

Aitken Spence Corporate Services (Private) Limited

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Reg. No. PV 6492

19th February 2026

Ms. Nilupa Perera
Chief Regulatory Officer
Colombo Stock Exchange
#04-01, West Block
World Trade Centre
Echelon Square
Colombo 1

Dear Madam,

**BROWNS BEACH HOTELS PLC – EMPHASIS OF MATTER ON GOING CONCERN IN THE
AUDITED FINANCIAL STATEMENTS OF THE ANNUAL REPORT FOR THE YEAR
ENDED 31ST MARCH 2025**

The following disclosure is made in accordance with Rule 7.5 (d) (ii) (A) 6 of the Listing Rules:

- As per Rule 7.5 (d) (ii) (A) 5 (a) of the Listing Rules, the shares of the Company were transferred to the Watch List by the Colombo Stock Exchange (CSE), with effect from the 01st August 2024, for the reason that the Auditor's report for the year ended 31st March 2024 contained an Emphasis of Matter on Going Concern.
- The Auditor's Report for the year ended 31st March 2025 too contained an Emphasis of Matter on Going Concern of a similar nature and as a result the shares of the Company will remain in the Watch List with effect from 19th June 2025.
- The Company requested a deferment of suspension of trading of the securities of the Company from the Securities and Exchange Commission (SEC) and the SEC by way of its letter dated 29th August 2025, granted a deferment of suspension until 31st August 2026 subject to the conditions set out therein.
- However, the Board of Directors of the Company by way of resolution dated 19th January 2026 proposed that the shares of Company be delisted from the CSE, which was followed by an immediate market announcement to the CSE. Subsequently, trading of the shares of the Company was suspended with effect from 20th January 2026 pending the proposed delisting.

Without prejudice to the above and keeping in line with the disclosure requirements of the Listing Rules, the Company states as follows:

- The negative Net Asset position of the Company arose due to the challenges that the tourism industry has faced since 2019, namely the Easter Sunday attack, Covid 19 pandemic and the economic crisis in the country that followed suit.
- The losses incurred during the period, the accumulated interest together with capital, which were not settled due to moratoriums granted by the banks and lending institutions, have created a sizeable liability in the books of accounts of the Company.
- However, the losses have reduced by 67% in the year 2024/25 which clearly shows a positive trend in the performance of the Company.

- According to the projections for this year, the Company expects the losses to substantially reduce, which will result in a healthier financial position in the Company.
- Furthermore, the Company is also exploring the following options to resolve the matters giving rise to the Emphasis of Matter on Going Concern which are morefully set out in the Remedial Action Plan annexed hereto which has been duly approved by the Board of Directors.
 - 1) **Curtail Losses through higher occupancies / Revenue by Implementing aggressive marketing strategies to attract all tourism segments both international and domestic. This includes continuous assessment and identification of new channels and source markets.**

Negombo Beach Resorts (Private) Limited, the wholly owned subsidiary of the Company, also partnered with Der Touristik Hotels & Resorts GMBH and accordingly, the Hotel was rebranded as Sentido Heritage Negombo. Through this partnership, Sentido Heritage Negombo will leverage global synergies and access to an extensive network of travel partners, expanding its reach to a broader global audience.

2) Reduce debt liability through negotiating with banks on rates.

The Company has already commenced repayment of interest on the bank loans from July 2022 and capital repayments from July 2023. The Board of Directors are optimistic that the Company will experience financial improvements in the coming years.

3) Curtail Capital expenditure, restricting to only operational CAPEX which are detrimental.

4) Looking at possibilities of converting the shareholder loan given to Negombo Beach Resorts (Pvt) Ltd (fully owned subsidiary of the Company) to equity.

As referred to in Note 2.11 to the Audited Financial Statements of the Company as at 31st March 2025, Melstacorp PLC, the parent company and Aitken Spence Hotel Holdings PLC, a major shareholder, have confirmed through letters of support their commitment in the present circumstances to continue financial support in the business operation of Browns Beach Hotels PLC Group, including Negombo Beach Resorts (Private) Limited and to meet its internal and external financial obligations as and when they fall due and payable.

As per Rule 7.5 (d) (ii) (A) 5 (c), the Company intends and shall endeavor to ensure that the Company's negative Net Asset position will turnaround to a positive Net Asset position within the financial year 2025/2026.

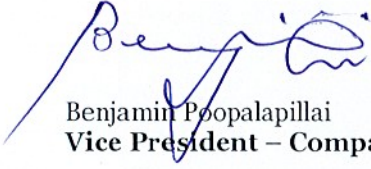
Further, as required by Rule 7.5.(d) (ii) (A) 5 (d), we wish to state that:

- a. In the event of any deviation from the proposed remedial action, the extent of the deviation shall be communicated to the investors by way of a subsequent announcement to the Market via the Exchange within one (01) Market Day from the date of obtaining the approval of the Board of Directors of the Company for such deviation;
- b. In the event the matters giving rise to the Emphasis of Matter on Going Concern are not resolved within a period of fifteen (15) months from the date of transferring the Securities of the Company to the Watch List, the trading of Securities of the Company shall be liable to suspension. In the event the trading suspension continues for a period in excess of twelve (12) months, the securities of the Company shall be delisted by the Board of Directors of the CSE in terms of Section 14 of the Listing Rules.
- c. In the event the matters giving rise to the Emphasis of Matter on Going Concern are resolved and such facts are independently verified by an auditor during the period the Securities of the Company are on the Watch List, it shall be announced to the Market via the CSE forthwith.

The Company remains committed to addressing the circumstances giving rise to the Emphasis of Matter on Going Concern and is confident in its ability to do so.

Yours faithfully

AITKEN SPENCE CORPORATE SERVICES (PRIVATE) LIMITED
Secretaries to **BROWNS BEACH HOTELS PLC**

A handwritten signature in blue ink, appearing to read 'Benjamin Poopalapillai', is written over the printed name.

Benjamin Poopalapillai
Vice President – Company Secretarial Division

BROWNS BEACH HOTELS PLC
ANNEXURE TO THE MONTHLY MARKET ANNOUNCEMENT DATED 19TH FEBRUARY 2026

REMEDIAL ACTION PLAN
as approved by the Board of Directors

Remedial Action as outlined in the monthly market announcement	Whether the action plan was implemented during the month YES/ NO	If the answer is YES, the details of the action taken. If the answer is NO, the reason for not implementing the same	Whether there are any deviations of the action plan based on the previous market announcement	Total funds generated from/required for each remedial action (Rs.)	Source/mode of Capital Infusion to the Group (debt/equity by way of rights issues, private placements, issue of warrants etc.)	Progress and level of achievement of the action plan (i.e. xx% of remedial action)	Timeline for completing the remaining portion of the action plan	Any agreements entered or executed	Impact on the financials, including key financial ratios (revenue, profits, total current/non-current assets and liabilities, borrowings, equity, net current liability position, earnings per share etc.)
(1) Curtail Losses through higher occupancies / Revenue by Implementing aggressive marketing strategies to attract all tourism segments both international and domestic. This includes continuous assessment and identification of new channels and source markets	Yes	* Drive revenue with higher occupancy and ADR. * Drive volume, leveraging the synergies between Sentido and Heritage with broader connectivity and higher marketing reach. * Continue to work on new markets and establish agents.	No	Net revenue increased by Rs. 155 Mn as of 30 th September 2025 compared to same period last year. The BBH Group expects to drive strategies and synergies targeting breakeven profit after tax for Year 2025/26, subject to external factors that are beyond our control.	N/A	Refer Improvements with following KPIs as of 30th September 2025. * Revenue by 26% compared to same period last year. * Losses were curtailed by 80% compared to same period last year.	Break even profit after tax by 31 st March 2026, subject to external factors that are beyond our control.	N/A	Refer Improvements with following KPIs as of 30th September 2025. * Revenue by 26% compared to same period last year. * Losses were curtailed by 80% compared to same period last year.
(2) Reduce debt liability through negotiating with banks on rates	Yes	Currently in discussions with the banks	No	Discussions with regards to the request made are in progress.	N/A	Discussions with regards to the request made are in progress.	By 31 st August 2026, subject to external factors that are beyond our control.	N/A	Expecting a 50-bps reduction in rate

(3) Curtail Capital expenditure, restricting to only operational CAPEX which are detrimental	Yes	Have differ project CAPEX unless revenue generating and has only purchased operational CAPEX	No	As of 30th September 2025, we have invested only Rs. 8.9 Mn in operational capex.	N/A	As of 30th September 2025, we have spent only Rs. 8.9 Mn in operational capex.	Preserve cash by focusing only on operational CAPEX until 31st March 2026	N/A	Budgeted Capital expenditure is Rs. 76 Mn, however, projected is to keep below Rs. 50 Mn.
(4) Looking at possibilities of converting the shareholder loan given to NBR to equity (Fully owned subsidiary of BBH)	No	Currently in discussion	No	Conversion of shareholder loan amounting to Rs. 1.7 Bn to Equity.	N/A	N/A	Endeavour to complete by 31 st August 2026	N/A	Reduce debt by Rs. 1.7 Bn