



**RIL** PROPERTY LTD



INSPIRING VALUE

PROSPECTUS

Initial Public Offering of 120 million  
Ordinary Voting Shares at LKR 8/- per share

Lead Managers to the Issue



Joint Managers to the Issue





## PROSPECTUS

## INITIAL PUBLIC OFFERING

Lead Managers to the Issue



Commercial Bank of Ceylon PLC

Joint Managers to the Issue



NDB Investment Bank Limited

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# R I L PROPERTY LIMITED

PV 68365 PB

Offer for Subscription of One Hundred and Twenty Million (120,000,000) Ordinary Voting Shares at  
Rupees Eight (LKR 8/-) Per Share

Issue opens on April 04, 2017

## Lead Managers to the Issue



Commercial Bank of Ceylon PLC  
Investment Banking Unit  
"Commercial House"  
No. 21, Sir Razik Fareed Mawatha  
P. O. Box 856  
Colombo 01  
Tel : +94 11 2 334 643  
+94 11 4 718 248  
+94 11 2 486 491-4  
+94 11 2 486 489/99  
Fax : +94 11 2335385

## Joint Managers to the Issue



NDB Investment Bank Limited  
No. 40, Navam Mawatha  
Colombo 02  
Tel : +94 11 2 300 385-90  
Fax : +94 11 2 300 393

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This prospectus is dated March 14, 2017.

### **Responsibility for the Content of the Prospectus**

This Prospectus has been prepared from the information provided by R I L Property Limited (“RIL” or the “Company”) and its Directors and/or from publicly available sources. The Company and its Directors having made all reasonable inquiries, confirm that to the best of their knowledge and belief, the information contained herein is true and correct in all material respects and that there are no other material facts, the omission of which would make any statement herein misleading.

Where representations regarding the future performance of RIL have been given in this Prospectus, such representations have been made after due and careful enquiry of the information available to the Company and making assumptions that are considered to be reasonable at the present point in time in their best judgment.

The Company accepts responsibility for the information contained in this Prospectus. While the Company has taken reasonable care to ensure full and fair disclosure of information, prospective investors are advised to carefully read this Prospectus and rely on their own examination and assessment of the Company including the risks involved prior to making any investment decision.

No person is authorised to give any information or make any representation not contained in this Prospectus and if given or made, any such information or representation must not be relied upon as having been authorised by the Company.

R I L Property Limited intends to meet the minimum Public Holding requirement set out in SEC Directive Ref: SEC/LEG/16/11/13 which stipulates that 20% of the total number of shares for which a listing is sought to be in the hands of a minimum number of 500 public shareholders, on the completion of the Issue pursuant to which the listing of the entire Ordinary Shares of the Company will take place on the ‘Main Board’ of the CSE.

However, in the event where the Company is unable to meet the aforementioned minimum Public Holding requirement, the Company would alternatively opt for a listing on the ‘Diri Savi’ Board of the CSE, subject to meeting the minimum public holding requirement set out in SEC Directive Ref: SEC/LEG/16/11/13 which stipulates that minimum 10% of total shares for which a listing is sought should be in the hands of a minimum number of 200 public shareholders as morefully detailed in Section 1.8 of this Prospectus.

**The delivery of this Prospectus shall not under any circumstances constitute a representation or create any implication or suggestion that there has been no material change in the affairs of the Company since the date of this Prospectus.**

**If you are in any doubt regarding the contents of this Prospectus or if you require any advice in this regard you should consult a Lawyer, or any other Professional Advisor.**

The Colombo Stock Exchange (“CSE”) has taken reasonable care to ensure full and fair disclosure of information in this Prospectus. However, the CSE assumes no responsibility for the accuracy of the statements made, opinions expressed or reports included in this Prospectus. Moreover, the CSE does not regulate the pricing of the shares which is decided solely by the Issuer.

## **Registration of the Prospectus**

A copy of this Prospectus has been delivered to the Registrar General of Companies in Sri Lanka for registration. The following documents were also attached to the copy of the Prospectus delivered to the Registrar General of Companies.

- **The written consent of the Lead Managers to the Issue and Joint Managers to the Issue**

Lead Managers to the Issue and Joint Managers to the Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of their names as Lead Managers to the Issue and Joint Managers to the Issue and for the inclusion of the Research Report in the form in which it is included in the Prospectus.

- **The written consent of the Registrars to the Issue**

The Registrars to the Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of their name as Registrars to the Issue in the Prospectus.

- **The written consent of the Auditors and Reporting Accountants to the Company and to the Issue**

The Auditors and Reporting Accountants to the Company have given and have not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of their name as Auditors and Reporting Accountants to the Company and to the Issue and for the inclusion of their report in the form and context in which it is included in the Prospectus.

- **The written consent of the Lawyers to the Issue**

The Lawyers to the Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of their name as Lawyers to the Issue in the Prospectus.

- **The written consent of the Bankers to the Company and the Issue**

The Bankers to the Company and the Issue have given and have not before the delivery of a copy of the Prospectus for registration withdrawn their written consent for the inclusion of their names as Bankers to the Company and the Issue in the Prospectus.

- **The written consent of the Chartered Quantity Surveyor**

The Chartered Quantity Surveyor who has carried out professional services to the Company has given and has not before the delivery of a copy of the Prospectus for registration withdrawn his written consent for the inclusion of his name in the Prospectus.

- **The written consent of the Company Secretary**

The Company Secretary has given and has not before the delivery of a copy of the Prospectus for registration withdrawn her written consent for the inclusion of her name as Company Secretary in the Prospectus.

- **The Declaration by the Directors**

A declaration made by each of the Directors of the Company confirming that each of them have read the provisions of the Companies Act relating to the issue of the Prospectus and that those provisions have been complied with.

## **Registration of the Prospectus in Jurisdictions Outside of Sri Lanka**

This Prospectus has not been registered with any authority outside of Sri Lanka. Non-resident investors may be affected by the laws of the jurisdictions of their residence. Such investors are responsible to comply with the laws relevant to the country of residence and the laws of Sri Lanka, when making their investment.

## **Representation**

No person is authorised to give any information or make any representation not contained in this Prospectus and if given or made, any such information or representation must not be relied upon as having been authorised by the Company.

## **Forward Looking Statements**

Any statements included in this Prospectus that are not statements of historical fact constitute “Forward Looking Statements”. These can be identified by the use of forward looking terms such as “expect”, “anticipate”, “intend”, “may”, “plan to”, “believe”, “could” and similar terms or variations of such terms. However, these words are not the exclusive means of identifying Forward Looking Statements. As such, all statements pertaining to expected financial position, business strategy, plans and prospects of the Company are classified as Forward Looking Statements.

Such Forward Looking Statements involve known and unknown risks, uncertainties and other factors including but not limited to regulatory changes in the sectors in which the Company operates and its ability to respond to them, the Company’s ability to successfully adapt to technological changes, exposure to market risks, general economic and fiscal policies of Sri Lanka, inflationary pressures, the performance of financial markets both globally and locally, changes in domestic and foreign laws, regulation of taxes and changes in competition in the industry and further uncertainties that may or may not be in the control of the Company.

Such factors may cause actual results, performance and achievements to materially differ from any future results, performance or achievements expressed or implied by Forward Looking Statements herein. Forward Looking Statements are also based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which the Company will operate in the future.

Given the risks and uncertainties that may cause the Company’s actual future results, performance or achievements to materially differ from that expected, expressed or implied by Forward Looking Statements in this Prospectus, investors are advised not to place sole reliance on such statements.

## **Investment Considerations**

It is important that this Prospectus is read carefully prior to making an investment decision. For information concerning certain risk factors, which should be considered by prospective investors, see “Investment Considerations and Associated Risk Factors” in Section 7.0 of this Prospectus.

## **Presentation of Currency Information and Other Numerical Data**

The financial statements of the Company and currency values of economic data or industry data in a local context will be expressed in Sri Lanka Rupees. References in the Prospectus to “LKR”, “Rupees”, and “Rs.” are references to the lawful currency of Sri Lanka. Reference to “USD” is with reference to United States Dollars, the official currency of the United States of America.

Certain numerical figures in the Prospectus have been subject to rounding adjustments; accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.



## Presentation of Macroeconomic and Industry Data

Economic and industry data used throughout this Prospectus are derived from the Central Bank of Sri Lanka (CBSL) and various other industry data sources, which the Company believes to be reliable, but the accuracy and completeness of that information is not guaranteed. Similarly, industry surveys and other publications, while believed to be reliable, have not been independently verified and neither the Company nor the Lead Managers and Joint Managers to the Issue make any representation as to the accuracy of that information.

All resident Applicants should indicate their respective National Identity Card (NIC) number or company registration number in the Application Form. The passport number may be indicated only if the Applicants do not have an NIC number.

As per the Directive of the Securities and Exchange Commission (SEC) made under Circular No. 08/2010 dated November 22, 2010 and Circular No. 13/2010 issued by the Central Depository System (Private) Limited (CDS) dated November 30, 2010, all Shares allotted must be directly uploaded to the CDS accounts. As such, all Applicants should indicate their CDS account number in the Application Form. Applicants who do not have a CDS account are advised to open a valid CDS account prior to submitting the Application, in order to facilitate the uploading of allotted Shares to their CDS account.

Please note that upon the allotment of Shares under this Offer, the allotted Shares would be credited to the Applicant's CDS account so indicated. Please note that **SHARE CERTIFICATES SHALL NOT BE ISSUED**.

Any Application which does not carry a valid CDS account number or indicates a number of a CDS account which is not opened at the time of closure of the subscription list or which indicates an inaccurate/incorrect CDS account number, shall be rejected and no allotment will be made.

You can open a CDS account through any member/trading member of the Colombo Stock Exchange (CSE) as set out in Annexure 5 or through any Custodian Bank as set out in Annexure 6 of this Prospectus.

## SALIENT FEATURES OF THE ISSUE AT A GLANCE

<b>Issuer</b>	R I L Property Limited
<b>Number and Type of Securities to be Issued</b>	One Hundred and Twenty Million (120,000,000) Ordinary Voting Shares
<b>Issue price</b>	LKR 8/- per Share
<b>Amount to be Raised</b>	LKR 960,000,000/-
<b>Minimum Subscription</b>	<p>Minimum subscription per Application is One Hundred (100) Shares (LKR 800/-). Applications exceeding the minimum subscription should be in multiples of Hundred (100) Shares.</p> <p>Minimum subscription of One Hundred (100) Shares will be allotted to each successful Applicant.</p>
<b>Opening of the Subscription List (Issue Opening Date)</b>	April 04, 2017
<b>Closure of the Subscription List (Issue Closing Date)</b>	April 26, 2017
<b>Earliest Issue Closing Date</b>	April 04, 2017
<b>Basis of Allotment</b>	The basis of allotment is detailed in Section 2.7 of this Prospectus
<b>CSE Listing</b>	To be listed on the Main Board of the CSE subject to compliance with the minimum Public Holding requirement set out in SEC Directive Ref : SEC/LEG/16/11/13 which stipulates that minimum 20% of shares for which a listing is sought should be in the hands of minimum number of 500 public shareholders. In the event where such requirement is not met, the Company would seek a listing on the Diri Savi Board of the CSE, subject to meeting minimum public holding requirement set out in SEC Directive Ref : SEC/LEG/16/11/13 which stipulates that minimum 10% of shares for which a listing is sought should be in the hands of minimum number of 200 public shareholders

**CORPORATE INFORMATION**

<b>The Company/Issuer</b>	R I L Property Limited
<b>Legal Form of the Company</b>	A company incorporated in Sri Lanka on July 15, 2009 as a private limited liability company under the Companies Act No. 07 of 2007 and registered with the Board of Investment of Sri Lanka ('BOI') under Section 17 of the BOI Act No. 4 of 1978 and subsequently converted to a public limited liability company on September 13, 2016 under the Companies Act No. 07 of 2007
<b>Company Registration Number</b>	PV 68365 PB
<b>Registered Office</b>	No. 33, Park Street Colombo 02
<b>Current Place of Business</b>	Level 1, <i>PARKLAND</i> No. 33, Park Street Colombo 02
<b>Board of Directors</b>	Mr. S. G. Wijesinha - Independent Non-Executive Chairman Mrs. L. K. A. H. Fernando - Chief Executive Officer/ Executive Director Mrs. L. E. M. Yaseen - Non Independent Non-Executive Director Mr. L. W. D. Abeyarathne - Executive Director Mr.A. D. E. I. Perera - Independent Non-Executive Director Mr.R. A. Ebell - Independent Non-Executive Director Mrs. C. G. R. Amirthiah - Independent Non-Executive Director
<b>Company Secretary</b>	Mrs. Jansenidevi Kuhanesan Level 1, <i>PARKLAND</i> No. 33, Park Street Colombo 02 Tel : +94 11 233 2850-1 Fax : +94 11 239 9915
<b>Auditors to the Company</b>	M/s Ernst & Young Chartered Accountants No. 201, De Saram Place P. O. Box 101 Colombo 10 Tel : +94 11 246 3500 Fax : +94 11 269 7369
<b>Bankers to the Company</b>	Commercial Bank of Ceylon PLC "Commercial House" No. 21, Sir Razik Fareed Mawatha P. O. Box 856 Colombo 01 Tel: +94 11 2 486 000 +94 11 4 486 000 +94 11 7 486 000 Fax: +94 11 2 449 889

**RELEVANT PARTIES TO THE ISSUE**

<b>Lead Managers to the Issue</b>	Commercial Bank of Ceylon PLC Investment Banking Unit “Commercial House” No. 21, Sir Razik Fareed Mawatha P. O. Box 856 Colombo 01 Tel : +94 11 2 334 643 +94 11 4 718 248 +94 11 2 486 491-4 +94 11 2 486 489/99 Fax : +94 11 2 335 385
<b>Joint Managers to the Issue</b>	NDB Investment Bank Limited No. 40, Navam Mawatha Colombo 02 Tel : +94 11 2 300 385-90 Fax : +94 11 2 300 393
<b>Lawyers to the Issue</b>	M/s Julius and Creasy No. 41, Janadhipathi Mawatha Colombo 01 Tel: +94 11 4 335 159-62 Fax :+94 11 2 692 677
<b>Auditors and Reporting Accountants to the Issue</b>	M/s Ernst & Young Chartered Accountants No. 201, De Saram Place P. O. Box 101 Colombo 10 Tel : + 94 11 2 463 500 Fax : +94 11 2 697 369
<b>Registrars to the Issue</b>	P W Corporate Secretarial (Pvt) Ltd No. 3/17, Kynsey Road Colombo 08 Tel : +94 011 4 640 360-3 +94 011 4 640 364 Fax : +94 011 4 740 588
<b>Bankers to the Issue</b>	Commercial Bank of Ceylon PLC “Commercial House” No. 21, Sir Razik Fareed Mawatha P. O. Box 856 Colombo 01 Tel : +94 11 4 718 248 +94 11 2 486 491-4 +94 11 2 486 489/99 Fax : +94 11 2 335 385

## GLOSSARY OF TERMS AND ABBREVIATIONS

Applicant/s	Any investor who submits an Application Form under this Prospectus
“Application Form”, “Application”	The application form that constitutes part of this Prospectus through which the investors may apply for the New Shares
Articles of Association	Articles of Association of R I L Property Limited
AWPLR	Average Weighted Prime Lending Rate
Bn	Billion
the “Board”	The Board of Directors of RIL Property Limited
CBSL	Central Bank of Sri Lanka
CDS	Central Depository Systems (Pvt) Ltd
c.	Circa
Companies Act	Companies Act No. 07 of 2007 (as amended)
Cornerstone Investor	NDB Capital Holdings Limited which has committed to subscribe for 25,000,000 Shares at the Share Issue Price amounting to a total value of LKR 200,000,000/- via the Non Retail Investor Category of the IPO
CSE	Colombo Stock Exchange
Directors	The Directors for the time being of the Company, unless otherwise stated
Earliest Closing Date	The opening day of the subscription list or the first day on which the issue is fully subscribed
EPS	Earnings Per Share
FBPL	FoodBuzz (Private) Limited
Foreign Investor	<ul style="list-style-type: none"> <li>▪ Citizens of Sri Lanka who are resident outside Sri Lanka and above 18 years of age;</li> <li>▪ Corporate bodies incorporated or established outside Sri Lanka;</li> <li>▪ Foreign citizens above 18 years of age (irrespective of whether they are resident in Sri Lanka or overseas);</li> <li>▪ Regional and country funds approved by the SEC</li> </ul> <p>Please refer Section 2.3.5 for further information.</p>
GDP	Gross Domestic Product
IPO	Initial Public Offering
Issue Opening Date	The date of opening of the subscription list as mentioned in Section 1.9 of the Prospectus
Issue Closing Date	The date of closure of the subscription list as mentioned in Section 1.9 of the Prospectus
“Issue”, “Offer”	An invitation to the public by the Company to subscribe to the Offered Shares to be issued via an offer for subscription as detailed in this Prospectus
Joint Application Forms	Application Forms submitted by natural persons not exceeding three Applicants
Lawyers to the Issue	M/s Julius and Creasy
LCB	Licensed Commercial Bank
LKR / Rs.	Sri Lanka Rupee
Local Time	Sri Lanka Time
Market Day	Any day on which CSE is open for trading
Managers to the Issue	Commercial Bank of Ceylon PLC (Lead Managers to the Issue) and NDB Investment Bank Limited(Joint Managers to the Issue)
Mn	Million

NAV	Net Asset Value
NBT	Nation Building Tax
“New Shares”, “Offered Shares”	One Hundred and Twenty Million (120,000,000) new Ordinary Shares to be issued by the Company to the public at the Share Issue Price
NIC	National Identity Card
Non-Retail Investor Category	Investors who do not fall under Retail Individual Investor Category and Unit Trust Investor Category
Offer for Subscription	An invitation to the public by the Company to subscribe for One Hundred and Twenty Million (120,000,000) new Ordinary Shares of the Company
<i>PARKLAND</i>	22 storey Grade ‘A’ commercial office complex owned by RIL
PBV	Price to Book Value
P/E	Price to Earnings Ratio
POA	Power of Attorney
Prospectus	This Prospectus Dated March 14, 2017 issued by the Company
Public Holding	As set out in the Listing Rules of the CSE
Retail Individual Investor Category	Individual investors who subscribe for Shares up to a value of LKR 100,000/- (i.e. up to 12,500 shares)
RIL/ The Company	R I L Property Limited
ROE	Return on Equity
RTGS	Real Time Gross Settlements
SEC	Securities and Exchange Commission of Sri Lanka
SEC Act	Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987 (as amended)
Shares	Ordinary Voting Shares
“Share Offer Price”, “Share Issue Price”	The price at which the New Shares will be offered to the Public, as detailed in this Prospectus, i.e. LKR 8/- per Ordinary Share
SIA	Securities Investment Account
“SLAS”, “SLFRS”, “LKAS”	Sri Lanka Accounting Standards
SLIPS	Sri Lanka Inter - bank Payment System
Stated Capital	The Stated Capital of R I L Property Limited
TAC	Total Available Capital
The Issue	The Offer for Subscription under the provisions of this Prospectus
TTM	Trailing Twelve Months
Unit Trust Investor Category	Growth and balanced Unit Trusts operated by managing companies licensed under the SEC to operate such Unit Trusts, where such Unit Trusts comprises of not less than 500 Unit Holders resident in Sri Lanka who together hold at least 50% of that Unit Trust, as per SEC Directive dated June 06, 2011 (Ref: SEC/Leg/11/06/01)
VAT	Value Added Tax
WHT	Withholding Tax
YTD	Year to Date
YoY	Year on Year

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## 1.0 DETAILS OF THE ISSUE

### 1.1 THE ISSUE

The Issue contemplated herein shall constitute an invitation made to the general public to purchase One Hundred and Twenty Million (120,000,000) new Ordinary Voting Shares at a Share Issue Price of Sri Lanka Rupees Eight (LKR 8/-) per share payable in full on application on the terms and conditions set out in this Prospectus.

### 1.2 NATURE OF THE NEW SHARES

The Offered Shares shall, upon allotment, rank equal and *pari passu* in all respects with the existing Ordinary Shares of the Company and each New Share shall confer on the holder thereof the right to one vote on a poll at a meeting of the Company on any resolution, the right to an equal share in any dividend that may be paid by the Company after the allotment of the Offered Shares and the right to an equal share in the distribution of the surplus assets of the Company in a liquidation.

### 1.3 SIZE OF THE ISSUE

If fully subscribed, the Issue would raise Sri Lanka Rupees Nine Hundred and Sixty Million (LKR 960,000,000/-).

### 1.4 SHARE ISSUE PRICE

The Share Issue Price will be Sri Lanka Rupees Eight (LKR 8/-) per share. The Board of Directors of RIL is of the opinion that the Share Issue Price is fair and reasonable to the Company and to all existing Shareholders of the Company.

The Share Issue Price was determined by RIL in consultation with Commercial Bank of Ceylon PLC (“COMB” or “Lead Managers to the Issue”) and NDB Investment Bank Limited (“NDBIB” or “Joint Managers to the Issue”) in accordance with the Research Report compiled by COMB and NDBIB in line with Rule 3.1.4 (c) of the CSE Listing Rules. A copy of the Research Report that includes the five year forecast financials is enclosed as Annexure 4 of this Prospectus.

The NAV per share and the Price to Book Value at the Share Issue Price are as follows;

**Table 1.1 NAV per share, PBV per share and Share Issue price**

As at	Net Assets Value (LKR Mn)	Net Assets Value per Share (LKR)	PBV at Share Issue Price (x)
December 31, 2016 – Actual	10,089.3	21.02 <sup>†</sup>	0.38
December 31, 2016 – Pro forma <sup>‡</sup>	11,049.3	18.42	0.43

<sup>†</sup>Adjusted for the Fair Value Gain of LKR 4,903.8 Mn on Investment Property recognised in the Audited Financial Statements for the Financial Year ended March 31, 2016 based on the valuation conducted on March 31, 2016.

<sup>‡</sup>Adjusted to reflect the Net Asset Value and Number of Shares in Issue assuming the full subscription of the Offered Shares via the IPO.

The investors should read the quantitative and qualitative factors given in Section 1.7, the risk factors included under Section 7.0 of this Prospectus and the details of the Company and its financial statements included in this Prospectus.

## 1.5 OBJECTIVES OF THE ISSUE

The funds raised through the Initial Public Offering (IPO) will be utilised in the order of priority indicated in the table below:

**Table 1.2 Fund Utilisation**

Description	Fund Utilisation (LKR Mn)	Expected Utilisation Timeline
Refurbishment of <i>READYWEAR</i> Building	694.1	By June 2019 <sup>†</sup>
Expansion of BreadTalk Outlets	265.9	FY2017/18 – FY2018/19
<b>Total</b>	<b>960.0</b>	

<sup>†</sup> 90% of the funds allocated for the Refurbishment of *READYWEAR* Building would be utilised by June 2018. The balance 10% would be held as a retention payment to the contractors to be released by June 2019

If there are any changes to circumstances due to risk factors highlighted in Section 1.6, the Company may use the funds appropriately subject to obtaining approval from shareholders as highlighted in Section 1.6.4.

### 1.5.1 Refurbishment of *READYWEAR* Building

Subsequent to the successful development *PARKLAND* in September 2015 at No. 33, Park Street, Colombo 02 with 194,345 sq. ft. of rentable space, RIL now intends to refurbish an existing building owned by the Company bordering Braybrooke Place ("*READYWEAR* Building") located within the same premises. The existing *READYWEAR* Building has 45,897 sq. ft. of rentable space and RIL is of the view that the refurbishment would add 13,335 sq. ft. of rentable space. The refurbishment project would result in rentable modern office space of 59,232 sq. ft. and enhance the rental yields of the entire *READYWEAR* Building. This would in turn increase the total rentable office space of RIL to 253,577 sq. ft. and improve the overall yields of the Company's real estate portfolio upon completion. The aforesaid refurbishment exercise is estimated to cost LKR 694.1 Mn and is expected to take 12 months reaching completion in June 2018. The detailed breakup of the costs to be incurred for the refurbishment project is indicated below and the Company intends to finance the entirety of the capital expenditure required for this purpose by utilising a part of the funds raised through the IPO.

**Table 1.3 Breakup of costs incurred for refurbishment**

Description	Fund Utilisation (LKR Mn)
Preliminaries	35.8
Demolition Work and Structural Enhancements	231.9
Mechanical, Electrical and Plumbing	204.5
Finishes	91.3
Contingency (5%)	28.0
Consultancy Fees	33.8
Value Added Taxes	68.8
<b>Total</b>	<b>694.1</b>

The above summary of estimated refurbishment costs has been compiled by the management based on their experience having successfully constructed *PARKLAND* and a preliminary assessment of costs carried out by Chartered Quantity Surveyor Mr. Nishantha Wickramasinghe (B.Sc (QS) Hons., M.Sc. (Pro. Mgt), F.I.Q.S.S.L) of Construction Cost Management (Private) Limited who is the Immediate Past President of the Institute of Quantity Surveyors Sri Lanka (IQSSL). RIL is in the process of finalising plans for the refurbishment and is already in discussions with architects and design engineers with respect to the preliminary drawings. The Company expects to finalise the plans, identify the detailed breakup of the capital expenditure to be incurred for the said refurbishment and commence construction work in July 2017. The tenancy agreements will expire in March 2017 and the tenants have been notified that the agreements will not be renewed and they have agreed to vacate the premises within the said time frames.

RIL intends to select and appoint contractors for the refurbishment project via a competitive bidding process immediately upon finalising designs and raising the requisite funds through the IPO. RIL, with its experience in developing *PARKLAND* recently, together with the identified architect and design engineers would possess the necessary knowledge and expertise to evaluate and identify the most suited contractor to undertake the refurbishment of the *READYWEAR* Building. RIL expects to identify suitable tenants for the refurbished *READYWEAR* Building within a period of 12 months of completing the refurbishment activities subject to the availability of supply for similarly graded office space and prevailing market conditions. The expertise and knowledge gained by RIL in marketing office space at *PARKLAND* would be leveraged upon when seeking suitable tenants for the *READYWEAR* Building.

The site clearance for the entire land has been obtained from the Urban Development Authority in 2012 and *PARKLAND* was constructed with this site approval. In order to ensure better land utilisation of the site an application has been resubmitted on January 5, 2017 to the UDA for an amendment. The Company is yet to receive the said amended site approval. However, the Company does not foresee any difficulty in obtaining the said approval from the UDA, as it involves a refurbishment of an existing building on a site which already holds a site approval from the UDA. The Company would also have to apply for the Certificate of Conformity from the UDA subsequent to the completion of the refurbishment work. The Company does not foresee a delay in the project due to any delays in obtaining requisite approvals. *READYWEAR* Building which was constructed 20 years ago, holds the Certificate of Conformity. All utility supplies such as electricity, water and sewage are currently available and the Company would not require enhancements for the existing connections due to refurbishment.

In the event of an undersubscription of the IPO, RIL would still be able to execute the refurbishment plan given the LKR 500 Mn funding raised through the Underwriting (refer Section 1.13 ) and Cornerstone Investor (refer Section 1.10) arrangements together with internally generated cash.

The refurbishment is expected to generate a Net Present Value of LKR 59.5 Mn and an Internal Rate of Return of 20.4% when considering the LKR 694.1 Mn capital expenditure required for the project as per the Research Report compiled by Managers to the Issue (refer Section 12.1 of the Research Report in Annexure 4).

## 1.5.2 Expansion of BreadTalk Outlets

FoodBuzz (Private) Limited (FBPL), a fully owned subsidiary of RIL, operates a chain of BreadTalk franchised outlets in Sri Lanka. In August 2016, FBPL embarked on an expansion strategy which include adding 11 more outlets in a number of major cities in the Western Province to the present BreadTalk outlet network, relocating the Park Street outlet and expanding the central kitchen at Union Place (Lipton Circus). The total cost of the expansion plan was estimated to be LKR 550 Mn over the next five financial years and was to be executed in two phases with completion of the overall plan expected in FY2020/21. The breakup of the capital expenditure requirement for the overall expansion strategy is given below:

**Table 1.4 Breakup of costs to be incurred for expansion of BreadTalk outlets**

Description	Fund Utilisation (LKR Mn)
Fixtures and fittings	222.0
Furniture and fittings	25.5
Computer equipment	11.0
Electrical equipment	110.5
Motor vehicles	28.0
Machinery and equipment	89.0
Air conditioners	33.0
Utensils	31.0
<b>Total</b>	<b>550.0</b>

The first phase of the expansion strategy entails adding four (4) outlets, relocating the Park Street outlet and expanding the central kitchen at Union Place (Lipton Circus) by the end of FY2017/18. This phase was estimated to cost LKR 350 Mn and a breakup of the capital requirement is given below:

**Table 1.5 Breakup of expenditure for first phase of BreadTalk expansion**

<b>Description</b>	<b>Fund Utilisation (LKR Mn)</b>
Fixtures & Fittings	122.7
Furniture & Fittings	18.5
Computer Equipment	7.0
Electrical Equipment	62.5
Motor Vehicles	12.0
Machinery and Equipment	65.0
Air Conditioner	15.0
Utensils	13.0
Working capital	34.3
<b>Total</b>	<b>350.0</b>

FBPL has identified key suburbs within the Western Province for its new outlet openings and has already embarked on the first phase of the expansion strategy having opened two additional outlets (Mount Lavinia in September 2016 and Maharagama in November 2016) and completed the relocation of the Park Street outlet to *PARKLAND*. The cost of the new outlet opening and the relocation mentioned above together with other expenses that have been incurred as at December 31, 2016 as per the first phase expansion plan amounts to LKR 100.0 Mn and has been financed via a short term debt facility as indicated in Section 6.4.

RIL intends to part finance the total requirement for the first phase of the expansion by investing LKR 265.9 Mn out of the IPO proceeds via an equity infusion into FBPL. LKR 100.0 Mn out of the said equity infusion will be used to settle the above mentioned short term debt facility obtained to embark on the first phase of the expansion plan and the balance LKR 165.9 Mn will be used to part finance the residual capital required to complete the said phase of the expansion plan. The balance funds required to execute the first phase of the expansion plan would be raised via other bank borrowings and internally generated funds.

It should be noted that the capital expenditure indicated in Tables 1.4 and 1.5 above have been estimated by the management of FBPL based on their experience in opening BreadTalk outlets in the past. Further, FBPL intends to obtain detailed breakups of such capital expenditure on a piecemeal basis as and when the company identifies the exact location and configuration for a given outlet opening. FBPL will also be required to obtain necessary approvals from the BOI/municipal/urban/local councils depending on the locations that would be identified for the purpose of opening outlets. Further, approvals from relevant regional offices of Ministry of Health would be required annually for each outlet. The Company will apply for the said approval as and when required and does not foresee a delay in obtaining requisite approvals.

In the event of an undersubscription of the IPO where the funds raised are not adequate to finance the FBPL expansion strategy, RIL would use internally generated funds and/or external borrowings to finance the same.

The second phase of the expansion strategy will commence after the completion of the first phase depending on market conditions and is expected to be completed during FY2020/21. This phase is expected to be financed using internally generated cash flows and/or external borrowings at FBPL level.

It should be noted that FBPL has recorded net losses of LKR 80.1 Mn, LKR 74.4 Mn and LKR 35.6 Mn for FY 2013/14, FY 2014/15 and FY 2015/16 respectively. This is primarily due to the fact that centralised infrastructure of FBPL has been developed to cater for up to 16 outlets. Whilst the losses have resulted from the current low level of utilisation of the centralised infrastructure, FBPL is of the view that execution of the proposed outlet expansion plan would lead to the company being profitable in the future.

The overall FBPL expansion strategy is expected to generate a Net Present Value of LKR 24.3 Mn and an Internal Rate of Return of 22.1% when considering the LKR 550 Mn capital expenditure required for the project as per the Research Report compiled by the Lead Managers to the Issue and Joint Managers to the Issue (refer Section 12.2 of the Research Report in Annexure 4).

It should be noted that, RIL intends to invest the IPO funds in either one or a combination of Government Securities, deposits in Licensed Commercial Banks and Money Market funds generating a return of at least the prevailing overnight REPO rate until such funds are utilised for the corresponding objectives identified above. The Chief Executive Officer of RIL has been authorised by the Board to invest such funds whilst adhering to the said investment policy during the interim period until deployment towards IPO objectives.

RIL will disclose the information pertaining to the utilisation of funds raised through the IPO on its Annual Report and Interim Financial Statements from the date of raising funds until the objectives are achieved and funds are fully utilised as per Table 1.6.

**Table 1.6 Continuous Disclosure on Utilisation of IPO Proceeds**

Objective Number	Objective as per Prospectus	Amount Allocated as per Prospectus (LKR Mn)	Proposed Date of Utilisation as per Prospectus	Amount Allocated from Proceeds (LKR Mn) (A)	% of Total Proceeds	Amounts Utilised (LKR Mn) (B)	% of Utilisation against Allocation (B/A)	Clarification if not Fully Utilised including where the funds are invested (e.g. whether lent to related parties etc.)
1	Refurbishment of <i>READYWEAR</i> Building	694.1	By June 2019					
2	Expansion of BreadTalk Outlets	265.9	FY2017/18 – FY2018/19					

## 1.6 SPECIFIC RISKS ASSOCIATED WITH THE OBJECTIVES OF THE ISSUE

### 1.6.1 Risk of Delays and/or Cost Overruns in Refurbishing the *READYWEAR* Building

RIL intends to commence refurbishment activities in July 2017 upon tenants vacating the *READYWEAR* Building. The Company does not foresee a delay in tenants vacating the *READYWEAR* Building as tenancy agreements will expire in March 2017 and the tenants have been notified that the agreements will not be renewed and they have agreed to vacate the premises within the said time frames. The vacating process has already commenced. The Company estimates that the refurbishment can be completed by June 2018 based on its experience. However, the refurbishment exercise may be prolonged owing to delays by various third parties involved in the process including but not limited to architects, contractors, design engineers and other consultants. In the event of a delay, RIL would take longer than expected to generate additional rental income envisaged from the refurbished *READYWEAR* Building. However, the Company intends to closely monitor and manage all stakeholders in order to minimise the probability of such delays occurring.



It has been estimated that the total cost of refurbishment of the *READYWEAR* Building will be LKR 694.1 Mn. However, there may be cost overruns that arise due to increases in contract costs possibly due to variations in the scope of refurbishment (since an existing building is being refurbished), increases in the cost of building inputs due to exchange rate fluctuations, raw material costs and general inflation, etc. Since RIL is currently fully operational, generating positive earnings, it is believed that even though there are cost overruns the Company will be able to cover such unexpected expenses using internally generated funds of the Company.

#### **1.6.2 Risk of Delays in Sourcing Tenants and/or Rental Rate Fluctuations for the Readywear Building**

RIL intends to seek suitable tenants for the modernised *READYWEAR* Building close to the completion of refurbishment activities in June 2018. It should be noted that actual demand for office space of similar grade and hence occupancies and rental rates would depend on many external factors beyond the control of the Company including but not limited to availability of alternative office space for tenants, prevailing market conditions and level of growth in demand for similarly graded office space. Lower than expected occupancies and/or rental rates would result in a delay in RIL realising the expected cash flows from the refurbishment project. However, the Company is of the view that RIL could achieve the expected occupancy levels and rental rates provided the current demand and supply dynamics for office space in Colombo prevails at the time of completion of the refurbishment project.

#### **1.6.3 Risk of Delays and/or Cost Overruns in the BreadTalk Expansion Strategy**

RIL has estimated that the first phase of the BreadTalk outlet expansion can be completed by FY2017/18. However, a delay in expansion plans, due to any unforeseen event, may result in the Company not recognizing the incremental income from the new outlets during the relevant time period. As a result, FBPL may be unable to achieve the targeted earnings during the respective financial years. However, since FBPL has already embarked on the first phase of the expansion project, it does not foresee any potential reason for a significant delay in the expansion project.

RIL and FBPL have estimated that the total cost of the first phase of expanding the BreadTalk outlet network will be LKR 350 Mn. Any cost overruns will be initially covered using internally generated funds of FBPL. In the event such funds are insufficient to cover cost overruns FBPL would utilise external borrowings to finance the same.

As the IPO proceeds will be infused by RIL as equity capital to its 100% owned subsidiary, FBPL, the Company will seek Related Party Transactions Review Committee approval prior to the disbursements of funds. Further, when utilising the funds raised through the IPO, the Company will comply with all applicable Listing Rules of CSE.

#### **1.6.4 Risk of not being able to invest the funds within the intended timeline**

It should be noted that RIL does not foresee any risks that may result in the Company being unable to utilise the IPO proceeds for the objectives as the Company does not anticipate any difficulty in obtaining necessary approvals for refurbishment of *READYWEAR* Building and expansion of BreadTalk Outlets as mentioned in Section 1.5.

However, in the event the Company is unable to utilise the IPO proceeds for the objectives mentioned above within the intended timelines mentioned, a decision of the shareholders will be sought at an Extraordinary General Meeting held prior to utilisation of such funds, to decide the course of action with regard to the utilisation of the IPO proceeds and the necessary announcements with regard to the same will be made to the CSE. It should be noted that the post IPO non-public holding is 80% as mentioned in Table 5.5. Further, RIL does not intend to utilise the IPO proceeds for any Related Party Transactions.

## 1.7 QUANTITATIVE AND QUALITATIVE FACTORS PERTAINING TO THE ISSUE

### 1.7.1 Quantitative Factors

Earnings per Share (EPS), Return on Equity (ROE) and Price to Earnings Ratio (P/E)

Table 1.7 EPS, ROE and P/E

Period Ended	Basic EPS (LKR) <sup>†</sup>	Diluted EPS (LKR) <sup>†</sup>	ROE (%)	P/E (x)
March 31, 2014	0.11	0.11	1.20	NM
March 31, 2015	0.11	0.11	1.23	NM
March 31, 2016	12.86	12.86	83.21	0.62
Average	4.36	4.36	28.55	NM
December 31, 2016 <sup>‡</sup>	0.58	0.58	2.08	13.86

<sup>†</sup> Based on weighted average number of shares outstanding for the respective financial year

<sup>‡</sup> Annualised; excludes fair value gains

NM - Not Meaningful (due to the non-availability of market price for the shares of RIL prior to IPO)

#### P/E Ratio

- Based on Basic and Diluted EPS of LKR 12.86 for the year ended March 31, 2016, the P/E Ratio is 0.62 times.
- Based on the three year average EPS (FY2013/14 - LKR 0.11, FY2014/15 – LKR 0.11, FY2015/16 – LKR 12.86) of LKR 4.36, the P/E ratio is 1.83 times.
- Industry P/E Ratio as at December 30, 2016 is 9.0 times

The P/E Ratio range of the industry peers is as given below:

Table 1.8 P/E Ratio Range of Peers

Particulars	Name of the Peer Entity	P/E Ratio based on TTM earnings for the period ended September 30, 2016 <sup>†*</sup> (x)
Highest	Property Development PLC	16.9
Lowest	Commercial Development Company PLC	3.4
Industry composite <sup>‡</sup>		7.6

<sup>†</sup> Company Quarterly Financial Statements

<sup>\*</sup> Market Prices as at December 30, 2016

<sup>‡</sup> Sector classification: Real Estate (Real Estate companies listed on the CSE as at December 30, 2016 with similar business operations in office real estate or/and Real Estate companies with a similar capital structure: Overseas Realty PLC, Commercial Development Company PLC, Equity Two PLC, Property Development PLC, Seylan Developments PLC, CT Land Development PLC

#### Net Asset Value (NAV) and Price to Book Value (PBV)

- Based on NAV per share of LKR 20.59 as at March 31, 2016, PBV of RIL is 0.39 Times.
- Based on NAV per share of LKR 21.02 as at December 31, 2016, PBV of RIL is 0.38 Times.
- Based on Pro forma<sup>†</sup> NAV per share of LKR 18.42 as at December 31, 2016, PBV of RIL is 0.43 Times.

<sup>†</sup> Adjusted to reflect the Net Asset Value and Number of Shares in Issue assuming the full subscription of the Offered Shares via the IPO

**The PBV Ratio range of the industry peers is as given below:**

The PBV for the peer group using NAVs as at September 30, 2016 and Market Prices as at December 30, 2016 is given below in Table 1.9.

**Table 1.9 PBV Ratio Range of Peers (based on NAV as at September 30, 2016)**

Particulars	Name of the Peer Entity	PBV (x) <sup>†*</sup>
Highest	Equity Two PLC	1.48
Lowest	Seylan Developments PLC	0.49
Industry composite <sup>‡</sup>		0.72

<sup>†</sup>Company Quarterly Financial Statements

<sup>\*</sup>Market Prices as at December 30, 2016

<sup>‡</sup> Sector classification: Real Estate (Real Estate companies listed on the CSE as at December 30, 2016 with similar business operations in office real estate or/and Real Estate companies with a similar capital structure: Overseas Realty PLC, Commercial Development Company PLC, Equity Two PLC, Property Development PLC, Seylan Developments PLC, CT Land Development PLC)

The PBV calculation for the peer group using NAVs as at December 31, 2016 and Market Prices as at February 28, 2017 is given below in Table 1.10.

**Table 1.10 PBV Ratios of Peers (based on NAV as at December 31, 2016)**

Company	Market Cap (LKR Mn)	NAV (LKR Mn)	PBV(x) <sup>†*</sup>
Overseas Realty PLC	24,860.59	<sup>††</sup> 35,157.14	0.71
Commercial Development Company PLC	894.00	1,975.87	0.45
Equity Two PLC	1,856.90	1,025.38	1.81
Property Development PLC	4,950.00	<sup>‡</sup> 9,724.74	0.51
Seylan Developments PLC	2,071.51	4,682.07	0.44
CT Land Development PLC	2,340.00	3,191.51	0.73
<b>Median</b>			<b>0.61</b>

<sup>†</sup>Company Quarterly Financial Statements

<sup>\*</sup> Market Prices as at February 28, 2017

<sup>††</sup>Includes estimated proceeds from the rights issue amounting to LKR 7.3 Bn since the Market Cap calculated by the CSE is adjusted for the same

<sup>‡</sup>Adjusted for revaluation gain arising from investment property

It should be noted that the median peer PBV multiple amounted to 0.61x as opposed to 0.68x indicated in the Research Report prepared by the Managers to the Issue based on September 30, 2016 NAVs (refer Section 10.2 of the Research Report in Annexure 4). Given that a proxy PBV multiple of 0.60x has been used for the relative valuation in the said Research Report, the decrease in PBV multiple based on the NAVs as at December 31, 2016 would not have a material impact on the Issue Price and the pricing indicated in the Research Report. It should also be noted that based on the NAV as at December 31, 2016, the Issue Price of RIL stands at a PBV of 0.38x leaving a significant discount to peer valuations.

## Comparison of Accounting Ratios of Peer Entity

The comparable ratios of entities that are to some extent similar in business are given below (as per March 31, 2016 audited financial statements).

**Table 1.11 Comparison of Key Ratios across Peers**

Peer Entity‡	NAV per Share(LKR)†	EPS (LKR)†	P/E* (x)	PBV* (x)	ROE (%)†
Overseas Realty PLC	32.22	3.44	5.81	0.62	11.0
Commercial Development Company PLC	142.32	21.65	3.47	0.53	16.1
Equity Two PLC	32.03	5.60	8.50	1.49	17.5
Property Development PLC	59.14	6.29	16.61	1.77	11.2
Seylan Developments PLC	29.72	1.36	10.59	0.48	4.6
CT Land Development PLC	63.32	7.96	6.67	0.84	13.0

† *Company Annual Reports*

\* *Market Prices as at December 30, 2016*

‡ *Sector classification: Real Estate (Real Estate companies listed on the CSE as at December 30, 2016 with similar business operations in office real estate or/and Real Estate companies with a similar capital structure: Overseas Realty PLC, Commercial Development Company PLC, Equity Two PLC, Property Development PLC, Seylan Developments PLC, CT Land Development PLC)*

### 1.7.2 Qualitative Factors

In order to arrive at the share price of RIL, the following qualitative factors were considered:

#### **Solid demand for Grade ‘A’ Commercial Space**

It should be noted that commercial office spaces are generally categorised under grades ‘A’, ‘B’ and ‘C’ depending on various factors including location, building standards and efficiency, and building finishes as per the Building Owners and Managers Association International (refer [www.boma.org](http://www.boma.org)). Grade ‘A’ is considered to be the highest and commands premium rentals in comparison to the rest. Demand for commercial office space in Colombo is driven by the availability of infrastructure and other ancillary facilities such as a broad road network that covers key areas of the city, accessibility to major Government and private institutions etc.

Further, rapid urbanisation, focusing on Colombo and its suburbs, has resulted in a number of businesses increasing their focus on setting up a business establishment in Colombo to benefit from the new market opportunities.

Foreign businesses are also expected to initiate operations in Colombo while expanding their current operations given the aggressive growth plans for Colombo developed by the Government (such as the Western Megapolis plan) and also taking into account the possibility of using Sri Lanka as a regional base. Whilst the above factors result in increasing demand for Grade ‘A’ commercial office space in Colombo, the supply is currently limited to a few buildings thus enabling existing suppliers to maintain healthy rental yields through premium pricing strategies. Based on the above reasons there is potential for RIL to maintain their occupancy rates and pricing at relatively high levels for *PARKLAND* generating healthy returns in the future.

### **Strong Income Growth Resulting from Full Utilisation of Real Estate Assets**

The significant shortage of supply and strong demand drivers mentioned above presents an opportunity for RIL to fully utilise its real estate assets. The Company's immediate priority is to refurbish the *READYWEAR* Building located in the Park Street premises utilising approximately 72% of the funds raised through the IPO. This would add 13,335 sq. ft to RIL's portfolio and modernise the entire 59,232sq. ft. of rentable office space in the *READYWEAR* Building. The Company may also utilise its real estate assets in the medium to long term as morefully described in Section 3.3.

### **Conservative Balance Sheet and Strong Cash Flows**

RIL's current capital structure comprises 10% of debt and 90% of equity capital. However, upon receiving the IPO funds and utilising same as per Section 1.5 the capital structure will change to 8% of debt and 92% of equity capital. RIL is well positioned to seize growth opportunities whenever available owing to the relatively lower level of gearing coupled with strong cash flow generation.

### **Strategic Location and Strong Management Team**

RIL is located at a prime location in Colombo with access to many important private and Government institutions which has enabled it to attract both local and international tenants. This is expected to aid the Company in maintaining a high level of occupancy at relatively high rental rates (reflecting the high quality of office space offered by RIL) thus resulting in solid growth in future revenues. Currently, a diverse range of tenants occupies RIL and it is expected that this mix will enable the Company to mitigate the risk of concentrated exposure. The experienced management team employed at RIL is expected to contribute towards maintaining smooth operations in order to achieve the Company's future ambitions.

### **Growth in Disposable Income/Changing Consumer Preferences Supports BreadTalk Franchise**

FBPL, the subsidiary of RIL which operates a chain of BreadTalk outlets in Sri Lanka, is planning an expansion strategy which will be partly funded by a portion of the IPO proceeds. The growth in the middle class population of Sri Lanka in the areas in which BreadTalk stores are currently located, and in the areas in which expansion is planned, are expected to drive revenue growth. The expected change in consumer preferences of the middle class segment in favour of high quality snacks and meals can also be expected to drive revenue growth.

## **1.8 LISTING**

The Issue herein contemplated comprises of One Hundred and Twenty Million (120,000,000) Ordinary Voting Shares at Rupees Eight (LKR 8/-) per Share. If fully subscribed, the offered Shares will amount to 20% of the Issued Ordinary Shares of the Company subsequent to the Issue.

An Application has been made and approved in principle by the CSE for permission to deal in and for a listing of Six Hundred Million (600,000,000) Ordinary Voting Shares being the entirety of the Shares constituting the Stated Capital of the Company resulting after the offer for subscription.

RIL has already complied with Rule 2.1.2 (a), Rule 2.1.2 (b) and Rule 2.1.2 (c) of the CSE Listing Rules.

It is expected that the Company will meet the minimum Public Holding requirement set out in SEC Directive Ref: SEC/LEG/16/11/13 which stipulates that, 20% of the total number of shares for which a listing is sought should be in the hands of a minimum number of 500 public shareholders and on the completion of the Issue pursuant to which the listing of the entire Ordinary Shares of the Company will take place on the Main Board of the CSE.

In the event of an undersubscription where RIL is unable to meet the aforesaid minimum public holding requirement as per SEC Directive Ref: SEC/LEG/16/11/13, upon closure of the Issue, the Company would alternatively opt for a listing on the 'Diri Savi' Board of the CSE, subject to meeting the minimum public holding requirement set out in SEC Directive Ref: SEC/LEG/16/11/13 which stipulates that 10% of the total number of shares for which a listing is sought should be in the hands of a minimum number of 200 public shareholders.

However, in the event where RIL is unable to meet the requirement of SEC Directive Ref: SEC/LEG/16/11/13 as mentioned above, upon closure of the Issue, the Ordinary Shares of the Company will not be listed on the CSE. In such an event the subscription amounts will be returned to the Applicants.

It should be noted that the aforesaid public holding requirements would be calculated by considering all Shares that are freely tradable on the date of listing.

The details of shares mentioned in Table 5.4 – Shares Locked-in Pre IPO will be locked in as set out in Section 5.2.

## **1.9 SUBSCRIPTION LIST**

The subscription list for the New Shares will open at 9.00 a.m. on April 04, 2017 and shall, subject to the occurrence of the events in the following paragraph, remain open for fourteen (14) Market Days (including the date of opening) until closure at 4.30 p.m. on April 26, 2017.

In the event of an oversubscription of the New Shares, the Company shall inform the CSE in writing immediately of such fact and the subscription list will be closed at 4.30 p.m. on the same day on which it is fully subscribed.

## **1.10 CORNERSTONE INVESTOR**

NDB Capital Holdings Limited (“NCAP”) has been identified by RIL as a Cornerstone Investor for the IPO. NCAP has committed to subscribe for 25,000,000 Shares at the Share Issue Price amounting to a total value of LKR 200 Mn via the Non Retail Investor Category of the IPO as mentioned in Section 2.7. The subscription obligation of the Cornerstone Investor is subject to RIL securing in-principal approvals from the CSE for the listing of the Company’s shares on the CSE. In return for its commitment, RIL has agreed to ensure that the Basis of Allotment decided by the Board of Directors (as described in Section 2.7) shall be subject to NCAP being allotted a minimum of 15,000,000 shares amounting to a value of LKR 120 Mn. In the event of an oversubscription, this would result in the Cornerstone Investor being allocated 12.50% of the total shares issued via the IPO and having a shareholding of 2.50% of the Company post IPO. Furthermore, in the event of an undersubscription assuming the Company meets the minimum subscription required to list on the Diri Savi Board the Cornerstone Investor would be allocated 25,000,000 shares amounting to 40.00% of the total shares issued via the IPO and would have a shareholding of 4.61% of the Company.

The Cornerstone Investor has voluntarily undertaken that it will not at any time during a period of six months starting from and inclusive of the Listing Date, dispose any of the Shares subscribed.

It should be noted that NCAP is the parent company of NDB Investment Bank Limited (Joint Managers to the Issue) and a brief profile of the Cornerstone Investor is given below. Notwithstanding the relationship mentioned above, NDBIB has no conflict of interest with RIL in providing this service as the Joint Managers to the Issue.

### **Brief Profile of NDB Capital Holdings Limited**

NCAP, a 99.9% owned subsidiary of National Development Bank PLC, is a full service investment bank with operations in a complementary business portfolio of fee based and fund based investment banking, wealth management, managing private equity and stock broking. NCAP operates as the holding company for NDB Group’s capital market operations which include NDB Investment Bank Limited, NDB Wealth Management Limited, NDB Securities Limited, NDB Capital in Bangladesh and NDB Zephyr Partners Limited.

## **1.11 COST OF THE ISSUE**

The total costs associated with the Issue are estimated to be c. LKR 45,200,000/- amounting to c. 4.71% of the size of the IPO. In the event of an undersubscription which results in a full devolvement of shares to the Underwriter the total costs associated with the Issue would increase to c. LKR 49,700,000/- amounting to c. 5.2% of the size of the IPO. These include all direct costs and expenses associated with the Issue, inclusive of but not limited to the initial listing fees to the CSE, management/advisory fees payable to the Lead Managers and Joint Managers to the Issue, brokerage commission, fees for the registrar function, legal, consultancy and accountancy fees, underwriting fee, advertising and promotional costs, printing costs and stamp duty. The costs will be recovered from the internally generated funds of the Company.

## **1.12 BROKERAGE**

Brokerage at the rate of zero decimal five per centum (0.5%) of the value of the New Shares will be paid in respect of the number of New Shares allotted on Applications bearing the original seal of any bank operating in Sri Lanka or a member/trading member of the CSE or Lead Managers to the Issue or Joint Managers to the Issue or any other intermediary appointed by the Company and the Lead Managers to the Issue or the Joint Managers to the Issue who will be involved in the marketing of the Issue.

### 1.13 MINIMUM SUBSCRIPTION AND UNDERWRITING

There is no minimum amount required to be raised in this Issue.

#### Details of Underwriting

The Company has entered into an Underwriting Agreement with Commercial Bank of Ceylon PLC with regards to the IPO. In the event of an undersubscription, Commercial Bank of Ceylon PLC, the Underwriter, will subscribe up to a maximum of 37,500,000 shares at the Offer Price amounting to a total value of LKR 300 Mn (i.e. 31.25% of the total shares issued via the IPO and 6.25% of the total shares of the Company post IPO).

The Company shall seek a listing irrespective of whether the Issue is fully subscribed or not (subject to the Company satisfying the minimum public holding requirement as morefully described in Section 1.8 of this Prospectus). In the event of an undersubscription, subsequent to the underwriter subscribing for the maximum amount as stipulated, (subject to the Company satisfying the minimum public holding requirement as stipulated in Section 1.8 of this Prospectus), the subscribers will be allotted the Shares they have applied for and the funds raised will be utilised to meet objectives of the Issue in the order as stipulated in Section 1.5 of this Prospectus.

However, in the event of an undersubscription, subsequent to the Underwriter subscribing for the maximum amount as stipulated, and if the Company is unable to fulfill the minimum public holding requirement as stipulated in Section 1.8 of the Prospectus as per SEC Directive Ref: SEC/LEG/16/11/13, the money collected will be returned to the Applicants and the Company will not be listed on the CSE.

#### Profile of Commercial Bank of Ceylon PLC

Established in 1969, Commercial Bank is the largest private bank in Sri Lanka and the only Sri Lankan bank amongst the Top 1000 Banks of the World for six successive years (The Banker Magazine, UK). The Bank operates the country's single largest ATM network with an island-wide strategically located network of Branches/Service Points. Commercial Bank also operates 18 Branches/Service Points in Bangladesh and has been recognized as one of the best performing Foreign Banks in the country. The Bank's Bangladesh operations have been assigned with AAA Rating by Credit Rating Information Services Ltd., in Bangladesh.

Commercial Bank accounts for the largest market capitalisation among all listed banks in Sri Lanka. Commercial Bank's sound financial strength is amply demonstrated by the relatively higher Capital Adequacy Ratios maintained by the Bank.

Commercial Bank demonstrates world-class expertise in the spheres of retail and corporate banking as well in securitised instruments. The Bank offers the widest array of financial products and services, ranging from savings accounts targeted at children, teens, youth, women, executives to the senior citizens, Foreign Currency products, an extensive portfolio of loan products including Leasing, SME and micro-financing, Bancassurance, Islamic Banking, Banking for High Net worth Individuals, Credit & Debit Cards, securitized instruments, Bills & Bonds, Corporate Banking products along with Trade Finance services.

The Bank also has introduced a multitude of cutting-edge innovative e-Banking solutions. These range from Online Banking to Mobile Banking, along with SMS Banking, Mobile Phone Cash Top Up facility and overseas SWIFT Money Remittance Services through which Commercial Bank has revolutionized "Banking Convenience" in the country. The Bank also has very innovative Automated Banking Centres, Self-service Touch Screens in Branches and Automated Instant Cash and Cheque Deposit Machines along with ATMs which offer utility bill payment facilities in addition to cash withdrawals.

*(Source: Annual Report of Commercial Bank of Ceylon PLC for FY 2015)*



#### **1.14 INSPECTION OF DOCUMENTS**

Articles of Association, Auditors' Reports and Audited Financial Statements for the five (5) financial years ended March 31, 2016 (i.e. the five (5) financial years immediately preceding the date of this Prospectus), Interim Financial Statements for the nine (9) months ended December 31, 2016, material contracts (if any), documents relating to property transactions during the preceding two years, Research Report by Lead Managers and Joint Managers to the Issue would be made available for inspection by the public during normal working hours at the registered office of the Company, at No. 33, Park Street, Colombo 2, before seven (7) market days prior to the Issue Opening Date and for a period not less than fourteen (14) Market Days as per Rule 3.1.19 (a) of the CSE Listing Rules.

The Prospectus, Application Form and Articles of Association of the Company will be available on the website of the CSE, [www.cse.lk](http://www.cse.lk), on the website of the Company, [www.rilproperty.lk](http://www.rilproperty.lk) and on the websites of the Lead Managers to the Issue and Joint Managers to the Issue [www.combank.net](http://www.combank.net) and [www.ndbib.com](http://www.ndbib.com) respectively from the date hereof for a period of not less than fourteen (14) Market Days as stipulated in Rule 3.1.19 (b) of the CSE Listing Rules.

The research report prepared jointly by Lead Managers to the Issue and Joint Managers to the Issue, justifying the Share Issue Price will be available on the website of the CSE, [www.cse.lk](http://www.cse.lk), on the Company website, [www.rilproperty.lk](http://www.rilproperty.lk) and on the websites of the Lead Managers to the Issue and Joint Managers to the Issue, [www.combank.net](http://www.combank.net) and [www.ndbib.com](http://www.ndbib.com), from the date hereof, for a period not less than two (2) months commencing from the date of granting approval in-principle by the CSE as stipulated in Rule 3.1.19 (c) of the CSE Listing Rules.

## **2.0 PROCEDURE FOR APPLICATION**

### **2.1 ELIGIBLE APPLICANTS**

Applications are invited from the following categories of investors, having a valid CDS account in the Central Depository System (Private) Limited (CDS Account):

- i. Citizens of Sri Lanka who are resident in or outside Sri Lanka and above 18 years of age; or
- ii. Companies, corporations or institutions incorporated or established within Sri Lanka; or
- iii. Corporate bodies incorporated or established outside Sri Lanka; or
- iv. Approved unit trusts licensed by the SEC; or
- v. Approved provident funds and contributory pension schemes registered/incorporated/ established in Sri Lanka (in this case, Applications should be in the name of the Trustee/Board of Management in order to facilitate the opening of the CDS account); or
- vi. Foreign citizens above 18 years of age (irrespective of whether they are resident in Sri Lanka or overseas); or
- vii. Global, regional and country funds approved by the SEC.

Applications made by individuals less than 18 years of age or those in the names of sole proprietorships, partnerships, unincorporated trusts and non-corporate bodies will be rejected.

Applications submitted under the Unit Trust Investor Category should conform to the criteria defined by the SEC Directive dated June 06, 2011 (Ref: SEC/LEG/11/06/01).

Eligible Applicants may fall into one of the following categories.

- i. Retail Individual Investor Category
- ii. Unit Trust Investor Category
- iii. Non-Retail Investor Category

Please refer **“Glossary of Terms and Abbreviations”** for the definitions of the aforementioned categories.

### **2.2 THE PROCEDURE FOR APPLICATION**

Applicants applying for the New Shares should submit their Applications in the manner set out in this Prospectus.

The Prospectus will be made available free of charge from the collection points listed in Annexure 5. The Prospectus can also be downloaded from [www.cse.lk](http://www.cse.lk), [www.rilproperty.lk](http://www.rilproperty.lk), [www.combank.net](http://www.combank.net) and [www.ndbib.com](http://www.ndbib.com)

#### **2.2.1 How to Apply**

APPLICANTS SHOULD APPLY ONLY THROUGH ONE INVESTOR CATEGORY (INCLUDING JOINT APPLICANTS) AND WOULD BE PERMITTED TO SUBMIT ONLY ONE APPLICATION FORM. TWO OR MORE APPLICATIONS SUBMITTED BY THE SAME APPLICANT EITHER UNDER THE SAME CATEGORY OR DIFFERENT CATEGORY WILL BE CONSTRUED AS MULTIPLE APPLICATIONS AND WILL BE REJECTED.

Applicants must apply for the New Shares on the Application Form, which constitutes part of this Prospectus. The Application Form should be legibly completed and be received by the Registrars to the Issue.

### **Retail Individual and Non-Retail Investor Category**

Applicants falling under the **Retail Individual and Non-Retail Investor Categories** should apply for the Shares on the Application Form, which constitutes part of this Prospectus. The Application Forms will be made available from the collection points listed in Annexure 5 and can also be downloaded from [www.cse.lk](http://www.cse.lk), [www.rilproperty.lk](http://www.rilproperty.lk), [www.combank.net](http://www.combank.net) and [www.ndbib.com](http://www.ndbib.com).

Exact size copies of the Application form will also be permissible under the Retail Individual and Non-Retail Investor Categories. The completed Application Forms should be submitted to the Registrars to the Issue in accordance with Section 2.2.8 of the Prospectus.

In this instance, local and foreign individual investor/s who apply for up to a maximum of 12,500 Shares (including 12,500 Shares) (value of not more than LKR 100,000/-) will be deemed as Retail Individual investors for share allotment purposes.

All non-resident Applicants and corporate Applicants should ensure that the passport number/company registration number is stated in the relevant cages of the Application Form.

### **Unit Trust Investor Category**

Applicants applying under the **Unit Trust Investor Category** should apply for the Shares using the same Application Form. The Application Forms will be made available from the collection points listed in Annexure 5 and can also be downloaded from [www.cse.lk](http://www.cse.lk), [www.rilproperty.lk](http://www.rilproperty.lk), [www.combank.net](http://www.combank.net) and [www.ndbib.com](http://www.ndbib.com).

Only one Application should be made by an Applicant under the **Unit Trust Category**.

Applications submitted under the Unit Trust Investor Category should submit a confirmation by the trustee confirming that such Unit Trust is in conformity with the criteria defined by the SEC Directive dated June 06, 2011 (Ref: SEC/LEG/11/06/01) and CSE Listing Rules, 3.1.5(b)(iii).

'Unit Trust Investors' as defined by the SEC Directive dated June 06, 2011 (Ref: SEC/LEG/11/06/01), shall mean growth and balanced Unit Trusts operated by managing companies licensed under the SEC to operate such Unit Trusts, where such Unit Trusts comprises of not less than 500 Unit Holders resident in Sri Lanka who together hold at least 50% of that Unit Trust.

An Applicant of a Joint Application, applying through another Application Form, is deemed to have made multiple Applications and will be rejected.

An Applicant who has made an Application under a margin trading account should not apply individually or jointly on a separate Application Form. Such Applications will also be construed as multiple Applications and will be rejected.

Subject to the above, the Company/Lead Managers/Joint Managers/Registrars to the Issue reserve the right to reject multiple Applications and suspected multiple Applications which are not allowed or to accept only one Application Form at their discretion.

Notwithstanding any provision contained herein, the Board of Directors shall reserve the right to refuse any Application or to accept any Application in full or part, for whatsoever reason.

Please note that Applicant information such as full name, address, NIC number/passport number and residency will be downloaded from the database of CDS, based on the CDS account number indicated in the Application Form. Such information shall take precedence over information provided in the Application Form.

Application Forms stating third party CDS accounts instead of their own CDS account numbers, except in the case of margin trading accounts will be rejected.

Care must be taken to follow the instructions on the reverse of the Application Form. Applications that do not strictly conform to such instructions and additional conditions set out hereunder or which are illegible may be rejected.

All resident Applicants should indicate in the Application for Shares, their NIC number or the company registration number as the case may be, the passport number may be indicated only if the Applicant does not have an NIC number.

As per the Directive of the Securities and Exchange Commission made under Circular No. 08/2010 dated November 22, 2010 and Circular No. 13/2010 issued by the Central Depository System (Private) Limited (CDS) dated November 30, 2010, all Shares allotted must be directly uploaded to the CDS accounts. As such, all Applicants should indicate their CDS account number in the Application Form. Applicants who do not have a CDS account are advised to open a valid CDS account prior to submitting the Application, in order to facilitate the uploading of allotted Shares to their CDS account.

Please note that upon the allotment of Shares under this Offer, the allotted Shares would be credited to the Applicant's CDS account so indicated. Please note that **SHARE CERTIFICATES SHALL NOT BE ISSUED.**

Any Application which does not carry a valid CDS account number or indicates a number of a CDS account which is not opened at the time of closure of the subscription list or which indicates an inaccurate/incorrect CDS account number, shall be rejected and no allotment will be made.

You can open a CDS account through any member/trading member of the Colombo Stock Exchange (CSE) as set out in Annexure 5 or through any Custodian Bank as set out in Annexure 6 of this Prospectus.

**PLEASE NOTE THAT AN ALLOTMENT OF SHARES WILL ONLY BE MADE IF YOU HAVE A VALID CDS ACCOUNT AT THE TIME OF SUBMISSION OF APPLICATION.**

Applicants have the option of having their Shares 'locked' in the CDS. Shares that are 'locked' will not be available for trading purposes and will not be visible to the participant. Such Applicants would have to fill in the relevant section in the Application Form for this purpose. If the Applicant has not specified that the Shares need to be deposited to his/her 'locked' balance in the CDS account, the said Shares would be deposited to Applicant's 'trading' balance in the CDS account.

**Operation of a 'locked' balance in the CDS**

In order to preserve the confidentiality of shareholder information and to ensure that securities are not made available for trading for those shareholders who do not want to trade the securities, the CDS provides a mechanism where securities can be 'locked' in the CDS account.

The CDS maintains two balances for each CDS account, namely a 'trading' balance and a 'locked' balance. The trading balance would be visible to the CDS participant and all dealings and trading would be permitted on the said trading balance, as done normally.

As opposed to the trading balance, the locked balance will not be visible to the CDS participant and all dealings on such locked balance would be suspended thereby maintaining the confidentiality of the information and also safeguarding the account holder from any unauthorised sale by a broker.

At the option and request of an account holder, the CDS would transfer a named quantity of securities from the locked balance to the trading balance of a CDS account and/or from the trading balance to the locked balance.

### 2.2.2 Number of Shares Applied

Application should be made for a minimum of One Hundred (100) Shares for a value of Sri Lankan Rupees Eight Hundred (LKR 800/-) and in multiples of One Hundred (100) Shares thereof.

Applications made for less than **One Hundred (100)** Shares or for a number which is not in multiples of One Hundred (100) Shares will be rejected and the accompanying cheques, bank drafts or bank guarantees will not be sent for clearing but be returned via ordinary post at the risk of the Applicant, or in the case of Joint Applicants, the first named Applicant. **The cheque or bank draft or bank guarantee or RTGS transfer should be issued/carried out to the exact value of the number of Shares applied for multiplied by the Share Issue Price.** Cheques, bank drafts, bank guarantees or RTGS transfers not conforming to the above requirement will be rejected at the outset.

Please refer Section 2.3.1 for details with respect to the mode of remittance.

### 2.2.3 Identification Information

All Applicants should disclose their identification/registration information by filling in the space provided in the Application Form for this purpose.

Applicants are requested to state their residency and nationality in the appropriate spaces provided in the Application Form.

The NIC, passport, or company registration number as the case may be, must be stated in the Application Form and any Application Form which does not provide the appropriate identification information will be rejected.

Resident Applicants may use the passport for purposes of identification only if they do not have a NIC number.

Tabulated below is the relevant identification information that a prospective investor should provide depending on the legal status:

**Table 2.1 Investor identification required**

Citizenship/Legal Form	Identification Information			
	NIC Number	Passport Number	Company Registration Number	Common Seal or Rubber Stamp
Sri Lanka Citizens	✓			
Sri Lanka Citizens with no NIC Number*		✓		
Foreign Citizens**		✓		
Corporate Entities***			✓	✓

\* In the case of Sri Lankan citizens, the passport number will be accepted only when the NIC number is not available. The CDS account must be for the same passport number.

\*\* Foreign citizens must state the passport number in the space provided.

\*\*\* In case of a Corporate Entity, the company registration number must be provided. The common seal or rubber stamp should be affixed and the Application Form duly signed as stipulated in the constitutional documents of such Applicants.

A valid CDS account number must be stated in the Application Form and any Application Form which does not provide the appropriate identification information will be rejected. All non-resident Applicants and corporate Applicants should ensure that the passport number/company registration number is stated in the relevant cages of the Application Form. All information about the Applicant (i.e. name, address, nationality and NIC or passport number) will be downloaded from the database of the CDS, based on the number given in the Application Form. In the event of any discrepancy between the information in the CDS and in the Application Form, the information in the CDS shall take precedence.

If the CDS account number is not indicated in the Application Form, or the number indicated in the form is found to be inaccurate/incorrect, or the account number indicated is not opened at the time of closing the Offering such Application will be rejected and no allotments of Shares will be made.

#### **2.2.4 Key Responsibility of a Non-Resident Investor**

Non-resident investors may be affected by the laws of the jurisdiction of their residence. If non-resident investors wish to apply for the New Shares, it is their responsibility to comply with the laws relevant to the jurisdiction of their residence and of Sri Lanka.

#### **2.2.5 Margin Trading**

Applicants who wish to apply through their margin trading account should submit the Applications in the name of the “margin provider/Applicant’s name” signed by the margin provider.

The Applicants should state the relevant CDS account number relating to the margin trading account in the space provided for the CDS account number in the Application Form. The Shares shall be uploaded to the CDS account indicated in the Application Form.

The NIC, passport, or company registration number of the Applicant as the case may be, must be stated in the Application Form.

Resident Applicants may use the passport for purposes of identification, only if they do not have a NIC number.

A photocopy of the margin trading agreement must be submitted along with the Application.

Please note that the margin provider can apply under its own name and such Applications will not be construed as multiple Applications. Details regarding multiple Applications are available under Section 2.2.1.

#### **2.2.6 Applications Made Under Power of Attorney**

In the case of Applications made under Power of Attorney (POA), a copy of the said POA, **certified by a Notary Public** to be a true copy of the original, should be lodged with the Registrars to the Issue along with the Application Form. **The original POA should not be attached.**

#### **2.2.7 Joint Applications**

If the ownership of the Shares is desired in the name of one Applicant, full details should be given only under the heading, **SOLE/FIRST APPLICANT** in the Application Form. In the case of Joint Applicants, the signatures and particulars in respect of all Applicants must be given under the relevant headings in the Application Form.

Joint Application Forms are permitted only for natural persons not exceeding three Applicants. Joint Applicants should note that there should not be a combination of residents of Sri Lanka and non-residents. An Applicant of a Joint Application shall not apply through a separate Application Form either individually or jointly.

## 2.2.8 Submission of Applications

Application Forms under all three categories properly and legibly filled in accordance with the instructions thereof, along with the applicable remittance (cheque or bank draft or bank guarantee or RTGS transfer only) for the full amount payable on Application Form should be enclosed in a sealed envelope marked “**R I L Property Limited – IPO**” on the top left-hand corner and be addressed and dispatched by post or courier or delivered by hand to the Registrars to the Issue at the following address **prior to 4.30 p.m. Local Time on the Issue Closing Date.**

**P W Corporate Secretarial (Pvt) Ltd  
No. 3/17, Kynsey Road  
Colombo 08**

Applications may also be handed over to the Lead Managers to the Issue, Joint Managers to the Issue, Bankers to the Issue and its designated branches, members and trading members of the CSE, or RIL as set out in Annexure 5 **prior to 4.30 p.m. Local Time on the Issue Closing Date.**

In the case of Applications dispatched by post, such Applications should reach the Registrars to the Issue **not later than 4.30 p.m. Local Time on the Market Day immediately following the Issue Closing Date.**

Any Applications received after the above deadlines shall be rejected even though the courier or post mark is dated prior to the Issue Closing Date.

## 2.3 PAYMENT OF APPLICATION MONIES

### 2.3.1 Mode of Remittance

- (a) Payment in full for the total value of Shares applied for should be made separately in respect of each Application either by cheque or bank draft or bank guarantee drawn upon a licensed commercial bank operating in Sri Lanka or RTGS transfer directed through any licensed commercial bank operating in Sri Lanka, as the case may be subject to (b) and (c) below. The remittances on Applications will be deposited in a separate bank account in the name of “**R I L Property Limited – IPO**”.
- (b) The amount payable should be calculated by multiplying the number of Shares applied for under a particular category by the Share Issue Price of LKR 8/-. If there is a discrepancy in the amount payable and the amount specified in the cheque/bank draft or bank guarantee, the Application will be rejected.
- (c) Payments for Applications for Shares of a value below LKR 100,000,000/- may be supported by a cheque or bank draft or bank guarantee or single RTGS transfer (for Application values above LKR 50,000,000/- only). In the case of cheques, bank drafts and bank guarantees, Application Forms should be accompanied by only one cheque or bank draft or bank guarantee and should be issued for the full amount indicated in the Application Form. Any Application for Shares of a value below LKR 100,000,000/- accompanied by two or more cheques or bank drafts or bank guarantees will be rejected at the outset.
- (d) Applicants making Applications for Shares of a value above and inclusive of Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-) will be permitted to submit multiple bank drafts (not cheques) or multiple bank guarantees on or before the Issue Opening Date or single RTGS transfer on the Issue Opening Date. Such Applicants are required to attach a list to the Application Form giving details of payment, such as the amount of bank draft/bank guarantee, name of bank, name of branch and bank draft number/bank guarantee number. Valid Applications for Shares of a value above Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-) accompanied by multiple bank drafts or multiple bank guarantees will not be rejected.

**Cash will not be accepted.** Anyone wishing to pay cash should obtain a bank draft from a licensed commercial bank in Sri Lanka.

### 2.3.2 Cheques or Bank Drafts – Resident Sri Lankan Investors

Cheques or bank drafts should be drawn on any Licensed Commercial Bank in Sri Lanka and crossed “**Account Payee Only**” and made payable to “**R I L Property Limited – IPO**”.

Cheques or bank drafts accompanying Application Forms made for less than One Hundred (100) Shares, i.e. for a value less than Sri Lanka Rupees Eight Hundred Only (LKR 800/-) or for a number which is not in multiples of One Hundred (100) Shares (as mentioned in Section 2.2.2) will not be sent for clearing and shall be returned via ordinary post at the risk of the Applicant, or in the case of joint Applicants, to the first named Applicant.

In the event that cheques are not realised within two (2) Market Days from the date of presenting the same to the bank for clearing, the Directors reserve the right to reject the Applications and return the Application monies. No allocation of Shares will be made to such Applicants.

Applicants residing in outstation areas from which cheque clearance may take over two (2) Market Days are advised to make payment via bank drafts to avoid any delays.

Cheques must be honoured on the first presentation to the bank for the Application to be valid. Applications supported by cheques which are not honoured on first presentation will be rejected.

### 2.3.3 Bank Guarantees – Resident Sri Lankan Investors

Applications made by resident Sri Lankan investors backed by bank guarantees presented in line with the requirements set out in Section 2.3.1 will be accepted. Bank guarantees will be presented to the respective banks only after the New Shares have been allotted. Bank guarantees should be issued by any Licensed Commercial Bank in Sri Lanka and in favour of “**R I L Property Limited – IPO**” in a manner acceptable to the Company and payable on demand.

Bank guarantees should be valid for a minimum of one (1) month from the date of opening of the Offer (i.e April 04, 2017).

Applicants are advised to ensure that sufficient funds/facilities are available in order to honour the bank guarantees, inclusive of charges when called upon to do so by the Registrars to the Issue. It is advisable that the Applicants discuss with their respective bankers the matters with regard to the issuance of bank guarantees and all charges involved. All expenses with regard to such bank guarantees should be borne by the Applicants.

### 2.3.4 RTGS Transfers – Resident Sri Lankan Investors

In case of RTGS transfers (only for Application valued above and inclusive of LKR 50,000,000/-), such transfers should be made to the credit of “**R I L Property Limited – IPO**” bearing the account number 1030030872 at Commercial Bank of Ceylon PLC, Foreign branch with value on the Issue Opening Date (i.e. the funds to be made available to the above account).

The Applicants should obtain a confirmation from the Applicant’s bank, to the effect that arrangements have been made to transfer payment in full for the total value of New Shares applied for to the credit of “**R I L Property Limited – IPO**” bearing the account number 1030030872 at Commercial Bank of Ceylon PLC, Foreign branch with value on Issue Opening Date (i.e. the fund to be made available to the above account on the Issue Opening Date and should be attached to the Application Form.)



### 2.3.5 Foreign Currency Remittances

This section is applicable to;

- i. Citizens of Sri Lanka who are above 18 years of age and resident overseas;
- ii. Corporate bodies incorporated or established outside Sri Lanka;
- iii. Regional or country funds approved by the SEC;
- iv. Foreign citizens (irrespective of whether they are resident in Sri Lanka or overseas) who are above 18 years of age.

The above mentioned Applicants should make their payments using one of the following methods as the case may be.

(a) A foreign investor may invest through a “Securities Investment Account” (SIA) maintained with any licensed commercial bank in Sri Lanka. The procedure for arranging payments through a SIA is presented below;

- A Foreign Investor may use the services of a custodian bank as an intermediary when investing in the Sri Lankan securities market;
- The intermediary may open a SIA, on investor’s behalf;
- In conjunction with the SIA, an account with the CDS must be opened in case the investor does not already possess a valid CDS account;
- In respect of regional or country funds investing for the first time in Sri Lanka, the intermediary will facilitate the approval process regulated by the SEC;
- Payment for Shares should be made through a bank draft or bank guarantee issued by a licensed commercial bank in Sri Lanka or through a RTGS transfer against the funds arranged through the SIA and made payable to **“R I L Property Limited – IPO”**.

(b) A foreign investor may invest through inward remittances of foreign currency held in a Foreign Currency Banking Unit (FCBU) account of the Applicant maintained with any licensed commercial bank in Sri Lanka. The procedure for arranging payments through a FCBU account is presented below;

- The Applicant should forward the Application Form supported by an unconditional bank guarantee drawn on the Applicant’s FCBU account pending allotment of the Offered Shares with confirmation from the LCB that upon notification of the allotment of Offered Shares, the allotment value would be remitted through the Applicant’s SIA.
- Upon allotment of Offered Shares, foreign currency to the extent of the Sri Lanka Rupee equivalent value of Offered Shares allotted would be called on the bank guarantee drawn on the Applicant’s FCBU account.
- The requisite funds would then be credited to a SIA opened in favour of the Applicant via the aforementioned FCBU account.

This procedure would protect a prospective investor from any losses accruing due to fluctuating exchange rates.

(c) In addition to the payments made through SIA and FCBU as mentioned above, a foreign citizen resident in Sri Lanka under the Resident Guest Scheme may invest through a Resident Guest Foreign Currency Account (RGFCA) or Resident Guest Rupee Current Account (RGRCA) that investors maintain with any LCB in Sri Lanka. An investor who wishes to avail him/herself of this facility should make the payment for New Shares through a bank draft or an unconditional bank guarantee in Sri Lanka Rupees or by converting foreign currency funds available in the RGFCA/RGRCA as the case maybe (based on the guidelines provided by the Exchange Control Department of the CBSL) and made payable to **“R I L Property Limited – IPO”**.

Cheques or bank drafts or bank guarantees or RTGS transfers should be endorsed by the issuing custodian bank, to the effect that, arrangements have been made to facilitate such payment to be made against funds available in the individual's SIA account. The endorsement must be clearly indicated on the cheque or bank draft or the bank guarantee. Alternatively, a document detailing the endorsement could be submitted along with the payment and Application.

Any refund payments to Foreign Investors are made in terms of Section 2.8 of this Prospectus.

Applications supported by foreign currency remittances should be made in conformity with requisite declarations accompanied by the documentation stipulated by the Controller of Exchange of the Central Bank of Sri Lanka.

### **2.3.6 Restrictions Applicable to Foreign Citizens Resident in Sri Lanka**

Foreign citizens resident in Sri Lanka may make payments through Sri Lanka Rupee Accounts, only if they possess dual citizenship where one such citizenship is Sri Lankan. **Foreign citizens having Sri Lankan citizenship should attach a certified copy of the citizenship certificate with the Application Form.**

Foreign citizens residing in Sri Lanka having valid residency visas should note that they cannot make remittances via cheques or bank drafts or bank guarantees or RTGS transfers drawn upon Sri Lanka Rupee accounts maintained with any licensed commercial bank in Sri Lanka but may do so via SIA account as detailed in Section 2.3.5 above. **Applications made by foreign citizens not in accordance to the foregoing shall be rejected.**

## **2.4 REJECTION OF APPLICATIONS**

- i. Application Forms which are incomplete in any way and/or are not in accordance with the terms and conditions set out in this Prospectus will be rejected at the absolute discretion of the Company/Managers/Registrars to the Issue.
- ii. Any Application Form which does not provide the NIC, passport (where NIC is not available) or company registration number as the case may be, will be rejected.
- iii. Applications delivered by hand or by courier after 4.30 p.m. Local Time on the Issue Closing Date will be rejected. Applications received by post after 4.30 p.m. Local Time on the succeeding Market Day immediately following the Issue Closing Date, will also be rejected even if they carry a postmark date earlier than the Closing Date.
- iv. Applications made for less than One Hundred (100) Shares or for a number which is not in multiple of One Hundred (100) Shares will be rejected.
- v. An Application which does not carry a CDS account number, or indicates a number of a CDS account which is not opened at the time of the closure of the subscription list (either at the time fixed for closing or on the date on which the Offering is subscribed), or which indicates an inaccurate/incorrect CDS account number, shall be rejected and no allotment of Shares will be made.
- vi. Application Forms stating third party CDS accounts instead of their own CDS account numbers, except in the case of margin trading accounts, will be rejected.
- vii. Applicants should apply only through one investor category and would be permitted to submit only one Application Form. Two or more Applications submitted by the same Applicant either under the same category or different categories will be construed as multiple Applications and will be rejected.
- viii. The Company reserves the right to reject multiple Applications and suspected multiple Applications which are not allowed, as mentioned in Section 2.2.1.

- ix. Payment for Applications of New Shares of a value below Sri Lanka Rupees One Hundred Million (LKR 100,000,000/-) accompanying two or more cheques and bank drafts or bank guarantees as mentioned in Section 2.3.1, will be rejected at the outset.
- x. Applications made by individuals below 18 years of age or those in the names of sole proprietorships, partnerships, unincorporated trusts and non-corporate bodies will be rejected.

Notwithstanding any provision contained herein, the Board of Directors shall reserve the right to refuse any Application or to accept any Application in full or part, for whatsoever reason.

## **2.5 BANKING OF PAYMENTS**

All cheques or bank drafts or bank guarantees received in respect of Applications will not be banked or called on until the Market Day after the Issue Closing Date of the subscription list, in terms of the CSE Listing Rules.

## **2.6 RETURNING OF MONIES ON REJECTED APPLICATIONS**

Where an Application Form is rejected at the outset, the cheque or bank draft or bank guarantee received in respect of the Application will be returned via ordinary post at the risk of the Applicant within a period of ten (10) Market Days from the Issue Closing Date (excluding the Issue Closing Date). In the case of Joint Applicants, the cheque or bank draft or bank guarantee received in respect of such Application will be returned to the first named Applicant. In case an Application is rejected where the payment has been made through a RTGS transfer, monies received on such Application will be made by a cheque/s and returned via ordinary post at the risk of the Applicant within a period of ten (10) Market Days from the Issue Closing Date (excluding the Issue Closing Date). If refunds on such RTGS transfers are not made within the aforesaid period, the Applicants would be entitled to receive interest at the rate of last quoted Average Weighted Prime Lending Rate (AWPLR) published during the immediately preceding week by the CBSL or any other authority (in the event CBSL ceases to publish the AWPLR) plus five per centum (5.00%) for the delayed period on such refunds not made by the expiry of the aforementioned period.

Where the Application Form is accepted and the cheque or bank draft or bank guarantee is not honoured by the bank at the first presentation, the Application will also be rejected and the dishonoured cheque or bank draft or bank guarantee will be returned via ordinary post at the risk of the Applicant within a period of ten (10) Market Days from the Issue Closing Date (excluding the Issue Closing Date). In the case of Joint Applicants, the dishonoured cheque or bank draft or bank guarantee will be returned to the first named Applicant.

## 2.7 BASIS OF ALLOTMENT

The allotment of the New Shares will be made to the various categories of Applicants, as set out below:

**Table 2.2 Basis of allotment of new shares to various categories of applicants**

<b>Investor Category</b>	<b>Percentage of Issue (%)</b>
Unit Trusts*	10%
Retail Individual	40%
Non-Retail	50%
	100%

\* Unit Trust Investors should be growth or balanced unit trusts operated by managing companies licensed by the SEC, where such unit trusts comprise of not less than 500 unit holders resident in Sri Lanka who together hold at least 50% of that fund as per the Direction issued by the SEC (Ref: SEC/LEG/11/03/36 of March 10, 2011.)

Applications submitted under the Unit Trust Investor Category should accompany a confirmation by the trustee confirming that such unit trust is in conformity with the criteria defined by the SEC Directive dated June 06, 2011 (Ref: SEC/LEG/11/06/01) and CSE Listing Rules, 3.1.5(b)(iii).

Local and foreign investor/s who apply for up to a maximum of 12,500 Shares (including 12,500 Shares) (value of not more than LKR 100,000/-) will be deemed as Retail Individual Investors for share allotment purposes.

Investors who do not fall under the Retail Individual Investor Category and Unit Trusts Investor Category stated above will be deemed as Non-Retail investors for share allotment purposes.

In determining the basis of allotment within the Retail Individual Investor Category, investors who subscribe for a smaller number of shares shall be given priority.

The investor categories have been selected to ensure the broadest possible spread of shareholders while treating all Applicants in a fair manner as may be decided by the Board at its discretion.

In the event of an undersubscription in the Unit Trust Investor Category, the Retail Individual Investor Category shall be given first priority in allotment of the undersubscribed New Shares.

In the event of an undersubscription in the Retail Individual Investor Category, the Unit Trust Investor Category shall be given first priority in allotment of the undersubscribed New Shares.

In the event of an undersubscription in the Non-Retail Investor Category, Retail Individual Investor Category will be given first priority followed by Unit Trust Investor Category in the allotment of the undersubscribed New Shares.

It should be noted that the Company has identified a Cornerstone Investor, the details of which are given in Section 1.10, to participate under the Non-Retail Investor Category up to a maximum of LKR 200 Mn with a view to obtain a subscription commitment which the Board of RIL believes would add value to the IPO. In the event of an oversubscription in the Non-Retail Investor Category, after taking into consideration shares made available to Non-Retail Investors due to undersubscription in other categories, the final allotment made to the Cornerstone Investor identified shall be subject to NCAP being allotted a minimum of 15,000,000 shares amounting to a value of LKR 120 Mn.

In the event of an oversubscription, this would result in the Cornerstone Investor being allocated 12.50% of the total shares issued via the IPO and having a shareholding of 2.50% of the Company post IPO. Furthermore, in the event of an undersubscription assuming the Company meets the minimum subscription required to list on the Diri Savi Board the Cornerstone Investor would be allocated 25,000,000 shares amounting to 40.00% of the total shares issued via the IPO and having a shareholding of 4.61% of the Company.

In the event of an oversubscription in any one or more of the categories mentioned above, the basis of allotment will be decided by the Board of Directors of the Company in a fair and equitable manner subject to the minimum allotment to be made to the Cornerstone Investor as mentioned above.

The Board of Directors of the Company will endeavour to decide and announce to the CSE the basis of allotment as soon as practicable so as to ensure compliance with the Listing Rules. Upon the allotment being decided, an announcement will be made to the CSE.

A written confirmation informing successful Applicants on their allotment of New Shares will be dispatched within ten (10) Market Days from the Issue Closing Date as required by the CSE.

## **2.8 REFUNDS ON APPLICATIONS**

Where an Application is accepted only in part or rejected in its entirety subsequent to cheques being realised, the balance/entirety of the monies received on Application as the case may be, will be refunded, such refunds will be made on or before the expiry of ten (10) Market Days from the Issue Closing Date (excluding the Issue Closing Date) as required by the CSE Listing Rules. As required by Section 2.4(k) of the CSE Listing Rules, Applicants would be entitled to receive interest at the rate of last quoted Average Weighted Prime Lending Rate (AWPLR) published during the immediately preceding week by the CBSL or any other authority (in the event Central Bank of Sri Lanka ceases to publish the AWPLR) plus five per centum (5.00%) for the delayed period on any refunds not made by the expiry of the aforementioned period.

It is the responsibility of Non-Residents/Foreign Investors to ensure that their SIA details are accurately provided under "Refund Payment Instructions" on the Application Form to forward the refund to SIA through which the application was made.

### **Refunds via Sri Lanka Inter-bank Payment Systems (SLIPS)**

1. The refund payment will be made to the bank account specified by the Applicant through the SLIPS on or before the expiry of ten (10) Market Days from the Issue Closing Date (excluding the Closure Date) as required by the CSE Listing Rules and a payment advice shall be issued to the Applicant provided that the Applicant has submitted accurate and complete details of Applicant's bank account in the Application Form. However, SLIPS transfers are subject to a maximum limit of Sri Lanka Rupees Five Million (LKR 5,000,000/-) imposed by the CBSL with effect from October 29, 2010 as per Operating Instruction Circular No. 11/2010 dated October 25, 2010.
2. Even though the Applicant has requested for SLIPS transfer for refund amounts and submitted accurate and complete details of the bank account in the Application Form, refund amounts exceeding Sri Lanka Rupees Five Million (LKR 5,000,000/-) will be made by a crossed cheque in favour of the Applicant and sent by ordinary post at the risk of the Applicant. In the case of a Joint Application, a crossed cheque will be drawn in favour of the Applicant whose name appears first in the Application Form.
3. In the event the refund payment is effected via SLIPS based on the bank account details provided by the Applicant in the Application Form, but is rejected by the Applicant's bank due to inaccurate or incomplete information, such refund payments would be made via a crossed cheque in favour of the Applicant and sent by ordinary post at the risk of the Applicant. In such instances, the Company together with the Registrars to the Issue will send the refund cheques to such Applicants at the earliest possible time and the Applicant should not hold the Company or the Registrars to the Issue accountable for such delays.

Bank codes and branch codes could be obtained from the following website, through the Quick Links access;

[http://www.lankaclear.com/products\\_and\\_services/sl\\_interbank\\_payment\\_system\\_guideline.php](http://www.lankaclear.com/products_and_services/sl_interbank_payment_system_guideline.php)

### Refunds via Crossed Cheque

1. If the Applicant has not provided details of the bank account in the Application Form or has provided inaccurate or incomplete details of the bank account with respect to refunds via SLIPS, the refund payment will be made by a crossed cheque in favour of the Applicant and sent by ordinary post at the risk of the Applicant. In the case of a Joint Application, a crossed cheque will be drawn in favour of the Applicant whose name appears first in the Application Form.
2. A request for cancellation of crossing on the refund cheque, in instances where the Applicant does not maintain a current account, should be addressed to the Registrars to the Issue in writing, stating the cheque number and the fact that the Applicant does not maintain a current account. The refund cheque and a clear photocopy of the Applicant's NIC should accompany the letter.

In the event of a refund cheque being delivered by hand by a third party to the Registrars to the Issue for cancellation of crossing, a letter of authorisation signed by the Applicant stating the NIC number of such third party should also be presented with the refund cheque. Refund cheques on which the crossings have been cancelled by the Registrars to the Issue should preferably be collected in person or by third party authorised by the Applicant. Where an Applicant has requested the delivery of the cheque on which the crossing has been cancelled via post, such cheque will be sent at the risk of the Applicant.

## 2.9 SUCCESSFUL APPLICANTS AND CDS LODGEMENT

The Shares allotted will be directly uploaded to the respective CDS accounts given in the Application Forms before the expiry of eighteen (18) Market Days from the Issue Closing Date as requested by the CSE Listing Rules.

All resident Applicants should indicate in the Application for Shares, their NIC number or the company registration number as the case may be, the passport number may be indicated only if the Applicant does not have an NIC number.

As per the Directive of the Securities and Exchange Commission made under Circular No. 08/2010 dated November 22, 2010 and Circular No. 13/2010 issued by the Central Depository System (Private) Limited (CDS) dated November 30, 2010, all Shares allotted must be directly uploaded to the CDS accounts. As such, all Applicants should indicate their CDS account number in the Application Form. Applicants who do not have a CDS account are advised to open a valid CDS account prior to submitting the Application, in order to facilitate the uploading of allotted Shares to their CDS account.

Please note that upon the allotment of Shares under this Offer, the allotted Shares would be credited to the Applicant's CDS account so indicated. Please note that **SHARE CERTIFICATES SHALL NOT BE ISSUED.**

Any Application which does not carry a valid CDS account number or indicates a number of a CDS account which is not opened at the time of closure of the subscription list or which indicates an inaccurate/incorrect CDS account number, shall be rejected and no allotment will be made.

You can open a CDS account through any member/trading member of the Colombo Stock Exchange (CSE) as set out in Annexure 5 or through any Custodian Bank as set out in Annexure 6 of this Prospectus.

A written confirmation, upon the completion of crediting the respective CDS accounts will be sent to the shareholder within two (2) Market Days of crediting the CDS accounts by ordinary post to the address provided by each shareholder in their respective Applications.

Applicants have the option of having their Shares 'locked' in the CDS. Shares that are 'locked' will not be available for trading purposes and will not be visible to the participant. Such Applicants would have to fill in the relevant section in the Application Form for this purpose. If the Applicant has not specified that the Shares need to be deposited to his/her 'locked' balance in the CDS account, the said Shares would be deposited to Applicant's 'trading' balance in the CDS account.

Refer Section 2.2.1 for the definition of "locked".

New Shares shall not be transferable by the shareholders during the period between the date of allotment of the New Shares and up to the date of listing (excluding the date of listing) of the Ordinary Shares on the CSE. Further, the Company shall not allot any Shares of the Company (other than the allotment of New Shares) or transfer existing Shares during the interim period between the date of the Initial Listing Application and the date of listing of the Shares of the Company.

Upon the Ordinary Shares being listed on the CSE, such Shares shall be freely transferable except for those Shares mentioned in Section 5.2 of this Prospectus, which will be locked-in to be in compliant with CSE Listing Rules 2.1.1(d).

## **2.10 DECLARATION TO THE CSE AND SECONDARY MARKET TRADING**

The Company will submit to the CSE a "Declaration" on the Market Day immediately following the day on which the Applicants' CDS accounts are credited with the New Shares. Trading of the Ordinary Shares on the secondary market will commence on or before the third (3rd) Market Day from the receipt of the Declaration by the CSE as per the CSE Listing Rules.

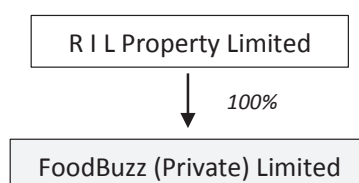
### 3.0 THE COMPANY

#### 3.1 OVERVIEW OF THE COMPANY

##### RIL Property Limited (“RIL” or “the Company”)

Incorporated in 2009, RIL is an owner, developer and manager of Grade ‘A’ commercial office space in select core markets in Colombo. RIL focuses on offering multi-faceted real estate solutions including facilities management, leasing, land acquisition, construction management services, consulting and strategic investment. At present, RIL owns FoodBuzz (Private) Limited (FBPL), a food and beverage company which is a franchisee of the BreadTalk Group based in Singapore. The group structure of RIL is depicted below.

Figure 1 – Group Structure of RIL



The real estate assets owned by RIL comprises the following:

- 415 perches of freehold land located at No. 33, Park Street, Colombo 2 including:
  - 194,345 sq. ft. of rentable area in *PARKLAND* occupying c. 160 perches of the total land
  - 45,897 sq. ft. of rentable area in the *READYWEAR* Building occupying c. 100 perches of the total land
  - Under utilised land extent of c. 155 perches
- 196 perches of freehold land located at No. 45, Morgan Road, Colombo 2 which includes a c. 32,000 sq. ft. warehouse complex.

The specialist property management services are integrally focused on company-owned properties of which *PARKLAND* is the flagship asset. *PARKLAND* comprises Grade ‘A’ commercial office space with a rentable area of 194,345sq.ft.

The RIL business model aims to capitalise on the dynamics prevalent in the Colombo commercial office space market to obtain a competitive advantage.

*PARKLAND* features spacious and customisable floors with pre-installed voice, data and digital TV infrastructure facilities with high speed fiber optic connectivity, high-end security features, centralised PA systems, a central operation command centre and an intelligent car-parking and guiding system.

RIL has successfully secured a diverse tenant base since commencing operations in September 2015. RIL’s tenant mix comprises a significantly high proportion of Multi-National Companies (MNC’s) at 54% of total occupants as at December 31, 2016, which is testimony to the success of *PARKLAND* in attracting high caliber tenants. The total occupancy of *PARKLAND* as at December 31, 2016 stood at 87.3%.

The business model of RIL allows management of real estate assets effectively to improve performance, make strategic acquisitions which exceed relevant hurdle returns, redevelop and reposition sites to meet demand and engender long-term relationships with tenants.



### **FoodBuzz (Private) Ltd (“FBPL”)**

FBPL was incorporated in August 8, 2011 as a private limited liability company under the Companies Act No. 7 of 2007 and registered with the BOI under Section 17 of the BOI Act No. 4 of 1978. The company was established in order to franchise BreadTalk outlets in Sri Lanka. The first BreadTalk outlet was opened in Sri Lanka at Lipton Circus, Colombo 2. FBPL presently operates 7 stores in Sri Lanka and plans to expand the number of stores in the country to 16 by 2021. FBPL was acquired by RIL in 2015 from Mr. M. A. Yaseen and Ms. R. R. Yaseen who were the previous shareholders and FBPL is now a fully owned subsidiary of the Company.

The Board of Directors of FBPL comprises Ms. R. R. Yaseen, Mrs. L. K. A. H. Fernando and Ms. H. A. P. A. Sanjeevani. FBPL has 55,000,020 shares in issue each issued at LKR 10/- per share.

BreadTalk is a Singaporean food and beverage company established in 2000 with operations in 17 countries. The presence of the Group extends to China, Hong Kong, Indonesia, Malaysia, Thailand and the Middle East. The Group presently operates closer to 1,000 outlets and employs approximately 7,000 staff members. The first Sri Lankan franchise was established by FoodBuzz (Private) Limited in 2012.

The focus of BreadTalk outlets is on bakery products, with an emphasis on quality in production and delivery, with the use of high quality ingredients in all its products. BreadTalk offers a fresh take on the traditional bakery business by an infusion of creativity which results in quality products with a distinctive taste and feel. The production and delivery processes are supplemented by the open kitchen concept, in which the production process is visible to customers, while the design and architecture of BreadTalk outlets, featuring large spaces and artwork, create a relaxed atmosphere for informal dining.

FBPL operates a modern state-of-the-art central kitchen on behalf of the Sri Lankan BreadTalk outlets, and a distribution network to ensure efficient logistics and distribution across the network of BreadTalk outlets in Sri Lanka.

## **3.2 HUMAN RESOURCES**

As at December 31, 2016, there were 65 employees in the Company, as categorized below.

Executive Directors	2
Managers	7
Executive staff	4
Executive Technical staff	23
Non-Executive Technical staff	2
Clerical and allied staff	5
Skilled staff	7
Unskilled	15
<b>Total</b>	<b>65</b>

Furthermore, there were 162 employees in FBPL as at December 31, 2016, resulting in a total head count of 227 in the RIL group.

As at December 31, 2016 there are no labour unions in the Company and no agreements have been entered into between any labour unions and the Company.

### 3.3 FUTURE STRATEGIES

Currently, there is an unutilised/ under-utilised land area of c. 155 perches available at the Park Street premises of RIL. RIL has the option of embarking on redevelopment of these areas in order to capitalise on potential future demand for office space.

RIL owns a property at No. 45, Morgan Road, Colombo 2, with a land area of c. 196 perches, which is intended to be sold within three years from the IPO, in order to capitalise on expected increases in property values.

RIL intends to increase their presence in the commercial property management business in future, which would not be limited to management of properties developed by RIL. The Company's management has prior experience and the knowledge to manage commercial properties and they have identified commercial property management as a potential source of income to have a diversified revenue mix for RIL.

RIL may focus on an acquisitions strategy that concentrates on land and/or Grade 'A' commercial office properties in core urban areas, in order to capitalise on demand for high quality commercial office space in future. A focused acquisitions strategy may be beneficial from a risk management and diversification angle. Since RIL is conservatively financed with assets being predominantly funded by equity, RIL enjoys substantial leverage potential if suitable acquisition opportunities arise.

FBPL, the 100% owned subsidiary of RIL which operates a chain of BreadTalk outlets primarily located in Colombo and suburbs, is planning an expansion strategy to expand its outlet network to key strategic locations. This expansion strategy has been planned in order to capitalise on the growth in the middle class population of the country, increases in disposable income, and changes in consumer preferences. The primary objective of the expansion plan is to increase the BreadTalk outlet network by opening nine (9) new outlets by FY2020/21. Currently, the Company operates through seven (7) outlets located in Colombo and upon completion of the expansion plan it will have a total of 16 outlets.

#### Proposed store expansion plan:

Table 3.1 Proposed store expansion plan

Financial Year	Number of new stores
2017/18	3
2018/19	2
2019/20	2
2020/21	2

### 3.4 ASSUMPTIONS AND RISKS ASSOCIATED WITH FUTURE STRATEGIES

Future strategies of the Company will depend on various factors such as the prevailing conditions in the commercial office space industry and the economic environment of the country. It is assumed that there will not be material changes to the prevailing industry and economic conditions in future other than increasing demand for commercial office space, a slower growth in supply, and an overall increase in national growth rates. However, the Company may readjust its future strategies if the expected conditions changed in future materially.

Following assumptions were made in developing future strategies.

- **GDP growth rate**

Sri Lanka has achieved an average GDP growth rate of 6.4% since 2010 and as per the Sri Lankan Government it is expected that the GDP growth rate will remain over 6% during the next couple of years. This is expected to improve the future business environment in the country which is expected to drive the future demand for commercial office space.

- **Inflation**

Sri Lanka's inflation rate measured by the Colombo Consumer Price Index (CCPI) remained under 6% over the past 5 years. The fiscal consolidation policies implemented by the Sri Lankan Government targeting a budget deficit of 3.2% against the GDP by 2020 is expected to curtail excessive demand driven inflation pressure on the economy. As a result, it is assumed that the future inflation rate will be at a reasonable level.

- **Improving disposable income**

Disposable income is expected to increase in line with the forecasted GDP in future. Improving disposable income coupled with the changing consumer patterns towards better quality food selections are expected to be the key drivers of FBPL future revenues.

Please refer Sections 7.5 and 7.6 for risks associated with future strategies.

## 4.0 CORPORATE STRUCTURE

### 4.1 THE BOARD OF DIRECTORS

The Board comprises Seven (7) Directors and Four (4) Directors are Independent Non-Executive Directors.

Table 4.1 Directors

Name of the Director	Address	Designation
Mr. S. G. Wijesinha	146/8, Havelock Road, Colombo 05	Chairman/ Independent Non-Executive Director
Mrs. L. E. M. Yaseen	No. 06, Inner Bagatalle Road, Colombo 03	Non Independent Non-Executive Director
Mrs. L. K. A. H. Fernando	106/6B, Nadun Grove, Galle Road, Mount Lavinia	CEO/ Executive Director
Mr. L. W. D. Abeyarathne	No. 18/ 66, Evergreen Park, Colombo 05	Executive Director
Mr. A. D. E. I. Perera	32/7, Railway Avenue, Colombo 05	Independent Non-Executive Director
Mr. R. A. Ebell	15/8, Nuwara Watta Place, Nawala	Independent Non-Executive Director
Mrs. C. G. R. Amirthiah	No.26, Rodney Street, Colombo 08	Independent Non-Executive Director

### 4.2 PROFILES OF THE BOARD OF DIRECTORS

The seven member Board of Directors of RIL Property provides strategic insight and management guidance to achieve corporate objectives. The Board assumes ultimate responsibility for corporate governance and risk management. Four members of the Board inclusive of the Chairman are considered "independent" as defined by the Listing Rules of the Colombo Stock Exchange.

Board members are established individuals in their respective professional fields with several serving on public company boards, collectively providing the diversity and balance of skills for effective stewardship.

#### Mr. S. G. Wijesinha

##### Chairman/ Independent Non-Executive Director

Sunil G Wijesinha brings over 40 years of significant multi-sector experience across industry, commerce, consultancy, training and financial services. Initiating his career in industrial engineering Sunil later advanced to the highest echelons of corporate and institutional leadership in Sri Lanka. Spanning public and private sector and industry affiliations, Sunil notably led the Employees' Trust Fund Board, Employers' Federation of Ceylon and NDB Bank PLC as Chairman, acted as the Managing Director of Merchant Bank of Sri Lanka PLC and Dankotuwa Porcelain PLC and held the Presidency of the National Chamber of Commerce of Sri Lanka. He currently chairs the boards of select listed entities.

His multi-disciplinary international training includes industrial and systems engineering, management, corporate governance and directorship in addition to management consultancy. As a proponent of productivity improvement techniques and Japanese Management techniques Sunil is credited with pioneering several such practices in Sri Lanka. Sunil is a Chartered Engineer and a Fellow of the Chartered Institute of Management Accountants, UK. He also holds a Master of Business Administration from the University of Sri Jayawardenapura. Other Principal Appointments: Chairman - United Motors Lanka PLC, Watawala Plantations PLC, and BizEx Consulting (Private) Limited. Non-Executive Director – Siyapatha Finance PLC.

**Mrs. L. E. M. Yaseen**

**Non Independent/ Non-Executive Director**

Lorraine Estelle Marlene Yaseen is a strategic investor in both public and private equity with 30 years of investment management experience. Lorraine's entrepreneurial and strategic initiatives span diverse sectors including real estate, manufacturing, apparel and food and beverages. Her exposure as an astute long-term investor includes significant transactions resulting in change of control which take into account capital market strategy, governance and market regulatory requirements.

As a founding investor and board member appointed at incorporation in 2009, Lorraine spearheaded the Company's flagship *PARKLAND* development. Her leadership skills drove the design concept from idea stage to reality. The Company and Board benefit from her wide ranging tactical perspectives evidenced by a track record of successful direct equity investments and ventures.

**Mrs. L. K. A. H. Fernando**

**Chief Executive Officer/ Executive Director**

Hiroshini Fernando brings over 20 years of expertise in finance and management across a diverse commercial spectrum. Hiroshini began her career at Kreston MNS & Co., a correspondent firm of Grant Thornton International-Sri Lanka Division, a firm of Chartered Accountants, laying a sound foundation for her core expertise in accounting, auditing and strategic finance. The Company and the Board further benefit from her insights and knowledge of financial transparency and governance requirements.

Hiroshini is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Institute of Certified Management Accountants of Sri Lanka.

As the Chief Executive Officer/Executive Director of RIL, Hiroshini represents the Company's interest in its strategic equity investment as a member of the Board of FBPL.

Other Principal Appointments: Non-Independent Non-Executive Director and Chairperson, Audit Committee - United Motors Lanka PLC.

Director - TVS Lanka (Private) Limited, Unimo Enterprises Limited, Orient Motor Company Limited, Readywear Industries (Private) Limited, RIL Trust Limited, FoodBuzz (Private) Limited

**Mr. L. W. D. Abeyarathne**

**Executive Director**

Dhammika Abeyrathne counts 35 years of extensive exposure in finance, accounting, taxation and management consultancy in private and public sector organizations with diverse business interests.

Joining the Board at incorporation as the Company's Director of Finance Dhammika also acted as the Company Secretary up until end 2015.

Dhammika is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, Member of the Institute of Certified Management Accountants of Sri Lanka, Senior Member of the Association of Accounting Technicians of Sri Lanka and a Registered Company Secretary. He is a Business Management Graduate from the University of Sri Jayawardenapura.

Other Principal Appointments: Executive Director - Readywear Industries (Private) Limited.

**Mr. A. D. E. I. Perera****Independent Non-Executive Director**

Eardley Perera brings 47 years of expertise in management and governance of companies in multiple sectors including property development, manufacturing, food and beverages and financial services. He has undergone management training in the UK, Sweden, South Korea, India, the Philippines and Singapore.

Eardley is a member on the Board of Study of the Postgraduate Institute of Management, University of Sri Jayewardenepura and is actively engaged in management education and consultancy.

Eardley is a Chartered Marketer of the Chartered Institute of Marketing, UK.

Other Principal Appointments: Dunamis Capital PLC, First Capital Holdings PLC, Kelsey Developments PLC, Janashakthi Insurance PLC, Janashakthi PLC, Janashakthi General Insurance Limited, Sting Consultants (Private) Limited, Brand Finance Lanka (Private) Limited, MAS Tropical Foods (Private) Limited

**Mr. R. A. Ebell****Independent Non-Executive Director**

Richard Ebell has 39 years of experience in finance, operations and Board roles, 32 years of which were at Hayleys Plc in varied operational capacities ending as Finance Director for six (6) years until his resignation in 2009. His later experience includes two years as Chief Financial Officer of the Canadian-owned and managed Loadstar (Private) Limited.

He is a Past President of CIMA, Sri Lanka Division. He served as Vice Chairman, Import Section, Ceylon Chamber of Commerce and as a Council Member, Employers' Federation of Ceylon. He was actively involved in establishing an Audit Committee Forum in June 2014 and remains engaged with this initiative. He has served as a Non-Executive Director and Chairman of Dankotuwa Porcelain Plc, Finlays Colombo Limited and Laugfs Capital Limited.

He is a Fellow of the Institute of Chartered Accountants of Sri Lanka and the Chartered Institute of Management Accountants (CIMA), UK and holds a Diploma in Marketing from the Chartered Institute of Marketing (CIM), UK.

Other Principal Appointments: Independent Non-Executive Director and Chairman, Audit Committee-Softlogic Holdings PLC, Cargills Bank Limited

**Mrs. C. G. R. Amirthiah****Independent Non-Executive Director**

Chiranga Ranasinghe Amirthiah possesses extensive legal expertise spanning 20 years. Apprenticing first at Gunawardene & Ranasinghe Associates, Chiranga joined F.J. & G. de Saram in 1995 as a Professional Assistant gaining exposure in several corporate law disciplines including banking, financial property, mergers and acquisitions and divestments. Leaving the firm as a Senior Associate in 2011 she joined PT Agro Harapan Lestari, the Plantation Arm of Goodhope Asia Holdings Limited, Singapore as Senior Manager Legal (Upstream).

Chiranga currently heads Corporate Law Chambers, an independent legal practice active across Business and Commercial Law, Banking and Finance, Land Laws and Conveyancing, Company Law and Company Secretarial Practice and Civil Litigation and Commercial Arbitration. Chiranga was admitted to the Private Bar as an Attorney-at-Law of the Supreme Court of Sri Lanka upon completing her tertiary education at the Sri Lanka Law College in 1994. She holds a Diploma in Human Resources Management from the Institute of Personnel Management of Sri Lanka and a Master of Laws from the University of Colombo.

**Mrs. Jansenidevi Kuhanesan**  
**Company Secretary**

Jansenidevi Kuhanesan counts more than 10 years as a governance professional. With diverse exposure in compliance and stewardship dialogue in both public and private sector enterprises, her fortes lie in corporate regulatory, company rules and the adoption of International Best Practices. An adept user of digitised meeting solutions, Jansenidevi is an advocate of paperless boardrooms in eliciting collaborative efficacy and alignment with sustainability initiatives.

Jansenidevi was a world prize winner in the professional examinations of the Institute of Chartered Secretaries and Administrators, UK with cross-disciplinary exposure in Finance, HRM, Business Management, Operations Management, Business Strategy and Corporate Law.

Jansenidevi is an Associate of the Institute of Chartered Secretaries and Administrators, UK.

#### **4.3 DIRECTORS' SHAREHOLDING IN THE COMPANY**

The Directors Shareholding in the Company as at December 31, 2016 is as follows:

**Table 4.2 Shareholding of Directors**

<b>Name of the Director</b>	<b>No. of Shares Held</b>	<b>Percentage (%)</b>
Mr. S. G. Wijesinha	-	-
Mrs. L. K. A. H. Fernando	-	-
Mrs. L. E. M. Yaseen	148,800,000	31
Mr. L. W. D. Abeyarathne	-	-
Mr. A. D. E. I. Perera	-	-
Mr. R. A. Ebell	-	-
Mrs. C. G. R. Amirthiah	-	-

#### **4.4 DIRECTORS' EMOLUMENTS**

Emoluments paid to Directors including bonus and/or profit sharing payments for the year ended March 31, 2016 is LKR 12,462,000/- and the estimated emoluments including bonus and/or profit sharing payments payable to the Directors for the financial year ending March 31, 2017 would be LKR 16,890,000/-.

#### **4.5 STATEMENT – BOARD OF DIRECTORS**

No Director or a person nominated to become a Director of the Company has been involved in:

- Any petition under any bankruptcy laws filed against such person or any partnership in which he was a partner or any corporation of which he was an Executive Officer.
- Any conviction for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification.

#### **4.6 DIRECTORS' INTERESTS**

RIL has acquired the property belonging to Readywear Industries (Private) Limited which is a related party of RIL, located at No. 33, Park Street, Colombo 02 in June 2015 for a consideration of LKR 1.66 Bn. Further, RIL has acquired the property belonging to Readywear Industries (Private) Limited located at No. 45, Morgan Road, Colombo 02 in December 2015 for a consideration of LKR 550 Mn. The purchase consideration for the said acquisitions was decided by the respective boards of directors based on the values at which the properties were recorded on the financial statements of Readywear Industries (Private) Limited at the time of effecting the said transfers. Mrs. L. E. M. Yaseen, Mr. L. W. D. Abeyarathne, and Mrs. L. K. A. H. Fernando were Directors of Readywear Industries (Private) Limited and RIL at the time of acquisition and continue to be so. Mrs. L. E. M. Yaseen is the single largest shareholder of RIL.

Mr. M. A Yaseen holds 100% of the shares of Readywear Industries (Private) Limited.

None of the Directors have any interest in any assets acquired, disposed or leased by the Company during the past two years preceding the date of this Prospectus and/or in any assets proposed to be acquired, disposed or leased during the two years succeeding the Issue except as disclosed above.

None of the Directors have any interest in any of the material contracts entered in to by the Company other than those disclosed above as at the date of this Prospectus.

#### **4.7 CORPORATE GOVERNANCE PRACTICES**

The Board of Directors of RIL believes that Corporate Governance is the gateway for long-term sustainability enhancing value for the stakeholders through ethical business conduct. The Board has the prime responsibility for managing affairs at RIL in a fair and transparent manner. The Board of RIL ensures that the Corporate Governance guidelines and best practices are strictly followed. The Board is aware of its inherent responsibility to disclose timely and accurate information regarding the financial performance as well as navigating the governance of the company through its leadership.

The Board ensures that necessary processes are in place to review and evaluate the Company's operations. For this, the Board has adopted Corporate Governance practices in line with the guidelines specified in Code of Best Practice on Corporate Governance 2013 published jointly by The Securities & Exchange Commission of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka and the CSE Listing Rules. These Rules assist the Board to make decisions that are independent of the Management.

The Board being responsible for the Company's Corporate Governance, oversees how the Management serves and protects the long-term interests of all its stakeholders. RIL believes that an active, well-informed and independent Board is necessary to ensure the highest standards of corporate governance. This is implemented through the careful selection and maintenance of a well-balanced and diversified Board.

In order to have an appropriate mix of Executive, Non-Executive and Independent Directors to separate the functions of governance and management, the current Board consists of two Executive Directors and five Non-Executive Directors. In accordance with the definition given in the Listing Rules of the Colombo Stock Exchange, out of the five non-executive Directors four are categorized as Independent Directors. The Board would periodically evaluate the need for change in its composition and size.

In view of the best practice in Corporate Governance, the Board has delegated certain responsibilities to the following committees of the Board. The Committees deal with relevant issues according to their Terms of References and make recommendations to the Board.

The Company Secretary acts as the Secretary to these Committees.



## **NOMINATION & REMUNERATION COMMITTEE**

The Nomination and Remuneration Committee works with the Board to determine the appropriate characteristics, skills and experience for the Board as a whole and its individual members with the objective of having a Board with diverse backgrounds and experience. The Committee would take into consideration key performance areas that are linked to the performance of the Senior Management in recommending the remuneration policy.

The Committee would make recommendations to the Board on plans for appointment of Non-Executive Directors and Executive Directors and reappointment of Non-Executive Directors at the end of their term of office. The Committee would also recommend policies for the remuneration structure of Executive Directors, Company Secretary and the Senior Management.

The Remuneration Committee consists of the following members:

Mr. S. G. Wijesinha – Chairman

Mr. A. D. E. I. Perera – Member

Mrs. C. G. R. Amirthiah – Member

## **AUDIT COMMITTEE**

The primary objective of the Committee is to monitor and provide an effective supervision of the Management's financial reporting process, to ensure accurate and timely disclosures, with the highest levels of transparency, integrity and quality of financial reporting. The Committee oversees the work carried out in the financial reporting process by the Management and the Internal Auditor.

The Committee provides assistance to the Board in the Board's oversight of the integrity of financial statements, financial reporting processes, internal controls systems and compliance with legal requirements. The Committee would meet with the management to discuss critical accounting policies, internal controls and financial reporting processes and financial reports to the public.

The Committee also examines the independence and performance of the External Auditors specially to engage, appoint, evaluate and replace External Auditors.

The composition of the Committee is as follows:

Mr. R. A. Ebell – Chairman

Mr. S. G. Wijesinha – Member

Mrs. C. G. R. Amirthiah – Member

## **RELATED PARTY TRANSACTIONS REVIEW COMMITTEE**

The Related Party Transactions Review Committee was established on September 26, 2016 to enhance corporate transparency and promote fair transactions. The committee is responsible for reviewing related party transactions. The committee would receive reports on transactions between the Company and its affiliates. The Committee would recommend corrective measures to prevent unfair Related Party Transactions and recommend that the Board takes necessary precautions before entering into Related Party Transactions that violate relevant laws or regulations.

The composition of the Committee is as follows:

Mrs. C. G. R. Amirthiah – Chairperson (Independent Non-Executive Director)

Mr. S. G. Wijesinha – Member (Independent Non-Executive Director)

Mrs. L.E. M. Yaseen – Member (Non Independent Non-Executive Director)

Mr. R. A. Ebell – Member (Independent Non-Executive Director)

#### **4.8 PROFILES OF SENIOR MANAGEMENT**

The senior managers possess a wealth of experience and are motivated individuals playing distinctive roles in pursuing corporate objectives and strategy. The team brings together capabilities which aid the Company in providing comprehensive services to clients. The senior managers are experienced in working with tenants of a high degree of sophistication and in doing so, delivering a high quality of service.

##### **Lieutenant Commander (Rtd) Y M Koliya Yapa Bandara Premises Engineer**

Koliya Yapa Bandara counts over 20 years in his core expertise of Electrical and Electronic engineering. He served in the capacity of an assistant engineer, engineer and manager in the Sri Lanka Navy.

Koliya holds a Diploma in Electrical Engineering (Electronics) and a Post Graduate Diploma in Electronics and Telecommunication from INS Valsura – Electrical Training Establishment of Indian Navy accredited with the Cochin University of Science & Technology (India). He also holds a Bachelor of Science Degree in Management from the General Sir John Kotelawala Defence University.

##### **Mr. Tharaka Eswatte Manager Operations**

Tharaka Eswatte is a finance professional counting over eleven years of experience. Tharaka's areas of specialization include budgeting, cash flow management, investment management, taxation and compliance.

Tharaka holds a Bachelor of Business Administration with a specialisation in Finance from the University of Sri Jayewardenepura.

##### **Mr. Buddhika Karunanayake System Administrator**

Buddhika Karunanayake counts over 16 years of experience in the Information and Communication Technology (ICT) sphere. He has hands on experience in Network and System Administration, managing server infrastructures and data centre operations across multiple platforms (Linux, Windows) in the Sri Lanka Navy.

Buddhika is a visiting lecturer for the Naval and Maritime Academy, an advanced training institute of the Sri Lanka Navy accredited to the University of Kelaniya in the past and presently to the General Sir John Kotelawala Defence University. He is also active in social and charitable learning and development in ICT for schoolchildren and the community.

Buddhika is a Redhat Certified System Administrator (RHCSA) of Redhat Inc., USA with expert skills in the Red Hat Enterprise Linux suite.

##### **Mrs. Susilkanthi Hendavitharana Manager Finance & Administration**

Susilkanthi Hendavitharana has over 21 years of expertise in auditing, accounting and finance in manufacturing and service organizations.

Susilkanthi holds a Bachelor of Commerce (Special) degree from the University of Sri Jayewardenepura, a Member of the Institute of Public Accountants in Australia and an Associate Member of the Institute of Financial Accountants in Australia.

**Mrs. Uma Kitulgoda-Samarawickrama**  
**Manager Legal & HR Development**

Uma Kitulgoda-Samarawickrama counts over five years of legal experience. She has exposure in Land Law & Conveyancing, Property Law and Intellectual Property Law.

In addition to her legal portfolio, Uma spearheads the human capital development initiatives of the Company in areas including productivity, rewards, learning and development, team cohesion, inclusion and shared values.

Uma is an Attorney-at-Law and holds a Bachelor of Laws from the University of London. She is also a Company Secretary, Notary Public and Justice of the Peace.

**Mrs. Chandrika Rodrigo**  
**Human Resources Manager**

Chandrika Rodrigo counts over 20 years of experience in Human Resources and has held varied executive and managerial roles. Her expertise lies in labour rules, compliance and leading grievance procedures.

Chandrika has been trained in several administrative and operational HR aspects including recruitments, performance evaluations, knowledge sharing etc.

#### **4.9 SENIOR MANAGEMENT'S EMOLUMENTS**

Emoluments paid to the CEO and Senior Management of RIL in the form of salaries and bonuses for the financial year ended March 31, 2016 is LKR 19,642,000/-\* and the estimated emoluments in the form of salaries and bonuses payable to the Senior Management for the financial year ending March 31, 2017 would be LKR22,770,000/-\*.

*\*These figures include emoluments of Executive Directors.*

#### **4.10 CHIEF EXECUTIVE OFFICER**

Please refer Section 4.2 for the Chief Executive Officer's profile.

The Chief Executive Officer of the Company has not been involved in any of the following:

- A petition under any bankruptcy laws filed against such person or any partnership in which she was a partner or any corporation of which she was an executive officer;
- Conviction for fraud, misappropriation or breach of trust or any other similar offence which the CSE considers a disqualification.

## 5.0 CAPITAL STRUCTURE

As at the date of this Prospectus, the Stated Capital of the Company is Sri Lanka Rupees Four Billion Eight Hundred Million (LKR 4,800,000,000/-) divided into Four Hundred and Eighty Million (480,000,000) fully paid up Ordinary Shares.

### 5.1 AN OVERVIEW OF THE CAPITAL STRUCTURE

An overview of the Stated Capital of the Company for the three years ended March 31, 2016 and up to December 31, 2016 is set forth below. There has not been any change in the Stated Capital of the Company since December 31, 2016.

**Table 5.1 Stated Capital of RIL**

	As at December 31, 2016	As at March 31,2016	As at March 31,2015	As at March 31,2014
Stated Capital (LKR) (Refer Table 5.2)	4,800,000,000	4,800,000,000	2,000,000,000	1,000,000,000
Number of Shares (Refer Table 5.2)	480,000,000	480,000,000	200,000,000	100,000,000

**Table 5.2 Changes in stated capital of RIL**

	Number of Shares	LKR
<b>Balance as at April 1, 2013</b>	50,000,000	500,000,000
Issue of Shares at LKR 10/- per share on July 19, 2013	50,000,000	500,000,000
<b>Balance as at March 31, 2014</b>	<b>100,000,000</b>	<b>1,000,000,000</b>
<b>Balance as at April 1, 2014</b>	100,000,000	1,000,000,000
Issue of Shares at LKR 10/- per share on June 30, 2014	100,000,000	1,000,000,000
<b>Balance as at March 31, 2015</b>	<b>200,000,000</b>	<b>2,000,000,000</b>
<b>Balance as at April 1, 2015</b>	<b>200,000,000</b>	<b>2,000,000,000</b>
Issue of Shares at LKR 10/- per share on May 26, 2015	200,000,000	2,000,000,000
Issue of Shares at LKR 10/- per share on January 18, 2016 (refer Section 5.1.1)	80,000,000	800,000,000
<b>Balance as at March 31, 2016</b>	<b>480,000,000</b>	<b>4,800,000,000</b>
<b>Balance as at April 1, 2016</b>	<b>480,000,000</b>	<b>4,800,000,000</b>
Issue of Shares	-	-
<b>Balance as at December 31, 2016</b>	<b>480,000,000</b>	<b>4,800,000,000</b>

### 5.1.1 Issue of Shares

In order to part finance the next level of funding required for the construction of 22 storey Grade 'A' office complex, *PARKLAND*, at No 33, Park Street, Colombo 02, the Company has issued 80,000,000 shares at the price of LKR 10/- per share amounting to LKR 800,000,000/- on January 18, 2016, to the following existing shareholders.

**Table 5.3 Issue of Shares on January 18, 2016**

Name	Number of Ordinary Shares Issued	Amount (LKR)
M A Yaseen	16,000,000	160,000,000
L E M Yaseen	24,800,000	248,000,000
R R Yaseen	8,000,000	80,000,000
R H Yaseen	8,000,000	80,000,000
S D Yaseen	8,000,000	80,000,000
S M Yaseen	8,000,000	80,000,000
S M Yaseen (held in trust on behalf of Mast. V A Yaseen)	2,400,000	24,000,000
M Andreno Yaseen	2,400,000	24,000,000
J A Yaseen	2,400,000	24,000,000
<b>Total</b>	<b>80,000,000</b>	<b>800,000,000</b>

### 5.2 DETAILS PERTAINING TO LOCK-IN SHARES

In terms of CSE Listing Rule 2.1.1(d)(i), 480,000,000 shares, continued to be held by all existing "Non-Public" shareholders, (as defined in Section 5.2.1) as given in Tables 5.4 and 5.5, would be subject to a "lock-in" for a period of six (6) months from the date of listing. As such, these shares would not be available for secondary market trading on the CSE upon RIL obtaining a listing of its shares subsequent to the IPO contemplated via this Prospectus until the expiry of the aforesaid six (6) months period from the respective date of listing.

Since there were no share transfers during the period of twelve (12) months immediately preceding the date of an Initial Listing Application, no further shares will be subject to a lock-in, in terms of CSE Listing Rule 2.1.1 (d) (iii).

**Table 5.4 Shares Locked-in – Pre IPO**

Category of Shareholders (Pre-Listing)	Locked-in Shares	Months After Which the Shares will be Available for Trading	Number of Shares	Number of Shares as a Percentage of Total Number of Shares in Issue (Pre-Listing)
Non-Public	Shares held by Non-Public Shareholders prior to the date of the Initial Listing Application	6 months from the date of listing	480,000,000	100%
Public *	Not Locked-in	-	-	-
<b>Total</b>			<b>480,000,000</b>	<b>100%</b>

\* 'Public' defined under the definition mentioned in CSE Listing Rules 2.1.1(d) (Refer Section 5.2.1 of the Prospectus)

The Company hereby confirms that the information furnished herewith shall remain unchanged to the date of listing.

**Pre-IPO Public Holding (Shares held by the 'Public' as a percentage (%) of the total Pre-IPO number of Shares), as per the 'Public' definition provided in the CSE Listing Rules is 0%.**

**Table 5.5 Shares Locked-in – Post IPO**

Category of Shareholders (Post-Listing)	Locked-in Shares	Months After Which the Shares will be Available for Trading	Number of Shares	Number of Shares as a Percentage of Total Number of Shares in Issue (Post-Listing)
Non-Public	Shares held by Non-Public Shareholders prior to the date of the Initial Listing Application	6 months from the date of listing	480,000,000	80%
Public *	Not Locked-in (Pre IPO Shares)	-	-	-
Public*	Not Locked-in (IPO Shares)	-	120,000,000	20%
<b>Total</b>			<b>600,000,000</b>	<b>100%</b>

\* 'Public' defined under the definition mentioned in CSE Listing Rules 2.1.1(d) (Refer Section 5.2.1 of the Prospectus)

**Post-IPO Public Holding (total unlocked-Shares post-IPO that will be held by the Public as a percentage (%) of the total Shares in issue Post-IPO), as per the 'Public' definition provided in the CSE Listing Rules is 20%.**

There were no share transfers carried out within twelve (12) month period immediately preceding the date of the Initial Listing Application.

### 5.2.1 Shareholding Structure

Tabulated below are the shareholders of the Company as at the date of Prospectus and subsequent to the Issue, assuming full subscription.

**Table 5.6 Shareholders of RIL**

Name	Pre IPO		Post IPO	
	Number of Ordinary Shares	%	Number of Ordinary Shares	%
M A Yaseen	96,000,000	20.00%	96,000,000	16.00%
L E M Yaseen	148,800,000	31.00%	148,800,000	24.80%
R R Yaseen	48,000,000	10.00%	48,000,000	8.00%
S D Yaseen	48,000,000	10.00%	48,000,000	8.00%
R H Yaseen	48,000,000	10.00%	48,000,000	8.00%
S M Yaseen	48,000,000	10.00%	48,000,000	8.00%
S M Yaseen (held in trust on behalf of Mast. V A Yaseen)	14,400,000	3.00%	14,400,000	2.40%
M Andreno Yaseen	14,400,000	3.00%	14,400,000	2.40%
J A Yaseen	14,400,000	3.00%	14,400,000	2.40%
IPO Shareholders	-	-	120,000,000	20.00%
<b>Total</b>	<b>480,000,000</b>	<b>100.00%</b>	<b>600,000,000</b>	<b>100.00%</b>

## 5.2.2 Free Transferability of Shares

In accordance with CSE Listing Rule 2.1.1(d):

- All Shares held by “**Non-Public Shareholders**”<sup>\*</sup> prior to **twelve (12) months** from the date of an Initial Listing Application shall be locked-in for a period of **six (06) months** from the date of listing of the entity.
- All Shares held by “**Public Shareholders**”<sup>\*\*</sup> prior to **twelve (12) months** from the date of an Initial Listing Application shall **not be locked-in**.
- **All shares acquired by way of a transfer from another shareholder** (irrespective of being Non-Public or Public Shareholders) **during the period of twelve (12) months** immediately preceding the date of an Initial Listing Application shall be **locked in for a minimum of six (6) months** from the date of listing or twelve (12) months from the date of acquisition of those shares, whichever is longer.
- All Shares acquired by way of an allotment during the period of twelve (12) months immediately preceding the date of an initial listing application shall be dealt with by the discretion vested in the Securities and Exchange Commission under Section 28A of the Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 where the Commission grants a waiver to an entity in terms of the said provision.

*\* Non-Public Shareholders, shall mean the following parties who hold, directly or indirectly, shares of the Company;*

- a) its parent, any subsidiary or associate companies or any subsidiaries or associates of its parent company;
- b) its Directors who are holding office as directors of the entity and their close family members;
- c) Chief Executive Officer and his/her close family members;
- d) Key Management Personnel and their close family members;
- e) Any party acting in concert with the parties set out in a), b), c) and d) above;
- f) Shareholders whose shares are in a locked account with the CDS due to a statutory or regulatory requirement other than those shareholders exempted under (h) below and whose shares have been subject to a voluntary lock-in at the option of the shareholder
- g) Employees of the Company, who have been allotted shares of a Listed Entity which are directly or indirectly controlled by the management or the majority shareholder of the Company
- h) Any Entity or an individual or individuals jointly or severally holding 5% or more of the shares of the Listed Entity if the Company is a Diri Savi Board Entity and 10% or more of the shares if the Company is a Main Board Entity, except where such shareholder is;
  - i. a statutory institution managing funds belonging to contributors or investors who are members of the public; or
  - ii. an entity established as a unit trust or any other investment fund approved by the SEC; or
  - iii. not a related party declared in terms of Sri Lanka Accounting Standards or a party acting in concert declared in terms of the Company Takeovers and Mergers Code.

*‘Close Family Member’ shall mean the spouse or a financially dependent child.*

*‘Key Management Personnel’ shall mean those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.*

*\*\* Public Shareholders shall mean any party who hold Shares of the Company other than the parties identified as ‘Non-Public Shareholders’ abovementioned.*

The details of the lock-in periods for the shares are mentioned in Tables 5.4 and 5.5 above, and the shares that will be subject to a lock-in will not be available for trading.

Upon the New Shares of the Company being listed on the CSE, such Shares shall be freely transferable and the registration of the transfer of such listed shares shall not be subject to any restriction, save and except to the extent required for compliance with statutory and regulatory requirements.

### **5.3 OTHER SECURITIES**

The Company has not issued any convertible debt securities or any other class of shares other than the shares stated above as at December 31, 2016.

There will be no shares/ Other Class of Shares subscribed or sold privately, in conjunction with the IPO.

### **5.4 SHARE RE-PURCHASE OR REDEMPTION**

There were no Redemptions or Repurchases of shares effected during the two (2) years preceding the date of the Initial Listing Application.

### **5.5 TAKEOVER OFFERS**

There have been no take-over offers by third parties in respect of the Company's shares during the past three years.

The Company acquired FBPL on September 30, 2015 at a cost of LKR 277,013,100/-.

RIL has not made any takeover offers in respect of a third party other than the abovementioned company.



## **6.0 OTHER INFORMATION**

### **6.1 DIVIDEND POLICY**

The Company has not paid any dividends to its Shareholders over the past three years.

Subject to the provisions of the Companies Act No. 7 of 2007 and the Articles of Association of the Company, the Board of Directors may recommend and declare distributions to Shareholders by way of dividends from and out of the profits of the Company. The dividend rate will be determined based on a number of factors, including but not limited to Company's earnings, capital requirements and overall financial conditions.

### **6.2 LITIGATION, DISPUTES AND CONTINGENT LIABILITIES**

The Company has not been involved, nor is it currently involved in any legal arbitration or mediation proceedings, which may have had a material effect on the Company's financial position and profitability.

There have been no penalties imposed by Regulatory or State Authorities on the Company as at December 31, 2016.

The Company does not have any contingent liabilities that would significantly affect its current and future profits.

### **6.3 TAXATION**

#### **▪ Corporate Taxation**

RIL is qualified for a tax exemption period of 12 years as stipulated in Inland Revenue (Amendment) Act No. 08 of 2012 (Sec. 17A) commencing from FY2015/16.

FBPL is qualified for a tax exemption period of 6 years as stipulated in Inland Revenue (Amendment) Act No. 08 of 2012 (Sec. 16C) commencing from FY2014/15.

RIL and FBPL are liable for corporate income tax, at the prevailing tax rate on its taxable profits after the conclusion of their respective tax exemption periods.

RIL and FBPL are liable for Economic Service Charge of 0.25% on Net Sales according to the Economic Service Charge Act No.13 of 2006 as amended.

#### **▪ Value Added Tax (VAT)**

RIL and FBPL are liable to pay VAT on liable turnover at a rate of 15.0%. This is in accordance with the provisions of the Value Added Tax Act No. 14 of 2002 as amended.

#### **▪ Nation Building Tax (NBT)**

RIL and FBPL are liable to pay NBT on liable turnover at a rate of 2.0%. This is in accordance with the provisions of the Nation Building Tax Act No. 09 of 2009 as amended.

#### 6.4 PARTICULARS OF DEBT AND LOAN CAPITAL

The debt obligations of the Company as at December 31, 2016 are given in the table below:

**Table 6.1 Debt obligations**

Facility Amount (LKR Mn)	Outstanding Amount (LKR Mn)	Interest Rate	Tenure	Date Obtained
1,000.0	906.22	AWPLR + 0.5%	9 years*	April 2015
500.0	50.42	AWPLR + 0.5%	9 years*	November 2015
800.0 <sup>†</sup>	-	AWPLR + 1.0%	9 years*	-

\* including 1 year grace period

<sup>†</sup> this facility has been approved and not drawn down as at December 31, 2016

Other than the above mentioned facilities the Company does not have any other borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptance or acceptance credit as at December 31, 2016.

The Company has provided a mortgage over its property at No.33, Park Street, Colombo 2 to obtain the above facilities. Other than the above the Company has not provided any mortgages and/or charges on its assets as at December 31, 2016.

The Company does not have leasing, lease purchase and hire purchase commitments as at December 31, 2016.

The Company has provided a Corporate Guarantee to the value of LKR 100.0 Mn to Commercial Bank of Ceylon PLC, on behalf of FBPL, as at December 31, 2016.

The Company does not have any other guarantees and other material contingent liabilities, on the assets of the Company, as at December 31, 2016.

In addition to the above, FBPL has obtained a short term loan facility, of which the outstanding balance as at December 31, 2016 was LKR 100.0 Mn, and an Overdraft facility, of which the outstanding balance as at December 31, 2016 was LKR 35.8 Mn.

The gearing and interest cover ratios for the past 3 years are given below.

**Table 6.2 Gearing and interest cover ratios for the past 3 years**

Ratio	2016	2015	2014
Gearing Ratio (Debt / Debt + Equity)	9.7%	16.5%	33.1%
Interest Cover Ratio (EBIT / Interest Expense)*	48.24	292.42	122.59

\* Excludes fair value gains

**6.5 DEGREE OF DEPENDENCE ON KEY CUSTOMERS AND SUPPLIERS**

The Company has a widely spread customer base and hence a very low level of dependency on key customers. Further insignificant dependence on the suppliers prevails as a result of the nature of the business.

**6.6 DETAILS OF BENEFITS PAID TO PROMOTERS**

RIL has not paid or given benefits within the two (2) years preceding the date of the Prospectus and there are no benefits intended to be paid or given to any promoter.

**6.7 DETAILS OF COMMISSION PAID**

RIL has not paid any commission in the two (2) years preceding the Issue or payable for subscribing or agreeing to subscribe or procure or agreeing to procure subscription for any shares of the Company apart from the commissions payable on the IPO.

**6.8 MATERIAL CONTRACTS**

There were no material contracts entered into by the Company as at December 31, 2016.

**6.9 MANAGEMENT AGREEMENTS**

There are no management agreements presently in force or currently being considered by the Company.

## **7.0 INVESTMENT CONSIDERATIONS AND ASSOCIATED RISK FACTORS**

Prior to investing in the New Shares, prospective investors should pay particular attention to the fact that the Company and its business activities are subject to a number of risk factors which may be within or outside the control of the Company.

The risk factors that follow may be considered material to investors in making an informed judgment on the Company. If any of the considerations and uncertainties given below develops into actual events, the Company's business, financial conditions or results of operations and prospects could be adversely affected. However, given the importance of the industry and the strategic initiatives employed by the Company, the business operations of the Company are expected to be sustainable to the foreseeable future.

### **7.1 RISKS RELATED TO THE COMMERCIAL REAL ESTATE SECTOR**

#### **7.1.1 Government Policy Pertaining to Future Developments in the Western Province**

The Government of Sri Lanka has identified the importance of developing the Colombo metropolitan area as the Central Business District (CBD) of Sri Lanka and developed a comprehensive strategy to reach this stage by 2030 under the Western Region Megapolis Planning Project (WRMPP) of the Ministry of Megapolis and Western Development. This is expected to drive demand and supply for commercial office space in the future. However, given the prevailing nature of the commercial office space segment where demand substantially outstrips supply, the Company believes that it will be able to maintain healthy occupancy rates in future even as the supply situation improves since demand is also expected to exhibit favourable growth patterns.

#### **7.1.2 General Risks Attached to Investments in Real Estate**

Investments in real estate and therefore the income generated from the same are subject to various risks, including but not limited to:

- adverse changes in political or economic conditions;
- adverse local market conditions (such as over-supply of properties or reduction in demand for properties in the market in which RIL operates);
- the financial condition of tenants;
- the availability of financing such as changes in availability of debt or equity financing, which may result in an inability by RIL to finance future acquisitions on favourable terms or at all;
- changes in interest rates and other operating expenses;
- changes in exchange rates;
- changes in environmental laws and regulations, zoning laws and other governmental laws, regulations and rules and fiscal policies (including tax laws and regulations);
- environmental claims in respect of real estate;
- changes in market rents;
- changes in energy prices;
- changes in the relative popularity of property types and locations leading to an oversupply of space or a reduction in tenant demand for a particular type of property in a given market;
- competition among property owners for tenants which may lead to vacancies or an inability to rent space on favourable terms;
- inability to renew leases or re-let space as existing leases expire;
- inability to collect rents from tenants on a timely basis or at all due to bankruptcy or insolvency of the tenants or otherwise;
- insufficiency of insurance coverage or increases in insurance premiums;
- increases in the rate of inflation;
- inability of the Company to provide or procure the provision of adequate maintenance and other services;

- unforeseen repair and maintenance of the properties requiring additional capital expenditure;
- the relative illiquidity of real estate investments;
- considerable dependence on cash flow for the maintenance of, and improvements to, the real estate assets;
- increased operating costs, including real estate taxes;
- the attractiveness of RIL's properties to tenants;
- the cost of regulatory compliance; and
- power supply failure, acts of God, wars, terrorist attacks, uninsurable losses and other factors.

Many of the above factors may cause fluctuations in occupancy rates, rental rates or operating expenses, causing a negative effect on the value of real estate and income derived from real estate. The annual valuation of the real estate assets will reflect such factors and as a result may fluctuate upwards or downwards. The capital value of RIL's real estate assets may be significantly diminished in the event of a sudden downturn in real estate market prices or the economy of Sri Lanka, which may adversely affect the financial condition of the Company.

## **7.2 RISKS RELATED TO THE FOOD AND BEVERAGE INDUSTRY**

### **7.2.1 Adverse Changes in Macroeconomic Conditions in Sri Lanka which Negatively Impacts Disposable Income**

The demand for food and beverages at franchise outlets such as BreadTalk depends to a great extent on the level of disposable income of the Sri Lankan population in general and particularly that of the populace residing/employed in close proximity to such outlets. Any adverse changes to the macroeconomic environment in Sri Lanka which effects the level of disposable income mentioned above may result in curtailing of discretionary expenditure by patrons of such franchise outlets. This would have a direct and material impact on the level of sales and profitability of operators of such franchise outlets.

### **7.2.2 Volatility of Raw Material Costs**

The main raw material for the FBPL operation is wheat flour and is imported from overseas. This exposes FBPL's cost structure to fluctuations in commodity prices in the international markets. As a result, the industry faces risks based on frequent price fluctuations for its main ingredient.

## **7.3 RISKS RELATED TO THE BUSINESS OPERATIONS OF RIL**

The Company in its day to day operations is exposed to numerous internal and external risks. An occurrence of any of these risks may adversely affect the future performance of the Company. Therefore, potential investors are advised to analyse the following risk factors prior to taking any investment decisions.

### **7.3.1 Potential Oversupply in Grade 'A' Commercial Office Space**

As per Jones Lang LaSalle research ("Sri Lanka- Scaling New Heights - August 2014" available at [www.jll.com.lk/sri-lanka/en-gb/Research](http://www.jll.com.lk/sri-lanka/en-gb/Research)) there are a number of new developments that are currently under construction in order to cater to expected surge in demand for Grade 'A' commercial office space in Colombo. The existing suppliers of Grade 'A' commercial office space are able to charge a premium price from their tenants at present due to demand substantially outstripping supply.

While the current demand-supply mismatch may not continue in its present form for a considerable length of time, potentially resulting in a weakening of pricing power, expected future growth in the national economy translating into growth in Colombo particularly in relation to developments expected in connection with the Western Megapolis plan, is likely to translate into increased demand from businesses both local and overseas for quality office space even as the supply situation improves, thereby enabling a continuation of the steady growth in rental rates.

### **7.3.2 Significant Dependence on *PARKLAND* for Income Generation**

The rental income generated from *PARKLAND* is the primary source of income for RIL as at the date of this Prospectus. Therefore, any adverse impact to the operation of *PARKLAND* could have a material impact on the income generated by the Company. However, it should be noted that RIL intends to utilise the funds raised through the IPO to refurbish the existing *READYWEAR* Building (as mentioned in Section 1.5.1) and may further develop real estate assets within its current premises (as mentioned in Section 3.3). The above objectives and future plans would result in a diversification of income generated by RIL away from a single property and reducing the concentration of risks arising from the same.

### **7.3.3 Loss of Key Tenants or a Significant Number of Tenants**

RIL's financial condition and results of operations may be adversely affected by bankruptcy, insolvency or downturn in the businesses of its key tenants or a significant number of tenants of any of the properties, as well as the decision by these tenants not to renew the leases or terminate the same before they expire. If key tenants or a significant number of tenants terminate their leases or do not renew their leases at expiry, it may be difficult to secure replacement tenants at short notice. In such a situation, the amount of rent and the terms on which lease renewals and new leases are agreed may be less favourable than the current leases. Collectively, the top 10 tenants of the properties by Gross Rental Income accounted for approximately 62% of the rental income of the Properties for the month of December 2016. Based on these tenants' lease tenures, the leases for a majority of these top 10 tenants will expire during FY2019/20 whilst a few of them have longer contracts. The loss of key tenants or a significant number of tenants could result in periods of vacancy, which could adversely affect the revenue and financial conditions of the Company, consequently impacting the ability of the Company to make dividends or distributions.

### **7.3.4 Renovation/Redevelopment Works in any of the Real Estate Assets May Disrupt the Operations and Collectability of Rental Income**

The quality and design of RIL's properties have a direct influence over the demand for space in, and the rental rates of, the said properties. The properties may need to undergo renovation or redevelopment works from time to time to retain their competitiveness and may also require unforeseen ad hoc maintenance or repairs in respect of faults or problems that may develop or because of new planning laws or regulations. The costs of maintaining commercial properties and the risk of unforeseen maintenance or repair requirements tend to increase over time as the building ages. The business and operations of the properties may suffer some disruption and it may not be possible to collect the full or any rental income on space affected by such renovation or redevelopment works. In addition, physical damage to any of the properties resulting from fire or other causes may lead to a significant disruption to the business and operation of the affected property and, together with the foregoing, may impose unbudgeted costs on RIL and result in an adverse impact on the financial condition and results of operations of the Company and its ability to make distributions.

### **7.3.5 Adverse Effect on Marketability of Rental Space due to Lack of Proper Management and Maintenance of Developed Property Assets of RIL**

Lack of proper management and maintenance of the developed property assets of RIL may result in a decline in the marketability of the Company's rental space. This may result from lack of proper supervision and adherence to service standards by service providers either directly appointed by the Company or employed via outsourcing agreements. Any resulting negative impact on the marketability would adversely affect the occupancy levels and rental rates leading to lower cash flow generation and profitability to the Company. It should be noted, however, that RIL has implemented a comprehensive building management IT solution for *PARKLAND* and has also taken adequate steps to monitor the maintenance of service providers to minimise the occurrence of the above mentioned risk.

### **7.3.6 Lack of Adherence to Procedures, Processes and Systems**

RIL employs a number of procedures, processes and systems internally in order to ensure that there will not be a breakdown or delay of any operational function which may cause adverse effects for tenants. In order to mitigate the occurrence of such events the Company regularly evaluates the processes, procedures and systems of the Company and the properties managed by the Company with the assistance of internal and external technical and other service providers.

### **7.3.7 Dependence on Key Employees**

RIL has a professional team with necessary skills and experience in the development and management of real estate assets. However, any potential risks caused by the inability to retain the existing team of employees or attract new employees for future requirements may result in the Company facing difficulties in managing its operations and developing idle real estate assets of the Company in the future. In order to prevent such a situation the Company has implemented a comprehensive employee evaluation process to identify the level of performance of each employee and adequately compensate with the view of facilitating retention and growth prospects for its employees.

### **7.3.8 Investment Related Risks**

The investments made by the Company in various investment securities pose risks if the expected outcomes could not be materialized. Such risks include but are not limited to interest rates, default of investments, unavailability of adequate liquidity, realized/unrealized losses etc. The Company has an investment policy to mitigate the risk of occurrence of such situations.

## **7.4 RISKS RELATED TO THE BUSINESS OPERATIONS OF FBPL**

### **7.4.1 Possible Loss of BreadTalk Franchise**

FBPL operations and performance are significantly dependent upon the continuation of the BreadTalk franchise agreement. As such, any change in circumstances that leads to FBPL losing the said franchise will significantly impact the financial performance of FBPL. It should be noted that FBPL has formalised its engagement with BreadTalk via an agreement dated April 5, 2012 for a duration of ten years. As of now, the relationship between BreadTalk and FBPL has been positive and with a view to further strengthen it, FBPL has already embarked on a strategic expansion plan to grow the BreadTalk footprint in Sri Lanka on the back of the success of the currently opened outlets as per the terms of the said agreement.

#### **7.4.2 Shift in Consumer Preferences Away from Wheat Flour Based Food Products**

Sales revenue of BreadTalk outlets is predominantly dependent upon wheat flour based food products. A potential change in consumer preferences away from wheat flour based products may materially impact the financial performance of all players in this segment and the viability of the BreadTalk franchise in Sri Lanka, in particular.

#### **7.4.3 Non-adherence to Quality and Food Safety Standards**

The BreadTalk franchisor requires that FBPL adhere to strict quality standards and high food safety standards. Non adherence to these standards can have significant repercussions including the loss of sales, possible loss of the BreadTalk franchise and even the closure of outlets by health and regulatory officials. Furthermore, the non-adherence to requisite quality standards and/or food safety related controversies concerning the franchisor or foreign franchisees of BreadTalk could have a detrimental effect on FBPL's sales in Sri Lanka. However, it should be noted that FBPL places utmost significance on maintaining high quality and food safety standards and ensures all employees are in strict adherence to the same.

#### **7.4.4 Intense Competition from Alternative Food and Beverage Players**

There are large numbers of small scale food and beverage outlets operating throughout the Colombo city and key suburbs in the Western Province catering to localised demand whilst a few larger chains have wider outlet networks spreading across a number of key cities. As a result, there is a high level of competition amongst the outlets and chains based on pricing and better service quality. Furthermore, a new breed of domestic producers have emerged with the support of e-commerce and social media where niche food products are manufactured in a relatively small scale and distributed either directly or via third party delivery services. FBPL is constantly innovating their product range and using above the line and below the line marketing efforts to reach out to their customers and differentiate from other mainstream food and beverage outlets.

#### **7.4.5 Availability of Skilled, Semi-skilled or Unskilled Staff**

FBPL has a professional team with requisite skills and experience in handling food and beverage operations. However, any potential risks caused by the inability to retain the existing team of employees or attract new employees for future requirements may result in FBPL facing difficulties in managing its operations. In order to prevent such a situation FBPL has implemented a comprehensive employee evaluation process to identify the level of performance of each employee and adequately compensate with the view of facilitating retention and growth prospects for its employees.

### **7.5 RISKS RELATED TO FUTURE STRATEGIES OF RIL**

Future strategies of the Company will depend on various factors such as the prevailing conditions in the commercial office space industry and the economic environment of the country. It is assumed that there will not be material changes to the prevailing industry and economic conditions in future other than increasing demand for commercial office space, a slower growth in supply, and an overall increase in national growth rates. However, the Company may readjust its future strategies in response to material changes to various risk factors such as:

#### **7.5.1 Significant Decline in Foreign and Local Demand for Commercial Office Space**

The macroeconomic outlook for the country is expected to improve with the realisation of the major development plans such as the Western Megapolis project. Foreign and local demand for quality commercial office space can be expected to increase in line with the realisation of the development strategies and also in order to benefit from the possibility of Sri Lanka being used as a regional hub.



### **7.5.2 Lack of Debt Funding for Future Property Development Projects**

Whilst RIL has a strong balance sheet that is predominantly equity funded, which should enable RIL to obtain significant credit facilities if required, the availability of such funding may be dependent upon the prevailing liquidity, risk appetite, exposure to the Company and the real estate sector relevant to potential lenders to RIL along with general macroeconomic conditions at the time. However, subsequent to the proposed listing of shares of RIL, the Company is of the view that such risks would be minimised due to the availability of multiple avenues of funding created by the said listing.

## **7.6 RISKS RELATED TO FUTURE STRATEGIES OF FBPL**

### **7.6.1 Availability of Suitable Locations for the Expansion of BreadTalk Outlets**

FBPL has developed a strategic expansion plan and intends to execute the same in a gradual manner depending on market conditions. However, the success of the newly opened outlets would significantly depend upon identifying suitable locations which provide the requisite visibility, accessibility and disposable income levels of the populace residing in close proximity. Lack of availability of such locations, may result in a slowdown in opening new outlets and /or lack of future growth opportunities for FBPL.

## **7.7 CAPITAL MARKET RELATED RISKS**

### **7.7.1 Non-existence of Prior Market for the Shares**

Prior to the IPO there has been no public market for the Company's Shares. There can be no assurance that an active trading market for the Shares will develop or if developed, will be sustained, or that the market price of the Shares shall not decline below the Share Issue Price. The Share Issue Price may not be indicative of the market price for the Company's Shares after completion of the IPO.

### **7.7.2 Price Volatility in the Secondary Market**

The price of the Shares once listed may fluctuate due to and not limited to the following: variations in operating results, changes in operating environment, transitions on the regulatory front, strategic alliances or acquisitions, industrial or environmental laws, fluctuations in the market prices for products or raw materials, macroeconomic factors and external events. Price of Shares may follow general investor sentiment prevalent in the market at a given time. In addition, the price of the Shares in the market will fluctuate as a result of share trading volumes.

### **7.7.3 Liquidity Risk**

Liquidity risk is caused due to the inability to convert shares into cash without incurring additional costs during an expected time period. Liquidity is driven by the demand and supply in the market for a particular share. Liquidity risk may result in investors incurring additional costs when buying and selling shares or the expected transaction not getting executed during the expected time period.

#### **7.7.4 Shares May Not be a Suitable Investment for All Investors**

Each potential investor in Shares must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to evaluate Shares, the merits and risks of investing in Shares and the information contained or incorporated by reference in this Prospectus;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of his/her/its particular financial situation, an investment in Shares and the impact the Shares will have on his/her/its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in Shares, including where the settlement currency is different from the currency in which such investor's principal financial activities are denominated, especially in the instances where foreign investors are concerned;
- understand thoroughly the terms of Shares and be familiar with any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

## 8.0 DECLARATIONS

### 8.1 DECLARATION BY THE DIRECTORS

March 10, 2017

We, the undersigned being the Directors of RIL Property Limited, hereby declare and confirm that we have read the provisions of the Companies Act No.7 of 2007 relating to the issue of the Prospectus and that those provisions have been complied with.

This Prospectus has been seen and approved by us and we collectively and individually accept full responsibility for the accuracy of the information given and confirm that the provisions of the Listing Rules of the Colombo Stock Exchange and the Companies Act No. 7 of 2007 and any amendments made thereto from time to time, have been complied with and after making all reasonable enquiries and to the best of our knowledge and belief, there are no other facts the omission of which would make any statement herein misleading or inaccurate. Where representations regarding the future performance of the Company have been given in the Prospectus, such representations have been made after due and careful enquiry of the information available to the Company and making assumptions that are considered to be reasonable at the present point in time and according to our best judgments.

We further declare that the Profit forecasts have been included in this prospectus after due and careful enquiry of the information available with the Company and assumptions that are considered to be reasonable at the present point in time and according to our best judgments.

<b>Name of Director</b>	<b>Designation</b>	<b>Signature</b>
Mr. S. G. Wijesinha	Independent Non-Executive Director	Sgd.
Mrs. L. K. A. H. Fernando	CEO/ Executive Director	Sgd.
Mrs. L. E. M. Yaseen	Non Independent Non-Executive Director	Sgd.
Mr. L. W. D. Abeyarathne	Executive Director	Sgd.
Mr. A. D. E. I. Perera	Independent Non-Executive Director	Sgd.
Mr. R. A. Ebell	Independent Non-Executive Director	Sgd.
Mrs. C. G. R. Amirthiah	Independent Non-Executive Director	Sgd.

## 8.2 DECLARATION BY THE COMPANY

We, RIL Property Limited, having our Registered Office at No. 33, Park Street, Colombo 2 hereby declare that to the best of our knowledge and belief this Prospectus constitutes full and fair disclosure of all material facts about the Issue and the Company.

An Application has been made to the Colombo Stock Exchange for permission to deal in and for a listing for all of the Ordinary Voting Shares issued by the Company and those Ordinary Voting Shares, which are the subject of this Issue. Such permission will be granted when the Ordinary Voting Shares are listed on the Colombo Stock Exchange. The Colombo Stock Exchange assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports included in this Prospectus. Listing on the Colombo Stock Exchange is not to be taken as an indication of the merits of the Company or of the shares issued.

The Common Seal of RIL Property Limited affixed at Colombo on 10<sup>th</sup> day of March 2017 in the presence of two Directors.

Sgd.  
Director

Sgd.  
Director

## 8.3 DECLARATION BY THE LEAD MANAGERS TO THE ISSUE

We, Commercial Bank of Ceylon PLC of "Commercial House", No. 21, Sir Razik Fareed Mawatha, P. O. Box 856, Colombo 01 hereby declare and confirm to the best of our knowledge and belief this Prospectus constitutes full and fair disclosure of all material facts about the Issue and the Company, whose Ordinary Shares are being issued.

Signed by the authorized signatories of Commercial Bank of Ceylon PLC, being duly authorised thereto, at Colombo on this 10<sup>th</sup> day of March 2017.

Sgd.  
Naveen Sooriyarachchi  
Assistant General Manager  
Corporate & Investment Banking

Sgd.  
Sushara Vidyasagara (Ms.)  
Chief Manager  
Investment Banking

## 8.4 DECLARATION BY THE JOINT MANAGERS TO THE ISSUE

We, NDB Investment Bank Limited of No. 40, Navam Mawatha, Colombo 02 hereby declare and confirm to the best of our knowledge and belief this Prospectus constitutes full and fair disclosure of all material facts about the Issue and the Company, whose Ordinary Shares are being issued.

The Common Seal of NDB Investment Bank Limited affixed at Colombo on 10<sup>th</sup> day of March 2017 in the presence of two Directors.

Sgd.  
Director

Sgd.  
Director