

BLUE DIAMONDS JEWELLERY WORLDWIDE PLC
(Company Registration No. PQ 94)

6th January 2026

Report by the Directors,

Dear Shareholders,

INTIMATION OF A SERIOUS LOSS OF CAPITAL SITUATION AND REMEDIAL ACTION PLAN

The Companies Act No 7 of 2007 (as amended) (“Act”) requires a company to call for an Extraordinary General Meeting of its shareholders in terms of Section 220 of the Act in the event of the company having a serious loss of capital situation. As per Section 220 of the Act, if it appears to a Director of a Company, that the ‘net assets’ of the Company are less than 50% of its ‘Stated Capital’, then the Board, is required to present a report to the shareholders advising them of the -

- a) nature and extent of losses incurred,
- b) causes for the losses incurred,
- c) steps, if any, are being taken by the Board to prevent further losses or to recoup the losses incurred.

The balance sheet reveals that the net assets of the Company as of 31st March 2024 were Rs 114,559,604.00 whereas the stated capital of the Company was Rs.252,043,842.00 Based on the above figures, it is apparent to the Board that there has been a serious loss of capital, and the shareholders should be informed of such a fact in terms of section 220 (2). As per the Audited Financial statements of year ended 31st March 2024, the Company has incurred a net loss of Rs.138,680,607.00 and the cumulative net loss is Rs.197,857,567.00 as of 31st March 2024.

Accordingly, notice is hereby given that the Board of Directors of **Blue Diamonds Jewellery Worldwide PLC (“the Company”)**, having reviewed the financial position of the Company, has determined that the Company has incurred a **serious loss of capital** within the meaning of **Section 220 of the Act**.

Accordingly, this Notice is issued to inform **Shareholders, the Colombo Stock Exchange (CSE), the Securities and Exchange Commission of Sri Lanka (SEC), and all other relevant authorities and stakeholders** of the position of the Company and the **remedial action plan adopted by the Board**.

1. Nature and Cause of the Serious Loss of Capital

The serious loss of capital has arisen mainly due to:

- Adverse market conditions affecting the jewellery industry over an extended period
- Reduced turnover and margins
- High fixed operating, compliance, and listing-related costs
- Working capital constraints

Despite these challenges, the Company continues to operate within a viable industry and retains strategic value as a listed entity.

2. Board Action and Statutory Compliance

Upon becoming aware of the serious loss of capital, the Board has:

- Resolved to convene an **Extraordinary General Meeting (EGM)** of shareholders in compliance with Section 220 of the Companies Act
- Approved the issuance of the required notices and disclosures
- Initiated discussions with strategic investors to restore the capital position of the Company
- Commenced a review of governance, compliance, and operational matters

3. Proposed Capital Infusion and Business Continuity Plan

The Board wishes to inform stakeholders that the Company has received **strong interest from a strategic investor in the jewellery industry** to consider investing in the Company, subject to:

- Completion of due diligence
- Company resolving the current non-compliances with CSE Listing Rules
- Negotiation and finalisation of definitive agreements

In the event the negotiations are successful, the Company also subject to complying with the applicable Listing Rules, will proceed to a capital raising subject to:

- Regulatory approvals from the CSE, SEC, and other relevant authorities
- Shareholder approval at an Extraordinary General Meeting, where required.

Key anticipated outcomes of the proposed investment include:

- Full or substantial **restoration of the Company's capital base**
- Strengthening of liquidity and working capital
- Immediate access to an established jewellery business and market opportunities, enabling **prompt commencement of steady revenue-generating operations**
- Improved profitability and long-term sustainability of the Company.

4. Regulatory and Listing Compliance Measures

In parallel with the capital restoration process, the Company intends to:

- Address all mandatory corporate governance compliance requirements introduced by the CSE from 2024 onwards
- Address the non-compliances with regard to the non-submission of audited financial statements of 2025 and audit qualification/disclaimer of opinion. In addition, in the event an investor is secured, the Company is confident that the matters relating to the going concern could also be resolved.
- Regularise matters relating to Board composition, governance, and listing rules
- Propose amendments to the **Articles of Association**, where necessary, subject to shareholder approval
- Settle outstanding statutory and professional obligations in an orderly manner.

5. Extraordinary General Meeting

An Extraordinary General Meeting of Shareholders will be held immediately following the conclusion of the Thirty Fourth Annual General Meeting scheduled for **21st January 2026**, for the purpose of:

- Informing shareholders of the serious loss of capital
- Explaining the circumstances leading to such loss
- Presenting the proposed remedial and capital restoration measures
- Considering and noting such matters as required under the Act.

Details of the EGM are set out in the EGM Notice published separately and made available on the **Colombo Stock Exchange website** and the **Company's official website**.

6. Board Commitment

The Board of Directors reaffirms its commitment to:

- Acting in the best interests of shareholders and stakeholders
- Maintaining transparency and full regulatory compliance
- Implementing measures to restore financial stability and protect shareholder value

**For and on behalf of the Board of Directors of
Blue Diamonds Jewellery Worldwide PLC**



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Andrew Lee
Chairman