

SINHAPUTHRA FINANCE PLC

[Company Reg. No. PB/PQ 259]

11, Hill Street

Kandy

Circular to Shareholders [Both classes of shares]

Dear Shareholder

Amalgamation of Sinhaputhra Finance PLC with Commercial Leasing and Finance PLC in terms of the provisions of the Companies Act, No. 7 of 2007

(1) Introduction

The Company was advised by the Central Bank of Sri Lanka (CBSL) of the Company's non compliance with the **Minimum Core Capital Direction No. 02 of 2017**, which has a detrimental impact on the going concern status of the Company due to the threat of regulatory actions, as highlighted continuously in our published annual reports.

As such, we have been exploring opportunities for potential alternatives including an amalgamation with an eligible Non Banking Financial Institution (NBFI) categorized as "A" category per the consolidation Master Plan of the Central Bank of Sri Lanka, in order to comply with this requirement.

Consequently, the Central Bank of Sri Lanka urged the Company to continue discussions with such eligible and interested NBFIs which resulted in the Board of Directors entering into discussions with Commercial Leasing and Finance PLC (CLC), which is an eligible NBFI for an amalgamation, in line with the Master Plan for Consolidation of NBFI as announced by the Central Bank of Sri Lanka, thereby ensuring compliance with the Regulator's requirements.

On 10th December, 2021, and on 13th December, 2021 reference 24/12/001/0001/016 and 24/12/001/0001/023 respectively, the Company received approval in principle from the CBSL in terms of the Master Plan for consolidation of Non-Bank Financial Institutions, for CLC to acquire Sinhaputhra Finance PLC (SFL).

The acquisition would be by way of amalgamating SFL with CLC through which **the surviving company would be Commercial Leasing & Finance PLC**. The Amalgamation is proposed to be effective from **21st March, 2022**.

The two companies are now ready to proceed with the amalgamation based on the approval granted by CBSL, as aforesaid, the approvals of the Colombo Stock Exchange (CSE) in terms of Rule 5.11 of the Listing Rules of the CSE, subject to the approval of the shareholders of both CLC and SFL.

The Boards of Directors of CLC and SFL, on 5th January, 2022, resolved to recommend to the shareholders of the companies, to amalgamate SFL with CLC to 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 CLC.

(2) Information required to be set out in this Circular in terms of Rule 5.11.3(f) of the Listing Rules

(A) Details of the amalgamating Listed Entities

- (i) Sinhaputhra Finance PLC
Company Reg. No. PB/PQ 259
11, Hill Street
Kandy

The Stated Capital of SPF is Rs.80,379,055/- represented by 62,958,930 ordinary voting shares all of which rank equal and *pari passu* with each other and 6,707,650 preference shares, all of which rank equal and *pari passu* with each other.

Please refer Annex "A1" for the 20 Major Shareholders of both ordinary voting shares and preference shares as at 31st December 2021, Names of Directors, Company Secretary and Auditors of SFL

- (ii) Commercial Leasing and Finance PLC
Company Reg. No. PQ 131/ PB/PQ
68, Bauddhaloka Mawatha
Colombo 04

The Stated Capital of CLC is Rs.1,425,946,629/- represented by 6,377,711,170 ordinary shares, all of which rank equal and *pari passu* with each other

Please refer Annex "A" for the 20 Major Shareholders as at 31st December 2021, Names of Directors, Company Secretary and Auditors of CLC.

(B) Name of the amalgamated Entity

Commercial Leasing and Finance PLC

(C) The proportion of shares in which the amalgamation will be effected

The holders of 10,000 ordinary voting shares / preference shares of SFL will be issued 7,803 ordinary voting shares of CLC

(D) The number of shares to be issued by the Amalgamated Entity

Upto 54,360,832 new ordinary shares of CLC will be issued to the shareholders of SFL in place of 69,666,580 (consisting of 62,958,930 ordinary voting shares and 6,707,650 preference shares) held by the shareholders in SFL.

(E) The benefits of the amalgamation to the existing shareholders and to the amalgamating listed entities

- (i) SFL at present does not meet the regulatory requirement of the Minimum Core Capital of LKR 2,500 Mn as per the Minimum Core Capital Direction No. 02 of 2017, and shall require new capital infusions of Rs. 2,200 Mn to be

in compliance with same. We will be able to avoid such capital infusion, which will be not viable to our existing shareholders.

As the Central Bank of Sri Lanka urged us to continue discussions with such eligible and interested NBFIs and continue discussions with CLC, which is an eligible NBFI for an amalgamation, in line with the Master Plan for Consolidation of NBFI as announced by the Central Bank of Sri Lanka, we are thereby ensuring compliance with the Regulator's requirements.

The Central Bank of Sri Lanka, has clearly manifested that we will be subject to further regulatory actions in the event of any continued non compliance with the Minimum Core Capital Direction No. 02 of 2017, including suspension of our license to carry our finance business, which will have devastating impacts on the residual net assets value and the shareholders' value, which can be avoided by proposed amalgamation.

- (ii) Central Bank of Sri Lanka highlighted the importance of amalgamations within the NBFI sector in June 2020 and May 2021. Sector consolidation was initially proposed in 2013 by the Central Bank to ensure enhanced financial system stability and to spearhead economic growth. The amalgamated company referred to herein, namely CLC, propose to further amalgamate with LOLC Finance PLC post the amalgamation of SFL with CLC, whereby LOLC Finance PLC shall be the remaining company, and CLC shall cease to exist.

The amalgamation will be subject to the in-principle approval of the Colombo Stock Exchange to list the shares of LOLC Finance PLC arising from the allotment of new shares to the shareholders of CLC, and the approval the shareholders of both CLC and LOLC Finance PLC.

The amalgamation will also have a positive impact on CLC and thereupon post the second amalgamation a positive impact on LOLC Finance PLC, and would include;

- Enhancing the resilience and addressing the existing weaknesses through the creation of a large capital base
- Strengthening financial position of enhancing fund raising capabilities at the Company level both via equity and debt through strategic partners
- Increasing potential to finance large-scale transactions
- Widening the range of financial services provided
- Improving the efficiency and profitability

- (iii) The proposed amalgamated company (SFL with CLC level, as well as CLC with LOLC Finance PLC level) will be able to achieve higher levels of fiscal and management efficiency in the operations. Currently these companies have the infrastructure in place for compliance, risk management, accounting, operations and IT – and in the amalgamated entity these functions will be consolidated and administered more efficiently. This would result in economies of scale, better risk management, cost effective administration, prudent tax management etc. which would ultimately be accrued to the benefit of all the shareholders.

- (iv) An amalgamated entity will be in a better position to pursue more growth opportunities due to the extended geographical reach. Further, this will

strengthen financial position enhancing fund raising capabilities at the Company level both via equity and debt through strategic partners and financial institutions subject to applicable laws, rules and regulations.

- (v) The proposed amalgamation/s would extend an opportunity to the current minority shareholders of the respective companies to be shareholders of an entity which will own a diversified lending portfolio with an extended geographical footprint, thereby benefitting from the above mentioned synergies of the proposed amalgamation;
- (vi) The proposed amalgamation will preserve the existing shareholders' value of the Company and enable the shareholders to realize the same through continued market presence of shares of the amalgamated entity, i.e. CLC and subsequently LOLC Finance PLC.

(F) Resolution by the Board of Directors of CLC re consideration

The holders of 69,666,580 (consisting 62,958,930 ordinary voting shares and 6,707,650 preference shares) of SFL constituting 100% of the issued shares of SFL shall receive 7,803 ordinary voting shares of CLC for every 10,000 shares (share exchange ratio) of SFL rounded to the nearest share, calculated as set out below, and consequently;

Upto 54,360,832 new ordinary voting shares of CLC will be issued to the shareholders of SFL in place of 69,666,580 shares held by the shareholders in SFL and the said 54,360,832 new shares of CLC being issued based on the Market Price as at end of Trading on 21st March 2022 (without any variation to the agreed share exchange ratio referred to in the previous paragraph) which was considered by the Board of CLC as fair and reasonable to CLC, and to the existing shareholders of CLC. The said shares upon being allotted shall rank equal and *pari passu* with the ordinary voting shares of CLC then in issue.

The aforesaid proportion is calculated as follows:

$$\frac{\text{Number of shares held by a shareholder as at end of trading on the record date in SFL} \times 7,803 \text{ (new proportion)}}{10,000 \text{ (old proportion)}}$$

- a) Any fractions based on the aforesaid formula, exceeding 0.5 or above will be added to the total arising based on the above formula and any fractions less than 0.5 will be disregarded.

(G) The effective date of the amalgamation as specified in the Amalgamation Proposal

21st March, 2022.

(H) The record date (date of entitlement) to the shareholders of SFL to receive new shares of CLC

21st March 2022.

- (I) The date on which dealings in the shares of SFL, which shall not survive the amalgamation be suspended

18th March 2022.

- (J) The period within which the new shares of CLC issued to the shareholders of SFL (who maintain CDS accounts as at 21st March 2022) would be deposited to the CDS

Within four (4) market days from 21st March 2022.

The shareholders of SFL in the CDS who have been issued shares pursuant to the amalgamation will be notified that the new shares have been deposited in their CDS accounts within two (2) Market Days of direct deposit.

- (K) Further information on the Amalgamated Entity's capital structure

	Pre-amalgamation CLC	Post amalgamation CLC
Stated Capital	Rs 1,425,946,629.00	Based on the price of a CLC shares as at end of Trading on 21 st March 2022.
Float adjusted market capitalization	** Rs 3,392,252,802.90	Based on the price of a CLC shares as at end of Trading on 21 st March 2022.
Corresponding public holding % **	** 1.779%	Approximately 2.61%
Number of public shareholders **	** 6,824	Approximately 8,370

** As at 31st December 2021.

- (L) The details pertaining to listed debentures of the amalgamating listed Entities (if any) and the manner in which such debentures would continue until maturity

SFL

SFL does not have any listed debentures.

CLC

(1) 5-year fixed interest rate of 10.50% p.a. payable bi-annually (issued in 2020)

(2) 5-Year Floating interest rate of 6 month T-Bill rate + 4.25% p.a. payable bi-annually (issued in 2020)

- (M) The Report of an Independent Expert, on the proportion in which the amalgamation will be effected

The Report of Independent Expert dated 4th January 2022 who provided the valuations is uploaded to the Colombo Stock Exchange Web Site (www.cse.lk) from the date of this Circular until the date of the Extraordinary General Meetings of the respective companies. A copy of the said Report is also attached to this Circular.

Consequent to the amalgamation, one of the amalgamating listed entities, namely, Sinhaputhra Finance PLC, which would not survive the amalgamation, will be removed from the Official List of the CSE.

(3) Amalgamation Proposal

Please see attached, as Annex "B", the Amalgamation Proposal in terms of the Companies Act, No.7 of 2007, for the amalgamation of SFL with CLC.

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

Please see attached, the Certificates signed by the Directors of both CLC and SFL as required by Section 241(2) (marked "C" and "C1" respectively) and Statements signed by the Directors of both CLC and SFL in terms of Section 241(3)(d) of the Companies Act (marked "D" and "D1" respectively).

(5) Rights of Shareholders under Section 93 of the Companies Act

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

(6) Applicability of the Company Take-overs and Mergers Code

No shareholder of SFL acquiring the shares of CLC, pursuant to the amalgamation, will be obligated to make a Mandatory Offer in terms of the Company Take-overs and Mergers Code 1995.

(7) Extraordinary General Meeting

An Extraordinary General Meeting of the Ordinary Voting Shareholders of the Company will be held on 11th March 2022 at 8.30 a.m. at the Registered Office of the Company, No.11, Hill Street, Kandy, for the purpose of passing the requisite Special Resolution for the proposed amalgamation as set out in the Notice of Meeting attached to this Circular dispatched to the Ordinary Voting Shareholders.

A further Extraordinary General Meeting of the Non-Voting, Non-Cumulative, Non-redeemable, Non-Convertible Participating Preference Shareholders ("Preference Shareholders") of the Company will be held on 11th March 2022 at 9.30 a.m. [or immediately following the conclusion of the Extraordinary General Meeting of the Ordinary Voting Shareholders of the Company, which has been convened for the same day and place at 8.30 a.m.] at the Registered Office of the Company, No.11, Hill Street, Kandy, for the purpose of passing the requisite Special Resolution for the proposed amalgamation as set out in the Notice of Meeting attached to this Circular dispatched to the Preference Shareholders.

(8) Documents attached:

- (i) Information pertaining to the 20 Major Shareholders of CLC as at 31st December 2021, Names of its Directors, Company Secretary and Auditors. [Annexure 'A']
- (ii) Information pertaining to the 20 Major Shareholders of SFL as at 31st December 2021, Names of its Directors, Company Secretary and Auditors. [Annexure 'A1']
- (iii) Amalgamation Proposal. [Annexure 'B']
- (iv) Certificates given by the Directors of each Board in terms of Section 241(2) of the Companies Act, No.7 of 2007. [Annexure 'C' and 'C1']
- (v) A statement of any material interest of any Director in the Amalgamation Proposal whether in that capacity or otherwise Board in terms of Section 241(3)(d) of the Companies Act, No.7 of 2007. [Annexure 'D' and 'D1']
- (vi) A statement setting out the rights of shareholders under Section 93 of the Companies Act, No.7 of 2007[Annexure 'E']
- (vii) Notice of Extraordinary General Meeting, to be held on 11th March 2022.

By Order of the Board
Sinhaputhra Finance PLC

Sgd.
Ms. H K P Dilhani
Secretary

11th February 2022

Commercial Leasing & Finance PLC**20 Major Shareholders as at 31st December 2021**

	Name	Shareholding	Percentage (%)
1.	LOLC Ceylon Holdings PLC	6,264,223,278	98.221
2.	CIC Holdings PLC/CIC Charitable & Educational Trust Fund	4,000,000	0.063
3.	LOLC Finance PLC/V M S Gavasker	1,957,595	0.031
4.	People's Leasing & Finance PLC/ Mr. D M P Disanayake	1,748,924	0.027
5.	DFCC Bank PLC/M M C Fernando & S S C Fernando	1,329,900	0.021
6.	Mr. R V D C G Rajapakse	1,250,100	0.020
7.	Mr. P G Piyasiri	1,146,180	0.018
8.	Ranfer Teas (Private) Limited	1,124,912	0.018
9.	Mr. W W D D S Perera	1,120,000	0.018
10.	LOLC Finance PLC/H M H De Silva	1,042,141	0.016
11.	Mr. A M V A Chaminda	1,000,000	0.016
12.	Hatton National Bank PLC/Mushtaq Mohamed Fund	1,000,000	0.016
13.	Hatton National Bank PLC/Ramaraj Kuhan	932,922	0.015
14.	Mr. P N G D Piyadigamage Naveen Gihan Darshana	900,000	0.014
15.	Mr. M A R Cooray	873,814	0.014
16.	Mr. G C S Ramanayake and Mrs. K M Ramanayake	660,000	0.010
17.	Mr. J M R A B Jayathilaka	612,412	0.010
18.	LOLC Finance PLC/S B H Wanduragala	610,000	0.010
19.	Mr. B A R Dissanayake	600,000	0.009
20.	Mr. S S C Fernando	600,000	0.009

Directors

Luxhman Jayaratne

Ulluviss Hewage Ebert Silva

Thiyagarajah Dharmarajah

Thamotharampillai Sanakan

Don Manuwelge Don Krishan Thilakaratne

Company Secretary

LOLC Corporate Services (Pvt) Ltd

Auditors

KPMG Ford Rhodes, Thornton & Co., Chartered Accountants

Sinhaputhra Finance PLC**20 Major Shareholders (Ordinary Shares) as at 31st December 2021**

	NAME	NO. OF SHARES	%
01.	SINGHE CAPITAL INVESTMENT LIMITED	34,552,918	54.882
02.	BIMPUTH FINANCE PLC	6,004,212	9.537
03.	MR A.A. SUNIL	3,335,460	5.298
04.	MR L. KARUNATILEKE	1,123,310	1.784
05.	MERCHANT BANK OF SRI LANKA & FINANCE PLC/R.M.S.P GUNASEKARA	601,485	0.955
06.	MERCHANT BANK OF SRI LANKA & FINANCE PLC/T.M.P. GUNASEKARA	600,000	0.953
07.	HATTON NATIONAL BANK PLC/HENNASY GEETH BALASURIYA	500,000	0.794
08.	MR S. MOHANADAS	500,000	0.794
09.	MR D.S. DEERASINGHE	480,000	0.762
10.	MR P.G. PIYASIRI	422,407	0.671
11.	ACUITY PARTNERS (PVT) LIMITED/ MR. DON JANAKA NISHAN HETTIARACHCHI	400,000	0.635
12.	PEOPLE'S LEASING & FINANCE PLC/MR. S.A.A. HASITHA	381,237	0.606
13.	MR D.M.D.R. GUNATHILAKE	369,546	0.587
14.	COMMERCIAL BANK OF CEYLON PLC/ANDARADENIYA ESTATI (PVT) LTD	352,120	0.559
15.	MR D.M. WICKRAMASINGHE	282,875	0.449
16.	MR D.G.P. ABEYGUNAWARDANE (DECEASED)	282,820	0.449
17.	MR S.A.U.L. JAYARATHNA	275,228	0.437
18.	MERCHANT BANK OF SRI LANKA & FINANCE PLC/L.L.M PERERA	265,000	0.421
19.	HATTON NATIONAL BANK PLC/RAMARAJ KUHAN	264,000	0.419
20.	MR D.S. DE SILVA & MRS A. DE SILVA	240,000	0.381

20 Major Shareholders (Preferential Shares) as at 31st December 2021

	NAME	NO. OF SHARES	%
1	PEOPLE'S LEASING & FINANCE PLC/ MRS.D.M.P.RASANGIKA	260,000	3.876
2	MERCHANT BANK OF SRI LANKA & FINANCE PLC/L.L.M PERERA	235,000	3.503
3	MR R.E. RAMBUKWELLE	232,950	3.473
4	MRS U.P. SENEVIRATNE	220,430	3.286
5	MR K.D. DE SILVA	208,901	3.114
6	MR T.K. HEMACHANDRA	202,480	3.019
7	MR J.A.M.U. JAYAKODY	200,000	2.982
8	MR C.R.B. MADAWALA	195,314	2.912
9	MR G.G. HEMACHANDRA (DECEASED)	180,010	2.684
10	MR A.A.M. RATNAYAKE	176,598	2.633
11	MR I.D.K. DAYANANDA	167,504	2.497
12	MR P.G. PIYASIRI	159,456	2.377
13	MRS Z. ZAHARA	158,752	2.367
14	MR S.E.C.P. SENEVIRATHNA	140,480	2.094
15	MR M.I.I. IBRAHIM	132,048	1.969
16	MR H.M.T.N. KUMARA	108,400	1.616
17	MIS P.S. DE ALWIS	105,700	1.576

18	HATTON NATIONAL BANK PLC/SIVALINGAM GOBINATH	103,380	1.541
19	MERCHANT BANK OF SRI LANKA & FINANCE PLC/R.A.M.RANATHUNGA	100,000	1.491
20	CITIZENS DEVELOPMENT BUSINESS FINANCE PLC/K.D.GUNARATHNE	98,000	1.461

Directors

Ukwatta Kankanamge Harith Ruwan Ranasinghe

Kohilawatta Gamage Don Saliya Jayanath De Alwis

Thangaraj Ravikumar

Palamu Arachchilage Deepthi Manoj Pathiraja

Shamila Arunodani Wickramasinghe

Lalith Elabada Liyanage

Mawella Vithanawasam Prasanna Kumara

Company Secretary

Mrs. H. K. P. Dilhani

Auditors

Baker Tilly Edirisinghe & Co., Chartered Accountants

SINHAPUTHRA FINANCE PLC

[Company Reg. No. PB/PQ 259]

No.11, Hill Street, Kandy

Amalgamation Proposal

Amalgamation of Sinhaputhra Finance PLC (amalgamating company) with Commercial Leasing and Finance PLC (amalgamated company)

Information required as per Section 240 of the Companies Act, No.7 of 2007:

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

- | | | |
|---|---|--|
| (a) Name of the Amalgamated Company | : | Commercial Leasing and Finance PLC (CLC) |
| (b) Registered Office of the Amalgamated Company | : | No.68, Bauddhaloka Mawatha, Colombo 04 |
| (c) Full names and residential addresses of each of the Directors of the Amalgamated Company | : | Please refer Annex "B-1" |
| (d) Full name and address of the Secretary of the Amalgamated Company | : | LOLC Corporate Services (Pvt) Ltd
No.100/1, Sri Jayawardenapura Mawatha, Rajagiriya |
| (e) Share Structure of the Amalgamated Company (pre amalgamation) | : | Stated Capital of Rs.1,425,946,629/-
represented by 6,377,711,170
ordinary voting shares, all of which
rank equal and <i>pari passu</i> with
each other |
| (f) Manner in which the shares of amalgamating company are to be converted into shares of the amalgamated company | : | The holders of 69,666,580 shares
(consisting 62,958,930 ordinary voting
shares and 6,707,650 preference shares) of
Sinhaputhra Finance PLC (SFL)
constituting 100% of the issued shares of
SFL shall receive 7,803 ordinary voting
shares of CLC for every 10,000 shares
(share exchange ratio) of SFL rounded to
the nearest share. |

and consequently,

Upto 54,360,832 new ordinary voting shares of CLC will be issued to the shareholders of SFL in place of 69,666,580 shares held by the shareholders in SFL and the said 54,360,832 new shares of CLC being issued based on the Market Price as at end of Trading on 21st March 2022 (without any variation to the agreed share exchange ratio referred to in the previous paragraph) which was considered by the Board of CLC as fair and reasonable to CLC and to the existing shareholders of CLC. The said shares upon being allotted shall rank equal and *pari passu* with the ordinary voting shares of CLC then in issue.

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

: Not-Applicable

- (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)

: None

- (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) CLC receiving in principle approval of the Colombo Stock Exchange (CSE) for the

issuance and listing of shares of CLC arising from the amalgamation of SFL with CLC in terms of the Listing Rules [This approval was received by CLC on 11th February 2022]

(iii) The concurrence of the Secured Lenders being received by SFL and CLC.

(j) Date on which the amalgamation is intended to become effective : 21st March, 2022.

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

The Articles of CLC (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 CLC.

(3) Shares held by CLC in SFL [Section 240(3) of the Companies Act]

No shares are held by CLC in SFL.

By Order of the Board
Sinhaputhra Finance PLC

Sgd.
Ms. H K P Dilhani
Secretary

11th February 2022.

Full names and residential addresses of the Directors of the Amalgamated Company

Full Name of the Director	Residential Address
Luxhman Jayaratne	No.55, Victoria Range, Kengalle, Digana
Ulluvis Hewage Ebert Silva	No. 156/11, Weragala Place, Uthuwankanda Road, Thalawathugoda
Thiyagarajah Dharmarajah	14/8, Shalawa Road, Udahamulla, Nugegoda
Thamotharampillai Sanakan	Landmark Residency, #37/702, Rudra Mawatha, Colombo 6
Don Manuwelge Don Krishan Thilakaratne	No.369/14, Pothuarawa Road, Battaramulla

COMMERCIAL LEASING AND FINANCE PLC

Amalgamation of Sinhaputhra Finance PLC (amalgamating company) with Commercial Leasing and 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 **Commercial Leasing and 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 **Sinhaputhra Finance PLC with the Company**, is in the best interests of the Company for the following reasons;
 - (i) The amalgamation is carried out in line with the Financial Sector Consolidation Plan - 2014 as announced by the Central Bank of Sri Lanka, which is applicable to the amalgamating companies, thereby being compliant with the Regulator's requirements.
 - (ii) The proposed amalgamated company will be able to achieve higher levels of fiscal and management efficiency in the operations. Currently both companies have the infrastructure in place for compliance, risk management, accounting, operations and IT – and in the amalgamated entity these functions will be consolidated and administer more efficiently. This would result in economies of scale, better risk management, cost effective administration, prudent tax management etc. which would ultimately be accrued to the benefit of all the shareholders.
 - (iii) The amalgamated entity will be in a better position to pursue more growth opportunities due to the extended geographical reach. Further this will strengthen financial position enhancing fund raising capabilities at the amalgamated entity level both via equity and debt through strategic partners and financial institutions subject to applicable laws, rules and regulations.
 - (iv) The proposed amalgamation would extend an opportunity to the current minority shareholders of the respective companies to be shareholders of an entity (the Company) which will own a diversified lending portfolio with an extended geographical footprint, thereby benefitting from the above mentioned synergies of the proposed amalgamation;

and

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- (2) 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 said 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 11th day of February 2022.

L Jayaratne

Sgd.

U H E Silva

Sgd.

T Dharmarajah

Sgd.

T Sanakan

Sgd.

D M D K Thilakaratne

Sgd.

SINHAPUTHRA FINANCE PLC

Amalgamation of Sinhaputhra Finance PLC (amalgamating company) with Commercial Leasing and Finance PLC (amalgamated company)

**CERTIFICATE REQUIRED UNDER SUB SECTION (1) OF SECTION 241
OF THE COMPANIES ACT NO.7 OF 2007**

We being the Directors of **Sinhaputhra 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 Commercial Leasing and Finance PLC** is in the best interests of the Company for the following reasons :

- (i) The Company was advised by the Central Bank of Sri Lanka (CBSL) of the Company's non compliance with the **Minimum Core Capital Direction No. 02 of 2017**, which has a detrimental impact on the going concern status of the Company due to the threat of regulatory actions, as highlighted continuously in our published annual reports.

As such, we have been exploring opportunities for potential alternatives including an amalgamation with an eligible Non Banking Financial Institution (NBFI) categorized as "A" category per the consolidation Master Plan of the Central Bank of Sri Lanka, in order to comply with this requirement.

Consequently, the Central Bank of Sri Lanka urged the Company to continue discussions with such eligible and interested NBFIs which resulted in the Board of Directors entering into discussions with Commercial Leasing and Finance PLC (CLC), which is an eligible NBFI for an amalgamation, in line with the Master Plan for Consolidation of NBFI as announced by the Central Bank of Sri Lanka, thereby ensuring compliance with the Regulator's requirements.

- (ii) The proposed amalgamated company will be able to achieve higher levels of fiscal and management efficiency in the operations. Currently both companies have the infrastructure in place for compliance, risk management, accounting, operations and IT – and in the amalgamated entity these functions will be consolidated and administer more efficiently. This would result in economies of scale, better risk management, cost effective administration, prudent tax management etc. which would ultimately be accrued to the benefit of all the shareholders.
- (iii) The amalgamated entity will be in a better position to pursue more growth opportunities due to the extended geographical locations. Further this will

[Cont...d 2/]

strengthen financial position enhancing fund raising capabilities at the Company level both via equity and debt through strategic partners and financial institutions subject to applicable laws, rules and regulations.

- (iv) The proposed amalgamation would extend an opportunity to the current minority shareholders of the respective companies to be shareholders of an entity (the Company) which will own a diversified lending portfolio with an extended geographical footprint, thereby benefitting from the above mentioned synergies of the proposed amalgamation;
 - (v) The Central Bank of Sri Lanka, has clearly manifested that our Company will be subject to further regulatory actions in the event of any continued non compliance with the Minimum Core Capital Direction No. 02 of 2017, including suspension of our license to carry our finance business, which will have devastating impacts on the residual net assets value and the shareholders' value, which can be avoided by proposed amalgamation.
 - (vi) The proposed amalgamation will preserve the existing shareholders' value of our Company and enable the shareholders to realize the same through continued market presence of shares of the amalgamated entity, i.e. CLC and subsequently LOLC Finance PLC.
- (2) the 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 Amalgamated 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 11th day of February 2022.

U K H R Ranasinghe

Sgd.

K G D S J De Alwis

Sgd.

[Cont...d 3/]

-3-

T Ravikumar

Sgd.

P A D M Pathiraja

Sgd.

S A Wickramasinghe

Sgd.

L E Liyanage

Sgd.

M V Prasanna Kumara

Sgd.

Annex "D"

COMMERCIAL LEASING AND FINANCE PLC

Amalgamation of Sinhaputhra Finance PLC (amalgamating company) with Commercial Leasing and 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 **Commercial Leasing and 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.

Signed on 11th February 2022

L Jayaratne Sgd.

U H E Silva Sgd.

T Dharmarajah Sgd.

T Sanakan Sgd.

D M D K Thilakaratne Sgd.

SINHAPUTHRA FINANCE PLC

Amalgamation of Sinhaputhra Finance PLC (amalgamating company) with Commercial Leasing and 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 **Sinhaputhra 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.

Signed on 11th February 2022

U K H R Ranasinghe

Sgd.

K G D S J De Alwis

Sgd.

T Ravikumar

Sgd.

P A D M Pathiraja

Sgd.

S A Wickramasinghe

Sgd.

L E Liyanage

Sgd.

M V Prasanna Kumara

Sgd.

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 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."