



By Hand/Registered Post/Fax

20th March 2015

Ref: SEC/LEG/15/03/24

To: The Board of Directors,
Kalpitiya Beach Resort PLC
No. 7/5, Gregory's Road,
Colombo 07.

Directive issued in terms of Section 12 (b) and 13 (cc) of the Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 (as amended)

Re: Inordinate delay of Kalpitiya Beach Resort PLC to construct a hotel in Kalpitiya out of the funds raised at an Initial Public Offering (IPO) as undertaken in the prospectus issued for the IPO

The Securities and Exchange Commission of Sri Lanka (SEC) notes that Kalpitiya Beach Resort PLC on or about November 2011 raised Rs.283.5 million from the public through an IPO.

In the prospectus issued for the above said purpose, your Company has stated that Rs. 283.5 million to be raised on the issue, would be utilized to part finance the construction of Citrus Kalpitiya; a resort hotel, after having made the necessary deductions in respect of the cost of the issue.

Your Company has also disclosed that the construction of the aforesaid resort would commence during December 2011 by utilizing the funds raised through the IPO and would be completed within 24-30 months and the commercial operations of the project is scheduled to commence in early 2015.

In the said prospectus your Company has given an undertaking in respect of utilization of funds in a situation where the project is not carried out, that the company will call for an Extraordinary General Meeting of the shareholders to consider an alternative course of action.

The SEC at its 353rd Commission meeting held on 10th March 2015 noted with grave concern *inter alia* the following facts;

- that Kalpitiya Beach Resort PLC has not constructed the resort hotel within the stipulated time period as stated in the prospectus;
- that the market disclosure made by your Company and the reasons given for the delay no longer justifies prolonging the construction any further;

and decided to direct Kalpitiya Beach Resort PLC as follows;

- 1) to call for an Extraordinary General Meeting of the Company to appraise the shareholders of the true financial position of the company and to pass a resolution on an alternative course of action with regard to the proceeds of the IPO collected from the general public, on or before 10th May 2015; and

- 2) to accompany the Notice of the Extraordinary General Meeting with a report prepared by the Company Auditor/Accounting Firm together with the necessary supporting documents which will be duly approved by the Board of Directors of the Company, in order to provide adequate and relevant information to the shareholders to enable them to make an informed decision and vote on the said resolution.

Kindly acknowledge receipt of this Directive.



Dhammika Perera

Officer-in-Charge/ Deputy Director General

AA/Nu

Copy:

Mr. Rajeeva Bandaranaike, Chief Executive Officer, Colombo Stock Exchange, Level 04, World Trade Centre, Colombo 01.
-to release to the market