PRIME LANDS RESIDENCIES PLC
COMMITTED TO CREATING A BETTER PLACE ON EARTH

PRIME LANDS RESIDENCIES PLC
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20 January 2022

Mr. Renuke Wijayawardhane
Chief Regulatory Officer,
Colombo Stock Exchange
04- 01, West Block,
World Trade Centre
Echelon Square
Colombo 01.

Dear Sir,

Related Party Transactions – Acquisition of Real Estate Stock from Prime Finance PLC

In terms of Section 9.3.1 of the Listing Rules of Colombo Stock Exchange, we write to disclose the following pertaining to a non-recurrent related party transaction of Prime Lands Residencies PLC which requires immediate disclosure.

(a) The Date of Transaction: 20 January 2022
(b) Name of the Related Party: Prime Finance PLC.
(c) Relationship between Prime Lands Residencies PLC (Buyer) and Prime Finance PLC (Seller):

(i) Prime Finance PLC was a subsidiary of Prime Lands (Pvt) Ltd. until HNB Finance PLC acquired the entirety of the shares held by Prime Lands (Private) Limited in Prime Finance PLC on 23rd December 2021. Prime Lands (Private) Limited holds 80% of the ordinary voting shares of Prime Lands Residencies PLC.

(ii) Prime Lands (Pvt) Ltd. is a significant shareholder of HNB Finance PLC with an equity stake of 38.78% of the issued ordinary voting shares and 12.06% of the issued ordinary non-voting shares in HNB Finance PLC. HNB Finance PLC is the holding Company of Prime Finance PLC w.e.f. 23rd December 2021 with an equity stake of 87.27%.

(iii) Mr. B. Premalal and Ms. H K S R Perera, directors of Prime Lands Residencies PLC are also directors and major shareholders of Prime Lands (Private) Limited. Further, Mr. B. Premalal, Ms. H K S R Perera, Mr. M Perera and Mr. D H Kalapuge currently directors of Prime Lands Residencies PLC are also directors of Prime Finance PLC.

(d) Details of the transaction including the amount, relevant terms of the transaction and basis on which the terms arrived at:

(i) **Details of the transaction** – Acquisition of Real Estate Stock held by Prime Finance PLC as at the date of transaction. Prime Lands Residencies PLC has also agreed to takeover the staff solely employed in the Real Estate division of Prime Finance PLC.

SRI LANKA'S **ONLY CREDIT RATED** REALESTATE GROUP | **BEST DEVELOPER** IN SRI LANKA | **SLS ISO 9001:2008** CERTIFIED COMPANY
MOST RESPECTED ENITITY IN SRILANKA (REAL ESTATE) | RECOGNIZED AS A GREAT PLACE TO WORK COMPANY **(LAUREATE)**

(ii) **Amount of the Transaction:** Purchase consideration of Real Estate Stock is Rs. 923,640,950/-.

(iii) **Relevant Terms of the Transaction and basis on which the terms were arrived at:**

The transaction is based on the independent valuation report provided by VIr. R. M. N. Priyadarshani, Incorporated Valuer. The said purchase consideration was paid by Prime Lands Residencies PLC to Prime Finance PLC on 20 January 2022.

(e) Rationale for entering into the transactions:

The Management of Prime Lands Residencies PLC ("the Company") as a growth and diversification strategy decided to expand its business operations into Real Estate segment while developing the business of construction and sale of residential apartments and houses. While perusing the available opportunities and with the support of Holding Company Prime Lands (Pvt.) Ltd., the Company received an offer to acquire Prime Finance PLC's Real Estate Operations which they have decided to discontinue in future. The key areas of consideration for this acquisition are as follows,

(i) The Land prices in Sri Lanka will continue to increase over the next few years and entering into this segment will provide the Company and opportunity to earn high returns with a lower risk profile based on the prevailing market conditions.

(ii) Considering the current downturn in the economy many investors prefer to invest in Real Estate rather than monetary assets / securities resulting in a high potential for real estate business sector currently and in the near future.

(iii) Considering the current potential for residential land plots, entering into this segment of business will improve the IRR of the Company while shortening the payback period. This will support liquidity management while enhancing the shareholder wealth.

(iv) Acquisition of the Real Estate operations (Real Estate Stocks and taking over the staff employed in the Real Estate Division) of Prime Finance PLC is beneficial to the Company, considering the time and cost involved in acquiring and developing new lands and the recruitment of staff with expertise and experience in the sector. With this acquisition, the Company will be able to immediately commence Real Estate business operations.

Accordingly, consider this transaction as a good growth strategy for the Company in the real estate business which will enhance shareholder value.

(f) The Related Party Transactions Review Committee of Prime Lands Residencies PLC is of the view that the above transactions are on arms-length transaction terms, and are not prejudicial to the interests of the Company and its minority shareholders and the Related Party Transactions Review Committee has not obtained an opinion from an independent expert prior to forming its view on the transaction.

(g) (a) **Aggregate value of all the Transaction with Prime Finance PLC within the current financial year (1st April 2021 to 31st December 2021)**

Recurrent : Receipt of Rent - Rs. 9,000,000/-
Non-Recurrent : Nil

(b) **Aggregate value of all Related Party Transactions within the current financial year (1st April 2021 to 31st December 2021).**

Recurrent : Receipt of Rent - Rs. 9,000,000/-
Payment of Rent - Rs. 4,5000,000/-
Payment for Shared Service - Rs. 22,500,000/-
Non-Recurrent : Nil

The Board of Directors at the meeting held on 19 January 2022 considered and approved the proposed transaction.

Yours faithfully,
PRIME LANDS RESIDENCIES PLC

B. PREMALAL
CHAIRMAN