held in line with the guidelines given by the Colombo Stock Exchange and the health authorities and as per the applicable laws.
2. In the interest of protecting public health and facilitating compliance with the Health and Safety guidelines issued by the authorities, the Extraordinary General Meeting will be held by participants assembling physically and through audio or audio and visual means in the manner set forth below:
 - (i) The Chairman, certain members of the Board of Directors, the Chief Executive Officer, the Company Secretary, the Auditor of the Company, the representatives of the Managers to the Rights Issue and the Legal Counsel will be assembled at People's Merchant Finance PLC Office Complex at No 21, Nawam Mawatha, Colombo 02 (the "Venue");
 - (ii) A maximum of 60 shareholders (who registers with the Company for participation in the Extraordinary General Meeting on a first come first serve basis by completing the registration form attached hereto and forwarding the same to the Registered Office of the Company at People's Merchant Finance PLC Office Complex at No 21, Nawam Mawatha, Colombo 02 not less than 48 hours before the meeting) will also be allowed to assemble physically and participate in the meeting at the Venue either in person or by proxy;
 - (iii) All shareholders who, on registration as referred to (ii) above, do not get the opportunity to participate in the meeting by assembling physically at the Venue and shareholders who wish to participate at the meeting remotely through audio or audio and visual means, may participate in the Extraordinary General Meeting via the Zoom. For the shareholders referred to herein who wish to participate at the meeting through audio or audio and visual means should forward their e-mail address to info@pmb.lk not less than 48 hours prior to the time fixed for the meeting to enable the Company to share the meeting logging information.
3. All individuals participating at the Extraordinary General Meeting remotely through audio or audio and visual means are required to identify themselves at the time of voting. Further, Individuals must also identify themselves when speaking at the Extraordinary General Meeting during the time allotted for comments by shareholders as directed by the Chairman. At that point, the individual will be required to give his/her name and address for purposes of identification as a shareholder or proxy.
4. If the Company is unable to post this Notice due to the prevailing situation in the Country, this Notice will be published in one issue of a daily newspaper in the Sinhala, Tamil and English languages. The Notice will also be published in the Website of the Colombo Stock Exchange and the Website of the Company.
5. A shareholder entitled to attend and vote at the meeting is entitled to appoint a Proxy holder to attend and vote in his/her stead.
6. A Proxy holder need not be a shareholder of the Company.
7. The Form of Proxy is sent herewith. The completed Form of Proxy must be deposited at the Head Office of the Company, at No.21, Nawam Mawatha, Colombo 02. not later than 48 hours prior to the time appointed for the holding of the meeting in accordance with Article 17 (4) of the Articles of Association of the Company.
8. Shareholders/Proxy holders attending the meeting are requested to bring their National Identity Cards.
9. The shareholders who are unable to participate at the Extraordinary General Meeting physically or via audio or audio and visual means could send their queries, if any, to email address info@pmb.lk any time before the meeting time and the responses to same will be included in the minutes of the meeting.
10. In the event of any regulation, decision or directive issued by the Government of Sri Lanka or the health authorities in view of the prevailing situation in the Country or the occurrence of any other unforeseen circumstances, that affects the ability of the Company to (i) conduct the meeting at the Venue and/or (ii) allow shareholders and other individuals to physically assemble at the place of the meeting, the Extraordinary General Meeting will be conducted on the same date and at the same time specified in the Notice February 18, 2021, at 9.30 a.m. only through audio or audio and visual means via the Zoom. Upon a decision is made to change the method of conduct of the meeting as aforementioned, the Company will immediately publish a Notice in the Website of the Colombo Stock Exchange, the Website of the Company and in one issue of a daily newspaper in the Sinhala, Tamil and English languages, notifying of the change and providing all necessary information to facilitate the participation by shareholders at the meeting remotely through audio or audio and visual means.

PEOPLE'S MERCHANT FINANCE PLC
PQ 200

FORM OF PROXY

I/We.....
..... of
..... being a Member/Members of the above-named Company, hereby appoint
.....holder of NIC
No.....of.....
.....
.....or failing him/her

as my/our Proxy to represent me/us and to vote for me/us and on my/our behalf at the Extraordinary General Meeting of the Company to be held on February 18, 2021 and at any adjournment thereof and at every poll which may be taken in consequence thereof. I/We the undersigned hereby authorise my/our Proxy to vote on my/our behalf in accordance with the preference indicated below:

	For	Against
To pass the Ordinary Resolution set out in the notice convening the meeting	☐	☐

Signed this day of 2021

.....
Signature(s) of Shareholder(s)

Instructions for Completion of Form of Proxy

- In order to appoint a Proxy holder, kindly complete the Form of Proxy. The full name and the registered address of the member appointing the Proxy should be legibly entered in the Form of Proxy and should be signed and dated by the member. The duly completed Form of Proxy must be deposited at the Registered Office of the Company, at No.21, Nawam Mawatha, Colombo 02.
- If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney or a notarial certified copy thereof, should also accompany the completed Form of Proxy if the Power of Attorney has not already been registered with the Company.
- If you wish to appoint a person other than the Chairman or a Director of the Company as your Proxy, please insert the relevant information in the Form of Proxy.
- The Proxy holder appointed need not be a shareholder of the Company.
- In case of a corporate member, the Proxy must be executed under its common seal (if applicable) or in such other manner prescribed by the Articles of Association or other constitutional documents.
- The first joint holder shall have the power to sign the Form of Proxy without the concurrence of the other joint holder/s.
- Please indicate an "X" in the cage provided as to how your Proxy should vote on the Resolution. If no indication is given, or if there is, in the view of the Proxy holder, any doubt (by reason of the manner in which the instructions contained in the Proxy have been completed) as to the way in which the Proxy holder should vote, the Proxy holder in his/her discretion may vote as he/she thinks fit.

PEOPLE'S MERCHANT FINANCE PLC

EXTRAORDINARY GENERAL MEETING TO BE HELD ON FEBRUARY 18, 2021

REGISTRATION FORM FOR PARTICIPATING SHAREHOLDERS

To:

People's Merchant Finance PLC

People's Merchant Finance PLC Office Complex at No 21, Nawam Mawatha, Colombo 02

1. Full name of the shareholder:
2. Shareholder's address:
3. Shareholder's NIC No/ Passport No/ Co. Reg No:
4. Shareholder's Contact Number:
5. Name of the Proxy Holder:
6. Proxy Holder's NIC No/ Passport No/ Co. Reg No:
7. Proxy Holder's Contact Number:
8. Shareholder's / Proxy Holder's Email Address:

.....

Signature of Shareholder