

BY COURIER

7th December 2015

Mr. Thilak Karunaratne
Chairman
Securities & Exchange Commission of Sri Lanka (SEC)
East Tower, World Trade Center
Echelon Square
Colombo 1.

Your Ref: SEC/CH/2015/11/88

Dear Mr. Karunaratne,

Hotel Developers (Lanka) PLC (HDL)

I thank you for your Letter of 27th November 2015.

Re - Item 2 "Are any of those offences are sub-judice or being reviewed by any other party at present ?"

Quite the contrary. The Annual Report and Accounts of HDL audited and certified by KPMG Ford, Rhodes, Thornton & Co., Chartered Accountants, for the year ended 31st March 1990 were ordered and decreed by the Commercial High Court to be finalized and certified by another firm of Chartered Accountants in the context of Agreements which had been reached. (*Copies of Court Decrees and Agreements have been forwarded*).

As per the said Agreements, Mitsui & Taisei agreed to write-off 10 years accrued interest and 30% of the Capital, with the unwritten-off balance of US \$ 92 Mn., being re-scheduled over a further period of 16 years, at a reduced interest rate of 5.25% p.a., in the context of *me withdrawing D.C. Colombo Cases Nos. 3155/Spl and 3231/Spl.* where a prima-facie serious case of fraud was established before the Supreme Court and all payments to Mitsui & Taisei by HDL or by the Government under State Guarantees had been injunctioned.

Thus, as per my insistence to settle and withdraw by said 2 Cases, Mitsui & Taisei wrote-off 62% of their fraudulent Claims on State Guarantees. The write-off was Jap. Yen. 17,586 Mn., then US \$ 207 Mn., or Sri Lankan Rs. 10,200 Mn., which write-off at today's value as at 30.11.2015 at AWFDR would amount to Rs. 86,346.2 Mn. In addition, the balance unwritten-off debt being re-scheduled for over a further period of 16 years, at a reduced rate of interest. This *immensely* benefited HDL and the Government, as admitted in the Agreements.

Accordingly, Secretary Treasury convened a Shareholders' Meeting of HDL, and removed KPMG Ford Rhodes Thornton & Co., and appointed SJMS Associates as Auditors of HDL to conform with the above Order and Decree of Court.

In the 2010 Annual Report and Accounts of HDL released in October 2011, which as per the Notice of Meeting was to receive and consider the Annual Reports and Accounts of HDL for the Years ended 31st March 1990 to 31st March 2010, do not disclose the foregoing material facts, which have been deliberately suppressed, with a completely different 'story' camouflaging and misleading. This is a contravention of the above referred to Order and Decree of Court and the suppression of the truth and the real facts.

I should disclose that having come to know recently that the Auditor General had taken over the audit of HDL, I addressed him the attached Letter, *without the documents attached thereto.*

Re - Item 3 "Were these matters alleged by you (violations of securities laws or listing rules) were already assessed by any court of law or by any other authority and decided upon or dismissed, etc., if so, details of certified copies of such decisions / outcomes where relevant"

In this context, the following are cited:

- i) The Order and Decree in HC (Civil) 134/96(1) (D.C. Colombo Case No. 3231/ Spl), read together with the Order and Decree in HC (Civil) Case No. 116/96(1) (D.C. Colombo Case No. 3155/Spl) referred to above.
- ii) The following Condition in the aforesaid Agreements formulated by the Hon. Attorney General and executed by the Secretary to the Treasury on behalf of the Government -

"The Government shall and will take appropriate independent actions on the conduct and actions of the Securities and Exchange Commission of Sri Lanka and/or Members of its Commission and the Colombo Stock Exchange and/or of its Directors, in relation to the representations made by Mr. Ameresekere to the said institutions on matters pertaining to HDL, which matters Mr. Ameresekere also reserves the right to pursue"

Subsequently, upon Justice Minister G.L. Peiris discovering that this Condition had personally affected him, as a Member of the SEC at the relevant time, precipitating a spiteful controversy, had wanted this Condition removed. At the behest of the new Hon. Attorney General and Secretary to the Treasury, I agreed thereto, as per the Addendum signed one year and 3 months later to the above Agreements.

- iii) A Special Presidential Commission of Inquiry, after investigations by the CID and on advice of the Solicitor General, issued Charge Sheets on 4 persons, and one of the Charges given below was in respect of the impugned HDL Accounts for the year ended 31st March 1990, which have been re-stated as referred to above in October 2011.

"(4) disregard the discrepancies, shortcomings and irregularities which were brought to the notice of the Board of Directors, and wrongfully attempt to approve as authentic the Annual Accounts of the said Company for the year ended 31st March 1990 and endeavour to take action to adopt the accounts with the object of suppressing the aforesaid fraudulent acts and omissions,

The aforesaid acts of commission and/or omission on your part were fraudulent and were detrimental to the interests of the said Company and/or the Government of Sri Lanka, in its capacity as the major Shareholder, causing financial loss and damage to the said Company and/or the Government of Sri Lanka."

Irrefutable evidence of criminality was proven before the Special Presidential Commission of Inquiry. However, the Warrant of the Commission was not extended by President Chandrika Kumaratunga at the behest of Justice Minister G.L. Peiris and K.N. Choksy, P.C. M.P., one of the Directors of HDL, who was so charged, on they holding out the assurance of getting the support of the United National Party for the aborted draft Constitution of August 2000: *(More details with documents are given in one of my Books).*

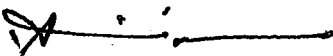
I wish to reiterate that I complained initially to the SEC, only at the behest of then Director General, Mr. L. Namasivayam, Attorney-at-Law, upon the Amendment of the SEC Act by Act No. 26 of 1991, to include at Section 46 'Complaints relating to the professional conduct or activities of listed companies', in terms of Section 30 of the amending Act. I am not pursuing the said matter.

What I have brought to your kind attention is the re-statement in October 2011 of the Audited Accounts of HDL for the year ended 31st March 1990 by the Directors and Auditors, SJMS Associates, and the Annual Report in connection therewith, are not in conformity with the foregoing facts and the Order and Decree of Court, which have been suppressed, camouflaging and misleading with a 'story'; I am advised could tantamount to Contempt.

In October 2011 Chainman and Directors of HDL were bound by the relevant provisions of the Companies Act No. 7 of 2007, particularly 'Directors Duties' and the Auditors too were bound by the provisions of the said Act.

Thanking you,

Yours sincerely,



Nihal Sri Ameresekere

cc: Mr. Vajira Wijegunawardane, Director-General, SEC