

SECTION 7

CONTINUING LISTING REQUIREMENTS

All Entities whose Securities are listed on the Exchange shall comply with these Rules and such additional Rules as may be introduced from time to time at the discretion of the Exchange.

All Entities whose securities are listed on the Exchange, whether or not such listing has taken place prior to these Rules shall, where applicable, be bound by these Rules and such additions, variations etc. made from time to time.

It is the duty of the board of directors of every Entity whose Securities are listed to ensure that all the Rules of the Exchange are met on a continuing basis so long as the Securities of such Entity remain on the Exchange.

7.1 DIVIDEND PAYMENT

ANNOUNCEMENT TO THE EXCHANGE

- a. The Entity shall, immediately upon authorizing a dividend distribution, make an announcement to the Exchange. The announcement to the Exchange shall include:-
 - (i) dividend per share
 - (ii) whether the dividend distribution is subject to the shareholder approval or not
 - (iii) date of dispatch of dividend payment
 - (iv) book closure date (if applicable)
 - (v) financial year applicable for the dividend
 - (vi) in the event of a scrip dividend:
 - The number of shares to be issued
 - The proportion in which shares are to be issued
 - The consideration for which the shares are to be issued
 - The current stated capital of the Entity
 - The value of reserve/s to be capitalized for the issue of shares
 - The following statement:
"The scrip dividend is subject to the Exchange approving in principle the issue and listing of shares and obtaining shareholder approval (if required in terms of the Articles of Association of the Entity).
 - (vii) a resolution passed by the board of directors of the Entity stating that the Board has reasonable grounds for believing that the Entity would satisfy the Solvency Test immediately after the dividend distribution
 - (viii) a certified copy of the certificate signed by the board of directors of the Entity to the effect that the Entity is able to satisfy the Solvency Test immediately after the dividend distribution, with an undertaking that the Entity shall

forward to the Exchange a certified copy of the certificate of solvency issued by a firm of auditors.

- b. Unless the Entity's Articles of Association provides otherwise, upon the board of directors authorizing a dividend distribution the shareholders must approve such distribution by an ordinary resolution.

c. **TIMEFRAME FOR THE DIVIDEND PAYMENT**

The Entity shall notify, in writing, the following dates to the Exchange:

- (i) Where the Entity is required to obtain shareholder approval as per the Articles of Association of the Entity;

1. The Date of the General Meeting – The date of the general meeting shall be determined by the Entity.
2. The Ex-Dividend (XD) Date - The XD Date shall be the Market Day immediately following the date on which the related resolution is passed by the shareholders at the General Meeting.
3. The Record Date - The Record Date shall be the third (3rd) Market Day from the date of the General Meeting excluding the date of the meeting for the purpose of calculation.
4. The Date of Dispatch of the Dividend Payment - The date of dispatch of the dividend payment shall be within twelve (12) Market Days from and excluding the Record Date.

Provided however, in instances where the shareholder has given accurate dividend disposal instructions to the CDS or the Listed Entity by providing the bank account number, the dividend payment shall be directly credited to such bank account within three (3) Market Days from and excluding the Record Date.

The Entity shall promptly notify the Exchange of the date of dispatch of the dividend payment.

- (ii) Where the Entity is not required to obtain shareholder approval as per the Articles of Association of the Entity;

1. The XD Date - The XD Date shall be the seventh (7th) Market Day from and excluding the date of the announcement to the Exchange for the purpose of calculation.
2. The Record Date - The Record Date shall be the second (2nd) Market Day from and excluding the XD Date for the purpose of calculation.

3. The Date of Dispatch of the Dividend Payment - The date of dispatch of the dividend payment shall be within twelve (12) Market Days from and excluding the Record Date.

Provided however, in instances where the shareholder has given accurate dividend disposal instructions to the CDS or the Listed Entity by providing the bank account number, the dividend payment shall be directly credited to such bank account within three (3) Market Days from and excluding the Record date.

The Entity shall promptly notify the Exchange of the date of dispatch of the dividend payment.

- d. Once a dividend distribution has been announced an Entity shall not alter the dividend per share without consulting the Exchange.

- e. **Solvency Certificate**

The Entity shall forward to the Exchange a certified copy of the certificate of solvency issued by a firm of auditors as soon as the same is issued and in any event prior to dispatching the dividend payment.

- f. **Dividend distribution by way of a scrip dividend**

- (i) **Additional Listing Application**

The Entity shall submit the following documents to the Exchange within seven (07) Market Days, from and excluding the date of announcement.

1. Listing Application in conformity with Appendix 5A of the Listing Rules.
2. A circular to shareholders, if approval of the shareholders is required to issue shares by way of a scrip dividend, in terms of the Articles of Association of the Entity.
3. The Notice of General Meeting, if approval of the shareholders is required to issue shares by way of a scrip dividend in terms of the Articles of Association of the Entity.
4. a copy of the Board Resolution certified by the Company Secretary recommending the issue and the listing of the shares arising from the scrip dividend and confirmation by the Board that in its opinion the consideration for which the shares are to be issued is fair and reasonable to the Entity and to all existing shareholders.
5. Where the issue of shares by way of a scrip dividend requires the approval of the shareholders of the Entity, an extract of such Article certified to be a true copy by the Company Secretary.
6. The relevant fee payable to the Exchange as set out in Section 12 of the Listing Rules.

(ii) Timeframe for the issue of shares by way of a scrip dividend

a. Where the Entity is required to obtain shareholder approval as per the Articles of Association of the Entity, the Entity shall notify, in writing, the dates set out in items 1 to 3 below to the Exchange, upon the Exchange granting approval in principle for the issue of shares:

1. The Date of the General Meeting - The date of the General Meeting shall be determined by the Entity.
2. The XD Date - The XD Date shall be the Market Day immediately following the date on which the related resolution is passed by the shareholders at the General Meeting.
3. The Record Date - The Record Date shall be the third (3rd) Market Day from and excluding the date of the General Meeting for the purpose of calculation.
4. The Date for Direct Deposit of New Shares into Shareholder's CDS Accounts - The Entity shall complete direct uploads of shares to the relevant CDS accounts within five (5) Market Days from and excluding the Record Date.

b. Where the Entity is not required to obtain shareholder approval as per the Articles of Association of the Entity, the Entity shall notify, in writing, the dates set out in items 1 to 2 below to the Exchange, upon the Exchange granting approval in principle for the issue of shares:

1. The XD Date - The XD Date shall be the second (2nd) Market Day prior to the Record Date (from and excluding the Record date). The XD Date shall be determined by the Entity in consultation with the Exchange.
2. The Record Date - The Record Date shall be the second (2nd) Market Day from and excluding the XD Date. The Record Date shall be determined by the Entity in consultation with the Exchange.
3. The Date for Direct Deposit of New Shares into Shareholder's CDS Accounts - The Entity shall complete direct uploads of shares to the relevant CDS accounts within seventeen (17) Market Days from and excluding the Date of announcement to the Exchange.

(iii) Once a dividend distribution by way of a scrip dividend has been announced, an Entity shall not alter details of such scrip dividend without consulting the Exchange.

(iv) Solvency Certificate

The Entity shall forward to the Exchange a certified copy of the certificate of solvency issued by a firm of auditors as soon as the same is issued and in any event prior to submitting the Declaration to the Exchange as specified in (v) below.

(v) Declaration to the Exchange

The Entity shall submit to the Exchange a 'Declaration' as set out in Appendix 5C of the Rules on the Market Day immediately following the day on which the direct deposit of shares is completed.

7.2 RESOLUTIONS

The Exchange must be notified at the same time as shareholders regarding any resolution to be voted on at any members' meeting. The Exchange shall be notified immediately after the meeting whether the resolution was passed or not.

7.3 CIRCULARS TO SHAREHOLDERS

A copy of circulars to shareholders should be sent to the Exchange at the same time as they are dispatched to the holders of Listed Securities for dissemination to the Market.

7.4 INTERIM FINANCIAL STATEMENTS

a. (i) A Listed Entity shall prepare and submit Interim Financial Statements to the Exchange for public release as follows:

1. Where the Securities are listed on the Main Listing Segment, the Interim Financial Statements (hereinafter referred to as 'Financial Statements') shall be prepared and submitted on a quarterly basis as soon as the figures have been approved by the Board of Directors of the Entity and in any event not later than forty five (45) days from the end of the first, second and third quarters and two (2) months from the end of the fourth quarter; and,
2. Where the Securities are listed on the Empower Board in the Alternate Market Segment, the Financial Statements shall be prepared and submitted on a half yearly basis, as soon as the figures have been approved by the Board of Directors of the Entity and in any event not later than two (2) months from the end of the half year.

Such Financial Statements shall include the following:

- A statement of financial position as of the end of the current interim period and a comparative statement of financial position as of the end of the immediately preceding financial year;
- A statement of comprehensive income for the current interim period and cumulatively for the current financial year to date, with comparative

statements of comprehensive income for the comparable interim periods (current and year-to-date) of the immediately preceding financial year; and,

- A statement of changes in equity and a cash flow statement, cumulatively for the current financial year to date, with a comparative statement for the comparable year-to-date period of the immediately preceding financial year.

Additionally, the Entity shall submit to the Exchange a Supplementary Disclosure Statement for the first and third quarters within forty-five (45) days from the end of such quarters. The Supplementary Disclosure Statement shall be prepared by the Entity in conformity with the format prescribed by the Exchange from time to time.

(ii) The Entity shall;

- submit to the Exchange one (01) set of the Interim Financial Statements in printed form, which is dated and bears the original signatures of two (02) Directors of the Entity; and,
- simultaneously upload a soft copy of the same to the web site of the Exchange, in accordance with the procedure set out by the Exchange for such purpose from time to time.

(iii) The Entity shall send to the Exchange the Financial Statements after the close of trading but not later than 17:00 hours.

b. A Listed Entity shall ensure that the Financial Statements fulfill the following requirements;

- (i) comply with the Sri Lanka Accounting Standards (LKAS) 34 and include group and company results separately in the case of a Holding Company. (Not applicable to Entities whose Securities are listed on the Empower Board in the Alternate Market Segment)
- (ii) include the additional notes and ratios as set out in Appendix 7B to the Rules. (Not applicable to Entities whose Securities are listed on the Empower Board in the Alternate Market Segment)

(iii) be signed by two (02) Directors.

(iv) state that the Financial Statements are not audited.

c. Enforcement Procedure for Non-Submission/Delayed Submission of Interim Financial Statements

(A) In respect of Securities Listed on the Main Board and Diri Savi Board in the Main Market Segment

- (i) This Rule 7.4 (c) shall not be applicable to Entities which have listed only Debt Securities on the Exchange provided a fresh rating certificate obtained for the relevant quarter is disclosed to the market

in lieu of the applicable requirements for interim financial statements pertaining to the relevant Debt Security.

- (ii) In the event a Listed Entity fails to submit the Interim financial statements within the time period set out in Rule 7.4 (a) of these Rules, the Securities of such Listed Entity shall be transferred to the Watch List on or before the expiry of five (05) Market Days from the expiry of said time period.
- (iii) Immediately subsequent to the transfer of Securities of the Listed Entity to the Watch List, the Listed Entity shall make an announcement to the Market via the Exchange and such announcement shall include:
 - 1. the remedial action taken or proposed to be taken by the Entity to submit the interim financial statements within a period of three (03) months from the date of transfer to the Watch List; and
 - 2. the following statements:
 - a. In the event of any deviation from the proposed remedial action, 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 (01) Market Day from the date of obtaining the approval of the Board of Directors of the Entity for such deviation;
 - b. In the event the Entity fails to implement such remedial action within three (03) months from the date of transferring the Securities of the Listed Entity to the Watch List, the trading in such Securities of the Listed Entity shall be suspended by the CSE; and,
 - c. In the event of such trading suspension continuing for a period of twelve (12) months, the securities of the Entity shall be delisted by the Board of Directors of the CSE in terms of Rule 11.3(a) of the Listing Rules.
- (iv) Where the non-compliance is not rectified, the Listed Entity shall notify its shareholders at the First General Meeting of the Entity, to be held subsequent to the Securities being transferred to the Watch List, the details pertaining to the non-compliance with Rule 7.4 (a) of these Rules and inform shareholders of the remedial action taken or proposed to be taken by the Entity, in order to ensure compliance with Rule 7.4 (a) of these Rules. Such notification shall include a statement that a failure on the part of the Listed Entity to rectify the non-compliance has resulted or shall result (as applicable) in the suspension of the trading of Securities of the Entity and that the continued non-compliance shall result in the securities of the Entity being delisted by the Board of Directors of the CSE in terms of Rule 11.3(a) of the Listing Rules.
- (v) The Listed Entity shall make an announcement to the Market via the Exchange regarding the outcome of the above matter taken up at the General Meeting of the Entity within the Market Day immediately following the date of the General Meeting. Such announcement shall include any decisions made pertaining to such matter.

- (vi) The Directors and the Chief Executive Officer of the Entity, their Close Family Members, the parent Entity of the Listed Entity and any entity in which such Director, Chief Executive Officer, their Close Family Members or the parent Entity directly or indirectly hold fifty per centum (50%) or more of the voting rights shall refrain from exercising their rights to transact, directly or indirectly, in the Securities of the Entity whilst such Securities are on the Watch List, unless prior approval is obtained from the SEC.

In the event any of the persons mentioned above resign from the position held in the Listed Entity, the restriction imposed above shall continue for a period of three (03) months from the date of resignation or until the Listed Entity complies with Rule 7.4 (a) of these Rules, whichever occurs earlier.

- (vii) The Listed Entity shall rectify the non-compliance within a period of three (3) months from the date of transferring the Securities of the Listed Entity to the Watch List.

- (viii) In the event the Listed Entity fails to rectify the non-compliance within a period of three (03) months from the date of transferring the Securities of the Listed Entity to the Watch List, the Exchange shall suspend the trading of Securities of the Listed Entity until such time the Entity complies with Rule 7.4 (a) of these Rules.

- (ix) In the event the trading of Securities of the Listed Entity remains suspended for a period in excess of twelve (12) months, the securities of the Entity shall be delisted by the Board of Directors of the CSE in terms of Rule 11.3 (a) of these Rules.

- (x) The decision of the Board of Directors of the CSE to delist the securities of the Entity made in terms of Rule 11.3 (a) of these Rules shall be communicated to the SEC together with the reasons for same;

provided however the SEC may grant a further period of time to enable the Listed Entity to comply with Rule 7.4 (a) of these Rules on an application made by such Listed Entity to the SEC within a period of nine (09) months from the date of suspension of the Securities of the Listed Entity.

In the event the Listed Entity fails to comply with Rule 7.4 (a) of these Rules within the extended period granted by the SEC, the securities of the Entity shall be delisted by the Board of Directors of the CSE in terms of Rule 11.3(a) of these rules and such decision shall be communicated to the SEC together with the reasons for same.

(B) In respect of Securities Listed on the Empower Board in the Alternate Market Segment:

- (i) In the event a Listed Entity fails to submit the Interim financial statements within the time period set out in Rule 7.4 (a) (2) of these Rules, the securities of such Listed Entity shall be transferred to the Watch List on or before the expiry of ten (10) Market Days from the expiry of said time period.

- (ii) Immediately subsequent to the transfer of securities of the Listed Entity to the Watch List, the Listed Entity shall make an announcement to the Market via the Exchange and such announcement shall include:
 - 1. the remedial action taken or proposed to be taken by the Entity to submit the interim financial statements within a period of eighteen (18) months from the date of transfer to the Watch List; and
 - 2. the following statements:
 - a. In the event of any deviation from the proposed remedial action, 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 (01) Market Day from the date of obtaining the approval of the Board of Directors of the Entity for such deviation; and,
 - b. In the event the Entity fails to implement the remedial action within eighteen (18) months from the date of transferring the securities of the Listed Entity to the Watch List, the trading in such securities of the Listed Entity shall be suspended by the CSE.
 - c. In the event of such trading suspension continuing for a period of twelve (12) months, the securities of the Entity shall be delisted by the Board of Directors of the CSE in terms of Rule 11.3 (a) of the Listing Rules.
- (iii) Where the non-compliance is not rectified, the Listed Entity shall notify its shareholders at the first General Meeting of the Entity, to be held subsequent to the securities being transferred to the Watch List, the details pertaining to the non-compliance with Rule 7.4 (a) (2) of these Rules and inform shareholders of the remedial action taken or proposed to be taken by the Entity, in order to ensure compliance with Rule 7.4 (a) (2) of these Rules. Such notification shall include a statement that a failure on the part of the Listed Entity to rectify the non-compliance has resulted or shall result (as applicable) in the suspension of the trading of securities of the Entity and that continued non-compliance shall result in the securities of the Entity being delisted by the Board of Directors of the CSE in terms of 11.3 (a) of the Listing Rules.
- (iv) The Listed Entity shall make an announcement to the Market via the Exchange regarding the outcome of the above matter taken up at the General Meeting of the Entity within the Market Day immediately following the date of the General Meeting. Such announcement shall include any decisions made pertaining to such matter.
- (v) The Directors and the Chief Executive Officer of the Entity, their Close Family Members, the parent Entity of the Listed Entity and any entity in which such Director, Chief Executive Officer, their Close Family Members or the parent Entity directly or indirectly hold fifty per centum (50%) or more of the voting rights and Sponsor/s who are shareholders of the Entity shall refrain from exercising their rights to transact, directly or indirectly, in the securities of the Entity whilst

such securities are on the Watch List, unless prior approval is obtained from the SEC.

In the event any of the persons mentioned above resign from the position held in the Listed Entity, the restriction imposed above shall continue for a period of three (03) months from the date of resignation or until the Listed Entity complies with Rule 7.4 (a) (2) of these Rules, whichever occurs earlier.

- (vi) The Listed Entity shall rectify the non-compliance within a period of eighteen (18) months from the date of transferring the securities of the Listed Entity to the Watch List.
- (vii) In the event the Listed Entity fails to rectify the non-compliance within a period of eighteen (18) months from the date of transferring the securities of the Listed Entity to the Watch List, the Exchange shall suspend the trading of securities of the Listed Entity until such time the Listed Entity complies with either Rule 7.4 (a)(i)(2) of these Rules or submits the Annual Report of the Entity in accordance with Rule 7.5 (a) of these Rules, whichever occurs first.
- (viii) In the event the trading of securities of the Listed Entity remains suspended for a period in excess of twelve (12) months, the securities of the Entity shall be delisted by the Board of Directors of the CSE in terms of Rule 11.3 (a) of these Rules.
- (ix) The decision of the Board of Directors of the CSE to delist the securities of the Entity made in terms of Rule 11.3 (a) of these Rules shall be communicated to the SEC together with the reasons for same;

Provided however the SEC may grant a further period of time to enable the Listed Entity to comply with Rule 7.4 (a) (2) of these Rules on an application made by such Listed Entity to the SEC within a period of nine (09) months from the date of suspension of the securities of the Listed Entity.

In the event the Listed Entity fails to comply with Rule 7.4 (a)(2) of these Rules within the extended period granted by the SEC, the securities of the Entity shall be delisted by the Board of Directors of the CSE in terms of Rule 11.3 (a) of these rules and such decision shall be communicated to the SEC together with the reasons for same.

For the purpose of Rule 7.4 (c):

'Close Family Member' shall mean and include the spouse and a child below eighteen (18) years and any of the following persons provided that they are financially dependent on and/or acting in concert with the person under reference:

- a) child above 18 years;
- b) grandparents;
- c) parents;
- d) brothers;
- e) sisters;

- f) grandchildren; and
- g) spouse of the persons referred to above

'Acting in Concert' shall have the same meaning as defined in the 'Takeovers and Mergers Code'.

7.5 CIRCULATION OF ANNUAL REPORT

- a. A Listed Entity shall ensure that the annual report is sent to all shareholders and Debt Securities holders of the Entity (hereinafter referred to as 'Securities holders' in this Rule) and given to the Exchange within a period not exceeding five (05) months from the close of the financial year of the Listed Entity. The Audited Financial Statements shall be prepared and published in accordance with the Sri Lanka Accounting Standards, audited in accordance with Sri Lanka Auditing Standards and shall comply with any other applicable regulatory requirements.
- b. In the event the Listed Entity sends the annual report to its Securities holders in a mode, other than in printed form, the Entity shall comply with the following:
 - (i) The Listed Entity shall provide a printed copy of the annual report to a Securities holder, upon such Securities holder's request in writing;
 - (ii) The Listed Entity shall designate a person to attend to the Securities holder's requests as stated in subparagraph (a) above;
 - (iii) The Listed Entity shall ensure that a printed copy of the annual report is forwarded to the Securities holder requesting the annual report, within eight (8) Market Days from the date of receipt of the request;
 - (iv) The Listed Entity shall designate a person/s to answer queries from Securities holders relating to the mode of sending the annual report to its Securities holders;
 - (v) Together with the annual report, the Listed Entity shall send a note to the Securities holders containing the following statement/ information:
 - 1. that the Listed Entity shall forward a printed copy of the annual report to the Securities holder requesting such printed copy within eight (8) Market Days from the date of receipt of the written request; and
 - 2. the Listed Entity's web site and email address, name/s of designated person/s attending to the Securities holder's requests and queries and contact number/s; and
 - 3. a request form to enable the Securities holders to request for a printed copy of the annual report, with the particulars of the Listed Entity's facsimile number and mailing address.

- c. In the event the Securities of the Entity are listed on the Empower Board in the Alternate Market Segment, such Entity shall issue the annual report of such Entity in soft copy form and host such document on the websites of the Entity and the Exchange.

Provided however, the Listed Entity shall provide a printed copy of the annual report to a securities holder upon such securities holder's request in writing. The Listed Entity shall ensure that a printed copy of the annual report is forwarded to the securities holder requesting the annual report, within eight (8) Market Days from the date of receipt of the written request.

- d. **(i) Enforcement Procedure for Independent Auditor's Reports containing an Adverse or Disclaimer of Opinion**

(A) In respect of Securities Listed on the Main Board and Diri Savi Board in the Main Market Segment

1. This Rule 7.5 (d)(i)(A) shall not be applicable to Entities which have listed only Debt Securities on the Exchange provided a fresh rating certificate obtained for the relevant financial year is disclosed to the market.
2. In the event the independent auditor's report in the Audited Financial Statements of a Listed Entity submitted to the Exchange contains an adverse or disclaimer of opinion, it shall be the duty of such Entity to resolve the matters giving rise to the adverse or disclaimer of opinion and have such matters independently verified by an auditor that such matters have been resolved within the time period provided in these Rules.
3. Until the matters giving rise to the adverse or disclaimer of opinion are resolved in the manner specified in Rule 7.5 (d)(i)(A)(2) above, the Listed Entity shall be subjected to the enforcement procedures specified in this Rule.
4. In the event the independent auditor's report in the Audited Financial Statements submitted to the Exchange contains an adverse or disclaimer of opinion, the Securities of such Listed Entity shall be transferred to the Watch List on or before the expiry of five (05) Market Days from the date of submission of such Audited Financial Statements to the Exchange.
5. On submission of such Audited Financial Statements to the Exchange, the Entity shall make an announcement to the Market via the Exchange regarding the adverse or disclaimer of opinion and such announcement shall contain the following;
 - a) A statement that the Securities of the Entity will be or has been (as applicable) transferred to the Watch List by the Exchange within five (05) Market Days from the date of receipt of the Audited Financial Statements of the Entity as it contains an adverse or disclaimer of opinion;
 - b) The remedial action taken or proposed to be taken by the Entity to resolve the matters giving rise to the adverse or disclaimer of opinion;

- c) The time period within which such remedial action will be taken by the Entity; and
 - d) The following additional statements:
 - i. In the event of any deviation from the proposed remedial action, the extent of the deviation shall be communicated to the investors by way of a subsequent announcement to the Market via the Exchange within one (01) Market Day from the date of obtaining the approval of the Board of Directors of the Entity for such deviation;
 - ii. In the event the matters giving rise to the adverse or disclaimer of opinion are not resolved within a period of six (06) 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 in excess of twelve (12) months, the securities of the Entity shall be delisted by the Board of Directors of the CSE in terms of Rule 11.3 (a) of the Listing Rules.
 - iii. In the event the matters giving rise to the adverse or disclaimer of opinion are resolved, such fact shall be announced to the Market via the CSE in the form of a declaration by the Board of Directors of the Listed Entity which shall be accompanied with a confirmation issued by the Audit Committee of the Listed Entity stating that the matters giving rise to the adverse or disclaimer of opinion have been resolved.
6. The announcement specified in Rule 7.5(d)(i)(A)(5) above shall be repeated on the first (1st) Market Day of each calendar month thereafter until such time the Entity resolves the matters giving rise to the adverse or disclaimer of opinion in the manner specified in these Rules.
7. Unless the matters giving rise to the adverse or disclaimer of opinion are resolved in the manner specified in these Rules, the Entity shall notify its shareholders of the following facts at the first General Meeting to be held subsequent to submitting the Audited Financial Statements to the Exchange. The notice to the shareholders shall include the following;
- i. A statement that the Audit Opinion set out in the independent auditor's report on the Audited Financial Statements of the Listed Entity contains an adverse or disclaimer of opinion;
 - ii. The remedial action taken or proposed to be taken by the Entity to resolve such matters; and
 - iii. A statement that a failure on the part of the Listed Entity to resolve the matters giving rise to the adverse or disclaimer of opinion during the time period and in the manner specified in the Listing Rules shall result in the suspension of trading of Securities of the Entity and the continued failure to resolve such matters shall result in the subsequent delisting of the securities of the listed Entity in terms of Rule 11.3(a) of the Listing Rules.

8. The Listed Entity shall make an announcement to the Market via the Exchange regarding the outcome of the above matter taken up at the General Meeting of the Entity within the Market Day immediately following the date of such General Meeting. The announcement shall include any decisions made pertaining to such matter.
9. The Directors and the Chief Executive Officer of the entity, their close family members, the parent entity of the Listed Entity and any entity in which such Director, Chief Executive Officer, their close family members or the parent entity directly or indirectly hold fifty per centum (50%) or more of the voting rights shall refrain from exercising their right to transact directly or indirectly in the Securities of the Entity whilst such Securities are on the Watch List unless, prior approval is obtained from the SEC.

In the event any of the persons mentioned above resign from the position held in the Listed Entity, the restriction imposed above shall continue for a period of three (03) months from the date of resignation or until the Listed Entity resolves the matters giving rise to the adverse or disclaimer of opinion, whichever occurs earlier.

10. a) Unless the Listed Entity obtains a deferment from the SEC in terms of Rule 7.5(d)(i)(A)(12) below or resolves the matters giving rise to the adverse or disclaimer of opinion after the Securities of the Entity are transferred to the Watch List but before the expiry of six (06) months from the date of such transfer, the trading of Securities of the Listed Entity shall be suspended.
 - b) In the event the matters giving rise to the adverse or disclaimer of opinion are resolved by the Listed Entity, such fact shall be announced to the Market via the Exchange in the form of a declaration by the Board of Directors of the Listed Entity which shall be accompanied with a confirmation issued by the Audit Committee of the Listed Entity stating that the matters giving rise to the adverse or disclaimer of opinion have been resolved.
 - c) A Listed Entity which has made a declaration in terms of sub paragraph (b) above shall however remain on the Watch List until an independent verification by an Auditor is obtained by the Listed Entity as to the resolution of all matters giving rise to the adverse or disclaimer of opinion. Such verification shall be obtained by the Listed Entity within a period not exceeding fifteen (15) months from the date of transfer of the Securities of the Listed Entity to the Watch List.
11. Unless the Listed Entity obtains a deferment from the SEC in terms of Rule 7.5(d)(i)(A)(12) of these Rules or resolves the matters giving rise to the adverse or disclaimer of opinion in the manner specified in Rule 7.5(d)(i)(A)(10)(b) above, the Listed Entity in which trading in Securities has been suspended for failure to resolve the matters giving rise to the adverse or disclaimer of opinion shall, on the expiry of twelve (12) months

from the date of suspension of trading, be delisted by the Board of Directors of the CSE in terms of Rule 11.3(a) of these Rules.

The decision of the Board of Directors of the CSE to delist the securities of the Entity made in terms of Rule 11.3(a) of these Rules shall be communicated to the SEC together with the reasons for same.

In the event the Listed Entity resolves the matter in the manner specified in Rule 7.5(d)(i)(A)(10)(b) above after the suspension on trading of Securities has been imposed, but before the expiry of twelve (12) months from the date of suspension on trading of Securities, the Securities shall remain on the Watch List until an independent verification from an auditor is obtained by the Listed Entity as to the fact of resolving all matters giving rise to the adverse or disclaimer of opinion. Such verification shall be obtained by the Listed Entity within a period of eighteen (18) months from the date of transferring its Securities to the Watch List.

12. The SEC may grant a deferment from suspending the trading of Securities of the Listed Entity on an application made by the Listed Entity within three (03) months from the date of transferring its Securities to the Watch List, seeking further time to resolve the matters giving rise to the adverse or disclaimer of opinion.

The SEC may grant a deferment from the matter being referred to the Board of Directors of the Exchange to delist the Securities of the Entity, on an application made by the Listed Entity within nine (09) months from the date of suspension of the trading of Securities of such Entity, seeking further time to resolve the matters giving rise to the adverse or disclaimer of opinion.

13. In the event the SEC grants a deferment to the Listed Entity from its Securities being suspended and/or delisted as the case may be, the Listed Entity shall resolve the matters giving rise to the adverse or disclaimer of opinion and have such fact independently verified by an Auditor within the extended time period granted by the SEC.
14. Upon the matters giving rise to the adverse or disclaimer of opinion being resolved and independently verified by an auditor within the time periods provided for in these Rules or within the extended time period allowed by the SEC as the case may be, the Securities of the Listed Entity shall be transferred out of the Watch List.

(B) In respect of Securities Listed on the Empower Board in the Alternate Market Segment

1. In the event the independent auditor's report in the Audited Financial Statements of a Listed Entity submitted to the Exchange contains an Adverse or Disclaimer of Opinion, it shall be the duty of such Entity to resolve the matters giving rise to the Adverse or Disclaimer of Opinion and have such matters independently verified by an auditor that such matters have been resolved within the time period provided in these Rules.

2. Until the matters giving rise to the Adverse or Disclaimer of Opinion are resolved in the manner specified in Rule 7.5 (d)(i)(B)(1) above, the Listed Entity shall be subjected to the enforcement procedures specified in this Rule.
3. In the event the independent auditor's report in the Audited Financial Statements submitted to the Exchange contains an Adverse or Disclaimer of Opinion, the securities of such Listed Entity shall be transferred to the Watch List on or before the expiry of ten (10) Market Days from the date of submission of such Audited Financial Statements to the Exchange.
4. On submission of such Audited Financial Statements to the Exchange, the Entity shall make an announcement to the Market via the Exchange regarding the Adverse or Disclaimer of Opinion and such announcement shall contain the following;
 - a) A statement that the securities of the Entity will be or has been (as applicable) transferred to the Watch List by the Exchange within ten (10) Market Days from the date of receipt of the Audited Financial Statements of the Entity as it contains an Adverse or Disclaimer of Opinion;
 - b) The remedial action taken or proposed to be taken by the Entity to resolve the matters giving rise to the Adverse or Disclaimer of Opinion;
 - c) The time period within which such remedial action will be taken by the Entity; and
 - d) The following additional statements:
 - i. In the event of any deviation from the proposed remedial action, the extent of the deviation shall be communicated to the investors by way of a subsequent announcement to the Market via the Exchange within one (01) Market Day from the date of obtaining the approval of the Board of Directors of the Entity for such deviation;
 - ii. In the event the matters giving rise to the Adverse or Disclaimer of Opinion are not resolved within a period of two (02) consecutive years 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 in excess of twelve (12) months, the securities of the Entity shall be delisted by the Board of Directors of the CSE in terms of Rule 11.3 (a) of the Listing Rules; and,
 - iii. In the event the matters giving rise to the Adverse or Disclaimer of Opinion are resolved, such fact shall be announced to the Market via the CSE in the form of a declaration by the Board of Directors of the Listed Entity which shall be accompanied with a confirmation issued by the Audit Committee of the Listed Entity stating that the

matters giving rise to the Adverse or Disclaimer of Opinion have been resolved.

5. The announcement specified in Rule 7.5 (d)(i)(B)(4) above shall be repeated on the first (1st) Market Day of each calendar month thereafter until such time the Entity resolves the matters giving rise to the Adverse or Disclaimer of Opinion in the manner specified in these Rules.
6. Unless the matters giving rise to the Adverse or Disclaimer of Opinion are resolved in the manner specified in these Rules, the Entity shall notify its shareholders of the following facts at the first General Meeting to be held subsequent to submitting the Audited Financial Statements to the Exchange. The notice to the shareholders shall include the following;
 - i. A statement that the Audit Opinion set out in the independent auditor's report on the Audited Financial Statements of the Listed Entity contains an Adverse or Disclaimer of Opinion;
 - ii. The remedial action taken or proposed to be taken by the Entity to resolve such matters; and
 - iii. A statement that a failure on the part of the Listed Entity to resolve the matters giving rise to the Adverse or Disclaimer of Opinion during the time period and in the manner specified in the Listing Rules shall result in the suspension of trading of securities of the Entity and the continued failure to resolve such matters shall result in the subsequent delisting of the securities of the listed Entity in terms of Rule 11.3(a) of the Listing Rules.
7. The Listed Entity shall make an announcement to the Market via the Exchange regarding the outcome of the above matter taken up at the General Meeting of the Entity within the Market Day immediately following the date of such General Meeting. The announcement shall include any decisions made pertaining to such matter.
8. The Directors and the Chief Executive Officer of the entity, their close family members, the parent entity of the Listed Entity and any entity in which such Director, Chief Executive Officer, their close family members or the parent entity directly or indirectly hold fifty per centum (50%) or more of the voting rights and Sponsor/s who are shareholders of the entity shall refrain from exercising their right to transact directly or indirectly in the securities of the Entity whilst such securities are on the Watch List unless, prior approval is obtained from the SEC.

In the event any of the persons mentioned above resign from the position held in the Listed Entity, the restriction imposed above shall continue for a period of three (03) months from the date of resignation or until the Listed Entity resolves the matters giving rise to the Adverse or Disclaimer of Opinion, whichever occurs earlier.

9. a) Unless the Listed Entity obtains a deferment from the SEC in terms of Rule 7.5 (d)(I)(B)(11) below or resolves the matters giving rise to the Adverse or Disclaimer of Opinion after the securities of the Entity are transferred to the Watch List but before the expiry of two (02) consecutive years from the date of such transfer, the trading of securities of the Listed Entity shall be suspended.
 - b) In the event the matters giving rise to the Adverse or Disclaimer of Opinion are resolved by the Listed Entity, such fact shall be announced to the Market via the Exchange in the form of a declaration by the Board of Directors of the Listed Entity which shall be accompanied with a confirmation issued by the Audit Committee of the Listed Entity stating that the matters giving rise to the Adverse or Disclaimer of Opinion have been resolved.
 - c) A Listed Entity which has made a declaration in terms of sub paragraph (b) above shall however remain on the Watch List until an independent verification by an Auditor is obtained by the Listed Entity as to the resolution of all matters giving rise to the Adverse or Disclaimer of Opinion. Such verification shall be obtained by the Listed Entity within a period not exceeding (32) months from the date of transfer of the Securities of the Listed Entity to the Watch List.
10. Unless the Listed Entity obtains a deferment from the SEC in terms of Rule 7.5(d)(I)(B)(11) of these Rules or resolves the matters giving rise to the Adverse or Disclaimer of Opinion in the manner specified in Rule 7.5(d)(I)(B)(9)(b) above, the Listed Entity in which trading in securities has been suspended for failure to resolve the matters giving rise to the Adverse or Disclaimer of Opinion shall, on the expiry of twelve (12) months from the date of suspension of trading, be delisted by the Board of Directors of the CSE in terms of Rule 11.3(a) of these Rules.

The decision of the Board of Directors of the CSE to delist the securities of the Entity made in terms of Rule 11.3(a) of these Rules shall be communicated to the SEC together with the reasons for same.

In the event the Listed Entity resolves the matter in the manner specified in Rule 7.5 (d)(I)(B)(9)(b) above after the suspension on trading of securities has been imposed, but before the expiry of twelve (12) months from the date of suspension on trading of securities, the securities shall remain on the Watch List until an independent verification from an auditor is obtained by the Listed Entity as to the fact of resolving all matters giving rise to the Adverse or Disclaimer of Opinion. Such verification shall be obtained by the Listed Entity within a period of thirty five (35) months from the date of transferring its Securities to the Watch List.

11. The SEC may grant a deferment from suspending the trading of securities of the Listed Entity on an application made by the Listed Entity within three (03) months from the date of transferring its

securities to the Watch List, seeking further time to resolve the matters giving rise to the Adverse or Disclaimer of Opinion.

The SEC may grant a deferment from the matter being referred to the Board of Directors of the Exchange to delist the securities of the Entity, on an application made by the Listed Entity within nine (09) months from the date of suspension of the trading of securities of such Entity, seeking further time to resolve the matters giving rise to the Adverse or Disclaimer of Opinion.

12. In the event the SEC grants a deferment to the Listed Entity from its securities being suspended and/or delisted as the case may be, the Listed Entity shall resolve the matters giving rise to the Adverse or Disclaimer of Opinion and have such fact independently verified by an Auditor within the extended time period granted by the SEC.
13. Upon the matters giving rise to the Adverse or Disclaimer of Opinion being resolved and independently verified by an auditor within the time periods provided for in these Rules or within the extended time period allowed by the SEC as the case may be, the securities of the Listed Entity shall be transferred out of the Watch List.

(ii) Enforcement Procedure for Independent Auditor's Reports containing a Qualified Audit Opinion and/or an Emphasis of Matter on Going Concern

(A) In respect of Securities Listed on the Main Board and Diri Savi Board in the Main Market Segment

1. This Rule 7.5 (d)(ii)(A) shall not be applicable to Entities which have listed only Debt Securities on the Exchange provided a fresh rating certificate obtained for the relevant financial year is disclosed to the market.
2. In the event the independent auditor's report in the Audited Financial Statements of a Listed Entity submitted to the Exchange contains a qualified audit opinion and/or an emphasis of matter on going concern, it shall be the duty of such Entity to resolve such matters within the time period provided for in these Rules.
3. Until the matters giving rise to the qualified audit opinion and/or emphasis of matter on going concern are resolved and such resolution is independently verified by an auditor within the time periods provided herein, the Listed Entity shall be subjected to the enforcement procedures as specified in this Rule.
4. In the event the independent auditor's report on the Audited Financial Statements submitted to the Exchange contains a qualified audit opinion and/or an emphasis of matter on going concern, the Securities of such Listed Entity shall be transferred to the Watch List on or before the expiry of five (05) Market Days from the date of submission of such Audited Financial Statements to the Exchange.

5. On submission of such Audited Financial Statements to the Exchange, the Entity shall make an announcement to the Market via the Exchange regarding the qualified audit opinion and/or emphasis of matter on going concern (as applicable) and such announcement shall contain the following;
 - a) A Statement that the Securities of the Entity will be or has been (as applicable) transferred to the Watch List by the Exchange within five (5) Market Days from the date of receipt of the Audited Financial Statements of the Entity as it contains a qualified audit opinion and/or an emphasis of matter on going concern (as applicable);
 - b) The remedial action taken or proposed to be taken by the Entity to resolve the matters giving rise to the qualified audit opinion and/or the emphasis of matter on going concern (as applicable);
 - c) The time period within which such remedial action will be taken by the Entity; and
 - d) The following additional statements;
 - i. In the event of any deviation from the proposed remedial action, the extent of the deviation shall be communicated to the investors by way of a subsequent announcement to the Market via the Exchange within one (01) Market Day from the date of obtaining the approval of the Board of Directors of the Entity for such deviation;
 - ii. In the event the matters giving rise to the qualified audit opinion and/or the emphasis of matter on going concern (as applicable) 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 in excess of twelve (12) months, the securities of the Entity shall be delisted by the Board of Directors of the CSE in terms of Rule 11.3 (a) of the Listing Rules.
 - iii. In the event the matters giving rise to the qualified audit opinion and/or the emphasis of matter on going concern (as applicable) are resolved and such fact is independently verified by an auditor during the period the Securities of the Entity are on the Watch List, it shall be announced to the Market via the CSE forthwith.
6. The announcement specified in Rule 7.5(d)(ii)(A)(5) above shall be repeated on the first (1st) Market Day of each calendar month thereafter until such time the Entity resolves the matters giving rise to the qualified audit opinion and/or the emphasis of matter on going concern as aforesaid, during the time period the Securities of the Entity are on the Watch List.
7. Unless the matters giving rise to the qualified audit opinion and/or the emphasis of matter on going concern are resolved earlier in the manner specified in these Rules, the Entity shall notify its shareholders of the following facts at the first General Meeting to

be held subsequent to submitting the Audited Financial Statements to the Exchange. The notice to the shareholders shall include the following;

- i. A statement that the independent auditor's report on the Audited Financial Statements of the Listed Entity contains a qualified audit opinion and/or an emphasis of matter on going concern (as applicable);
 - ii. The remedial action taken or proposed to be taken by the Entity to resolve the matters giving rise to the qualified audit opinion and/or the emphasis of matter on going concern (as applicable); and
 - iii. A statement that a failure on the part of the Listed Entity to resolve the matters giving rise to the qualified audit opinion and/or the emphasis of matter on going concern (as applicable) in the manner specified in the Listing Rules within a period of fifteen (15) months from the date of transferring its Securities to the Watch List shall result in the trading suspension of the Securities of the Entity and the continued failure to resolve such matters shall result in the subsequent delisting of the securities of the listed Entity in terms of Rule 11.3(a) of the Listing Rules.
8. The Listed Entity shall make an announcement to the Market via the Exchange regarding the outcome of the above matter taken up at the General Meeting of the Entity within the Market Day immediately following the date of such General Meeting. The announcement shall include any decisions made pertaining to such matter.
9. The Directors and the Chief Executive Officer of the entity, their close family members, the parent entity of the Listed Entity and any entity in which such Director, Chief Executive Officer, their close family members or the parent entity directly or indirectly hold fifty per centum (50%) or more of the voting rights shall refrain from exercising their right to transact directly or indirectly in the Securities of the Entity whilst such Securities are on the Watch List unless, prior approval is obtained from the SEC.

In the event any of the persons mentioned above resign from the position held in the Listed Entity, the restriction imposed above shall continue for a period of three (03) months from the date of resignation or until the Listed Entity resolves the matters giving rise to the qualified audit opinion and/or the emphasis of matter on going concern, whichever occurs earlier.

10. a) Unless the listed entity obtains a deferment from the SEC in terms of Rule 7.5 (d)(ii)(A)(12) of these Rules or resolves the matters giving rise to the qualified audit opinion and/or the emphasis of matter on going concern and such fact is independently verified by an auditor within a period not exceeding fifteen (15) months from the date its Securities are transferred to the Watch List, the trading in Securities of the Listed Entity shall be suspended at the expiry of fifteen (15) months from the date of transferring the Securities to the Watch List.

b) In the event the matters giving rise to the qualified audit opinion and/or the emphasis of matter on going concern are resolved and such fact is independently verified by an auditor prior to the expiry of fifteen (15) months from the date of transferring its Securities to the Watch List, the Securities of the Listed Entity shall be transferred out of the Watch List.

11. Unless the listed entity obtains a deferment from the SEC in terms of Rule 7.5 (d)(ii)(A)(12) of these Rules or resolves the matters giving rise to the qualified audit opinion and/or the emphasis of matter on going concern in the manner specified in these Rules, a Listed Entity in which trading in Securities has been suspended for failure to resolve the matters giving rise to the qualified audit opinion and/or the emphasis of matter on going concern as aforesaid shall on the expiry of twelve (12) months from the date of suspension of trading be delisted by the Board of Directors of the Exchange in terms of Rule 11.3(a) of the Listing Rules .

The decision of the Board of Directors of the Exchange to delist the Securities of the Entity shall be communicated to the SEC together with the reasons for same.

In the event the matters giving rise to the qualified audit opinion and/or the emphasis of matter on going concern are resolved and such resolution is independently verified by an auditor after the suspension has been imposed on the trading of Securities of the Listed Entity, but before the expiry of twelve (12) months from the date of suspension of Securities, the Securities of the Listed Entity shall be transferred out of the Watch List.

12. The SEC may grant a deferment from suspension of trading of Securities of the Listed Entity on an application made by the Listed Entity within twelve (12) months from the date of transferring its Securities to the Watch List for a deferment from suspension of trading of the Securities and seek further time to resolve the matters giving rise to the qualified audit opinion and/or the emphasis of matter on going concern.

The SEC may grant a deferment from the matter being referred to the Board of Directors of the Exchange to delist the Securities of the Entity, on an application made by the Listed Entity within nine (09) months from the date of suspension of trading of Securities, seeking further time to resolve the matters giving rise to the qualified audit opinion and/or the emphasis of matter on going concern.

13. In the event the SEC grants a deferment to the Listed Entity from its Securities being suspended and/or from being delisted as the case may be, the Listed Entity shall resolve the matters giving rise to the qualified audit opinion and/or the emphasis of matter on going concern within the extended time period granted by the SEC.

14. Upon the matters giving rise to the qualified audit opinion and/or the emphasis of matter on going concern being resolved and such

resolution has been independently verified by an auditor within the time periods provided for in these Rules or within the extended time period provided by the SEC as the case may be, the Securities of the Listed Entity shall be transferred out of the Watch List.

15. Additional Requirement to be satisfied by Listed Entities, in the event the Independent Auditor's Report in the Audited Financial Statements of the Listed Entity contains a qualified audit opinion:

In the event Audit Opinion set out in the Independent Auditor's Report in the Audited Financial Statements of the Listed Entity, contains a qualified audit opinion and such audit qualification/s is/are quantifiable, the Listed Entity shall forward to the Exchange an 'Impact Report' for public release at the time of submitting the Audited Financial Statements to the Exchange.

The Impact Report shall contain a detailed description of the impact of the said audit qualification/s to the Audited Financial Statements had the matter in question been recognized and disclosed as per the views of the Independent Auditor, including cumulative impact on profit or loss, net assets, total assets, turnover/total income, earnings per share and any other financial item/s, which may be impacted due to the qualified audit opinion.

(B) In respect of Securities Listed on the Empower Board in the Alternate Market Segment

1. In the event the independent auditor's report in the Audited Financial Statements of a Listed Entity submitted to the Exchange contains a Qualified Audit Opinion and/or emphasis of matter on going concern, it shall be the duty of such Entity to resolve such matters within the time period provided for in these Rules.
2. Until the matters giving rise to the Qualified Audit Opinion and/or emphasis of matter on going concern are resolved and such resolution is independently verified by an auditor, the Listed Entity shall be subjected to the enforcement procedures as specified in this Rule.
3. In the event the independent auditor's report on the Audited Financial Statements submitted to the Exchange contains a Qualified Audit Opinion and/or emphasis of matter on going concern, the securities of such Listed Entity shall be transferred to the Watch List on or before the expiry of ten (10) Market Days from the date of submission of such Audited Financial Statements to the Exchange.
4. On submission of such Audited Financial Statements to the Exchange, the Entity shall make an announcement to the Market via the Exchange regarding the Qualified Audit Opinion and/or emphasis of matter on going concern and such announcement shall contain the following;
 - a) A Statement that the securities of the Entity will be or has been (as applicable) transferred to the Watch List by the Exchange

within ten (10) Market Days from the date of receipt of the Audited Financial Statements of the Entity as it contains a Qualified Audit Opinion and/or emphasis of matter on going concern;

- b) The remedial action taken or proposed to be taken by the Entity to resolve the matters giving rise to the Qualified Audit Opinion and/or emphasis of matter on going concern; (as applicable)
 - c) The time period within which such remedial action will be taken by the Entity; and
 - d) The following additional statements;
 - i. In the event of any deviation from the proposed remedial action, the extent of the deviation shall be communicated to the investors by way of a subsequent announcement to the Market via the Exchange within one (01) Market Day from the date of obtaining the approval of the Board of Directors of the Entity for such deviation;
 - ii. In the event the matters giving rise to the Qualified Audit Opinion and/or emphasis of matter on going concern (as applicable) are resolved and such fact is independently verified by an auditor during the period the securities of the Entity are on the Watch List, it shall be announced to the Market via the CSE forthwith.
5. The announcement specified in Rule 7.5 (d)(ii)(B)(4) above shall be repeated on the first (1st) Market Day of each calendar month thereafter until such time the Entity resolves the matters giving rise to the Qualified Audit Opinion and/or emphasis of matter on going concern as aforesaid, during the time period the securities of the Entity are on the Watch List.
6. Unless the matters giving rise to the Qualified Audit Opinion and/or emphasis of matter on going concern are resolved earlier in the manner specified in these Rules, the Entity shall notify its shareholders of the following facts at the first General Meeting to be held subsequent to submitting the Audited Financial Statements to the Exchange. The notice to the shareholders shall include the following;
- i. A statement that the independent auditor's report on the Audited Financial Statements of the Listed Entity contains a Qualified Audit Opinion and/or emphasis of matter on going concern (as applicable);
 - ii. The remedial action taken or proposed to be taken by the Entity to resolve the matters giving rise to the Qualified Audit Opinion and/or emphasis of matter on going concern.
7. The Listed Entity shall make an announcement to the Market via the Exchange regarding the outcome of the above matter taken up at the General Meeting of the Entity within the Market Day immediately following the date of such General Meeting. The

announcement shall include any decisions made pertaining to such matter.

8. The Directors and the Chief Executive Officer of the entity, their close family members, the parent entity of the Listed Entity and any entity in which such Director, Chief Executive Officer, their close family members or the parent entity directly or indirectly hold fifty per centum (50%) or more of the voting rights and Sponsor/s who are shareholders of the Entity shall refrain from exercising their right to transact directly or indirectly in the securities of the Entity whilst such securities are on the Watch List unless, prior approval is obtained from the SEC.

In the event any of the persons mentioned above resign from the position held in the Listed Entity, the restriction imposed above shall continue for a period of three (03) months from the date of resignation or until the Listed Entity resolves the matters giving rise to the Qualified Audit Opinion and/or emphasis of matter on going concern, whichever occurs earlier.

9. Upon the matters giving rise to the Qualified Audit Opinion and/or emphasis of matter on going concern being resolved and such resolution has been independently verified by an auditor and announced to the Market via the Exchange, the securities of the Listed Entity shall be transferred out of the Watch List.

e. Enforcement Procedure for Non-Submission/Delayed Submission of Annual Reports

(i) In respect of Securities Listed on the Main Board and Diri Savi Board in the Main Market Segment

1. This Rule 7.5 (e)(i) shall not be applicable to Entities which have listed only Debt Securities on the Exchange provided a fresh rating certificate obtained for the relevant financial year is disclosed to the market in lieu of the applicable requirements for Annual reports pertaining to the relevant Debt Security.
2. In the event a Listed Entity fails to submit the Annual Report within the time period set out in Rule 7.5 (a) of these Rules, the Securities of such Listed Entity shall be transferred to the Watch List on or before the expiry of five (05) Market Days from the expiry of said time period.
3. Immediately subsequent to the transfer of Securities of the Listed Entity to the Watch List, the Listed Entity shall make an announcement to the Market via the Exchange and such announcement shall include:
 - (i) the remedial action taken or proposed to be taken by the Entity to submit the annual report within a period of three (03) months from the date of transferring the Securities of the Listed Entity to the Watch List; and,
 - (ii) the following statements;
 - a. In the event of any deviation from the proposed remedial action, 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 (01) Market Day from the date of obtaining the approval of the Board of Directors of the Entity for such deviation;
- b. In the event the Entity fails to implement such remedial action within three (03) months from the date of transferring the Securities of the Listed Entity to the Watch List, the trading in such Securities of the Listed Entity shall be suspended by the CSE; and,
 - c. In the event of such trading suspension continuing for a period of twelve (12) months, the securities of the entity shall be delisted by the Board of Directors of the CSE in terms of Rule 11.3 (a) of the Listing Rules.
4. In the event non-compliance is not rectified, the Listed Entity shall notify its shareholders at the first General Meeting of the Entity, to be held subsequent to the Securities being transferred to the Watch List, the details pertaining to the non-compliance with Rule 7.5 (a) of these Rules and inform shareholders of the remedial action taken or proposed to be taken by the Entity, in order to ensure compliance with Rule 7.5 (a) of these Rules. Such notification shall include a statement that a failure on the part of the Listed Entity to rectify the non-compliance has resulted or shall result (as applicable) in the suspension of the trading of Securities of the Entity and that continued non-compliance shall result in the securities of the entity being delisted by the Board of Directors of the CSE in terms of Rule 11.3 (a) of the Listing Rules.
 5. The Listed Entity shall make an announcement to the Market via the Exchange regarding the outcome of the above matter taken up at the General Meeting of the Entity within the Market Day immediately following the date of the General Meeting. Such announcement shall include any decisions made pertaining to such matter.
 6. The Directors and the Chief Executive Officer of the Entity, their Close Family Members, the parent Entity of the Listed Entity and any entity in which such Director, Chief Executive Officer, their Close Family Members or the parent Entity directly or indirectly hold fifty per centum (50%) or more of the voting rights shall refrain from exercising their rights to transact, directly or indirectly, in the Securities of the Entity whilst such Securities are on the Watch List, unless prior approval is obtained from the SEC.

In the event any of the persons mentioned above resign from the position held in the Listed Entity, the restriction imposed above shall continue for a period of three (03) months from the date of resignation or until the Listed Entity complies with Rule 7.5 (a) of these Rules, whichever occurs earlier.

7. The Listed Entity shall rectify the non-compliance within a period of three (03) months from the date of transferring the Securities of the Listed Entity to the Watch List.
8. In the event the Listed Entity fails to rectify the non-compliance within a period of three (03) months from the date of transferring the Securities of the Listed Entity to the Watch List, the Exchange shall suspend the trading of Securities of the Listed Entity until such time the Entity complies with Rule 7.5 (a) of these Rules.

9. In the event the trading of Securities of the Listed Entity remains suspended for a period in excess of twelve (12) months, the securities of the Entity shall be delisted by the Board of Directors of the CSE in terms of Rule 11.3 (a) of these rules.
10. The decision of the Board of Directors of the CSE to delist the securities of the Entity made in terms of Rule 11.3 (a) of these rules shall be communicated to the SEC together with the reasons for same;

Provided however the SEC may grant a further period of time to enable the Listed Entity to comply with Rule 7.5 (a) of these Rules on an application made by such Listed Entity to the SEC within a period of nine (9) months from the date of suspension of the Securities of the Listed Entity.

In the event the Listed Entity fails to comply with Rule 7.5 (a) of these Rules within the extended period granted by the SEC, the securities of the Entity shall be delisted by the Board of Directors of the CSE in terms of Rule 11.3 (a) of these rules and such decision shall be communicated to the SEC together with the reasons for same.

(ii) In respect of Securities Listed on the Empower Board in the Alternate Market Segment

1. In the event a Listed Entity fails to submit the Annual Report within the time period set out in Rule 7.5 (a) of these Rules, the securities of such Listed Entity shall be transferred to the Watch List on or before the expiry of ten (10) Market Days from the expiry of said time period.
2. Immediately subsequent to the transfer of securities of the Listed Entity to the Watch List, the Listed Entity shall make an announcement to the Market via the Exchange and such announcement shall include:
 - (i) the remedial action taken or proposed to be taken by the Entity to submit the annual report within a period of twelve (12) months from the date of transferring the securities of the Listed Entity to the Watch List; and,
 - (ii) the following statements;
 - a. In the event of any deviation from the proposed remedial action, 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 (01) Market Day from the date of obtaining the approval of the Board of Directors of the Entity for such deviation;
 - b. In the event the Entity fails to implement such remedial action within twelve (12) months from the date of transferring the securities of the Listed Entity to the Watch List, the trading in such securities of the Listed Entity shall be suspended by the CSE; and,

- c. In the event of such trading suspension continuing for a period of eighteen (18) months, the securities of the Entity shall be delisted by the Board of Directors of the CSE in terms of Rule 11.3 (a) of the Listing Rules.
3. In the event non-compliance is not rectified, the Listed Entity shall notify its shareholders at the first General Meeting of the Entity, to be held subsequent to the securities being transferred to the Watch List, the details pertaining to the non-compliance with Rule 7.5 (a) of these Rules and inform shareholders of the remedial action taken or proposed to be taken by the Entity, in order to ensure compliance with Rule 7.5 (a) of these Rules. Such notification shall include a statement that a failure on the part of the Listed Entity to rectify the non-compliance has resulted or shall result (as applicable) in the suspension of the trading of securities of the Entity and that continued non-compliance shall result in the securities of the Entity being delisted by the Board of Directors of the CSE in terms of Rule 11.3 (a) of the Listing Rules.
4. The Listed Entity shall make an announcement to the Market via the Exchange regarding the outcome of the above matter taken up at the General Meeting of the Entity within the Market Day immediately following the date of the General Meeting. Such announcement shall include any decisions made pertaining to such matter.
5. The Directors and the Chief Executive Officer of the Entity, their Close Family Members, the parent Entity of the Listed Entity and any entity in which such Director, Chief Executive Officer, their Close Family Members or the parent Entity directly or indirectly hold fifty per centum (50%) or more of the voting rights and Sponsor/s who are shareholders of the Entity shall refrain from exercising their rights to transact, directly or indirectly, in the securities of the Entity whilst such securities are on the Watch List, unless prior approval is obtained from the SEC.

In the event any of the persons mentioned above resign from the position held in the Listed Entity, the restriction imposed above shall continue for a period of three (03) months from the date of resignation or until the Listed Entity complies with Rule 7.5 (a) of these Rules, whichever occurs earlier.
6. The Listed Entity shall rectify the non-compliance within a period of twelve (12) months from the date of transferring the securities of the Listed Entity to the Watch List.
7. In the event the Listed Entity fails to rectify the non-compliance within a period of twelve (12) months from the date of transferring the securities of the Listed Entity to the Watch List, the Exchange shall suspend the trading of securities of the Listed Entity until such time the Entity complies with Rule 7.5 (a) of these Rules.
8. In the event the trading of securities of the Listed Entity remains suspended for a period in excess of eighteen (18) months, the securities of the Entity shall be delisted by the Board of Directors of the CSE in terms of Rule 11.3(a) of these rules.

9. The decision of the Board of Directors of the CSE to delist the securities of the Entity made in terms of Rule 11.3 (a) of these rules shall be communicated to the SEC together with the reasons for same;

Provided however the SEC may grant a further period of time to enable the Listed Entity to comply with Rule 7.5 (a) of these Rules on an application made by such Listed Entity to the SEC within a period of fifteen (15) months from the date of suspension of the securities of the Listed Entity.

In the event the Listed Entity fails to comply with Rule 7.5 (a) of these Rules within the extended period granted by the SEC, the securities of the Entity shall be delisted by the Board of Directors of the CSE in terms of Rule 11.3 (a) of these rules and such decision shall be communicated to the SEC together with the reasons for same.

- f. The Entity shall give to the Exchange
- two (02) copies of the annual report in printed form; and,
 - one (01) annual report in printed form, which bears the original signatures of two (02) Directors and the Independent Auditor of the Listed Entity,

The Entity shall simultaneously upload the annual report to the website of the Exchange, in accordance with the procedure set out by the Exchange for such purpose from time to time.

- g. If an Entity prior to circulating the annual report, files copies of financial statements with the Registrar General of Companies in compliance with Section 170 (1) of the Companies Act, the Entity shall also simultaneously
- submit to the Exchange one (01) set of such financial statements in printed form, which is signed by two (02) Directors and the Independent Auditor of the Listed Entity; and,
 - upload the financial statements to the website of the Exchange, in accordance with the procedure set out by the Exchange for such purpose from time to time.

For the purposes of Rule 7.5:

'Close Family Member' shall mean and include the spouse and a child below eighteen (18) years and any of the following persons provided that they are financially dependent on and/or acting in concert with the person under reference:

- a) child above 18 years;
- b) grandparents;
- c) parents;
- d) brothers;
- e) sisters;
- f) grandchildren; and
- g) spouse of the persons referred to above

'Acting in Concert' shall have the same meaning as defined in the 'Takeovers and Mergers Code'.

7.6 CONTENTS OF ANNUAL REPORT

A Listed Entity must include in its annual report and accounts, inter alia;

- i) Names of persons who during the financial year were directors of the Entity.
- ii) Principal activities of the Entity and its subsidiaries during the year and any changes therein.
- iii) The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held.
- iv) The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement.

This Rule shall not be applicable to Entities whose Securities are listed on the Empower Board in the Alternate Market Segment

- v) A statement of each director's holding and Chief Executive Officer's holding in shares of the Entity at the beginning and end of each financial year.
- vi) Information pertaining to material foreseeable risk factors of the Entity.
- vii) Details of material issues pertaining to employees and industrial relations of the Entity.
- viii) Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties.
- ix) Number of shares representing the Entity's stated capital.
- x) A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings in the following categories:

No. of Holders	Holdings	Total Holdings %
	1-1000 shares	
	1,001-10,000 shares	
	10,001-100,000 shares	
	100,001-1,000,000 shares	
	Over 1,000,000 shares	

- xi) The following ratios and market price information:

EQUITY

1. Dividend per share
2. Dividend pay out

3. Net asset value per share
4. Market value per share
 - highest and lowest values recorded during the financial year
 - value as at the end of financial year

DEBT (only if listed)

1. Interest rate of comparable government security
 2. Debt/equity ratio
 3. Interest cover
 4. Quick asset ratio
 5. The market prices & yield during the year (ex interest)
 - Highest Price
 - Lowest price
 - Last traded price (as at dd/mm/yy)
 6. Any changes in credit rating (for the Entity or any other instrument issued by the Entity), if applicable.
- xii) Significant changes in the Entity's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value;
- xiii) If during the financial year the Entity has raised funds through an Initial Public Offering and/or a further issue of Securities (as applicable);
- a. the manner in which the funds of such issue/s have been utilized in conformity with the format provided by the Exchange from time to time;
 - b. if any shares or debentures have been issued, the number, class and consideration received and the reason for the issue; and,
 - c. any material change in the use of funds raised through an issue of Securities.
- In the event the funds raised through the Initial Public Offering and/or the further issue of Securities (as applicable) have been fully utilized by the Listed Entity as disclosed in the Prospectus and/or Circular to shareholders between two financial periods, the Entity shall disclose such fact in the immediate succeeding Annual Report or the Interim Financial Statement, whichever is published first.
- xiv) a. **EMPLOYEE SHARE OPTION SCHEMES**
- The following information shall be disclosed in the Annual Report of the Listed Entity in respect of each ESOS:
- The number of options granted to each category of Employees during the financial year.
 - Total number of options vested but not exercised by each category of Employees during the financial year.
 - Total number of options exercised by each category of Employees and the total number of shares arising therefrom during the financial year.
 - Options cancelled during the financial year and the reasons for such cancellation.

- The exercise price.
- A Declaration by the directors of the Entity confirming that the Entity or any of its subsidiaries has not, directly or indirectly, provided funds for the ESOS.
- b. EMPLOYEE SHARE PURCHASE SCHEMES

The following information shall be disclosed in the Annual Report of the Listed Entity in respect of each ESPS:

 - The total number of shares issued under the ESPS during the financial year.
 - The number of shares issued to each category of Employees during the financial year.
 - The price at which the shares were issued to the Employees.
 - A Declaration by the directors of the Entity confirming that the Entity or any of its subsidiaries has not, directly or indirectly, provided funds for the ESPS.
- xv) Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Rules.
- xvi) Related Party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower.

Details of investments in a Related Party and/or amounts due from a Related Party to be set out separately.

The details shall include, as a minimum:

- i. The date of the transaction;
- ii. The name of the Related Party;
- iii. The relationship between the Entity and the Related Party;
- iv. The amount of the transaction and terms of the transaction;
- v. The rationale for entering into the transaction.

For the purpose of Rule 7.6 (xvi):

‘Equity’ shall mean net assets of the Listed Entity excluding Preference Shares issued by the Entity;

‘Related Party’ shall have the same meaning as defined in Sri Lanka Accounting Standard 30 (Revised 2005) - Related Party Disclosures.

7.7 SECURITIES CERTIFICATES

Listed Entities shall issue Definitive Certificates in respect of Securities which are listed in the Exchange, printed in letter press or off-set in 8"x10 1/2" two tone (colour), preferably rainbow, sensitized 95 gsm security printing paper with a visible water mark and an invisible print and a border unique to each Entity.

7.8 DISCLOSURES OF DEALINGS BY DIRECTORS AND CHIEF EXECUTIVE OFFICERS (CEOs)

- a. An Entity shall make an announcement to the Exchange pertaining to the Relevant Interest in shares and Other Class of Shares held by its directors and CEO on the Date of Listing shares of the Entity on the Exchange. In the event the directors or CEO have no Relevant Interest, such Entity shall make an announcement to the Exchange of that fact on the Date of Listing shares on the Exchange.
- b. A Listed Entity shall make an announcement to the Exchange pertaining to the Relevant Interest in shares and Other Class of Shares held by its directors and CEO, within a period of two (02) Market Days immediately following the appointment or cessation of office of a director or CEO. In the event such director or CEO has no Relevant Interest, such Entity shall make an announcement to the Exchange of that fact within the said period.

The time period of two (02) Market Days shall be calculated excluding the relevant date the event occurred.

- c. In the event a director or CEO of a Listed Entity makes an acquisition or disposal of a Relevant Interest in shares or Other Class of Shares issued by the Listed Entity, such Listed Entity shall make an announcement to the Exchange within a period of five (05) Market Days immediately upon such acquisition or disposal.

The announcement shall include;

- (i) the date on which such shares or Other Class of Shares were acquired or disposed;
- (ii) the date on which such acquisition or disposal was notified to the Board of Directors of the Listed Entity in terms of Section 200 of the Companies Act;
- (iii) the disclosures specified in Section 200 of the Companies Act.

The time period of five (05) Market Days shall be calculated excluding the relevant date the event occurred.

- d. A director or CEO of a Listed Entity shall be deemed to have a Relevant Interest in shares or Other Class of Shares where a Close Family Member of the director or CEO (not being himself a director or CEO of the Listed Entity), as the case may be, directly or indirectly holds the said shares or Other Class of Shares issued by the Listed Entity.
- e. The Listed Entities shall implement a procedure to ensure that the directors and the CEOs of the Entities make the aforesaid disclosures in a timely manner in order to enable the Entities to comply with these Rules.

For the purposes of Rule 7.8:

'Date of Listing' shall mean the first date on which the shares of the Entity are allowed to be traded on the Exchange.

'Close Family Member' shall mean and include the spouse and a child below eighteen (18) years and any of the following persons, provided such persons are financially dependent and/or Acting in Concert with the director or CEO of the Listed Entity:

- a) child above 18 years;
- b) grandparents;
- c) parents;
- d) brothers;
- e) sisters;
- f) grandchildren; and
- g) spouse of the persons referred to in (c), (d), (e) and (f) above

'Relevant Interest' shall mean the same as section 198 of the Companies Act. Provided however that the directors and CEO shall make disclosures in terms of this Rule irrespective of the percentage of shares or Other Class of Shares required to be disclosed by the directors and CEO.

'Acting in Concert' shall have the same meaning as defined in the Take Overs and Mergers Code.

7.9 LOSS OF CERTIFICATES

The entities shall inform the CDS as and when a report is lodged with the Entity on any loss of certificates or when the Entity discovers a forgery in a certificate of the Entity.

7.10 CORPORATE GOVERNANCE

Compliance

- a. A Listed Entity shall publish in the annual report relating to the financial year commencing on or after 01st April 2007 a statement confirming that as at the date of the annual report they are in compliance with the Corporate Governance Rules and if they are unable to confirm compliance, set out the reasons for its inability to comply.
- b. A Listed Entity shall comply with these Corporate Governance Rules with effect from the financial year commencing on or after 01st April 2008 and the annual report must contain the relevant affirmative statements.
- c. Where a Listed Entity is required by any law applicable to such Listed Entity to comply with rules on Corporate Governance promulgated under such law, the board of directors of the Exchange may exempt such Listed Entity from the requirement to comply with these Corporate Governance Rules either in full or in part.

Such Listed Entity shall make disclosures of compliance with Corporate Governance Rules applicable to that sector and the annual report must contain the relevant affirmative statements.

7.10.1 NON – EXECUTIVE DIRECTORS

- a. The board of directors of a Listed Entity shall include at least,
 - two non-executive directors; or
 - such number of non-executive directors equivalent to one third of the total number of directors whichever is higher.
- b. The total number of directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting.
- c. Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.

7.10.2 INDEPENDENT DIRECTORS

- a. Where the constitution of the board of directors includes only two non-executive directors in terms of Rule 7.10.1.a above, both such non-executive directors shall be 'independent'. In all other instances two or 1/3 of non-executive directors appointed to the board of directors, whichever is higher shall be 'independent'.
- b. The board shall require each non-executive director to submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria. A specimen of the said declaration is given in Appendix 7A of this Section.

7.10.3 DISCLOSURES RELATING TO DIRECTORS

- a. The board shall make a determination annually as to the independence or non-independence of each non-executive director based on such declaration and other information available to the board and shall set out in the annual report the names of directors determined to be 'independent'.
- b. In the event a director does not qualify as 'independent' against any of the criteria set out below but if the board, taking account all the circumstances, is of the opinion that the director is nevertheless 'independent', the board shall specify the criteria not met and the basis for its determination in the annual report.
- c. In addition to disclosures relating to the independence of a director set out above, the board shall publish in its annual report a brief resume of each director on its board which includes information on the nature of his/her expertise in relevant functional areas.
- d. Upon appointment of a new director to its board, the Entity shall forthwith provide to the Exchange a brief resume of such director for dissemination to the public. Such resume shall include information on the matters itemized in paragraphs (a), (b) and (c) above.

7.10.4 CRITERIA FOR DEFINING 'INDEPENDENCE'

Subject to Rule 7.10.3 (a) and (b), a non-executive director shall not be considered independent if he/she:

- a. has been employed by the Listed Entity during the period of two years immediately preceding appointment as director;
- b. currently has/had during the period of two (2) years immediately preceding appointment as a director, a Material Business Relationship with the Listed Entity, whether directly or indirectly;
- c. has a Close Family Member who is a director, Chief Executive Officer (and/or an equivalent position) in the Listed Entity;
- d. has a Significant Shareholding in the Listed Entity;
- e. has served on the board of the Listed Entity continuously for a period exceeding nine (9) years from the date of the first appointment; provided however, if such director is re-appointed after a period of two (2) years from the date of completion of the preceding nine (9) year period, he will be considered as 'independent' for the purposes of this Section.
- f. is employed in another company or business,
 - (i) in which a majority of the other directors of the Listed Entity are employed or are directors; or
 - (ii) in which a majority of the other directors of the Listed Entity have a Significant Shareholding or Material Business Relationship; or
 - (iii) that has a Significant Shareholding in the Listed Entity or with which the Listed Entity has a Business Connection;
- g. is a director of another company,
 - (i) in which a majority of the other directors of the Listed Entity are employed or are directors; or
 - (ii) that has a Business Connection in the Listed Entity or a Significant Shareholding;
- h. has a Material Business Relationship or a Significant Shareholding in another company or business,
 - (i) in which a majority of the other directors of the Listed Entity are employed or are directors; and/or
 - (ii) which has a Business Connection with the Listed Entity or Significant Shareholding in the same.

For the purposes of Rule 7.10.4;

- **Close Family Member** shall mean and include the director's spouse, parents, grandparents, children, brothers, sisters, grandchildren and any person who is financially dependent on such director.

'Financially dependent' individuals include any person who received more than half of their support for the most recent fiscal year from a director and/or his or her spouse
- **Listed Entity** shall mean the listed Entity to the board of which the director is appointed, its parent and/or subsidiary company, and a subsidiary of the parent company.
- **Material Business Relationship** shall mean a relationship resulting in income/non-cash benefits equivalent to 20% of the director's annual income.
- **Business Connection** shall mean a relationship resulting in transaction value equivalent to 10% of the turnover of that company or business.
- **Significant Shareholding** shall mean a shareholding carrying not less than 10% of the voting rights of a company.

7.10.5 REMUNERATION COMMITTEE

A Listed Entity shall have a remuneration committee in conformity with the following:

a. **COMPOSITION**

The remuneration committee shall comprise;

of a minimum of two independent non-executive directors (in instances where an Entity has only two directors on its Board);

or

of non-executive directors a majority of whom shall be independent, whichever shall be higher.

In a situation where both the parent company and the subsidiary are 'listed Entities', the remuneration committee of the parent company may be permitted to function as the remuneration committee of the subsidiary.

However, if the parent company is not a Listed Entity, then the remuneration committee of the parent company is not permitted to act as the remuneration committee of the subsidiary. The subsidiary shall have a separate remuneration committee.

One non-executive director shall be appointed as Chairman of the committee by the board of directors.

b. **FUNCTIONS**

The Remuneration Committee shall recommend the remuneration payable to the executive directors and Chief Executive Officer of the Listed Entity and/or equivalent position thereof, to the board of the Listed Entity which will make the final determination upon consideration of such recommendations.

c. **DISCLOSURE IN THE ANNUAL REPORT**

The annual report should set out the names of directors (or persons in the parent company's committee in the case of a group company) comprising the remuneration committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to executive and non-executive directors.

The Term "remuneration" shall make reference to cash and all non-cash benefits whatsoever received in consideration of employment with the Listed Entity (excluding statutory entitlements such as Employees Provident Fund and Employees Trust Fund).

7.10.6 AUDIT COMMITTEE

A Listed Entity shall have an audit committee in conformity with the following:

a. **COMPOSITION**

The audit committee shall comprise;

of a minimum of two independent non-executive directors (in instances where a Entity has only two directors on its board);

or

of non-executive directors a majority of whom shall be independent, whichever shall be higher.

In a situation where both the parent company and the subsidiary are 'listed Entities', the audit committee of the parent company may function as the audit committee of the subsidiary.

However, if the parent company is not a Listed Entity, then the audit committee of the parent company is not permitted to act as the audit committee of the subsidiary. The subsidiary should have a separate audit committee.

One non-executive director shall be appointed as Chairman of the committee by the board of directors.

Unless otherwise determined by the audit committee, the Chief Executive Officer and the Chief Financial Officer of the Listed Entity shall attend audit committee meetings.

The Chairman or one member of the committee should be a Member of a recognized professional accounting body. Provided however, where the Securities of an Entity are listed on the Empower Board in the Alternate Market Segment;

- (i) such Entity may, at a minimum, have an Audit Committee which shall also perform the functions of the Remuneration Committee and the Related Party Transactions Review Committee set out in these Rules, provided that;
 - I. such committee comprise of, at a minimum, two (2) directors, one (01) of whom shall be independent; and,
 - II. the Chairman of the committee is an independent director.
- (ii) the chairman of the Audit Committee shall be a member of a recognized professional accounting body.

In the event the chairman of the Audit Committee is not a member of a recognized professional accounting body as required in item (ii) above, the Entity shall obtain the services of a competent independent expert, who is a member of a recognized professional accounting body, to advise on matters assigned to the Audit Committee.

Such competent independent expert shall not be a related party of the Entity as defined in the Sri Lanka Accounting Standards and shall not have a substantial shareholding in or a financial / business connection with the Entity and/or the group.

b. FUNCTIONS

Shall include,

- (i) Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements of a Listed Entity, in accordance with Sri Lanka Accounting Standards.
- (ii) Overseeing of the Entity's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.
- (iii) Overseeing the processes to ensure that the Entity's internal controls and risk management, are adequate, to meet the requirements of the Sri Lanka Auditing Standards.

- (iv) Assessment of the independence and performance of the Entity's external auditors.
- (v) To make recommendations to the board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.

c. **DISCLOSURE IN THE ANNUAL REPORT**

The names of the directors (or persons in the parent company's committee in the case of a group company) comprising the audit committee should be disclosed in the annual report.

The committee shall make a determination of the independence of the auditors and shall disclose the basis for such determination in the annual report.

The annual report shall contain a report by the audit committee, setting out the manner of compliance by the Entity in relation to the above, during the period to which the annual report relates.

7.10.7 Enforcement Procedure for Non-Compliance with Corporate Governance Requirements

(i) In respect of Securities Listed on the Main Board and Diri Savi Board in the Main Market Segment

- a) In the event a Listed Entity fails to comply with any of the requirements contained in Rule 7.10 of these Rules, such Entity shall make an immediate announcement to the Market via the Exchange on such non-compliance, not later than one (1) Market Day from the date of the non-compliance. The announcement shall be prepared in conformity with Appendix 7C of these Rules. Such announcement shall be repeated on the first (1st) Market Day of each calendar month thereafter, until such time the Entity becomes compliant with Rule 7.10.
- b) The Entity shall rectify its non-compliance within a period of three (03) months from the date of non-compliance with any of the requirements contained in Rule 7.10 of these Rules.
- c) If the Listed Entity fails to rectify the non-compliance within a period of three (03) months from the date of non-compliance with any of the requirements contained in Rule 7.10 of these Rules, the Securities of the Listed Entity shall be transferred to the Watch List, immediately upon the expiration of the said period of three (03) months.
- d) The Directors and the Chief Executive Officer of the Entity, their Close Family Members, the parent Entity of the Listed Entity and any entity in which such Director, Chief Executive Officer, their Close Family Members or the parent Entity directly or indirectly hold fifty per centum(50%) or more of the voting rights shall refrain from exercising their rights to transact, directly or indirectly, in the securities of the Entity whilst such securities are on the Watch List, unless prior approval is obtained from the SEC.

In the event any of the persons mentioned above resign from the position held in the Listed Entity, the restriction imposed above shall continue for a period of three (03) months from the date of resignation or until the Listed Entity complies with Rule 7.10 of these Rules, whichever occurs earlier.

- e) Immediately subsequent to the transfer of Securities to the Watch List, the Listed Entity shall make an announcement to the Market via the Exchange and such announcement shall include;
 - 1. the remedial action taken or proposed to be taken by the Entity within a period of six (06) months from the date of transferring the Securities of the Listed Entity to the Watch List in order to ensure compliance with Rule 7.10 of these Rules; and
 - 2. the following statements:
 - i. In the event of any deviation from the proposed remedial action, 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 (01) Market Day from the date of obtaining the approval of the Board of Directors of the Entity for such deviation;
 - ii. In the event the Entity fails to implement such remedial action within six (06) months from the date on which the Securities of the Listed Entity were transferred to the Watch List, the trading in such Securities of the Listed Entity shall be suspended by the CSE; and;
 - iii. In the event such trading suspension continues for a period in excess of six (06) months, the securities of the Entity shall be delisted by the Board of Directors of the CSE in terms of Rule 11.3 (a) of the Listing Rules.
- f) Where the non-compliance is not rectified, the Listed Entity shall notify its shareholders at the first General Meeting to be held subsequent to the Securities being transferred to the Watch List, the details pertaining to the non-compliance with Rule 7.10 and inform the shareholders of the remedial action taken or proposed to be taken by the Entity, in order to ensure compliance with Rule 7.10 of these Rules. Such notification shall include a statement that a failure on the part of the Listed Entity to rectify non-compliance has resulted or shall result (as applicable) in a trading suspension on the Securities of the Entity and that continued non-compliance shall result in the securities of the Entity being delisted by the Board of Directors of the CSE in terms of Rule 11.3(a) of the Listing Rules.
- g) The Listed Entity shall make an announcement to the Market via the Exchange of the outcome of deliberations at the said General Meeting of the Entity within one (01) Market Day immediately following the date of such meeting, which shall include any decisions made pertaining to such matter.
- h) The Listed Entity shall rectify its non-compliance within a period of six (06) months from the date of its Securities being transferred to the Watch List.

- i) In the event the Listed Entity fails to rectify its non-compliance within the period of six (06) months from the date of transferring the Securities of the Listed Entity to the Watch List, the Exchange shall suspend the trading of the Securities of the Listed Entity, until such time the Entity complies with Rule 7.10 of these Rules;

provided however the SEC may grant a further period of time to enable the Listed Entity to comply with Rule 7.10 of these Rules on an application made by the Listed Entity within a period of three (03) months from the date on which the Securities of the Entity were transferred to the Watch List. In the event the Listed Entity fails to comply with Rule 7.10 within the extended period, the trading of the Securities of the Listed Entity shall be suspended at the expiry of such extended period.

- j) In the event the trading of the Securities of the Listed Entity remains suspended for a period in excess of six (06) months, the securities of the Entity shall be delisted by the Board of Directors of the CSE in terms of Rule 11.3 (a) of these Rules.

- k) The decision of the Board of Directors of the CSE to delist the securities of the Entity made in terms of Rule 11.3 (a) of these Rules shall be communicated to the SEC together with the reasons for same;

provided however the SEC may grant a further period of time to enable the Listed Entity to comply with Rule 7.10 of these Rules on an application made by such Listed Entity to the SEC within a period of three (03) months from the date of suspension of the Securities of the Listed Entity.

In the event the Listed Entity fails to comply with Rule 7.10 of these Rules within the extended period granted by the SEC, the securities of the Entity shall be delisted by the Board of Directors of the CSE in terms of Rule 11.3 (a) of these Rules and such decision shall be communicated to the SEC together with the reasons for same.

(ii) In respect of Securities Listed on the Empower Board in the Alternate Market Segment

- a) In the event a Listed Entity fails to comply with any of the requirements contained in Rule 7.10 of these Rules (as applicable), such Entity shall make an immediate announcement to the Market via the Exchange on such non-compliance, not later than one (1) Market Day from the date of the non-compliance. The announcement shall be prepared in conformity with Appendix 7C of these Rules. Such announcement shall be repeated on the first (1st) Market Day of each calendar month thereafter, until such time the Entity becomes compliant with Rule 7.10.
- b) The Entity shall rectify its non-compliance within a period of six (06) months from the date of the initial announcement to the Market.
- c) If the Listed Entity fails to rectify the non-compliance within a period of six (06) months from the date of the initial announcement to the Market via the Exchange, the securities of the Listed Entity shall be

transferred to the Watch List, immediately upon the expiration of the said period of six (06) months.

- d) The Directors and the Chief Executive Officer of the Entity, their Close Family Members, the parent Entity of the Listed Entity and any entity in which such Director, Chief Executive Officer, their Close Family Members or the parent Entity directly or indirectly hold fifty per centum(50%) or more of the voting rights and Sponsor/s who are shareholders of the Entity shall refrain from exercising their rights to transact, directly or indirectly, in the securities of the Entity whilst such securities are on the Watch List, unless prior approval is obtained from the SEC.

In the event any of the persons mentioned above resign from the position held in the Listed Entity, the restriction imposed above shall continue for a period of three (03) months from the date of resignation or until the Listed Entity complies with Rule 7.10 of these Rules, whichever occurs earlier.

- e) Immediately subsequent to the transfer of securities to the Watch List, the Listed Entity shall make an announcement to the Market via the Exchange and such announcement shall include;
1. the remedial action taken or proposed to be taken by the Entity within a period of twelve (12) months from the date of transferring the securities of the Listed Entity to the Watch List in order to ensure compliance with Rule 7.10 of these Rules; and,
 2. the following statements:
 - i. In the event of any deviation from the proposed remedial action, 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 (01) Market Day from the date of obtaining the approval of the Board of Directors of the Entity for such deviation;
 - ii. In the event the Entity fails to implement such remedial action within twelve (12) months from the date on which the securities of the Listed Entity were transferred to the Watch List, the trading in such securities of the Listed Entity shall be suspended by the CSE; and;
 - iii. In the event such trading suspension continues for a period in excess of twelve (12) months, the securities of the Entity shall be delisted by the Board of Directors of the CSE in terms of Rule 11.3 (a) of the Listing Rules.
- f) Where the non-compliance is not rectified, the Listed Entity shall notify its shareholders at the first General Meeting to be held subsequent to the shares being transferred to the Watch List, the details pertaining to the non-compliance with Rule 7.10 and inform the shareholders of the remedial action taken or proposed to be taken by the Entity, in order to ensure compliance with Rule 7.10 of these Rules. Such notification shall include a statement that a failure on the part of the Listed Entity to rectify non-compliance has resulted or shall result (as applicable) in a trading suspension on the securities of the Entity and

that continued non-compliance shall result in the securities of the Entity being delisted by the Board of Directors of the CSE in terms of Rule 11.3(a) of the Listing Rules.

- g) The Listed Entity shall make an announcement to the Market via the Exchange of the outcome of deliberations at the said General Meeting of the Entity within one (01) Market Day immediately following the date of such meeting, which shall include any decisions made pertaining to such matter.
- h) The Listed Entity shall rectify its non-compliance within a period of twelve (12) months from the date of its securities being transferred to the Watch List.
- i) In the event the Listed Entity fails to rectify its non-compliance within the period of twelve (12) months from the date of transferring the securities of the Listed Entity to the Watch List, the Exchange shall suspend the trading of the securities of the Listed Entity, until such time the Entity complies with Rule 7.10 of these Rules;

provided however the SEC may grant a further period of time to enable the Listed Entity to comply with Rule 7.10 of these Rules on an application made by the Listed Entity within a period of nine (09) months from the date on which the securities of the Entity were transferred to the Watch List. In the event the Listed Entity fails to comply with Rule 7.10 within the extended period, the trading of the securities of the Listed Entity shall be suspended at the expiry of such extended period.

- j) In the event the trading of the securities of the Listed Entity remains suspended for a period in excess of twelve (12) months, the securities of the Entity shall be delisted by the Board of Directors of the CSE in terms of Rule 11.3 (a) of these Rules.
- k) The decision of the Board of Directors of the CSE to delist the securities of the Entity made in terms of Rule 11.3 (a) of these Rules shall be communicated to the SEC together with the reasons for same;

provided however the SEC may grant a further period of time to enable the Listed Entity to comply with Rule 7.10 of these Rules on an application made by such Listed Entity to the SEC within a period of nine (09) months from the date of suspension of the securities of the Listed Entity.

In the event the Listed Entity fails to comply with Rule 7.10 of these Rules within the extended period granted by the SEC, the securities of the Entity shall be delisted by the Board of Directors of the CSE in terms of Rule 11.3 (a) of these Rules and such decision shall be communicated to the SEC together with the reasons for same.

For the purpose of Rule 7.10.7:

'Close Family Member' shall mean and include the spouse and a child below eighteen (18) years and any of the following persons provided that they are

financially dependent on and/or acting in concert with the person under reference:

- a) child above 18 years;
- b) grandparents;
- c) parents;
- d) brothers;
- e) sisters;
- f) grandchildren; and
- g) spouse of the persons referred to above

'Acting in Concert' shall have the same meaning as defined in the 'Takeovers and Mergers Code'.

7.11 RE- PURCHASE / REDEMPTIONS / MINORITY BUYOUTS

7.11.1 RE- PURCHASE OF SHARES

A Listed Entity may re-purchase its own shares as set out in the Companies Act and in compliance with the following procedure:

- a. The Entity should be authorized by its Articles to re-purchase its shares.
- b. An offer to re-purchase shares shall be, in the first instance, on a pro-rata basis applicable to all shareholders.
- c. Where a shareholder does not accept the offer or accepts the offer only in part, the Entity is permitted to re-purchase additional shares from any shareholder. In the event the number of such additional shares exceeds the maximum number of shares that the entity is willing to re-purchase, the number of additional shares shall be reduced on a pro- rata basis.
- d. In the first instance, the Entity is required to make an announcement to the Exchange of the decision of the Board to re-purchase shares, immediately upon such decision being made. The announcement shall include -
 - (i) The maximum number of shares to be re-purchased.
 - (ii) The price per share at which the re-purchases is to be carried out.
 - (iii) The proposed date of commencement and closing of the offer to re-purchase.
 - (iv) A certified extract of the relevant Article which authorizes the Entity to re-purchase its shares.
- e.
 - (i) The circular to shareholders shall include:
 - 1. the price at which the shares are to be purchased,
 - 2. the maximum number of shares to be re-purchased,
 - 3. opening and closing dates of the offer with clear instructions as to the procedure for acceptance, and;
 - 4. the date of payment.with a Form for Acceptance attached to the circular.
 - (ii) At the close of the offer period the Entity shall make the payment due on the shares in respect of all Acceptances received up to the date of closing, within ten (10) Market Days

from the date of closing the offer (excluding the date of closing the offer).

- (iii) Acceptees/Offerees shall be entitled to interest (as defined) on payments not made within this period.
- f. Upon payments being made the Entity shall file a declaration with the Exchange confirming the following and make a request to the Exchange to cancel the shares:
- (i) number of shares re-purchased.
 - (ii) number of shares in issue and Stated Capital of the Entity subsequent to the re-purchase.
 - (iii) the CDS account to which the shares were re-purchased (for the purpose of cancelling the shares)

The Exchange shall make an announcement in the market.

7.11.2 REDEMPTION OF SHARES

- a. An Entity may redeem its shares where the terms of issue specified such redemption as set out in the Companies Act.
- b. The Entity shall, immediately upon an occurrence which requires redemption of shares, make an announcement to the Exchange. Such announcement shall include:
 - (i) Total number of shares to be redeemed.
 - (ii) Number of shares in issue and Stated Capital of the Entity subsequent to the redemption of shares.
 - (iii) Consideration to be paid.
 - (iv) Circumstances under which the redemption is to be carried out.
- c. Upon payments being made in respect of the shares redeemed, the Entity shall make an immediate disclosure to the Exchange on the following and make a request to the Exchange to cancel the shares:
 - (i) Total number of shares redeemed.
 - (ii) Number of shares in issue and Stated Capital of the Entity subsequent to the redemption of shares.
 - (iii) Consideration paid and a confirmation to the effect that such consideration has been duly dispatched

The Exchange shall make an announcement in the market.

7.11.3 MINORITY BUYOUTS

In the event of a purchase of shares under Sections 93 and 100 of the Companies Act, an Entity shall, immediately upon an occurrence which requires the Entity to buy-out shares, make an announcement to the Exchange. Such announcement shall include the total number of shares to be purchased, the name/s of the persons from whom the shares will be purchased, the name/s of the person/s who will purchase the shares (if applicable) and the circumstances under which the shares have to be purchased.

The Entity shall disclose to the Exchange immediately upon the completion of such purchase of shares, the total number of shares purchased, the name/s of the persons from whom the shares were purchased, the name/s of the person/s who purchased the shares (if applicable) and the circumstances under which the shares had to be purchased.

In the event such shares are purchased by the Entity, upon payments being made the Entity shall file a declaration with the Exchange confirming the following and make a request to the Exchange to cancel the shares:

- (i) number of shares purchased.
- (ii) number of shares in issue and Stated Capital of the Entity subsequent to the minority buyout.
- (iii) the CDS account to which the shares were purchased (for the purpose of cancelling the shares).

The Exchange shall make an announcement in the market.

7.12 RATINGS / REVISIONS IN RATINGS ASSIGNED TO DEBT SECURITIES

- a) A Listed Entity shall maintain, at all times, a rating for its Debt Securities listed on the Exchange.
- b) A Listed Entity shall immediately disclose to the Exchange;
 - i. a change in the rating agency; and/or
 - ii. any revision of the rating assigned to the Debt Securities listed on the Exchange.
- c) In the event the rating assigned to the Debt Securities listed on the Exchange falls below the Investment Grade rating, such Debt Securities shall be transferred to the Watch List on or before the expiry of five (05) Market Days from the date of the immediate announcement to the Market via the Exchange, in terms of Rule 7.12 (b) (ii) above.
- d) The Debt Securities of the Listed Entity shall be transferred out of the Watch List, no sooner the rating assigned to such Debt Securities is revised to reflect an Investment Grade rating and such fact is announced to the Market via the Exchange, in terms of Rule 7.12 (b) (ii) above.

7.13 RULES ON MINIMUM PUBLIC HOLDING AS A CONTINUOUS LISTING REQUIREMENT

7.13.1 MINIMUM PUBLIC HOLDING AS A CONTINUOUS LISTING REQUIREMENT

- (a) A Listed Entity whose shares are listed on the Main Board shall maintain a Minimum Public Holding Requirement on a continuous basis by selecting any one of the options, as set out in the table below:

Option	MINIMUM PUBLIC HOLDING REQUIREMENT		
	Float Adjusted Market Capitalization	Public Holding Percentage	Number of Public Shareholders
1	Rs. 10.0Bn	no minimum % required	500
2	Rs. 7.5 Bn	5%	500
3	Rs. 5.0Bn	7.5%	500
4	Rs.2.5Bn	10%	500
5	less than Rs.2.5 Bn	20%	500

The Listed Entity shall comply with the Float Adjusted Market Capitalization, and the corresponding Public Holding Percentage and number of Public Shareholders (hereinafter collectively referred to as 'Minimum Public Holding Requirement') applicable under one of the Options the Listed Entity selects to adopt, as depicted in the table above.

- (b) A Listed Entity whose shares are listed on the Diri Savi Board shall maintain a Minimum Public Holding Requirement on a continuous basis by selecting any one of the options, as set out in the table below:

Option	MINIMUM PUBLIC HOLDING REQUIREMENT		
	Float Adjusted Market Capitalization	Public Holding Percentage	Number of Public Shareholders
1	Rs. 1 Bn	7.5%	200
2	less than Rs.1 Bn	10%	200

The Listed Entity shall comply with the Minimum Public Holding Requirement applicable under one of the Options the Listed Entity selects to adopt, as depicted in the table above.

For the purposes of Rules 7.13.1 (a) and (b) above, the Float Adjusted Market Capitalization shall be calculated by multiplying the Public Holding Percentage of the Listed Entity by the Market Capitalization of such Listed Entity.

- (c) A Listed Entity shall at all times ensure that it meets the Minimum Public Holding Requirement specified in Rule 7.13.1 (a) or 7.13.1 (b) above, as the case may be, and it shall be the duty of such Listed Entity to monitor its compliance.

7.13.2 NON-COMPLIANCE WITH RULE 7.13.1

(I) Enforcement Procedure for Non-Compliance with Rule 7.13.1

For the purpose of these Rules, a Listed Entity shall be deemed to be non-compliant with the Minimum Public Holding Requirements specified in Rule 7.13.1 (a) or 7.13.1 (b) of these Rules, when such Entity has failed to comply with such requirement for a consecutive period of one (01) month.

All Listed Entities failing to comply with **only** the Minimum Public Holding Requirements specified in Rules 7.13.1 (a) or (b), as the case may be, shall be

subject to the enforcement procedure as set out in this Rule with effect from 12th September 2019, unless the CSE grants an extension of time for a period of one (01) year from complying with Rules 7.13.1 (a) or (b) as the case may be in terms of Rule 7.13.3 below.

- (a) In the event a Listed Entity is not in compliance with the Minimum Public Holding Requirement specified in Rule 7.13.1 (a) or 7.13.1 (b) as the case may be for a consecutive period of one (01) month, such Listed Entity shall make an immediate announcement to the Market via the Exchange.

The announcement shall include a detailed description of the status of the minimum public holding as detailed below.

- (i) That the Listed Entity is not in compliance with the Minimum Public Holding Requirement specified in Rule 7.13.1 (a) or 7.13.1 (b) and the reasons therefore, as applicable.
- (ii) Existing Float Adjusted Market Capitalization, Public Holding Percentage and the number of Public Shareholders.
- (iii) Steps to be adopted by the Listed Entity to comply with the Minimum Public Holding Requirement and progress made.
- (iv) If the information referred to in item (iii) above is not available at the time the Listed Entity becomes non-compliant, the Listed Entity shall disclose such information in the Market announcement to be made at the end of the first three (03) months from the date of non-compliance.

Such announcement shall be repeated at the end of each quarter, until such time the Listed Entity becomes compliant with Rule 7.13.1 (a) or 7.13.1 (b) as the case may be.

- (b) The Listed Entity shall comply with Rules 7.13.1 (a) or 7.13.1 (b), as the case may be, within a period of six (06) months from the date of non-compliance in terms of Rule 7.13.2 (a).
- (c) In the event the Listed Entity remains non-compliant with Rules 7.13.1 (a) or 7.13.1 (b), as the case may be, upon the expiry of the period of six (06) months from the date of non-compliance, the Securities of the Listed Entity shall be transferred to the Second Board.
- (d) Such transfer to the Second Board shall be made on or before the expiry of five (05) Market Days at the expiration of the period of six (06) months from the date of non-compliance.

In respect of Listed Entities which have been granted an extension of time for complying with the Rules on the maintenance of a Minimum Public Holding on grounds of extraordinary supervening circumstances in terms of Rule 7.13.3 of these Rules, the date of non-compliance shall commence on the 1st day after the expiry of a period of one (01) year from the date of granting the extension of time.

- (e) The Directors and the Chief Executive Officer of the Listed Entity, their Close Family Members, the parent Listed Entity of the Listed Entity and any Entity in which such Director, Chief Executive Officer, their Close Family Members or the parent Listed Entity directly or indirectly exercise control or hold fifty per centum (50%) or more of voting rights

shall refrain from exercising their rights to purchase the Securities of the Listed Entity whilst such Securities are on the Second Board.

- (f) Immediately subsequent to the transfer of Securities to the Second Board, the Listed Entity shall,
 - (i) Make an announcement to the Market via the Exchange regarding the non-compliance and stating therein the remedial action adopted/proposed to be adopted by the Entity in order to ensure compliance with the Minimum Public Holding Requirement specified in Rule 7.13.1 (a) or 7.13.1 (b) as the case may be.
 - (ii) The announcement shall include the following information: -
 - a) the intention of the Listed Entity to remedy the non-compliance;
 - b) the remedial action adopted/proposed to be adopted by the Listed Entity to ensure compliance with Rule 7.13.1 (a) or 7.13.1 (b), as the case may be.
- (g) Notify the shareholders of the information specified in items (f) (i) and (ii) above at the next General Meeting of the Listed Entity which is held immediately subsequent to the Securities being transferred to the Second Board, the details pertaining to the non-compliance with Rule 7.13 and inform the shareholders regarding the remedial action adopted/proposed to be adopted by the Listed Entity, in order to ensure compliance with Rule 7.13 of these Rules.
- (h) The Listed Entity shall disclose the outcome of the above matter taken up at the General Meeting to the CSE and investors via the Exchange. Such disclosure shall be made within the Market day immediately following the General Meeting and shall include the following;
 - (i) Proposed rectification plan and the means to comply with the Minimum Public Holding Requirement and the time frame to achieve the same; and
 - (ii) In the event the Listed Entity has decided to adopt a method specified in Section 5 of these Rules, the details and justification for the proposed method.
- (i) The Securities of the Listed Entity shall be transferred out of the Second Board, no sooner such Entity complies with the Minimum Public Holding Requirements stipulated in Rule 7.13.1 (a) or 7.13.1 (b) above, as the case may be.

(II) Transitional Provisions Applicable to Listed Entities whose Securities are in the Watch List for Non-Compliance with only the Minimum Public Holding Requirement

- (a) The Securities of Listed Entities, which are in the Watch List on the date of implementation of this Rule 7.13.2 (i.e. as at 12th September 2019) for non-compliance with **only** the Minimum Public Holding

Requirements stipulated in Rule 7.13.1 (a) or 7.13.1 (b) above, as the case may be, shall be transferred to the Second Board.

- (b) Upon such Securities of Listed Entities being transferred to the Second Board, each such Listed Entity shall comply with Rule 7.13.2 of these Rules, as applicable, from the date of transferring the Securities to the Second Board.

7.13.3 EXTENSION OF TIME GRANTED DUE TO THE REDUCTION OF THE MINIMUM PUBLIC HOLDING REQUIREMENTS ARISING FROM EXTRAORDINARY SUPERVENING CIRCUMSTANCES

The CSE, in consultation with the SEC, shall have the discretion to grant an extension of time to a Listed Entity or to any class or category of Listed Entities to comply with any of the Rules contained in Rule 7.13 of these Rules for a period of one (01) year, under exceptional circumstances. Such circumstances shall include but are not limited to;

- (i) issuance or transfer of shares in compliance with directions of a regulatory or statutory authority or a court or tribunal;
- (ii) any acquisition in accordance with the Takeovers and Mergers Code 1995 (as amended);
- (iii) issuance or transfer of shares under a restructuring plan approved by a regulatory authority;
- (iv) scheme of arrangement as set out in the Companies Act; and,
- (v) any regulatory requirement, the compliance of which leads to a reduction in the maintenance of the Minimum Public Holding below the required thresholds.

For the purposes of Rule 7.13, unless the context otherwise requires:

'Close Family Member' shall mean and include the spouse and a child below eighteen (18) years and any of the following persons provided that they are financially dependent and/or acting in concert:

- h) child above 18 years;
- i) grandparents;
- j) parents;
- k) brothers;
- l) sisters;
- m) grandchildren; and
- n) spouse of the persons referred to above

'Parties Acting in Concert' shall have the same meaning as the definition of "Parties Acting in Concert" contained in the Takeovers and Mergers Code currently in force.

APPENDIX 7A

SPECIMEN DECLARATION

I,full name ofplace of residence
being a Christian make oath and say /not being a Christian solemnly, sincerely
and truly affirm and declare as follows in terms of rule of the Listing
Rules:

- a. I am a non-executive director of(Entity) being so appointed on
- b. I have been / have not been employed by the Listed Entity*, during the period of two years immediately preceding my appointment as director of the Entity.
- c. I currently have / do not have a Material Business Relationship with the Listed Entity, directly or indirectly.
- d. I had / did not have during the period of two years immediately preceding appointment as director, a Material Business Relationship with the Listed Entity, directly or indirectly.
- e. I have / do not have a Close Family Member(s) who is a director or Chief Executive Officer (or equivalent position) in the Listed Entity;
- f. I have / do not have a Significant Shareholding in the Listed Entity;
- g. I have / have not served on the Board of the Listed Entity for a period exceeding nine years from the date of the first appointment;
- h. I am / am not employed in another company or business,
 - (i) in which a majority of the other directors of the Listed Entity are employed or are directors; or
 - (ii) in which a majority of the other directors of the Listed Entity have a Significant Shareholding or Material Business Relationship; or
 - (iii) that has a Significant Shareholding in the Listed Entity or with which the Listed Entity has a Business Connection;
- i. I am / am not a director of another company,
 - (i) in which a majority of the other directors of the Listed Entity are employed or are directors; or
 - (ii) that has a Business Connection in the Listed Entity or a Significant Shareholding.
- j. I have / do not have a Material Business Relationship or a Significant Shareholding in another company or business,
 - (i) in which a majority of the other directors of the Listed Entity are employed or are directors; and/or

(ii) which has a Business Connection with the Listed Entity or Significant Shareholding in the same;

k. Disclosure of such other information which the applicant believes could reasonably be construed to have a bearing on the independence of such director.

* ***Listed Entity as referred to in this declaration shall be the Listed Entity to the Board of which the director is appointed and would include any parent or subsidiary company of the Listed Entity and any subsidiary of the parent company.***

.....
(Sgd.)

.....
Director

Date:

APPENDIX 7B

a) Additional Notes

- Liability to management fees or any other similar expenditure not provided for in the interim accounts
- If during the quarter, the Entity has raised funds through an Initial Public Offering and/or a further issue of Securities (as applicable), the manner in which the funds of such issue/s have been utilized in conformity with the format provided by the Exchange from time to time.

In the event the funds raised through the Initial Public Offering and/or the further issue of Securities (as applicable) have been fully utilized by the Listed Entity as disclosed in the Prospectus and/or Circular to shareholders between two financial periods, the Entity shall disclose such fact in the immediate succeeding Annual Report or the Interim Financial Statement, whichever is published first.

- Any material change in the use of funds raised through an IPO/Rights/Debenture Issue
- The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held
- The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement.

This Rule shall not be applicable to Entities whose Securities are listed on the Empower Board in the Alternate Market Segment.

- A statement of each director's holding and Chief Executive Officer's holding in shares of the Entity
- Number of shares representing the Entity's stated capital.

b) Listed Entities should include the following in the Interim Financial Statements (quarterly or half yearly as applicable)

	<u>Current Interim Period</u>
Net Asset Value Per share	Current Period
Share price during the Interim Period	
- Highest price	Current Period
- Lowest price	Current Period
- Last traded price	Current Period

c) Entities listed on the Debt Securities Board should include the following in the Interim Financial Statements (quarterly)

	<u>Current Interim Period</u>
Debt/equity ratio	Current Period
Quick asset ratio	Current Period
Interest cover	Current Period
Interest yield as at date of last trade (dd/mm/yy)	Current Period
Yield to maturity of trade done on (dd/mm/yy)	Current Period
Interest Rate of comparable Government security	Current Period
The market prices during the year/half year (ex interest)	
- Highest price	Current Period
- Lowest price	Current Period
- Last traded price	Current Period

APPENDIX 7C

(On the Letter head of the Entity)

To: Colombo Stock Exchange
#04-01, West Block
World Trade Center
Echelon Square
Colombo 01

ANNOUNCEMENT TO THE EXCHANGE

(Please indicate the non-compliance in the table provided below, as applicable)

*Number of Directors comprising the Board of Directors of the Listed Entity/
Managing Company:*

	Details of non-compliance	Minimum number of directors as per Listing Rule	Current status (number of directors)
1)	Composition of Independent Directors in the Board		
2)	Composition of Non-Executive Directors in the Board		
3)	Composition of the Remuneration Committee		
4)	a) Composition of the Audit Committee		
	b) Chairman or one member of the Audit Committee is a member of a recognized professional accounting body	01	

Note: Delete item 1, 2, 3, 4 (a) or 4 (b) if not applicable

Declaration

[.....Name of Listed Entity/ Managing Company.....] hereby declares that the Listed Entity/ Managing Company has failed to comply with the Corporate Governance Requirements set out in Rule 7.10/ Rule 4.2.13 (delete whichever is not applicable) of the CSE Listing Rules to the extent disclosed above.

Signed for and on behalf of [.....Name of Listed Entity/ Managing Company.....]

.....
Name and signature of the authorised signatory

Date: