



LIFESTYLE

30 April 2020

Renuke Wijayawardhena
Chief Regulatory Officer
Colombo Stock Exchange
World Trade Centre
Echelon Square
Colombo 1

Dear Sir,

Trans Asia Hotels PLC (TAH; The Company) – Disclosure regarding impact of COVID-19

We write to inform you of the status of operations and provide insight into how TAH is navigating through the ongoing COVID-19 pandemic. TAH has taken all recommended measures to ensure the safety and support of its employees, consumers and all its other stakeholders during this unprecedented challenging time and continues to adhere to the guidelines issued by the Government and health authorities.

Macro environment and operating conditions:

Following the diagnosis of COVID-19 patients in Sri Lanka, from mid-March 2020 onwards, the Government declared a state of “work from home” for the general public post which island-wide curfew was imposed on 20th March 2020, with some restrictions waived only for services classified as ‘essential’. As a further precaution to contain the virus the authorities closed the international airport on 19th of March 2020 for all inward international commercial passenger flights.

After a period of a month, the imposition of curfew has been eased in many parts of the country while the Colombo district and a few other districts continue to be under curfew as they have been identified as high-risk zones. The most recent release by the Government states that curfew restrictions in these remaining districts may be eased off by 4th of May 2020.

Given the stringent lockdown measures, TAH actioned the business continuity plans to ensure that activities were maintained to the extent possible. The Company has evaluated all guidelines issued by the Government as well as international best practices and developed health and safety guidelines to ensure suitable working arrangements and safe conditions for employees, customers and other stakeholders.

Business update and Outlook:

Whilst the impact on the financial year 2020/21 cannot be ascertained at this point of time given the uncertain and evolving situation, the Company expects the impact on performance in the first and second quarter to be material.

In order to evaluate the financial position particularly over the next 12 months, the Company has stress-tested under multiple operating scenarios, to ascertain the impact on the ability to sustain operations with its cash reserves and banking facilities in place. The Company is satisfied of its ability to manage operations even under an extreme stress-tested scenario.

In addition, with a view to focusing on cash management and liquidity, TAH has adopted weekly dashboards which cover financial and non-financial KPIs and revised targets, including monitoring of weekly cash targets and spend control initiatives including a freeze on all non-essential capital expenditure and stringent expense control measures, including a reduction in executive staff remuneration ranging from 5 to 60 per cent till June 2020, subject to further review depending on the macro and operating environment. The Government of Sri Lanka has also announced certain relief measures including a moratorium on repayment of loans and concessionary working capital facilities. Where relevant, such relief measures have been applied for, which will help to ease the financial position further. While the forecasted liquidity position is comfortable, the Company is of the view that undertaking proactive steps ahead of further stresses will enable maintaining of a stronger balance sheet and facilitate a smoother and faster recovery trajectory.

Given that there are no tourists arrivals to Sri Lanka, operations of the Company have been suspended, thereby saving on certain fixed overheads and other expenses. Depending on Government directives to ease restrictions, the hotel can re-commence operations within a week although business is not expected to pick up sharply in the short term due to stringent social distancing guidelines which are likely to be in place.

Due to the high degree of correlation between global economic and tourism recovery with the performance of the industry, and given the dependency on multiple source markets, it is expected that leisure industry is to be significantly impacted in the short to medium term. It is anticipated that the post COVID-19 action plan to revive the tourism sector initiated by The Sri Lanka Tourism Development Authority will expedite the recovery of the sector.

Given the volatile and evolving landscape, the Company will continue to monitor the impacts to its operations and proactively take measures to ensure business continues as seamlessly as possible. At this moment, the focus is on transitioning to back-to-work arrangements ensuring all health and safety protocols are in place. While the Company has a strong cash position and availability of banking facilities, we will continue to focus on ensuring we preserve this position and obtain further banking lines ahead of any future requirements

It is becoming apparent that in the post lockdown era there will be a change in the behavior and expectations of travelers and that they would seek a higher level of hygiene and safety standards. Our Company is evaluating these emerging trends and reviewing our operating model and health and safety protocols to align with the expectations of such travelers.

Any further material business decisions will be notified to shareholders, as relevant.

Yours faithfully,
Trans Asia Hotels PLC



Krishan Balendra
Chairman