

LANKEM DEVELOPMENTS PLC
(Company Registration No.PQ86)

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

14th July 2017

CIRCULAR TO SHAREHOLDERS

Dear Sir(s)/Madam,



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

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

Accordingly, in order to comply with the said provisions of the Companies Act your Directors have decided to convene an Extraordinary General Meeting of the Company on Monday, 14th August 2017, immediately following the Annual General Meeting (AGM) of the Company (AGM time – 3.00 p.m.) and will be held at the Grand Oriental Hotel, No.2, York Street, Colombo 1.

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

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

If you are unable to be present at this Extraordinary General Meeting to be held on 14th August 2017, you are kindly requested to complete and return the Form of Proxy to reach the Registered Office of the Company's Secretaries, Corporate Managers & Secretaries (Private) Ltd., at 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 1, not less than 48 hours before the time appointed for the Meeting.

By Order of the Board
LANKEM DEVELOPMENTS PLC
CORPORATE MANAGERS & SECRETARIES (PRIVATE) LIMITED
Secretaries

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LANKEM DEVELOPMENTS PLC

(Company Registration No.PQ86)

NOTICE OF AN EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that in terms of Section 220 of the Companies Act No.7 of 2007 an Extraordinary General Meeting of the Company will be held at the Grand Oriental Hotel No.2, York Street, Colombo 1, on Monday, 14th August 2017, immediately following the Annual General Meeting for the following purposes:

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

Ordinary Resolution

The shareholders participating in this meeting having read and considered the Circular to Shareholders and the Report of the Directors prepared in terms of Section 220 of the Companies Act No.7 of 2007 dated 14th July 2017 and the explanations given by the Board of Directors hereby resolve –

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

By Order of the Board

LANKEM DEVELOPMENTS PLC

CORPORATE MANAGERS & SECRETARIES (PRIVATE) LIMITED

Secretaries

Colombo

14th July 2017.

Note:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of him.
2. A proxy need not be a member of the Company.
3. A Form of Proxy accompanies this Notice.

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

- Lankem Developments PLC was incorporated in 1974. Currently the principal activity of the Company is Investment Holding.
- The Company's Net Assets to its Stated Capital ratio reduced to 30% as at 31st March 2016 and at an Extraordinary General Meeting held on 30th August 2016 in compliance with Section 220 of the Companies Act No. 07 Of 2007, the approval of the Shareholders was obtained for the Company to continue its operations.
- The Company recorded a loss of Rs. 36.87 Mn for the year ended 31st March 2017 after making an adjustment to impairment of Rs. 34.71 Mn for the Investment in Agarapatana Plantations Limited in compliance with the Sri Lanka Financial Reporting Standards. Due to this, the Net Assets was reduced to Rs. 387.56 Mn and resulted in the ratio of Net Assets to its Stated Capital reducing to 28%.
- In Order to maintain the required ratio of 50% in compliance with said Section of the Companies Act No. 07 of 2007 the Company would be required to either increase its Profitability or make a further Capital Infusion.

On 17th March 2017, the Company announced an issue of 60,000,000 Ordinary Shares at a price of Rs.2.50/- per share by way of Rights Issue which would improve the Net Assets of the Company.

By Order of the Board
LANKEM DEVELOPMENTS PLC
CORPORATE MANAGERS & SECRETARIES (PVT) LIMITED
Secretaries

14th July 2017