Q&A – FHL acquires SSC

1. Explain the transaction.

   FHL completed the acquisition of South Sea Cruises in three major transactions:

- Divestment of 100% of Blue Lagoon Cruises Holdings Limited (BLCHL), to South Sea Cruises (SSC) valued at FJD12.57m
- Acquisition of 100% of South Sea Cruises (SSC) from Marine Tourism Holdings (MTH) valued at FJD62.57m. Consecutively, SSC will now become a fully owned subsidiary of FHL.
- Signing of Management Agreement between SSC and Cruise Whitsunday Pty Limited (CWP), a subsidiary of MTH for a period of 8 years.

2. Why divest BLCHL?

BLCHL is 100% owned by FHL and this acquisition will allow FHL to position itself in the tourism sector as a major player through the merger of SSC and BLC as one entity.

3. What are the benefits of this acquisition to FHL Shareholders?

This investment is one of the largest acquisitions since the purchase of RB Patel Group. This investment is expected to increase the Group assets by $50m, Group revenue by $35m and Group earnings by $5m.

4. Why the tourism industry and why now?

The tourism industry is clearly becoming the new backbone of Fiji and FHL is determined to be a key contributor to Fijians in terms of employment opportunities, skills development and most importantly ensuring that the dividends of this company stay in Fiji. Dividends from SSC will be payable to Fijian Holdings which we will pay out to our shareholders.

5. Why South Sea Cruises?

SSC is a market leader in this sector. It is the country's, largest and most experienced marine tourism operator. It provides an extensive and essential island resort connection service in the Yasawa and Mamanuca Group, and operates under several brands including Awesome Adventures and Coconuts & Coral -Fiji. Former parent company MTH currently operates a highly successful chain of Day Cruise and Island Resort connection throughout Fiji and Australia.

6. Why 100% of SSC? Why not 20,40 or 60%?

100% was the best option for FHL

7. How will this impact Blue Lagoon Cruises Limited in terms of operation and the other 7% shareholders?

The management agreement that was signed includes the management of BLC. The current fleet of BLC will complement the operations of SSC and ensure that BLC provides the returns to not only benefit FHL but the minority shareholders of BLC as well.

8. How will the deal be funded?

FHL will use its cash at bank to pay for the initial \$10m on the 1st day and another \$20m will be paid within next 60 days and the balance will be paid over a period of 7 years under an agreed repayment plan and interest rate.

9. Why sign a management agreement and what is the management fee?

The management agreement will allow FHL to maximise its return on investment in SSC. Over the initial 8 year period FHL will ensure that our people are well developed to continue the successful operations of SSC. The base management fee would be \$200,000 + 0.9% of gross income per annum.

10. Does this have an impact on dividends to shareholders?

Based on our forecasted expectations of SSC the first few years are expected to be challenging with the repayment of this investment however we are positive that this will largely benefit shareholders in the not too distant future.