



CIRCULAR TO SHAREHOLDERS

A Circular to the shareholders of Lux Island Resorts Ltd (“LUX”) relating to the sale of the hotel buildings known as Tamassa Resort, located on Coastal Road, Bel Ombre, Mauritius, held by its 100% subsidiary company Néreide Limited (the “Vendor”) as well as the Vendor’s rights, title and interests in the lease agreement between the Vendor and the Republic of Mauritius (“Head Lease”) in relation to the land on which the Tamassa Resort is located to Mara Delta (Mauritius) Property Limited, a wholly owned subsidiary of Mara Delta Property Holdings Limited (“Mara Delta”) for a total consideration of USD 40,000,000 (“The Transaction”), which constitutes a disclosable transaction under the Chapter 13 of Listing Rules

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

For a full appreciation of this Circular, the document should be read in its entirety.

If you are in any doubt about the action you should take, you should consult your financial advisor, your investment dealer or any other independent advisor immediately.

This Circular is not a prospectus and does not constitute an offer or invitation to any person to subscribe to the shares of LUX. This Circular has been prepared for the purpose of complying with the laws of Mauritius and the Listing Rules issued by the Stock Exchange of Mauritius Ltd (“SEM”), more specifically Chapter 13 of the Listing Rules.

Pursuant to Chapter 13 of the Listing Rules,
this Circular has been submitted to the SEM prior to its issue.

In accordance with Section 13.15 of the Listing Rules,
LUX notified the SEM of The Transaction on 22nd August 2016.
The present Circular has been vetted by the SEM, in conformity
with the Listing Rules of the SEM.

This Circular includes particulars given in compliance with the SEM Rules governing the Official Listing of Securities for the purpose of giving information with regard to the issuer. The Directors of LUX, whose names appear in section 4.1 of this Circular, collectively and individually accept full responsibility for the accuracy of the information contained in this Circular 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.

This Circular is issued by LUX, Registration No. 6590,
having its registered office at 58, Pierre Simonet Street, Floréal.

A Cautionary Announcement was also published on August 22, 2016
to inform the shareholders of LUX and the public at large of The Transaction.

DISCLAIMER

The Stock Exchange of Mauritius accepts no responsibility for the content of this Circular, makes no representation as to the accuracy or completeness of any of the statements made or opinions or reports expressed herein and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon the whole or any part of this Circular.

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1. DEFINITIONS

In this Circular, the following words and expressions shall bear the following meanings except when the context otherwise requires:

BOARD	The Board of Directors of LUX
CIRCULAR	This document prepared in accordance with the Listing Rules issued by the SEM
EUR	Euros
FY[•]	Financial year ended June 30, 20[•] of LUX
LISTING RULES	The rules governing securities listed on the Official Market of the SEM
MARA DELTA	Mara Delta Property Holdings Limited
MUR	Mauritian Rupee
LEASE BACK	Following the disposal, the Property is to be leased back to the Vendor
LUX/THE COMPANY	Lux Island Resorts Ltd
PURCHASE PRICE	A total consideration of the Euro equivalent of USD 40, 000,000
SEM	The Stock Exchange of Mauritius Ltd, as established under the repealed Stock Exchange Act 1988 and governed by the Securities Act 2005 as amended
THE PROPERTY	The hotel building, known as Tamassa Resort, located on Coastal Road, Bel Ombre, Mauritius, as well as the Vendor's rights, title and interests in the lease agreement between the Vendor and the Republic of Mauritius in relation to the land on which the Tamassa Resort is located
THE TRANSACTION	The sale of the Property
USD	United States Dollars
VENDOR	Néréide Limited, a wholly owned subsidiary of LUX

2. SUMMARY DESCRIPTION OF THE PROPOSED TRANSACTION

2.1. Company background

LUX, incorporated in 1987, is a public company listed on the Official List of the SEM. LUX bears the registration number 6590 and its registered office is situated at 58, Pierre Simonet Street, Floréal, Mauritius.

The resorts and hotels in the LUX's portfolio include LUX* Belle Mare, Mauritius; LUX* Le Morne, Mauritius; LUX* Grand Gaube, Mauritius; LUX* South Ari Atoll, Maldives; LUX* Saint Gilles, Reunion Island, LUX* Tea Horse Road Lijiang, Yunnan Province, China, and LUX* Tea Horse Road Benzilan, Yunnan Province, China.

2.2. The Transaction

On September 29, 2016 Mara Delta, through its wholly-owned subsidiary Mara Delta (Mauritius) Property Limited, entered into a sale and purchase agreement ("SPA") with Nereide Limited ("Vendor"), a wholly-owned subsidiary of Lux Island Resorts Limited ("LUX"), for the acquisition of the hotel building known as Tamassa Resort, located on Coastal Road, Bel Ombre, Mauritius, as well as the Vendor's rights, title and interests in the lease agreement between the Vendor and the Republic of Mauritius ("Head Lease") in relation to the land on which the Tamassa Resort is located, (collectively, the "Property") for a total consideration of the Euro equivalent of USD 40 000 000 ("Purchase Price"), on a debt free basis.

Following the Transaction, the Property is to be leased back to the Vendor ("Lease Back"). The conclusion of the Lease Back is a condition precedent to the Transaction. The Lease Back will be for a period of 10 years from the Effective Date, with the Vendor (as tenant) having the option to renew the lease for a further 10-year period thereafter.

The rental due under the Lease Back will comprise a fixed rent component, as well as a variable rent component. In this regard, the fixed rent will be payable monthly in Euro and will equal to the Purchase Price in Euro multiplied by 8% and divided by 12, and will not be subject to escalation over the lease term. The variable rent, which will not have a minimum threshold, will be payable in addition to the fixed rent and will amount to 20% of the Vendor's net earnings before interest expenses, taxes, depreciation and amortisation ("EBITDA") post the fixed rent payment but before management fee payments by the Vendor to a third party.

The Transaction qualifies as a Disclosable Transaction under Chapter 13 (a) and (c) of the Listing Rules of SEM. Chapter 13 defines a Disclosable Transaction, inter alia, as an acquisition or realisation of assets where the relative figures on the bases set out below would be 15% or more;

- a) The value of the assets being acquired or realized as a percentage of the net assets or consolidated net assets, as the case may be, of the acquiring or realizing group; or
- b) The net profit (after deducting all charges except taxation) attributable to the assets being acquired or realised as disclosed in the latest published audited accounts as a percentage of the net profit of the acquiring or realizing group; or
- c) The aggregate value of the consideration given or received as a percentage of the net assets or consolidated net assets, as the case may be, of the acquiring or realizing group; or
- d) The value of the equity capital issued as consideration by the acquiring issuer as a percentage of the value of the equity capital previously in issue.

2.3. Rationale of the Transaction

LUX*'s asset light strategy is focused on managing hotels rather than owning them which will enable the Group to grow at an accelerated pace with limited capital investment. The company takes a disciplined approach to capital allocation, by allocating its limited cash resources to project which will yield higher returns, whilst focusing on building the LUX* brand. It is in line with this strategy that the Company has disposed of the property of Tamassa hotel and entered into a lease back agreement with the new owner for a period of ten years on terms and conditions mentioned in paragraph 2.2 above.

The proceeds from the sales of the property, net of Nereide's debt (Rs525M) will be used to partly financed the redevelopment projects in the pipeline, namely the renovation of LUX* Grand Gaube.

2.4. Information on the proposed Transaction

The assets to be transferred have a book value (at 31 December 2016) of Rs 1,070 million; the gross consideration to be received from Mara Delta is USD 40 million. The profit, before tax, of LUX was Rs 480.930 million in 2016 and Rs 451.592 million in 2015.

The Purchase Price of USD 40,000,000 has been settled on the 23rd March 2017 for an equivalent amount of Euro 37,209,398.

2.5. Basis of Determination of Price Consideration

The buyer and the seller have based themselves on a valuation report dated 24 August 2016, adjusted to reflect the expenses relating to the transfer. The valuation was carried out by Broll Indian Ocean Limited, an independent external chartered valuer. The valuation was based on the discounted cash flow generated by the hotel and the market value of the property.

The consent given by the expert named in this document has not been withdrawn at the date of these Circular.

3. FINANCIAL INFORMATION OF LUX*

The table below shows the key performance and financial indicators of Néreide Limited over the last two years.

Key Performance and Financial Indicators	FY 2015	FY 2016
Revenue (RS'000)	462,811	534,295
Profit before tax (RS00)	30,121	60,134
Profit after tax (RS'000)	25,209	55,451
Net Assets (RS'000)	394,092	444,304

4. FINANCIAL AND TRADING PROSPECTS

The Board is confident that, should there be no deterioration in the environment, the results for the financial year 2017 will at least match that of last year.

5. CORPORATE INFORMATION

5.1. Directors

Arnaud Lagesse (Chairman)

Paul Jones (Chief Executive Officer)

Jean Claude Béga

Laurent de la Hogue

Jean de Fondaumière

Désiré Elliah

Thierry Lagesse

Stéphane Lagesse

Maxime Rey

Alternate Directors

Deodass Poolovadoo (Alt to D. Elliah)

Amaury Lagesse (Alt to S. Lagesse)

5.2. Directors' interests

The Directors and Officers of Lux having direct and/or indirect interests in the ordinary shares of the Company as at June 30, 2016 were as follows:

Directors	Direct Interest No. of shares	%	Indirect Interest %
Jean-Claude Bega	239,253	0.17	-
Jean de Fondaumière	37,932	0.03	-
Laurent de la Hogue	25,000	0.01	-
Désiré Elliah	749,977	0.54	-
Paul Jones	287,000	0.21	-
Arnaud Lagesse	38,425	0.03	0.57
J. Cyril Lagesse (resigned on 30.06.16)	165,080	0.12	-
Stéphane Lagesse	118,276	0.08	-
Maxime Rey	4,000	0.00	-
Alternative Directors			
Amaury Lagesse (Alt to S. Lagesse)	20,933	0.01	-
Hugues Lagesse (resigned as Alt to J. C. Lagesse on 30.06.16)	-	-	-
Dev Poolovadoo (Alt to D. Elliah)	429,071	0.31	-

None of the Directors and Officers had any interest in the equity of subsidiaries of Lux.

5.3. Stated Capital

The total number of issued ordinary shares of the Company is 136,909,403 (2015: 136,786,535) at a par value of MUR 10 per share (2014: MUR 10 per share). All issued shares are fully paid.

5.4. Legal or arbitration proceedings

Lux has no legal or arbitration proceedings during the previous twelve (12) months which may have, or have had in the recent past, significant effect on its financial position or profitability.

***LIGHTER. BRIGHTER.**