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# The Gazette of the Democratic Socialist Republic of Sri Lanka

## EXTRAORDINARY

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අංක 2186/29 - 2020 ජූලි මස 31 වැනි සිකුරාදා - 2020.07.31  
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## PART I : SECTION (I) — GENERAL

### Government Notifications

**THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA ACT, No. 36 OF 1987**

RULES made by the Securities and Exchange Commission of Sri Lanka, in terms of Sections 53 and 13 of the Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987

VIRAJ DAYARATNE, PC,  
Chairman,

Securities and Exchange Commission of Sri Lanka.

Colombo,  
31st July, 2020.



## Rules

1. These Rules may be cited as the Unit Trust Code for Sri Lanka Real Estate Investment Trusts, No. 1 of 2020

### PART I

#### GENERAL

##### Interpretation

1 In these Rules unless the context otherwise requires

“annual report and accounts” means in relation to a SL-REIT a report on the operations, financial performance and financial condition of such a SL-REIT during an accounting year and shall include the auditor’s report;

“approved accounting standards” has the meaning assigned to it in the Sri Lanka Accounting Standards;

“CBSL” means the Central Bank of Sri Lanka;

“CSE listing requirements” means the listing requirements of the Colombo Stock Exchange;

“Explanatory Memorandum” means the document containing information of a SL-REIT inviting members of the public to subscribe to or purchase units in the SL-REIT;

“financial institution” means a commercial bank licensed by the Central Bank of Sri Lanka or any other financial institution licensed/registered by the SEC;

“general public” means the general public within or outside Sri Lanka;

“immovable property” means land, and any constructions and work of a permanent nature standing thereon and anything forming an integral part thereof;

“independent person” means a person who is free of any relationship with the managing company or a controlling shareholder of the managing company or with the unit holders or with the assets of the fund that would otherwise interfere with the member’s exercise of independent judgment. The following persons shall not be deemed to be independent:-

- (a) An officer of the Managing Company excluding its non-executive director
- (b) An officer of the trustee of the SL- REIT
- (c) An officer of any body corporate or unincorporated body that has the power to appoint or make recommendations towards the appointment of members to the investment committee of the SL-REIT
- (d) A close family member of an officer of the Managing Company or trustee of the SL-REIT
- (e) A person representing or seen to be representing anybody corporate or un incorporate with a controlling interest in the managing company; or
- (f) A person who, within six months prior to his appointment as an independent member, has derived any remuneration or benefit, other than retirement benefit, from the Managing Company or anybody corporate or un incorporate that has the power to appoint or make recommendations towards the appointment of members of the board of directors of the Managing Company or to the members of the investment committee of the SL-REIT.

“IPO” means Initial Public Offer;

“key management personnel” means directors, chief executive officer, compliance officer, property manager, project manager, designated person or member of the investment committee;

“local equity” means equity provided by the citizens of the Democratic Socialist Republic of Sri Lanka in a Managing Company of a Unit Trust intending to manage a SL-REIT;

“major modification” means modifications of the value not exceeding 25% of the value of the building in terms of the latest valuation;

“major unit holder” means the person who holds the largest percentage of units;

“Managing Company” shall have the same meaning as given under the SEC Act No. 36 of 1987;

“net asset value (NAV)” means the value of all the SL-REIT’s assets less the value of all the SL- REITS’s liabilities at the point of valuation;

“near cash” means investments such as bank/call deposits, re-purchase agreements with maturities of less than three months, commercial paper endorsed or guaranteed by a licensed commercial bank or licensed specialized bank with maturities of less than three months and government securities including government bonds with maturities of less than one year which can be readily convertible into cash;

“non real-estate assets” means any other permitted investment other than real estate;

“ordinary resolution” means a resolution passed by a simple majority of votes validly cast at a meeting of unit holders;

“property development activities” means an activity which involves a construction or an extension of a building or a modification thereof or any other related activity pertaining to the existing real estate property of a SL-REIT;

“real estate investment trust scheme” means a real estate investment scheme which aims to provide the opportunity for investors to participate together in the scheme’s profits or income and capital gains arising from the acquisition, holding, a management or disposal of real estate or any other property vested in the trustee or trust managed by the managing company for a specified fee;

“real-estate” means income generating land and buildings including all things that naturally form part and parcel of the land as well as things attached to the land both below and above the ground and also including rights, interests and benefits related to the ownership of the real estate. Such land and buildings shall be fully completed and either fully or partially occupied. Real-estate shall also include income generating infrastructure built or owned by the Government;

“related party” means:-

- (a) the managing company of a SL-REIT;
- (b) the trustee of a SL-REIT;
- (c) a major unit holder of a SL-REIT;
- (d) a director, chief executive officer or major shareholder of the managing company; or
- (e) close family members of the persons described in (d) above and subsidiaries and associate companies or any other company connected with any of the above

		“SL-REIT assets” means the assets of the SL- REIT including property;
		“stock exchange” has the meaning assigned to it in the Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987;
		“sponsor” means any person who transfers or leases property to a SL-REIT;
		“strategic investor” means any person who becomes a unit holder in a SL-REIT after the initial setting up of a SL-REIT and who together with or without the sponsor will hold an aggregate of not less than 30% and not more than 80% of the total units in issue of a SL-REIT;
		“SEC” means the Securities and Exchange Commission of Sri Lanka;
		“SL-REIT” means a Sri Lanka Real Estate Investment Trusts;
		“Sri Lanka real estate investment trust (SL-REIT)” means a unit trust that invests or proposes to invest primarily in income-generating real estate;
		“the property manager” means the person selected by the Managing Company, responsible for the proper management of the real estate property vested in the SL-REIT;
		“the valuer” means the person selected by the trustee to value the SL-REIT’s assets;
		“The SEC Act” means the Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987;
		“unit holder in relation to a SL-REIT” means any person for the time being registered by the real estate investment trust as a holder of a unit under such real estate investment trust;
<b>Object of the Rules</b>	2	These Rules provide the regulatory framework for Real Estate Investment Trusts in Sri Lanka and the manner in which they will operate in Sri Lanka.
<b>Regulatory Framework</b>	3	(1) The SEC Act, Directives issued thereunder, these Rules, and Rules of a licensed Stock Exchange shall form the regulatory framework for Real Estate Investment Trusts that shall be listed in Sri Lanka. All parties to a Real Estate Investment Trust shall be governed by the framework referred to herein and the regulatory requirements.
		(2) Any person engaged in dealing, marketing and distributing (including issuance of advertisements and promotional material) or online transactions/activities relating to Real Estate Investment Trusts in Sri Lanka, shall observe and ensure compliance with the regulatory framework referred to in Rule 3 and all other Laws applicable to property.
<b>Regulatory authority</b>	4	The regulatory authority for the SL-REITs shall be the Securities and Exchange Commission of Sri Lanka.
<b>Exemptions and variations</b>	5	In circumstances which the SEC deems exceptional, the SEC may on its own motion or upon application made to it, grant exemptions or variations from compliance with any rule hereunder.
<b>Amendment of these Rules</b>	6	The SEC may amend, vary or rescind any of these Rules in the same manner as these Rules are made.

- Unit Trust Code and Directives to be followed**
- 7 Every person engaged in dealing, marketing and distributional activities for SL-REITS shall follow the Unit Trust Code issued by Gazette Extraordinary No. 1723/4 dated September 12<sup>th</sup> 2011 and relevant directives that have been issued by the SEC, when issuing advertisements and promotional material.
  - 8 A person shall not issue, offer for subscription or purchase, make an invitation to subscribe for or purchase any units of a SL-REIT unless the Explanatory Memorandum and the Trust Deed have been approved by the SEC.
  - 9 In the event that there is a conflict between the provisions of these Rules or the Listing Rules these Rules shall prevail. In the event that these Rules are silent on any matter pertaining to the provisions in the Listing Rules, the SEC may issue directives to address the issue and such Directives shall take precedence over the Listing Rules.

## PART II

- Establishment of a SL-REIT**
10. A SL-REIT shall be a newly created REIT which may take the form of any one or more of the following;
    - (a) The purchase of a property with the intention of leasing residential or commercial units of a building standing thereon for a certain period of time and terminating the SL-REIT upon a subsequent sale of the property;
    - (b) The leasing of a property with the intention of sub-leasing residential or commercial units of a building standing thereon for a certain period of time and terminating the SL-REIT upon the expiry of the lease;
    - (c) Any other property which has been approved by the SEC upon terms and conditions imposed by it.

However, all buildings standing on the property purchased outright or obtained by way of a lease as referred to above, shall be fully completed and no building which is partially completed shall qualify hereunder.

Provided that the newly created SL-REIT shall be structured in compliance with the requirements of these Rules and shall have a life of more than five years from the inception and shall be listed on a licensed Stock Exchange in Sri Lanka.

Provided further that once the SL-REIT is listed the unit holders may only exit from the secondary market and shall not be entitled for redemption by the Managing Company other than at the point of winding up or terminating the SL-REIT.

- The real estate property of a SL-REIT**
11. The real estate which shall form part of the assets of a SL-REIT shall;
    - (1) Where the real estate of the SL-REIT is to be owned by the SL- REIT-
      - (a) The property shall be transferred to the SL-REIT pursuant to the verification of validity of the title deeds demonstrating clear title to the property free of all encumbrances.
      - (b) That all survey plans pertaining to the land including sub division plans have been duly approved by the relevant authorities.
      - (c) That all buildings standing on the property have received all relevant approvals, licenses and clearances for their design and construction from the relevant authorities, Municipalities and or Provincial Councils.

**The real estate property of  
a SL-REIT (Contd.)**

- (d) That all rates and taxes have been duly paid to the relevant authorities.
  - (e) That the real estate of the SL-REIT has, in accordance with these Rules, been valued by a competent independent valuer.
  - (f) Any other requirements that the SEC may specify from time to time
- (2) Where the real estate of the SL-REIT is to be leased to the SL-REIT:-
- (a) The property shall be leased to the Trust pursuant to a valid lease agreement entered into with the owner of the property, who has established his ownership and the right to lease such property with valid title, free of all encumbrances and such lease agreement has authorized the trust to enter into sub lease the buildings standing on the property. The tenure of the lease entered into by the SL-REIT shall not be for a period less than for the minimum period approved by the SEC.
  - (b) That all survey plans pertaining to the land including sub division plans have been duly approved by the relevant authorities.
  - (c) That all buildings standing on the property have received all relevant approvals, licenses and clearances for their design and construction from the relevant authorities, Municipalities and or Provincial Councils.
  - (d) That all rates and taxes payable upto the point of lease have been duly paid by the lessor to the relevant authorities.
  - (e) The real estate of the SL-REIT has been valued by a competent independent valuer acceptable to the SEC.
  - (f) The lessor shall be responsible for the payment of rates and taxes in respect of the property during the tenure of the lease.
  - (g) Any other requirements that the SEC may specify from time to time.

**Public Offers**

12. (1) SL-REIT shall be established and marketed by way of public offer or by way of private placement to investors within or outside Sri Lanka.
- (2) SL-REIT which is to be established by way of public offer shall be listed and traded on an exchange licensed by the SEC.

### PART III

#### The Managing Company

13. (1) A Managing Company shall not manage or operate a SL-REIT without first having obtained a license from the SEC to operate such SL-REIT.

(2) A Managing Company intending to operate and manage a SL-REIT shall be a body corporate and shall provide in its Articles of Association: -

- (a) for the establishment and management of a SL-REIT ;
- (b) for the issuance, offering for subscription, making an invitation to subscribe for or purchase units of the Real Estate Investment Trust; and
- (c) for operating and administering the underlying asset of the Real Estate Investment Trust.

#### Eligibility Requirements

14. A Managing Company shall –

- (a) be a body corporate incorporated in Sri Lanka;
- (b) ensure the Stated Capital of the body corporate consists of 50% or more of local equity;
- (c) have a minimum Shareholders' Funds of LKR 50 Million at all times;
- (d) have identified the real estate which is to form the SL-REIT property and shall have entered into an agreement with the sponsor either for outright purchase or to lease which has been notarially executed; and
- (e) have entered into a trust agreement with a Trustee approved by the SEC.

#### Change of Managing Company

15. A Managing Company which has been granted a license to operate a SL-REIT shall only be permitted to withdraw as the Managing Company in the following circumstances:-

- (a) due to a liquidation of the licensed Managing Company in accordance with the provisions of the Company's Act, No. 7 of 2007, and where a corporate entity deemed suitable by the SEC has been nominated prior to its liquidation;
- (b) a proposal has been made by the Managing Company to the SEC to appoint an identified "nominated competent Managing Company" which has more competencies and resources in managing REITs than the existing company together with the consent of the nominated party. In such an event the Managing Company shall prove to the satisfaction of the SEC that the proposed entity has fulfilled all required criteria of the SEC in terms of the provisions of the SEC Act, Directives issued thereunder, these Rules, and Rules of a licensed Stock Exchange to become eligible to obtain a license from the SEC to operate the SL-REIT;

Provided however, the services of a Managing Company shall not be terminated until a new Managing Company which has been licensed to operate a SL-REIT has been appointed by the Trustee with the prior approval of the SEC and written notice of the termination and the appointment of the new Managing Company has been sent to unit holders. The termination shall take effect at the same time as the new Managing Company takes office;

(c) a new Managing Company may with effect from the date of its appointment change the name of the SL-REIT at its discretion with the consent of the SEC and the Trustee.

**Reconstruction,  
Amalgamation and Change  
in Shareholding**

16. Any reconstruction or amalgamation of a SL-REIT in which the Managing Company is a party, or any change in the shareholding of the Managing Company shall, require the prior approval of the SEC in order to ensure its continued eligibility to be a Managing Company of a SL-REIT.

**Board of Directors**

17. (1) (a) The Board of Directors of a Managing Company shall comprise of at least two independent directors whilst maintaining a minimum ratio of at least one-third independent directors at all times.

(b) The Managing Company shall obtain from its directors an affidavit which shall contain a declaration of their fitness and propriety to hold such position (in the case of independent directors, a further declaration setting out their independence) in the Managing Company and submit such affidavit to the SEC and to the stock exchange on which the SL-REIT is listed; the affidavit shall be tendered:-

- (i) at the time of submitting the application to the SEC to obtain a license to operate a SL-REIT
- (ii) before appointing a new director to the board of directors of the Managing Company and
- (iii) on an annual basis

(c) The independent directors of a Managing Company shall, in addition to their duties and responsibilities as directors, represent and safeguard the interest of unit holders. In the event of a conflict between the best interest of the Managing Company and those of the unit holders the latter shall prevail.

(d) In the event the independence of the independent directors is impaired in any manner the Managing Company shall report to the SEC immediately and also make a disclosure to the stock exchange simultaneously.

(2) The persons appointed shall-

- (a) be of good repute and standing as deemed by the SEC;
- (b) observe high standards of integrity and fair dealing in carrying out their duties and responsibilities;
- (c) act with due skill, care and diligence in carrying out their duties and functions in accordance with the SEC Act, Directives issued thereunder and these Rules; and



(d) possess the necessary qualifications and demonstrable expertise and experience particularly in the field of managing REITS to perform their duties and responsibilities in a fit and proper manner to ensure that funds of the unit holders are managed with utmost care.

(3) It shall be the responsibility of the Managing Company to assess the ability of the directors and officers to carry out the duties and responsibilities required of them.

(4) (a) Where any person becomes subject to any disqualification or becomes otherwise unfit to hold office, the Managing Company shall ensure that such person vacates the position immediately.

(b) The Managing Company shall notify the SEC forthwith of any disqualification and when such position becomes vacant.

(5) A director of a Managing Company shall not—

(a) hold office as a Director of more than one Managing Company at any one time; nor

(b) hold office as a member of the investment committee of funds managed by another Managing Company

**Chief Executive Officer**

18. A Managing Company shall appoint a suitable person as a Chief Executive Officer who shall be a full time officer.

**Requirement for Explanatory Memorandum**

19. The Managing Company shall execute an Explanatory Memorandum in compliance with the requirements set out in these Rules and shall contain details as to how the SL-REIT is to be set up and operated and shall also contain disclosures which are adequate in order to enable the investors to make informed investment decisions.

**Duties of a Managing Company**

20. (1) A Managing Company shall at all times carry out its duties and functions in accordance with the SEC Act, Directives issued there under and these Rules;

(2) The Managing Company shall ensure that the property sought to be transferred or leased to the SL-REIT has valid title free of all encumbrances and that the transfer or the lease of the property to the SL-REIT has been properly executed and that the subsequent lease or rental agreements have been properly executed by or on behalf of the SL-REIT.

(3) In order to ensure that the property sought to be transferred or leased to a SL-REIT is acceptable, the Managing Company and Trustee shall ensure that an Attorney at Law who is also Notary Public with not less than ten years of notarial experience shall examine the title of the property for the preceding 30 years.

For this purpose, the Managing Company shall ensure that the following documents are made available:-

(a) original of the current owner's deed or certificate of title;

(b) latest approved survey or condominium plan;

(c) other plans to cover the preceding 30 year and other related deeds to cover the preceding 30 years unless the title originates from a partition decree or grants issued by the Government of Sri Lanka;

- (d) certified extracts from the Land Registry evidencing encumbrances to cover the preceding 30 years;
  - (e) original approvals and certificates issued by the local authorities including certificates of ownership, certificates of non vesting, street line and building line certificates, notice of assessment for the current year with receipt of tax paid for the full year, certificate on sanctioned building lines and certificate on sanctioned street lines;
  - (f) approved building plan and certificate of conformity;
  - (g) certificate of approval by the local authority of the amalgamation or sub division of the property;
  - (h) bill of quantities prepared by chartered architects or engineers together with the approved building plan in the case of major modifications needing to be carried out;
  - (i) clearance from the National Environmental Authority;
  - (j) fire insurance policy for the building; and
  - (k) any other relevant title documents including letters of administration, probates, affidavits and death certificates
- (4) A Managing Company shall operate the SL-REIT under its management and exercise its obligations in accordance with the Trust Deed, Explanatory Memorandum, the SEC Act, Directives issued thereunder, these Rules and all applicable laws of Sri Lanka.
- (5) The Managing Company shall adopt proper business practices in a timely manner in carrying out its duties and functions
- (6) In carrying out its duties and functions a Managing Company shall:-
- (a) exercise the degree of care and diligence that a reasonable person would exercise in the position of a Managing Company
  - (b) act in the best interests of unit holders and, if there is a conflict between unit holders' interests and its own interests, give priority to the interests of unit holders;
  - (c) not improperly make use of information acquired through being the Managing Company to-
    - (i) gain an advantage for itself or other person; or
    - (ii) cause detriment to unit holders in the SL-REIT;
  - (d) ensure that the trust's property is-
    - (i) clearly identified as the property of the trust;
    - (ii) that the real estate of the trust property is free from all encumbrances; and
    - (iii) held separately from the assets of the Managing Company and any other funds managed by the Managing Company;
  - (e)
    - (i) establish and maintain risk management systems and controls to enable it to identify, assess and mitigate risks in relation to the SL-REIT it operates and manages;
    - (ii) have adequate human resources with the necessary qualifications, expertise and experience to carry on business as a Managing Company of a SL-REIT; and
    - (iii) have adequate and appropriate systems, procedures and processes to undertake the business as a Managing Company of a SL-REIT in a proper and efficient manner;

- (f) the Managing Company shall be;
  - (i) subject to the supervision and oversight of the Trustee;
  - (ii) comply with any instructions given by the Trustee; and
  - (iii) accountable to the Trustee for any loss suffered by the SL-REIT as a result of its failure to exercise the degree of care and diligence required in operating and managing a SL-REIT;
- (g) ensure that its officers and employees do not make improper use of information acquired during the course of their duties and functions to gain an advantage for himself or another person or cause detriment to the unit holders of the SL-REIT;
- (h) ensure that the officers and employees comply with all duties and obligations specified under the SEC Act, Directives issued thereunder, these Rules, the Listing Rules of a licensed Stock Exchange and all other Laws that may be applicable;
- (i) have a contingency plan that enables it to respond to any urgent need that may arise in the course of its investment and management of the assets of the SL-REIT and divestment of such assets;
- (j) take all reasonable steps and exercise due diligence to ensure that the property of the SL-REIT is correctly valued in line with the provisions of the SEC Act, Directives issued thereunder and these Rules;
- (k) for the purpose of valuing the property of the SL-REIT, not do or omit to do anything that would, or might confer on itself a benefit or advantage at the expense of unit holders or potential unit holders.
- (l) ensure all lease rentals are collected and are credited to a bank account approved by the Trust;
- (m) the lease rentals collected are invested in a manner approved by the Investment Committee and the Trust until dividends are distributed;
- (n) ninety percent of the income of the SL-REIT is distributed in a timely manner as provided in the Explanatory Memorandum;
- (o) perform Know Your Customer (KYC) and Customer Due Diligence (CDD) requirements to comply with applicable regulations and to ensure that the assets of the SL-REIT are not utilized for an illegal purpose;
- (p) if the Managing Company fails to achieve the objectives mentioned in the Explanatory Memorandum for one year, or any subsequent years thereafter, the Managing Company shall obtain a rating for the SL-REIT from a rating agency registered by the SEC until such objectives in Explanatory Memorandum are achieved;
- (q) in the event that the SL-REIT distributes a dividend less than 90% of the distributable income for any financial year, the Managing company shall obtain a rating certificate for the SL-REIT from a Credit Rating agency registered with the SEC at its cost and disclose same to the licensed Stock Exchange unless otherwise the approval of unit holders have been obtained at an Extraordinary General Meeting via a resolution, to pay a dividend less than 90%.

### The Sponsor

- 21 (1) It shall be the responsibility of the Managing Company to identify one or more sponsors who shall own the property which will be transferred or leased out to the SL-REIT and such property shall thereafter form the assets of a SL-REIT.
- (2) A sponsor shall be disqualified from holding shares or holding a position as a Director or key management person of a Managing Company.
- (3) In addition to other requirements as may be specified from time to time, a sponsor shall have investment capabilities to meet the required criteria of the SEC which may be issued from time to time by way of Directives. A Managing Company shall obtain a written undertaking from the sponsor that he will duly comply with the instructions if any, issued to him by the SEC through the Managing Company.
- (4) The Sponsor shall enter into an agreement with the Managing Company and the Trustee and such agreement shall contain the following terms and conditions:-
- (a) Where it is necessary that major modifications are required to be effected to the property that is to be transferred or leased to the SL-REIT and such necessity has been spelt out in the Explanatory Memorandum but the SL-REIT fails to carry out such major modification, all funds disbursed for such major modifications shall be deemed to be part of the value of the property transferred or leased by the Sponsor to the SL-REIT and not from the funds of other unit holders. In such event the Sponsor shall be entitled to receive any payment only if there is any residue after all other unit holders are paid.
  - (b) At all times the Sponsor shall hold not less than 30% of all units.
  - (c) A Sponsor shall exit his holding in SL-REIT full or part, only if he's able to sell such holding to a strategic investor.
  - (d) In the event the sponsor exits from the SL-REIT in full he shall ensure that the strategic investor shall hold a minimum of 30% of the units in issue and not exceed 80% of the total units in issue.
  - (e) In the event the sponsor exits from the SL-REIT in part the sponsor shall ensure that the sponsor and strategic investor in aggregate shall hold a minimum of 30% of the units and not exceeding 80% of the total units in issue.
  - (f) The Sponsor shall submit a Title Report and supporting Deeds in order to demonstrate that he has valid title to the property that is to be transferred or leased to the SL-REIT, devoid of any encumbrances and shall also submit an affidavit to that effect.
  - (g) The Sponsor shall submit a written undertaking to the SEC and Managing Company that he will warrant and defend the title to the real estate property vested in the SL-REIT, at his own cost if a dispute arises in respect of the title of the property of a SL-REIT, in addition to a covenant in the deed that he warrants and defends title of the real estate property.

- (h) The Sponsor shall submit to the SEC and Managing Company an undertaking by way of an affidavit along with supporting documents, that the buildings have been constructed upon receiving all relevant approvals from the relevant authorities, municipalities and or Provincial Councils.
- (i) Where the Managing Company is of the view that a SL-REIT shall be wound up or liquidated such proposal may be considered by the SEC provided, the unit holders other than the sponsor or strategic investor are given priority in disbursing the value of the property of the SL-REIT on liquidation or winding up. Such unit holders shall be entitled at minimum to the higher of the amounts contributed during the IPO or the NAV at the time of winding up or liquidating, before the sponsor or strategic investor becomes entitled to any distribution. Excess remaining if any, may only be used to settle the sponsor or strategic investor after settling such unit holders.

Provided however the final value to be settled to the sponsor or strategic investor shall be either equal or lower than the amount paid to the public unit holders.

**Property Manager**

- 22 (1) A Managing Company shall have a person as property manager to manage the real estates of the SL-REIT and shall notify to the Trustee of such appointment.
- (2) The property manager shall possess the necessary experience and expertise in real estate management.
- (3) The property manager shall be responsible to maintain the assets of the SL-REIT in a marketable condition and shall ensure that all material contracts including rental or lease agreements entered on behalf of the SL-REIT are valid, binding and enforceable by and on behalf of the SL-REIT.

**Designated Persons Responsible for the Fund**

- 23 (1) A Managing Company shall employ an individual as a designated person who shall be responsible for the real estate portfolio management of the SL-REIT and who shall be competent in managing real estate investments and shall possess a minimum of five years of senior managerial demonstrable experience and expertise in Real Estate Investment.
- (2) Where the SL-REIT's investment strategy includes investments in non-real estate-related assets in addition to real estate assets, the Managing Company shall ensure that a designated person responsible for the fund management function in respect of non-real estate related assets is appointed. Such designated person shall be competent with a minimum five years of demonstrable senior managerial experience in the field of managing non-real estate related assets.

**Compliance Officer**

- 24 (1) A Managing Company shall appoint an Attorney at Law who is also a notary public with a minimum of ten years' experience in property matters as Compliance Officer who shall be responsible for ensuring compliance with the SEC Act, Directives issued thereunder, these Rules, Rules of a licensed Stock Exchange and all other Laws applicable to Property.
- (2) A Compliance Officer shall report to the Board of Directors

(3) The duties and functions of a Compliance Officer shall include but are not limited to the following:-

- (a) Preparation of compliance reviews regularly at every meeting of the Board of Directors and/or audit committee meetings. The compliance review shall examine compliance issues relating to each area of the Managing Company's operations.
- (b) Review of compliance procedures for each area of the Managing Company's operations.
- (c) Examine and/or inquire into any irregularity in the Managing Company's operations. All findings shall be properly documented. If the Board of Directors of the Managing Company is unable to rectify any irregularity or contravention within a period of one month the compliance officer shall notify the Trustee to enable the Trustee to address and take necessary action to rectify such irregularity or contravention and shall keep the SEC informed simultaneously.
- (d) The preparation of the compliance manual and the code of conduct for employees of the Managing Company and shall be entrusted with the creation of awareness amongst the employees of the Managing Company with regard to compliance matters and regulatory requirements of the SEC and other regulators where relevant.
- (e) Regular updating of the compliance manual and code of conduct.
- (f) Monitor and resolve conflicts of interests between SL-REITs managed and administered by the Managing Company and between the Managing Company and a SL-REIT.
- (g) Reporting to the investment committee, the Board of Directors and the Audit Committee on all irregularities or contraventions or breaches of the SEC Act, Directives issued thereunder, these Rules or any other applicable Laws relating to property by the Managing Company or a delegate or agent or employee of the Managing Company.

If the Board of Directors of the Managing Company fails to initiate remedial action within a period of two weeks of the reporting thereof the Compliance Officer shall forthwith report the matter to the Trustee.

- (h) Advising on any matter relating to compliance with the applicable requirements, including but not limited to fund management, dealings by employees and directors of the Managing Company and all matters relating to the Law of property, registration of title, apartment ownership Law and the Law relating to prevention of fraud in Sri Lanka.

**Construction Contractor**

- 25 (1) If the SL-REIT is to effect major modifications the Managing Company shall appoint a construction contractor to construct and develop the real estates of the SL-REIT with the prior approval of the Trustee and with notice to the SEC.
- (2) The construction contractor shall be an entity registered with the Construction Industry Development Authority (CIDA) in the highest category for at least 5 years for Building Construction Category and in the case of a foreign contractor shall possess an equivalent registration from the country of origin.
- (3) Prior to selecting the construction contractor, the Managing Company shall ensure that competitive bids or quotations are obtained from a minimum of three eligible contractors. Any person local or foreign who has successfully completed at least two comparable construction undertakings during the last ten years of operation in Sri Lanka of comparable scale and value shall be deemed to be eligible for the purpose of obtaining competitive bids or quotations.
- (4) In selecting a construction contractor the Managing Company shall ensure that the value threshold for the cost of construction shall be based on the total value of the major modification.
- (5) Contracts with the contractors for such major modifications shall follow the applicable CIDA conditions of contract

**Internal Audit**

- 26 (1) (a) A Managing Company shall maintain an internal audit to report on the adequacy, effectiveness and efficiency of managing operations, risk management and internal controls.
- (b) A Managing Company shall cause to be conducted an internal audit in to the affairs of the SL-REIT at least once a year.

**External Audit**

- (2) The Managing Company shall ensure independent competent auditor is engaged to timely complete the audit of the financials of the Managing Company as well as of the SL-REIT.

**Legal Audit**

- (3) A Managing Company shall cause a legal audit to be conducted after the establishment of the SL-REIT and a report shall be made available to the SEC and the Stock Exchange together with the first quarterly financials. In the event a new property is acquired by the SL-REIT, the Managing Company shall cause a legal audit to be performed and a report shall be made available to the SEC and the Stock Exchange at the first quarterly financials that are due pursuant to such acquisition.

**Permitted Investments in Real Estate**

- 27 (1) A Managing Company shall ensure that real estate having valid title and free of encumbrances shall be allowed to form the underlying assets of a SL-REIT.
- (2) In carrying out the duties specified in Rule 28 the Managing Company shall ensure that the real estate property forming the underlying asset of a SL-REIT shall have a minimum occupancy of 20% or as may be specified by the SEC.
- (3) A Managing Company shall ensure that the property of a SL-REIT shall not be used for an unauthorized or illegal purpose.

<b>Valuation</b>	28	A Managing Company shall ensure that the valuation of the assets of an SL-REIT is done in accordance with PART X of these Rules and the valuation report shall comply with all requirements stipulated therein.
<b>Pricing of Units</b>	29	<p>(1) A Managing Company shall take all reasonable steps and exercise due diligence to ensure that the SL-REIT's units are correctly priced at the initial public offerings and any subsequent issues, in line with the provisions of the SEC Act, Directives issued thereunder, these Rules, the Trust Deed, the Explanatory Memorandum and Rules of a licensed Stock Exchange.</p> <p>(2) For the purpose of pricing the units, a Managing Company shall not do or omit to do anything that would, or might confer on itself a benefit or advantage at the expense of unit holders or potential unit holders.</p> <p>(3) A Managing Company shall obtain an independent verification from a firm of chartered accountants confirming that IPO price or listing price calculation is accurate and price is a reasonable representation of the value of assets of the SL-REIT. A copy of same is required to be submitted to the Trustee, SEC and CSE prior to listing.</p>
<b>Maintenance of Records</b>	30	<p>(1) A Managing Company shall maintain proper accounting records and other records as necessary—</p> <ul style="list-style-type: none"> <li>(a) to enable a complete and accurate view of the fund to be formed; and</li> <li>(b) to comply with the SEC Act, Directives issued thereunder, these Rules and all other Laws applicable to Property.</li> </ul> <p>(2) A Managing Company shall ensure that the financial statements of the SL-REIT give a true and fair view of the trust's financial position as at the end of the trust's financial period.</p> <p>(3) A Managing Company shall prepare and present, or cause to be prepared and presented, its financial statements in accordance with approved accounting and auditing standards, the Trust Deed, the Explanatory Memorandum, the SEC Act, Directives issued there under, these Rules and Rules of a licensed Stock Exchange</p>
<b>Provision of Information</b>	31	A Managing Company shall submit or make available any information relating to the Trust, its business and any other information as may be required by the SEC and the Trustee from time to time.
<b>Insurance</b>	32	<p>(1) A Managing Company shall ensure at all times that adequate insurance policies for itself and the properties of the SL-REIT are obtained and ensure that it complies with accepted industry standards and policies. It shall ensure;-</p> <ul style="list-style-type: none"> <li>(a) that insurance policies are taken in the name of the Trustee to cover all insurable risks in relation to the property from an insurance provider approved by the Trustee;</li> <li>(b) that the insurance policies taken are adequate to cover the risks; and</li> <li>(c) that quarterly updates signed by the Board of Directors are given to the Trustee on the insurance taken to assure the Trustee of its adequacy and validity.</li> </ul> <p>(2) A detailed list of insurance policies indicating adequate coverage shall be forwarded to the SEC and Trustee together with quarterly reporting requirements.</p>



#### PART IV

<b>Trust Deed</b>	33	<p>(1) The SL-REIT shall come into existence upon establishing a Trust by the Managing Company. The Trust Deed shall contain the minimum requirements set out in these Rules and those specified under the SEC Act where applicable and any Directives that may be issued thereunder.</p> <p>(2) A Managing Company and Trustee shall be responsible for executing the Trust Deed and for making necessary amendments to the Trust Deed in accordance with the SEC Act, Directives issued thereunder and these Rules.</p>
<b>Investment Objectives of the SL-REIT</b>	34	<p>(1) The investment objectives of the SL-REIT shall be clearly stipulated in the Trust Deed and the Explanatory Memorandum.</p> <p>(2) Where the mechanism to be adopted to attain the investment objectives set out in the Explanatory Memorandum and the Trust Deed involve investments in a particular style, asset class, category, economic sector, market or geographical area, it shall be the duty of the Managing Company to ensure that an appropriate portion of the SL-REIT is invested in accordance with that objective.</p>
<b>Amendments to the Trust Deed</b>	35	<p>(1) Any amendment to a Trust Deed of a SL-REIT shall be made in accordance with the provisions of the Trust Ordinance, SEC Act, Directives issued there under, these Rules and Rules of a licensed Stock Exchange where relevant and shall be subject to the prior approval of the SEC.</p> <p>(2) Any amendment to the Trust Deed of a SL-REIT, including any material change to the investment objectives set out for the SL-REIT shall be approved by the unit holders of the SL-REIT by way of a resolution passed by not less than seventy five percent (75%) of unit holders.</p>

## PART V

### **The appointment of Trustee**

- 36 A Trustee shall be appointed for a SL-REIT with the prior approval of the SEC, and shall be a bank licensed by the Central Bank of Sri Lanka.

### **Trustee's Obligations**

- 37 It shall be the duty of the Trustee to exercise due diligence in monitoring the operation and management of the SL-REIT by the Managing Company.

- 38 (1) A Trustee shall, at all times, through proper and adequate supervision ensure that the Trust is operated and managed by the Managing Company, in accordance with—  
(a) the Trust Deed;  
(b) the Explanatory Memorandum;  
(c) the SEC Act, the Directives issued thereunder and these Rules;  
(d) the Rules of a licensed Stock Exchange; and  
(e) all applicable Laws relating to property in Sri Lanka;

### **Duties and Responsibilities of the Trustee**

- (2) Where necessary the Trustee shall act promptly including instituting legal action to protect the Trust property in order to safeguard the interests of the unit holders.

- 39 (1) In addition to the duties stipulated in the Trust Deed, the Trustee shall observe and carry out its duties in accordance with the SEC Act, Directives issued thereunder, these Rules and the provision of the Trust Deed.

(2) The Trustee shall have the fiduciary duty to hold the assets of a SL-REIT in trust for the benefit of the unit holders and ensure that all investment activities carried out by the Managing Company are in line with the investment objective and policy of the SL-REIT and are in the best interests of the unit holders. The Trustee shall also ensure that the activities of the Managing Company complies with the relevant regulatory requirements applicable to the SL-REIT.

- 40 A Trustee shall ensure that the Managing Company complies with the obligations cast on it with regard to the SL-REIT property as morefully set out in PART III.

And further ensure;

- (a) that all contracts (such as property contracts, lease agreements and any other agreements) entered into on behalf of the SL-REIT are legal, valid and binding and enforceable by and on or behalf of the SL-REIT;
- (b) that all property owned or leased by the SL-REIT is clearly identified as the trustee's property and ensure that all the assets of the SL-REIT are properly segregated and held for the benefit of the unit holders in accordance with the provisions of the SEC Act, Directives issued thereunder, these Rules the Trust Deed and the Explanatory Memorandum;

- (c) that the property of the SL-REIT is held separately from any other asset or property held by or entrusted to the Trust;
- (d) that the property of the SL-REIT is registered in the name of, or to the order of the Trust;
- (e) cause a valuation of any of the real estate of the SL-REIT to be carried out if it, or the Managing Company, reasonably believes that such valuation is appropriate; and
- (f) that the investment and borrowing limitations as provided for by the SEC Act, Directives issued thereunder, these Rules, the Trust Deed and the Explanatory Memorandum are complied with. Any breach of the maximum borrowing limit shall be notified to the SEC and unit holders. Further, Trustee shall instruct the Managing Company to rectify such non-compliance but not later than three calendar months.

**Trustee's Reporting and Disclosure Obligations**

- 41 The Trustee shall notify the SEC as soon as practicable of any irregularity, any breach of the provisions or covenants of the Trust Deed any contravention of the SEC Act, Directives issued thereunder, these Rules and Rules of a licensed Stock Exchange or any inconsistency between the disclosures in the Explanatory Memorandum the provisions or covenants of the Trust Deed, which in the trustee's opinion, are not in the best interest of the unit holders.

**Trustee's obligations in relation to related party transactions and other obligations**

- 42 Where the real estate of the SL-REIT is occupied partly or wholly by related parties, the Trustee shall ensure that the terms and conditions of the tenancy agreements or lease agreements are entered into at arm's length and under prevailing market conditions. In determining lease rental rates for related tenants or lessees, the Trustee shall be guided by the recommendation of at least one independent valuer.
- 43 It shall not be permitted to lease any property of the SL-REIT either to the Managing Company, its shareholders, its directors, its key management personnel or to the sponsor and related parties unless the full term and value of the agreement is covered by an on demand guarantee securing the payment of the lease rentals from a licensed Commercial Bank.
- 44 A Trustee shall carry out any instructions given by the Managing Company or its investment committee relating to acquisitions or disposals or the exercise of the rights attaching to a SL-REIT's property. A trustee may refuse to effect any instruction given by the Managing Company in respect of a SL-REIT's property if the trustee is of the opinion that the carrying out of such instruction shall materially devalue the SL-REIT property or be to the detriment of the minority unit holders.
- 45 In the event of a breach of the terms and conditions of the tenancy or lease agreements entered into in respect of the SL-REIT property, the trustee shall ensure that prompt measures are taken including and not limited to the institution of legal action to safeguard the interests of unit holders.
- 46 A Trustee shall ensure that the systems, procedures and processes employed by the Managing Company are adequate in terms of Part III.

<b>Provision of Information</b>	47	A Trustee shall submit or make available any statement, document, book, record and other information relating to the SL-REIT and the business of the trustee, as may be required by the SEC from time to time.
<b>Holding of Units by Trustee</b>	48	<p>(1) A Trustee shall not hold units or other interests in the SL-REIT</p> <p>(2) A Trustee shall ensure that the Managing Company maintains proper accounting records and other records as necessary:-</p> <p>(a) to enable a complete and accurate view of the SL-REIT to be formed; and</p> <p>(b) to ensure that the SL-REIT is operated and managed in accordance with the Trust Deed, the Explanatory Memorandum, the SEC Act, Directives issued thereunder, these Rules, Rules of a licensed Stock Exchange and all applicable Laws relating to property.</p>
<b>Retirement of a Trustee</b>	49	<p>(1) A Trustee shall not retire except upon the appointment of a new Trustee whose appointment has been subject to the prior approval of the SEC and only if such retirement is in compliance with the Trust Deed. The retirement of the trustee shall take effect simultaneously with the appointment of the new Trustee.</p> <p>(2) The SEC may where it is satisfied that:-</p> <p>(a) for good and sufficient reason a change in the trustee is desirable in the interest of unit holders; or</p> <p>(b) unit holders representing at least 75 per centum of the total units in issue excluding those held by the sponsor or strategic investor deliver to the SEC as the case may be, a written request that the Trustee be dismissed, the SEC may remove the Trustee of the SL-REIT and direct the Managing Company to appoint a new Trustee subject to the prior approval of the SEC. The removal of the Trustee who was dismissed shall take effect at the same time the new Trustee takes office.</p>

## PART VI

### **Delegation or outsourcing of functions by the Managing Company** 50

(1) A Managing Company may delegate or outsource certain of its functions to a competent or suitable third party or service provider with the prior approval of the SEC. Notwithstanding such delegation or outsourcing:-

- (a) the Managing Company shall be fully liable to the unit holders and the SEC for the matters delegated or outsourced;
- (b) the Managing Company shall ensure that adequate procedures are in place to monitor the conduct of the person to whom the functions are delegated or outsourced and ensure that the functions so delegated or outsourced are performed in a proper and efficient manner; and
- (c) the Managing Company shall ensure that there are controls in place to ensure that the person to whom the functions are delegated or outsourced comply with the Trust Deed, Explanatory Memorandum, the SEC Act, Directives issued there under, these Rules and Rules of a licensed stock exchange as may be relevant.

(2) A Managing Company shall ensure that the person to whom the functions are delegated or outsourced is suitable to undertake the particular functions so delegated or outsourced and ensure that such delegation or outsourcing is made to a person:-

- (a) who is duly licensed or authorized by a relevant supervisory or other authority, (where applicable);
- (b) has adequate financial resources;
- (c) has adequate experience and a proven track record in the performance of the functions delegated;
- (d) has adequate and appropriate human resources, systems, procedures and processes in place to carry out the functions so delegated or outsourced (including compliance with applicable requirements, policies and procedures on internal controls); and
- (e) has taken an insurance policy adequate to cover the period of delegation or outsourcing.

(3) The service agreement between the Managing Company and the person to whom its functions are delegated or outsourced shall, amongst other things, contain clear provisions on-

- (a) the services to be provided;
- (b) the fees, remuneration, and other charges;
- (c) any restriction or prohibition regarding the performance of the function to be delegated;
- (d) reporting requirements, including the line of reporting to the Managing Company or Trustee and means of evaluating the performance of the person to whom the functions have been delegated or outsourced; and
- (e) indication of a timeframe within which the agreed scope of work is to be completed.

- (4) Remuneration to the delegate or service provider shall be paid by the Managing Company and not be charged to the SL-REIT.
- (5) Where a Managing Company appoints a delegate or service provider the agreement between the Managing Company and its delegatee or service provider shall include inter alia the power of the Managing Company, the Trustee or the SEC to examine and inspect the services provided by the delegatee or service provider to ensure that the delegate or service provider is in compliance with the applicable requirements of the Trust Deed, Explanatory Memorandum, the SEC Act, Directives issued thereunder and these Rules.
- (6) An officer of the delegatee or service provider (whether foreign or local) shall not hold office as a member of:
  - (a) the investment committee of any SL-REIT; and
  - (b) a panel of advisors of any SL-REIT for which the delegate or service provider is appointed to manage.
- (7) Delegating or outsourcing shall not relieve a Managing Company from the responsibility for proper conduct of the delegated or outsourced activities and functions.
- (8) A Managing Company shall remain responsible for the actions and omissions of its delegatee or service provider as though they were its own actions or omissions.

For any avoidance of doubt the function of SL-REIT management shall not be delegated totally.

## PART VII

### Delegation of Functions by the Trustee

- 51 (1) A Trustee may delegate the custodial function for the SL-REIT's non real estate related assets with the prior approval of the SEC
- (2) Where a custodial function of the Trustee is delegated the Trustee shall ensure that;
  - (a) it retains control of the SL-REIT's property at all times; and
  - (b) there are adequate arrangements to prevent the delegatee from releasing the custody or control of the SL-REIT's property without its prior consent
- (3) The Trustee shall remain responsible for the functions delegated in like manner as the Managing Company is responsible for the functions of its delegatee.

## PART VIII

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| <b>Oversight arrangements</b>   | 52 | <p>(1) A Managing Company shall, in addition to the appointment of a Trustee, establish and maintain additional arrangements to provide oversight on the operation and management of the SL-REIT.</p> <p>(2) A Managing Company shall implement and maintain the following arrangements:</p> <ul style="list-style-type: none"> <li>(a) appoint an investment committee for the SL-REIT; and</li> <li>(b) appoint where applicable of a panel of advisors for a SL-REIT that is expressed to be managed in accordance with specific principles</li> </ul>   |
| <b>Investment committee</b>   | 53 | <p>(1) The Investment Committee appointed by the Managing Company shall comprise—</p> <ul style="list-style-type: none"> <li>(a) at least three individual members of whom at least two shall be independent whilst maintaining a minimum ratio of at least one-third independent members at all times.</li> <li>(b) at least one member shall be a practicing lawyer with at least ten years experience inter alia in the Law relating to property including condominiums, conveyancing and the Law relating to land lord and tenant.</li> <li>(c) at least one member shall be an engineer with minimum of ten years demonstrable expertise relating to property management preferably a Fellow of a professional body relating to engineering.</li> </ul> <p>(2) No person shall be a member of an investment committee—</p> <ul style="list-style-type: none"> <li>(a) if he is a member of an investment committee of a SL-REIT managed and administered by another Managing Company;</li> <li>(b) if he is a director of another Managing Company; or</li> <li>(c) if he is an officer of the delegatee that performs the fund management functions of the SL-REIT</li> </ul> |
| <b>Duties and Responsibilities of the Investment Committee of a SL-REIT</b> | 54 | <p>(1) An Investment Committee of a SL-REIT shall ensure that the SL-REIT is managed in accordance with—</p> <ul style="list-style-type: none"> <li>(a) the SL-REIT's investment objectives;</li> <li>(b) the Trust deed;</li> <li>(c) the Explanatory Memorandum ;</li> <li>(d) the SEC Act, Directives issued there under ,these Rules the and Rules of a licensed Stock Exchange.</li> <li>(e) the internal investment restrictions and policies;</li> <li>(f) all other Laws applicable to property; and</li> <li>(g) acceptable investment management practices within the real estate investment trust industry.</li> </ul> <p>(2) An Investment Committee's duties and responsibilities shall include without limitation the following:</p> <ul style="list-style-type: none"> <li>(a) the adoption of strategies to achieve the proper performance of the SL-REIT in accordance with the investment policies;</li> </ul>  |

- (b) ensuring that the strategies adopted are properly and efficiently implemented by the Managing Company;
  - (c) actively monitoring, measuring and evaluating the performance of the Managing Company;
  - (d) where construction or major modifications are involved, reviewing the processes once in every three months and advising the trustee on the adherence to these Rules and timely submission of deliverables;
  - (e) ensuring that the income from the lease agreements entered into with regard to the SL-REIT's property are collected in a timely manner and if there are any defaults or delays in collecting the lease rental and other income of the SL-REIT's property to advise the Trustee to take remedial action including the institution of legal action to recover any sums owing to the SL-REIT and to take any other ancillary or incidental action necessitated by such defaults; and
  - (f) ensuring that values of all lease rentals are in the best interest of the SL-REIT and either equal or above the valuer's rent per square foot rate. Members in the investment committee shall approve any discounts to valuer's rate and shall declare such arrangement is in the best interest of unit holders.
- (3) (a) The persons constituting the Investment Committee shall not have been charged or concerned in any business practices which in the opinion of the SEC is fraudulent, unethical or inappropriate.
- (b) A person shall be disqualified from being a member of an Investment Committee or from serving in an Investment Committee if such person;
- (i) has been declared an undischarged bankrupt ;
  - (ii) has been convicted by a competent court of law in Sri Lanka or outside Sri Lanka for fraud, dishonesty or any other offence punishable with imprisonment of one year or more;
- (c) It shall be the responsibility of the Managing Company to assess the ability of the person to carry out the duties and responsibilities required of him as a member of the Investment Committee.
- (4) (a) Where any member of an Investment Committee becomes subject to any disqualification or becomes otherwise unfit to hold such position, the Managing Company shall ensure that such member is removed or vacates his position in the Investment Committee with immediate effect.



(b) The Managing Company shall notify the SEC and the Trustee immediately in the event a member of the Investment Committee becomes disqualified and is no longer suitable to hold such position.

(5) A member of the Investment Committee shall not be a member of a committee of any other SL-REIT or unit trust or hold any position that shall be deemed or seem to create a conflict of interest.

(6) A person before accepting an appointment as a member of an investment committee to a SL-REIT shall swear or affirm by way of an affidavit declaring that he is not disqualified under any of the criteria mentioned above and has no interest in the SL-REIT either directly or indirectly and such affidavit shall be submitted to the SEC prior to accepting such position.

## PART IX

<b>Investments of the SL-REIT</b>	55	<p>(1) The Managing Company shall ensure that the property of the SL-REIT shall be relevant and consistent with the investment objective of the SL-REIT.</p> <p>(2) All necessary steps shall be taken to ensure that the property of the SL-REIT provides a prudent spread of risks.</p>
<b>Dealings in the SL-REIT's Property</b>	56	<p>(1) The Managing Company shall ensure that all dealings in the SL-REIT's property shall be appropriate to the SL-REIT and consistent with—</p> <ul style="list-style-type: none"> <li>(a) the Trust deed;</li> <li>(b) the Explanatory Memorandum;</li> <li>(c) the SEC Act, Directives issued thereunder, these Rules, Rules of a licensed Stock Exchange and all other applicable Laws relating Property; and</li> <li>(d) acceptable practices within the real estate investment trust industry.</li> </ul> <p>(2) A Managing Company shall—</p> <ul style="list-style-type: none"> <li>(a) notify the trustee in writing and keep the Trustee updated on any proposal relating to acquisitions or disposals of real estate;</li> <li>(b) notify the Trustee in writing of any acquisition or disposal of real estate-related assets and non-real estate-related assets within one business day after which the acquisition or disposal was effected;</li> <li>(c) ensure that the SL-REIT's property has adequate proof of valid title or ownership to allow proper custodial arrangements to be made;</li> </ul>

- (d) cancel a transaction or make a corresponding acquisition or disposal at its own expense to secure restoration of the previous position where the Trustee conveys an opinion that a particular acquisition or disposal exceeds the powers conferred on it, or is otherwise contrary to the interests of the unit holders
- (e) ensure that all adequate insurance policies are in force; and
- (f) notify the Trustee in the event of a default by any lease holder or tenant occupying the buildings owned or leased by the SL-REIT and advise the trustee to take appropriate action including the institution of legal action in a timely manner to rectify matters or to minimize losses to the SL-REIT.

#### Permitted Investments

- 57 (1) A SL- REIT shall only invest in the following:
- (a) Real estates; up to a maximum of 80% of the SL-REIT's value; and
  - (b) The balance 20% of the SL-REIT shall only be invested in Government Securities and or in Cash or Near Cash.
  - (c) A SL-REIT's property may consist of real estate-related assets and non-real estate-related assets
  - (d) The maximum amount to be invested in real estate may exceed 80% with the prior approval of the SEC
- (2) The Managing Company shall ensure that the investment limits and restrictions set out herein are complied with at all times based on the latest value of the SL-REIT.
- (3) In determining compliance with the authorized investments and their limits any accrued entitlement on the investments of the SL-REIT may be excluded. The entitlement shall not be exercised in the event the exercise results in a breach of any limit or restriction.
- (4) It shall be the duty of the Managing Company to take all steps necessary to rectify the breach within a time frame of not more than three months.
- (5) A five percent allowance in excess of any limit or restriction imposed under these Rules shall be permitted where the limit or restriction is breached through an appreciation or depreciation of the NAV of the SL-REIT.
- (6) The Managing Company shall not in the event an investment limit is breached make any further acquisitions until steps have been taken to rectify the breach.
- (7) The Managing Company shall ensure that the investment limits and restrictions are complied with at all times based on the most up-to-date value of the SL-REIT.

**Acquisition of Property**

58

- (1) A Managing Company shall ensure that the property to be acquired:-
- (a) has good prospects of future net rental income of reasonable levels;
  - (b) is competitive and located within suitable areas, as evidenced by competent market studies analysis;
  - (c) has good potential to secure lessees and of sale to prospective buyers;
  - (d) that any capital expenditure to be incurred to enhance the property would not materially affect the yield to unit holders;
  - (e) that the acquisition would be able to yield a reasonable return within a reasonable period of time;
  - (f) major modification shall mean modifications of the value not exceeding 25% of the value of the building in terms of the latest valuation;
  - (g) in the event of any subsequent acquisition not covered in the Explanatory Memorandum, the Managing Company shall disclose to the market via a stock exchange filing, a feasibility report on the proposed acquisitions which inter-alia shall cover, information relating to the title of the property, financing the purchase, estimated time to complete (if applicable) and future prospects of the property;
  - (h) any payments for the acquisition of the property shall be made after obtaining adequate title insurance as recommended by the investment committee;
  - (i) any payments by the SL-REIT to the contractor shall not be made unless a security in an equivalent value of the estimated approved cost has been submitted by the contractor to the Trustee of the SL-REIT;
  - (j) any payments by the SL-REIT to construction contractors shall be subject to adequate retention as advised by the investment committee but shall not be less than 10% of the estimated cost. Release of retention shall be subject to the approval of the investment committee;
  - (k) The property so acquired shall be ;
    - (i) in a fully completed condition,
    - (ii) partially or fully leased out and
    - (iii) generating income to meet the applicable thresholds specified by the SEC from time to time
  - (l) shall be a property with buildings standing thereon which are fully completed and are partly or fully leased and generating an income. The applicable thresholds shall be determined by the SEC from time to time.
- (2) For leasehold real estates, a Managing Company shall ensure that-
- (a) the consent of the relevant authority to transfer the lease has been obtained before the SL-REIT'S Explanatory Memorandum is approved by the SEC, or prior to the acquisition of the leasehold property; and
  - (b) The lease shall be a registered lease.

<b>Disposal of Property</b>	59	<p>Where the value of the property to be disposed of, exceeds 50% of the SL-REIT's total asset value, the disposal shall be announced to the market fourteen (14) days prior to the unit holders' meeting. The unit holders shall approve the disposal by way of an ordinary resolution, except where the disposal is for the purpose of terminating or winding up the SL-REIT, in which event the resolution shall be passed by not less than 75% of the unit holders present and voting.</p> <p>Provided however if a breach of the ratio provided in Rule 59 occurs as a result of a disposal exceeding 50% of the total asset value of the SL-REIT, the Managing Company shall ensure compliance with Rule 59 within a period of three months from the date of disposal if the SL-REIT is not to be wound up or liquidated.</p> <p>If the Managing Company fails to comply with Rule 59 the Managing Company shall wind up or liquidate the SL-REIT at the Managing Company's cost with prior notice to the Trustee, the SEC and the licensed Stock Exchange on which the SL-REIT is listed. In such event the distribution of proceeds on liquidation to unit holders shall take precedence over the management fees and any other fee chargeable by the Managing Company and the Trustee.</p>
<b>Acquisition and Disposal Price</b>	60	<p>(1) A SL-REIT shall not acquire property at a premium of beyond 10% of the value assessed in a valuation report obtained six months immediately prior or the latest available valuation report whichever is nearer to the date of acquisition, provided that the value has not been revised.</p> <p>(2) A SL-REIT shall not dispose of real estates at a discount less than 10% of the value assessed in a valuation report obtained six months or the latest whichever is nearer to the date of the resolution of the unit holders.</p> <p>(3) Part selling of SL-REIT property shall be allowed subject to the cancellation or reduction of units upon full settlement of the agreed consideration unless the unit holders have given prior consent to reinvest the sale proceeds in accordance with the Trust Deed and permitted investments.</p>
<b>Borrowings</b>	61	<p>(1) A SL-REIT may use borrowings to acquire real estates, and for capital expenditure purposes subject to a maximum of 30% of the NAV of the SL-REIT.</p> <p>(2) A SL-REIT may only borrow through the issuance of listed debentures or loans. When obtaining loans it shall not offer any of the SL-REIT's property as collateral.</p> <p>(3) For the purposes of this part all provisions in relation to the Construction Contractor shall be as specified in these Rules.</p>
<b>Prohibited Activities</b>	62	<p>A Managing Company shall not -</p> <p>(a) grant loans or provide any other credit facility to any person using the assets of a SL-REIT under its management;</p> <p>(b) undertake or carryout any activity that is in violation of the Trust Deed;</p> <p>(c) permit or allow the carrying out of any illegal or unauthorized activity using the property of a SL-REIT</p>

## PART X

<b>Valuation</b>	63	A Managing Company shall ensure that a fair and accurate valuation of all assets and liabilities of the SL-REIT is conducted.
<b>Appointment of a Valuer</b>	64	<p>(1) All valuations and revaluations of real estates shall be conducted by an independent valuer duly appointed by the Trustee.</p> <p>(2) The Trustee shall only appoint a valuer who is a Fellow of the Institute of Valuers of Sri Lanka (IVSL) or is a Fellow of the Royal Institute of Chartered Surveyors (RICS) with a minimum of ten years experience of valuing similar property or the Government Chief Valuer in the case of a state owned entity.</p> <p>(3) (a) A valuer shall only conduct up to two consecutive valuations of any particular real estate of a SL-REIT.</p> <p>(b) Subject to the approval of the Trustee, however it shall not be prohibited for the same valuer to conduct more valuations for a further period of two years, if the real estates of the SL-REIT under valuation did not constitute a part of the previous valuations carried out by the same valuer.</p>
<b>Valuation and Revaluation of Real Estate</b>	65	<p>(1) A valuation shall be carried out on all real estates to be acquired and disposed of by a SL-REIT.</p> <p>(2) (a) A revaluation of all the real estates in the SL-REIT's investment portfolio shall be carried out twice a year by a competent and independent valuer of which at least one valuation shall be subject to the review of a panel of valuers as approved by the SEC. However, this shall not preclude valuations being carried out during the interim period.</p> <p>(b) Any valuation carried out for the SL-REIT shall be shared with the Stock Exchange on which the SL-REIT is listed for the timely information of investors. Such valuation shall disclose the leasing rate per square foot of the property which was considered by the valuer for the valuation.</p> <p>(3) A Trustee may, at any time on its own accord, appoint a valuer to conduct a valuation of the real estates owned by a SL-REIT.</p> <p>(4) The valuations referred to above shall be disclosed to the Stock Exchange on which the SL-REIT is listed on the first market day immediately after the submission of the valuation report by the valuer to the Managing Company upon completion of such report.</p>
<b>Valuation Report</b>	66	<p>(1) The appointed valuer shall, for each valuation of a real estate prepare a valuation report to be given to the Managing Company and Trustee.</p> <p>(2) The valuation report shall comply with all valuation standards and standards of evidence acceptable to global best practices or standards as required by the SEC.</p> <p>(3) The valuation report shall -</p>

- (a) be prepared in accordance with the applicable valuation standards;
- (b) be prepared within a period of six months immediately preceding the signing of the deed of sale or the lease agreement as the case may be or the date of the balance sheet of the SL-REIT of the relevant year, whichever is later;
- (c) actual and expected lease rental per square foot of the buildings standing on the property of the SL-REIT; and
- (d) submitted to the SEC—
  - (i) within one month from the date of the deed of sale or the lease agreement as the case may be; or
  - (ii) together with the annual report of the SL-REIT in the case of a revaluation.

(4) Where there has been a change in the value of the real estates, the Trustee shall ensure that the appointed valuer makes the necessary adjustments in the valuation report

**Regulatory Parameters on  
Valuation of Real Estates**

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(1) Where a property is the subject of an acquisition—

- (a) as part of the establishment of a new SL-REIT; or
- (b) which has been financed, or refinanced within one year of establishment, through the issuance of new units, the value of the real estate shall require approval by the Trustee.

(2) The SEC shall have the right to obtain an independent valuation from a valuer appointed by the SEC, if the SEC is of the opinion that the valuation of the real estate carried out in terms of paragraph (1) is unacceptable for any reason. In such event the fees and costs incurred shall be borne by the Managing Company.

(3) Valuations of the SL-REIT's property shall be based on processes that are consistently applied, and lead to objective and verifiable conclusions. Valuations shall be disclosed to the stock exchange on which the SL-REIT is listed forthwith. The due dates for valuations to be carried out shall be clearly disclosed in the Explanatory Memorandum and shall not exceed an interval of six calendar months from each valuation date.

(4) Upon receipt of the valuation report, the Managing Company shall notify the Trustee immediately of the NAV per unit of the SL-REIT.

**Announcement or  
Publication of the NAV  
per Unit of a SL-REIT**

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The Managing Company shall disclose the NAV per unit of the SL-REIT to the Stock Exchange on which the SL-REIT is listed on a quarterly basis

## PART XI

### Management Fee and Trustee Fee

69 (1) A Managing Company shall only be remunerated by way of fees charged to the SL-REIT and such fees shall be limited to:-

(a) **Front end fee** – to be disclosed as a percentage of the value of the SL-REIT at cost

(b) **Annual fee** – to be disclosed as a maximum percentage of the value of the SL-REIT and a maximum percentage of assets under management of the SL-REIT upon completion and achieving projected lease rental yields. No annual fee shall be payable after third year until the major modifications to the buildings are completed and projected yields for the applicable real estate property are achieved.

(c) **Performance fee on lease rentals**- to be disclosed as a maximum percentage of lease income (after providing for doubtful debts and writing off bad debts) after occupancy exceeds 80% of total floor area and all classes have surpassed any other thresholds indicated in the Explanatory Memorandum (applicable only to lease installments collected and outstanding invoices shall not be considered). The above mentioned performance fee calculation formula shall be clearly included in the Explanatory Memorandum.

Performance fee calculation shall only be incorporated in to the formula for calculating the performance fee only upon completion of any major modification and upon successfully surpassing the criteria predefined in the Explanatory Memorandum. In any event total of all fees paid shall factor in the percentage of total floor areas “not generating an income” and such percentage shall be used to discount the total performance fees payable other than front end fees.

The Managing Company may propose other methods of calculating a performance fee which shall require the prior approval of the SEC.

(d) **Benchmark Performance fee:** to be disclosed as realized capital gain over and above a market index of the stock exchange on which the SL-REIT is listed + maximum of 2%. (the market index shall be factored on the date of realization of the proposed independent benchmark as defined in the Explanatory Memorandum).

Provided however that all such fees enumerated above shall not exceed 4% of the total value of the SL-REIT.

(2) The fees shall be charged to the SL-REIT only if permitted by the Trust Deed and are clearly disclosed in the Explanatory Memorandum. Trustee fees shall be disclosed in the Explanatory Memorandum.

<b>Remuneration of the Managing Company</b>	70	<p>(1) A Managing Company shall specify a management fee that is reasonable and which is approved by the Trustee considering—</p> <ul style="list-style-type: none"> <li>(a) the duties and responsibilities of the Managing Company;</li> <li>(b) the interests of unit holders;</li> <li>(c) the nature and extent of the services provided by the Managing Company;</li> <li>(d) the size and composition of the property of the SL-REIT;</li> <li>(e) the success of the Managing Company in meeting the SL-REIT's investment objective;</li> <li>(f) the need to maximize returns to unit holders; and</li> <li>(g) the maximum rate stipulated in the Trust Deed.</li> </ul> <p>(2) If at any time the Trustee is of the opinion that the management fee charged to the SL-REIT is unreasonably high, the Trustee shall take such action, which may include but is not limited to convening a unit holders' meeting, to have the fee approved as being commensurate with the services provided by the Managing Company.</p>
<b>Remuneration of Trustee</b>	71	<p>The remuneration paid to the Trustee shall be fair and reasonable, considering—</p> <ul style="list-style-type: none"> <li>(a) the duties and responsibilities of the Trustee;</li> <li>(b) the interests of the unit holders;</li> <li>(c) the maximum rate stipulated in the deed; and</li> <li>(d) the size and composition of the property of the SL-REIT</li> </ul>
<b>Expenses of the SL-REIT</b>	72	<p>(1) Only expenses (or part thereof) directly related and necessary in operating and administering a SL-REIT shall be paid out of fund of the SL-REIT. These shall include the following:-</p> <ul style="list-style-type: none"> <li>(a) Maintenance of property owned by or leased to the SL-REIT;</li> <li>(b) Taxes and other duties charged on the fund of the SL-REIT or its underlying assets by the Government and other authorities;</li> <li>(c) Fees and other expenses incurred by the auditor appointed for the SL-REIT;</li> <li>(d) Fees for the valuations carried out by independent valuers of any investment of the SL-REIT for the benefit of the SL-REIT;</li> <li>(e) Costs incurred for the amendment of the Trust Deed, Title Deeds or lease agreements as the case may be of the SL-REIT other than those for the benefit of the Managing Company or Trustee;</li> <li>(f) Costs incurred for any meeting of the unit holders other than those convened for the benefit of the Managing Company or Trustee;</li> <li>(g) Expenses for listing the SL-REIT on a licensed Stock Exchange;</li> </ul>



- (h) Legal expenses incurred to protect the interests of unit holders as approved by the Trustee other than legal expenses caused due to the negligence of the Managing Company or the Trustee as determined by the SEC. In the event of such negligence the negligent party shall bear the cost of the legal expense; and
- (i) Any other expenses authorized by the SEC
- (2) A Trustee may be reimbursed by the SL-REIT for any expenses appropriately incurred in the performance of its duties and responsibilities as a Trustee with the approval of the SEC.

## PART XII

<b>Price of a Unit</b>	73	<p>(1) During the initial offer period a unit shall be sold at the initial price determined by the Managing Company. Any creation or cancellation of units shall also be at the initial price</p> <p>(2) Where units are offered to related parties in conjunction with the initial public offering, the price of the units must be set at least at the issue price to the public.</p> <p>(3) Upon the listing of a SL-REIT on a stock exchange, the unit shall be traded at the prices quoted on the exchange.</p> <p>(4) Valuation of unit prices shall be confirmed by an independent firm of chartered accountants</p>
<b>Dealing in Units</b>	74	Any dealing in units shall comply with the SEC Act, Directives issued there under, these Rules and the Rules of a licensed Stock Exchange on which the SL-REIT is listed where applicable.
<b>Suspension of Dealing in Units</b>	75	Suspension of dealing in units shall only be done in compliance with these Rules and the Listing Rules of a Stock Exchange on which the SL-REIT is listed or with any Directives issued by the SEC where relevant.
<b>Creation and Cancellation of Units</b>	76	<p>(1) A Managing Company shall instruct the Trustee in writing to create or cancel units of a SL-REIT fund stating the number of units to be created or cancelled, and pay or receive cash to or from the Trustee for the transaction. Such instructions to the Trustee shall contain a report from a firm of chartered accountants on the accuracy of calculation and details of creation or cancellation of units.</p> <p>(2) A Trustee shall create or cancel units immediately on receipt of, and in accordance with, the instructions given by the Managing Company.</p> <p>(3) A Managing Company shall pay the Trustee the value of units created within ten days of giving instructions to the Trustee to create units.</p> <p>(4) A Managing Company shall not, when giving instructions to the Trustee for the creation or cancellation of units, do or omit to do anything which would confer on itself or a delegate or service provider a benefit at the expense of a unit holder or a potential unit holder.</p>

- (5) Any instructions for the creation or cancellation of units given by the Managing Company may be modified only if the Trustee agrees and has taken reasonable care to determine that—
- the modification corrects an error in the instruction; and
  - the error is an isolated one.
- (6) Any error referred to in this Rule shall be corrected within the payment period specified in paragraph 3 of this Rule.
- (7) A Trustee shall pay the unit holder the value of units cancelled within ten days of receiving instructions from the Managing Company to cancel units unless the SL-REIT lacks sufficient cash or liquid assets, and the Trustee considers that payment within ten days is not in the best interests of unit holders.
- (8) Where permitted, the creation and cancellation of units shall be at NAV per unit of the SL-REIT as at the next valuation point after instructions from the Managing Company is received by the Trustee.
- Trustee May Refuse to Create or Cancel Units**      77      Notwithstanding any other provision contained in these Rules, a Trustee may by notice to the Managing Company refuse to—
- create units;
  - cancel units; or
  - create or cancel units in the number instructed by the Managing Company,
- Where the Trustee considers that the creation or cancellation is not in the best interests of unit holders or it would result in a breach of the trust deed, the SEC Act, Directives issued thereunder, these Rules and the Rules of a licensed Stock Exchange.

### PART XIII

- Public offers and listings**      78      The requirements for the public offer and primary listing of a SL-REIT on an exchange licensed by the SEC shall be as follows:-
- All REITs shall be listed within three months of obtaining approval from the SEC.
  - The SL-REIT shall offer at least 20% of its units to the public at the time of listing
  - The SL-REIT shall have a minimum of 100 unit holders at the time of listing.
  - In order to be eligible to claim any applicable tax benefits, the SL-REIT shall maintain a minimum of 50 unit holders at all times.
- Methods of Issuing Units**      79      (1) Units of the SL-REIT of the same class shall have the same rights attached to them. No units shall have any preferential treatment over others except other than as provided for in these Rules.
- (2) Wherever practicable the methods of issuing units selected shall enable the SL-REIT to have a broad base of unit holders and comply with the public holding requirement of the exchange.

- (3) The Managing Company shall determine the method of issuing units to the public unless otherwise directed by the SEC in the interests of the securities market and the public. In such event the Managing Company shall comply with the directions given by the SEC in respect of the method of issuing units to the public.
- (4) A Managing Company shall issue only one class of units in a SL-REIT. If any other classes of units are to be issued, the Managing Company shall obtain the prior approval of the Trustee and the SEC.
- (5) In a public issue the number of units issued shall not exceed 70% of the NAV of the SL-REIT. The units issued to the public shall constitute at least 20% of the approved fund size for a SL-REIT with total minimum asset value of LKR 500 million.
- (6) At the time of making an application to list a SL-REIT on a licensed Stock Exchange the information pertaining to the beneficial ownership of the units shall be submitted to the exchange except in the following instances:-
  - (a) When the unit holder is a statutory institution managing funds belonging to contributors or investors who are members of the public where the number of beneficiaries are 200 or more; and
  - (b) Unit trust funds or other investment funds approved by the SEC, where there are 200 or more beneficiaries.
- (7) The aggregate amount of units which may be offered to related parties during an IPO shall not be more than 10% of the approved size of the SL-REIT.
- (8) In the event of a conflict between the listing Rules and these Rules, these Rules shall prevail.
- (9) Lock in

A sponsor's holding of 30% or more of the units issued shall be barred from being traded through the secondary market of a stock exchange at all times other than in the following instances:-

- (a) In the event the sponsor exits from the SL-REIT in full he shall ensure that the strategic investor shall hold a minimum of 30% of the units in issue and not exceed 80% of the total units in issue.
  - (b) In the event the sponsor exits from the SL-REIT in part the sponsor shall ensure that the sponsor and strategic investor in aggregate shall hold a minimum of 30% of the units and not exceeding 80% of the total units in issue.
  - (c) Where a sponsor disposes the minimum holding of 30% in full or in part to an identified strategic investor, the Managing Company shall make an announcement to the Stock Exchange on which the SL-REIT is listed on the following market day indicating at minimum the details of the new strategic investor and the unit price at which the transaction was concluded.
- (10) Any issuance of new units shall only be made with the prior approval of the SEC.

<b>Further Issue of Units subsequent to a Listing</b>	80	<p>Where the unit holders of a SL-REIT have by way of a resolution at a general meeting, given a general mandate to the Managing Company to issue further units, any such issue under such general mandate shall comply with the following requirements:</p> <p>(a) The number of units to be issued, when aggregated with the number of units issued during the preceding 24 months, shall not exceed 20% of the approved size of the SL-REIT unless prior approval of the SEC has been obtained by the Managing Company.</p> <p>(b) Further units shall not be issued at a discount to the weighted average market price of the units calculated for the 30 market days immediately preceding the date of fixing the price.</p> <p>(c) Any further units of the SL-REIT issued shall be in the same class as units of the initial issue and no preferential rights shall attach to any units issued after the initial offer other than as provided in these Rules.</p>
<b>Rights Issue of units</b>	81	Rights issue of units shall be allowed subject to the unit holders' status quo being maintained in relation to the holding percentage at the time of issue.
<b>Issues of Units to finance acquisitions of property to the SL-REIT</b>	82	The Managing Company shall make its observations on the reasonableness of the terms and conditions of an intended acquisition of property including the purchase price. Such observations shall be made in the Explanatory Memorandum which shall be accompanied by the opinion of a competent and independent valuer's opinion regarding the price.
<b>Issue of Debentures to finance acquisitions of property to the SL-REIT</b>	83	<p>(1) A Managing Company shall comply with rules of a Stock Exchange on which a SL-REIT is listed when issuing debentures to finance acquisition of property for a SL-REIT.</p> <p>(2) The amount raised by the issue of debentures shall not exceed 30% of the NAV calculated for the most recent quarterly financial statements disclosed to the Stock Exchange.</p>
<b>Issue of Bonus Units</b>	84	<p>Where there is a surplus of funds in a SL-REIT pursuant to a revaluation of the property owned by such REIT, the Managing Company may utilize such surplus for an issue of bonus units provided the following conditions are satisfied:-</p> <p>(a) The value of such bonus units shall not exceed 90% of such surplus;</p> <p>(b) Such bonus units shall be issued only once in a financial year;</p> <p>(c) The SL-REIT has acquired the property by way of an outright purchase with freehold title; and</p> <p>(d) Where the property is held on a lease, any value appreciation of the land shall not be considered for the issue of bonus units.</p>
<b>Underwriting</b>	85	If the SL-REIT is created for a single asset then the initial public offering shall be underwritten by an underwriter registered with the SEC for 80% of the subscription.

#### PART XIV

<b>Size of a SL-REIT</b>	86	<p>(1) The minimum value of a SL-REIT at the time of listing shall be LKR 500 Million.</p> <p>(2) In determining the size of a SL-REIT, a Managing Company shall take into account its resources, expertise, experience, and overall capacity to carry out its duties in accordance with—</p> <p>(a) the Trust Deed;</p> <p>(b) the SEC Act, Directives issued thereunder, these Rules and Rules of a licensed Stock Exchange on which the SL-REIT is to be listed; and</p> <p>(c) internationally or globally acceptable and efficacious business practices pertaining to the management of Real Estate Investment Trusts.</p>
<b>Register</b>	87	The Central Depository of the Stock Exchange on which a SL-REIT is listed shall maintain a register of unit holders and such register shall contain details of unit holders updated as at the end of the last trading day. Entry of a person's name in such register maintained by the Central Depository shall be the best evidence of the fact that the person is a Unit Holder of such SL-REIT.
<b>Distribution of Income</b>	88	<p>(1) Of the distributable income, 90% shall be distributed. Distributions shall only be made from collected and realized gains or realized income unless approval of the unit holders excluding the sponsor, strategic investor and any party acting in concert with them, have been obtained by way of a resolution to decline to receive the distributable income in a given year or circumstance. Any deviation from the dividend distributions which is less than 90% shall result in disentitlement to any tax benefits available to Unit Trusts.</p> <p>(2) Distribution of income to the unit holders of a SL-REIT shall be made after the Managing Company has taken into consideration the following:</p> <p>(a) Total returns for the period;</p> <p>(b) Cash flow for distribution;</p> <p>(c) Stability and sustainability of distribution of income;</p> <p>(d) Solvency Certificate obtained from a firm of chartered accountants; and</p> <p>(e) The investment objective and distribution policy of the SL-REIT as disclosed in the Explanatory Memorandum.</p> <p>(3) Where a distribution is made, the Managing Company shall send to every unit holder a statement setting out relevant information.</p>
<b>Meetings of Unit Holders</b>	89	<p>(1) The Managing Company and Trustee may convene a meeting of the unit holders at any time in addition to any meeting made mandatory under these Rules.</p> <p>(2) Unit holders may also convene a meeting with prior notice to the Managing Company and the Trustee to discuss unresolved matters. In order to convene such a meeting at least 50 unit holders shall give their consent to convene the meeting and the Trustee shall be present at such meeting.</p>

<b>Notice of Meetings</b>	90	<p>(1) A Managing Company or Trustee may convene a unit holders' meeting on any date, subject to the following:-</p> <ul style="list-style-type: none"> <li>(a) written notice of at least 21 calendar days prior to the meeting has been given to unit holders;</li> <li>(b) specifying in the notice, the date, venue and time of the meeting and the resolutions proposed; and</li> <li>(c) publishing of an advertisement giving notice of the unit holder's meeting in all three languages in daily newspapers with a wide circulation.</li> </ul> <p>(2) Where there has been a breach of the provisions of the Trust Deed by the Managing Company, the Trustee may convene a meeting of unit holders and where necessary by giving shorter period of notice considering the urgency of the matter.</p> <p>(3) When a meeting is called by the unit holders, for the purpose of passing a resolution the Managing Company shall convene the meeting within 21 days of receiving the request from the unit holders.</p>
<b>Chairman of unit holders meetings</b>	91	A meeting of unit holders' shall be chaired by a member of the trustee or by a person appointed by the Trustee other than a unit holder or a director of the Managing Company.
<b>Quorum</b>	92	<p>(1) The quorum for a meeting of unit holders shall be fifty one percent of the total number of unit holders present by way of proxy or attending in person.</p> <p>(2) If after a reasonable time from the start of the meeting, a quorum is not present, the meeting-</p> <ul style="list-style-type: none"> <li>(a) if convened at the request of the unit holders shall be dissolved; and</li> <li>(b) in any other case shall stand adjourned to a date and time to be held at a place determined by the Chairman which is seven or more days after the date of the convened meeting</li> </ul>
<b>Resolutions</b>	93	<p>(1) Except where expressly provided in these Rules any resolution of unit holders shall be passed by a simple majority.</p> <p>(2) Any resolution to alter the objectives of the SL-REIT shall only be passed by 75% of the registered unit holders as appearing as of the date of the notice of the resolution.</p>
<b>Voting Rights</b>	94	<p>(1) Voting shall take place on a show of hands by every unit holder who is present in person or by proxy.</p> <p>(2) A poll may be demanded on any resolution. In such instance every unit holder who is present shall have one vote per each unit held</p> <p>(3) In the case of joint unit holders, only one of the joint unit holders shall be allowed to attend a meeting of unit holders and such person shall be entitled to one vote only. At a poll the joint unit holders shall be entitled to one vote per each unit held jointly.</p>

- (4) A Managing Company or its nominees shall not exercise the voting rights for the units it holds in aggregate with its nominees at any unit holders' meeting, regardless of the party who requested for the meeting and the matter or matters that are laid before the meeting.
- (5) Related parties of the Managing Company shall not vote or be counted for the quorum at a meeting of unit holders if they have an interest in the outcome of a resolution tabled for approval which is different from the interests of other unit holders.
- Right to Demand a Poll** 95 (1) A resolution put to the vote at a unit holders' meeting shall be determined by a show of hands unless a poll is demanded before or immediately after any resolution is tabled by—
- (a) the Chairman;
  - (b) the Trustee;
  - (c) the Managing Company; or
  - (d) unit holders present (or represented by proxy) who hold between them not less than one-tenth of the total number of units in issue.
- (2) Unless a poll is demanded, a declaration by the chairman as to the result of the resolution is conclusive evidence of the passing or defeat of such resolution.
- (3) A Managing Company shall not exercise the voting rights for the units it or its nominees hold at any unit holders' meeting.
- (4) A copy of a resolution passed at a unit holders meeting shall be submitted to the SEC, CSE and the Trustee.
- Proxies** 96 (1) A unit holder may appoint another person to attend a unit holders' meeting and vote in the unit holder's place.
- (2) Every notice calling a unit holders' meeting shall contain a statement that a unit holder is entitled to attend and vote, or may appoint a proxy.
- (3) The document appointing a proxy shall be deposited to reach the office of the Managing Company not less than 48 hours before the meeting or adjourned meeting.
- Adjournment and Minutes** 97 A Managing Company shall ensure that—
- (a) the minutes of all resolutions and proceedings at every unit holders' meeting shall be recorded and preserved; and
  - (b) any minute recorded as specified under sub paragraph (a) shall be signed by the Chairman of the unit holders' meeting.

**Terminating and Winding  
up of a SL-REIT**

98

(1) A SL-REIT shall be terminated or wound up upon the occurrence of any of the following events:-

- (a) The license granted by the SEC to operate a SL-REIT is cancelled;
- (b) A special resolution is passed at a unit holders' meeting to terminate or wind up the SL-REIT with 75% of unit holders present and voting in favor of the resolution; or
- (c) When the SL-REIT has completed its tenure or as specified in the trust deed and the Explanatory Memorandum where applicable

(2) In any of above circumstances, the Trustee shall-

- (a) Liquidate all the SL-REIT's assets remaining in its custody; and
- (b) after paying all liabilities or retaining adequate amounts to meet such liabilities and the cost of winding up, distribute to unit holders the net cash proceeds available for the purpose of such distribution in proportion to the number of units held by the unit holders respectively in accordance with these Rules;

(3) The Managing Company and Trustee shall within one market day subsequent to the triggering of any of the events mentioned above take steps to-

- (a) disclose to the stock exchange by way of an announcement
- (b) inform the unit holders of the termination and or winding up of the SL-REIT by way of a circular. This requirement shall not apply where the unit holders have already approved a resolution for the termination and or winding up of a SL-REIT; and
- (c) publish a notice in all three languages on the termination or winding up of the SL-REIT in three newspapers having a wide circulation.

(4) The Managing Company and Trustee shall notify the SEC in writing-

- (a) upon the passing of a resolution to terminate or wind up the SL-REIT by the unit holders, or in any other circumstances leading to the termination or winding up of the SL-REIT; and

- (b) upon the completion of the termination and/or winding up of the SL-REIT.

(5) Where a SL-REIT is being terminated or wound up, the Trustee shall arrange for the auditor of the SL-REIT to conduct a final review and audit of the SL-REIT's accounts.



## PART XV

<b>Reporting Requirements</b>	99	<p>(1) A Managing Company shall prepare an annual report for the SL-REIT and shall issue audited financial statements and quarterly reports. The audited financial statements shall be prepared in compliance with the applicable Sri Lanka Accounting Standards and audited in compliance with Sri Lanka Auditing Standards. The Annual Report and the quarterly financial statements shall be disclosed to the market in accordance with the listing requirements of the Stock Exchange on which the SL-REIT is listed.</p> <p>(2) If a Managing Company intends to change a SL-REIT's financial year or interim financial period, the Managing Company shall obtain—</p> <p>(a) a written confirmation from the auditor of the SL-REIT stating that the change of the financial year or the period as the case may be would not result in any significant distortion of the financial position of the SL-REIT; and</p> <p>(b) the SEC's prior approval before implementing such change.</p>
<b>Submission of Reports to the SEC</b>	100	<p>(1) The annual report of a SL-REIT and the annual report of the Managing Company shall be lodged with the SEC within three months of the end of the financial year.</p> <p>(2) The quarterly report of the SL-REIT shall be submitted to the SEC within seven business days of the quarter following the end of the period of reporting.</p> <p>(3) A SL-REIT's quarterly report shall contain a declaration by the Compliance Officer responsible for all compliance matters that the SL-REIT's quarterly report is complete, true and accurate to the best of his/her knowledge and belief and shall also include a confirmation of compliance with the regulatory requirements.</p>
<b>Submission of SL-REIT's quarterly reports during termination or winding up</b>	101	<p>(1) When a SL-REIT is being terminated or wound up, a managing company shall continue to submit such SL-REIT's quarterly report until the termination or winding up is completed.</p> <p>(2) The Compliance Review Report shall be submitted to the SEC not later than seven business days from the date of submission of the SL-REIT's quarterly report.</p>
<b>Contents of an Annual Report of a SL-REIT</b>	102	<p>An annual report of a SL-REIT shall include the following amongst others that may be specifically required by the Managing Company:</p> <p>(a) Information pertaining to the SL-REIT;</p> <p>(b) Report on the performance of the SL-REIT;</p> <p>(c) A report by the Managing Company;</p> <p>(d) A report by the Trustee;</p> <p>(e) A report by the valuer together with the NAV.</p> <p>(f) Audited financial statements for the accounting period of the SL-REIT;</p> <p>(g) Auditor's report on the SL-REIT.</p> <p>(h) A report of the Investment committee</p>

<b>Audit</b>	103	<p>(1) A Managing Company and Trustee shall ensure that the financial statements of the SL- REIT are audited annually by an auditor appointed by the trustee.</p> <p>(2) A Trustee shall appoint an auditor for the SL-REIT who is independent of the Managing Company and the trustee.</p> <p>(3) Where the SEC is of the opinion that the auditor appointed by the trustee is not suitable, or where an auditor has not been appointed, the SEC may direct the trustee to replace or appoint an auditor to the SL-REIT in accordance with these Rules.</p> <p>(4) A Trustee may, at any time if it deems appropriate, remove the auditor of the SL-REIT and appoint another in its place. In addition the unit holders may, by way of an ordinary resolution request the Trustee to replace the auditor.</p>
<b>Co-operation with Auditors</b>	104	<p>(1) A Managing Company shall take reasonable steps to ensure that its employees—</p> <ul style="list-style-type: none"> <li>(a) provide such assistance as the auditor reasonably requires to discharge its duties;</li> <li>(b) give the auditor right of access at all reasonable times to relevant records and information;</li> <li>(c) do not interfere with the auditor's ability to discharge its duties;</li> <li>(d) do not provide false or misleading information to the auditor; and</li> <li>(e) report to the auditor any matter which to the knowledge of an employee may significantly affect the financial position of the SL-REIT.</li> </ul> <p>(2) A Managing Company shall, in writing, require any person to whom the Managing Company has delegated or outsourced any function to co-operate with the SL-REIT'S auditor in accordance with the provisions of these Rules.</p>
<b>Corporate Governance Report</b>	105	<p>(1) A Managing Company shall adopt good corporate governance practices and best industry standards for all activities conducted in relation to the SL-REIT and any matter arising out of its listing or trading on a Stock Exchange. The valuer of the SL-REIT shall observe the best practices and standard</p> <p>(2) The chairman of the Managing Company shall by way of declaration confirm that the corporate governance provisions in these Rules and the relevant listing Rules have been complied with. Any deviations therein shall be explained with a proposed plan to comply with such Rules within the next twelve months.</p>
<b>Financial Statements and Other Reports of the Managing Company</b>	106	<p>(1) A Managing Company of a SL-REIT shall prepare audited financial statements annually and unaudited financial statements monthly of the Managing Company. The unaudited financial statements of the Managing Company shall be signed by two Directors of the Managing Company and submitted to the SEC within two weeks from the end of the month of reporting.</p> <p>(2) A Managing Company shall prepare a Compliance Review Report on a quarterly basis. The report shall be signed by two Directors of the Managing Company. In the event of any non-compliance the Managing Company shall provide an explanation for the said non-compliance and the action to be taken or taken to rectify same in the Compliance Review Report.</p>

## PART XVI

### Application for a license to manage a SL-REIT to the SEC

- 107 (1) An application to operate a SL-REIT shall be submitted in accordance with the requirements, terms and conditions stipulated under Part IV of the Schedule to the SEC Act and shall in addition comply with the requirements set out in these Rule.
- (2) An application for a license to manage a SL-REIT shall be accompanied by:-
- all particulars relating to the issuance or offer of units of a real estate investment trust which the Managing Company is intending to manage including a draft Explanatory Memorandum;
  - all particulars relating to the listing of units on a stock exchange;
  - details of the Managing Company intending to manage a SL-REIT including details of Shareholders, Directors and Key Management Persons
  - details of the proposed Trustee including the draft Trust deed for the SL-REIT prepared in accordance with these Rules;
  - all details of the property or properties to be acquired for the SL-REIT including details relating to the title of the property or properties;
  - documentary proof of all relevant approvals granted in respect of the buildings standing on the properties identified for inclusion in the SL-REIT
  - Valuation reports relating to the properties of the REIT (shall be submitted in accordance with the Valuation Guidelines applicable to REITs as approved by the SEC);
  - report from a firm of chartered accountants on the accuracy/reasonableness of unit price;
  - audited financials of Managing Company for the last three years with unmodified opinion;
  - information to demonstrate that the applicant has processes in place to safeguard the funds of the investing public or the unit holders;
  - certified copy of Business Registration; and
  - a certificate or letter of assurance from a notary public who is a member of a reputed firm of lawyers certifying the validity of the title to the properties or proposed properties that are to be owned by or leased to the SL-REIT.
- (3) The SEC may, if the application complies with all the requirements set out in the SEC Act and these Rules.
- grant a license to the applicant to manage and operate the SL-REIT subject to such terms and conditions as the SEC deems fit and subject to the payment of a license fee as required in terms of the SEC Act; and
  - approve the proposed Trustee to act as the Trustee of the SL-REIT; or
  - reject the application if the SEC deems that the applicant or the application does not meet the requirements specified hereunder
- (4) After obtaining the license from the SEC the Managing Company shall be required to obtain the prior approval of the SEC in the following instances:-
- appointment of a new Trustee.

- (b) in case of reconstruction, amalgamation or any change in the shareholding of a Managing Company;
- (c) appointment or change of construction contractor for the buildings standing on a SL-REIT's property where the cost of such construction amounts to values over 10% of the SL-REIT's NAV;
- (d) appointment or change of property managers;
- (e) appointment of new directors or for any other material change in the information provided to the SEC in its application for the license;
- (f) amendments to the Trust Deed and any supplementary trust deeds of the SL-REIT; and
- (g) amendments to the Explanatory Memorandum and supplementary memoranda of the SL-REIT.

**Notifications to an  
Exchange in which a  
REIT is listed**

- 108 (1) A Managing Company shall forthwith disclose to the Stock Exchange on which a SL-REIT is listed the occurrence of any one or more of the following in addition to the disclosures required to be made under the listing rules of such Stock Exchange:-
- (a) Appointment and resignation of directors of a Managing Company of a SL-REIT;
  - (b) Appointment and resignation of chief executive officer of the Managing Company;
  - (c) Appointment and resignation of any Members of an investment committee of a Managing Company of a SL-REIT;
  - (d) Appointment of a delegate or service provider by a Managing Company in relation to its primary functions;
  - (e) Appointment or resignation of the property manager to manage a SL-REIT;
  - (f) Appointment and resignation of a property developer;
  - (g) Any acquisition of real estates for a SL-REIT;
  - (h) Any disposal of real estates of a SL-REIT;
  - (i) A resolution passed to terminate or wind up a SL-REIT;
  - (j) The completion of the termination or winding up of a SL-REIT;
  - (k) Any matter materially affecting the SL-REIT's income; and
  - (l) All other disclosures as may be required by the SEC or the stock exchange on which the SL-REIT is listed

**Documents required to be  
filed with the SEC**

- 109 (1) A Managing Company shall file with the SEC the following:
- (a) the annual report of the SL-REIT simultaneously with the releasing of such report to the Exchange;
  - (b) the annual report of the Managing Company;
  - (c) all interim reports of the SL-REIT; and
  - (d) copies of any notices issued or published after the approval of the SEC is obtained for the Explanatory Memorandum; and

- (e) certificate of assurance of clear title as to the real estate property belonging to the SL-REIT issued by a notary public having over ten years experience in conveyancing real estate with similar value, prior to a real estate property being acquired by or leased to a SL-REIT.

The documents specified in paragraphs (1) shall be submitted to the SEC by the following;

- (i) a Managing Company
  - (ii) a Trustee where the application relates to the approval of the Trustee and appointment of a Company to act as a Trustee
- (2) Documents which are unsatisfactory will be returned. The applicant including directors and/or sponsors, advisors, experts and any other person of a Managing Company accepting responsibility for all information and documents submitted to the SEC shall exercise due care and diligence in respect of the information submitted relating to or in connection with a SL-REIT. The information so provided shall be accurate as on the date of submission.

## PART XVII

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|--|-----|--|
| <b>Document Constituting a SL-REIT</b> | 110 | <p>(1) The document constituting a SL-REIT established by way of a trust means the Trust Deed</p> <p>(2) Any provision contained in a Trust Deed referred to in paragraph (1) shall be void in so far as it would have the effect of exempting the Managing Company, the Trustee, or the auditor of the SL-REIT from any duty or function required under these Rules or of indemnifying any such person against liability for any failure to carry out such a duty or function.</p> <p>(3) The Trust Deed of a SL-REIT shall not contain any provision that:-</p> <ul style="list-style-type: none"> <li>(a) conflicts with these Rules or any other applicable laws in Sri Lanka or</li> <li>(b) is prejudicial to the interests of the unit holders</li> </ul> <p>(4) The Trust Deed of a SL-REIT shall require its Managing Company and Trustees to be under a continuous duty to:-</p> <ul style="list-style-type: none"> <li>(i) act in the best interests of the unit holders of the SL-REIT;</li> <li>(ii) disclose to the SEC promptly any material information relating to the SL-REIT of which the SEC would reasonably expect notice to be given in a timely and accurate manner; and</li> <li>(iii) disclose to all the relevant parties to a SL-REIT information which is accurate in a timely manner in order that all parties to a SL-REIT may fulfill their obligations to unit holders as required by these Rules or any other applicable Law.</li> </ul> <p>(5) The Managing Company of a SL-REIT shall make the Explanatory Memorandum and the Trust Deed of a SL-REIT under its operation, available in electronic format on its website and in hard copy for inspection during normal working hours at a physical address which is easily accessible to the public.</p> <p>(6) A Trust Deed for a SL- REIT shall in addition to the requirements of the Trust Ordinance contain such provisions, covenants, requirements, information and particulars specified by the SEC.</p> <p>(7) The requirements stipulated herein are in addition to the requirements imposed on a Managing Company and a Trustee under the Law. The provisions of these Rules are in addition to and not in derogation of any other Law.</p> |
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**Minimum Contents for a Trust Deed**

111 (1) A Trust Deed of a SL-REIT shall contain at a minimum the following, in addition to any other information which the SEC may require to be included in the trust deed:-

- (a) Name of the SL-REIT ;
- (b) Participating Parties ;
- (c) A statement to specify the participating parties such as the Managing Company and the Trustee;
- (d) a statement to bind the Trustees and the Managing Company to the provisions of the Trust Deed and to authorize the Trustee to give instructions to the Managing Company as required by the terms of the Trust Deed;
- (e) a provision that a unit holder of a SL-REIT is not liable to make any further payment after he has paid the purchase price of his units and that no further liability can be imposed on him in respect of the units which he holds; and
- (f) a declaration that the assets of the SL-REIT are held by the Trustee on trust for the unit holders who shall hold such units pari-passu according to the number of units held by each unit holder.

**Covenants of the Managing Company**

112 A Trust Deed of a SL-REIT shall specify the duties of a Managing Company, which are required by the SEC in terms of the SEC Act, Directives issued thereunder and these Rules and shall include without limitation the following covenants:-

- (a) that the SL-REIT has, at all times, an appointed Trustee;
- (b) that payment to the trustee is made, within ten working days after receipt by the Managing Company, of any monies which, under the Trust Deed, is payable to the Trustee;
- (c) not to sell any units to which the deed relates other than in accordance with these Rules or the listing Rules of a Stock Exchange on which the SL-REIT is listed;
- (d) to specify the basis of the calculation of the NAV per unit of a SL-REIT;
- (e) to make available to the Trustee all such information as the Trustee requires on all matters relating to the SL-REIT;
- (f) to not exercise the voting rights with respect to the units it holds at any unit holders 'meeting, regardless of the party who requested for and convened the meeting and the matter or matters that are laid before the unit holders; and
- (g) to circulate the trustee's report together with the annual report of the SL-REIT to all unit holders.

**Covenants of the Trust**

113 A Trust Deed of a SL-REIT shall specify duties of the Trust which are required by the SEC Act, Directives issued thereunder and these Rules and shall include without limitation the following covenants:-

- (a) That the SL-REIT shall at all times have a Managing Company;
- (b) That all due diligence and care will be exercised in carrying out its functions and duties and in safeguarding the rights and interests of unit holders to which the Trust Deed relates and undertaking that timely action will be taken against any party that will cause any loss to a property of a SL-REIT in any manner;
- (c) That it will ensure that the Managing Company does not act improperly or engage in unethical business practices in managing the SL-REIT to gain directly or indirectly an advantage for itself or for any other person or to prejudice the interests of unit holders;
- (d) That it will keep or cause to be kept proper books of accounts for all investments and properties of the SL-REIT;
- (e) That it will ensure that proper records are kept of all transactions, dividends, interests and income received and distributed for the SL-REIT; and
- (f) That it will cause the accounts of the SL-REIT to be audited at the end of each financial year by an auditor appointed by the Trustee.

**Joint Covenants of the Management Company and Trustee**

114 A Trust Deed of a SL-REIT shall contain joint covenants by the Managing Company and Trustee which shall include the following:-

- (a) To safeguard the interests of unit holders;
- (b) To ensure that for the duration of the SL-REIT there is a valid deed in force at all times and a covenant undertaking not to exercise the voting rights where there is a conflict of interest; and
- (c) To ensure timely action including the institution of legal proceedings against any defaulter or user of the real estate belonging to the SL-REIT

**Other Provisions**

115 A Trust Deed of a SL-REIT shall also provide for the following:

- (a) Creation of the SL-REIT or declaration of trust, which also sets out full particulars of the trust, including precise information as to the circumstances in which the money, securities, investments, and properties which are the subject of the SL-REIT and the duties and obligations of the trustee towards the SL-REIT.
- (b) That the Trust Deed—
  - (i) is binding on each unit holder as if it had been made a party to it and that it or he is bound by its provisions;
  - (ii) authorizes and requires the Managing Company and the Trustee to do the things required of them by the terms of the deed; and
  - (iii) is made and governed under the laws of Sri Lanka;
- (c) Appointment of a Trustee to the SL-REIT;



- (d) Full particulars of the SL-REIT including, but not limited to—
  - (i) name of the SL-REIT;
  - (ii) investment objective of the SL-REIT;
  - (iii) permitted investments, limits, and restrictions;
  - (iv) valuation of the assets of the SL-REIT;
  - (v) the nature of the SL-REIT;
  - (vi) the SL-REIT's distribution policy including the basis for the distribution or re investment of income;
  - (vii) accounting period of the SL-REIT;
- (e) Full particulars of circumstances by which all or any of the investments may be varied.
- (f) Full particulars on the provision to be made for investments in property that depreciates in value, including the source from which the replacement is to be made or from which the cost of replacement is to be met. If no provision is made, a clear statement to that fact must be made;
- (g) Full particulars on the circumstances in which the Managing Company may be required to repurchase from a unit holder any unit which the unit holder has purchased and the method of calculation of the repurchase price of the unit if or where relevant;
- (h) Full particulars on the conditions governing the transfer of any unit to which the trust deed relates;
- (i) Full particulars on the remuneration of the Managing Company and Trustee respectively and expenses including dealing charges (if any) and expenses which are allowed to be paid out of the SL-REIT;
- (j) Where the deed requires, or confers a right on, unit holders to enter into an agreement in connection with the SL-REIT, a provision incorporating the terms and conditions of that agreement;
- (k) A declaration that unless the conditions of issue of any unit expressly provide that a certificate is not to be issued or that a certificate will be issued at the option of the unit holder, by the trustee to a purchaser of any unit purchased or subscribed for, not more than 21 calendar days after the issue of the unit where relevant. This subparagraph may not be applicable if the units are to be dematerialized;
- (l) Circumstances under which the dealing in units can be deferred or suspended;
- (m) Circumstances, procedures and processes for termination or winding up the SL-REIT;
- (n) Circumstances, procedures and processes for convening of meetings of unit holders, including the manner in which votes may be counted at a meeting of unit holders;
- (o) Circumstances, procedures and processes for retirement, removal and replacement of the Managing Company and the Trustee;

- (p) Circumstances, procedures and processes for the appointment retirement, removal, and replacement of the auditor for the SL-REIT;
- (q) Specific provisions whereby the Managing Company undertakes to keep and maintain an up-to-date register of unit holders and to make that register available for inspection, free of charge, to any unit holder at any time during ordinary business hours of the Managing Company;
- (r) The extent of the indemnity provided by the Managing Company;
- (s) Full particulars relating to unit holders' rights and the extent of their liability; and
- (t) Provisions governing the modification of the trust deed; and
- (u) Provisions on the method of calculating the liquidation and delisting price.

**Minimum content  
in the Explanatory  
Memorandum**

- 116 The Explanatory Memorandum constitutes the fundamental base of information for the subscribers to units of a SL-REIT and shall be reviewed and updated by the SL-REIT as it becomes necessary. In the event the Explanatory Memorandum is intended to be amended, a copy of the addendum shall be submitted and filed with the SEC for its prior approval.

The information required below constitutes the minimum and is not intended to be exhaustive. The Managing Company is obliged to disclose any information which may be necessary for investors to make an informed decision.

(1) Constitution of the SL-REIT

- (a) Introduction to and about the SL-REIT
- (b) Name, registered address and date of creation of the SL-REIT
- (c) Type of investors

(2) Investment Objectives and Restrictions

The Explanatory Memorandum of the SL-REIT shall clearly include the following:-

- (a) Investment Objectives – the fundamental investment objectives of the SL-REIT must be stated and the types of permissible investments in which the fund proposes to invest.
- (b) A disclosure shall be made as to whether the SL-REIT is perpetual or for a fixed or specified term.
- (c) The investment policy and strategy indicating the asset allocation of the SL-REIT in pursuing its objectives;
- (d) The proposed use of the monies raised from the public offering of the units in the SL-REIT and any business plan for the SL-REIT;
- (e) A discussion of the business plan for property investment and management covering the scope and type of investments made or intended to be made by the SL-REIT, including the type(s) of real estate;
- (f) The general character and competitive conditions of all real estate now held or intended to be acquired by the SL-REIT and how it meets the established criteria for selection;

Actual and expected rent per square foot as projected by the valuer shall be disclosed. Where the property has already been leased to any party at a discount less than ten percent of the valuer's projected rent per square foot, such fact shall be disclosed together with the rationale thereto.

- (g) The nature and risks of making property investments in each of the relevant locations, including, an explanation of the nature of the risks, including minimum/maximum exposure, concentration risk;
  - (i) demographics;
  - (ii) state of the economy, economic risks and foreign exchange risk;
  - (iii) political risks;
  - (iv) legal risks and tax considerations;
  - (v) policies that affect property investments and property sales;
  - (vi) overview of the property market;
  - (vii) analysis of the specific property sector and the competitive dynamics in the rental market;
  - (viii) operational requirement; and
  - (ix) rules and regulations governing property ownership and tenancy matters;
- (h) Details of the legal title/beneficial ownership of the underlying property/securities of the SL-REIT;
- (i) Transaction history of the relevant property in the five years immediately preceding and within the date of the valuation report included in the explanatory memorandum;
- (j) Any proposed program for renovation or improvement to the real estate, including the estimated costs thereof and the method of financing to be used;
- (k) The operating data of each of the property including the period of occupancy, occupancy rate, number of tenants and its mix in terms of occupation or business, average annual rental per square foot, and schedule of lease expirations for the next five years;
- (l) The borrowing policy and the method or proposed method of operating and financing the scheme's real estate investments;
- (m) The measures in place to mitigate or minimize risks relating to the investment and management of real estate owned by the SL-REIT;
- (n) The insurance arranged for the SL-REIT;
- (o) The exit strategy in the event of divestment factors and risks which may impact or act as an impediment to an exit, and the contingency plan;
- (p) Details of transactions or agreements entered into with connected parties;

- (q) Full particulars of the nature and extent of the interest, if any, of any director of the Trustee, the Managing Company, the Principal Valuer or any other connected persons to the SL-REIT, in the property owned or proposed to be acquired by the SL-REIT; and where the interest of such a director consists in being a partner in a firm, the nature and extent of the interest of the firm, with a statement of all sums paid or agreed to be paid to him or the firm for services rendered to the SL-REIT;
- (r) The Members in the Audit Committee and how frequently they have to meet;
- (s) A valuation report prepared by the Principal Valuer in accordance with regulatory standards applicable for managing the REIT with respect to all the SL-REIT's interest in real estate, including particulars of each property owned by the SL-REIT or contracted for purchase by the SL-REIT;
- (t) Particulars of any bank overdrafts or similar indebtedness of the SL-REIT, or if there is no such indebtedness, a statement to that effect;
- (u) Occupancy Projections for the next three years;
- (v) Projected Income Statement, Balance Sheet, Cash flow forecast for the three years commencing on the date of the Explanatory Memorandum;
- (w) Accountant's Report on above (t), (u), (v);
- (x) Intervals at which dividends will be paid.

Note: All the above information has to be disclosed in the context of the specific characteristics and circumstances of the investments made or to be made by a SL-REIT, and shall not be generic statements of investment in the property market.

If the nature of the investment policy so dictates, a warning that investment in the SL-REIT is subject to abnormal risks, and a description of the risks involved.

### (3) Designated Persons

The names, registered addresses and responsibilities of the parties involved in the Managing Company operation and valuation of the SL-REIT, including the following parties (where applicable):

- (a) The Managing Company;  
Information on the Managing Company shall include:
  - (i) a description of the expertise, experience, resources, internal controls and risk management system regarding the investment activities of SL-REIT;
  - (ii) Audited Financial Statements of the Managing Company for a period of three years;
  - (iii) description of the SL-REIT management activities;
  - (iv) Specific details of the Investment Committee;
  - (v) The details of the members in the Audit Committee;
  - (vi) How frequently they have to meet; and
  - (vii) What are the roles and responsibilities of Audit Committee.
- (b) the Trustee;
- (c) delegates of the Managing Company where applicable;
- (d) the sponsor; a description of his expertise and experience;

- (e) the property valuer; a description of his expertise, experience, resources, and qualifications
  - (f) the property manager; a description of his expertise, experience and qualifications
  - (g) the fund manager ; a description of his expertise and experience
  - (h) the auditor
  - (i) the registrar
  - (j) the project manager; a description of his expertise and experience
  - (k) the construction contractor; a description of his expertise and experience
  - (4) Characteristics of Units
    - Minimum investment and Subsequent holding (if any)
    - Issue and Redemption of Units
  - (5) Application Procedure
    - Procedure for subscribing units
  - (6) Distribution Policy
    - The dividend policy and approximate dates on which dividends will be paid.
  - (7) Fees and Charges
    - (a) The types of all fees and charges payable by a unit holder, including all charges levied on subscription;
    - (b) The types of all fees chargeable by the SL-REIT, including management fees, trustee fees, start-up expense and fees in relation to listing etc (including underwriting fees, where applicable); and
    - (c) The period of notice to be given to unit holders for fee increases.
- Note: the basis of calculation or the estimated ranges shall be disclosed.  
the expected maximum expense percentage the managing company intends to charge against the value of the SL-REIT
- Disclose details of fees payable in respect of attestation of transfer Deeds and Lease agreements.
- (8) Taxation
    - Details of the principal taxes levied on the SL-REIT's income and capital, including tax, if any, deducted on distribution to holders. Details of applicability of tax pass through status.
  - (9) Valuation Policy
    - The frequency of the valuations to be carried out, qualifications of the valuer and the maximum time of engagement of the valuer.
    - If the valuer is removed then the relevant disclosure and details of valuations to be handed over to the incoming valuer.
    - Disclosure of the actual and expected rent per square foot in respect of a building or proposed building of a SL-REIT
  - (10) Permitted Investments
    - Details to be included under Permitted Investments.
  - (11) Unit Holders Meeting
    - The Managing Company and trustee may convene a meeting of the unit holders at any time, provided any exceptional circumstances require such meeting. All meetings shall be conducted in compliance with the provisions of the SEC Act, Directives issued thereunder, these Rules and the provisions of the Trust Deed.

## (12) Reports and Accounts

- (a) The date of the scheme's financial year.
- (b) Particulars of the types of reports and the timelines

## (13) Warnings

Statements/warnings shall be prominently displayed in the Explanatory Memorandum as follows:

- (a) "Important - if you are in any doubt about the contents of this explanatory document, you shall seek independent professional financial advice".
- (b) A statement to the effect that the rental yield on real estate held by the SL-REIT is not equivalent to the yield on the units.
- (c) A statement to explain:
  - (i) the current rental receipts and that yields may not be sustained;
  - (ii) that the value of the property may rise as well as fall; and
  - (iii) the standards according to which the property valuations are conducted.
- (d) A statement to explain the investment characteristics and risk profile of the SL-REIT.

## (14) General Information

- (a) The date of publication of the Explanatory Memorandum.
- (b) Definitions
- (c) A responsibility statement
 

A statement that the Managing Company, Trustee and its directors accept responsibility for the information contained in the Explanatory Memorandum as being accurate at the date of publication.
- (d) Details of listing procedures and special information relating to listing.
- (e) Governing Laws
- (f) Rights of Unit Holders

## (15) Termination of SL-REIT

A summary of the circumstances in which the SL-REIT can be terminated.

## (16) Disclosures

Disclosure of information shall be made regarding the real estates of the SL-REIT, including but not limited to, the following:

- (a) Details of the real estates owned proposed to be owned/leased by the fund (to be disclosed separately for each real estate unless the details are disclosed in the financial statements) such as—
  - Name and address of the real estates;
  - Description, property type, and age of the real estates;
  - Title details, encumbrances or limitations in title/ interests (if any);
  - Net lettable area, existing use, occupancy rates, period of occupancy, and number of parking spaces;
  - Non lettable area (If any) ;
  - brief particulars of tenancies highlighting the information of major tenants, average lease period etc;
  - date of acquisition of real estates;
  - acquisition price;
  - copy of the standard lease agreements as prepared by a reputed lawyer;

- market value of the real estate, date of latest valuation, and name of independent valuer that carried out the valuation;
- net book value of the real estate.
- (b) Where a real estate is acquired or disposed during the period, the following information must be disclosed;
  - Identity of vendor or lessor and purchaser of the real estate;
  - In the case of acquisitions information required in (a) above; and
  - In the case of disposal date of disposal, disposal price, market value as per valuation report of the real estate, date of latest valuation, name of independent valuer that carried out the valuation, and gain or loss on disposal; and
- (c) Where a real estate is acquired from, or disposed to, a related party during the period, the following details must be disclosed:
  - Information required in (a) above;
  - Relationship between the vendor/purchaser with the fund or management company; and
  - Where unit holders' approval is required and a resolution has been obtained, details of the meeting (such as the date of meeting, number of attendees etc.), and the resolution; and
- (d) Name and address of the property manager for each real estate
- (e) There should also be disclosure of the following information:
  - (i) Name, address, telephone, e mail, active web address and facsimile numbers of the registered office of the managing company and trustee;
  - (ii) Name, address, telephone, and facsimile numbers of each office at which a register of unit holders is kept;
  - (iii) Particulars of each director of the managing company including the following information:
    - A. Name, age, nationality, qualification, and whether the director is an executive, non-executive or independent director;
    - B. Work experience and occupation;
    - C. Date on which he was first appointed to the board;
    - D. Details of any board sub-committee to which he belongs;
    - E. Other directorship of listed companies;
    - F. Conflict of interest if any that he has with the SL-REIT;
    - G. List of convictions for offences within the past ten years other than traffic offences, if any; and a negative statement if not; and
    - H. Number of board meetings attended in the financial year
- (f) Particulars of the chief executive officer and where the chief executive officer is not a director, the following particulars:
  - (i) Name, age, nationality, and qualification;
  - (ii) Work experience;
  - (iii) Date on which he was first appointed by the managing company;
  - (iv) Details of any interest in the fund ;
  - (v) Other directorship of public companies ;
  - (vi) Conflict of interest tha he has with the SL-REIT ; and
  - (vii) List of convictions for offences within the past ten years other than traffic offences, if any; or a negative statement where applicable.

- (g) Particulars of each investment committee member of the SL-REIT including the following information :
  - (i) Name, age, nationality, qualification and whether he is an independent member ;
  - (ii) Working experience and occupation ;
  - (iii) Date on which he was first appointed to the Committee;
  - (iv) Conflict of interest if any that he has with the SL-REIT;
  - (v) List of convictions for offences within the past ten years other than traffic offences, if any; or a negative statement;
  - (vi) Number of Committee meetings attended in the financial year.
- (h) Name and address of any delegates, including the functions delegated to them.
- (i) Particulars of material contracts of the SL REIT involving the managing company and major unit holders' interests, either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year, providing the following particulars for each contract:
  - A. The date;
  - B. The parties;
  - C. The general nature;
  - D. The consideration passing to or from the SL-REIT;
  - E. The mode of satisfaction of the consideration; and
  - F. The relationship between the director or major unit holder and the contracting party (if the director or major unit holder is not the contracting party).

Note:

If no material contract has been entered into, a statement to that effect must be clearly disclosed.

- (j) Where the above contract relates to a borrowings of through a loan the following particulars:
  - (i) Names of the lender and the borrower;
  - (ii) Relationship between the borrower and the director or major shareholder (if the director or the major shareholder is not the borrower);
  - (iii) Purpose of the loan;
  - (iv) Amount of the loan;
  - (v) Interest rate;
  - (vi) Terms as to payment of interest and repayment of principal;
  - (vii) Security/collateral provided; and
  - (viii) Fund's gearing ratio.
  - (ix) Rational as to why borrowed through a loan instead of listed debentures.
- (k) A statement (indicating the date of such statement) that sets out–
  - the names of the major unit holders (excluding bare trustees) and their direct and deemed interests, stating the number and percentage of units in which they have an interest Eg- 20 largest unit holders no of units & % held
- (l) advantages and disadvantages when investing in SL-REITs.
- (m) Litigation, disputes and contingent liabilities
- (17) Declarations
  - (a) Declaration by Managing Company
  - (b) Declaration by Trustee



## SCHEDULE I

**Contents of a SL-REIT's Annual Report** The purpose of a SL-REIT's Annual Report is to provide information to enable unit holders to evaluate the performance of the SL-REIT.

The information required by the SEC under this schedule is the minimum that must be included in a SL-REIT's Annual Report.

### A. Information of the SL-REIT

(a) This section should disclose the following information:

- (i) Name, type, and category of the SL-REIT;
- (ii) The SL-REIT's investment objective;
- (iii) The SL-REIT's performance benchmark;
- (iv) The SL-REIT's distribution policy;
- (v) Composition of the SL-REIT's investment portfolio grouped in appropriate categories, e.g. property (listed by types e.g. Residential, commercial, industrial, etc.), real estate-related assets and non-real estate related-assets (e.g. government securities, cash and near cash), including the respective percentages;

(vi) Breakdown of unit holding as follows:

No of Holders	Total Number of Units Held	%
Less than 100		
100 to 1,000		
1,001 to 10,000		
10,001 to 100,000		
100,001 to less than 5% of approved SL-REIT size		
10% and above the approved SL-REIT size		

(b) Disclosure of information regarding the real estates of the SL-REIT, including but not limited to the following:

(i) Details of the property owned by the SL-REIT (to be disclosed separately for each property unless the details are disclosed in the financial statements) such as—

- Name and address of the properties;
- Description, property type and age of the property;
- Report of the underlying property in relation to the title and a letter of assurance from an attorney at law who is notary public with over ten years' experience (in conveyancing similar properties) that the properties have no encumbrances and if there are any encumbrances or interests or charges on the property the details of same (if any);

- Net lettable area, existing use, occupancy rates, and number of parking spaces;
  - Non lettable area (If any)
  - Brief particulars of tenancies specifying information in areas of tenancy/lease periods, average lease period etc;
  - Date of acquisition of properties;
  - Acquisition prices;
  - Market value of the property, date of latest valuation, and name of independent valuer that carried out the valuation; and
  - Net book value of the property
- (ii) Where a property is acquired or disposed during the period, the following information must be disclosed;
- Identity of vendor/purchaser of the property;
  - (For acquisitions) Information required in (i) above; and
  - (For disposal) Date of disposal, disposal price, market value as per valuation report of the property, date of latest valuation, name of independent valuer that carried out the valuation, and gain/loss on disposal; and
- (iii) Where a property is acquired from, or disposed to, related party during the period, the following details must be disclosed:
- Information required in as above;
  - Relationship between the vendor/purchaser with the SL-REIT or Managing Company, the rationale for disposing to related party; and
  - Whether the unit holders' approval is required and a resolution has been obtained, details of the meeting (such as the date of meeting, number of attendees etc.), and the resolution; and
- (iv) Name and address of the property manager for each property
- (c) There should also be disclosure of the following information:
- (i) Name, address, telephone, e mail, active web address and facsimile numbers of the registered office of the management company and trustee;
- (ii) Particulars of each director of the Managing Company including the following information;
- Name, age, nationality, qualification, and whether the position is an executive or non-executive one, and whether such director is an independent director;
  - Working experience and occupation;
  - Date he was first appointed to the board;
  - Details of any board committee to which he belongs;
  - Other directorship of public companies;
  - Family relationship with any director and/or major unit holder of the SL-REIT;
  - Conflict of interest that he has with the SL-REIT (if any);
  - List of convictions for offences within the past 10 years other than traffic offences, if any; and
  - Number of board meetings attended in the financial year

- (iii) Particulars of the chief executive officer and where the chief executive officer is a director, the following particulars:
- Name, age, nationality, and qualification;
  - Working experience;
  - Date he was first appointed by the managing company;
  - Details of any interest in the; SL-REIT;
  - Other directorship of public companies;
  - Family relationship with any director and/or major unit holder of the SL-REIT;
  - Conflict of interest that he has with the SL-REIT; and
  - List of convictions for offences within the past 10 years other than traffic offences, if any;
- (d) Particulars of each investment committee member of the SL-REIT including the following information:
- (i) Name, age, nationality, qualification, and whether he is an independent member;
  - (ii) Working experience and occupation;
  - (iii) Date he was first appointed to the Committee;
  - (iv) Conflict of interest that he has with the SL-REIT;
  - (v) List of convictions for offences within the past 10 years other than traffic offences, if any; and
  - (vi) Number of Committee meetings attended in the financial year.
- (e) Name and address of any delegates, including the functions delegated to them.
- (f) Name and address of the company secretary of the Managing Company;
- (g) Total number of board meetings in relation to the SL-REIT held during the financial year by the Managing Company;
- (h) Particulars of all sanctions and/or penalties imposed on the SL-REIT, directors of the management company or the Managing Company by the relevant regulatory bodies;
- (i) Amount of non-audit fees incurred for services rendered to the SL-REIT for the financial year by the SL-REIT's auditors, or a firm or company affiliated to the auditors' firm;
- (j) Particulars of material contracts of the SL-REIT involving the Managing Company and major unit holders' interest, either still existing at the end of the financial year or entered into since the end of the previous financial year, providing the following particulars for each contract:
- (i) The date;
  - (ii) The parties;
  - (iii) The general nature;
  - (iv) The consideration passing to or from the SL-REIT;
  - (v) The mode of satisfaction of the consideration; and
  - (vi) The relationship between the director or major unit holder and the contracting party (if the director or major unit holder is not the contracting party).

Note :If no material contract has been entered into, a statement to that effect must be clearly disclosed.

- (k) Where a material contract relates to a borrowing through a loan, the following particulars:
- (i) Names of the lender;
  - (ii) Whether the lender is a related party
  - (iii) Purpose of the loan;
  - (iv) Amount of the loan;
  - (v) Following details if borrowed from a related party:
    - Interest rate;
    - Terms as to payment of interest and repayment of principal;
    - Security/collateral provided; and
  - (vi) SL-REIT gearing ratio.
- (l) Details of twenty largest unit holders

## B. SL-REIT's Performance

- (a) The following information should be disclosed in this section:
- (i) A comparative table consisting the following details for the last three financial years, or since inception if shorter, showing for the end of each financial year–
    - the total asset value of the SL-REIT;
    - the NAV of the SL-REIT;
    - the NAV per unit of the SL-REIT;
    - the highest and lowest NAV per unit;(The figures referred to in (ii) to (iv) should be shown as ex-distribution.)
    - the highest and lowest market price per unit;
    - the number of units listed or in circulation;
    - the distribution per unit (interim and final) and the date for each distribution. The effects of the income distribution on the NAV per unit before and after distribution should be clearly disclosed;
    - the distribution yield of the SL-REIT; and
    - the management expense ratio (MER) of the SL-REIT If applicable
  - (ii) Average total return of the SL-REIT measured over the following periods to the date of the report:
    - One year, or since inception if shorter;
    - Three years; and
    - Five years.
  - (iii) Annual total return of the SL-REIT for each of the last five financial years, or since inception if shorter.
  - (iv) A SL-REIT report may include other performance data aside from those mentioned in above.

However, all performance data presented must comply with the following requirements:

- The bases of calculation and any assumptions made should be consistently applied, adequately disclosed and independently verified; and
  - Whether the data used was obtained from independent sources.
- (v) It must be clearly stated that past performance is not necessarily indicative of future performance and that unit prices and investment returns may fluctuate.

### C. Manager's Report

- (a) A Managing Company shall prepare a report containing an operational review of the SL-REIT; the result of those operations and details of significant changes in the state of affairs of the SL-REIT during the financial period.
- (b) In selecting a format for the presentation of the manager's report, consideration should be given, not only to its completeness and accuracy, but also to the clarity of the overall presentation.
- (c) The manager's report shall include, but not be limited to the following:
  - (i) Explanation on whether the SL-REIT has achieved its investment objective. The explanation should be stated upfront and clearly.
  - (ii) Comparison between the SL-REIT's performance and the performance benchmark stated in the explanatory memorandum. This should cover the last five financial years, or since inception if shorter, and should be illustrated in graphical form;
  - (iii) Description and explanation of significant changes in the state of affairs of the SL-REIT during the period and up to the date of the manager's report, not otherwise disclosed in the financial statements;
  - (iv) An explanation on any differences in portfolio composition between the period under review and previous year (where applicable);
  - (v) An analysis of the SL-REIT's performance based on changes in total NAV and NAV per unit since the last review period or since commencement (for newly established SL-REIT);
  - (vi) An analysis of the SL-REIT's performance based on changes in prices since the last review period or since commencement (for newly established SL-REIT);
  - (vii) A brief explanation of the status of utilization of proceeds raised from any issuance of new units (where applicable);
  - (viii) Any circumstances which materially affect any interests of the unit holders;
  - (ix) Changes in material litigation (including status of any pending material litigation) since the last annual balance sheet;
  - (x) Explanation on any maintenance costs and major capital expenditure incurred during the period;
  - (xi) Statement explaining the Managing Company's responsibility for preparing the annual accounts for auditing purpose

### D. Trustee's Report

- (a) A Trustee shall prepare a report stating in its opinion whether the Managing Company has managed the SL-REIT in accordance with the following:
  - (i) Limitations imposed on the investment powers of the Managing Company by the trustee under the Trust Deed, the SEC Act, directives issued thereunder, these Rules and other applicable laws;
  - (ii) Valuation/pricing is carried out in accordance with the Trust Deed and any regulatory requirement; and
  - (iii) Creation and cancellation of units are carried out in accordance with the Trust Deed and any regulatory requirement.

- (b) If the Trustee is of the opinion that the Managing Company has not done so, the trustee should disclose the shortcoming(s) which may have an impact on the decision of the existing or the potential unit holders to remain invested or to invest in the SL-REIT. The trustee should highlight steps taken to address the shortcoming(s) and/or to prevent the recurrence of the shortcoming(s).
- (c) The report prepared by the trustee under (a) shall include a further statement stating in its opinion whether the distribution of returns by the SL-REIT is relevant and reflects the investment objective(s) of the SL-REIT.

#### **E. Auditor's Report**

- (i) An annual report for a SL-REIT shall be accompanied by an auditor's report.
- (ii) An auditor's report shall contain an opinion on the accounts of the SL-REIT. Where the report is qualified, the details of the qualification shall be noted under the section dedicated for comments.
- (iii) to provide all necessary information to enable unit holders to evaluate the performance of the REIT.
- (iv) The financial statement shall give a true and fair view of the financial position, financial performance and cash flows of a SL-REIT. The financial statements shall be prepared and audited in accordance with applicable and approved accounting and auditing standards and shall comply with all statutory and regulatory requirements.
- (v) For interim reports, it shall be clearly stated whether the financial statements in the interim report are audited or unaudited.
- (vi) For the purpose of interim reports where unaudited financial statements are used, the financial statements shall include a declaration by the director(s) of the Managing Company stating that the financial statements give a true and fair view of the financial position, financial performance and cash flows of the SL-REIT. A signed copy of the declaration, which are identical to the declaration printed in the report shall be submitted to the SEC.
- (vii) There shall be additional information disclosed in the financial statements as follows:
  - NAV of the SL-REIT;
  - Number of units listed or in circulation;
  - NAV per unit (ex-distribution, where applicable);
  - Net assets/liabilities attributable to unit holders; and
  - NAV backing at book value of each unit as at balance sheet date of the accounts.

#### **Note**

The carrying amounts of investments (where applicable) should be categorized as follows:

- Property;
- Non-real estate-related assets;
- Cash and cash equivalents; and

- Amounts and percentages of fees, charges and reimbursements paid to the managing company and Trustees, with each type of fees charged shown separately;
  - Fee paid to trustee and any reimbursement of trustee's expenses;
  - Valuation fees;
  - Total amount available for distribution and distribution per unit(interim and final); and
  - The net income after tax to be shown separately between realized and unrealized portions.
- The number of units and value held by the managing company (directly or indirectly) together with related parties
- Auditor's verification of management expense ratio and portfolio turnover ratio (applicable only for annual report);
- Sources of distribution made to unit holders must be disclosed(the prescribed format is as follows):

<i>Description</i>	<i>FY1</i>	<i>FY2</i>
Rental income		
Dividend income		
Realized gains (less losses) on sale of investments		
Other income		
Less- expenses		
Taxation		
Distribution as per unit		
Distribution as %		

## SCHEDULE II

### A. Submission of Applications for License to the SEC

- (a) An application submitted for SEC's approval should comprise the following—
- Cover letter, specifying (where applicable)—
- the approval sought, including particulars of the proposal(s);
  - particulars of the initial public offering (IPO) proposal;
  - Particulars of other required approvals obtained/pending (if applicable); declaration of conflict of interest, if any, by advisers/experts of the application. If a conflict of interest exists, to provide full disclosure of the nature of conflict and the rational to proceed with a transaction/engagement despite the prevalence of a conflict of interest.
  - Draft Explanatory Memorandum
  - Information on real estates to be acquired by the SL-REIT
  - Commentary on the SL-REIT's future performance.
  - Performance balance sheets after incorporating the effects of the proposal
  - Opinion of the competent, independent expert on profit forecast
  - Draft Trust Deed
  - Any other document to support the application
- (b) An application for the appointment of a company to act as managing company to a SL-REIT shall be accompanied by
- (c) Statutory declaration from the applicant stating that it is independent of the trustee.
- (d) A declaration letter from the directors of the applicant, qualifications, experience and suitability to perform as a director
- (e) Details on the property manager, including corporate information and track record.
- (f) Request for the appointment of a licensed commercial bank to act as Trustee of a SL-REIT.
- (g) All applications should be accompanied with the appropriate fee



### SCHEDULE III

**An Application for approval of the SEC by a Managing Company to Appoint a Delegate or Service Provider**

An application for approval to appoint a delegate or service provider shall be accompanied with the following;

- (a) An undertaking that the applicant will take responsibility for the actions and omissions of the delegate as though they were its own actions and omissions.
- (b) A declaration by the applicant that it—
  - has adequate procedures to monitor the conduct of the delegate to ensure that the delegated function is performed in a proper and efficient manner;
  - has conducted a review of the operations of the delegate, and is satisfied that the delegate has the capabilities and capacity, and is suitable to undertake the delegated function; and
  - is satisfied that the delegate will be able to fulfill its duties and responsibilities of the delegated function in a proper and efficient manner.

#### SCHEDULE IV GUIDANCE NOTES

##### GUIDANCE UNDER GENERAL SECTION

The SEC may from time to time, provide guidance by way of Directives or otherwise on the provisions of these Rules to a Managing Company and the Trustee. The SEC reserves the right to decide on any matter pertaining to SL-REIT as and when required. The Managing Company and Trustee shall comply with the guidance provided and any decision made or instruction given by the SEC in the same manner as these Rules.

##### GUIDANCE UNDER FOR ENSURING VALID TITLE UNDER MANAGING COMPANY

- (i) The deed and the plan should be the original deed and plan of the current owner or copy of the duplicate certified by the Registrar of lands or the copy of the protocol certified by the relevant notary who attested same.
- (ii) Copies of plans are required to be certified by the surveyor who prepared the plan or if he is not available the certificate should be obtained from the surveyor in whose custody the duplicate copies of the plans are kept.
- (iii) Where there has been a change to the lot size there should be an endorsement by the surveyor stating that there is no further change to the status or boundaries of the property.
- (iv) If the building is under construction the approved building plan or if the building is already constructed the certificate of conformity shall be submitted for examination

##### GUIDANCE UNDER DUTIES AND RESPONSIBILITIES OF THE TRUSTEE

- To safeguard the interests of unit holders, the trustee may if deemed appropriate conduct independent reviews without depending solely on information submitted by the Managing Company.
- A trustee shall ensure that it is fully informed of the investment policies of the trust adopted by the Managing Company and of changes made if any. If the Trustee is of the opinion that such policies are not in the best interests of unit holders, it shall after considering any representations made by the Managing Company, instruct the Managing Company to take appropriate action as the Trustee deems fit and or summon a unit holders' meeting or give such instructions to the Managing Company to hold such meeting.
- Functions of the Managing Company and do everything in its power to ensure that the Managing Company remedies any breach as may come to the knowledge of the Trustee of the provisions or covenants of the Trust Deed, disclosures in the Explanatory Memorandum, requirements of the SEC Act, Directives issued thereunder, these Rules and Rules of a licensed Stock Exchange.

##### GUIDANCE UNDER PERMITTED INVESTMENTS

The use of the SL-REIT's latest total asset value, as disclosed in the latest published audited accounts of the fund and adjusted for any subsequent transaction since the publication of such accounts shall be used in determining compliance with the limits and restrictions.