



BY HAND

Ref: SEC/LEG/17/10/22

13th October 2017

TO: THE COLOMBO STOCK EXCHANGE

DIRECTIVE ISSUED IN TERMS OF SECTION 13 (c) OF THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA ACT NO. 36 OF 1987 (AS AMENDED)

RE: INCORPORATION OF ENFORCEMENT PROCEDURES TO BE IMPLEMENTED ON LISTED PUBLIC COMPANIES VIOLATING LISTING REQUIREMENTS OF THE COLOMBO STOCK EXCHANGE

The Securities and Exchange Commission of Sri Lanka (SEC) at its 394th and 395th meetings held on 4th August 2017 and 14th August 2017 respectively, having deliberated on the adequacy of the current Listing Rules of the Colombo Stock Exchange (CSE) relating to the enforcement procedures applicable to listed public companies, decided to adopt a more stringent policy of enforcement.

It was decided to direct the CSE to incorporate Rules drafted in relation to;

- violations of Rules on corporate governance by listed public companies;
- late submission or non-submission of interim financial statements by listed public companies;
- late submission or non-submission of annual reports by listed public companies;
- incidence of modified audit opinions in the audited financial statements of listed public companies; and
- incidence of an emphasis of matter on going concern in the audited financial statements of listed public companies.

The CSE is hereby directed to;

- incorporate the enforcement procedures contained in Annexure I to the Listing Rules of the CSE as a matter of priority, with necessary changes in numbering as appropriate;
- give effect to the enforcement procedures contained in Annexure I from 1st January 2018;

Page 1 of 2

[For purposes of clarity, the enforcement procedures in respect of 'modified audit opinions' and 'emphasis of matter on going concern' shall take effect for all Annual Reports and Audited Financial Statements released after 1st January 2018]

- iii. rename the 'Default Board' as the 'Watch List';
- iv. confirm compliance with the Directive by submission to the SEC of the relevant sections of the Listing Rules as amended; and
- v. inform all listed public companies of the enforcement procedures as set out in Annexure I and their effective dates, pending incorporation to the Listing Rules of the CSE.

Vajira Wijegunawardane

DIRECTOR GENERAL

AA/SP/EW

Encl.: Annexure I containing the Rules on enforcement procedure for listed public companies violating the Listing Rules of the CSE

RULES MADE BY THE COLOMBO STOCK EXCHANGE TO ENSURE EFFECTIVE ENFORCEMENT OF ITS DECISIONS

CITATION

1. These rules may be cited as Enforcement Compliance Rules 2017.

RE-NAMING THE DEFAULT BOARD

2. The Default Board is re-named in these rules as 'Watch List' whenever the term occurs.

AMENDMENT OF RULE 7.10

3. Rule 7.10 is hereby amended by inserting the following sub-rule 7.10.7 –

Rule 7.10.7-

- (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 the initial announcement to the Market.
- (c) If the Listed Entity fails to rectify the non-compliance within a period of three (03) 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 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 10.3(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 10.3(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 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 10.3(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 10.3(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 10.3(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'.

AMENDMENT OF RULE 7.4

4. RULE 7.4 IS HEREBY AMENDED BY THE ADDITION OF RULE 7.4. (C)

7.4(c)(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) 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.

(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 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 10.3(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) 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 10.3(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 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.
- (vi) 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.
 - (vii) 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.
 - (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 10.3(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 10.3(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 10.3(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:

'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'.

AMENDMENT OF RULE 7.5

4. Rule 7.5 is hereby amended by inserting the following new Rule 7.5 (d) -

- 7.5(d)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 five (05) 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 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 10.3(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 10.3(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 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 three (03) 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 three (3) 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 twelve (12) months, the securities of the Entity shall be

delisted by the Board of Directors of the CSE in terms of Rule 10.3(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 10.3(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 (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 7.5 (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 10.3(a) of these rules and such decision shall be communicated to the SEC together with the reasons for same.

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'.

AMENDMENT OF RULE 7.5 (C)

6. Rule 7.5 (c) is amended by inserting new sub-paragraphs (i) and (ii)

6.1 INSERTION OF THE SUB-PARAGRAPH BY THE RULE 7.5 (c) (I);

'Modified Audit Opinion' shall mean an independent auditor's report on the Audited Financial Statements of a Listed Entity containing a qualified, adverse or disclaimer of opinion.

1. In the event the independent auditor's report in the Audited Financial Statements of a listed entity submitted to the Exchange contains a Modified Audit Opinion, it shall be the duty of such Entity to resolve the matters giving rise to the Modified Audit 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 Modified Audit Opinion are resolved in the manner specified in Rule 7.5 (c)(I)(1) above, the Listed Entity shall be subjected to the enforcement procedures specified in this Rule.
3. In the event independent auditor's report in the Audited Financial Statements submitted to the Exchange contains a Modified Audit 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.
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 Modified Audit 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 (5) Market Days from the date of receipt of the Audited Financial Statements of the Entity as it contains a Modified Audit Opinion;
 - b) The remedial action taken or proposed to be taken by the Entity to resolve the matters giving rise to the Modified Audit 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 Modified Audit 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 10.3(a) of the Listing Rules.
 - iii. In the event the matters giving rise to the Modified Audit 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 Modified Audit Opinion have been resolved.
5. The announcement specified in Rule 7.5(c)(I) (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 Modified Audit Opinion in the manner specified in these Rules.

6. Unless the matters giving rise to the Modified Audit 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 a Modified Audit 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 Modified Audit 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 10.3(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 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 Modified Audit Opinion, whichever occurs earlier.

9. a) Unless the Listed Entity obtains a deferment from the SEC in terms of Rule 7.5(c)(1)(11) below or resolves the matters giving rise to the Modified Audit 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 Modified Audit 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 Modified Audit 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 Modified Audit 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.

10. Unless the Listed Entity obtains a deferment from the SEC in terms of Rule 7.5(c)(1)(11) of these Rules or resolves the matters giving rise to the Modified Audit Opinion in the manner specified in Rule 7.5(c)(1)(9)(b) above, the Listed Entity in which trading in Securities has been suspended for failure to resolve the matters giving rise to the Modified Audit 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 10.3(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 10.3(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(c)(1)(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 Modified Audit 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.

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 Modified Audit 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 Modified Audit 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 Modified Audit 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 Modified Audit 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.

14. 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.

6.2 INSERTION OF THE SUB-PARAGRAPH BY THE NEW RULE 7.5 (c) (II) –

1. In the event the independent auditor's report in the Audited Financial Statements of a Listed Entity submitted to the Exchange contains 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.
2. Until the matters giving rise to the 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.
3. In the event independent auditor's report on the Audited Financial Statements submitted to the Exchange contains 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.
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 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 five (5) Market Days from the date of receipt of the Audited Financial Statements of the Entity as it contains an 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 emphasis of matter on going concern;
 - 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 emphasis of matter on going concern 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 10.3(a) of the Listing Rules.
 - iii. In the event the matters giving rise to the emphasis of matter on going concern 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(c)(II)(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 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 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 an emphasis of matter on going concern;
 - 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 emphasis of matter on going concern 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 10.3(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 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 emphasis of matter on going concern, whichever occurs earlier.

9. a) Unless the listed entity obtains a deferment from the SEC in terms of Rule 7.5(c)(II)(11) of these Rules or resolves the matters giving rise to 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 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.

10. Unless the listed entity obtains a deferment from the SEC in terms of Rule 7.5(c)(II)(11) of these Rules or resolves the matters giving rise to 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 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 10.3(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 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.

11. 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 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 emphasis of matter on going concern.

12. 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 emphasis of matter on going concern within the extended time period granted by the SEC.

13. Upon the matters giving rise to 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.

AMENDMENT OF THE DEFINITIONS SECTION OF THE LISTING RULES

The Definitions section is hereby amended by inserting the following definition:

'Non-Executive Director' shall mean a member of the Board of Directors of an Entity, who is not employed by the Entity.

AMENDMENT OF RULE 9

7. Rule 9 is hereby amended by inserting new sub-rules 9.6.1 and 9.6.2

9.6.1 In the event a Listed Entity fails to comply with the requirements contained in Rule 9.2.2 of these Rules, such Entity shall submit a Non-Compliance Statement to the Exchange, which specifies the extent of the non-compliance with Rule 9.2.2 of these Rules, for dissemination to the Market, at the time of submitting the Interim Financial Statements to the Exchange.

9.6.2 The Non-compliance Statement shall be prepared in conformity with Appendix 9B of these Rules."

AMENDMENT OF THE RULE 7.5 (A)

9. Rule 7.5 (a) is hereby repealed and replaced by the following new Rule 7.5 (a):

7.5 (a) "A Listed Entity shall ensure that the annual report is issued to the Entity's shareholders 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 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."

AMENDMENT OF THE RULES 10.1, 10.2, 10.3 AND 10.4 (b)

10. Rule 10.2 is amended by deleting the heading "TRANSFER TO THE DEFAULT BOARD" and substituting therefor the heading "TRANSFER TO THE WATCH LIST" -

11. Rules 10.1, 10.2, 10.3 and 10.4 (b) are amended as follows -

(1) Rule 10.1

"NON-COMPLIANCE WITH LISTING RULES

In the event of any violation and/or non-compliance with any of the Rules of the Exchange by any Entity whose Securities are listed on the Exchange, the Exchange shall have the right to transfer the securities of such Entity to the Watch List in accordance with Rule 10.2 of these Rules.

(2) Rule 10.2

"TRANSFER TO THE WATCH LIST

10.2.1 Prior to transferring the Securities of the Entity to the Watch List, the Exchange shall inform the Entity, in writing, of the non-compliance and that the Securities of the Entity would be transferred to the Watch List.

10.2.2 The Securities shall be transferred out of the Watch List upon the Entity complying with the relevant Listing Rules.

10.2.3 In the event the Security continues to be on the Watch List for a period in excess of one (01) month, the Exchange shall have the right to issue a press notice informing the public of the nature of the violation.

10.2.4 If the Securities continue to be on the Watch List for a period in excess of one (01) year from the date of transferring the Securities of the Entity to the Watch List, such matter/s shall be referred to the Board of Directors of the Exchange for a determination.

10.2.5 The above Rules 10.2.1 to 10.2.4 shall not be applicable in instances where specific enforcement action have been set out in these Rules.

(3) Rule 10.3

"10.3 REFERRAL TO THE BOARD OF DIRECTORS OF THE EXCHANGE FOR A FURTHER DETERMINATION

(a) Where the Rules provide that the Board of Directors of the Exchange shall delist the Securities of the Entity, the Board of Directors may in addition impose conditions on such Listed Entity in respect of such delisting and such decision shall be complied with by the Entity.

(b) In the event the trading of Securities of a Listed Entity are suspended pursuant to a determination of the Board of Directors of the Entity in terms of Rule 10.2.4 of these Rules and remain suspended for a period in excess of three (3) years, such matter/s shall be referred to Board of Directors of the Exchange for a further determination.

(c) The conditions attached to a determination of the Board of Directors of the Exchange in terms of Rule 10.3 (a) and (b) above shall be communicated to the SEC together with reasons for such determination/decision.

(d) Transitional Provisions pertaining to the Listed Entities of which the Securities are suspended as at the date of implementation of Rule 10.3:

In the event a trading suspension has been imposed on the Securities of a Listed Entity as at the date of implementation of this Rule 10.3 such matter shall be referred to Board of Directors of the Exchange for a further determination upon the expiry of one (1) year from the date of implementation of Rule 10.3 of these Rules.

Provided however the above provision shall not be applicable for decisions of the Board of Directors of the Exchange in terms of Rule 10.3(a).

(e) Any further determination of the Board of Directors in respect of referrals set out in the aforesaid Rules shall be binding upon the Listed Entity."

(4) Rule 10.4 (b)

"SUSPENSIONS

Notwithstanding anything to the contrary provided in these rules, the Exchange may, at any time, suspend the trading of Securities of a Listed Entity, if in the Exchange's opinion any of the following applies:

- (i) The Entity is unable or unwilling to comply with, or violates, a Listing Rule
- (ii) The Exchange's Rules require the suspension
- (iii) By operation of law
- (iv) The suspension is warranted to maintain a fair and orderly Market.

The SEC may at its sole discretion direct the Exchange to suspend the Securities of any Listed Entity."

AMENDMENT OF APPENDIX 7 (C) AND APPENDIX 9 (B)**ENCLOSURE 1****APPENDIX 7 (C)****(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:.....

	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.....] hereby declares that the Entity has ***failed to comply*** with the Corporate Governance Requirements set out in Rule 7.10 of the CSE Listing Rules ***to the extent disclosed*** above.

Signed for and on behalf of **[.....Name of Listed Entity.....]**:

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

Date:

APPENDIX 9 (B)
(On the Letter head of the Entity)

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

NON - COMPLIANCE STATEMENT

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

Indicate the number of directors forming the composition of the Related Party Transaction Review Committee

Details of non-compliance	Minimum number of directors as per Listing Rule	Current status (number of directors)
Non-Executive Independent Directors		
Executive/ Non-Executive Directors		

Note: Indicate whether the Chairman is an independent non-executive director

Declaration

[.....Name of Listed Entity.....] hereby declares that the Entity has ***failed to*** comply with the ***Related Party Transactions Review Committee requirements set out in Rule 9.2.2*** of the CSE Listing Rules ***to the extent disclosed*** above.

Signed for and on behalf of ***[.....Name of Listed Entity.....]***:

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

Date: