



INFORMATION MEMORANDUM & DISCLOSABLE TRANSACTION CIRCULAR

IN RESPECT OF

THE ISSUE OF UP TO 12,100,271 NEW ORDINARY SHARES OF LUX ISLAND RESORTS LTD ("LIR") AT AN ISSUE PRICE OF MUR 55.97 PER SHARE AS CONSIDERATION FOR THE ACQUISITION OF 122,526,298 SHARES OF OCEANIDE LIMITED ("OCL") AND 11,548,000 SHARES OF LUX ISLAND RESORTS MALDIVES LTD ("LRM")

24 November 2014
LEC reference number: LEC/C/02/2014

IF YOU ARE A SHAREHOLDER OF LIR, THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

For a full appreciation of this Information Memorandum & Disclosable Transaction Circular, this document should be read in its entirety. If you are in doubt about the action you should take, you should consult your investment dealer, legal adviser or other professional adviser immediately.

This document is neither an invitation nor a prospectus nor a statement in lieu of a prospectus for the public in Mauritius or elsewhere to subscribe for shares in LIR.

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A copy of this Information Memorandum & Disclosable Transaction Circular has been filed with the FSC in respect of the Consideration Issue and Disclosable Transaction (as defined below).

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1 DECLARATION BY DIRECTORS

This Information Memorandum & Disclosable Transaction Circular includes particulars given in compliance with the Stock Exchange of Mauritius Ltd Rules governing the Official Listing of Securities (the “Listing Rules”) for the purpose of giving information with regard to the issuer. The directors of LIR, whose names appear in section 6, collectively and individually accept full responsibility for the accuracy or completeness of the information contained in this document and confirm, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

The consents given by the experts named in this document have not been withdrawn at the date of this document.

The directors of LIR hereby state that:

- (i) the working capital available to LIR and its subsidiary companies (the “LIR Group”) is sufficient to meet their day to day operations for a period of twelve (12) months from the date of this document;
- (ii) there is no material adverse change in the financial or trading position of LIR Group since the latest published financial statements ended 30 June 2014.

After due enquiries, the directors of LIR further declare that, as at 31 October 2014:

- (i) the debt securities of LIR Group amounted to MUR 500 million;
- (ii) the total borrowings of LIR Group amounted to MUR 3.695 billion, of which MUR 3.614 billion are secured and MUR 81 million are unsecured;
- (iii) the total contingencies and/or guarantees of LIR Group amounted to MUR 63.3 million; and
- (iv) the total mortgages and charges of LIR Group amounted to MUR 5 billion.

For and on behalf of the Board

.....
Chairman

.....
Director

24 November 2014

SALIENT FEATURES OF THE CONSIDERATION ISSUE

New Ordinary Shares	Up to 12,100,271 ordinary shares of LIR ranking pari passu with the existing ordinary shares.
Purpose of the issue	To acquire the OCL Shares (as defined in section 2 below) and the LRM Shares (as defined in section 2 below).
Terms of the consideration issue	Issue of up to 12,100,271 new ordinary shares of LIR at an issue price of MUR 55.97 each.
Listing of the New Ordinary Shares	The new ordinary shares will be listed and traded on the Official List of the SEM as from 29 December 2014. The Listing Executive Committee of the SEM has, on 24 November 2014 approved the listing of the new ordinary shares of LIR.
Issue date	26 December 2014.

2 DEFINITIONS

In this document, where the context permits, the abbreviations set out below bear the following meanings:

Act	The Companies Act 2001, as may be amended from time to time
Board	The board of directors of LIR
Consideration Issue	The issue of up to 12,100,271 new ordinary shares of LIR pursuant to Listing Rule 5.23 in consideration for the acquisition of the OCL Shares and the LRM Shares
Constitution	The constitution of LIR dated 13 December 2010
EBITDA	Earnings before interest, tax, depreciation and amortisation
Information Memorandum	This document prepared for the purpose of the consideration issue pursuant to the Listing Rules issued by SEM
Independent Valuer	BDO & Co
LIR Group/LIR	LIR and its subsidiary companies
Listing Rules	The Listing Rules of the SEM
LRM Shares	11,548,000 ordinary shares of LRM of USD 1 each
MUR	Mauritian Rupees
NAV	Net Assets Value
Ordinary Shares	Ordinary shares in the capital of LIR
OCL Shares	122,526,298 ordinary shares of OCL of MUR 10 each
SEM	The Stock Exchange of Mauritius Ltd, established under the repealed Stock Exchange Act 1988 and governed by the Securities Act 2005 as amended
Valuation Report	The valuation report by BDO & Co, dated 20 October 2014

3 COMPANY BACKGROUND AND PRINCIPAL ACTIVITIES

3.1 Company Background

LIR (formerly known as Naiade Resorts Ltd) was incorporated on 11 December 1987 in Mauritius under registration number 6590 as a company limited by shares of unlimited duration. The company changed its name to LIR on 27 December 2011. It was admitted to the Official List of the SEM in November 2005. Its registered office address is 58, Pierre Simonet Street, Floréal.

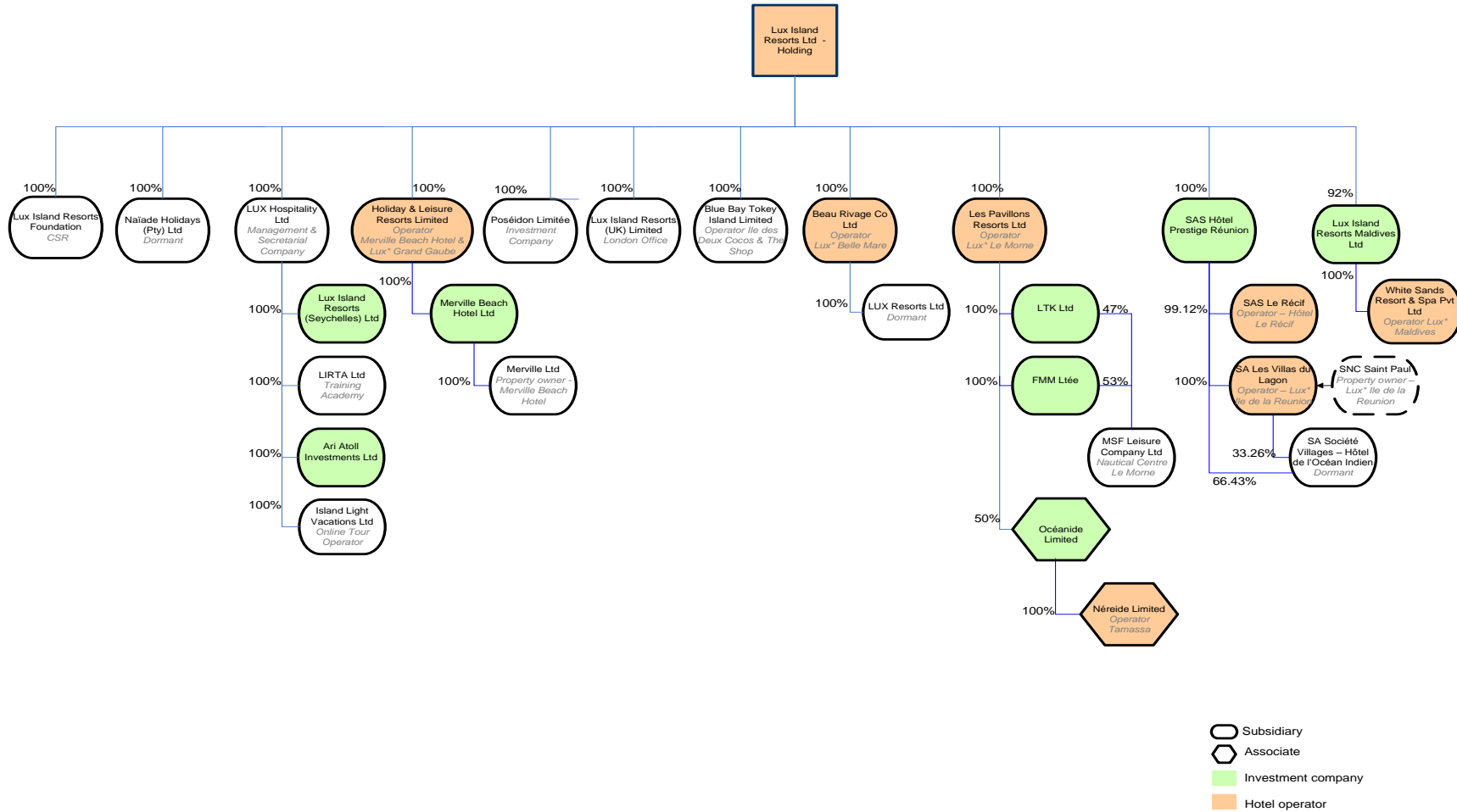
As at 30 June 2014, the stated capital of LIR was made up of 114,034,651 Ordinary Shares of MUR 10 each worth MUR 1,140.3 million, including 287,000 treasury shares worth MUR 18.1 million.

The main activity of the Group consists of operating and managing resort hotels. The Group operates five hotels in Mauritius, two hotels in Reunion Island and one hotel in Maldives. LIR Group has signed a long term management contract to operate a luxury five star hotel in United Arab Emirates namely LUX*Alzorah. LIR also signed in 2014 a Memorandum of Understanding with Lijiang Yulong Tourism Corporation Limited, a Company registered in the People's Republic of China for the development of a series of hotels in the great Shangri-La Region. The first hotel Lux* Lijiang opened on the 9th September 2014 and a second property in Benzilan is already under construction and scheduled for opening in 2015.

The table below summarises some key data on the hotels of the Group which are in operation at time of preparation of this Information Memorandum

	LUX* Maldives	LUX* Belle Mare	LUX* Le Morne	LUX* Grand Gaube	LUX* Ile de la Réunion	Tamassa	Hôtel Le Récif	Merville Beach
Grading	5 Star Luxe	5 Star Luxe	5 Star	5 Star	5 Star	4 Star	3 Star	3 Star up
Number of rooms	193	186	149	198	174	214	146	169
Location:	Dhidhoofinolhu Maldives	Belle Mare Mauritius	Le Morne Mauritius	Grand Gaube Mauritius	Saint Gilles Reunion Island	Bel Ombre Mauritius	L'Hermitage Reunion Island	Grand Baie Mauritius
In operation since	2008	1999	1997	2002	2009	2007	2009	1973
Facilities:								
Restaurants / Covers	9 / 555	4 / 460	3 / 300	4 / 450	4 / 430	3 / 515	2/ 220	3 / 350
Meeting Rooms	1	2	1	2	7	1	6	1
Swimming Pools	2	1	4	3	1	4	2	1
Tennis courts	2	2	2	4	1	1	1	1
Health Centre / Spa	1	1	1	1	1	1		1
Gym	1	1	1	1	1	1	1	1
Kids Club	1	1	1	1	1	1	1	1
Teens Club	1	1	1	1	-	1	-	-
Cinema	-	-	-	1	-	-	-	-

3.2 Group Structure



4 THE TRANSACTIONS

4.1 Background to and purpose of the Consideration Issue

On 20 October 2014, the Board of directors of LIR (the “Board”) approved, subject to the approval of the relevant authorities, the acquisition of the OCL Shares and the LRM Shares for non-cash consideration by way of a share exchange pursuant to which LIR will, in exchange for the OCL Shares and the LRM Shares, issue up to 12,100,271 new ordinary shares at an issue price of MUR 55.97 per share to the shareholders of OCL and LRM concerned, as calculated in section 4.3, making a total consideration of MUR 677,252,156.

Transactions involving OCL

OCL is the holding company of Néréide Limited which operates the Tamassa resort. The hotel is a four star hotel of 214 rooms situated on the south west coast of Mauritius namely at Bel Ombre. It is built on leasehold land of an area of 9.742ha from the Government of Mauritius and the lease expires in 2064. The leasehold right and hotel building is held under Néréide Limited.

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 of MUR 4.93 per share in respect of a block of shares representing 26.5% of the share capital of OCL as per an agreement, the terms of which are as follows:

- In 2009, as part of its restructuring plan, OCL raised an amount MUR 300 million by way of a rights issue.
- In order to induce the shareholders of OCL to subscribe to the Rights Issue, they were offered the possibility to exit from OCL at an agreed price of MUR 4.93 per share, on the fifth anniversary date of the Rights Issue.
- The exit may be either by way of cash compensation or the exchange of the shares of OCL for shares in LIR as determined by an independent valuer.

Both private equity funds have indicated to the Board their intention to exit from OCL. Upon becoming aware of same, the Board considered the two alternatives. One possibility was for LIR to acquire the shares held by the two equity funds in OCL 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 at the agreed price.

Based on the improved performance of Tamassa resort, the Board further decided to extend the share exchange to the remaining shareholders of OCL, which hold 23.53% of the share capital of OCL at a price of MUR 2.22 as determined by the valuation exercise. As a result of the share exchange, LIR will have acquired in aggregate the remaining shareholding of 50.03% in OCL.

The aggregate consideration payable to the shareholders selling their stake in OCL on the basis of the agreed price payable to the two private equity funds to exit from OCL and the fair value of the OCL Shares amounts to MUR 447,928,276.

Transactions involving LRM

LRM wholly owns 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 7.57%. Again, the Board will acquire the LRM Shares for non-cash consideration by proceeding with a share exchange pursuant to which LIR will, in exchange for the LRM Shares, issue new ordinary shares to the minority shareholders concerned at a price of MUR 19.86 as determined by the valuation exercise.

The aggregate consideration payable to the shareholders selling their stake in LRM based on the fair value of the LRM Shares amounts to MUR 229,323,879.

Disclosable Transaction

The acquisition of OCL Shares and LRM Shares qualifies for Disclosable Transaction. Chapter 13 of the Listing Rules of the SEM defines a disclosable transaction, inter alia, as an acquisition or realisation of assets where the aggregate value of the consideration given or received represents 15% or more of the consolidated net assets of the acquiring or realising group.

Analysis of past performance of OCL and LRM

The financial highlights of OCL over the past two years are as follows:

<i>Currency MUR'000</i>	2013/2014	2012/2013
	Audited	Audited
Turnover	403,309	350,840
EBITDA	85,683	69,983
Depreciation	(44,650)	(45,841)
Operating profit	41,033	24,142
Finance cost	(46,573)	(52,583)
Results before taxation	(5,540)	(28,441)
Taxation	6,321	4,231
Profit/loss for the year	781	(24,210)

Tamassa resort, which is consolidated as an associate under the equity method in the financial statements of LIR, continues to improve on its performance and posted a profit for the first time since opening in December 2008. The occupancy of the hotel for the financial year ended 30 June 2014 was 76%, a progression of 8% compared to 2013. Its revenue per available room (Rev PAR) improved by 16% and as a result its turnover grew by 15% from MUR 350 million to Rs 403 million. Its operating profit improved by 71% from MUR 24 million to MUR 41 million and its results for the year showed a profit of MUR 781,000 compared to a loss of MUR 24 million in the previous year.

The financial highlights of LRM over the past 2 years are as follows:

<i>Currency USD'000</i>	2013/2014	2012/2013
	Audited	Audited
Turnover	45,022	39,051
EBITDA	11,677	9,227
Depreciation	(3,583)	(3,530)
Finance cost	(1,682)	(1,770)
Profit before tax	6,412	3,927
Income tax credit/(expen:	(802)	(450)
Profit for the year	5,610	3,477

The overall dynamic remains favorable in the Maldives, with industry demand achieving record highs and supply growth still at a minimum. In this environment, LUX* Maldives did very well in 2013/2014 with total revenue reaching USD 45 million (MUR 1.4 billion). Chinese nationals were the largest group of visitors to the Maldives, with arrivals from China growing by 28% year on year, outpacing overall arrivals growth in Maldives of 12%. This trend contributed to the strong performance of the Maldives property, with occupancy up by 6% to 77%. The increase in occupancy, coupled with a 12% increase in the average daily rate, resulted in an increase of 15% in turnover for the financial year ended 30 June 2014. Profit for the year increased by 60% from USD 3.5 million to USD 5.6 million.

4.2 Rationale and benefit of the transactions

The Board is of the opinion that the acquisition of the OCL Shares and the LRM Shares 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, earnings per share of LIR Group will increase by five (5) cents as a result of the acquisition for the financial year ending 30 June 2015.
- (ii) Net assets per share for LIR Group which is MUR 37.92 as at 30 June 2014 will grow to MUR 39.65 after the acquisition.
- (iii) Gearing of LIR Group after the share exchange is expected to 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. After the acquisition, LIR will control the board of OCL and will therefore secure a longer term management contract to match with the remaining period of the lease, that is until 2064.

- (v) The share exchange will allow LIR Group to save on administrative costs in the medium to long term.

4.3 The Consideration Issue

The share capital of LIR is MUR 1.1 billion made up of 114,034,651 Ordinary Shares at a par value of MUR 10 per share. The Ordinary Shares are in registered form.

LIR will offer up to 12,100,271 new ordinary shares (the ‘New Ordinary Shares’) at an issue price of MUR 55.97 per share, to the shareholders of OCL and LRM concerned in exchange for the OCL Shares and the LRM Shares. The offer will remain open until 19 December 2014.

If the offer is accepted, LIR will, on 26 December 2014, issue the New Ordinary Shares on the basis of the following calculation:

OCL			Total Consideration	LIR	
	Price agreed with two Equity Funds	Fair value as determined by BDO		Issue Price as determined by BDO	Maximum LIR New Ordinary Shares to issue
Number of shares	65,000,000	57,526,298	MUR 447,928,276	MUR 55.97	8,003,007
Share price	4.9300	2.21600			
	<u>320,450,000</u>	<u>127,478,276</u>			
LRM					
		Fair value as determined by BDO			
Number of shares		11,548,000	229,323,879	55.97	4,097,264
Share price		19.85832			
		<u>229,323,879</u>			
			<u>677,252,156</u>		<u>12,100,271</u>

The number of New Ordinary Shares to be issued will be rounded down to the nearest whole number. Following the share exchange, LIR will have a share capital of MUR 1.26 billion, made up of 126,134,922 Ordinary Shares.

The issue of the New Ordinary Shares will constitute a ‘Consideration Issue’ under Listing Rule 5.23. The acquisition of OCL Shares and LRM Shares constitute a Disclosable Transaction under Listing Rule 13.15. Accordingly, no Listing Particulars are required in respect of the New Ordinary Shares.

The New Ordinary Shares will rank in all respect pari passu with the existing 114,034,651 Ordinary Shares of LIR currently in issue and will carry the same rights,

privileges and conditions. Those rights, privileges and conditions are set out in the Constitution of LIR, as reproduced in Appendix 1.

LIR has applied to the SEM for the listing of the New Ordinary Shares on the Official List of the SEM as from 29 December 2014. The New Ordinary Shares will also be in registered form.

Calendar of Events

Opening of offer	08 December 2014
Closing of offer	19 December 2014
Allotment of the New Ordinary Shares	26 December 2014
First day of trading of the New Ordinary Shares	29 December 2014

4.4 No shareholder approval required for the Consideration Issue

Article 3.1.2 of the Constitution of LIR provides that the Board may increase the stated capital of LIR without the requirement of an ordinary resolution where such increase does not exceed more than fifteen percent (15%) of the existing stated capital of the LIR immediately prior to the said increase.

On the basis of the valuation exercise and the determination of the share exchange ratio, up to 12,100,271 New Ordinary Shares representing up to 9.59% of the enlarged share capital of LIR will be issued as part of the Consideration Issue.

Consequently, no shareholder approval is required for the purposes of approving the Consideration Issue.

4.5 The Share Exchange Ratio

The Board has appointed BDO & Co, Chartered Accountants, to carry out the valuation of LIR, OCL and LRM and to determine the share exchange ratio for the Consideration Issue.

The valuation approach adopted by BDO & Co consists of a mix of the Discounted Cash Flow Method and the Net Assets Value Method. The fair values of LIR, OCL and LRM arrived at by BDO & Co are as follows:

Currency MUR	LIR	OCL	LRM
Fair value per share	69.96	2.77	24.82
Discount	13.99	0.55	4.96
Fair value per share for determining the share exchange	55.97	2.22	19.86

A discount of 20% has been applied to the fair values of LIR, OCL and LRM to reflect the exchange of shares for outside shareholders. The discount represents the norm which is usually applied for minority holdings. For this present exercise, a uniform discount has been applied consistently to the three entities on the basis that it relates to one and the same transaction.

The fair values have been used to determine the share exchange ratio and hence the number of shares to be issued by LIR to the outside shareholders of OCL and LRM.

The issue price of MUR 55.97 per share of LIR used for the share exchange represents a 6.15% premium on the average trading price of an Ordinary Share of LIR on the SEM over the last three (3) months prior to the date of approval by the Board of the OCL and LRM transactions, that is 20 October 2014 and a premium of 10.7% on the adjusted NAV of LIR Group taking into account the value of the leasehold land.

The Valuation Report has been prepared to determine the share exchange ratio pertaining to the Consideration Issue and to that effect provides additional information to the shareholders of LIR on the value of the business of LIR, OCL and LRM respectively.

Statement from the Independent Valuer

The independent valuer, BDO & Co, Chartered Accountants, states that:

- (a) they do not hold shares in LIR or OCL or LRM or have the right to nominate persons to subscribe for shares in LIR or OCL or LRM;
- (b) they are not the statutory auditors of LIR or OCL or LRM;
- (c) they have given and have not withdrawn consent to the form and content of the valuation report; and
- (d) the statements set out above were made on 21 October 2014 for incorporation in this document.

4.6 Estimated Expenses for the Consideration Issue

Professional expenses associated with the consideration issue amount to MUR 2.1 million and will be borne by LIR.

Details of the estimated expenses are broken down as follows:

Details	MUR'000
Consultancy fees	1,600
Postage and printing fees	430
Fees for consideration issue and review of document	70
Total estimated costs	2,100

5 SHAREHOLDING STRUCTURE

Shareholding of LIR

Shareholders holding more than 5% of the Ordinary Shares of LIR as at June 30, 2014 were as follows:

Shareholders	Percentage Held
GML Investissement Ltée	39.21%
The Mauritius Commercial Bank Ltd	6.59%
The Anglo-Mauritius Assurance Society Ltd	5.85%

Dilution Impact

The existing shareholders of LIR will be diluted by up to 9.59% upon the completion of the Consideration Issue, if all the shareholders of OCL and LRM concerned accept LIR's offer to exchange the OCL Shares and the LRM Shares for the New Ordinary Shares.

6 DIRECTORS

6.1 Directors Details

Chairman	<p>Arnaud Marie Cyril Lagesse (Mauritian) Les Charmoses, Forbach</p>
Directors	<p>Arnaud Marie Cyril Lagesse (Mauritian) Les Charmoses, Forbach</p> <p>Marie Philomène Gérard Jean-Claude Béga (Mauritian) Calodyne, Grand Gaube</p> <p>Joseph André Philip Jean Juppín de Fondaumière (Mauritian) c/o The Anglo Mauritius Assurance Society Ltd, Swan Building, Intendance Street, Port Louis</p> <p>Laurent Francois de la Hogue (Mauritian) L'Orée du Bois, Rivière Noire</p> <p>Jacques Désiré Laval Elliah (Mauritian) Morcellement Bout du Monde, Ebène</p> <p>Julian Hagger (Australian) Villa 68, Matala Estate, Rivière Noire</p> <p>Joseph Alexis Harel (Mauritian) Route Cotière, Pointe aux Canonnières</p> <p>Paul Jones (Mauritian) Casa Mia Trou d'Eau Douce</p> <p>Marie Joseph Cyril Lagesse (Mauritian) Haute Rive, Rivière du Rempart</p>

	<p>Stéphane Lagesse (Mauritian) Royal Road, Grand Bay</p>
	<p>Maxime Rey (Mauritian) 15 Avenue du Morne, Black Rock, Tamarin</p>
	<p>Christof Zuber (Swiss) Tuecheliweg 17, CH-8853 Lachen/Switzerland</p>
	<p><u>Alternate Directors</u></p>
	<p>Jean-Raymond Harel (Mauritian) La Ruche, Royal Road, Cap Malheureux</p>
	<p>Amaury Joseph Pierre Lagesse (Mauritian) Route Cotière, Roches Noires</p>
	<p>Hugues Lagesse (Mauritian) Ah Koon Lane, Royal Road, Grand Baie</p>
	<p>Deodass Poolovadoo (Mauritian) La Clémence, Rivière du Rempart</p>

6.2 Directors Profile

Arnaud Marie Cyril Lagesse

Arnaud Lagesse was appointed as Non-Executive Chairman of LIR on 29th October 2003. He holds a 'Maitrise de Gestion' from the University of Aix-Marseille III, France and is a graduate of 'Institut Supérieur de Gestion', France. He also completed an Executive Education Program at INSEAD, Fontainebleau, France, and an Advanced Management Program (AMP180) at Harvard Business School, Boston, USA. He joined GML in 1993 as Finance and Administrative Director before becoming its Chief Executive Officer in August 2005. He also participated in the National Corporate Governance Committee as a member of the Board. He is a member of the board of directors of several of the country's major companies and is the Chairman of Alteo Limited, Ireland Blyth Limited, BlueLife Ltd, AfrAsia Bank Limited inter alia. Arnaud Lagesse is an ex-president of the Mauritius Chamber of Agriculture, the Mauritius Sugar Producers Association and the Sugar Industry Pension Fund. Arnaud Lagesse is also the Chairman of GML Fondation Joseph Lagesse since July 2012.

Directorship in other listed companies: Alteo Ltd, Forward Investment & Development Enterprises Ltd, Ireland Blyth Limited, Phoenix Beverages Limited, Phoenix Investment Company Ltd, The United Basalt Products Ltd, BlueLife Ltd

Marie Philomène Gérard Jean-Claude Béga

Born in 1963 and Fellow of the Association of Chartered Certified Accountants, Jean-Claude Béga joined GML in 1997 and is the Chief Financial Officer of GML Management Ltée. He is a member of the Mauritius Institute of Professional Accountants and a Fellow of the Mauritius Institute of Directors. Jean-Claude Béga is the Chairman of Phoenix Beverages Limited and EllGeo Re. (Mauritius) Ltd and director of a number of companies including Alteo Limited and AfrAsia Bank Limited. He was appointed as director and member of the Audit Committee in June 2004.

Directorship in other listed companies: Alteo Limited, Phoenix Beverages Limited, BlueLife Limited (Alternate Director)

Joseph André Philip Jean Juppín de Fondaumière

Born in 1953, Jean de Fondaumière is a Chartered Accountant of Scotland. He worked in Australia for eleven years and subsequently in Mauritius for fifteen years until he retired as the CEO of the Swan Group at the end of 2006. He is a past Chairman of The Stock Exchange of Mauritius Ltd and his former directorships include companies operating in the African, Indian Ocean and Asia Pacific regions. Jean holds a portfolio of directorships in Mauritius for companies operating in commerce, finance, power generation, sugar and tourism.

He was first appointed director of LIR in November 2003, resigned in December 2006 and appointed director in March 2008 at which time he became a member of the

Remuneration Committee. He was also appointed as member of the Audit Committee in September 2012.

Directorships in other companies listed: Alteo Limited, Constance La Gaité Company Limited, Hotelest Limited

Laurent Francois de la Hogue

Born in 1975, Laurent de la Hogue holds a Master degree in Management and Finance from the “Ecole Supérieure de Gestion et Finance” in Paris, France. He joined GML in 2001 as Treasurer for the setting up of the central treasury unit before becoming Finance Executive - Corporate & Treasury for GML Management Ltée in April 2011. Laurent de La Hogue is currently the Chairman of GML Trésorerie Ltée and director of a number of companies such as Abax Holding Ltd and The United Basalt Products Ltd among others.

He was appointed as alternate director in August 2009 and as director of LIR in February 2011.

Directorship in other listed companies: The United Basalt Products Ltd

Jacques Désiré Laval Elliah

Born in 1964, Désiré Elliah is a Fellow of the Association of Chartered Certified Accountants with 26 years experience in auditing, accounting and corporate finance. Before joining the Group in 2004 as Chief Financial Officer, he was a partner of DCDM, the largest accounting firm in Mauritius. He has extensive experience in feasibility studies, financial restructuring, share valuation and due diligence reviews.

He was appointed as director of LIR in October 2004.

Directorship in other listed companies: None

Julian Hagger

Born in 1970, Julian Hagger has a rich career of some 20 years in hospitality of which 14 years in senior management and at corporate level in prestigious international groups such as Belmond (Orient-Express), Ritz-Carlton and Marriott.

He is a holder of a Bachelor of Science Degree in Business Administration from Hawaii Pacific University, U.S.A, and holds a diploma in Swiss Hotel Management from the Hotel Institute of Management (H.I.M), Montreux, Switzerland.

Julian Hagger is responsible for driving top-line revenue for LUX* Resorts & Hotels and associated businesses, ensuring the strategic priorities of the discipline are aligned and designed to yield profitable sales, increased market share, and enhanced competitive advantage.

He was appointed as director of LIR in February 2012.

Directorship in other listed companies: None

Joseph Alexis Harel

Born in 1962, Alexis Harel holds a Bachelor of Science Degree in Business Administration-Accounting from Louisiana State University, USA. He started his career in auditing with De Chazal Du Mee, then occupied managerial position in the industrial sector and participated in setting up the first BPO (Business Process Outsourcing) company in Mauritius where he was Managing Director. He joined Grays & Co in 1992 and currently holds the position of Commercial Director. He is an Executive Director of Terra Mauricia and member of the management Committee. He also serves as director of Rehm Grinnaker Construction Co Ltd, Terragri and Grays Distilling amongst others.

He was appointed as director of LIR and as Chairman of the Audit Committee in April 2004 and as Chairman of the Corporate Governance Committee in April 2005.

Directorship in other listed companies: Terra Mauricia Limited, United Docks Ltd

Paul Jones

With more than 4 decades of international hotel management experience, Paul Jones joined LUX* in 2010, where he quickly established his mark as a charismatic leader, with a unique and passionate approach to hospitality management, centered around people, culture and service.

Paul Jones' rich career covers various key leadership positions, having served for almost 20 years as Managing Director of the Sun Resorts Group, and later, as President of One&Only, where he was instrumental in successfully growing the brand on a global basis.

Recognised as a leading figure in the establishment and development of the hotel and tourism industry in Mauritius, Paul Jones was conferred the Dignity of Companion of the Order of St Michael and St Georges by her Majesty Queen Elizabeth II. He was also awarded one of the highest honours by the President of the Comores, the Chevalier de l'Etoile d'Anjouan, for his significant contribution to the growth and development of the hotel and tourism sector in the Comores.

Paul Jones directly oversees LIR's overall strategic direction, spearheading the LIR Group's global development plans. He holds an MBA with distinction from the University of Surrey & followed the Program for Management Development at The Harvard Business School. He is a Fellow of the Institute of Hospitality in the UK.

He was appointed as Chief Executive Officer of LIR on 1st October 2010 and as director of LIR in September 2011.

Directorship in other listed companies: None

Marie Joseph Cyril Lagesse

Born in 1932, J. Cyril Lagesse set up in the early 1970's the 'Compagnie d'Investissement et de Développement Limitée', now GML Investissement Ltée, founder entity of today's well known GML, which has positioned itself as one of the regional leaders. J. Cyril Lagesse sits on the board of several of the country's most prestigious companies, three of which are listed on SEM.

He was appointed as Director of LIR in October 2003.

Directorship in other listed companies: Ireland Blyth Limited, Phoenix Beverages Limited, Phoenix Investment Company Ltd

Stéphane Lagesse

Born in 1959, Stéphane Lagesse holds a degree in Gestion des Entreprises Paris IX Dauphine and joined the Palmar Group in 1983 where he currently holds the position of Managing Director. He participated in the setting up two garment manufacturing companies in Mauritius.

He was appointed as director of LIR in March 1999 and as a member of the Audit Committee in October 2003.

Directorship in other listed companies: None

Maxime Rey

Born in 1952, Maxime Rey started an accounting career in 1973 in Mauritius, first in auditing, and then in the sugar industry. Immigrating to South Africa in 1981, he worked for Kuehne and Nagel (Pty) Ltd, the South African arm of a leading global provider of innovative and fully integrated supply chain solutions. He was appointed Group Financial Controller in 1989 and Director in 1992. Back in Mauritius in 1993, he joined the Swan Group, one of the market leaders in the insurance sector in Mauritius, where he is presently holding the position of Senior Manager - Group Finance, while also heading the Loans and Legal Departments of the Group. He serves as Director of a number of companies in the commercial, financial, investment, sugar and tourism sectors, and is a member of various Board Committees.

He was appointed as director of LIR in September 2012.

Directorship in other listed companies: Belle Mare Holding Ltd, Constance La Gaieté Company Ltd, Mauritius Freeport Development Company Ltd

Christof Zuber

Born in Switzerland in 1956, Christof Zuber holds a PhD in economics from the University of Zurich.

Following a first consulting activity in International Banking Christof Zuber moved into the world of Fast Moving Consumer Goods. After several positions in Switzerland and abroad in key account management, sales and marketing with Jacobs Suchard he assumed responsibility as CEO of different companies. Two of them were publicly quoted: Attisholz Holding Ltd with the Household Brands Hakle and Tela followed by the brewery Feldschlösschen Holding Ltd as the Swiss market leader. He gained exposure to the travel sector as CEO of the Hotelplan Group, an European multi-billion tour operator with activities in hotels and airline. Today, Christof Zuber is a private equity advisor and investor and assumes strategic and occasionally operational responsibilities still in the travel sector and luxury goods.

He was appointed director of LIR in February 2012 and member of the Remuneration Committee and of the Corporate Governance Committee in September 2012.

Directorship in other listed companies: None

Alternate Directors' Profiles

Jean-Raymond Harel

Born in 1934, Jean-Raymond Harel completed a Bachelor of Science Degree in Chemical Engineering from Louisiana State University in Baton Rouge, Louisiana, USA, in 1957. He had a rich career in the Sugar Industry and relative fields such as design of equipment, general engineering, preliminary studies leading to the implementation of a thermal power plant and setting up of an alcohol distillery. He retired from his executive functions a few years ago.

He was appointed as director of LIR in July 1998 and as Chairman of NRL from October 1998 to November 2002. He resigned as director and was appointed as alternate director to Alexis Harel in April 2004.

Directorship in other listed companies: None

Amaury Joseph Pierre Lagesse

Born in 1961, Amaury Lagesse has studied Management in South Africa and started working in a clothing company in Durban for one year. He then specialised in textile management in England and Scotland before joining in 1987 the Palmar Group, where he currently holds the position of Production Manager.

He was appointed as alternate director to Stéphane Lagesse in December 2003.

Directorship in other listed companies: None

Hugues Lagesse

Born in 1975, Hugues Lagesse holds a diploma in administration and finance from “Ecole Supérieure de Gestion et Finance” in Paris, France. In September 2007, he followed a course on Management at INSEAD in Fointainebleau, France and a course in real estate development in Paris and at Harvard Business School in Boston, USA.

He is the Senior Development Executive of BlueLife Ltd, a listed company on the Mauritius Stock Exchange and a member of Groupe Mon Loisir, which deals with the promotion and development of land property.

He was appointed as alternate director to J. Cyril Lagesse in April 2004.

Directorship in other listed companies: None

Deodass Poolovadoo

Born in 1962, Deodass Poolovadoo was one of the first persons to join LIR in 1990. He graduated in Accounting and Finance from the UK and is the Group Financial Controller responsible for the financial management of LIR and of its subsidiaries.

He was appointed as alternate director to Désiré Elliah in August 2009.

Directorship in other listed companies: None

6.3 Director's Service Contracts

The Chief Executive Officer and the Chief Sales and Marketing Officer have a service contract which expires on 30 June 2017 and 15 June 2016 respectively. The executive director of White Sand Resorts & Spa Pvt Ltd has a service contract which expires on 15 July 2016. The other executive directors of the LIR Group have no service contract that need to be disclosed under section 221 of the Act.

6.4 Interests of Directors

The direct interests of the directors and Chief Executive Officer of LIR and their indirect interests through related parties in the equity securities of LIR Group as at 30 June 2014 are set out below.

Directors	Shareholding Percentage in LIR	
	Direct	Indirect
Jean-Claude Béga	0.21	-
Jean de Fondaumière	-	-
Laurent de la Hogue	0.02	-
Désiré Elliah	0.75	-
Julian Hagger	0.08	-
Alexis Harel	0.02	-
Paul Jones	0.08	-
Arnaud Lagesse	0.04	0.57
J. Cyril Lagesse	0.07	-
Stéphane Lagesse	0.09	-
Maxime Rey	-	-
Christof Zuber	-	-
Jean-Raymond Harel	0.02	-
Amaury Lagesse	0.01	-
Hugues Lagesse	0.01	0.10
Dev Poolovadoo	0.43	-

6.5 Remuneration and benefits in kind to directors

The aggregate of remuneration paid and benefits in kind granted to the directors of LIR Group in respect of the last financial year ended 30 June 2014 amounted to MUR 52.9 million.

The directors' remuneration and benefits in kind for the next financial period have not yet been determined. Recommendations will be made by the Corporate Governance, Nomination and Remuneration Committee of LIR and submitted to the Board for approval.

6.6 Outstanding loans to directors

Loans made by LIR or its subsidiaries to its directors as at 31 October 2014 amounted to MUR 305,000.

7 CORPORATE INFORMATION

7.1 Company Information

Company Name	Lux Island Resorts Ltd
Year of incorporation	1987
Business Registration Number	6590
Registered Office	58 Pierre Simonet Street, Floréal Mauritius

7.2 Advisers

Company Secretary	LUX Hospitality Ltd Pierre Simonet Street, Floréal Mauritius
Auditors	Ernst & Young Chartered Accountant 9th Floor, NeXTeracom Tower 1 Ebene, Cybercity
Principal Banker	The Mauritius Commercial Bank Ltd 9-15 Sir William Newton Street, Port Louis State Bank of Mauritius Ltd State Bank Tower, 1 Queen Elizabeth II Avenue, Port Louis Bank One Ltd 16 Sir William Newton Street, Port Louis Barclays Bank PLC 6th Floor, Barclays House 68-68A, Cybercity, Ebene, Mauritius Standard Bank (Mauritius) Ltd 6th Floor, Medine Mews Building, La Chaussée Street, Port Louis

	<p>State Bank of India (Mauritius) Ltd 34, Sir William Newton Street, Port Louis</p> <p>AfrAsia Bank Ltd Bowen Square 10 Dr Ferrière Street Port Louis</p> <p>HSBC Limited (Mauritius, UK, Germany, Maldives)</p> <p>Bank of Ceylan</p> <p>Standard Bank of South Africa Ltd</p> <p>Banque Française Commerciale Océan Indien</p> <p>Banque de la Réunion</p> <p>MCB Seychelles</p>
Legal Advisor and Notaries	<p>Clarel Benoit André Robert Jean-Pierre Montocchio</p>
Registry	<p>LUX Hospitality Ltd Pierre Simonet Street, Floréal Mauritius</p>

8 FINANCIAL INFORMATION

8.1 Lux Statement of Financial Position

Lux financial statements highlights for the year ended June 30 2014 and 2013.

		Group Audited 12 Months 30 Jun 2014	Group Audited 12 Months 30 Jun 2013
Total assets	MUR'000	10,342,196	9,847,589
Owner's interest	MUR'000	4,313,262	3,605,806
Revenue	MUR'000	4,212,199	3,771,263
Profit before tax from continuing operations	MUR'000	329,791	145,407
Profit after tax from continuing operations	MUR'000	262,313	106,772
Profit after tax from discontinued operation	MUR'000	22,636	3,487
Profit for the year	MUR'000	284,949	110,259
<u>KPI's:</u>			
EPS - Continuing and discontinued operations	MUR	2.38	0.91
EPS - Continuing Operations	MUR	2.19	0.88
NAV per share	MUR	37.92	31.70
Number of shares in issue	000	114,035	114,035
Dividend per share	MUR	0.5	-

8.2 Financial and Trading Prospects

The global economic environment is improving and there is cause for a more optimistic and positive outlook on the future growth of tourism globally. In Mauritius, the increase in arrivals noted from the European markets in August 2014 by 12.8% on last year is very encouraging and France the largest market for Mauritius increased by 11% whilst UK and Germany grew by 20% and 18% respectively.

We expect our Maldives operations to maintain its strong performance and our hotels in Reunion Island should improve on their last year's results.

On the basis of the results for the first quarter of the new financial year that ended 30 September 2014 and the forecast for the second quarter and assuming that there will be no deterioration in general economic conditions, we will continue our progression and will improve on the results produced in 2013/2014.

Over the next few years, we intend to grow our fee based business. We are constantly looking for growth opportunities and we are working closely with a number of hotel owners with a view to securing long term management contracts.

9 RISK FACTORS

The LIR Group faces a number of risk factors that are managed on a daily basis by the management team:

- **Industry or sector risk**

The volume of tourist arrivals in Mauritius and the other destinations where the LIR Group operates may not grow to match with the expansion in room capacity brought about by the construction of new hotels. This imbalance may create competitive pressure on LIR.

The LIR Group is however well experienced and positioned in the market and is able to compete effectively in the main markets.

- **Political risk**

The role of government is crucial in the development of the tourism industry. Political stability, allocation of adequate funds for the promotion of this sector and a well balanced approach to the opening of air access are very important factors to be considered.

LIR, through its affiliation with the *Association des Hoteliers et Restaurateurs - Ile Maurice* (“AHRIM”) and equivalent associations in Maldives and Reunion, takes part in discussions which affect the policies regarding air access and tourism.

- **Market Risk**

The economic recession or downturn in Europe which remains the LIR Group’s main market could adversely and materially affect the LIR Group’s operations and financial condition.

Management’s strategy is to diversify its client base so as to be less dependent on one market.

- **Information System Risk**

LIR relies on critical information systems to handle its operations. A breakdown in any of these systems will cause disruptions in operations and may affect the financial results. Regular backups of all systems are kept to mitigate the risk of information loss. An IT audit was conducted in the financial year to identify any weaknesses in our systems and measures were taken to address those weaknesses.

- **Human Resource Risk**

The hospitality industry, in the countries in which the LIR Group operates, is very competitive and with the limited workforce available in these countries, finding the right people and retaining them are the challenges that the LIR Group face.

The LIR Group conducts regular salary benchmarking across the industry to ensure that its people receive salaries and benefits which are in line with industry norms. Moreover, LIR has a well-defined training program to ensure the continuous development of its staff. LIR has also joined forces with Ron Kaufman, founder of UP! Your Service College and one of the world's most sought-after educators, consultants, and thought-leaders in achieving superior service.

- **Health, Safety and Environmental Risks**

The health and wellbeing of our guests and staff is a high priority for the LIR Group. Intensive training is provided to staff, and the highest standards of care are applied to the services and products provided to our guests.

- **Insurable Risk Review**

In order to protect itself against any liability falling outside the scope of coverage or against any inadequate coverage, the LIR Group reviews its insurance policies on a yearly basis with expert advisors.

- **Policy Risk**

Continued financial support by the government for the promotion of Mauritius as a quality destination is critical to the local tourism sector. The long term policy over air access is also important. Too much liberalisation can harm the reputation and quality of the destination, whilst too much protectionism could limit availability of seats to Mauritius. The AHRIM plays its role at the national level by ensuring that the government allocates the necessary budgets and that the right balance in air access is achieved.

- **Financial Risks**

The LIR Group's activities expose it to a variety of financial risks. A description of the significant risk factors is given below.

Credit risk

The LIR Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the LIR Group's management based on prior experience and the current economic environment.

The LIR Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The LIR Group has policies in place to ensure that sales of products and services are made to clients with an appropriate credit history. Adequate insurance cover has also been taken against this risk.

Interest rate risk

The LIR Group is exposed to interest rate risk as it borrows at variable rates (PLR, LIBOR, EURIBOR and OAT) + a margin. Any increase in these rates may negatively affect its results.

Foreign Exchange risk

It is the practice in the hospitality industry to fix tariffs yearly in advance. In order to achieve stability of tariffs in the overseas markets and as a hedge against a fall in the value of the Mauritian Rupee, contracts with tour operators are denominated in the major international currencies of the markets in which the foreign tour operators belong.

A significant number of contracts are therefore denominated in Euros, Pounds Sterling and US Dollars and invoices are raised in these currencies. While protecting the Group against any fall in the parity of the Mauritian Rupee, it exposes itself to a fall in revenue should the Mauritian Rupee appreciate against one or more of the international currencies.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The LIR Group aims at maintaining flexibility in funding by keeping reliable credit lines available.

- **Stock market risk**

In addition to the above risks inherent to the hotel industry, the share price is also dependent upon the stock market conditions. Consequently, the value of the shares quoted on the SEM may go up as well as down.

- **Regulatory risk**

The effect of any potential changes to any applicable law or regulations, whether before or after completion of the transaction, cannot be predicted. This could potentially cause actual results to differ materially from those expressed or implied in this document.

10 ADDITIONAL DISCLOSURES

10.1 Executive Share Scheme

The LIR Group has implemented an employee share scheme for its executives and senior employees of LIR and its subsidiary companies. Executives and senior employees are granted shares in the subsidiary, Lux Hospitality Ltd.

- Executives have been granted a certain number of shares during the year ended 30 June 2014.
- Executives and senior management are granted a certain number of shares upon achievement of a number quantitative and qualitative criteria from the following:
 - improvement in LIR Group EBITDA and LIR Group Cash Flow;
 - Trip Advisor ranking of our hotels;
 - improvement in share price of LIR; and
 - results of client satisfaction survey.

10.2 Material Contracts

The directors of LIR are not materially interested in any contract or arrangement subsisting at the date of this Information Memorandum which is significant in relation to the business of LIR Group.

No member of LIR Group has entered into any contract other than in the ordinary course of business within 2 years preceding the publication of this Information Memorandum.

10.3 Legal Proceedings, Contingencies and Guarantees

At 30 June 2014, LIR Group had the following contingent liabilities:

- (i) bank guarantees amounting to MUR 1.2 million (2013: MUR 1.4 million) given by subsidiary companies arising in the ordinary course of business from which it is anticipated that no material losses will arise; and
- (ii) legal claims amounting to MUR 63.3 million (2013: MUR 84million) have been lodged against LIR Group in the Intermediary Court of Mauritius arising from claims mainly in respect of termination of employment or contracts. The directors have been advised that some claims appear unfounded and that the severance allowance/damages claim in others appear grossly exaggerated. LIR has also entered a counterclaim for an amount of MUR 75 million against one of the plaintiffs.

11 STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Board is responsible for the preparation of financial statements which give a true and fair view of the financial position, financial performance, and cash flow of LIR and which comply with the Act and are in accordance with the International Financial Reporting Standards ("IFRS"). The Board is also responsible for safeguarding the assets of LIR and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Other main responsibilities of the Board include the assessment of the management team's performance relative to corporate objectives, overseeing the implementation and upholding of good corporate practices, acting as the central coordination body for the monitoring and reporting of the sustainability performance of LIR and ensuring timely and comprehensive communication to all stakeholders on events which are significant to LIR.

The Board must cause accounting records to be kept that:

- correctly record and explain the transactions of LIR;
- at any time enable the financial position of LIR to be determined with reasonable accuracy; and
- enable the directors to prepare financial statements that comply with the Act and IFRS.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether or not the Act and IFRS have been adhered to and explain material departures thereto; and
- prepare these financial statements on the going concern basis, unless it is inappropriate to presume that LIR will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

12 DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection for a minimum of 14 business days as from the date of this Information Memorandum & Disclosable Transaction Circular, during normal business hours at the registered office of LIR:

- The constitution of LIR;
- The original Information Memorandum;
- The audited financial statements and annual reports of LIR Group for the years ended 30 June 2014, 2013 and 2012; and
- A copy of the Valuation Report.

24 November 2014

APPENDIX I

Key Provisions of the Constitution of Lux Island Resorts Ltd

Key Provisions of the Constitution of Lux Island Resorts Ltd

Extracts of the Constitution of Lux Island Resorts Ltd are given below:

2. CAPITAL

- 2.1 Subject to Article 2.4 hereunder, the Capital and share denomination of the Company shall be expressed in Mauritian Rupees.
- 2.2 The Company has on issue as at the date of adoption of this Constitution 86,256,873 ordinary shares of nominal value of TEN (10) Mauritian Rupees each having the rights set out in Article 2.3.
- 2.3 Each of the shares referred to in Article 2.2 shall confer on the holder thereof the rights set out in Section 46(2) of the Act together with any other rights conferred by this Constitution.
- 2.4 If, when and to the extent it is legally permissible for the Company to hold and express any part of its Capital and share denomination in currencies other than Mauritian Rupees, the Board may by resolution decide to convert the whole or part of any existing or create the liability on any part of any new shares in currencies other than Mauritian Rupees, and the Board may even decide that such Capital and shares be denominated in more than one foreign currency.
- 2.5 Unless the Shareholders in meeting otherwise resolve, all shares of the Company in whatsoever denomination expressed shall in all respects rank "pari passu" and confer the same rights and privileges on their holders.
- 2.6 **Pre-emptive rights on issue of shares**
 - 2.6.1 Shares issued or proposed to be issued by the Company that rank or would rank as to voting or distribution rights, or both, equally with or prior to shares already issued by the Company shall, unless otherwise provided in the resolution approving the issue under Article 3.1.1 or 3.1.2 be offered, by notice in writing, to the holders of shares already issued in a manner which if the latter were accepted, will maintain the relative voting and distribution rights of those Shareholders in accordance with the provisions of Section 55(1) of the Act.
 - 2.6.2 An offer under Article 2.6.1 shall remain open for acceptance for a reasonable time, which shall not be less than fourteen (14) days.

2.6.3 New shares offered to Shareholders pursuant to Article 2.6.1 and not accepted within the prescribed time or in respect of which an intimation is received from the person to whom the offer is made declining such offer may be disposed of by the Board in such manner as it considers most beneficial to the Company.

2.8 **Modification of Rights**

2.8.1 If at any time the Capital is divided into different classes of shares all or any part of the rights and privileges attached to any class of shares may subject to any applicable provisions of the Act be, modified, abrogated or altered and the Capital thereof may be repaid, (otherwise than on liquidation or in accordance with the terms of issue thereof) **ONLY:**

2.8.1.1 with the written consent of all the holders of the issued shares of the classes; or

2.8.1.2 with the sanction of a special resolution passed by the vote in person or by proxy or have cast postal votes or representative of the holders of the issued shares of the class at special meeting of such holders called for the purpose, the provisions contained in this Constitution as to special meetings shall "mutatis mutandis" apply to every such meeting save that the quorum for such a meeting shall be at least two (2) Shareholders present in person or by proxy or have cast postal vote or representative representing not less than ten (10) per cent of the issued shares of the class;

provided that the quorum for a separate class meeting (other than an adjourned meeting) to consider a variation of the rights of any class of issued shares shall be the holders of at least one third of the issued shares of the relevant class.

2.8.2 Subject to Article 2.7.6 any proposition for the creation of additional shares ranking in priority to or "pari passu" with an existing class of preference shares shall except:

2.8.2.1 In the case of a proposal to create additional shares ranking "pari passu" with an existing class of preference shares;
or

2.8.2.2 Of such further shares was expressly permitted by the terms of issue of shares of that class; be deemed to be an alteration of the rights of that class to which the provisions of Articles 2.8.1, 2.8.3, 2.8.4 shall apply.

2.8.3 Before calling any special meeting of the holders of any class of shares other than ordinary shares to vote upon a resolution to modify, abrogate or alter all or any of the rights and privileges attached to that class of shares or to sanction a repayment of the capital thereof the Directors shall cause a committee of Shareholders (of that class of shares proposed to be affected) to be set up or a chartered accountant to investigate the modification, abrogation or alteration of rights or repayment of capital proposed and to report thereon in writing to the Directors.

2.8.4 No special meeting of the holders of a class of shares proposed to be affected shall be called to vote upon a resolution to effect the proposals until the report in writing of the committee of Shareholders or of the chartered accountant, as the case may be, referred to in Article 2.8.3 has been made and a copy of such report in writing shall accompany the notice sent to each Shareholder of the class of shares proposed to be affected summoning a special meeting of such shareholders called to vote upon the said proposals.

3. ALTERATION OF CAPITAL

3.1 Power to increase Capital

3.1.1 Subject to Article 3.1.2, the Company may from time to time by ordinary resolution increase the Capital by such sum, to be divided into shares of such amount and to the extent it is legally permissible to do so, express in such currency as the resolution shall prescribe with power:

(a) to divide such shares in several classes;

(b) to issue the shares of any class or classes at a premium or at par;

(c) to issue the shares of any class or classes with any preferential, deferred, qualified or special rights, privileges or conditions attached thereto or subject to any restrictions or limitations, whether in regard to dividend, voting, return of capital, or otherwise; and

(d) to issue fractions of shares which shall have corresponding fractional liabilities, limitations, preferences, privileges, qualifications, restrictions, rights and other attributes as those which relate to the whole share of the same class or series of shares.

3.1.2 Notwithstanding Article 3.1.1, the Board may increase the Capital without the requirement of an ordinary resolution provided that any such increase does not exceed more than fifteen percent (15%) of the existing Capital of the Company immediately prior to the said increase.

3.1.3 Except as otherwise provided by the terms of issue or by this Constitution any Capital raised by the creation of new shares shall be considered part of the original Capital of the Company and shall be subject to the provisions herein contained with reference to the payment of calls and installments, and otherwise.

3.2 **Issue of New Capital**

3.2.1 Subject to any direction to the contrary that may be given by the Company in meeting, all shares proposed to be issued shall be offered to existing Shareholders in proportion as nearly as may be to their existing holdings.

3.2.2 Without in any way limiting the discretion conferred upon the Company by Article 3.2.1, the Company in meeting may resolve to reserve and/or offer and/or allocate any proportion of any new shares as well as of existing shares to such person or group of persons (including its depositors, customers, staff) as the resolution may indicate, such offer and/or allocation to be at such price as the Company in meeting may also resolve.

3.3 Consolidation, subdivision and cancellation of share Capital

The Company may by ordinary resolution:

- 3.3.1 consolidate and divide all or any of its Capital into shares of a larger amount than its existing shares;
- 3.3.2 subdivide its existing shares, or any of them into shares of a smaller amount than is fixed by the Company's constitution, subject nevertheless to the provisions of the Act; or
- 3.3.3 cancel any shares which, at the date of the passing of the resolution have not been taken or agreed to be taken by any person.

