

Disclosable Transaction Circular (the “Circular”)

in relation to the sale of the “Assets” of Kanuhura Resort, Maldives, located on Kanuhura island in Lhaviyani Atoll, Maldives, by a wholly owned subsidiary of Sun Limited (“SUN”) - SRL Kanuhura Limited (“SRL Kanuhura”) to Leisure Oceans Private Limited (the “Buyer”) - for a total consideration of USD 41,500,000 (the “Purchase Consideration”) (the “Transaction”), which constitutes a disclosable transaction for SUN under Chapter 13 of the Listing Rules of the Stock Exchange of Mauritius Ltd.

09 April 2021

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Circular is issued by SUN, Registration No. C06003886, having its registered office at Ebène Skies, 5th floor, Rue de L'institut, Ebène, Mauritius.

For a full appreciation of this Circular, the document should be read in its entirety. If you are in doubt about the action you should take, you should consult your financial adviser, your investment dealer or any other independent adviser immediately.

This Circular is not an invitation to the public to subscribe for shares in SUN. The Circular has been prepared for the purpose of complying with Chapter 13 of the Listing Rules issued by the Stock Exchange of Mauritius Ltd ("SEM").

The SEM accepts no responsibility for the contents of this document, makes no representation as to the accuracy or completeness of any of the statements made or opinions expressed therein and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon the whole or any part of the contents of this Circular.

Pursuant to Chapter 13 of the Listing Rules, this Circular has been submitted to the SEM for approval prior to its issue and has been filed with the Financial Services Commission.

An announcement was also published on 26 March 2021, to inform the shareholders of SUN and the public at large of the Transaction.

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DEFINITIONS AND ABBREVIATIONS

Assets	The rights to the leasehold interest, buildings and structures, furniture, fixtures, and equipment, working capital and intellectual properties of SRL Kanuhura
bn	Billion
m	Million
MUR	Mauritian Rupee
Group	Sun Limited and its subsidiaries
JLL	Jones Lang LaSalle Property Consultants Pte Ltd
Listing Rules	Listing rules issued by the SEM
Pandemic	The Covid-19 pandemic
Purchase Consideration	The purchase consideration of USD 41.5m for the Transaction
SEM	Stock Exchange of Mauritius Ltd
SPA	Sale and Purchase Agreement
SRL Kanuhura	SRL Kanuhura Limited
SUN/Company	Sun Limited
The Buyer	Leisure Oceans Private Limited
The Circular	This disclosable transaction circular
The Directors	The directors of SUN
The Resort	Kanuhura Resort, Maldives
The Transaction	Sale of the assets and leasehold rights of the Resort to the Buyer
USD	United States Dollar
Working capital	Seller deposits, cash float at the Resort, prepayments, inventory, net of forward bookings, accruals and employees' entitlements

Company Information

Company Name	Sun Limited
Country of Incorporation	Mauritius
Year of Incorporation	1983
Business Registration Number	C06003886
Registered Office	5 th Floor, Ebène Skies, Rue de L'Institut, Ebène, Mauritius.
Registrar and Transfer Office	MCB Registry & Securities Limited Raymond Lamusse Building, Sir William Newton Street, Port Louis

Third Party Information

Directors	Category
Company Secretary	CIEL Corporate Services Ltd 5 th Floor, Ebène Skies, Rue de L'Institut, Ebène, Mauritius.
Auditors	PricewaterhouseCoopers Mauritius
Principal Bankers	The Mauritius Commercial Bank Limited SBM Bank (Mauritius) Ltd
Lead Adviser for the Transaction	Jones Lang LaSalle Property Consultants Pte Ltd 9 Raffles Place #39-00 Republic Plaza Singapore 048619
External legal advisers for the Transaction	Salih, Shihab & Co. LLP Level 4 M. Bageechaa, Malé - 20191, Republic of Maldives
	Watson Farley & Williams LLP 6 Battery Road, #28-00, Singapore 049909

DECLARATION BY DIRECTORS

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 SUN.

The Directors, whose names appear on page 7, collectively and individually, accept full responsibility for the accuracy or completeness 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.

SUMMARY OF THE TRANSACTION

1. Background of the Company and the Resort

SUN is a public company incorporated in Mauritius on 10 February 1983 and listed on the Official Market of the SEM. It is also registered as a reporting issuer with the Financial Services Commission in line with the Securities Act 2005.

SUN is one of the leading hotel groups in the Indian Ocean, owning and/or operating six resorts in Mauritius namely, Four Seasons Resort at Anahita, Shangri-La's Le Touessrok, Long Beach, Sugar Beach, La Pirogue, Ambre and one resort in the Maldives, namely Kanuhura Resort.

SUN, through its wholly owned subsidiary SRL Kanuhura Limited ("SRL Kanuhura"), owns and manages Kanuhura Resort, Maldives (the "Resort"). The Resort is located on Kanuhura island in Lhaviyani Atoll, having a total area of approximately 165,194 sqm and a built-up area of approximately 30,627 sqm leased by SRL Kanuhura from the Government of the Republic of Maldives, as represented by the Ministry of Tourism.

The Resort constitutes of 80 villas including buildings and structures to provide food and beverage facilities (7 restaurants and 2 bars), spa and kids' club, amongst others. It was renovated in 2015-2016 so as to reposition the Resort in the five-star category segment to re-open on 19 December 2016.

2. The Transaction

On 25 March 2021, the board of SUN approved the proposed sale of the Resort such that SRL Kanuhura entered into a Sale and Purchase agreement ("SPA") with Leisure Oceans Private Limited (the "Buyer").

The Assets to be purchased by the Buyer include:

- The rights to the leasehold interest over the Resort granted by the Government of the Republic of Maldives, as represented by the Ministry of Tourism.
- Buildings and structures;
- Furniture, fixtures, and equipment;
- Working capital; and
- Intellectual properties.

Once the Transaction is completed, SUN will no longer manage the Resort.

The Purchase Consideration for the Transaction was USD 41.5m, excluding any adjustments for working capital requirements on the completion date of the Transaction.

The Purchase Consideration will be settled in cash with no deferred element.

SRL Kanuhura will sell the Assets to the Buyer free from any encumbrance and on the terms and conditions defined in the signed SPA.

As usual in such process in the Maldives, the Buyer will assume the employment contracts of the employees of the Resort. In addition, a number of service contracts will be novated in favour of the Buyer upon completion.

The completion of the Transaction is expected to be reached within 120 days from the date of the signature of the SPA, subject to the fulfilment of conditions precedents that are customary for such transactions.

Of note, the Assets to be sold were carried and reported at USD 50.3m as at 30 June 2020 in the consolidated financial statements of SUN. At 28 February 2021, the latest date at which management accounts were prepared, the Assets were carried at USD 40.1m after factoring in an impairment loss of USD 10.1m arising from an impairment testing conducted based on realisable value of the Assets (fair value less costs to sell).

3. Rationale of the Transaction

The Covid-19 pandemic (the "Pandemic") has had a severe adverse impact on the tourism industry since the first lockdown in March 2020 and the continued suspension of operations for the hotel industry in Mauritius due to the border closure. Although the Maldives re-opened its borders in July 2020, there was little traffic in tourists until December 2020. The Resort re-opened on 15 November 2020 and although occupancy has been very satisfactory since December 2020, tourist arrivals to the destination for the first two months of 2021 were still down by 41% compared to 2019. Recovery in the industry is expected to be back to pre-Covid-19 levels in 2023.

In parallel, the hospitality market in the Maldives has become increasingly competitive with the construction of a number of new five-star luxury hotels and entry of international brands. This has led to an oversupply of rooms especially in the five-star segment, resulting in severe discounting among operators in the destination. A strategic review highlighted the difficulties of the 80-key resort to compete with other international luxury brands with significantly more scale in the Maldives.

The strategic decision to dispose of the Resort will enable SUN to realise the value of its assets, reduce the level of gearing, and refocus its resources on its properties in Mauritius. The Transaction, together with the agreement reached with the Mauritius Investment Corporation Limited in October 2020 for the subscription of secured redeemable and convertible bonds of MUR 3.1bn shows management has been pro-active in reducing its debt level and securing the necessary working capital to meet its financial commitments.

The net proceeds from the Transaction have been earmarked to repay debt including SRL Kanuhura's existing debts and part of the financial obligations of the Group.

4. Basis of the Determination of the Purchase Consideration

The Purchase Consideration of USD 41.5m for the Transaction was determined based on the bids received as part of a competitive bidding process carried out by Jones Lang LaSalle Property Consultants Pte Ltd ("JLL"), who was the lead transaction advisor for the Transaction.

In order to assess the sale price, JLL ran a valuation of the Resort as a going concern based on its past historical performance, the current occupancy and trends as well as taking into account the effects of the Covid-19 on the prospects for the Maldivian market. JLL also took into account the likely capital expenditures which the Resort would have to make in the coming years to maintain its status in the luxury segment.

Following a marketing process targeting the most active global investors for the Maldives, JLL received multiple written offers for the Resort in January 2021 with investors estimating capital expenditure requirement based on their recent inspections of the Resort.

Taking into account this set of data and estimates, the board of Directors of SUN took the decision to proceed with the selected buyer at USD 41.5m due to the (i) Price Consideration being at the higher end of the valuation of JLL (ii) certainty of the offer price which would not be subject to any adjustments following the due diligence exercise, (iii) the financial capacity and reputation of the Buyer, (iv) its experience in the Maldives, and (v) its short completion timetable, hence maximising certainty of execution.

IMPACT OF THE TRANSACTION

The sale will allow SUN to meet its short-term financial commitments, thereby reducing its gearing level going forward.

At an operational level, the divestment will enable management to focus on its assets and resorts in its core market in Mauritius.

From an accounting point of view, the disposal will crystallize a negative impact estimated at USD 8.5m on the statement of profit or loss of the Group for the year ending 30 June 2021, reflecting mainly an impairment charge of USD 10.1m net of deferred tax credit of USD 1.2m.

For the financial year ended 30 June 2019, SRL Kanuhura reported a loss after tax of USD 9.8m when it was fully operational and therefore, following the sale, such losses will no longer impact negatively the profit from continuing operations of the Group.

Whilst the above one-off loss will have a negative impact on the current year statement of profit or loss of SUN, the Transaction will reduce the gearing level of the Group, through the repayment of existing debts of SRL Kanuhura and part of the financial obligations of SUN, and ease the financial burden. The gearing ratio of the Group was 59.3% as at 30 June 2020 and, had the transaction happened at that date, it would have been reduced by 3.4% points to reach 55.9% at 30 June 2020, everything else being equal.

In terms of liquidity, the Transaction will positively improve the cash flow position of SUN with a reduction in future finance cost arising from the debt that is earmarked to be repaid.

FINANCIAL INFORMATION ON SRL KANUHURA

The table below shows the key performance and financial indicators of SRL Kanuhura for the financial years ended 30 June 2019 and 30 June 2020.

Currency: USD ` 000	Financial year ended 30 June 2019	Financial year ended 30 June 2020
Revenue	14,922	11,375
EBITDA before impairment	393	414
EBITDA	(2,217)	(5,769)
Operating losses	(4,977)	(8,379)
Loss after tax	(9,756)	(12,401)
Total assets	73,436	63,113
Total liabilities*	75,000	86,633

* Total liabilities at 30 June 2020 include lease liabilities of USD 9.8m (2019: USD Nil) and intercompany loans and payable balances of USD 60.7m (2019: USD 56.9m).

FINANCIAL AND TRADING PROSPECTS

SUN is facing the most challenging period in its history since the outbreak of the Pandemic. It has incurred losses after tax for the 8 months ended 28 February 2021 of circa MUR 1.2bn (unaudited) as compared to a profit after tax of MUR 0.2bn during the same period last year, as a result of the continuing closure of the borders in Mauritius and limited operations of some of the resorts operating for local residents only.

Several measures were put in place in order to mitigate the negative impact of the Pandemic including but not limited to, strict cost monitoring exercise, voluntary salary reduction for management and negotiation of payment with suppliers. SUN also applied for and obtained the government wage assistance scheme and funding from Mauritius Investment Corporation Limited in order to meet its running costs and working capital requirements.

Whilst SUN remains optimistic that the travel borders are likely to fully reopen by October 2021, this decision is dependent on the Government assessment of the situation and the time to reach herd immunity from the vaccination process.

The Group remains confident that with the gradual return to normal, its financial performance and position will improve. Whilst the industry awaits resumption of activities, the Group has activated several projects that are expected to support the rebound in operations. These include its rebranding process, digitalisation strategy, productivity initiatives and other project development including property development amongst others.

OTHER INFORMATION

Directors

The Directors and officers of SUN having direct and/or indirect interests in the ordinary shares of the Company as at 31 December 2020 were as follows:

Directors	Category	Interest	
		Direct	Indirect
Jean-Pierre Dalais	Non-Executive Chairman	192,301	17,266
P. Arnaud Dalais	Non-Executive Director	139,273	23,656
Francois Eynaud	Executive Director	1,000	-
J. Harold Mayer	Non-Executive Director	349,829	-
Tommy Wong Yun Shing	Executive Director	331,048	11,180
Alexis Caude	Non-Executive Director	-	-
R. Thierry Dalais	Non-Executive Director	-	-
L. J. Jérôme De Chasteauneuf	Non-Executive Director	-	-
Hélène Echevin	Non-Executive Director	-	-
M.G. Didier Harel	Independent Director	-	-
Olivier Riché	Non-Executive Director	-	-
Jean-Louis Savoye	Non-Executive Director	-	-
Pierre Vaquier	Independent Director	-	-
Naderasen Pillay Veerasamy	Independent Director	-	-

Stated Capital

The total number of issued ordinary shares of the Company is 194,545,072 of no par value, including 20,118,546 treasury shares, and are fully paid as at 31 December 2020.

Legal or Arbitration Proceedings

SUN has no legal or arbitration proceedings in the past 12 months which may have or have had a significant effect on the Group's financial position.