



Eastern Merchants PLC

(ESTABLISHED IN 1945)

Reg. No. PQ 153

EXPORTERS - IMPORTERS

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16th August 2022

Ms. Nilupa Perera
Head of Trading Operations,
Market Surveillance & Corporate Affairs,
Colombo Stock Exchange

Dear Madam,

Unusual Trading Activity in the securities of Eastern Merchants PLC (EMER.N0000)

Further to your letter received via email dated 15th August 2022, let me assure you that there is no undisclosed price-sensitive information in relation to our Company, or any other unusual reason that the Management of the Company is aware of which may have caused the aforesaid trading activity observed by the CSE.

The only viable reason that we can think of is the improved financial performance of the Company in the recent past as detailed in the unaudited accounts for the financial year 2021/22, which has already been uploaded to the CSE on the 31st of May 2022. As you can see, the Company has reported a sizable profit in the last financial year after a few years of making losses. This profit is largely attributed to the one-off gain from the sale of our warehouse complex in Sapugaskanda, which has been duly disclosed to the CSE on two separate occasions on the 10th of December 2021 and 3rd of March 2022. Apart from this one-off property related transaction mentioned above, the commodity trading and export related activities of the Eastern Merchants PLC group has also contributed positively to the bottom line, significantly aided by the sharp depreciation of the Sri Lankan Rupee.

I would also like to point out to that though the share price of Eastern Merchants PLC increased sharply to close at LKR 9.20 on 15th August 2022, it is still well below the Net Asset Value Per Share of some LKR 15.43 as at 31st March 2022. It is our opinion that our share is still grossly undervalued at current levels, and even though it has increased sharply of recent, it is still well below its intrinsic value. Furthermore, it is common knowledge that the recent performance of many listed entities has been extremely impressive and the CSE is currently experiencing a bull run in the last few weeks. This has led to sharp upward share price movements in several listed entities. I believe this improved market sentiment as well as the fact that our shares are relatively illiquid, has also contributed to the steep hike in our share price in the last few days.

I trust the explanation detailed in this letter is sufficient to allay the concerns raised by the CSE.

Thanking you,
Yours faithfully,

Channa S. L. de Silva
Managing Director