

**SERENDIB ENGINEERING
GROUP PLC.**

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Reg : PQ 230

06th of May 2022

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

Dear Sir,

SERENDIB ENGINEERING GROUP PLC ("THE COMPANY") – QUALIFIED AUDIT OPINION
RE: AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2021

We communicate to you in terms of the procedure set out by the Colombo Stock Exchange, with reference to Rule 7.5 (d) (ii) A.5:

- 1) The shares of the company have been transferred by the CSE to the watch list, with effect from 07th September 2021 for the reason that the Audited Report for the Financial Year ended 31st March 2021 contains a qualified audit opinion.
- 2) The Directors are currently evaluating various remedial actions that could be taken to overcome the serious loss of Capital issue, including the following capital augmentation options,
 - i. Rights issue
 - ii. Secondary IPO.

A separate disclosure will be made once a feasible option has been selected by the Board of Directors.

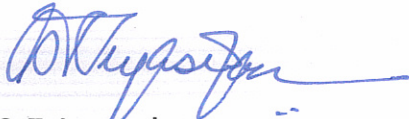
- 3) Further, the Company called for an extraordinary general meeting of shareholders of the Company on 21st of February 2022 in terms of the Section 220 of the Companies Act No. 07 of 2007, to inform the shareholders of the nature and extent of the losses incurred by the company, the causes of the losses and the steps which are being taken by the board to prevent further such losses and to recoup the losses incurred.
- 4) Accordingly, the company is planning to resolve matters giving rise to the qualified audit opinion within fifteen months from the date of transfer to the Watch List.

The following additional statements are made as required by Rule 7.5 (d) (ii) A.5 (d)

- In the event of any deviation from the proposed remedial action to resolve the matters which gave rise to the qualified audit opinion, the extent of the deviation shall be communicated to the investors by way of a subsequent announcement to the market via the CSE within one (1) market day from the date of obtaining the approval of the board of directors of the Company for such deviation.
- In the event the matters giving rise to the qualified audit opinion are not resolved within a period of fifteen (15) months from the date of transferring the Securities of the entity to the Watch List, the trading of securities of the Listed Entity shall be suspended. In the event, the trading suspension continues for a period of more than 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).
- In the event the matters giving rise to the qualified audit opinion 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.

Yours Sincerely,

BY ORDER OF THE BOARD OF SERENDIB ENGINEERING GROUP PLC



G. T. Jeyaseelan

Director