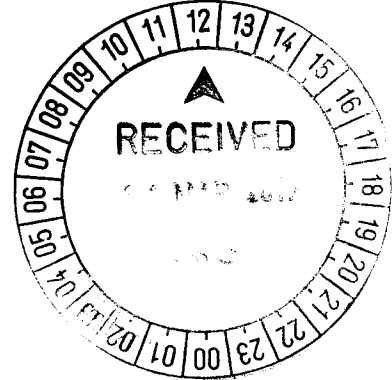




HVA FOODS PLC

14th March 2019

Ms. Nilupa Perera
Head of Trading, market surveillance & corporate affairs
Colombo Stock Exchange
04-01, West Block,
World Trade Centre
Echelon Square,
Colombo 1



Dear Sir,

Re: Resolving matters pertaining to the modified audit opinion on the Audited Financial Statements of the Company for the year ended 31 March 2018.

Further to the announcement made by the Company on the 18th January 2019 with regard to the modified audit opinion on the audited financial statements ended 31st March 2018.

We hereby acknowledge that the HVA Foods Plc (the Company) has taken necessary steps to resolve the matters that gave rise to the modified audit opinion in terms of the listing rule 7.5 (d) I (4) of the Colombo Stock Exchange (CSE), please find the enclosed as follows;

- (i) The confirmation by the Audit Committee on the resolving matters.
- (ii) Declaration by the Board of Directors.

Accordingly, the Company is of the view that it has fulfilled all the requirements under the CSE listing rules to resolve the matters which gave rise to the modified audit opinion.

Thank you

Yours faithfully,

.....
Chairman
Mr. A. R. H. Fernando

DS
Gurude
14/3

Board of Directors : Mr. A. R. H. Fernando, Mrs. V. S. A. Fernando, Mr. B. S. M. De Silva, Mr. D. Hettiarachchi

No: 118, Braybrooke Place, Colombo 00200, Sri Lanaka.

Phone: +94 (11) 4427600 Fax: +94 (11) 4832802 E-Mail: hva@heladiv.com Web: www.heladiv.com

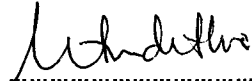
Confirmation by the Audit Committee on resolving matters pertaining to the Modified Audit Opinion on the Audited Financial Statements of the Company for the year ended 31st March 2018;

Based on the review conducted by the Audit Committee on the modified audit opinion and the remedial actions taken by the management, we the members of the Audit Committee hereby confirm that the following three matters which gave rise to the modified audit opinion have been resolved;

- 1) VAT Receivable - Rs.4,752,125
- 2) Export Trade Receivable - Rs.9,504,002
- 3) Receivable from HVA Lanka Exports (Pvt) Ltd - Rs.134,705,582


.....

Mr. D. Hettiarachchi
Chairman


.....

Mr. B. S. M. De Silva
Member

Date: 14th March 2019

Declaration by the Board of Directors of HVA Foods PLC (the Company)

We, the undersigned being all of the directors of the Company hereby declare that the Auditors have qualified their opinion on the audited financial statements for the year ended 31st March 2018 of the Company and the board accordingly has taken steps to resolve the three matters which gave rise to the modified audit opinion as follows;

1) VAT Receivable - Rs.4,752,125

In view of certain doubts the board has decided to make full provision of this sum which has been done in the 3rd quarter financial statements for the year 2018/2019.

2) Export Trade Receivable - Rs.9,504,002

This matter has since been resolved as the trade debtor has settled the full sum of Rs.9,504,002.

3) Receivable from HVA Lanka Exports (Pvt) Ltd - Rs.134,705,582

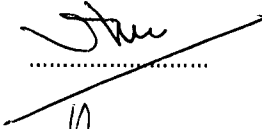
In order to resolve the issues relating to the modified audit opinion the board of directors has made a full provision of the sum of Rs.134,705,582.

Although the board was of the view that this matter could have been rectified in the near future, given the circumstances and the uncertainty this decision was taken in the best interest of the Company.

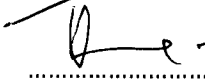
The fact that the board requested for a deferment in the past, was because certain assets could have been liquidated and be applied to settle the debts. However this process could have been time consuming, hence this decision was taken.

Therefore, it is hereby declared that the matters that gave rise to the Modified Audit Opinion on the audited financial statements for the year ended 31st March 2018 of the Company has now been resolved.

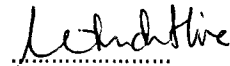
Mr. A. R. H. Fernando Chairman/ Executive Director



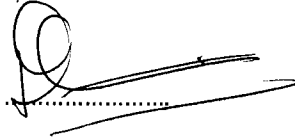
Mrs. V. S. A. Fernando Non-Executive Director



Mr. B. S. M. De Silva Non-Executive Independent Director



Mr. D. Hettiarachchi Non-Executive Independent Director



Date: 14th March 2019