

05th May 2020

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

Dear Sir,

Market Disclosure on COVID-19 Impact – Colombo City Holdings PLC

Consequent to the recent outbreak of the COVID-19 pandemic, the Company and its subsidiary have taken precautions to ensure the safety and security of both its staff and its business interests. All decisions relating to its businesses have been and are taken underlined by the aforesaid considerations.

Whilst the larger context of the economic and social impact on people and businesses both locally and globally remains nonconclusive at this point of time, the predictions into the future remain equally nonconclusive. The continuous change in scenarios that unravel, makes the business landscape volatile and the notes below are done in best interest, to give a fair view of the events as seen and interpreted to the best of our ability.

Colombo City Holdings PLC (CCH), and its subsidiary Lexington Holdings (Pvt) Ltd (LHPL), are primarily engaged in real estate and related businesses. The main sources of revenue are from rental yields, gains on real estate transactions/valuations and earnings from fixed income deposits and investments. LHPL owns an office building down Gotham Road, Colombo 08 which has been rented and CCH owns a prime space of land down Union Place, Colombo 02 and the buildings thereon, which have been rented out.

Impact of COVID-19-

Given the nature of income being rental yield and income from deposits and investments, the overall impact for the final quarter of 2019/20 would be minimal as the pandemic and its impact has a lag effect on these income streams.

However, moving into the 1st quarter of year 2020/21, increased pressure on rental yields are likely, with many businesses having both cash flows and cost issues. Whilst it is premature to predict the exact nature of dip in yields at this stage, going by the larger economic and social impacts unravelling, it is expected to be on a downward trajectory.

Pg. 1/2

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Ananda Atukorala, Chirath Devasurendra

The increased pressure on interest rates and the resultant impact on deposits and investments too, could drive some downward pressure on these revenues. However, this needs to be tempered with the possible interest spread that could remain the same, especially on investments.

Based on available information, the 1st quarter revenues are expected to be somewhat subdued at this point of time while a full recovery in this sector remains difficult to be predicted.

Our Response –

The Company is focused on cash conservation methods to ensure a smooth cash flow, through better managing working capital and reassessing cost structures. Controls on discretionary spending, freeze and cuts on costs including executive salaries and a freeze on board fees are a few of such measures.

The Company, with a fairly low-cost base, has adequate cashflows to manage the current situation. However, we are constantly monitoring the situation and would take appropriate action as required to ensure business continuity.

The Future Impact –

The Global nature of the pandemic makes it extremely subjective to project the future. However, real estate as a sector, is expected to retain its value in the medium to long term. Given that Company assets are largely in real estate, the long-term value is expected to remain. However, this needs to be tempered with the expected subdued demand for real estate, in the short to medium term due to the impact on the local economy.

Rental yields are expected to be volatile in the short to medium term due to business impacts faced by tenants. It would be reasonable to predict a year on year reduction in the rental income in the current year, which is expected to taper off by the end of the current financial year.

The Company enjoys positive cash flows and hence the impact if any, could be handled better.

In conclusion, we wish to assure our continued commitment and action, to tide over these difficult times and navigate towards better times with focus and dedication. We are also thankful to the Sri Lankan Government for their positive action to steer through these difficult times. The company shall act as responsible corporate citizens abiding by the guidance provided by authorities in wading off challenges posed by the COVID-19 pandemic.

Thank you,

Yours faithfully,



A. G. Weerasinghe
Chairman
Colombo City Holdings PLC