

CAUTIONARY ANNOUNCEMENT

The Board of Directors of Lux Island Resorts Ltd (LIR) wishes to inform its shareholders and the public in general that its 100% subsidiary Company, Néréide Limited, has today signed a 'Heads of Terms' with Mara Delta Property Holdings Ltd, a company registered in the Republic of Mauritius and listed on the Official market of the Stock Exchange of Mauritius Ltd, for the disposal by Néréide Limited of the hotel building of Tamassa Resort as well as its rights, title and interests in the lease agreement with the Republic of Mauritius (The Property) for a total consideration of USD 40,000,000 (Forty million US Dollars). The sale is subject to certain conditions precedent, including approval from the relevant Regulatory Authorities.

Subsequent to the sale, the property will be leased back to Néréide Limited, the tenant, for an initial period of ten years and renewable at its option. The annual rent payable, which is made up of a fixed and a variable component based on the performance of the hotel, is estimated between 8% and 9% of the total consideration during the initial period of the lease.

The proceeds from the sale of the property will be used to repay the totality of Néréide's Bank debt currently standing at Rs 525m (Five hundred and twenty five million rupees) and partly finance the redevelopment of the Merville Beach hotel. The latter, which sits on one of the best beaches in Mauritius, located in Grand Bay will be transformed into a five star luxury resort and will be named LUX* Grand Bay. Details of the project will be communicated to all stakeholders in due course.

The investment in LUX* Grand Bay, which is expected to be one of the finest luxury resorts in the Indian Ocean, should improve the Group results and add considerable value to the LUX* brand.

This transaction is a disclosable transaction under chapter 13 of the Listing Rules of the Stock Exchange of Mauritius Ltd.

The shareholders and the investing public are advised to exercise caution when dealing in the shares of LIR.

By order of the Board

LUX Hospitality Ltd

Company Secretary

This 22nd August 2016

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.