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நிதி, பொருளாதார உறுதிப்பாடு மற்றும் தேசியக் கொள்கைகள் அமைச்சு
MINISTRY OF FINANCE, ECONOMIC STABILIZATION AND NATIONAL POLICIES

මහලේකම් කාර්යාලය, කොළඹ 01,
ශ්‍රී ලංකාව.

කාර්යාලය } 011 - 2484500
அலுவலகம் } 011 - 2484600
Office } 011 - 2484700

செயலகம், கொழும்பு 01,
இலங்கை.

ෆැක්ස් }
தொலைநகல் } 011 - 2449823
Fax }

The Secretariat, Colombo 01,
Sri Lanka.

වෙබ් අඩවිය }
இணையதளம் } www.treasury.gov.lk
Website }

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Press Release

Misleading Media Reports regarding the Divestiture of Hotel Developers (Lanka) Limited (Hilton Hotel Company)

This is with reference to certain misleading media reports that have been published in several national newspapers and circulating in social media relating to the divestiture of Hotel Developers (Lanka) Ltd (Hilton Hotel Company)

The divestiture of shares held by the Government of Sri Lanka (GoSL) in Hotel Developers (Lanka) Ltd is being carried out in accordance with the Divestiture Guideline approved by the Cabinet of Ministers.

(<https://www.treasury.gov.lk/api/file/a82a1a9c-bb82-4b86-ac48-6716c01fe35e>).

This guideline ensures greater transparency and accountability and provides investors with confidence regarding the credibility of the process. The SOE Restructuring Unit (SOERU) has provided regular updates on the process, including progress of the EOI and investor engagement.

(<https://www.treasury.gov.lk/web/sru-entities-to-be-divested/section/hotel-developers-lanka>)

Hence, the Ministry of Finance, Economic Stabilization and National Policies wishes to emphasize that it has followed the proper procedure in relation to the divestment activities of the Hotel Developers (Lanka) Ltd.

The SOE Restructuring Unit under the Ministry of Finance, Economic Stabilization and National Policies released a statement on the 26th of July 2024 providing further technical clarifications on this matter.

Some highlights from this statement are reproduced below;

With respect to the divestiture of Hotel Developers Lanka Ltd, recent newspaper articles and social media content claim that:

1. The divestiture of Hotel Developers Lanka Ltd (HDL, the owning company of the Colombo Hilton) will include 7 acres of land:

This is incorrect.

The land involved in the transaction amounts to 4.61 acres and is available for use by HDL on a leasehold basis until 2111. Subject to approval by the Cabinet of Ministers, a further 1.875 acres of land will be made available to HDL on a lease basis until 2111 at a price of Rs 4.4 billion (in addition to the price for HDL). Two of the hotel's restaurants, its swimming pool, gymnasium and some of its parking is situated on this land. This transaction is based on a decision of the Cabinet of Ministers dated 21st March 2022 whereby it was decided to allocate this land at this price to HDL at the time of its divestiture.

2. Since its recent refurbishment, the Colombo Hilton has received a 7-star classification:

This is incorrect.

The hotel's classification has been and remains 5-star.

3. In 2023, the Government Chief Valuer (GCV) has valued HDL at USD 124 million, a value higher than its valuation released in July 2024:

This is incorrect.

As confirmed by the GCV, the previous valuation of HDL was dated 19th November 2020. That valuation was lower than the valuation released in July 2024. The valuation was stated in Sri Lanka Rupees and not in USD.

4. The financial offer for HDL has been accepted:

This is incorrect.

Whilst an offer has been received, negotiations are not yet concluded and the price not yet finalized.

5. There was political interference brought to bear on the divestiture of HDL:

This is incorrect.

A transparent, price discovery process has been followed with respect to the divestiture of HDL. Furthermore, at no stage, has a politician and / or public officer attempted to influence or interfere with the work of the SOERU with respect to the divestiture of HDL or any other state-owned enterprise.

The SOE Restructuring Unit statement reiterates that offers and bids received on account of divestitures are evaluated by two Cabinet appointed committees that are independent of the SOERU. These are the Special Project Committee (SPC) and the Special Cabinet Appointed Negotiation Committee (SpCANC). The SOERU acts as an implementing agency and facilitates and coordinates the work of the two committees.

This segregation of responsibilities together with other features of the Divestiture Guidelines ensures the transparency and credibility of the divestiture process. The mandates and composition of the two committees and the SOERU are detailed in the Divestiture Guidelines referred to above.

Accordingly, the Government of Sri Lanka would like to reemphasize that a professional approach is being followed in the divestiture process and reaffirm that the allegations with respect to the valuation of Hotel Developers (Lanka) Ltd are incorrect and appear intended to willfully mislead the general public. Furthermore, it should be noted that the divestiture of Hotel Developers (Lanka) Ltd will not be finalized until the Presidential election is completed.