

# LUX ISLAND RESORTS LTD

## CAUTIONARY ANNOUNCEMENT

The Board of Directors ("the Board") of Lux Island Resorts Ltd ("LIR") wishes to inform its shareholders and the public in general that, subject to the approval of the relevant authorities, the Board intends to issue a maximum of 12,100,271 new ordinary shares representing up to 9.59% of the share capital of LIR, to the other shareholders of Océanide Limited ("OCL") and Lux Island Resorts Maldives Ltd ("LRM") in the context of the transactions summarised below.

### Transaction involving OCL

OCL is the holding company of Néréide Limited which operates Tamassa resort.

LIR holds shares in OCL representing a share capital of 49.97%. The remaining 50.03% of the share capital of OCL is held by institutional investors and private equity funds. Two private equity funds have an option to exit from OCL at an agreed price in respect of a block of shares representing 26.5% of the share capital of OCL.

Both private equity funds have indicated to the Board their intention to exit from OCL. Upon becoming aware of same, the Board has considered two alternatives. One possibility was for LIR to acquire the OCL shares from the two equity funds for cash by taking additional loans to finance the said acquisition. Another possibility was for LIR to acquire the OCL shares for non-cash consideration by proceeding with a share exchange pursuant to which LIR would, in exchange for the OCL shares, issue new ordinary shares to the two equity funds.

Both alternatives having been carefully considered, the Board formed the opinion that, in the current economic environment, despite a reasonable gearing and having regard to the number of projects in the pipeline, it is not in the best commercial interest of LIR to take additional loans to finance the exit of the two equity funds from OCL. The Board therefore decided to proceed with the share exchange.

Based on the improved performance of Tamassa resort, the Board has further decided to extend the share exchange to the remaining shareholders of OCL, which hold 23.53% of the share capital of OCL. As a result of the share exchange, LIR will have acquired in the aggregate the remaining shareholding of 50.03% in OCL.

### Transaction involving LRM

LRM is the holding company of White Sand Resort & Spa Pvt Ltd which operates LUX\* Maldives resort.

The Board also intends to acquire the shares held by the minority shareholders in LRM, representing a share capital of 8%. Again, the Board will acquire those LRM shares for non-cash consideration by proceeding with a share exchange pursuant to which LIR will, in exchange for the LIR shares, issue new ordinary shares to the minority shareholders concerned.

### Valuation of the transactions involving OCL and LRM

The Board has appointed BDO & Co, Chartered Accountants to carry out the valuation of OCL, LRM and LIR.

On the basis of the above valuation exercise and the determination of the share exchange ratio, a maximum of 12,100,271 new ordinary shares representing up to 9.59% of the enlarged share capital of LIR will be issued for the acquisition of 50.03% shareholding in OCL and 8% shareholding in LRM.

The new ordinary shares of LIR to be issued will be listed on the Official Market of the Stock Exchange of Mauritius Ltd ("SEM") and will rank pari passu with the existing ordinary shares.

### Rationale and benefit of the above transactions

The Board is of the opinion that the above transactions are in the best commercial interest of LIR and its shareholders for the reasons set out below:

- i. On the basis of forecast results of Tamassa resort and LUX\* Maldives resort, earnings per share of LIR Group going forward will improve after adjusting for the increased number of shares and consolidating 100% of the results of Tamassa and LUX\* Maldives. As an indication, EPS of the Group will increase by five (5) cents as a result of the acquisition for the financial year ending 30th June 2015.
- ii. Net assets per share for LIR Group which is currently at Rs 37.92 will grow to Rs 39.65 after the acquisition.
- iii. Gearing of LIR Group after the share exchange will remain at the current level of 50%.
- iv. Lux Hospitality Ltd, a wholly owned subsidiary of LIR has signed a Management Services Agreement for a period of 30 years to market and manage Tamassa resort. The unexpired term of the contract is now 23 years. In controlling the Board of OCL, LIR will then secure a longer term management contract over the remaining period of the lease i.e until 2064.
- v. The share exchange will allow LIR Group to save on administrative costs in the medium to long term.

Shareholders of LIR and the investing public are advised to exercise caution when dealing in the shares of LIR. An information memorandum after approval by the relevant authorities, will be circularised to all shareholders giving more details on the transaction.

By order of the Board  
LUX Hospitality Ltd  
Company Secretary  
20th October 2014