

27th July 2020

Mr. Renuka Wijayawardhane
Chief Regulatory Officer
Colombo Stock Exchange
04-01, West Block
World Trade Centre
Echelon Square
Colombo 01

Dear Sir,

RE: 'CORPORATE DISCLOSURE GUIDANCE NOTE' ON THE IMPACT OF COVID -19

This is with reference to your letter dated 9th May 2020 and the CSE circular dated 20th April 2020 (Circular No 06-04-2020) regarding the disclosures to be made by the Listed Companies on the impact of COVID -19.

The below note comprises of the methods used by Browns Group to mitigate the challenges faced during the COVID-19 pandemic. The Group 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.

In order to evaluate the financial position of each business, particularly over the next 12 months, each of the businesses were stress-tested under multiple operating scenarios, and, subsequently at a Group consolidated level, to ascertain the impact on the ability to sustain its operations with its cash reserves and banking facilities in place. Whilst the assumptions vary across the businesses, the Group is satisfied of the ability of the businesses to manage its operations even under an extreme stress-tested scenario.

Operating Environment

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 March 20, 2020, with restrictions waived only for services classified as 'essential'.

Impact on Brown & Company PLC and Browns Group

The Company's principal activities are trading and investments in listed and non-listed companies and investments in subsidiaries and jointly controlled entities, which are mainly engaged in the business of Trading, Leisure and Entertainment, Plantation, Construction, Real Estate and Renewable Energy sectors. The detail analysis of COVID - 19 impact on aforesaid industries are given below.

A) Trading

COVID-19 pandemic had a relative low impact on the trading sector. The group had the stocks available to cater to the demands of consumers. Out of the group product range, a minimal number of products were affected with import restrictions. The exact impact will be assessed in future. Also the demand initially declined due to restricted movement preventing supplies from reaching distributors and retailers, and customers being unable to access stores. However, the situation is gradually improving and is expected to recover quickly.

B) Leisure and Entertainment

The impact of COVID-19 pandemic on our leisure and entertainment segment has been most significant with zero or minimum occupancy due to social distancing requirements, travel disruptions/restrictions, and quarantine requirements from the start of the lockdown.

Leisure and entertainment industry is considered as one of the main industries affected by the COVID-19 outbreak. The sector is experiencing a rapid and sharp drop in demand at global level. With the closing down of airports and the quick spread of the virus across countries, both domestic and foreign demand reached zero level. The lockdown effects within the country has hampered the interim businesses from the local market and recovery will largely depend on how fast economic activity picks up internally and re-opening of borders and the recovery of key market segments. With the assistance of Sri Lanka Tourism Development Authority (SLTDA), the government has formulated short term and long-term plans to rebuild the industry.

Eden Hotel Lanka PLC, Dickwella Resorts (Pvt) Limited, Green Paradise (Pvt) Limited, Samudra Beach Resorts (Pvt) Limited and Sun and Fun Resorts Limited represent leisure sector of Browns Group. These hotels have temporarily suspended their commercial operations and are currently closed for guests. However, essential functions are carried out with skeleton staff to maintain the hotels at standard levels.

China, Europe, India, Germany, Russia and UK are the main market segments for these hotels. The management has considered the short term to medium term strategies for all the properties and is currently in the process of operating these properties as quarantine hotels which will support cash flows. The management is in constant dialogue with Foreign Tour Operators (FTO's) and local Destination Management Companies (DMC's), to ascertain the current market conditions of the target market segments. Even though the industry is having a temporary drawback, those local and foreign tour operators are positive for the medium term with possible opening of airports. Discussions have been held with several Foreign Tour Operators to finalize contracts for the upcoming winter season.

Browns group made significant investments in Maldives to expand its local presence globally. These strategic investments are currently under construction and is expected to deliver better results upon completion of construction, which will increase the overall value proposition and shareholder value of Brown & Company PLC and Browns Group.

Excel World Entertainment Park, located in the heart of Colombo, closed its commercial operations in August 2019 for refurbishment. Progress of refurbishment has been limited during the recent past, due to the COVID-19 pandemic. However, refurbishment work has accelerated, and management is intending to re-open Excel World in August 2020. Apart from that, Group plans to expand its presence in the entertainment sector by adding more restaurants in strategic locations in the country.

C) Construction

Ajax Engineers (Pvt) Limited and Browns Engineering and Construction (Pvt) Limited represent the construction sector of the Browns Group. Construction sector impact is expected to be medium to high. Due to fiscal constraints, large-scale public-sector construction activities are expected to be suspended temporarily. Several high-rise building projects are being slowdown owing to the delay in procurement of materials from China and stoppage of work due to curfew.

Despite the negative impact, Group remain optimistic about the future once the country is back to normalcy. Confidence is derived from the strong foundations that are in place and the group is planning to enter into productive partnerships to target the untouched markers.

D) Plantation

Maturata Plantations Limited represents the plantation sector of Browns Group. The impact of COVID-19 to this sector was minimal as the agriculture sector continued its operations during the lockdown period. The plantation sector operated at sub-par capacity due to labour shortages as a result of lockdown. However, tea prices and rubber prices could see some fluctuations due to economic instabilities of the main exporting markets from the COVID-19 pandemic.

E) Real Estate

Browns Properties (Pvt) Limited owns and manages the Browns Capital Building in Colombo representing the group's real estate segment. This sector also was affected by COVID 19 pandemic. The delays in the project-executions will have a negative impact on the real-estate developers. Moreover, with the overall slowdown in the economy, this sector will experience a decline in new sales, in addition to the stretched cash collections from pre-sale stocks.

F) Renewable Energy

COVID 19 pandemic impact was relatively low in the renewable energy sector.

Apart from the operational aspect, we assure our investors that, all measures will be taken by the Entity to safeguard/maintain their investment and the confidence placed in the Company under the present circumstances.

We also confirm that the Company has informed its Directors, Key Management Personnel and other related parties who have access to unpublished price-sensitive information to take additional precautions in the event such parties intend to trade Brown & Company PLC shares during the delayed period of information submission.

Thank you

Yours faithfully,

For and on behalf of Brown & Company PLC



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LOLC Corporate Services (Private) Limited

SECRETARIES