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அமைச்சரவை அலுவலகம்
OFFICE OF THE CABINET OF MINISTERS

CABINET DECISION

අමාත්‍ය මණ්ඩල තීරණය

அமைச்சரவைத் தீர்மானம்

පිටපත් : ජනාධිපති ලේකම්. මගේ අංකය: අමප/17/1142/733/015-I
අග්‍රාමාත්‍ය ලේකම්. 2017 ජූනි මස 28 දින.
ජාතික ප්‍රතිපත්ති හා
ආර්.ක.ලේකම්.
සංවර්ධන උ.හා ජාත්‍යන්තර
වෙ. ලේකම්.
විගණකාධිපති.

ක්‍රියා කළ යුතු : මුදල් හා ජනමාධ්‍ය අමාත්‍යාංශයේ ලේකම්.
රාජ්‍ය ව්‍යවසාය සංවර්ධන අමාත්‍යාංශයේ ලේකම්.

'Grand Hyatt Hotel' ව්‍යාපෘතියේ ඉතිරි කටයුතු අවසන් කිරීම සඳහා සිදු කළ යුතු ආනයනික කටයුතු තීරු බදු හා දේශීය නිපැයුම් බදුවලින් නිදහස් කිරීම

(රාජ්‍ය ව්‍යවසාය සංවර්ධන ගරු ඇමතිතුමා ඉදිරිපත් කළ 2017-05-23 දිනැති සංදේශය)

2017 ජූනි මස 20 දින පැවැත්වුණු අමාත්‍ය මණ්ඩල රැස්වීමේදී එළඹී තීරණයක් අවශ්‍ය කටයුතු සඳහා මේ සමඟ එවා ඇත.

ඩබ්ලිව්.එම්.ඩී.ජේ.ප්‍රනාන්දු
අතිරේක ලේකම්.
MD

අ.කලේ/එස්.අබේසිංහ
අමාත්‍ය මණ්ඩලයේ ලේකම්.

(ආ) න්‍යාය පත්‍රයේ විෂයයන්:

(I) අමාත්‍ය මණ්ඩල පත්‍රිකා - සාමාන්‍ය:

31. අමාත්‍ය මණ්ඩල පත්‍රිකා අංක 17/1142/733/015-I වූ, "Grand Hyatt Hotel" ව්‍යාපෘතියේ ඉතිරි කටයුතු අවසන් කිරීම සඳහා සිදු කළ යුතු ආනයනික කටයුතු තීරු බදු හා දේශීය නිපැයුම් බදුවලින් නිදහස් කිරීම" යන මැයෙන් රාජ්‍ය ව්‍යවසාය සංවර්ධන ඇමතිතුමා ඉදිරිපත් කළ 2017-05-23 දිනැති සංදේශය - ඉහත සඳහන් සංදේශය, අතිගරු ජනාධිපතිතුමාගේ සහ මුදල් හා ජනමාධ්‍ය ඇමතිතුමාගේ නිරීක්ෂණ සහ රාජ්‍ය ව්‍යවසාය සංවර්ධන ඇමතිතුමා විසින් මෙම රැස්වීමේදී සිදු කරන ලද වැඩිදුර කරුණු පැහැදිලි කිරීම් සමඟ සලකා බලන ලදී. මේ පිළිබඳව සාකච්ඡා කිරීමෙන් අනතුරුව, පහත සඳහන් පරිදි ක්‍රියා කරන ලෙස මුදල් හා ජනමාධ්‍ය ඇමතිතුමාගෙන් සහ රාජ්‍ය ව්‍යවසාය සංවර්ධන ඇමතිතුමාගෙන් ඉල්ලා සිටීමට තීරණය කරන ලදී:

- (i) සංදේශයේ සඳහන් යෝජනාව පිළිබඳව සාකච්ඡා කිරීම; සහ
- (ii) ඉහත (i)හි පරිදි සාකච්ඡා කරනු ලැබීමෙන් අනතුරුව, එකඟවනු ලබන කරුණු සලකා බැලීම පිණිස, ඒකාබද්ධ යෝජනාවක් ලෙස අමාත්‍ය මණ්ඩලය වෙත ඉදිරිපත් කිරීම.

ක්‍රියා කළ යුතු: මුදල් හා ජනමාධ්‍ය අමාත්‍යාංශය - ගරු ඇමතිතුමාගේ අවධානයට යොමු කිරීම පිණිස - අතිගරු ජනාධිපතිතුමාගේ නිරීක්ෂණ යා කොට ඇත.
රාජ්‍ය ව්‍යවසාය සංවර්ධන අමාත්‍යාංශය - ගරු ඇමතිතුමාගේ අවධානයට යොමු කිරීම පිණිස - ඉහත නිරීක්ෂණ යා කොට ඇත.

පිටපත්: ජනාධිපති ලේකම් - මුදල් හා ජනමාධ්‍ය ඇමතිතුමාගේ නිරීක්ෂණ යා කොට ඇත.
අග්‍රාමාත්‍ය ලේකම් - සංදේශයේ පිටපතක් හා ඉහත නිරීක්ෂණ යා කොට ඇත.
ජාතික ප්‍රතිපත්ති හා ආර්ථික කටයුතු අමාත්‍යාංශය - සංදේශයේ පිටපතක් හා ඉහත නිරීක්ෂණ යා කොට ඇත.
සංවර්ධන උපායමාර්ග හා ජාත්‍යන්තර වෙළඳ අමාත්‍යාංශය - සංදේශයේ පිටපතක් හා ඉහත නිරීක්ෂණ යා කොට ඇත.

(B) Agenda Items :

(I) Cabinet Papers - General

31. Cabinet Paper No.17/1142/733/015-I, a Memorandum dated 2017-05-23 by the Minister of Public Enterprise Development on "**Waiver of application of CESS & Excise Duty on the imports to be made to complete the balance work of Grand Hyatt Colombo, Hotel Project**" - the above Memorandum was considered along with the observations of H.E. the President; and the Minister of Finance and Mass Media and the further clarifications made by the Minister of Public Enterprise Development, at this meeting. After discussion, it was decided to request the Minister of Finance and Mass Media and the Minister of Public Enterprise Development -

- (i) to discuss the proposal in the Memorandum; and
- (ii) to submit the outcome of (i) above, as a joint proposal to the Cabinet, for consideration.

Action by: **My/Finance and Mass Media** - to be brought to the notice of the Hon. Minister - observations of H.E. the President annexed.

My/Public Enterprise Development - to be brought to the notice of the Hon. Minister - above observations annexed.

Copied to: **Secretary to the President** - observations of the Minister of Finance and Mass Media annexed.

Secretary to the Prime Minister - copy of Memorandum and above observations annexed.

My/National Policies and Economic Affairs - copy of Memorandum and above observations annexed.

My/Development Strategies and International Trade - copy of Memorandum and above observations annexed.

Checked by : 1. *[Signature]*
2. *[Signature]*



Cabinet Memorandum
Ministry of Public Enterprise Development



Cabinet Memorandum No. : 2017/26
Reference No. : MPED/ES/01/02/CM 2017

Date

**WAIVER OF APPLICATION OF CESS & EXCISE DUTY ON THE IMPORTS TO BE
MADE TO COMPLETE THE BALANCE WORK OF GRAND HYATT COLOMBO,
HOTEL - PROJECT**

Background

Grand Hyatt Colombo, a project funded by a consortium of State Owned Entities involving Sri Lanka Insurance, EPF and Litro Gas had been promoted to provide the infrastructure needed by the booming hospitality industry space in the economy.

The project development company, Sinolanka Hotels & Spa (Pvt) Ltd has already invested Rs. 16.5 billion on the project and the balance investment of Rs. 28.5 billion is expected to be funded by a term facility to be mobilized from banking sources and equity holders.

Being identified as a strategic development project designed to revive an ailing and abandoned development initiative by a company in the Ceylinco Group, Sinolanka Hotels & Spa (Pvt) Ltd was provided with the following fiscal incentives in terms of Strategic Development Project Act No 14 of 2008 to attract investments and to mitigate the burden that shouldered by the funding agencies (Annexure I).

Fiscal Item	Type of Tax Relief	Period or Nature of Exemption
Corporate income tax	Tax Holiday	For 10 years (from 1 st year if there is taxable profit and if not from the 3 rd year onwards)
Corporate income tax	Partial Exemption after succeeding tax holiday period @ 6%	For 15 years (After 25 year normal tax rate will be applied)
Tax on Dividends	Dividends Distributed to Shareholders out of profit is exempted for income tax	For 10 year plus another one (1) year thereafter
PAYE Tax	Tax Exemption for maximum 20 expatriate	For 5 years
WHT	On interest on foreign loans taken for capital expenses	Fee will not exceed 3% of gross operating revenue by way of basic management fee/royalties,
	On technical fee to consultant	Marketing fee will not exceed 1,5% of gross operating fees
	On management fee, royalty payments and marketing fee	Management fee will not exceed 10% of gross operating profit

VAT	Project related Payment of VAT on importation of goods and local Purchases of goods and services including acquisition of the existing building	Project construction period
PAL (Port & Airport levy)	Payment of PAL	Project Construction Period
Custom Duty	Exemption from custom duty will be applicable to all capital goods imported in the name of the company implementation on the project in relation to items imported solely for the purpose of the project.	Project construction period
Stamp Duty	Exemption from stamp duty will be applicable to total purchase price of the asset acquired	At the time that the asset is acquired
Transfer Fee	Exemption of leased hold land transfer fee in case of asset is acquired	At the time that the asset is acquired

The project now is on an advanced stage of development and it has become necessary to import its interior fit-outs etc. in large quantities involving heavy investments with ensuing severe financial constraints. The waiver of this tax burden would ease the company of its strains on finances and assist the same in completing the project expeditiously.

Though the Ministry of Finance had given its concurrence to the Board of Investment directing them to exclude this project from being subjected to CESS & EXCISE duty and BOI agreed to follow-up the matter, it appears that nothing has been materialized (Annexures 2 & 3).

Approval

We hereby seek the approval of the Cabinet of Ministers, with the concurrence of the Minister of Finance to waive the application of CESS & EXCISE DUTIES on the imports specified in the attachment (annexure 4) to be done with effect from 1st January 2017.



Kabir Hashim (M.P.),
Minister of Public Enterprise Development.

ශ්‍රී ලංකා ප්‍රජාතාන්ත්‍රික සමාජවාදී ජනරජයේ ගැසට් පත්‍රය
අති විශේෂ
The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY

අංක 1771/18 - 2012 අගෝස්තු මස 15 වැනි බදාදා - 2012.08.15
No. 1771/18 - WEDNESDAY AUGUST 15, 2012

(Published by Authority)

PART I : SECTION (I) — GENERAL

Government Notifications

STRATEGIC DEVELOPMENT PROJECTS ACT, No. 14 OF 2008

Notification under Section 3(2)

BY VIRTUE of the powers vested in me in terms of section 3 (2) of the Strategic Development Projects Act, No. 14 of 2008 as amended I, Basil Rohana Rajapaksa, Minister of Economic Development, being the Minister in charge of the subjects of Investment and Tourism, do by this Notification —

- (1) Identify as a Strategic Development Project for the purposes of the aforesaid Act, the Project to construct and operate a 475 roomed city hotel with 90 Serviced Apartments at No. 116, Galle Road, Colombo 03 in the Western province with a total investment of United States Dollars One Hundred Fifty Eight Million and Eight Hundred Ninety Thousand (US\$ 158,890,000) as a project of national interest that is likely to bring economic and social benefit and also to change the landscape of the Country, and further notify that Sinolanka Hotels and Spa (private) Limited ("Project Company") entered into a Project Agreement with the Board of Investment of Sri Lanka on 19th July 2012 ;
- (2) Declare that the date of commencement of the project Shall be 19th July 2012 wherein the project Agreement between the Board of Investment and the Project Company has been executed. The implementation and commencement of commercial operations of the project shall be within Twenty Four (24) months from the date of the said project Agreement ;
- (3) Specify that for the purposes of the aforesaid project, in terms of the Strategic Development Projects Act No. 14 of 2008 as amended, the exemptions set out in the Schedule to this Notification shall apply to the project company.

SCHEDULE

(a) The Inland Revenue Act, No. 10 of 2006.

- (i) The provisions of the Inland Revenue Act No. 10 of 2006 relating to the imposition of income tax of the Project Company on the profit from the project shall not apply for a period of ten (10) years ("Tax Exemption Period"). The tax on dividends distributed to shareholders out of profits shall be exempted from income tax during the said Tax Exemption Period and one year thereafter.
- (ii) The said exemption period to commence from the first year in which the Project Company makes taxable profit or three (03) years after commencement of commercial operations, whichever falls first.
- (iii) After the expiration of the aforesaid tax exemption period referred to above the profits and income of the Project Company shall be charged at the rate of the lower of six percentum (6%) or one half of the prevailing tax rate for the hotel industry, for a period of fifteen (15) years immediately succeeding the last date of the Tax Exemption Period ("Tax Concessionary Period").

- (iv) Provided that after the expiration of the aforesaid Tax Exemption Period and Tax Concessionary Period referred to above, income tax in respect of the profits and income of the Project Company shall be payable in terms of the provisions of the inland Revenue Act for the time being in force.
- (v) The expatriate staff of the Company shall be exempted from the charge and payment of Pay As You Earn Tax (PAYE) subject to a restriction that this concession shall apply subject to the maximum number of 20 employees. This concession shall be applicable for a period of five years from the date of commencement of commercial operations. The Project Company shall be required to gradually replace expatriate staff with local employees on a best efforts basis.
- (vi) The Project Company shall be exempt from the payment of Withholding Tax on the following :
- (a) on interest on foreign loans taken for capital expenditure.
 - (b) on technical fees to consultants.
 - (c) on management fees, royalty payments and marketing fees, provided these payments are made to any subsidiary or associate of Hyatt Hotel Corporation, USA including :

Hyatt International South West Asia Ltd
Hyatt International Corporation
Hyatt Chain Services Ltd
International Reservation Ltd
HGP Travel Ltd,
- Provided management and royalty fees does not exceed 3% of gross operating revenue, marketing fees does not exceed 1.5% gross operating revenue and incentive management fees does not exceed 10% gross operating profits.
- (b) The Value Added Tax Act (VAT) No. 14 of 2002
- The payment of Value Added Tax (VAT) on the importation of project related goods and the local purchases of project related goods and services during the Project Implementation Period be fully exempted from charge and payment of VAT. The VAT exemption shall be applicable not only for direct supplies to the Company/Project but also supplies made by a sub contractor to a contractor approved by the Project Company as described and permitted in the VAT Act.
- The Company shall be liable for the payment of VAT on value of supply as defined in the VAT Act No. 14 of 2002 on the Commencement of commercial operations.
- (c) The Port and Airport Development Levy Act, No. 18 of 2011
- The Company shall be exempted from the payment of Ports and Airports Development Levy (PAL) on all items imported for implementing the Project (whether directly imported by the Company or sourced through contractors) as described and permitted in the Airports Development Levy Act as amended, during the Project Implementation Period.
- (d) Customs Ordinance (Chapter 235)
- All imports of project related items required for the Project, whether directly imported by the Project Company or sourced through contractors provided that the goods are consigned in the name of the Company shall be exempted from customs duty as approved by the Board of Investment of Sri Lanka for the purpose of the Project during the implementation period.

Colombo,
On this 14th day of August 2012.

08-832

BASIL ROHANA RAJAPAKSA, M.P.
Minister of Economic Development.



රාජ්‍ය මූල්‍ය ප්‍රතිපත්ති දෙපාර්තමේන්තුව
அரசிணைக்ககத் திணைக்களம்
Department of Fiscal Policy

අධ්‍යක්ෂ ජනරාල්
பணிப்பாளர் நாயகம்
Director General

Annex-2

011-248464

කාර්යාලය
அலுவலகம்
Office

011-248494

ෆැක්ස්
பக்ஸ்
Fax

011-233348

විද්‍යුත් තැපෑල
மின்துறை
E-mail } dgfpd.treasury.gov.lk
වෙබ් අඩවිය
இணையத்தளம் } www.treasury.gov.lk
Website

இருள் அமைச்சு
நிதி அமைச்சு
Ministry of Finance

මහ ලේකම් කාර්යාලය, කොළඹ 01

செயலகம், கொழும்பு 01

The Secretariat, Colombo 01

මගේ අංකය
எனது இல
My No. } FP/06/05/02/01/ (vi)

ඔබේ අංකය
உமது இல.
Your No. }

දිනය
திகதி
Date } 09.10.2015

Chairman
Board of Investment of Sri Lanka
World Trade Center – West Tower
Echelon Square
Colombo 1



Dear Sir,

**Sino Lanka Hotels & Spa (Pvt) Ltd - Hyatt Regency Colombo Hotel Project
Exempt from payment of Cess and Excise Duty on Imports**

This refers to the dated 06.08.2015 sent by you requesting us to issue necessary advice to Sri Lanka Customs on the above.

Projects which are identified as Strategic Development Projects within the meaning of Strategic Development Projects Act No. 14 of 2008 (SDPA) as amended by Strategic Development Projects Amendment Acts, No.16 of 2013, could be exempted from taxes including Cess and Excise Duty.

These exemptions may be granted from time to time, either in full or part. Granting any such exemption is within the purview of the Board of Investment of Sri Lanka (BOI), in consultation with Hon. Minister of Finance and with the approval of the Cabinet of Ministers.

Accordingly, you may extend the tax concessions granted to above project to excise duty and Cess on project related materials which are used exclusively for the project, other than vehicles used for travelling purposes.

The letter dated 21.12.2012 sent to you by this Department on the same issue is attached for your perusal.

Yours faithfully

A.K. Senevirathna
Director General

Cc: Chairman, Sino Lanka Hotels & Spa (Pvt) Ltd ✓

Handwritten signature/initials



Annex



BOARD OF INVESTMENT OF SRI LANKA

P.O. Box 1768, World Trade Centre - West Tower, Echelon Square, Colombo 01, Sri Lanka.

Date 02/11/2015
Our Ref EC/4/1509/2012
Your Ref :



Mr. D R P Abeysinghe J P
Managing Director
Sinolanka Hotels & Spa (Pvt) Ltd
No 267, Union Place
Colombo -02.

Dear Mr. Abeysinghe

Grand Hyatt Hotel Colombo
Exempt from payment of CESS and Excise duty on imports

We acknowledge receipt of your letter dated 15 October 2015, addressed to, Chairman, Board of Investment of Sri Lanka on the above matter and wish to inform that request will be forwarded for the consideration of the Cabinet Ministers.

Yours sincerely

Renuka M Weerakone
Executive Director (Investment Appraisal & Promotion)
BOARD OF INVESTMENT OF SRI LANKA

-cs

List of Items subject to Excise Duty & Cess

Sl. No.	COMMODITY	HS CODE	Cess		Exc. Duty
			%	Rs. Per Kg. nett	%
1	RG GYPSUM BOARD	6809.11.10	35		
2	JOINT COMPOUND	3214.10.00	-	50	
3	FIBER TAPE	3926.90.90	15		
4	SILICONE	3917.39.00	10		30
5	CALCIUM SILICATE BOARD	6809.90.00	35		
6	FRAME DOOR ,FRAME SHUTTER ,ARCHITRAVES,GLASS DOOR AND PANEL /ACCESSORIES	4418.20.00	15		
7	PANEL SET,MDF HOOK AND BATTEN,SOLID WOOD,CAR CASE,FINISH SKIRTING, KING BED SET,CLOSET PANNEL SET, HEAD BORD PANEL SET,BACKING	4418.90.00	15		
8	M4 GOLDEN ROYAL TALU /M3-BOTTICINO	6802.21.00	20		
9	PENETRATING APPLIANCE	3506.10.90	5		
10	WALL COVERING	4814.20.00	5		
	PAINT , PRIMER STUCCO	3210.00.90	-	80	
12	GLASS	7007.19.00	15		
13	TASK LAMP FLOOR LAMP	9405.20.90	5		
14	TRACK	6112.11.00	-	60	
15	DREPARY	6303.12.20	-	60	
16	BED BESE SET,NIGHT STAND SET ,DESK TABLE SET, MINI-BAR CABINET SET, STAND CONSOLE TABLE, COFFEE TABLE, STOOL,SOFA	9403.60.90	30		
17	GLASS DOOR AND PANEL MIRROR.	7009.91.00	-	75	
18	ALLOW IRON MONGERY FOR GLASS DOOR	8302.49.00	30		
19	CONCEALED DOOR CLOSER	8302.60.00	30		
20	MOTORIZED ROLLER BLIND	3925.30.00	15		
	ACCESSORIES04 PKGS PICTURE LEDGE	8302.41.00	30		
22	CASEMENT	6303.12.00	-	60	
23	DRAIN COVER	7324.29.00	10		
24	CLOSET HARDWARE	8302.42.00	30		
25	TASK CHAIR	9403.60.90	30		
26	GLASS CATCHER	8302.50.00	30		
27	BED SIDE SCONCE LAMP WALL SCONES BATH ROOM LAMP	9405.10.90	5		
28	GYPSUM ACCES PANELS	6809.90.00	35		
29	MINI BAR (CUPBOARD)	9403.50.90	30		
30	WALL PANEL	4418.90.00	15		
31	PAINT	3210.00.90	-	80	

32	DOOR TYPE D1, DOOR TYPE 02, CONCEALED DOOR CLOSE R, DOOR VIEWER, CONCEALED	4418.20.00	15		
33	WOOD PANEL	4418.90.00	15		
34	HINGES	8302.10.90	30		
35	MARBLE	6802.21.00	20		
36	FIXED MIRROR PANEL, VANITY MIRROR, MAGNIFYING MIRROR, MIRROR MR,	7009.92.00	-	75	
37	TABLE LAMP	9405.20.90	5		
38	TWIN BED,- WOODEN	9403.50.90	30		
39	VANITY CUPBOARD, HEADBOARD, CLOSET, MINI BAR CABINET, TV STAND, CONSOLE TABLE, TASK CH	9403.60.90	30		
40	TWIN BED,- WOODEN	9403.50.90	30		
41	WOOD PANEL,	4418.90.00	15		
42	WALL COVERING	4814.20.00	5		
43	GLASS WALLS FOR GL	7013.99.90	-	50	
44	VANITY COPBOARD.	9404.10.90	8		
45	FIXED GLASS	7016.90.00	-	60	
46	HEAD BOARD WITH BED CASE	9403.50.90	30		
47	SYNTHETIC FABRIC	6303.12.00	-	60	30
48	VANITY DRAWER, VANITY FACIA PANEL, CABINET, PLYWOOD STAND WITH DRAWER	9403.60.90	30		
49	CLOSET CABINET, LUGGAGE RACK PLYWOOD BAKING, PLYWOOD PLAINTH BOARD	9403.50.90	30		
50	SLIDING DOOR PELMET BOX	4418.20.00	15		
51	FIXED SHELF, TIMBER AMENITIES TRAY	9403.90.90			
52	KNOCK-DOWN PANELS	4418.90.00	15		
53	TIMBER COFFEE TABLE WITH STAINLESS STEEL LEG	9403.40.90	30		
54	RUBBER UNDERPLAY 03ROLL	4016.91.00	15		
55	WOOD VENEER CASING ADJASENT	4421.90.90	20		
56	CLEAR SILICONE	3214.10.00		50	30
57	NYLON WALL PLUG 300PCS	3926.90.90	-	75	
8	TIMBER LEG FOR SOFA	9401.90.90	5		
59	HEAD BOARD STEEL MOUNTING BRACKET	8302.50.00	30		
60	STAND LAMP	9405.20.90	5		
61	KING BED SET(MR115)MATRES	9404.21.90	8		
62	CARPET	5701.10.00	25		
63	WALL COVER	4814.20.00	5		
64	ADESIVE FOR MIRRORS	3506.10.90	5		
65	ABRASIVE PAPER	4821.90.00	10		
66	DOUBLE SIDE TAPE	5803.00.00	-	100	
67	TURNS(HANDLES)4 PCS	8302.49.00	30		
68	LIGHTING METAL COM:FLOOR LAMP04 NOS	9405.20.90	5		
69	METAL DOOR STOPPERS HANDEEL AND LOCK	8301.40.00	-	50	

70	SMALL TOILET MIRROR	7009.92.00	-	75	
71	CHAISE LONGE MAXIMA	9403.30.90	30		
72	Freezer - capacity up to 566L	8418.00.00	20		
73	Freezer Up right - capacity up to 566L	8418.00.00	17		
74	Refrigerator capacity up to 566L	8418.00.00	20		17
	Marble	6602.00.00	20	40	
76	Wall paper (Cover)	4814.00.00	5		
77	Door Frame		15	25	
78	Furniture - Wooden	9403.00.00	30		
79	Furniture - Metal		20		
80	Seat (Chairs, sofas, ect)	9401.00.00	5		
81	Light Fittings - wall & ceiling	9405.00.00	5		
82	Cutlery	8214.00.00	15		
83	Washing machine - capacity up to 10Kg	8450.00.00	25		



අමාත්‍ය මණ්ඩල කාර්යාලය
அமைச்சரவை அலுவலகம்
OFFICE OF THE CABINET OF MINISTERS

CABINET DECISION අමාත්‍ය මණ්ඩල තීරණය அமைச்சரவைத் தீர்மானம்

පිටපත් : ජනාධිපති ලේකම්, මගේ අංකය: අමප/17/1613/733/029
අග්‍රාමාත්‍ය ලේකම්, 2017 අගෝස්තු මස 09 දින.
සංවර්ධන උ.හා ජාත්‍යන්තර
වෙ. ලේකම්.
විගණකාධිපති.

ක්‍රියා කළ යුතු : ජාතික ප්‍රතිපත්ති හා ආර්ථික කටයුතු අමාත්‍යාංශයේ ලේකම්.
මුදල් හා ජනමාධ්‍ය අමාත්‍යාංශයේ ලේකම්.
රාජ්‍ය ව්‍යවසාය සංවර්ධන අමාත්‍යාංශයේ ලේකම්.

යෝජිත ග්‍රෑන්ඩ් හයට් (Grand Hyatt) හෝටලයේ
හිමිකාරිත්වය ප්‍රතිව්‍යුහගත කිරීම

(රාජ්‍ය ව්‍යවසාය සංවර්ධන ගරු ඇමතිතුමා ඉදිරිපත් කළ 2017-07-17 දිනැති සංදේශය)

2017 අගෝස්තු මස 01 දින පැවැත්වුණු අමාත්‍ය මණ්ඩල රැස්වීමේදී එළඹී තීරණයක් අවශ්‍ය කටයුතු සඳහා මේ සමඟ එවා ඇත.

^{P.}
ඩබ්ලිව්.එම්.ඩී.ජේ.ප්‍රනාන්දු අ.කළේ/එස්.අබේසිංහ
අතිරේක ලේකම්. අමාත්‍ය මණ්ඩලයේ ලේකම්.

(අ) න්‍යාය පත්‍රයේ විෂයයන්:

(II) අමාත්‍ය මණ්ඩල පත්‍රිකා - ප්‍රසම්පාදනයට අදාළ කරුණු :

47. අමාත්‍ය මණ්ඩල පත්‍රිකා අංක 17/1613/733/029 වූ, “යෝජිත ග්‍රෑන්ඩ් හයට් (Grand Hyatt) හෝටලයේ හිමිකාරිත්වය ප්‍රතිව්‍යුහගත කිරීම” යන මෑයෙන් රාජ්‍ය ව්‍යවසාය සංවර්ධන ඇමතිතුමා ඉදිරිපත් කළ 2017-07-17 දිනැති සංදේශය - ඉහත සඳහන් සංදේශය, මුදල් හා ජනමාධ්‍ය ඇමතිතුමාගේ නිරීක්ෂණ සහ රාජ්‍ය ව්‍යවසාය සංවර්ධන අමාත්‍යාංශයේ ලේකම් විසින් ඉහත සඳහන් සංදේශයේ 3 වන ඡේදයට සිදු කරනු ලැබිය යුතු ඇතැම් සංශෝධන ඉදිරිපත් කරමින් අමාත්‍ය මණ්ඩලයේ ලේකම් අමතන ලද 2017-07-31 දිනැති ලිපිය සහ රාජ්‍ය ව්‍යවසාය සංවර්ධන ඇමතිතුමා විසින් මෙම රැස්වීමේදී සිදු කරන ලද වැඩිදුර කරුණු පැහැදිලි කිරීම් සමඟ සලකා බලන ලදී. මේ පිළිබඳව සාකච්ඡා කිරීමෙන් අනතුරුව, පහත සඳහන් පරිදි තීරණය කරන ලදී:

- (1) සංදේශයේ 6 වන ඡේදයේ සඳහන් (අ), (ආ), (ඉ), (ඊ), (උ) සහ (ඌ) යෝජනා සඳහා අනුමැතිය ලබා දීම;

(II) පහත සඳහන් පරිදි කටයුතු කරන ලෙස රාජ්‍ය ව්‍යවසාය සංවර්ධන අමාත්‍යාංශයේ ලේකම්ට නියම කිරීම -

- (i) එහි සඳහන් (ඇ) යෝජනාව සම්බන්ධයෙන්, මුදල් හා ජනමාධ්‍ය ඇමතිතුමාගේ නිරීක්ෂණවල දෙවන ඡේදයේ දක්වා ඇති පරිදි පියවර ගැනීම;
- (ii) එහි සඳහන් (ඇ) යෝජනාව සම්බන්ධයෙන්, මෙම ප්‍රසම්පාදනයේ ප්‍රසම්පාදන අස්ථිත්වය ලෙස අමාත්‍යාංශය විසින් උනන්දුවක් දක්වන ආයෝජකයින්ගෙන් යෝජනා කැඳවීම; සහ
- (iii) ගුරුත්ථි භයට හෝටලයේ හිමිකාරිත්වය ප්‍රතිව්‍යුහගත කිරීමේ යෝජිත වැඩසටහන සඳහා මුදල් හා ජනමාධ්‍ය අමාත්‍යාංශය යටතේ ක්‍රියාත්මක වන රාජ්‍ය - පෞද්ගලික හවුල්කාරිත්ව නියෝජිත ආයතනයේ සහාය ලබාගැනීම.

ක්‍රියා කළ යුතු: ජාතික ප්‍රතිපත්ති හා ආර්ථික කටයුතු අමාත්‍යාංශය සංදේශයේ පිටපතක් හා ඉහත නිරීක්ෂණ යා කොට ඇත.
 මුදල් හා ජනමාධ්‍ය අමාත්‍යාංශය රාජ්‍ය ව්‍යවසාය සංවර්ධන අමාත්‍යාංශය - ඉහත නිරීක්ෂණ යා කොට ඇත.

පිටපත්: ජනාධිපති ලේකම් - සංදේශයේ පිටපතක් හා ඉහත නිරීක්ෂණ යා කොට ඇත.
 අග්‍රාමාත්‍ය ලේකම් - සංදේශයේ පිටපතක් හා ඉහත නිරීක්ෂණ යා කොට ඇත.
 සංවර්ධන උපායමාර්ග හා ජාත්‍යන්තර වෙළඳ අමාත්‍යාංශය - සංදේශයේ පිටපතක් හා ඉහත නිරීක්ෂණ යා කොට ඇත.

(B) Agenda Items :

(II) Cabinet Papers - Procurement Related Matters

47. Cabinet Paper No.17/1613/733/029, a Memorandum dated 2017-07-17 by the Minister of Public Enterprise Development on "**Proposed restructuring of the ownership of Grand Hyatt Hotel**" - the above Memorandum was considered along with the observations of the Minister of Finance and Mass Media and the letter dated 2017-07-31 by the Secretary, Ministry of Public Enterprise Development addressed to the Secretary to the Cabinet, indicating certain amendments to be made to paragraph 3 of the above Memorandum; and the further clarifications made by the Minister of Public Enterprise Development, at this meeting. After discussion, it was decided -

(I) to grant approval to the proposals (a), (b), (e), (f), (g) and (h) in paragraph 6 of the Memorandum;

(II) to direct the Secretary, Ministry of Public Enterprise Development to take action -

(i) with regard to the proposal (c) therein, as indicated in the second paragraph of the observations of the Minister of Finance and Mass Media;

(ii) with regard to the proposal (d) therein, to call for proposals from the prospective investors by the Ministry, as the Procurement Entity of this procurement; and

(iii) to obtain the assistance of the Public-Private Partnership (PPP) Agency functioning under the Ministry of Finance and Mass Media, for the proposed restructuring programme of the ownership of Grand Hyatt Hotel.

Action by: **My/National Policies and Economic Affairs** - copy of Memorandum and above observations annexed.

My/Finance and Mass Media

My/Public Enterprise Development - above observations annexed.



Copied to: **Secretary to the President** - copy of Memorandum and above observations annexed.

Secretary to the Prime Minister - copy of Memorandum and above observations annexed.

My/Development Strategies and International Trade - copy of Memorandum and above observations annexed.

Checked by : 1. *[Signature]*
2. *[Signature]*

17/1613/

	Cabinet Memorandum	
	Ministry of Public Enterprise Development	

Cabinet Memorandum No. : 2017/43
Reference No. : MPED/ES/01/02/CM 2017 (Vol. ii)

Proposed Restructure of Ownership in Hyatt Hotel

1. Background

Proposal was submitted to Cabinet Committee on Economy Management (CCEM) on 01 March 2017 regarding restructuring the ownership of Grand Hyatt Hotel. CCEM has decided at its meeting held on 08 March 2017 to appoint a Ministerial Committee to discuss and finalise the restructuring of the ownership of Grand Hyatt Hotel (Annexure I). Accordingly, the Ministerial Committee has recommended the submission of the following proposal to the Cabinet of Ministers.

2. Overview

The Government of Sri Lanka (GoSL) has a large number of state-owned enterprises (SOEs) under its control. The policy of the current Government is to promote rapid, sustainable and inclusive growth by improving the efficiency of economic activity, including the competitiveness and performance of state owned enterprises (SOEs). With this in mind, the Government intends to re-structure the ownership of some selected non-strategic SOEs. Possible divestment of government stakes partially or fully in such entities is also envisaged.

The Ministry of Public Enterprise Development (MPED) was established in September 2015 by Gazette (Extraordinary) No.1933/13 with the mandate of improving the contribution of the SOEs gazetted under MPED, to the economy as well as reducing their burden on the taxpayer.

One such entity that has been brought under MPED is Canwill Holdings (Pvt) Ltd which owns the Grand Hyatt Hotel construction project. Canwill Holdings (Pvt) Ltd is fully owned by several government institutions (SLIC, Litro Gas and EPF) with Sri Lanka Insurance Corporation (SLIC) having effective control. This has been identified in the Budget Speech 2016 as a non-strategic enterprise in which the divestment of government stakes may be considered.

In line with above, MPED engaged the services of M/S Ernst and Young (selected after following a competitive process) to provide a valuation of the Company's net worth and to prepare an Information Memorandum that can be used to invite proposals from potential investors. This task has now been completed and MPED is in a position to submit a recommendation to Cabinet on the way forward in respect of this Company.

3. Current ownership structure

Canwill Holdings (Pvt) Ltd, which owns Grand Hyatt project, is owned by 3 state entities as given below:

Sri Lanka Insurance Corporation	45.95%
Litro Gas Lanka Ltd	27.03%
Employees Provident Fund	27.03%

Since Litro Gas is 100% owned by SLIC, the latter has effective control over Canwill Holdings. It is also important to note that Canwill Holdings has two fully owned subsidiaries, namely Sinolanka Hotels and Spa (Pvt) Ltd, which owns the Grand Hyatt Colombo construction project and Helanco Hotels and Spa (Pvt) Ltd which owns the proposed site identified for construction of Hyatt Regency Hotel, Hambantota.

4. Rationale for divestment

There are many strong reasons in favour of divesting the ownership stake of GOSL in the Grand Hyatt Colombo construction project as explained below.

- (i) This is an enterprise belonging to the hospitality sector (luxury hotels) which can be considered as a non-strategic investment from the GOSL's point of view since there is no compelling reason to retain control of such enterprises within the state.
- (ii) It is an enterprise providing services to foreign tourists, large corporate entities and high net worth individuals living in Sri Lanka. Its operation has no bearing on the lives of the common people of this country. Hence, there is no justification for state intervention to protect the interests of consumers in this sector.
- (iii) This property requires further investment of a substantial magnitude to develop it to its full potential. Without committing such an investment, it will not be possible to generate an adequate return from this enterprise considering the opportunity cost. However, GOSL does not have the capacity to invest such large amounts of funds in ventures of this nature due to its other priorities.
- (iv) Divestment of this project can generate substantial funds for GOSL which can be used for other more critical, socially and economically important purposes.
- (v) Divestment of this project can bring in an investor (local or international) with the capacity to develop this property in partnership with Hyatt to create an unmatched experience to upmarket tourists.

5. Process for Divestment

In order to maximize the revenue generation to the Government, it is recommended to divest 100% of the shares collectively held by Sri Lanka Insurance Corporation (45.95%), Litro Gas Lanka Limited (27.03%) and EPF (27.03%) in Canwill Holdings (Pvt) Ltd. This should be done after transferring its 100% stake in Helanco Hotels and Spa (Pvt) Ltd which owns the Hambantota property to its 3 shareholders in proportion to their shareholding in Canwill. The objective of this move is to take out the Hambantota property to be divested independently or enter into a public private partnership (PPP) to maximise value.


It is proposed to offer the entire stake of 100% in Canwill Holdings (Pvt) Ltd to a reputed investor.

An offer for sale in the Colombo Stock Exchange targeting other retail and institutional portfolio investors is not considered for this entity due to the high perceived risk, difficulty of establishing a price and likelihood of future demands for capital infusion dampening the interest of such investors. An allotment of shares to employees is also not considered as there is no workforce at present.

6. Approval

Approval of Cabinet of Ministers is sought:

- a) To appoint a Cabinet Appointed Procurement Committee (CAPC) and a Technical Evaluation Committee (TEC) to handle the transaction referred to above.
- b) To transfer the shares held by Canwill Holdings (Pvt) Ltd in Helanco Hotels and Spa (Pvt) Ltd. which owns the Hambantota property to the 3 shareholders of Canwill in proportion to their shareholding in Canwill based on an independent valuation.
- c) To call for EOIs from local and international advisors with prior experience in marketing real estate and select a transaction advisor after following a due tender process.
- d) To receive proposals from the prospective investors through the selected advisor.
- e) To shortlist the prospective investors by the CAPC with the assistance of the TEC.
- f) To facilitate bidding among the short-listed investors on a special Board of the CSE and select the highest bidder.
- g) To finalise the agreement with the selected party and transfer the shares as agreed.
- h) To finalize the transaction and sign share sale and purchase agreement with the selected party after receiving the transfer of funds as agreed.



Kabir Hashim (M.P.),

Minister of Public Enterprise Development.


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- c) To call for EOIs from local and international advisors with prior experience in marketing real estate and select a transaction advisor after following a due tender process.
- d) To receive proposals from the prospective investors through the selected advisor.
- e) To shortlist the prospective investors by the CAPC with the assistance of the TEC.
- f) To facilitate bidding among the short-listed investors on a special Board of the CSE and select the highest bidder.
- g) To finalise the agreement with the selected party and transfer the shares as agreed.
- h) To finalize the transaction and sign share sale and purchase agreement with the selected party after receiving the transfer of funds as agreed.



Kabir Hashim (M.P.),

Minister of Public Enterprise Development.



Note to the Cabinet
Ministry of Public Enterprise Development

Cabinet Memorandum No. :2017/56

Reference No. :MPED/ES/01/02/CM 2017 (Vol.ii)

Date : 16.08.2017

Proposed restructure of ownership in Hyatt Hotel

Background

This refers to the Cabinet Memorandum dated 17th July, 2017 submitted by the Minister of Public Enterprise Development and the Cabinet Decision No. 17/1613/733/029 dated 1st August, 2017.

By the above mentioned Cabinet Memorandum, the MPED has sought the approval of the Cabinet of Ministers for 08 matters regarding the restructure of the ownership of Grand Hyatt Hotel. However, the Cabinet of Ministers has granted its approval for 06 matters and has instructed to take actions according to the observations of the Minister of Finance and Mass Media regarding the other 02 matters mentioned below.

01. To call for EOIs from local and international advisors with prior experience in marketing, real estate and select a transaction advisor after following a due tender process.
02. To receive proposals from the prospective investors through the selected advisor.

Considering the explanation of the Minister of PED on the importance of having a transaction advisor who has experience in the field of real estate marketing to handle the transaction effectively in local and international market, the Hon. Minister of Finance & Mass Media has agreed for the above matters subject to obtain the assistance of the Public Private Partnership (PPP) Agency functioning under the Ministry of Finance & Mass Media. Hence, the Cabinet of Ministers has granted its approval on 01st of August, 2017 (CP No. 17/1614/733/030) for the Cabinet Memorandum dated 17th July, 2017 submitted by the Minister of PED on "**Proposed Restructure of Ownership in Hilton Hotel**" in which the same two matters mentioned above were included.

Approval

Therefore, the attention of the Cabinet of Ministers is further drawn in granting the approval for the above two proposals regarding the Grand Hyatt Hotel as well.

Kabir Hashim (M.P.),
Minister of Public Enterprise Development



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அமைச்சரவை அலுவலகம்
OFFICE OF THE CABINET OF MINISTERS

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(ආ) න්‍යාය පත්‍රයේ විෂයයන්:

(II) අමාත්‍ය මණ්ඩල පත්‍රිකා - ප්‍රසම්පාදනයට අදාළ කරුණු:

58. අමාත්‍ය මණ්ඩල පත්‍රිකා අංක 18/1609/805/044/ටීබීආර් වූ, “හිල්ටන් හෝටලයෙහි සහ ග්‍රෑන්ඩ් හයට් කළමනුඹි කොටස් අයිතිය අලෙවි කිරීම” යන මෑයෙන් ජාතික ප්‍රතිපත්ති හා ආර්ථික කටයුතු ඇමතිතුමා සහ මුදල් හා ජනමාධ්‍ය ඇමතිතුමා ඉදිරිපත් කළ 2018-07-17 දිනැති ඒකාබද්ධ සංදේශය - (අමප අංක 17/1613/733/029 සහ අමප අංක 17/1614/733/030 පිළිබඳව වූ 2017-08-01 දිනැති අමාත්‍ය මණ්ඩල තීරණයන්ට අදාළව) ඉහත සඳහන් සංදේශය, මෙම රැස්වීමේදී ගරු අග්‍රාමාත්‍යතුමා විසින් සිදු කරන ලද වැඩිදුර කරුණු පැහැදිලි කිරීම් සහ සංදේශයේ සඳහන්

කාර්යය සඳහා පාරදායක මෙන්ම විවෘත තරගකාරී ලංසු ක්‍රමවේදයක් අනුගමනය කිරීමේ අවශ්‍යතාව පිළිබඳව අවධාරණය කරමින් අතිගරු ජනාධිපතිතුමා විසින් පළ කරන ලද අදහස් දැක්වීම් සමඟ සලකා බලන ලදී. මේ පිළිබඳව සාකච්ඡා කිරීමෙන් අනතුරුව, සංදේශයේ (10.0), (11.0), (12.0) සහ (13.0) ඡේදවල යෝජිත ක්‍රියාමාර්ග සඳහා සිය එකඟතාව ලබා දීමට අමාත්‍ය මණ්ඩලය විසින් තීරණය කරන ලදී.

තවද, මෙම තීරණය සම්මත කරනු ලැබූ සේ සැලකීමටත්, ඒ අනුව අවශ්‍ය කටයුතු සඳහා අදාළ බලධාරීන් වෙත මෙම තීරණය දන්වා යැවීම සඳහා අමාත්‍ය මණ්ඩලයේ ලේකම්ට බලය පැවරීමටත් තීරණය කරන ලදී.

ක්‍රියා කළ යුතු: ජාතික ප්‍රතිපත්ති හා ආර්ථික කටයුතු අමාත්‍යාංශය
මුදල් හා ජනමාධ්‍ය අමාත්‍යාංශය

- පිටපත්:** ජනාධිපති ලේකම් - සංදේශයේ පිටපතක් යා කොට ඇත.
- නීතිපතිතුමා - සංදේශයේ පිටපතක් යා කොට ඇත.
- අග්‍රාමාත්‍ය ලේකම් - සංදේශයේ පිටපතක් යා කොට ඇත.
- රාජ්‍ය ව්‍යවසාය හා මහනුවර නගර සංවර්ධන අමාත්‍යාංශය - සංදේශයේ පිටපතක් යා කොට ඇත.
- සංවර්ධන උපායමාර්ග හා ජාත්‍යන්තර වෙළඳ අමාත්‍යාංශය - සංදේශයේ පිටපතක් යා කොට ඇත.

(B) Agenda Items :



(II) Cabinet Papers - Procurement Related Matters

58. Cabinet Paper No.18/1609/805/044/TBR, a Joint Memorandum dated 2018-07-17 by the Ministers of National Policies and Economic Affairs; and Finance and Mass Media on "**Divestiture of the Hilton Hotel and the Grand Hyatt Colombo**" - (Cabinet decisions dated 2017-08-01 on CP No.17/1613/733/029 and CP No.17/1614/733/030 refers) the above Memorandum was considered along with the further clarifications made by the Hon. Prime Minister and the views expressed by H.E. the President at this meeting, stressing the need to follow a transparent and an open competitive bidding procedure for the purpose referred to in the Memorandum. After discussion, Cabinet decided to grant its concurrence for the proposed actions in paragraphs (10.0), (11.0), (12.0) and (13.0) of the Memorandum.

It was also decided to treat this decision as confirmed and to authorize the Secretary to the Cabinet of Ministers to convey the same to the relevant authorities for necessary action accordingly.

Action by: **My/National Policies and Economic Affairs**
My/Finance and Mass Media

Copied to: **Secretary to the President** - copy of Memorandum annexed.
Attorney General - copy of Memorandum annexed.
Secretary to the Prime Minister - copy of Memorandum annexed.
My/Public Enterprise & Kandy City Development - copy of Memorandum annexed.
My/Development Strategies and International Trade - copy of Memorandum annexed.

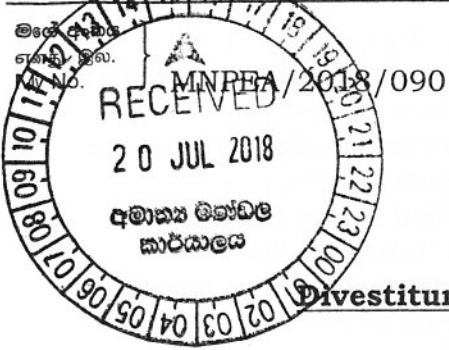
Checked by : 1. 
2. 



18/1609

ජාතික ප්‍රතිපත්ති හා ආර්ථික කටයුතු අමාත්‍යාංශය
தேசியக் கொள்கைகள் மற்றும் பொருளாதார விவகாரங்கள் அமைச்சு
Ministry of National Policies and Economic Affairs

මහලයා (සරසි රජයේ කොටුසේවා) පළමු මහල, මිලිටේ වීදිය, කොළඹ 01. "මිලිටා" (පහළු පොළොවේ කැටුපය) 1 වන මහල, පිලිසුල් වීදිය, කොළඹ 01. "Miloda" (Old Times Building), 1st Floor, Bristol Street, Colombo 01.



මගේ අංකය }
உமது இல. }
Your No. }

දිනය }
திகதி }
Date } 17.07.2018

JOINT CABINET MEMORANDUM

Divestiture of Hilton Hotel and Grand Hyatt Colombo

Background

- 1.0 The budget proposals for 2017 and 2018 stated that Hilton Hotel (HH) and Grand Hyatt Colombo Hotel (GHC) which are non-strategic investments of the Government would be divested. In addition, the Cabinet of Ministers granted approval on 1st August 2017 and 22nd August 2017 to divest majority ownership in HH and 100% ownership of GHC respectively.
- 2.0 The above Cabinet Memoranda, initiated by the then Hon. Minister of Public Enterprise Development recommended the following which were also approved by the Cabinet of Ministers;
 - (a) A CAPC and TEC to be appointed to handle these transactions;
 - (b) A Cabinet Consultants Procurement Committee (CCPC) to be appointed to select an International Transaction Adviser (ITA) to assist the Government in both transactions
 - (c) The CCPC to call for proposals from ITA with prior experience in sale of similar real estate assets in the region;
 - (d) To short-list investors based on agreed criteria;
 - (e) To enable bidding among short-listed investors on the Colombo Stock Exchange (CSE).
- 3.0 The initial paid up share capital of the GHC is comprised of Rs 8.5bn by Sri Lanka Insurance Corporation (SLIC), Rs 5.0bn by Employee Provident Fund (EPF) and Rs 5.0bn by Litro Gas which is a subsidiary of SLIC.
- 4.0 The Ministry of Public Enterprises Development (MPED) also decided to engage the services of Ernst & Young following a competitive process to prepare an Information Memorandum (IM) to assist the divestiture process. This is already drafted but needs further improvement in consultation with ITA.

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5.0 The Government Chief Valuer has undertaken the valuation of HH and GHC on request made by MPED. The GHC valuation has been completed and the HH will be done urgently.

6.0 The selection criteria for the ITA had been established by the MPED as follows;

- (a) Past experience in handling transactions of similar size and nature for public sector and large private sector clients;
- (b) Local/regional presence, especially in identified target markets;
- (c) Experience in handling similar transactions in hospitality sector;
- (d) Qualifications and experience of the core team that will be handling this assignment;
- (e) Research coverage of the firm in the leisure/real estate sectors.

Current Status

7.0 The CCPC has completed its work after evaluating 15 proposals received in response to the RFP from local and international companies. In its Final Evaluation Report dated 23rd May 2018, the CCPC has recommended the selection of M/s Lazard Asia, Singapore in association with MTI Consulting of Bahrain and Sri Lanka, considering the extensive experience of M/s Lazard Asia in handling transaction of a similar size and type in comparison to other bidders.

8.0 By way of extraordinary gazette No 2064/26 dated 28th March 2018, SLIC and its subsidiaries (Except Litro gas) now come under the purview of the Ministry of National Policies and Economic Affairs (MNPEA). By way of gazette No 2072/16 dated 22nd May 2018, the Hotel Developers Lanka Ltd, the owning company of HH, now comes under the purview of the Ministry of Finance and Mass Media (MFMM).

9.0 Pursuant to the above, the Secretary, MPED has handed over all documents and files, including the signed Final Evaluation Report for selection of ITA to facilitate the divestiture, to the Secretaries of MFMM and MNPEA.

Next Steps and Proposed Action

10.0 It is proposed to award the contract to M/s Lazard Asia as recommended by the CCPC and to sign two separate letters of engagement once it is cleared by the Attorney General (AG) with M/s Lazard Asia by Secretaries of MFMM and MNPEA for the divestiture of HH and GHC. A copy of the CCPC report is attached hereto as Annexure I.

11.0 It is now important to further improve the Information Memorandum prepared by Ernst & Young in consultation with M/s Lazard Asia with the assistance of National Agency for Public Private

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Partnership (NAPPP) and the officials of HH and GHC. Two non-disclosure agreements will also be signed with M/s Lazard Asia by the Secretaries of MFMM and MNPEA to ensure the confidentiality.

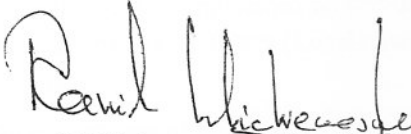
12.0 The NAPPP shall assist Secretaries of two Ministries in the process including expediting the implementation process, finalizing the marketing and communication strategy, negotiating the financial proposal and time-based payment schedule, inviting M/s Lazard Asia and MTI Consulting for discussions etc.


13.0 In addition, the following actions are also proposed;

- (a) Instruct HH and GHC to ensure that no action is taken to materially impact future cash flows of the companies including entering into any major new contract or extending any existing contract;
- (b) Appoint authorized officers from HH and GHC to compile and submit required information for the Information Memorandum, valuation and data room which shall be coordinated by the NAPPP;
- (c) Dealing with matters of a legal nature impacting the divestiture appropriately by the respective Secretaries in consultation with the AG and private lawyers if necessary to be coordinated by the legal division of the NAPPP;
- (d) Adhere to the instruction to be given if required, by the respective Secretaries to the Chairman or/ and the Board of Directors or/ and officials of HH and GHC relating to the divestiture;
- (e) Finalize the competitive bidding process in consultation with the Colombo Stock Exchange and the International Transaction Adviser;
- (f) Finalize the divestiture process and time lines and make relevant payments to the International Transaction Adviser in terms of the terms agreed in the letters of engagement to be signed by the respective Secretaries of the two Ministries.

Approval

14.0 Approval of the Cabinet of Ministers is sought for 10.0, 11.0 and 12.0 and 13.0 above.


Ranil Wickremesinghe M.P.
Minister of National Policies
and Economic Affairs


Mangala Samaraweera M.P.
Minister of Finance and Mass
Media

FINAL EVALUATION REPORT**Selection of transaction advisor to facilitate in finding strategic investment partner for Hotel developers Lanka plc and Canwil holding (Pvt) Ltd.**

01. Cabinet of Ministers has granted approval to divest 51% stake of Government ownership in Hilton Colombo Hotel (Cabinet Decision No. 17/1614/733/030 dated 01st August 2017) and to divest 100% stake of Government ownership in Grand Hyatt Colombo Hotel (Cabinet Decisions No. 17/1613/733/029 dated 01st August 2017 and 17/1814/733/029-I dated 22nd August 2017). Since the divestment process for the ownership in these two hotels is very similar, it was decided to engage a single transaction advisor with international experience in handling large scale cross border transactions to handle both.

02 Accordingly a Cabinet Consultant Procurement Committee (CCPC) was appointed by the letter no. PFD/IND/158/000/CA/01 dated 28th October 2017 of Department of Public Finance, Ministry of Finance & Mass Media for the selection of a Transaction Advisor to facilitate in finding Strategic Investment Partner.

Members of CCPC are as follows

- | | |
|--|------------|
| 1. Mr. Ravindra Hewavithirana, Secretary,
Ministry of Public Enterprise and Kandy City Development | - Chairman |
| 2. Mr. M.R.H. Swarnathlake, Chief Financial Officer
Ministry of Public Enterprise and Kandy City Development | - Member |
| 3. Mr. Manjula De Silva, Consultant Divestment & Restructuring
Ministry of Public Enterprise and Kandy City Development | - Member |
| 4. Mr. G.W.G. Abegunawardena, Director, Property Portfolio Management
Urban Development Authority | - Member |
| 5. Mr. M.R.V.R. Meepura, Director
Department of Public Enterprise | - Member |

03 Subsequently, Mr. P.V. Gunathilaka, Commissioner General, Department of Registration of Persons has been appointed as a member of CCPC in lieu of Mr. Abegunawardena by the letter no. PFD/GOV/PED/CA/02 dated 29th December 2017 of Department of Public Finance, Ministry of Finance & Mass Media.

04. CCPC has met on following dates

- 30th October 2017,
- 15th December 2017
- and 20th December 2017



to analyze the Request for Proposal (RFP) to act as Transaction Advisor (TA) to seek suitable investors for the purchase of government ownership of Hilton and Grand Hyatt Colombo hotels and the News Paper Advertisement for calling TA.

05. Accordingly, the advertisement for calling TA to seek Strategic Partners for Hilton and Grand Hyatt hotels in Colombo has been published on 05th January 2018 in Economist (UK), Financial Times (UK), Daily News and Daily Financial Times (Local newspapers). Closing date for RFP submission was 16th February 2018 at 11.30 am.

06. Fifteen numbers of RFP's were received from under mentioned companies

- 01. Fenek Limited
- 02. PWC (Singapore)
- 03. Colliers International (Singapore) Pte Ltd
- 04. Mayer Brown JSM (Singapore) Pte Ltd

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- 05. Acuity Partners Pvt Ltd
- 06. PKF Hotelexperts GMBH
- 07. Hotelivate Pvt Ltd
- 08. Savills (Singapore) Pte Ltd
- 09. Lazard Asia Limited Singapore
- 10. Deloitte Touche Tohmatsu India LLP
- 11. CIMB Investment Bank (Berhad)
- 12. Capital Alliance Partners Limited Colombo
- 13. JLL India
- 14. Ysp Advisors (Pvt) Ltd
- 15. KPMG

- 07. Accordingly, following bid opening committee has opened the RFP's on 16th February 2018 at 11.30am
Mr.J.M.A.Douglas, Additional Secretary (Admn) – Chairman
Mr.S.Arulrasa, Additional Secretary (Plantation)- Member
Ms.H.N.S.Perera, Accountant – Member
- 08. RFPs were opened in presence of 10 representatives of 08 companies (JLL India, J.B. Securities, KPMG, YSP Advisors, Capital Alliance Partners Limited Colombo, Deloitte Touche Tohmatsu India LLP and CIMB)
- 09. CCPC met on 16th February 2018 and analyzed the preliminary evaluation criteria and technical proposal marking scheme.
- 10. On 21st February 2018 CCPC met for preliminary evaluation of RFPs. CCPC considered all RFPs, reviewed separately for preliminary evaluation to decide eligibility for comprehensive technical evaluation. The preliminary evaluation was carried out according to the criteria stipulated in Annex I.
- 11. Further, One RFP received on 20/02/2018 at 10.30 am under DHL cover from Mayer Brown Singapore was considered as late submitted set of document. Hence rejected unopened.
- 12. According to Preliminary evaluation, RFP's of following companies were not considered for detailed technical evaluation for the reasons mentioned below

Fenek Limited

Committee observed that the RFP submitted by the Fenek Limited is not in accordance with the stipulated guidelines.

- i) It is necessary to submit technical & financial proposal in two separate sealed envelopes. Company has submitted both Technical & Financial proposals in one envelope. Hence, financial proposal also disclosed at the opening. It is contradicting with the accepted procedure.
- ii) According to the 'eligibility criteria' it is clearly mentioned that previous experience in handling at least two (02) cross border transactions of a similar or high value for public sector or large private sector clients, over the last five years" should be provided. But no such past experience of a similar nature was provided.
- iii) No detailed CVs of the working team members were provided as requested.

PWC Singapore

At the preliminary evaluation under mentioned observation were made

- i) Mr.Manjula de Silva, member declared before evaluating the PWC RFP that his spouse is an employee of PWC Colombo and PWC also declared that an employee of PWC (Sri Lanka) is a close family member of a member of

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the Ministry of Public Enterprise Development (MPED) staff involved in the transaction process. Hence, the committee decided a considerable conflict of interest is existing in this regard.

ii) It is necessary to submit technical & financial proposals in two separate sealed envelopes. Company has submitted both Technical & Financial proposals in one envelope. Hence, financial proposal also disclosed at the opening. It is contradicting with the accepted procedure.

Further, committee decided as there is no other conflict of interest with rest of the RFPs produced. Mr. Manjula can proceed with the process.

Mayer Brown JSM (Singapore) Pte Ltd

Committee observed that the Mayer Brown JSM (Singapore) Pte Ltd is just only a legal consultancy firm and no evidence has been provided about their experience as TA.

Acuity Partners Pvt Ltd

According to the 'eligibility criteria' it is clearly mentioned that previous experience In handling at least two (02) cross border transactions of a similar or high value for public sector or large private sector clients, over the last five years should be provided. But no such past experience of a similar nature was provided.

PKF Hotelexperts GMBH

i) Committee observed that PKF Hotelexperts GMBH does not have satisfactory regional presence.

ii) Not provided a letter of authorization to sign the proposal and other documents.

Savills (Singapore) Pte Ltd

i) It is necessary to submit technical & financial proposal in two separate sealed envelopes. Company has submitted both Technical & Financial proposals in one envelope. Hence, financial proposal also disclosed at the opening. It is contradicting with the accepted procedure

ii) Not provided letter of authorization to sign the proposal and other documents.

Deloitte Touche Tohmatsu India LLP

i) Committee observed that company has provided digitally signed letter of authorization to sign the proposal and other documents.

ii) According to the "eligibility criteria it is clearly mentioned that previous experience In handling at least two (02) cross border transactions of a similar or high value for public sector or large private sector clients, over the last five years should be provided. But no such past experience of a similar nature was provided.

Capital Alliance Partners Limited Colombo

i) It is necessary to submit technical & financial proposal in two separate sealed envelopes. Company has submitted both Technical & Financial proposals in one envelope. Hence, financial proposal also disclosed at the opening. It is contradicting with the accepted procedure.

ii) Not provided a letter of authorization to sign the proposal and other documents.

iii) According to the 'eligibility criteria' it is clearly mentioned that previous experience in handling at least two (02) cross border transactions of a similar or high value for public sector or large private sector clients, over the last five years should be provided. But no such past experience of a similar nature was provided.

iv) Not submitted detailed work plan explaining the methodology proposed to identify suitable investor

v) Committee observed that Capital Alliance Partners Limited Colombo does not have a satisfactory regional presence.

Ysp Advisors (Pvt) Ltd

i) Committee observed that an acceptable letter of authorization has not been provided from HVS and it is only provided by Ysp Advisors (Pvt) Ltd. It is also not clear whether this bidder is a consortium.

ii) According to the 'eligibility criteria' it is clearly mentioned that previous experience in handling at least two (02) cross border transactions of a similar or high value for public sector or large private sector clients, over the last five years should be provided. But no such past experience of a similar nature was provided.

According to the preliminary evaluation of RFP's of following companies were selected for detail technical evaluation.

1. Colliers International (Singapore) Pte Ltd - subject to obtaining the letter of authorization.
2. Hotelivate Pvt Ltd
3. Lazard Asia Limited Singapore- subject to obtaining the letter of authorization.
4. CIMB Investment Bank (Berhad)
5. JLL India
6. KPMG

13. CPCC has met on 09.03.2018 and 27.03.2018 and conducted detailed technical evaluation.

Above selected RFPs in the Preliminary Technical Evaluation are considered for detailed Technical evaluation and marks are allocated according to the scoring sheet attached in annexure II

14. Accordingly, marks allocated to the RFPs are as follows. Total scoring sheet for complete evaluation is in annexure III.

	Colliers	Hotelivate	Lazard	CIMB	JLL	KPMG
Section I	13	12.5	30	10	30	10
Section II	17	24.5	21.5	12	19.5	14
Section III	9	18	20	13	9	28
Section IV	10	10	10	10	10	10
TOTAL	49	65	81.5	45	68.5	62

15. According to Section 16 (a) of the RFP technical proposals that do not earn 60% of the marks at the Technical Evaluation (out of 100%) will be rejected without considering the financial proposals. Hence, CCPC decided to reject RFPs of following companies who earned less than 60% of marks for technical proposals and not to consider their financial proposals



Company**Marks Earned**

- | | |
|---|----|
| I. Colliers International (Singapore) Pte Ltd | 49 |
| II. CIMB Investment Bank (Berhad) | 45 |

Further, CCPC decided to evaluate the financial proposals of following companies since they have earned more than 60% of marks (out of 100%) for their Technical proposals.

Company**Marks Earned**

- | | |
|----------------------------------|------|
| I. Lazard Asia Limited Singapore | 81.5 |
| II. JLL India | 68.5 |
| III. Hotelivate Pvt Ltd | 65 |
| IV. KPMG | 62 |

16. Accordingly, the above technically qualified companies were invited at the time of opening of financial proposals scheduled on 23.04.2018 at 2 p.m. Financial proposals were opened by the bid opening committee mentioned in para 07 above in presence of representatives of all four companies
17. CCPC has met on 09th May 2018 to evaluate the Financial Proposals of above technically qualified bidders. The committee decided to analyze the financial proposal according to the score sheet in Annex IV.
18. According to the financial analysis (only provided Transaction Advisor's cost) subject to obtaining clarification from Lazard Asia regarding the incentive fee (threshold and percentage) and a maximum limit (cap) on out of pocket allowances to be reimbursed, the ranking was

Name	Combined Score	Rank
Hotelivate	57.59	3
Lazard	75.68	1
JLL	55.71	4
KPMG	73.40	2

19. Further, committee decided to call clarification from all four bidders for following two items regarding detail cost estimate of bidders on marketing expenses on deciding total cost.
- I. Prepare advertisements and other marketing literature including printed material and multi-media presentations and videos to showcase the two investment opportunities. The cost of preparation of the material and cost of publication in mass media will be borne by GOSL within an agreed budget.
 - II. Conduct international roadshows in selected target markets to generate interest among potential investors. Arrange meetings with key investors facilitate discussions on future prospects and articulate the key marketing themes and positioning of each company. All expenses in this regard will be borne by GOSL within an agreed budget.

In addition to above two items, Lazard Asia Ltd was requested to specifically clarify the incentive fee that it has proposed (threshold and percentage) and a maximum limit (cap) on out of pocket allowances to be reimbursed.

20. Clarifications received on 22nd May 2018 from all four companies. CCPC met on 23rd May 2018 to evaluate the total cost of Transaction Advisor according to the decision made on the meeting held on 09th May 2018.

21. After evaluation of both Technical and financial Proposals Combined score and ranking of the companies are as follows (Amended financial cost comparison schedule is attached (annex V)

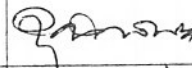
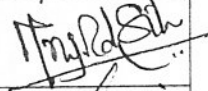
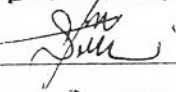
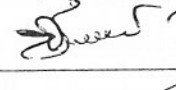
Company	Weighted Technical score	Weighted Financial Score	Combined score	Ranking
Hotelvivate	45.5	12.09	57.59	3
Lazard Asia	57.05	18.19	75.24	1
JLL India	47.95	7.76	55.71	4
KPMG	43.40	30	73.40	2

22. CCPC observed that after evaluation of Technical Proposals Lazard obtained 81.5 technical score and 1st Rank. KPMG obtained 62 technical score and 4th Rank

After evaluation of both Technical and financial Proposals Lazard obtained 75.24 combined score and 1st Rank. KPMG obtained 73.40 combined score and 2nd Rank

23. Recommendation

Therefore, CCPC recommend to select M/S Lazard Asia Limited, Singapore in association with MTI Consulting since it has obtained the 1st rank in both technical & total evaluation and also CCPC considered the extensive experience Lazard is having in handling transactions of a similar size and type compared to other bidders.

	Name	Capacity	Agreed with the above decision(Yes/No)	signature
1	Mr. Ravindra Hewavitharana	Chairman	Yes	
2	Mr. Manjula De Silva	Member	Yes	
3	Mr. M.R.H.Swarnathilake	Member	Yes	
4	Mr. P.V.Gunathilake	Member	Yes	
5.	Mr. M.R.V.R.Meepura	Member	yes	