

State owned Enterprises Restructuring Unit (SERU)

3<sup>rd</sup> Floor, Lotus Building, Temple Trees, Colombo 03.

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Minutes of the Pre-bid meeting held on Google Meets for **Canwill Holdings Limited** and **Hotel Developers Limited**.

1. Is there an indicative time line from the Government or the SRU in terms of completing the transactions:

SRU: We have called for a work plan and timeline in the technical proposal from all Respondents. Further, we will work on the guidelines received by potential consultant. Meanwhile, we aim to select a successful transaction adviser before mid-June.

2. Would your ideal time frame for these transactions be for the end of the year?

SRU: Ideally, as soon as possible, before the end of the year.

3. What is the expected level of interaction with the Chief Government Valuer and the Transaction Adviser? Will a valuation be provided by both aforesaid parties individually?

SRU: A valuation will have to be provided by the Transaction adviser and the Chief Government Valuer individually. Thus in the situation, that there are differences between TAs and GCV's valuation, the two would need to work together to reach consensus. The SRU will assist in this process.

4. 2.2.3 of RFP is the assistance of the Attorney General (AG) will be necessary in the drafting process of the requested documents?

SRU: No, as mentioned in the scope of work it is the responsibility of the Consultant to prepare such documents. .

5. Who will be primarily responsible for the drafting of the SPA?

SRU: The Consultant shall be responsible for drafting the SPA as per scope of work, 2.2.3. Final consent to such documents shall be provided by the Attorney General (AG). .

6. To what extent are details of the outsourced firms (legal, tax) are required?

SRU: In the event you wish to outsource such work, please indicate the name of such outsourced party as per attachment 04.

7. Request for a minimum of 5 sell-side transactions over the last 10 years. However, this qualifier is not given in the RFP document. Is this only an EOI evaluation criteria?

SRU: EOI evaluation criteria is given in section 4 of the EOI. Parties should provide the information asked for in section 4 to be assessed. On conclusion of the EOI process, technical proposals received from shortlisted consultants shall be opened.

8. Are there any disclosed ratings for evaluation criteria of the EOI?

SRU: Procurement Committee's policy is to not disclose the points scheme, however, the EOI provides an idea as to what the points scheme encompasses in terms of the criteria provided in section 4 of the EOI.

9. Is there a format for the EOI? Is there a page limitation?

SRU: There is no format for the EOI and there is no page limitation.

10. Will organizations be allowed to take part in more than one consortium to submit EOIs for a specific opportunity? For example, can organization "A" be part of the consortium "M" and submit an EOI to HDP opportunity and can that same organization "A" again submit an EOI to HDP opportunity with consortium "O"?

SRU: No. The organization will not be allowed to take part in more than one consortium for the submission of an EOI to HDP (same entity)

11. Can an organization be part of different consortiums when submitting EOIs for respective opportunities? For example, can organization "A" be a part of consortium "X" and submit an EOI to HDL opportunity and can that same organization "A" submit an EOI to CHL opportunity with consortium Y?

SRU: Yes, the organization can be part of different consortiums for submission of EOI for different assignments.

12. Although as financial advisors we are bidding for the entire transaction, does this preclude us from providing selected support services to other bidders who may not have some of the expertise that we have?

SRU: No, it does not preclude you from providing outsourced services for specialized areas, such as legal and tax.

13. The objective of the Sell Side Due Diligence is to prepare the client for the transaction, thus the consumption of the Due Diligence Report is limited to the client or the subject entity. Will the client or the subject entity use the report for any other purpose?

SRU: All the documents provided shall be part of the data room for the Client, the Entity and potential bidders/investors to refer to for the purpose of a successful divestiture of the entity.

14. The scope of the Technical Due Diligence would evaluate the overall condition of the subject entity's building's structure, fit-out and installations, with regards to building technology. Is this acceptable for the client?

SRU: Yes, this is fine. Such due diligence is carried out to extract the best value to GoSL.

15. The scope of the Environmental Due Diligence would evaluate whether the subject entity has obtained necessary environmental permissions, licenses and adhere to necessary guidelines stipulated by the local authority and such permits and licenses are renewed on a timely manner. Is this acceptable for the client?

SRU: yes, this is fine. It is important to take into account ESG principles that have been taken into consideration by the business (Ex: Lead Certifications, etc), as there is a different investor segment that can be unlocked, which will add value to the transaction. Such due diligence is carried out to extract the best value to GoSL.

16. When submitting the Financial Proposal, is it required to give an undertaking to provide a Bank Guarantee? Or is it to be submitted upon selection?

SRU: The undertaking can be provided only upon selection of a consultant.

17. Attachment 02 of the RFP- We kindly request to remove or increase the page limitation given, appreciate it if the client can entertain this request favorably.

SRU: This can be capped at 5 pages.

Given that the team profiles are covered in attachment 04 of the RFP we have made an amendment to only include skills, qualifications and experiences of the firm/s in attachment 02. (Please refer to the revised attachment 02)

18. Attachment 3 - We kindly request to remove or increase the page limitation given, appreciate it if the client can entertain this request favorably.

SRU: Attachment 03 is to strictly to highlight a firms experience in closing similar transactions, we do not see a reason to increase the page limit.

19. Attachment 8 - Will the client agree that the consultant will own the intellectual property rights in the deliverables and any materials created under the contract?

SRU: No, the Client (given GoSL and other government stakeholders) will own the intellectual property rights in the deliverables and any materials created under the contract.

20. Will the client be open to incorporating Limitation of Liability clauses into the contract?

SRU: We hope to work on the contract document attached to the RFP. However, we will consider minor amendments if they are practical.

21. Are all borrowings under these individual subject entities serviced on a regular manner? Are there any limitations on proceeding with the transaction?

SRU: There are liabilities associated with Canwill Holdings which have not been serviced. However, there are no limitations for the SRU to proceed with the transaction.

22. How does the GoSL control 76.03% in Canwill Holdings Limited, via which entities does the GoSL hold this interest?

SRU: Through ownership via Litro Gas Lanka Limited and SLIC.

23. It was stated the GoSL intends to sell a controlling stake in Canwill Holdings Limited (which may include its entire stake). If the GoSL is not selling its entire stake, will it be possible to get an indication of the numeric value of the controlling stake that would be available for divestment.

SRU: GoSL has no restrictions in selling the entire stake.

24. Does the EPF have a minimum valuation expectation to divest its ownership in Canwill Holdings Limited. If so what is that value?

SRU: The EPF share ownership does not fall under SRU mandate. Given, the need to commence discussions with EPF the SRU shall facilitate.

25. Are there any active litigations that would restrict the GoSL's or EPF's ability to transfer its ownership/shares to a new investor?

SRU: No, there aren't any active litigations on both the entities, which shall limit a successful divestiture of the entities for Canwill Holdings and Hotel Developers.

26. Is there a possibility of re-negotiating the management contracts with Hyatt, the contractors and other stakeholders?

SRU: Yes this option is available.

27. It Is stated that the overall physical completion of Canwill Holdings Limited is 52%, was a technical due diligence carried out to ascertain this value?

SRU: It is based on an internal estimate provided by the management of Canwill Holdings Limited.

28. Does Canwill Holdings Limited have any cost estimates for project completion?

SRU: Whilst management has estimates for completion of the assets this has to get confirmed through a due diligence process.

29. With the information available in the public domain, the amount that the holding company has already spent, the amount to be spent for completion and the liabilities to settle are pretty much in excess of the fair market value of the asset. In this case, whether the treasury will absorb the amount in excess as against the enterprise valuation and the chief valuer's valuation by the government.

SRU: GoSL is looking to divest the asset to a strategic investor and the valuation provided by the Transaction adviser will be considered in line with the valuation of the Chief Government valuation and there is no reservation price. We hope the consultant can assist in unlocking the best price possible for GoSL.

30. Is it possible to convert the building in deviation from the Hyatt model?

SRU: Yes, this is possible as investor sees fit.

31. Have all condominium parcel owners consented to the model of the transaction of Canwill Holdings Limited with repayment or allocation of compensation?

SRU: There are no such condominium parcel owners, and thus there are no restrictions to divest the entity.

32. Will the GoSL allow the new investor to fledge the property in raising part of the investment required from the National Market?

SRU: An investor is not restricted in the manner in which capital is raised as long as they follow a legal process.

33. Is the Investment a dollar or rupee investment?

SRU: A dollar investment is preferred.

34. As the Transaction value is not known for these entities, can SRU share the financial position and the P&L?

SRU: Yes, SRU can share the most recent financial position and profit & loss upon execution of a Non-disclosure agreement.

35. Has the parliament got the overriding authority over this process and as a result can the parliament hold the process halfway?

SRU: Cabinet approval has been provided for the divestiture of the GoSL stakes in these entities.

36. What is the available leasehold period of the land for the hotel developers from the UDA. Whether it can be extended?

SRU: 99 years, until 2111.

37. Is the process followed by SRU consistent with the government procurement manual and the guideline specifically regarding the appointment of consultants?

SRU: Yes, the SRU is following the GoSL Procurement Guidelines

38. Both Hilton and Hyatt are advertised on the BOI website and Selandiva website?

SRU: New proposals will have to be submitted to the SRU. BOI is playing a role as an investment promotion agency for Sri Lanka and thus the reasoning for such assets to be advertised in the BOI website. Selandiva is no longer involved with these entities.

39. Evaluation of the RFP, who will receive the RFP when submitted by Investor?

SRU: The Cabinet Appointed Negotiation Committee will be responsible for evaluating the EOI /RFP received by potential investors. However, the Transaction Adviser will assist the committee in the process of preparing and evaluating the pre-qualification criteria, arranging pre-bid meetings, reviewing all proposal received for completeness, facilitating the evaluation of proposals and advice the Client, Project Committee (PC), and Standing Cabinet Appointed Negotiation Committee (SCANC) for the purpose of selecting the most eligible bidders.

40. Does the government open to sell the asset to a local party?

SRU: Yes, GoSL shall divest all or part of its shareholding in the entities to a reputed investor with strong credentials and sound financial capacity, irrespective of being local or international. There is no preference.

41. What is the tentative timeline to appoint a transaction advisor?

SRU: Mid-June.

42. Can the deadline be extended?

SRU: We have considered the requests, and accordingly we have extended the deadline to 16:00 hours IST on Monday, 8<sup>th</sup> May 2023.

### **Questions pertaining to Fees**

43. There is reference to an “all-inclusive fee” however, the costs may vary, is there a base line?

SRU: The capped fee is an all-inclusive fee\* (inclusive of reimbursable expenses, such as travel and accommodation expenses). It is a percentage of the Transaction value.

An all-inclusive fee includes the consultants' fee and all out of pockets expenses such as travel and accommodation expenses, etc.

44. Does the Advance payment include the initial fee or milestones such as deliverables as well?

SRU: it does not include any milestone payments, strictly a mobilization fee.

45. Please clarify the fee guidelines. Is there a possibility to have fixed and a success fee without any ceiling? What is meant by the capped fee?

SRU: The capped fee is an all-inclusive fee (inclusive of reimbursable expenses, such as travel and accommodation expenses). It is a percentage of the Transaction value.

Please quote an all-inclusive fee (inclusive of reimbursable expenses, such as travel and accommodation expenses) for all progress payments. The invoice for such progress payments shall be raised by the consultant upon completion of the deliverables and acceptance of the Client of such deliverable.

Based on clause 8.5 in the RFP, Preference will be given to consultants who defer payment towards the final fee. Please propose your payment plan and we shall evaluate it accordingly.

Our evaluation of the fee proposal will not take into account applicable taxes. (Please see attachment 6, financial proposal)

46. Under the given fee structure, if the contemplated transaction does not happen what would happen to the payments made and outstanding which are due for agreed advance and progress payments.

SRU: Any invoices raised for work fully completed and approved by the Client will be paid to the Consultant.

47. As these entities are subject to significant amount of debt, the basis for computation of the fees would be gross value or net of debt?

SRU: Please quote your fees as a percentage of transaction value (gross of debt). In the situation, where you envisage negative net assets please provide your comments in the note section provided in attachment 06, Financial proposal.

48. Attachment 6 – is an absolute fee expected?

SRU: Yes. Please quote an all-inclusive fee (inclusive of reimbursable expenses, such as travel and accommodation expenses) for all progress payments. The invoice for such progress payments shall be raised by the consultant upon completion of the deliverables and acceptance of the Client of such deliverable.



**ATTACHMENT 02**  
**SKILLS, QUALIFICATIONS AND EXPERIENCE OF FIRM/S**

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*Provide here a brief (up to 5 pages) description of the background and organization of your firm/entity for this assignment.*

**ATTACHMENT 06**  
**FINANCIAL PROPOSAL**

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Chairman  
Standing Cabinet Appointed Consultants Procurement Committee,  
State-owned Enterprises Restructuring Unit,  
3<sup>rd</sup> Floor, Lotus Building,  
Temple Trees,  
Colombo 03,  
Sri Lanka.

Attention: [ ]

Dear Sirs,

With reference to the RFP for acting as the Transaction Advisor to the proposed divestiture of Government Ownership of [Entity Name], Colombo, we hereby submit our proposal as per the following;

**1. progress payments based on the fulfillment of subsets of deliverables**

No.	Deliverables	Total Fees, including reimbursable expenses (USD/LKR)	Applicable taxes
1.			
2.			
3.			
4.			
5.			
6.			
7.			
<b>Total Costs</b>			

**2. Proposed Capped Fee (percentage)**

**3. Notes on the Financial Proposal**

(Note: Use this space to highlight any specific issues related to the financial proposal that you wish to highlight - please do not repeat any information from the technical proposal. - This proposal remains valid until 26<sup>th</sup> June 2023.

Signature of Authorised Signatory:

Name of the Authorized Signatory:

Company Seal:

Date:

Signature of Authorised Signatory:

Name of the Authorised Signatory:

Company Seal: