

LUX ISLAND RESORTS LTD

(The “Company”)

CAUTIONARY ANNOUNCEMENT

The Covid-19 outbreak, the ensuing lockdown followed by significant reduction in air travel continue to negatively impact the hotel industry globally. While the Company and its subsidiaries (the “Group”) commend the decisive actions taken by the Mauritian government and other national governments in the countries where it operates to mitigate impact of Covid-19, the pandemic has and will continue to affect significantly the finances of the Group.

Over the last four months the board of directors of the Company (the “Board”) has taken active and decisive measures to adapt to the ‘new normal’ and preserve the business of the Group, including costs containment measures and management of its liquidity position.

In view of the unprecedented impact in the Group’s key market, the Board has been considering a number of avenues to protect the financial stability of the Group.

The Board therefore approached the Mauritius Investment Corporation Ltd (“MIC”) with a view to providing funding to the Group. The MIC, a wholly-owned subsidiary of the Bank of Mauritius, and funded in terms of the Bank of Mauritius Act, has, amongst others, the objective to mitigate the effect of the ongoing economic downturn resulting from the Covid-19 pandemic, thus reducing macro-economic and financial risks.

The Board wishes to inform the shareholders of the Company and the public in general that the Company and MIC have on 18th September 2020 signed a binding term sheet pursuant to which MIC has committed to subscribe to redeemable and convertible secured bonds (the “Bonds”) having a nominal value of Rupees Ten Million (Rs 10,000,000) to be issued by the Company for a total subscription amount of Rupees One Billion (Rs 1,000,000,000). The Bonds will carry a fixed interest rate and interest will be payable twice yearly. The Bonds will mature on the ninth (9th) anniversary of the first subscription date of Bonds by MIC. Other terms and conditions, including interest rate, reflects the credit risk of the Company as independently appraised by MIC. The Company has the option to redeem some or all the Bonds any time prior to maturity. At maturity any outstanding Bonds will be converted into ordinary shares of the Company at a pre-agreed valuation, namely the average daily volume-weighted average price of ordinary shares of the Company as published by the Stock Exchange of Mauritius (“SEM”) during the period 1 January 2020 to 30 June 2020. The Bonds will be secured by a floating charge over the assets of the Company ranking after all existing charges granted by the Company.

The proceeds from the Bonds issue will be used principally for the working capital requirements of the Group’s Mauritian operations and payment of interests due and payable in respect of the Group’s existing indebtedness with commercial banks.

The Board is of the view that the injection of Rupees One Billion (Rs 1,000,000,000) coupled with other initiatives taken by the Board to stabilise the business of the Group should ensure adequate liquidity. The Group’s return to profitability will depend inter-alia on the timing of opening of borders and the resulting travel inflows.

The Company is currently in the process of negotiating the transaction documents in connection with the Bonds issue. The terms and conditions of the Bonds will be detailed in a memorandum which will be circulated for approval to the shareholders of the Company in due course.

Shareholders of the Company and the public in general are therefore advised to exercise caution when dealing in the shares of the Company and will be kept informed of further developments.

By order of the Board

IBL Management Ltd
Company Secretary

23rd September 2020

This Cautionary Announcement is issued pursuant to Listing Rule 11.3.

The Board of Directors of Lux Island Resorts Ltd accepts full responsibility for the accuracy of the information contained in this Cautionary Announcement.