

**ARTICLES OF ASSOCIATION  
OF  
DIESEL & MOTOR ENGINEERING PLC  
PQ 146**

1. The Company has adopted the articles of Association hereinafter set forth to the exclusion of the articles of association set out in the First Schedule to the Companies Act No. 7 of 2007 (hereinafter referred to as “model articles”) and accordingly the model articles shall not apply to the Company.

Notwithstanding anything to the contrary, in the event of there being any conflict in the provisions contained herein and the substantive provisions of the law as set out in the Companies Act aforesaid or in the event of these Article being silent on any matter, the provisions if any, in the said Companies Act in relation thereto, shall apply to the Company.

**A. INTERPRETATION**

2. In the interpretation of these articles of association, the following words and expressions shall have the respective meanings given against each such word unless such meanings are inconsistent with or repugnant to the subject or context. The words used or defined in the Companies Act when used in these articles of association shall have and be given the same meaning as in the said Act, unless otherwise specified herein.

“Articles” mean these Articles of Association, as may be amended from time to time.

“Board” and “Board of Directors” means the directors of the Company who number not less than the required quorum acting together as a board of directors, including where the context so requires or admits directors assembled at a Board Meeting.

“Central Depository” shall mean the Central Depository Systems (Private) Limited.

“chairperson” shall mean the person so appointed under article 36 of these presents.

“Director” or “Directors” means a director or the directors (as the case may be) for the time being of the Company, including where the context so requires or admits alternate directors.

“dividend” means a distribution out of the profits of the Company.

“in writing” and “written” includes printing and other such modes of representing or reproducing words in a visible form.

“month” means a calendar month.

“presence or present” with regard to a shareholder at a meeting means presence or present personally or by proxy or by attorney duly authorised.

“registered office” means the registered office for the time being of the Company.

“secretary” or “secretaries” include any individual, firm or company appointed by the Board to perform any of the duties of the secretary.

“shares” shall mean shares issued by the Company.

“SEC Act” shall mean Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 (as amended).

“stated capital” means the total of all amounts received by the Company or due and payable to the Company in respect of the issue of shares and of calls on shares.

“the Act” means and includes the Companies Act No. 7 of 2007 as amended or modified from time to time or another Act of parliament enacted to govern companies.

“the Company” means Diesel & Motor Engineering PLC.

“Year” means a calendar year.

“working day” means a day other than Saturday, Sunday or public holiday.

In the interpretation of these Articles, words importing the masculine gender only shall include the feminine gender and words importing the singular number only shall include the plural number and vice versa and words importing persons shall include corporations.

## **B. OBJECTS OF THE COMPANY**

**3. The objects of the Company are:**

- (a) To carry on the business of manufactures of, dealers, in, hirers, repairers, cleaners, stores and warehouses of automobiles, motor cars, motor cycles, aero planes, motor vessels, steam vessels, bicycles, launches, boats, vans, velocipedes and carriages and vehicles of all kinds, whether moved by mechanical power or not and all machinery, implements, utensils, appliances, apparatus, lubricants, cements, solutions, enamels and all things capable of being used therewith or in the manufacture, maintenance and working thereof respectively or in the construction of any track or surface adopted for the use thereof.
- (b) To carry on in the Sri Lanka or elsewhere the business of engineering in all its branches including radio, electrical, civil, motor mechanical and general, iron founders, manufacturers of agricultural implements and other machinery, moulders, machine and engineering tool-makers, boiler-makers, brass founders, builders and contractors, ship repairers, millwrights and metal workers, machinists, iron and steel converters, smiths and wood workers, decorators, gas fitters and plumbers and also to import, buy, sell, retail, manufacture, hire, let on hire-purchase or otherwise and deal in accessories and appliances appertaining to the reception and transmission of broadcasting, wireless, telegraphy or any other method or morse or other signaling, refrigerators, motor lorries, motor cars, automobiles, motor cycles, aero planes, motor vessels, steam vessels, bicycles and other vehicles, machinery, rolling stock, iron, steel and metal implements, tools, utensils, fittings and conveniences of all kinds, which can be conveniently dealt in by the Company.
- (c) To carry on in Sri Lanka the business of garage proprietors, taxi-cab, omnibus and other public and private conveyance proprietors, omnibus, motor car, motor cycle manufacturers and repairers, garage builders, dealers in motor accessories of all kinds, motor and mechanical engineers and to manufacture, buy, sell, exchange, alter, improve, manipulate, prepare for market and otherwise deal in all kinds of plant, machinery, apparatus, tools, utensils, oils, petrol, substance, materials, and things necessary or convenient for carrying on any of the above specified business or proceedings or usually dealt in by persons engaged in the like.
- (d) To organize, conduct, promote and arrange for tours, picnics, excursions and expeditions, trawling, yachting, boating and in this connection to procure, obtain and arrange for all necessary licenses, authorizations, authorities, permissions and permits necessary, including the purchase, procuring, use and carriage of all necessary equipment, material, gear and tackle.
- (e) To manufacture, buy, sell, prepare, let on hire, and deal in aerial conveyances of all kinds and the component parts thereof, and all kinds of machinery and apparatus for use in connection therewith.
- (f) To acquire, provide, and maintain hangars, garages, sheds, aerodromes, and accommodation for or in relation to aerial conveyances.

- (g) To carry on the business of carriers by sea, river, canal, road, railways and otherwise.
- (h) To construct, equip, maintain and work omnibuses or other vehicles appropriate for the carriage of passengers or goods and to carry on the business of omnibus proprietors and carriers of passengers and goods in Sri Lanka and in such other places as may from time to time be thought fit.
- (i) To carry on the business of an electric light company in all its branches, and in particular to construct, lay down, establish, fix, and carry out all necessary cables, wires, lines, accumulators, lamps, and works, and to generate, accumulate, distribute, and supply electricity, and to light cities, towns, streets, docks, markets, theatres, buildings and places both public and private.
- (j) To carry on the business of electricians, mechanical engineers, suppliers of electricity for the purposes of light, heat, motive power, or otherwise, and manufacturers of and dealers in all apparatus and things required for or capable of being used in connection with the generation, distribution, supply, accumulation, and employment of electricity.
- (k) To purchase take in exchange or otherwise acquire and hold ships and vessels or any shares or interests in ships or vessels and also shares, stocks and securities of any company possessed of or in any way interested in any ships or vessels or in shipping business generally and to maintain, repair, improve, alter, sell, exchange or let out on hire or charter or otherwise deal with and dispose of any ships, vessels or shares, interests, stocks or securities as aforesaid.
- (l) To carry on all or any of the businesses of ship-owners, ship brokers, insurance agents, brokers, managers, of shipping property, freight contractors, barge owners, lighter men, forwarding agents, ice merchants, estate agents and proprietors, refrigerating, storekeepers, warehousemen, wharf fingers and general merchants.
- (m) To construct, execute, carry out, equip, improve, work, develop, administer, manage or control, public works and conveniences of all kinds, which expression, includes railways, tramways, docks, harbors, piers, wharves, canals, reservoirs, embankments, irrigations, reclamation, Improvement, sewage, drainage, sanitary, water, gas, electric light, telephone, telegraphic, and power supply works, and hotels warehouses, markets and public buildings and all other works of conveniences of public utility.
- (n) To commence, acquire and carry on the business of general merchants, commission agents, Importers, distributors and dealers in provisions, oilman stores, wines, spirits, beers and other liquors, perfumery soaps, toilet requisites, drugs, chemicals, patent medicines, pharmaceuticals, tobaccos, cigars, watches, clocks, guns, rifles, revolvers, agricultural implements, varnishes, stationery and office equipment, packing materials, factory equipment, motor vehicles, bicycles and accessories, lamps, silver and plated ware, electrical goods, radiograms, radios and all parts and accessories relating thereto, jewellery, cameras, earthenware, glassware, toys ,raw materials and

other articles and commodities of personal and household use and consumption and required for business agriculture and industry and to acquire all or any part of the assets and goodwill of any of such business carried on in Sri Lanka or elsewhere by any person or persons.

- (o) To act as directors, secretaries, consignees and commercial agents of any person or company carrying on business or owning property or estates of any kind in Sri Lanka or elsewhere or to undertake all or any of these duties concurrently.
- (p) To act as agents for the investment, loan, payment, transmission and collection of money and for the purchase, sale and improvement, development and management of property including business concerns and undertakings and generally to transact all kinds of agency business whether in respect of agricultural, commercial or financial matters.
- (q) To seek for and secure openings for the employment of capital in Sri Lanka and elsewhere and with a view thereto prospect, to inquire, examine, explore and test and to dispatch and employ expeditions, commissioners, experts and other agents.
- (r) To purchase, take on lease or otherwise acquire and deal in immovable and movable property of all kinds and any interests therein including reversions, mortgages, charges, annuities, patents, licenses, policies, book debts, investments and claims of every kind.
- (s) To act, as agents, managing agents or in and other capacity for any person, firm or company now existing or hereafter to be formed in connection with the business of shipping or any other business in any part of the World and to enter into any agreement with any such companies.
- (t) To carry on in Sri Lanka or elsewhere the business of growers and manufacturers of and dealers in tea, rubber, coconut and other produce.
- (u) To purchase, lease, take in exchange, hire, or otherwise acquire any other land or lands, or any share or shares thereof, and any buildings, mines, minerals, mining and mineral properties and rights, machinery, implements, tools, live and dead stock, stores, effects and other property, real or personal, movable or immovable of any kind and any contracts, rights, easements, patents, licenses, privileges or concessions in Ceylon or elsewhere (including the benefit of any trade mark, or trade secret) which may be thought necessary or convenient for the purpose of the Company's business, and to erect, construct, maintain, or alter any buildings, machinery, plant, roads, ways, or other works or methods of communication.
- (v) To appoint engage, employ, maintain, provide for, and dismiss attorneys, agents superintendents, managers, clerks, coolies, and other laborers and servants in Ceylon or elsewhere and to remunerate any such at such rate as shall be thought fit and to grant pensions or gratuities to any such or the widow or children of any such.

- (w) To clear open, plant, cultivate, improve, and develop any land or lands that may be purchased, leased, or otherwise acquired by the Company in Ceylon or elsewhere or portions thereof, as a coconut, tea and rubber estate or estates, or with any other products, trees, plants, or crops that may be approved by the Company, and to plant grow and produce tea, rubber coconuts, coffee, cinchona, cocoa, cardamoms, rhea, ramie plants, trees, and other natural products in Ceylon or elsewhere
- (x) To build, make, construct, equip, maintain, improve, alter, and work tea and rubber factories, cocoa, coconut and coffee curing mills, and other manufactories, buildings erections, roads, tramways, or other works conducive to any of the Company's objects or to contribute to or subsidize such.
- (y) To lay out the lands of the Company, and to erect or cause to be erected houses, bungalows, flats, hotels, warehouses, stores, shops, offices, cinemas, clubs, restaurants, theaters, and other buildings, and to pull down, rebuild enlarge, or alter and improve existing house, buildings, or works there on, to convert and appropriate any such lands into and for roads, streets, squares, gardens and pleasure grounds and other conveniences and generally to deal with and improve the property of the Company.
- (z) To carry on in the Sri Lanka business as proprietors or lessor of houses, bungalow, flats, hotels, warehouses, stores, shops, offices, clubs, cinemas, restaurants, theatres, and other buildings, to let them or any of them or apartments therein, to provide clean, comfortable and inexpensive accommodation for the tenants and occupiers thereof and other persons and to carry on any business which can be conveniently carried on in connection with any of such objects.
- (z1) To acquire by grant, purchase, license or otherwise patents or patent rights other rights, privileges or concessions of any kind and to work, exercise, grant licenses for the use of, or otherwise dispose of or deal with the same.
- (z2) To hire lease, or purchase land either with any other person or company or otherwise, and to erect a factory and other buildings thereon or on any land already leased or owned by the Company at the cost of the Company and such other person or company or otherwise, and to lease any factory or other buildings from any Company or person.
- (z3) To enter into any arrangement or agreement with any company or person for the working of any factory erected or leased by the Company or for the manufacture and preparation for market of tea, rubber, coconut, or any other produce in such or any other factory.
- (z4) To prepare, cure, manufacture, treat and prepare for market (whether on account of the Company or others) tea, rubber, cocoa, coconuts, plumb ago, minerals, and (or) other crops or produce, and to sell, ship, and dispose of such tea, rubber, cocoa, coconuts, plumbago, minerals, crops and produce, either raw or manufactured, at such times and places and in such manner as shall be deemed expedient.

- (z5) To buy, sell, warehouse, transport, trade and deal in tea, rubber, coconuts, cocoa, coffee and other plants and seed, and rice and other food required for coolies, laborers, and others employed on estates and other products, wares, merchandise, articles, licenses, coupons and other export rights and things of any kind whatever.
- (z6) To act as agents for and introduce business to fire accident indemnity and general insurance for offices and institutions, (but so that nothing herein shall authorize the Company itself to carry on insurance business of any class.)
- (z7) To act as and carry on the business of commission and general agents.
- (z8) To work mines or quarries and to find, win, get, work, crush, smelt, manufacture, or otherwise deal with ores, metals, mineral oils, precious and other stones, deposits and products, and generally to carry on the business of miners in all branches, manufacturers, growers, planters, and exporters of tea, rubber, cocoa, chocolate, coconut and other products, or any such business on behalf of the Company or as, Agents, for others and on commission or otherwise.
- (z9) To establish and carry on a dairy farm, and to buy and sell live stock, and to sell and deal in milk and dairy produce, wholesale or retail.
- (z10) To establish and maintain in Ceylon, the United Kingdom or elsewhere, stores, refreshment rooms taverns, boutiques, kaddies, shops, and places for the sale of general goods, oilman stores, tea, rubber, coconuts, cocoa, chocolate, coffee and articles of food, drink, or refreshment wholesale or retail and in connection there with to carry on the business of shop keepers, general merchants, restaurant keepers and suppliers of provisions both solid and liquid: and to establish In any part or parts of the world agencies for carrying on or developing the business of the Company or any branch thereof; and generally to carry on the business of merchants, exporters, importers, traders, engineers, or any other trade, business, or undertaking whatsoever,
- (z11) To cultivate, manage, and superintend estates and properties in Ceylon or elsewhere and generally to undertake the business of estate agents in Ceylon and elsewhere, to act as agents for the investment, loan payment, transmission and collection of money, and for the purchase, sale, Improvement, development, and management of property, including concerns and undertakings, and to transact any other agency business of any kind.
- (z12) To let, lease, sell, exchange, part with, transfer, deliver, charge, mortgage or otherwise howsoever dispose of or deal with the Company's undertaking estates, lands, building or other property, or any part or parts thereof, whether in consideration of rents, money, or securities for money, shares, debentures, or securities in any other company whether such company be registered in Ceylon or elsewhere, or for any other consideration, and otherwise to trade in, dispose of, or deal with the same or any part thereof.
- (z13) To borrow or receive on loan money for the purpose of the Company upon the

security of cash credit bonds, or of hypothecation or mortgages of the Company's property or any part or parts thereof, or otherwise, as shall be thought most expedient, and in particular by the issue of debenture stock or bonds to bearer or otherwise and either at par, premium, or discount and either redeemable, irredeemable or perpetual either charged upon all or any part of the Company's present or future property (including uncalled capital) or not so charged, as shall be thought best.

- (z14) To cause or permit any debenture stock, bonds, debentures, mortgages charges encumbrances, lien, or securities of or belonging to or made or issued by the, Company or affecting its property or rights or any of the terms thereof to be renewed, extended, varied, redeemed, exchanged, transferred or satisfied, as shall be thought fit, also to pay off and re-borrow the moneys secured thereby or any part or parts thereof.
- (z15) To draw, make, accept, and endorse bills of lading, warrants, bills of exchange, promissory notes, and other transferable or negotiable instruments for the purpose of the Company.
- (z16) To unite, co-operate, amalgamate, or enter into partnership or any arrangement for sharing profits or union of interests or any other arrangement with any person or company already engaged in or hereafter to be established for the purpose of carrying on any business having objects wholly or in part similar or analogous or subsidiary to those of the Company or to any of them, or capable of being conducted so as to benefit this Company, either directly or indirectly, and to subscribe for or otherwise acquire for the benefit and in the name of the Company or otherwise and pay for in any manner that may be agreed upon either in money or in shares or bonds or otherwise, and to hold any shares, stock or other interest in any such company, and to promote the formation of any such company.
- (z17) To acquire by purchase in money, shares, bonds or otherwise, and undertake all or any part of the business, property, assets, and liabilities of any person or company carrying on any business in Ceylon or elsewhere which this Company is authorized to carry on, or possessed of property suitable for the purposes of this Company.
- (z18) To sell the property, business, or undertaking of the Company, or any part or parts thereof, for such consideration as the Company shall think fit, and in particular for shares (whether credited as partly or fully paid up or otherwise) stocks, debentures, or securities or any other company whether such company be registered in Ceylon or elsewhere.
- (z19) To procure the Company to be registered or incorporated in Ceylon, and if and when necessary or thought advisable elsewhere.
- (z20) To lend money on any terms and in any manner and on any security, and in particular on the security of plantations, factories, growing crops, products, bills of exchange, promissory notes, bonds, bills of lading, warrants, stocks, shares, debentures, and



book debts, or without any security at all.

- (z21) To Invest and deal with the moneys of the Company not immediately required upon such securities and in such manner as may from time to time be determined.
- (z22) To promote and establish any other company whatsoever and to subscribe to and hold the shares, debentures, or securities of any other company or stock of any other company or any part thereof and to pay all the costs, charges and expenses of the formation, promotion or establishment of any such company.
- (z23) To pay for any lands and real or personal, immovable or movable, estate or property or assets of any kind acquired or to be acquired by the Company, or for any services rendered or to be rendered to the Company, and generally to pay or discharge any consideration to be paid or given by the Company, in money or in shares or debentures or debenture stock or obligations of the Company or partly in one way and partly in another, or otherwise howsoever with power to issue any shares either fully or partly paid up for such purpose.
- (z24) To accept as consideration for the sale or disposal of any lands and real or personal immovable and movable, estate, property and assets of the Company of any kind sold or otherwise disposed of by the Company, or in discharge of any other consideration to be received by the Company in money or in shares, the shares (whether wholly or partly paid up) of any company, or the mortgages, debentures, or obligations of any company or person or partly in one of these modes and partly in another or in any other kind or mode whatsoever.
- (z25) To distribute among the Shareholders in specie any property of the Company, whether by way of dividend or upon a return of capital, but so that no distribution amounting to a reduction of capital be made, except with the sanction for the time being required by law.
- (z26) To pay all or any part of the expenses of and preliminary and incidental to the promotion, formation, establishment and registration of the Company, or of any other company whether promoted, formed, established or registered by or on behalf of the Company, or otherwise and all commission, brokerage, discount, underwriting and other expenses lawfully payable which may be deemed expedient for taking, placing or underwriting all or any of the shares or debentures or other obligations of the Company or of any such other company.
- (z27) To purchase or otherwise acquire, issue, re-issue, sell, place, and deal in shares, stocks, bonds, debentures and securities of all kinds, and to give any guarantee or security for the payment of dividends or interest thereon, or otherwise in relation thereto.
- (z28) To administer trust estates and the estates of deceased persons, or bankrupt or insolvent estates, or estates in liquidation in any part of the World and to undertake the office of trustee, executor, administrator, assignee, inspector or any similar office

and to perform and discharge the duties of any such office for a commission or other remuneration or otherwise.

- (z29) To establish and support or aid in the establishment and support of schools, places of worship, associations, institutions, funds, trusts and arrangements calculated to benefit employees or ex-employees of the Company or its predecessors in business, or the dependants or connections of such persons, and to grant pensions, gratuities and allowances and to make payments towards insurance, pension and superannuation funds, and to subscribe or make donations or gratuities to charitable, scientific, public or benevolent objects, or any objects calculated to promote the interests of the Company and to act as Trustee of or for any fund created for any of such purposes or for the benefit of any such persons and generally to provide for the welfare of any or all of such persons.
- (z30) To contribute and encourage its members and others to contribute to any public fund including any fund established for the purpose of aiding the prosecution of any war in which the British Commonwealth or any part thereof is involved or for assisting any object charitable or otherwise connected therewith.
- (z31) To do all such other things as shall be incidental, or conducive, to the attainment of the objects abovementioned or any of them or any one or more of the objects aforesaid, it being hereby declared that in the foregoing clauses (unless a contrary intention appears).

## **C. SHARES**

### **4. ISSUE OF SHARES**

- (1) The Board may issue such shares to such persons as it considers appropriate in accordance with section 51 of the Act. Where the shares confer rights other than those specified in subsection (2) of section 49 of the Act, or impose any obligation on the holder, the Board shall approve terms of issue which set out the rights and obligations attached to those shares as required by subsection (2) of section 51 of the Act.
- (2) The Board shall, before it issues shares, decide the consideration for which the shares may be issued. The consideration shall in the opinion of the Directors, be fair and reasonable to the Company and to all existing shareholders.
- (3) Where the Company issues shares which rank equally with or above existing shares in relation to voting or distribution rights, those shares shall be offered to the holders of the existing shares in a manner which would, if the offer is accepted, maintain the relative voting and distribution rights of those shareholders.
- (4) The said offer shall remain open for acceptance for a reasonable period of time and,

if not expressly accepted within such time, the offer shall be deemed to have been declined by the respective offeree. The Company may, at the time of making the said offer, request holders of the existing shares who desire an allotment of shares in excess of their respective proportions to state how many excess shares each such holder desires and if any holders of existing shares expressly decline to accept the whole of their respective proportions, the shares so declined may be allotted to those holders who desire an excess allotment in such numbers and in such manner as the Directors decide and thereafter may be allotted and issued to such other persons as the Directors consider it appropriate.

- (5) The Board may, subject to and in accordance with the provisions of the rules and regulations in force for the time being and from time to time of the Colombo Stock Exchange;
  - (a) issue shares that may result in an increase or decrease of the number of shares issued by the Company pursuant to a decision of the Company to effect a subdivision of existing shares into a greater number of or a consolidation and division of shares;
  - (b) issue shares pursuant to a capitalization of the reserves of the Company or by dividends;
  - (c) issue shares to any persons approved by the shareholders whose voting and distribution rights would be affected, by way of a special resolution;
  - (d) issue shares to give effect to any provisions in law relating to amalgamations; or
  - (e) issue shares to employees of the Company under an employee share option/ ownership plan / scheme approved by the shareholders.
- (6) The provisions of paragraph (3) of this Article shall not apply to an issue of shares under paragraph (5) of this Article.
- (7) The Company may issue redeemable shares as decided by the Board at the time of such issue, which may be redeemed by the Company at the option of the Company or at the option of the holders of such shares or on a date specified by the Board, for a consideration that is specified by the Board at the time of issue or at a sum to be calculated by reference to a formula or fixed by a suitably qualified person, who is not associated with or interested in the Company, as decided by the Board at the time of issue.
- (8) Unless otherwise determined by the Board and set out in the terms of issue of such shares, the Company's share shall confer on the holder thereof the right to one vote, on a poll at a meeting of the Company on any resolution, the right to an equal share in dividends paid by the Company and the right to an equal share in the distribution of the surplus assets of the Company on liquidations.

## **5. CALLS ON SHARES**

- (1) Where a share imposes any obligation on the holder to pay an amount of money -
  - (a) on a fixed date, the holder shall pay that amount on that date; or
  - (b) when called on to do so by the Board. The Board may at any time give written notice to the holder requiring the payment to be made within a specified period of not less than twenty (20) working days, and the payment shall be made in accordance with that notice.

Any amount not paid by the due date shall carry interest at a rate fixed by the Board not exceeding ten *per centum* (10%) per annum, as may be decided by the Board, accruing daily. The Board may, at its discretion, waive payment of interest.

- (2) Joint holders of a share are jointly and severally liable for any payments to be made under paragraph (1) of this Article.
- (3) The Company shall have a first charge or a paramount lien on every share to which paragraph (1) of this Article applies, and on every distribution payable in respect of that share, for all amounts presently due and payable to the Company in respect of that share.
- (4) For the purpose of enforcing such lien, the Company may sell in such manner as the Board thinks fit, any shares on which the Company has a lien, if-
  - (a) the Company has given written notice of its intention to do so to the shareholder; and
  - (b) the shareholder has failed to make the payment in respect of which the lien has arisen, within ten (10) working days of the giving of such notice.

Upon any sale for enforcing a lien, the Board may appoint any person to execute an instrument of transfer of the shares sold, whereupon the purchaser shall be registered as the holder of the shares transferred and his title shall not be affected by any irregularity or invalidity in the sale.

- (5) The proceeds of a sale under paragraph (4) of this Article shall be received by the Company and applied first in payment of the costs of sale, and then in payment of the amount in respect of which the lien arose. The remainder if any, shall be paid to the person entitled to the shares, at the time of the sale.

## **6. SHARE REGISTER**

- (1) The Company shall maintain a share register, which complies with section 123 of the Act. The share register shall be kept at the registered office of the Company or at any other place in Sri Lanka, notice of which has been given to the Registrar General of Companies in accordance with subsection (4) of section 124 of the Act.
- (2) The share register may be divided into two or more registers kept at different places, as maybe decided by the Board. Notice of the place where each register is kept must be delivered to the Registrar in accordance with subsection (3) of section 124 of the

Act.

## **7. SHARE TRANSFER**

- (1) Where shares are to be transferred, an instrument of transfer in writing shall be executed by or on behalf of the transferor and transferee, or by their legal representative/s and delivered to the Company; and the transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the register of shareholders in respect thereof.
- (2) The instrument of transfer may be in the usual or common form or any other form which the Directors may approve.
- (3) The Directors may also require an instrument of transfer to:
  - (a) be accompanied by the certificate of shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; and
  - (b) be in respect of only one class of shares.
- (4) In no case shall the Directors be bound to inquire into the validity, legal effect or genuineness of any instrument of transfer produced by a person claiming a transfer of any share in accordance with these Articles; and whether they abstain from so inquiring or do so inquire and are misled, the transferor shall have no claim whatsoever upon the Company or the Directors, in respect of the share except for the dividends previously declared in respect of such share.
- (5) The Directors may by such means they deem expedient authorize the registration of a transfer of shares without the necessity of any meeting of Directors for that purpose.
- (6) The Board may resolve to refuse to register a transfer of a share within six (06) weeks of receipt of the transfer, if any amount payable to the Company in respect of the share is due but unpaid. If the Board resolves to refuse to register a transfer for this reason it shall give notice of the refusal to the shareholder within one (01) week of the date of such resolution.
- (7) The Directors may also decline to register a transfer of a share where the Company has a lien on a share or part thereof.
- (8) Notwithstanding any provision in the Articles suggesting the contrary, share listed on the Colombo Stock Exchange shall be freely transferable and registration of the transfer of such listed shares shall not be subject to any restriction, save and except to the extent required for compliance with statutory requirements.
- (9) Notwithstanding anything to the contrary in the Articles, as long as the shares of the Company are listed in the Colombo Stock Exchange, the Board may register without assuming any liability therefor any transfer of shares which is in accordance with the

rules and regulations in force for the time being and from time to time as laid down by the Colombo Stock Exchange and or Central Depository of the Colombo Stock Exchange.

## **8. TRANSMISSION OF SHARES**

- (1) Upon the death of a shareholder, the survivor or survivors where the deceased was a joint holder, and the legal representative of the deceased where he was a sole holder, shall be the only persons recognized by the Company as having any title to his interest in the shares; but nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by him with other persons.
- (2) There shall be no restriction by way of limitation of number in regard to the persons to be registered as joint holders of a share where such persons are executors or administrators or heirs of a deceased holder.
- (3) Any person becoming entitled to a share in consequence of the death, bankruptcy or insolvency of a shareholder may upon such evidence being produced as may from time to time properly be required by the Directors and subject as hereinafter provided, elect either to be registered himself as holder of the share or to have some person nominated by him registered as the transferee thereof, but the Directors shall in either case have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by that shareholder before his death, bankruptcy or insolvency, as the case may be.
- (4) Where the person so becoming entitled elects to be registered himself, he shall deliver or send to the Company, a notice in writing signed by him stating that he so elects. Where he elects to have another person registered he shall testify his election by executing to that person a transfer of the share. All the limitations, restrictions and provisions of these rules relating to the right to transfer and registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death, bankruptcy or insolvency of the shareholder had not occurred and the notice or transfer were a transfer signed by the shareholder.
- (5) A person becoming entitled to a share by reason of the death, bankruptcy or insolvency of the holder, shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a shareholder in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company; Provided always that the Directors may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share and where the notice is not complied with within ninety (90) days the Directors may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the share until the requirements of the notice have been complied with.

## **9. JOINT SHAREHOLDING**

The Company shall not register more than three persons as joint holders (including the principal holder) of any shares (except in the case of executors, administrators or heirs of a deceased member).

## **10. SHARE CERTIFICATES**

- (1) Where the Company issues shares or the transfer of any shares is entered on the share register, the Company shall within two (2) months complete and have ready for delivery a share certificate in respect of the shares.
- (2) Where a share certificate is defaced, lost or destroyed it may be re-issued on payment of the cost of issue or such lesser sum and on such terms (if any) as to evidence and indemnity and the payment of out-of-pocket expenses of the Company for investigating evidence as the Directors think fit.

## **11. PURCHASE OF OWN SHARES**

The Company may purchase or otherwise acquire any of its own shares, from one or more of the shareholders or from all of the shareholders, with the approval of the Board.

## **12. RESERVES AND DISTRIBUTIONS**

- (1) The Company may make distributions to shareholders in accordance with section 56 of the Act. The Board shall be satisfied that the Company shall immediately after the distribution satisfy the solvency test. The Directors who vote in favour of the distribution shall sign a certificate of their opinion to that effect.
- (2) The Company shall be deemed to have satisfied the solvency test if-
  - (a) it is able to pay its debts as they become due in the normal course of business; and
  - (b) the value of the Company's assets is greater than-
    - (i) the value of its liabilities; and
    - (ii) the Company's stated capital.
- (3) Except in the case where a distribution is a final dividend, the approval of the shareholders by an ordinary resolution or otherwise shall not be required before a distribution, including where an interim dividend is made.
- (4) The profits of the company shall be distributable and divisible among the shareholders

in proportion to the capital paid or credited as paid on the shares held by them respectively, subject to the following:

- (a) the rights of holders of shares issued upon special conditions.
  - (b) any arrangements that may be made by the Company to the contrary.
  - (c) shares not fully paid
  - (d) any special arrangement made as regards money paid in advance of calls.
  - (e) the provisions of these Articles as to reserve fund.
- (5) Before the Directors make any distributions, they may set aside, out of the profits of the Company, such sum as they think proper as a reserve fund or funds.
- (6) The Board may divide the reserve fund or funds in to such special funds as they think fit, with full power to employ the assets constituting the reserve fund in the business of the Company for any purpose which they make from time to time deem expedient and without being bound to keep such assets separate from the other assets of the Company. The Board may also carry forward any profits which they may deem it not prudent to divide
- (7) The Board may decide to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve funds/accounts or to the credit of the profit and loss account or otherwise available for distribution, and accordingly to set free such sum for distribution amongst the shareholders who would have been entitled thereto if distributed by way of dividend and in the same proportions, on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such shareholders respectively or paying up in full shares or debentures of the Company to be issued, allotted and distributed credited, as fully paid up to and amongst such shareholders in the proportion aforesaid, or partly in the one way and partly in the other.
- (8) Whenever such a decision as aforesaid shall have been made, the Directors shall make all appropriations and applications of the undivided profits to be capitalized and all allotments and issues of fully paid shares or debentures, if any and generally shall do all acts and things required to give effect thereto.
- (9) Subject to the provisions of Article 12 (3), the Board may authorise a distribution by way of dividend to be paid to the shareholders according to their rights and interests in the profits and may fix the time for payment. No dividend shall be payable out of the capital of the Company.
- (10) Any dividend or interim dividend which may be authorized by the Directors, may be paid by means of cash or by the distribution of specific assets and in particular of paid up shares, debentures or debenture stock of the Company or of any other Company or in *specie* or in any one or more of such ways and where any difficulty arises in regard to the distribution, they may settle the same as they think expedient and in particular may fix the value for distribution of such specific



assets or any part thereof and may determine that cash payments shall be made to any member upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees upon such trusts for the persons entitled to the dividend as may seem expedient to Board.

- (11) No shareholder shall be entitled to receive payment of any dividend or any allotment and issue of shares credited as fully paid up in respect of his share or shares whilst any moneys may be due or owing from him (whether alone or jointly with any other person) to the Company in respect of such share or shares or otherwise howsoever.
- (12) No dividend shall bear interest against the Company.
- (13) the Directors may deduct from the dividend payable to any shareholder all sums of money due from him (whether alone or jointly with any other person) to the Company and notwithstanding that such sums shall not be payable until after the date when such dividend is payable. A transfer of shares shall not pass the rights to any dividend declared thereon before the registration of any transfer.
- (14) Unless otherwise directed any dividend may be paid by cheque or warrant sent by post to the registered address of the shareholder entitled thereto or, in the case of joint holders to registered address of the joint holder whose name stands first on the register in respect of the joint holding; but the Company shall not be liable or responsible for the loss of any such cheque or any dividend warrant sent through the post.
- (15) All dividends unclaimed for one (01) year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends unclaimed for six (06) years after having been declared shall be forfeited and shall revert to the Company.
- (16) Every dividend payable in respect of any share held by several persons jointly may be paid to and an effectual receipt given by anyone of such persons.

#### **D. MEETINGS OF SHAREHOLDERS**

##### **13. NOTICE OF MEETING OF SHAREHOLDERS**

- (1) Written notice of the time and place of a meeting of shareholders (including a meeting where it is intended to propose a resolution as a special resolution) shall be given to every shareholder entitled to receive notice of the meeting and to every Director and the auditor of the Company—
  - (a) not less than fifteen (15) working days before the meeting, if the meeting is an annual general meeting or the meeting is one where it is intended to propose a resolution as a special resolution.
  - (b) not less than ten (10) working days before the meeting, in any other case.

Provided that a meeting of the Company shall notwithstanding that it is called by shorter notice than that specified in this Article be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as the annual general meeting, by all the shareholders entitled to attend and vote thereat;
  - (ii) in the case of any other meeting by the shareholders having a right to attend and vote at the meeting being shareholders together holding shares which carry not less than ninety five per centum (95%) of the voting rights, on each issue to be considered and voted on at that meeting.
- (2) The notice shall set out—
- (a) the nature of the business to be transacted at the meeting in sufficient detail to enable a shareholder to form a reasoned judgment in relation to it; and
  - (b) the intention, if any, to propose a resolution as a special resolution; and
  - (c) the text of any resolution to be submitted to the meeting.

Provided however, the business of; declaring a dividend, consideration of the annual report, the financial statements and the group financial statements (if applicable) any appointment of directors or the appointment and the fixing of the remuneration of the auditors which maybe proposed at such meeting shall not be required to be specifically or separately set out in or referred to in such notice.

- (3) An irregularity in a notice of a meeting is waived if the majority of shareholders entitled to attend and vote at the meeting attend the meeting without protest as to the irregularity, or if the majority of such shareholders agree to the waiver.
- (4) If a meeting of shareholders is adjourned for less than thirty (30) days, it is not necessary to give notice of the time and place of the adjourned meeting, other than by announcement at the meeting which is adjourned.
- (5) One or more shareholders holding shares which carry not less then ten *per centum* (10%) of the votes which may be cast on a particular issue, may convene a meeting to consider and vote on the said issue in accordance with the provisions of section 134 of the Act.

#### **14. METHOD OF HOLDING MEETINGS**

A meeting of shareholders (including a meeting where it is intended to propose a resolution as a special resolution) may be held either—

- (a) by a number of shareholders who constitute a quorum, being assembled together at the place, date and time appointed for the meeting; or
- (b) by means of audio, or audio and visual communication by which all shareholders participating and constituting a quorum, can simultaneously hear each other throughout the meeting.

## **15. QUORUM**

- (1) Subject to paragraph (3) of this Article, no business may be transacted at a meeting of shareholders if a quorum is not present.
- (2) A quorum for a meeting of Shareholders is present if two (02) shareholders are present in person or by proxy, or by duly authorized representative.
- (3) If a quorum is not present within thirty (30) minutes, after the time appointed for the meeting, the meeting is adjourned to the same day in the following week at the same time and place, or to such other date, time and place as the Directors may appoint. If at the adjourned meeting, a quorum is not present within thirty (30) minutes after the time appointed for the meeting, the shareholders present or their proxies shall be deemed to form a quorum.

## **16. CHAIRPERSON**

- (1) If the Directors have elected a chairperson in terms Article 36 of the Board, and the chairperson of the Board is present at a meeting of shareholders, he shall chair the meeting.
- (2) If no chairperson of the Board has been elected or if at any meeting of shareholders the chairperson of the Board is not present within fifteen (15) minutes of the time appointed for the commencement of the meeting or is unwilling to act, the director present shall elect one of their number to be the chairperson of the meeting.
- (3) Where at any meeting, no director is willing to act as chairperson or where no director is present within fifteen minutes after the time appointed for holding the meeting, the shareholders present may choose one of their number to be chairperson of the meeting.

## **17. VOTING**

- (1) In the case of a meeting of shareholders held under paragraph (a) of Article 14, unless a poll is demanded, voting at the meeting shall be by a show of hands.
- (2) A declaration by the chairperson of the meeting that a resolution is carried by the requisite majority is conclusive evidence of that fact, without proof of the number or proportion of the votes recorded in favour of or against that resolution, unless a poll is demanded in accordance with paragraph (3) of this Article.
- (3) At a meeting of shareholders, a poll may be demanded by —

- (a) the chairperson; or
  - (b) not less than five (5) shareholders having the right to vote at the meeting; or
  - (c) a shareholder or shareholders representing not less than ten per centum (10%) of the total voting rights of all shareholders having the right to vote at the meeting.
- (4) A poll may be demanded either before or after the vote is taken on a resolution, however the demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.
  - (5) If a poll is taken, votes shall be counted according to the votes attached to the shares of each shareholder present and voting.
  - (6) The chairperson of a shareholders' meeting is not entitled to a casting vote unless there is an equality of votes.
  - (7) No objection shall be made to the validity of any vote except at the meeting or poll at which such vote shall be tendered, and every vote to which no objection shall be made at such meeting or poll, shall be deemed valid for all purposes of such meeting or poll whatsoever.

## **18. PROXIES**

- (1) A shareholder may exercise the right to vote either by being present in person or by proxy.
- (2) A shareholder having the right to attend and vote at a meeting is entitled to appoint another person (whether shareholders or not) as his proxy to attend, vote and speak at the meeting instead of him.
- (3) A proxy for a shareholder is entitled to attend and be heard at a meeting of shareholders as if the proxy were the shareholder.
- (4) A proxy shall be appointed by notice in writing signed by the shareholder. The notice shall state whether the appointment is for a particular meeting, or for a specified term.
- (5) No proxy is effective in relation to a meeting, unless a copy of the notice of appointment is given to the Company not less than forty eight (48) hours before the start of the meeting.
- (6) An instrument of proxy shall be in the following form or a form as near thereto as circumstances permits:-

Diesel & Motor Engineering PLC

“I/We..... of .....being a  
shareholder/shareholders of Diesel & Motor Engineering PLC hereby

appoint..... of ..... or failing him..... as my/our proxy to attend and vote for me/us on my/our behalf for/or against the resolution and/or to speak at the (Annual or Extraordinary as the case may be) General Meeting of the Company to be held on the..... day of 20.....and at any adjournment thereof.

Signed this..... day of .....20.....”

- (7) A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the Company at the registered office, before the commencement of the meeting or adjourned meeting (or in the case of a poll, before the time appointed for the taking of the poll) at which the proxy is used.

## **19. MINUTES**

- (1) The Board shall ensure that minutes are kept of all proceedings at meetings of shareholders.
- (2) Minutes which have been signed by the chairperson of the meeting at which the proceedings were had, or by the chairperson of the next succeeding meeting, shall be *prima facie* evidence of the proceedings.

## **20. CORPORATIONS MAY ACT BY REPRESENTATIVES**

A body corporate which is a shareholder may appoint a representative to attend a meeting of shareholders on its behalf in the same manner as it could appoint a proxy.

## **21. VOTES OF JOINT HOLDERS**

Where two or more persons are registered as the holder of a share, the vote of the person named first in the share register and voting on a matter shall be accepted to the exclusion of the votes of the other joint holders.

Where there are several executors or administrators of a deceased shareholder in whose sole name any shares stand, any one of such executors or administrators may vote in respect of such shares unless any of such executors or administrators is present at the meeting at which such a vote is tendered and objects to the vote. The vote in relation to such shares in any matter shall be accepted only if all of such executors or administrators agree thereto.

## **22. LOSS OF VOTING RIGHTS IF CALLS UNPAID**

If a sum due to the Company in respect of a share has not been paid, no vote shall be cast in relation to that share at a shareholders' meeting other than a meeting of an interest group (as defined in the Act).

## **23. ANNUAL GENERAL MEETINGS AND EXTRAORDINARY GENERAL MEETINGS OF SHAREHOLDERS**

- (1) Subject to paragraphs (2) and (3) of this Article, the Board shall call an annual general meeting of the Company to be held —
  - (a) once in each calendar year;
  - (b) not later than six (06) months after the balance sheet date of the Company; and
  - (c) not later than fifteen (15) months after the previous annual general meeting.

The meeting shall be held on the date on which it is called to be held.

- (2) An extraordinary general meeting of shareholders entitled to vote on an issue may be called at any time by the Board, and shall be called by the Board on the written request of shareholders holding shares, carrying not less than ten *per centum* of votes which may be cast on that issue.
- (3) A resolution in writing (whether ordinary or special other than a resolution requiring special notice in terms of the Act) signed by not less than eighty five *per centum* (85%) of the shareholders entitled to vote on the resolution at a meeting of shareholders, who together hold not less than eighty five *per centum* (85%) of the votes entitled to be cast on that resolution is as valid as if it had been passed at a meeting of those shareholders. The Company need not hold an annual general meeting if everything required to be done at the meeting (by resolution or otherwise) is done by resolution and is in accordance with this Article. Any such resolution may consist of more than one document in like form; each signed or assented to by one or more shareholders and maybe transmitted to the Company, facsimile, email or other similar means of communication. A copy of any such resolution shall be entered in the minute book kept for the purpose of entering the minutes of general meeting of the Company.
- (4) Within five (05) working days of a resolution being passed under paragraph (3) of this Article the Company shall send a copy of the resolution to every shareholder who did not sign the resolution.

- (5) A resolution may be passed under paragraph (3) of this Article without any prior notice being given to shareholders.

## **24. VOTING IN INTEREST GROUPS**

Where the Company proposes to take action which affects the rights attached to shares within the meaning of section 99 of the Act, such action may not be taken unless it is approved by a special resolution of each interest group, as defined in the Act.

## **25. SHAREHOLDERS ENTITLED TO RECEIVE DISTRIBUTIONS, EXERCISE PRE-EMPTIVE RIGHTS AND ATTEND AND VOTE AT MEETINGS.**

- (1) The shareholders who are entitled to receive notice, attend and vote at meetings for any purpose to distributions to exercise pre-emptive rights and to other rights stipulated by law or the Articles shall be those shareholders who, on the date fixed by the Board for such purpose in accordance with paragraph 2 below are registered in the share register on that date.
- (2) Subject to any provisions of rules and regulations in force for the time being and from time to time, of Colombo Stock Exchange, a date fixed under paragraph (1) of this Article should not precede by more than thirty (30) working days, the date of the proposed meeting of shareholders.
- (3) Before a meeting of shareholders, the Company may prepare a list of shareholders entitled to receive notice of the meeting arranged in alphabetical order, and showing the number of shares held by each shareholder on the date fixed under paragraph (01) of this Article.
- (4) A person named in a list prepared under paragraph (3) of this Article is entitled to attend the meeting and vote in respect of the shares shown opposite his name, in person or by proxy, except to the extent that-
- (a) such person has, since the date on which the shareholders entitled to receive notice of the meeting were determined transferred any of his shares to another person; and
- (b) the transferee of those shares has been registered as the holder of those shares, and has requested two (02) days before the commencement of the meeting that his or her name be entered on the list prepared under paragraph (03) of this Article.
- (5) A shareholder may examine a list prepared under paragraph (03) of this Article during normal business hours on any date prior to two (02) working days of the date schedule for the meeting of shareholders, at the registered office of the Company.

## **E. DIRECTORS**

## **26. APPOINTMENT AND REMOVAL OF DIRECTORS**

- (1) Unless otherwise determined by a ordinary resolution of the shareholders of the Company, the number of Directors shall not be less than two (02) and not more than fourteen (14).
- (2) The Directors shall have the power at any time, and from time to time, to appoint any person to be a Director, either to fill a casual vacancy, or as an addition to the existing Directors, but so that the total number of Directors shall not at any time exceed the number fixed in accordance with (1) above. Any Director so appointed shall hold office until the next following Annual general Meeting and shall then be eligible for re-election
- (3) A Director may be appointed or removed by ordinary resolution passed at a meeting called for that purpose or by a written resolution in accordance with paragraph (3) of Article 23. Shareholders may only vote on a resolution to appoint a Director –
  - (a) the resolution is for the appointment of one (1) Director; or
  - (b) the resolution is a single resolution for the appointment of two (02) or more persons of as Directors, and a separate resolution that it be so voted on, has first been passed without a vote being cast against it.
- (4) A Director may, if he is unable to attend to his duties as a Director, by notice in writing under his hand, to the registered office of the Company or by notice sent by facsimile transmission, appoint any person to be an alternate director of the Company to act for him for a period as may be determined by such Director and at any time remove the alternate director so appointed.
- (5) A Director appointed by another Director to be his alternate director shall thereupon be entitled to exercise (in addition to his own right of voting as a Director) such appointer's rights at meetings of meetings of the Board. A person may act as an alternate director for more than one Director.
- (6) An alternate director shall on his giving an address for such notice to be served upon him be entitled to receive notices of all meetings of Directors and to attend and vote as a Director, at any such meeting at which the Director appointing him is not personally present and generally at such meeting to perform all the functions of his appointor as a Director in the absence of such appointor.
- (7) An alternate director may be appointed for a specific period or until the happening of a specific event but he shall *ipso facto* cease to be an alternate director if his appointor ceases for any reason to be a Director.
- (8) A Director may by notice in writing under his hand at any time remove the alternate Director and appoint another person as his alternate director.



- (9) A Director may resign by delivering a signed written notice of resignation to the registered office of the Company. Subject to section 208 of the Act, the notice is effective when it is received at the registered office or at any later time specified in the notice.
- (10) The office of Director shall be, *ipso facto*, vacated in the instances specified in the Act or if —
  - (a) all the other Directors request the Director, in writing, to resign from office.
  - (b) if the Director is absent from three (03) consecutive meetings of the Board, without special leave of absence and the Board resolves that his office is vacated.
  - (c) convicted of fraud or otherwise has been gross negligently in the performance of its obligations towards the Company.
- (11) The continuing Directors may act notwithstanding any vacancy in the Board; but so that if the number of Directors falls below the minimum fixed above, the remaining Directors or Director shall act only for the purpose of appointing a Director or Directors to fill one or more of the vacancies.
- (12) The Directors shall not be required to hold qualification shares in the capital of the Company nor shall they be liable to retire by rotation.

## **27. EXECUTIVE DIRECTORS AND MANAGING DIRECTOR**

- (1) A Director who is employed by the Company shall be an executive director and paid such remuneration as may be agreed to between him and the Board. His remuneration may be by way of salary, commission, or any combination of these methods or any other method of fixing remuneration.
- (2) The Board may from time to time appoint an executive director as Managing Director for such period and on such terms as it thinks fit and subject to the terms of Managing Director's appointment, his appointment shall be subject to determination *ipso facto* if he ceases to be a Director of the Company, or if the Company resolves at a general meeting that his tenure of office be determined.
- (3) Subject to any conditions or restrictions which the Board considers appropriate, the Board may delegate to the Managing Director, any of their powers which can be lawfully delegated. Any such delegation may at any time be withdrawn or varied by the Board. The delegation of a power of the Board to the Managing Director does not prevent the exercise of the power by the Board, unless the terms of the delegation expressly provide otherwise.
- (4) The Managing Director shall be paid such remuneration as may be agreed between him and the Board. His remuneration may be by way of salary, commission, or any combination of these methods or any other method of fixing remuneration.

## **28. POWERS AND DUTIES OF DIRECTORS**

- (1) Subject to section 185 of the Act which relates to major transactions and the provisions contained therein, the business and affairs of the Company shall be managed by or under the direction or supervision of the Board. The Board shall have all the powers necessary for managing and for directing and supervising the management of the business and affairs of the Company.
- (2) The Board may delegate to a committee of Directors or to any person it deems fit, any of its powers which it is permitted to delegate under section 186 of the Act.
- (3) The Directors have the duties set out in the Act, and in particular—
  - (a) each Director shall act in good faith and in what he believes to be the best interest of the Company;
  - (b) no Director shall act or agree to the Company acting, in a manner that contravenes any provisions of the Act or these Articles.

## **29. METHOD OF CONTRACTING**

- (1) The Directors and such other officers of the Company as are authorised by the Board may enter into a contract or other enforceable obligation (including an obligation if entered into by a natural person is required by law to be in writing signed by that person and be notarially attested) on behalf of the Company, as stipulated in Section 19 of the Act.
- (2) Such a contract or other enforceable obligation may also be entered into on behalf of the Company by the affixing of its common seal in the presence of two or more Directors, or of one Director and the Secretary or Secretaries who shall attest the sealing thereof: such attestation on the part of the Secretaries, in the event of a firm or registered company being the Secretaries being signified by a partner or duly authorised manager, director, secretary, attorney or agent of the said firm or company signing for and on behalf of the said firm or company as such secretaries. The common seal of the Company shall not be affixed other than in the manner set out herein.

## **30. ATTORNEY**

The Company may, from time to time, and at any time, by power of attorney executed as set out in the aforesaid Article appoint any person or persons to be the attorney/s of the Company for such purposes and with such powers, authorities and discretions and for such periods and subject to such conditions as the Company may prescribe from time to time.

### **31. DISCLOSURE OF INTEREST IN CONTRACTS**

- (1) A Director who is interested in a transaction to which the Company is a party shall disclose that interest in accordance with section 192 of this Act.
- (2) Subject to paragraph (3) of this Article, a Director is interested in a transaction to which the Company is a party, if, and only if, the Director—
  - (a) is a party to or will or may derive a material financial benefit from the transaction;
  - (b) has a material financial interest in another party to the transaction;
  - (c) is a Director, officer or trustee of another party to, or person who will or may derive a material financial benefit from the transaction, not being a party or person that is—
    - (i) the Company's holding company, being a holding company of which the Company is a wholly-owned subsidiary;
    - (ii) a wholly-owned subsidiary of the Company; or
    - (iii) a wholly-owned subsidiary of a holding company of which the Company is also a wholly-owned subsidiary;
  - (d) is the parent, child or spouse of another party to or person who will or may derive a material financial benefit from the transaction; or
  - (e) is otherwise directly or indirectly materially interested in the transaction.
- (3) A Director is not deemed to be interested in a transaction to which the Company is a party, if the transaction comprises only of the giving by the Company of security to a third party which has no connection with the Director, at the request of the third party, in respect of a debt or obligation of the Company for which the Director or another person has personally assumed responsibility in whole or in part, under a guarantee, indemnity or by the deposit of a security.
- (4) Paragraph (2) of this Article shall not apply to any remuneration or other benefit given to a Director in accordance with section 216 of the Act, or, to any insurance or indemnity provided in accordance with section 218 of the Act.
- (5) A Director who is interested in a transaction entered into or to be entered into by the Company, may upon due disclosure of his interest-
  - (a) vote on a matter relating to a transaction;
  - (b) attend a meeting of Directors at which a matter relating to the transaction arises and be included among the Directors present at the meeting for the purpose of a quorum;
  - (c) sign a document relating to the transaction on behalf of the Company;
  - (d) do any other thing in his capacity as a director in relation to that transaction.

as if the Director was not a party interested in that transaction.

### **32. DIRECTORS DEALINGS IN SHARES**

A Director shall disclose all dealings in shares of the Company in which he has a relevant interest, in accordance with sections 198, 199 and 200 of the Act.

### **33. CONFIDENTIAL INFORMATION**

- (1) A Director who has information in his capacity as a Director or employee of the Company which would not otherwise be available to him, shall not disclose that information to any person or make use of or act on the information, except—
  - (a) for the purposes of the Company;
  - (b) as required by law; or
  - (c) in accordance with paragraph (2) of this Article.
- (2) A Director may disclose, make use of or act on information if—
  - (a) the Director is first authorized to do so by the Board under paragraph (3) of this Article; and
  - (b) provided that particulars of such authorization are entered in the interests register.
- (3) The Board may authorize a Director to disclose, make use of or act on information, if it is satisfied that to do so will not be likely to prejudice the Company.

### **34. REMUNERATION OF DIRECTORS**

- (1) The Board may approve;
  - (a) the payment of any remuneration and/or the provision of other benefits by the Company to a Director for services as a Director or for services rendered to the Company in any other capacity,
  - (b) the payment by the Company to a Director or a former Director of compensation for loss of office, and /or
  - (c) the entering into of a contract to do any of the above,

if the Board is satisfied that to do so is fair to the Company.

- (2) The Company may by ordinary resolution also vote extra remuneration and/or other benefits to the Directors or to any Director as may be recommended by the Board for the performance of extra services to the Company.
- (3) The Directors shall also be entitled to be repaid all traveling, hotel or other expenses properly incurred by them in or with a view to the performance of their duties including attendance at Board meetings, at committees of Directors and at general meetings.
- (4) Nothing in these Articles shall prevent the payment to a Director of any further remuneration for services performed by him by virtue of any other office or position held by him in conjunction with his directorship.

### **35. PROCEDURE AT MEETING OF DIRECTORS**

- (1) Articles 35 to 41 sets out the procedure to be followed at meetings of Directors.
- (2) The Directors may meet together for the conduct of business, adjourn and otherwise regulate their meetings as they think fit.
- (3) A Director or upon the request of a Director, the secretary or an employee of the Company, may at any time, convene a meeting of the Board by giving notice in accordance with this Article.
- (4) The Board may decide, from time to time, the time period for notice of meetings of the Board and the manner in which such notice is to be given to the Directors. Unless otherwise decided not less than twenty four (24) hours' notice of a meeting of the Board shall be given to every Director who is in Sri Lanka.
- (5) An irregularity in the notice of a meeting is waived if all Directors entitled to receive notice of the meeting, attend the meeting without protest as to the irregularity or if all Directors entitled to receive notice of the meeting agree to the waiver.

### **36. CHAIRPERSON**

- (1) The Directors may elect one (1) of their number to be the chairperson of the Board and may determine the period for which the chairperson is to hold office.
- (2) If no chairperson is elected or if at a meeting of the Board the chairperson is not present within five (5) minutes after the time appointed for the commencement of the meeting, the Directors present may choose one of their number to be chairperson of the meeting.

### **37. NOTICE OF MEETING**

- (1) A director or if requested by a director to do so, the secretary or an employee of the Company, may convene a meeting of the board by giving notice in accordance with this Article.
- (2) Not less than twenty-four hours notice of a meeting of the board must be given to every director who is in Sri Lanka. The Board may decide, from time to time, the time period for notice of meetings of the Board and the manner in which such notice is to be given to the Directors.
- (3) An irregularity in the notice of a meeting is waived if all directors entitled to receive notice of the meeting attend the meeting without protest as to the irregularity or if all Directors entitled to receive notice of the meeting agree to the waiver.

### **38. METHODS OF HOLDING MEETINGS**

A meeting of the Board may be held either—

- (a) by a number of the Directors who constitute a quorum being assembled together at the place, date and time appointed for the meeting; or
- (b) by means of audio or audio and visual communication by which all Directors participating and constituting a quorum can simultaneously hear each other and be heard throughout the meeting at a time appointed by notice in writing setting out a detailed agenda of the business to be transacted at the meeting accompanied by all documents relevant to that business.

### **39. QUORUM FOR MEETINGS OF THE BOARD OF DIRECTORS**

- (1) The Directors may fix the quorum necessary for the transaction of the business of the Directors and unless so fixed the quorum shall be two (02).
- (2) No business may be transacted at a meeting of Directors if a quorum is not present.

### **40. VOTING**

- (1) Every Director has one (1) vote.
- (2) The chairperson has a casting vote.

- (3) A resolution of the Board is passed if it is agreed to by all Directors present without dissent or if a majority of the votes cast on it are in favour of it.
- (4) A Director present at a meeting of the Board is presumed to have agreed to and to have voted in favour of a resolution of the Board, unless he or she expressly dissents from or votes against the resolution at the meeting.

#### **41. MINUTES**

- (1) The Board shall ensure that minutes are kept of all proceedings at meetings of the Board.
- (2) Minutes which have been signed by the chairperson of the meeting at which the proceedings were had, or by the chairperson of the next succeeding meeting, shall be *prima facie* evidence of the proceedings.

#### **42. RESOLUTIONS BY CIRCULATION**

- (1) A resolution in writing signed by all Directors entitled to receive notice of a Board meeting, and assented to by a majority of the Directors is as valid and effective as if it had been passed at a meeting of the Board duly convened and held. An expression by any Director of consent or dissent to a resolution by means of communication by email, telefax or facsimile transceiver shall be deemed for all purposes to be equivalent to such Director signing a resolution for the purpose of this Article.
- (2) Any such resolution may consist of several documents (including facsimile or other similar means of communication) in like form; each signed or assented to by one or more Directors and may be transmitted to the Company by facsimile, email or other similar means of communication.
- (3) A copy of any such resolution shall be entered in the minute book recording the proceedings of Board meetings.
- (4) A resolution assented to by a majority of the Directors entitled to receive notice of a Board meeting, at a meeting held in accordance with Article 35 above shall, upon being reduced to writing by the person appointed to do so at such meeting, be as valid and effectual as if the same had been passed at a meeting of Directors held on the day on which and at the time at which the meeting was held and at the place where the chairperson was located during the course of that meeting.

#### **43. SECRETARY**

- (1) The Company shall at all times have a secretary.
- (2) The Board may appoint the secretary for such term and on such conditions as it thinks fit and remove such secretary.

- (3) The remuneration of the secretary shall be determined by the board.
- (4) Where the Act or the Articles require something to be done by a Director and the Secretary, it shall not be satisfied by the same person doing that thing acting in both capacities.

## **F. ACCOUNTS AND AUDIT**

### **44. ACCOUNTING RECORDS, FINANCIAL STATEMENTS AND AUDITS ETC.**

- (1) The Board shall ensure that the Company keeps accounting records which —
  - (a) correctly record and explain the Company's transactions, including all sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure takes place and all sales and purchases of goods made by the Company;
  - (b) shall at any time enable the financial position of the Company to be determined with reasonable accuracy;
  - (c) shall enable the Board to prepare financial statements in accordance with the Act; and
  - (d) shall enable the financial statements of the Company to be readily and properly audited.
- (2) The accounting records shall comply with subsection (2) of section 148 of the Act.
- (3) The Board shall ensure that within six (6) months after the balance sheet date of the Company, financial statements which comply with section 151 of the Act (and if applicable, group financial statements which comply with section 153 of the Act) are completed in relation to that balance sheet date and are dated and signed on behalf of the Board by two (2) Directors.
- (4) At every annual general meeting, the Company shall appoint an auditor for the following year in accordance with section 154 of the Act. An auditor who is appointed at an annual general meeting is deemed to be reappointed at the following annual general meeting, unless—
  - (a) he is not qualified for re-appointment;
  - (b) the Company resolves at that meeting appointing another person to replace him as auditor; or
  - (c) the auditor has given notice to the Company that he does not wish to be re-appointed.



- (5) The Board shall within six (6) months after the balance sheet date of the Company, prepare an annual report on the affairs of the Company during the accounting period ending on that date which complies with section 168 of the Act. The Board shall send a copy of the annual report to every shareholder not less than fifteen (15) working days before the date fixed for holding the annual general meeting of shareholders.

## **G. LIQUIDATION**

### **45. CONVENING OF MEETINGS OF SHAREHOLDERS DURING WINDING UP**

A general meeting of the Company may be convened by any contributory or by the continuing liquidators, as the case maybe, in terms of the Act by giving notice in the manner set out herein for convening an extraordinary general meeting.

### **46. DISTRIBUTION OF SURPLUS ASSETS**

- (1) The surplus assets of the Company available for distribution to shareholders after all creditors of the Company have been paid, shall be distributed in proportion to the number of shares held by each shareholder, subject to the terms of issue of any shares.
- (2) The liquidator may with the approval of a special resolution, divide the surplus assets of the Company among the shareholders in kind. For this purpose he may set such value as he considers fair on any property to be divided, and may determine how the division will be carried out as between the shareholders or different classes of shareholders.

## **H. MISCELLANEOUS**

### **47. DOCUMENTS TO BE KEPT BY THE COMPANY**

- (1) The Company shall keep at its registered office or at some other place notice of which has been given to the Registrar General of Companies, in accordance with subsection (4) of section 116 of the Act, the following documents :—
- (a) the certificate of incorporation and the Articles of the Company;
  - (b) minutes of all meetings and resolutions of shareholders passed within the last ten years;
  - (c) an interests register;

- (d) minutes of all meetings held and resolutions of Directors passed and Directors' committees held within the last ten (10) years;
  - (e) certificates required to be given by Directors under this Act within the last ten (10) years;
  - (f) the register of Directors and secretaries required to be kept under section 223 of the Act;
  - (g) copies of all written communication to all shareholders or all holders of the same class of shares during the last ten (10) years, including annual reports prepared under Article 44(5);
  - (h) copies of all financial statements and group financial statements required to be completed under this Act for the last ten (10) completed accounting periods of the Company;
  - (i) the copies of instruments creating or evidencing charges and the register of charges required to be kept under sections 109 and 110 of the Act;
  - (j) the share register required to be kept under section 123 of the Act; and
  - (k) the accounting records required by section 148 of the Act for the current accounting period and for the last ten completed accounting periods of the Company.
- (2) The references in paragraph (1) of this Article to "ten years" and to "ten completed accounting periods" shall include such lesser periods as the Registrar General of Companies may approve, by notice in writing to the Company.

#### **48. RIGHTS OF DIRECTORS AND SHAREHOLDERS TO DOCUMENTS ETC.**

- (1) The Directors of the Company are entitled to have access to the Company's records in accordance with section 118 of the Act.
- (2) A shareholder of the Company is entitled—
  - (a) to inspect the documents referred to in section 119 of the Act, in the manner specified in section 121 of the Act; and
  - (b) to require copies of or extracts from any document which he may inspect, within five working days of making a request in writing for the copy or extract, on payment of any reasonable copying and administration fee determined by the Company. The fee may be determined by any Director or by the secretary, subject to any directions from the Board.

#### **49. NOTICES**

- (1) Where the Company is required to send any document to a shareholder or to give notice of any matter to a shareholder, it shall be sufficient for the Company to send

the document or notice to the registered address of the shareholder by ordinary post and/or courier. Any document or notice so sent is deemed to have been received by the shareholder on the day following the dispatch of a properly addressed and prepaid letter containing the document or notice.

- (2) A shareholder whose registered address is outside Sri Lanka may give notice to the Company of an address in Sri Lanka to which all documents and notices are to be sent, and the Company shall treat that address as the registered address of the shareholder for all purposes.
- (3) A document may be sent or notice given by the Company to the joint holders of a share, by giving the notice to the holder first named on the share register in respect of the share.
- (4) Where a shareholder has died or has become bankrupt or insolvent, the Company may continue to send all notices and documents in respect of his shares addressed to him at his registered address, notwithstanding that some other person has by reason of the death, bankruptcy or insolvency, become entitled to those shares, or may send any notice or document to an address to which that other person requests the Company to send such notices.
- (5) Any notice required to be given by the Company to the shareholders or any of them and not expressly provided for by these Articles shall be sufficiently given if given by way of a public notice in terms of section 529 (4) of the Act.
- (6) Where notice is to be given by advertisement, such advertisement shall be published in Sinhala, Tamil and English national daily newspapers circulating in the district in which the registered office of the Company is situated.
- (7) A copy of every notice or document sent to all shareholders shall be sent to every Director and to the auditor of the Company.
- (8) For the purpose of this Article, the registered address of the shareholder shall be the address registered by such shareholder in the share register.

## **50. INSURANCE AND INDEMNITY**

- (1) The Company may indemnify a Director or employee of the Company or a related company in circumstances specified in subsections (2) and (3) of section 218 of the Act.
- (2) The Company may effect insurance for a Director or employee of the Company or a related company in the circumstances specified in subsection (4) of section 218 of the Act, with the prior approval of the Board.

For the purposes of this Article, the term ‘Director’ includes a former director and the term ‘employee’ includes a former employee.

## **51. COMPLIANCE WITH THE RULES OF THE COLOMBO STOCK EXCHANGE AND THE CENTRAL DEPOSITORY**

Notwithstanding anything to the contrary contained in the Articles, so long as the Company is listed on the Colombo Stock Exchange, the Company shall comply with provisions of the SEC Act, the Rules of the Colombo Stock Exchange and the Central Depository which shall be in force.