

This document, which comprises an admission document, required by the rules of Prospects MTF, a market operated by the Malta Stock Exchange (the "Exchange"), has been drawn up in compliance with the Prospects MTF Rules issued by the Exchange. This document does not constitute a Prospectus as defined in Article 2(i) of the Companies Act (Chapter 386 of the Laws of Malta) and as such has not been drawn up in accordance with the requirements imposed by the EU Prospectus Directive (2013/71/EC), the Companies Act and/or the Listing Rules. In terms of Article 2(3)(b)(v) of the Companies Act, the issue of Securities as contemplated herein does not constitute an offer of securities to the public.

## Company Admission Document

Dated 11<sup>th</sup> May 2018

In respect of an issue of €5,000,000 5% Unsecured Bonds 2023 - 2028 of a nominal value of €100 per Bond issued at par by



HH Finance plc- A public limited liability company registered and incorporated in Malta  
with company registration number C84461

**ISIN: MT0001861203**

Prospective investors are to make reference to the sections entitled "Risk Factors" for a discussion of certain risk factors, which should be considered by prospective investors in connection with the Bonds.

THE MSE HAS AUTHORISED THE ISSUE OF THIS DOCUMENT. THE MSE DOES NOT GIVE ANY CERTIFICATION, REPRESENTATION, WARRANTY OR GUARANTEE REGARDING THE POTENTIAL RISKS INVOLVED IN INVESTING IN THE SAID SECURITIES OR THE SAFETY OF INVESTING IN SUCH SECURITIES. THE MSE ACCEPTS NO RESPONSIBILITY FOR THE COMPLETENESS OR ACCURACY OF THIS ADMISSION DOCUMENT AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ADMISSION DOCUMENT. THE DIRECTORS OF THE ISSUER, WHOSE NAMES APPEAR UNDER THE HEADING "IDENTITY OF DIRECTORS AND SENIOR MANAGEMENT OF THE ISSUER", ARE THE PERSONS RESPONSIBLE FOR THE INFORMATION CONTAINED IN THIS DOCUMENT. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS (WHO HAVE ALL TAKEN REASONABLE CARE TO ENSURE SUCH IS THE CASE), THE INFORMATION CONTAINED IN THIS DOCUMENT IS IN ACCORDANCE WITH FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORTANCE OF SUCH INFORMATION. THE DIRECTORS ASSUME FULL RESPONSIBILITY FOR ITS CONTENTS ACCORDINGLY.

THE MALTA STOCK EXCHANGE (EXCHANGE) HAS AUTHORISED THE ADMISSION OF THESE SECURITIES ON PROSPECTS MTF, A MULTI-LATERAL TRADING FACILITY OPERATED BY THE EXCHANGE. THIS MEANS THAT THE SAID INSTRUMENTS ARE IN COMPLIANCE WITH THE ADMISSION REQUIREMENTS SET OUT IN THE PROSPECTS MTF RULES. IN PROVIDING THIS AUTHORISATION, THE EXCHANGE DOES NOT GIVE ANY CERTIFICATION REGARDING THE POTENTIAL RISKS IN INVESTING IN THE SAID INSTRUMENTS AND SUCH AUTHORISATION SHOULD NOT BE DEEMED OR CONSTRUED AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN SUCH INSTRUMENTS.

INVESTING IN COMPANIES ADMITTED TO PROSPECTS MTF MAY PUT AN INVESTOR'S CASH PARTLY OR WHOLLY AT RISK. SECURITIES ISSUED BY SMALL AND MEDIUM SIZED ENTERPRISES TEND TO BE ILLIQUID AND CARRY HIGHER RISKS. INVESTORS SHOULD THUS SEEK APPROPRIATE ADVICE AND READ THE WHOLE DOCUMENT BEFORE MAKING ANY INVESTMENT DECISIONS. THE VALUE OF INVESTMENTS CAN RISE OR FALL AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. IF YOU NEED ADVICE OR ARE REQUIRED UNDER APPLICABLE LEGISLATION TO SEEK ADVICE WITH RESPECT TO THIS SECURITIES ISSUE, YOU SHOULD CONSULT A DULY LICENSED INVESTMENT ADVISOR.

THE BONDS ARE COMPLEX FINANCIAL INSTRUMENTS AND MAY NOT BE SUITABLE FOR ALL TYPES OF RETAIL INVESTORS. A POTENTIAL INVESTOR SHOULD NOT INVEST IN THE BONDS UNLESS: i) HE/SHE HAS THE NECESSARY KNOWLEDGE AND EXPERIENCE TO UNDERSTAND THE RISKS RELATING TO THIS TYPE OF FINANCIAL INSTRUMENT ii) THE BONDS MEET THE INVESTMENT OBJECTIVES OF THE POTENTIAL INVESTOR; AND iii) SUCH POTENTIAL INVESTOR IS ABLE TO BEAR THE INVESTMENT AND FINANCIAL RISKS WHICH RESULT FROM INVESTMENT IN THESE BONDS.

### APPROVED BY THE DIRECTORS

Tonio  
Depasquale

Benjamin  
Muscat

Hugo  
Chetcuti

Luke  
Chetcuti

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## IMPORTANT INFORMATION

THIS DOCUMENT CONTAINS INFORMATION ON HH FINANCE PLC IN ITS CAPACITY AS ISSUER, IN COMPLIANCE WITH THE PROSPECTS MTF RULES ISSUED BY THE MALTA STOCK EXCHANGE.

APPLICATION HAS BEEN MADE TO THE EXCHANGE FOR THE BONDS TO BE ADMITTED TO TRADING ON PROSPECTS MTF. PROSPECTS IS A MULTILATERAL TRADING FACILITY OPERATED BY THE MALTA STOCK EXCHANGE DESIGNED PRIMARILY FOR EMERGING AND SMALLER COMPANIES TO WHICH A HIGHER INVESTMENT RISK TENDS TO BE ATTACHED. PROSPECTS MTF SECURITIES ARE NOT ADMITTED TO THE OFFICIAL LIST OF THE MALTA STOCK EXCHANGE.

THE INFORMATION CONTAINED HEREIN IS BEING MADE AVAILABLE IN CONNECTION WITH AN ISSUE BY THE ISSUER OF €5,000,000 UNSECURED BONDS OF ANOMINAL VALUE OF ONE HUNDRED EURO (€100) PER BOND AND THE ADMISSION OF THE BONDS FOR TRADING ON THE PROSPECTS MTF. THE BONDS SHALL BE ISSUED AT PAR AND BEAR INTEREST AT THE RATE OF 5% PER ANNUM PAYABLE ANNUALLY IN ARREARS ON [TO INSERT] OF EACH YEAR UNTIL THE REDEMPTION DATE, WITH THE FIRST INTEREST PAYMENT FALLING DUE ON [TO INSERT] 2019. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL AT MATURITY.

NO BROKER, DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORISED BY THE ISSUER, OR ITS DIRECTORS TO ISSUE ANY ADVERTISEMENT OR TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH ISSUER OR THE SALE OF ITS SECURITIES OTHER THAN THOSE CONTAINED IN THIS ADMISSION DOCUMENT AND IN THE DOCUMENTS REFERRED TO HEREIN, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER, ITS DIRECTORS OR ADVISORS.

**THE MSE ACCEPTS NO RESPONSIBILITY FOR THE COMPLETENESS OR ACCURACY OF THIS ADMISSION DOCUMENT AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ADMISSION DOCUMENT.**

THIS ADMISSION DOCUMENT DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR SECURITIES ISSUED BY THE ISSUER BY ANY PERSON IN ANY JURISDICTION: (I) IN WHICH SUCH OFFER OR INVITATION IS NOT AUTHORISED; OR (II) IN WHICH THE PERSON MAKING SUCH OFFER OR INVITATION IS NOT QUALIFIED TO DO SO; OR (III) TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION. THE DISTRIBUTION OF THE ADMISSION DOCUMENT IN CERTAIN JURISDICTIONS MAY BE RESTRICTED AND, ACCORDINGLY, PERSONS INTO WHOSE POSSESSION IT IS RECEIVED ARE REQUIRED TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, SUCH RESTRICTIONS.

THIS ADMISSION DOCUMENT AND THE OFFERING, SALE OR DELIVERY OF ANY BONDS MAY NOT BE CONSTRUED OR TAKEN AS AN IMPLICATION: (I) THAT THE INFORMATION CONTAINED IN THE ADMISSION DOCUMENT IS ACCURATE AND COMPLETE SUBSEQUENT TO ITS DATE OF ISSUE; OR (II) THAT THERE HAS BEEN NO MATERIAL ADVERSE CHANGE IN THE FINANCIAL POSITION OF THE ISSUER SINCE SUCH DATE; OR (III) THAT ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE ADMISSION DOCUMENT IS ACCURATE AT ANY TIME SUBSEQUENT TO THE DATE ON WHICH IT IS SUPPLIED OR, IF DIFFERENT, THE DATE INDICATED IN THE DOCUMENT CONTAINING THE SAME.

A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY FINANCIAL INSTRUMENTS. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE SECURITIES OF AN ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT LEGAL ADVISORS, ACCOUNTANTS AND/OR OTHER FINANCIAL ADVISORS AS TO LEGAL, TAX, INVESTMENT OR ANY OTHER RELATED MATTERS CONCERNING THE BONDS AND THE ADMISSION DOCUMENT.

SAVE FOR THE OFFERING OF SECURITIES IN THE REPUBLIC OF MALTA, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE ISSUER THAT WOULD PERMIT AN OFFERING OF THE BONDS OR THE DISTRIBUTION OF THE ADMISSION DOCUMENT (OR ANY PART THEREOF) OR ANY OFFERING MATERIAL IN ANY COUNTRY OR JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED.

A COPY OF THE ADMISSION DOCUMENT HAS BEEN SUBMITTED TO THE EXCHANGE IN SATISFACTION OF THE PROSPECTS MTF RULES. STATEMENTS MADE IN THIS ADMISSION DOCUMENT ARE, EXCEPT WHERE OTHERWISE STATED, BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THEREIN.

ALL THE ADVISORS TO THE ISSUER UNDER THE HEADING "ADVISORS AND STATUTORY AUDITORS" HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER IN RELATION TO THIS PUBLIC OFFER AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION TOWARDS ANY OTHER PERSON AND WILL, ACCORDINGLY, NOT BE RESPONSIBLE TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE TRANSACTIONS PROPOSED IN THE ADMISSION DOCUMENT.

UNLESS OTHERWISE STATED, THE CONTENTS OF THE ISSUER'S WEBSITE OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE ISSUER'S WEBSITE DO NOT FORM PART OF THIS ADMISSION DOCUMENT. ACCORDINGLY, NO RELIANCE OUGHT TO BE MADE BY ANY INVESTOR ON ANY INFORMATION OR OTHER DATA CONTAINED IN SUCH WEBSITES AS THE BASIS FOR A DECISION TO INVEST IN THE BONDS.

**THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER ALL THE INFORMATION CONTAINED IN THE ADMISSION DOCUMENT AS A WHOLE AND SHOULD CONSULT THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS.**

## 1. DEFINITIONS

In this Admission Document, the following words and expressions shall bear the following meaning whenever such words and expressions are used in their capitalised form, except where the context otherwise requires:

<b>Act or Companies Act</b>	the Companies Act, 1995 (Chapter 386 of the Laws of Malta);
<b>Admission Document, Company Admission Document, or Document Applicant/s</b>	this document in its entirety;
<b>Application/s</b>	a person or persons whose name or names (in the case of joint applicants) appear in the registration details of an Application Form;
<b>Application Form</b>	the application to subscribe for Bonds made by an Applicant/s by completing an Application Form and delivering same to the Placement Agent and Manager (defined below) in accordance with the terms of this Admission Document;
<b>Appropriateness Test</b>	shall have the meaning set out in section 18.16 of this Document;
<b>Bond(s)</b>	€5,000,000 unsecured bonds due in 2028 of a nominal value of €100 per bond bearing an interest rate of 5% per annum;
<b>Bondholder</b>	the holders of the Bonds, and the terms 'Bondholders' shall be construed accordingly;
<b>Bond Issue</b>	the issue of the Bonds in terms of the Offer;
<b>Bond Issue Price</b>	the price of €100 per Bond
<b>Business Day</b>	any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
<b>Calamatta Cuschieri or Corporate Advisor</b>	Calamatta Cuschieri Investment Services Limited, a limited liability company registered under the laws of Malta with company registration number C13729, having its registered office at Europa Business Centre, Triq Dun Karm, B'Kara, BKR 9034, Malta as duly authorized to act as Corporate Advisors by the MSE, in terms of the Prospects MTF Rules;
<b>CET</b>	Central European Time;
<b>Company or Issuer</b>	HH Finance plc, a public limited liability company registered and incorporated in terms of the Companies Act with company registration number C84461, and having its registered office at 2, St Georges Court A, Saint Augustine Street, St Julian's, STJ3310, Malta;
<b>CSD</b>	the Central Securities Depository of the Malta Stock Exchange authorised in terms of Part IV of the Financial Markets Act (Chapter 345 of the laws of Malta), having its address at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
<b>Directors or Board of Directors</b>	the Directors of the Issuer as set out in Section 7.1;
<b>Euro or €</b>	the lawful currency for the time being of the Republic of Malta and of the Eurozone;
<b>Early Redemption Date/s</b>	any date falling between (and including) the 19 <sup>th</sup> May 2023 and 19 <sup>th</sup> May 2028, at the sole option of the Issuer, on which the Issuer shall be entitled to repay all or part of the principal amount of the Bonds and all interest accrued up to the date of repayment, by giving thirty (30) days prior written notice of such repayment between the 19 <sup>th</sup> May 2023 and 19 <sup>th</sup> May 2028 (both days included), and "Early Redemption" shall be construed accordingly;
<b>Exchange, Malta Stock Exchange or MSE</b>	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Chapter 345 of the laws of Malta) with company registration number C 42525 and having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
<b>Financial Markets Act</b>	the Financial Markets Act (Chapter 345 of the Laws of Malta);
<b>FY</b>	Financial Year;

<b>HH Group</b>	the Issuer and any and all related entities, and/or affiliates as further outlined in this Document;
<b>HH Operating Limited or the Lessee</b>	HH Operating Limited, a limited liability company registered under the laws of Malta with company registration number C84431, having its registered office at Hugo's Hotel, St George's Bay, St Julian's, Malta;
<b>Hotel</b>	the hotel without official number and named 'Hugo's Hotel' previously named Hotel Bernard in Upper Saint Augustine Street, corner with Saint Rita Steps, Saint George's Bay, St Julian's, bounded on the South by Saint Rita Street and onto Saint George's Street by virtue of a public deed in the records of Notary Rachel Busuttill on the 8 <sup>th</sup> March of the year two thousand and eighteen (2018);
<b>Hugo's Hotel Limited or Transferor</b>	Hugo's Hotel Limited, a limited liability company registered under the laws of Malta with company registration number C8556, having its registered office at Hugo's Hotel, St George's Bay, St Julian's, Malta;
<b>Interest</b>	the Bonds shall bear interest from and including 19 <sup>th</sup> May 2018 at the rate of Five per cent (5%) per annum payable annually in arrears on the Interest Payment Dates;
<b>Interest Payment Dates</b>	annually, on 19 <sup>th</sup> May of each year commencing on 19 <sup>th</sup> May 2019 and ending with and including the Redemption Date, provided that if any such day is not a Business Day such Interest Payment Date will be carried over to the next following day that is a Business Day;
<b>Issue Period</b>	the period between 14 <sup>th</sup> May 2018 and 18 <sup>th</sup> May 2018 (or such earlier date as may be determined by the Issuer) during which the Bonds are available for subscription;
<b>Listing Authority</b>	the Malta Financial Services Authority, appointed as Listing Authority for the purposes of the Financial Markets Act (Chapter 345 of the laws of Malta) by virtue of Legal Notice 1 of 2003;
<b>Listing Rules</b>	the listing rules issued by the Listing Authority, as may be amended from time to time;
<b>Memorandum and Articles of Association or M&amp;A</b>	the memorandum and articles of association of the Issuer, in force at the time of publication of the Admission Document;
<b>MFSA</b>	the Malta Financial Services Authority, established in terms of the Malta Financial Services Authority Act(Chapter 330 of the Laws of Malta);
<b>Offer</b>	the offer for subscription of the Bonds in terms of this Document;
<b>Official List</b>	the list prepared and published by the Malta Stock Exchange as its official list in accordance with the Malta Stock Exchange Bye-Laws;
<b>Operating Lease Agreement</b>	the agreement entered into between the Issuer and the Lessee regulating the terms and conditions in terms of which the Lessee is to lease out the Hotel, a copy of which is being attached to this Admission Document in Annex B hereof;
<b>Placement Agent and Manager</b>	Calamatta Cuschieri Investment Services Limited, a limited liability company registered under the laws of Malta with company registration number C13729, having its registered office at Europa Business Centre, Triq Dun Karm, B'Kara, BKR 9034, Malta;
<b>Prospects MTF</b>	the market regulated as a Multilateral Trading Facility operated by the MSE providing a venue for start-up and growth small to medium-sized enterprises to float their capital (including equity or debt) on the market;
<b>Prospects MTF List</b>	the list prepared and published by the Malta Stock Exchange as the list indicating the companies admitted to the Prospects MTF in accordance with the Malta Stock Exchange Bye-Laws;
<b>Prospects MTF Rules or Rules</b>	the rules issued by the Board of Directors of the Malta Stock Exchange, in exercise of the powers conferred on it by the Financial Markets Act (Chapter 345 of the Laws of Malta) regulating the Prospects MTF market;
<b>Prospectus Directive</b>	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC, as may be amended from time to time;
<b>Redemption Date</b>	19 <sup>th</sup> May 2028 or an Early Redemption Date;

<b>Redemption Value</b>	means the nominal value of each Bond held by the Bondholder, that is one hundred Euro (€100) per Bond, which shall be paid by the Issuer to the Bondholder on the Redemption Date;
<b>Small and medium-sized enterprises or SMEs</b>	an enterprise as defined in section 2 (1) of the Companies Act, Chapter 386 of the laws of Malta, that is, companies which, according to their last annual or consolidated accounts, meet at least two of the following three criteria: an average number of employees, during the financial year, of less than 250; a total balance sheet not exceeding forty-three million Euro (43,000,000); an annual net turnover not exceeding fifty million Euro (50,000,000);
<b>Subscription Agreement</b>	the conditional subscription agreement entered into between the Issuer and the Placement Agent and Manager for the subscription of the Bonds whereby the Issuer has bound itself to allocate Bonds thereto, and the Placement Agent and Manager has conditionally bound itself to subscribe to, up to the total amount of €5,000,000 as aforesaid, inter alia.
<b>Suitability Test Summary</b>	shall have the meaning as set out in Section 18.16 of this Admission Document; a summary of the salient features of the Document, as contained in the section entitled “Summary”;
<b>Terms and Conditions</b>	the terms and conditions of the Bonds contained in this Document under the heading “Terms and Conditions of the Bonds”.

All references in the Document to “Malta” are to the “Republic of Malta”.

Unless it appears otherwise from the context:

- a) words importing the singular shall include the plural and vice-versa;
- b) words importing the masculine gender shall include the feminine gender and vice-versa;
- c) the word “may” shall be construed as permissive and the word “shall” shall be construed as imperative.
- d) any reference to a person includes natural persons, firms, partnerships, companies, corporations, associations, organisations, governments, states, foundations or trusts;
- e) any reference to a person includes that person’s legal personal representatives, successors and assigns;
- f) any phrase introduced by the terms “including”, “include”, “in particular” or any similar expressionism illustrative only and does not limit the sense of the words preceding those terms;
- g) any reference to a law, legislative act, and/or other legislation shall mean that particular law, legislative act and/or legislation as in force at the time of issue of this Company Admission Document.

## 2. SUMMARY

This Summary should be read as an introduction to the Admission Document. Prospective investors are hereby warned that this Summary is being provided to convey the essential characteristics and risks associated with the Issuer and the securities being offered pursuant to the Admission Document. It is not and does not purport to be exhaustive and investors are warned that they should not rely on the information contained in this Summary in making a decision as to whether to invest in the securities described in this document. Any decision to invest in the securities should be based on consideration of the Admission Document as a whole by the prospective investor.

### Section A – Information regarding the Issuer

A.1 **Legal and commercial name of the Issuer** -The legal and commercial name of the Issuer is HH Finance plc.

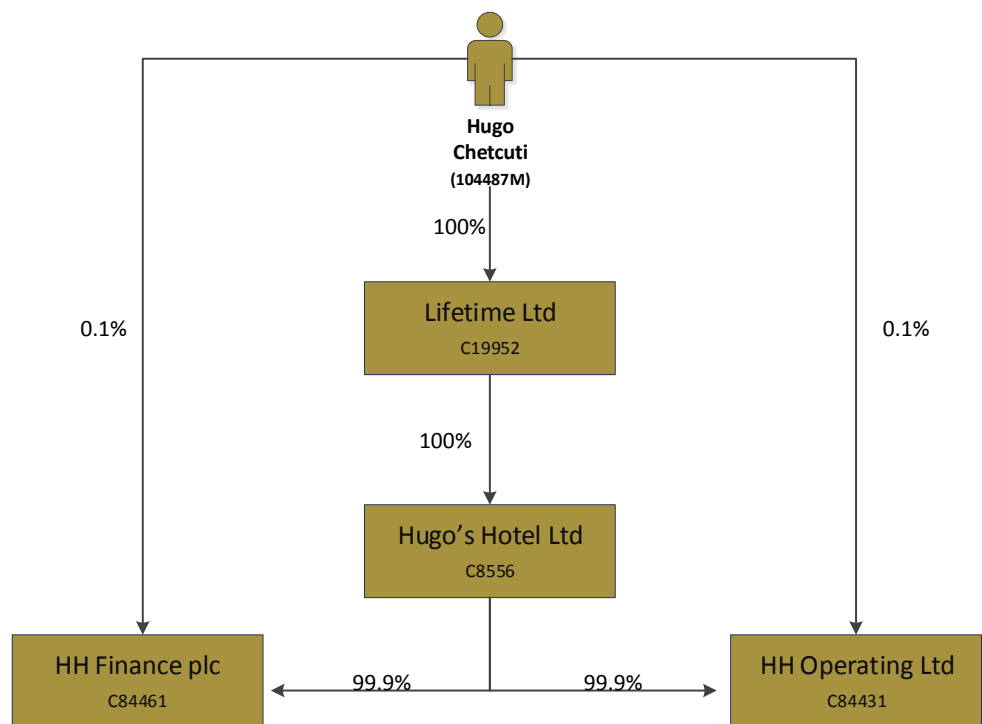
A.2 **Domicile and legal form of the Issuer**—The Issuer is domiciled in Malta and was incorporated and registered in Malta on the 17<sup>th</sup> January 2018 as a public limited liability company in terms of the Companies Act, with Company Registration number C84461.

A.3 **Nature of the issuer’s current operations and its principal activities**—The principal object of the Issuer, which was set up and established to act as a finance and property company, is to own, manage, administer and dispose of property of any kind, lend and advance money, give credit, grant or provide guarantees, hypothecs, privileges, charges, security interests or other security, exclusively to, or in favour of companies or partnerships which form part of the same group of companies. The issue of the Bonds falls within the objects of the Issuer.

A.4 **Shareholding structure** – The Issuer’s current authorised share capital is €150,000 divided into 150,000 ordinary shares of €1 each. The Issuer’s issued share capital is one hundred and fifty thousand Euro (€150,000) divided into one hundred and forty nine thousand (149,000) ordinary ‘A’ shares of one Euro (€1.00) each fully paid up and one (1) ordinary ‘B’ share of one Euro(€1.00)twenty five percent (25%) paid up.

Apart from the one (1) ordinary B share owned by Hugo Chetcuti, the Company is a fully owned subsidiary of Hugo’s Hotel Limited, a limited liability company incorporated and registered under the Laws of Malta bearing Company Registration number C8556 and having its registered office at Hugo’s Hotel, St George’s Bay, St Julian’s, Malta. The principal object of the Issuer, which was set up and established to act as a finance and property company, is to own, manage, administer and dispose of property of any kind, lend and advance money, give credit, grant or provide guarantees, hypothecs, privileges, charges, security interests or other security, exclusively to, or in favour of companies or partnerships which form part of the same group of companies. The issue of the Bonds falls within the objects of the Issuer. There has been no material adverse change in the Prospects MTF of the Issuer since the date of its incorporation.

A.5 **Organisational Structure** -The organisational structure of the HH Group as at the date of the Admission Document is illustrated in the diagram below.



A.6 **Summary of Financial Information**—The Issuer was set up on the 17<sup>th</sup> January 2018 and since its incorporation and up to the date of this Admission Document, no financial statements have been prepared. There has not been any significant change in the financial or trading position of the Issuer, which has occurred since the company's date of incorporation.

## Section B – The Securities

B.1 **Type and class of securities** – The Issuer shall issue an aggregate of five million Euro (€5,000,000) in Bonds having a face value of one hundred Euro (€100) per bond, subject to a minimum subscription of two thousand Euro (€2,000) in Bonds and in multiples of one hundred Euro (€100) thereafter. The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD. On admission to trading on the Prospects MTF, the Bonds will have the following ISIN: MT0001861203. The Bonds shall bear interest at the rate of 5% per annum.

The Bonds shall be repayable in full upon maturity on the 19<sup>th</sup> May 2028 (together with interest accrued to the date fixed for redemption) unless previously re-purchased, cancelled or redeemed, provided that the Issuer reserves the right to redeem any one or more of the Bonds or any part thereof on any of the Early Redemption Date/s, as the Issuer may determine with the prior notification to the Exchange on giving not less than 30 days' notice to the respective Bondholder.

B.2 **Currency** - The Bonds are denominated in Euro (€).

B.3 **Transferability** - The Bonds are freely transferable and, once admitted to the Prospects MTF List, shall be transferable only in whole in accordance with the rules and regulations of the MSE applicable from time to time.

B.4 **Rights attached to the Bonds** - There are no special rights attached to the Bonds other than the right of the Bondholders to:

- the payment of interest;
- the payment of capital;
- ranking with respect to other indebtedness of the Issuer in accordance with the provisions of sub-section 17.3 of this Document;
- attend, participate in and vote at meetings of Bondholders in accordance with the Terms and Conditions of the Bond Issue; and
- enjoy all such other rights attached to the Bonds emanating from the Admission Document.

B.5 **Interest** - The Bonds shall bear interest from and including 19<sup>th</sup> May 2018 at the rate of 5% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date, the first Interest Payment Date being 19<sup>th</sup> May 2019 provided that any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day. The gross yield calculated based on the Interest, the Bond Issue Price and the Redemption Value of the Bonds at Redemption Date is 5%.

Redemption shall take place on the 19<sup>th</sup> May 2028, provided that the Issuer reserves the right to redeem any one or more of the Bonds or any part thereof on any of the Early Redemption Dates, as the Issuer may determine, on giving not less than 30 days' notice to Bondholders.

## Section C – Risks

C.1 **Essential information on the key risks specific to the Issuer**

- i. **Liquidity Risk** – The Issuer's ability to meet its financial commitments may be adversely affected by risks arising from the inability or difficulty to liquidate assets or the inability to obtain adequate funding.



- ii. **Interest Rate Risk** – The Issuer may be adversely affected by a mismatch between the interest rates of its assets and liabilities as may arise in the conduct of its business.
- iii. **Exchange Rate Risk** – The Issuer’s operations are in part exposed, in the case of transactions not denominated in Euro, to foreign currency risk on transactions, receivables and borrowings that are denominated in a currency other than the Euro.
- iv. **Concentration Risk** – The Issuer’s business is dependent on the retention and performance of the operator of the Hotel. Failure to retain or find an alternative to the operator of the Hotel, and key clients, or failure to renew the latter’s relationships could adversely affect the HH Group’s business. The loss of the said operator could adversely impact the Issuer’s revenue and could substantially affect its operations and financial condition. Additionally, the Issuer’s only asset at the time of issue of the Bonds is the Hotel and as such, the underlying value of the Issuer may fluctuate in accordance with the fluctuations inherent in the local property market.
- v. **Operational Risk** – The Issuer’s financial performance may be adversely affected by inadequate or failed internal processes, people and information technology systems or unforeseen external events.
- vi. **Reputational Risk** – The Issuer’s operations and performance may be adversely affected by risks arising from negative publicity regarding its business practices, operational failures, and/or regulatory breaches, whether true or otherwise.
- vii. **Market and Competition Factors** – The Issuer may be adversely affected by risks arising from changes in economic conditions and increased competitive pressure in the property market and hospitality sectors.
- viii. **Strategic and Business Risk** – The Issuer’s operations and business may be adversely affected by risks arising from improper strategic choices, and their relative implementation, which risks may be unique to the Issuer;
- ix. **Dependence on Key Personnel** – The Issuer may be adversely affected if one or more of its key personnel are unable or unwilling to continue in their employment;
- x. **Risks Relating to Taxation** – The amount of taxation charged on the Issuer’s activities is subject to changes in tax laws and their practical application;
- xi. **Regulatory Risk** – The Issuer’s ability to successfully pursue their business and their profits may be adversely affected by an increase in regulation both on a national, and/or regional level;
- xii. **Legal Risk** – The Issuer is subject to various forms of legal risk. Legal risks arise from the possibility that unenforceable contracts, lawsuits, or adverse judgements can disrupt or otherwise negatively affect the operations or condition of the Issuer;
- xiii. **Forward-looking statements** – Forward-looking statements can be identified by the use of terms such as “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will”, or “should”. These forward-looking statements relate to matters that are not historical facts. Forward-looking statements are not guarantees of future performance and should therefore not be construed as such. The Issuer’s actual results of operations, financial condition, liquidity, dividend policy and the development of its strategy may differ materially from the impression created by the forward-looking statements contained in this Document.
- xiv. **Additional Indebtedness and Security** – the Issuer may incur further borrowings and indebtedness and may create or permit to subsist other security interests upon the whole or any part of its present or future undertakings, assets or revenues (including uncalled capital)

## C.2 Essential information on the key risks specific to the Bonds

- i. **No Assurance of an active Secondary Market in the Bonds** - Only upon successful admission, the Bonds will be traded on a multilateral trading facility but will NOT be traded on any regulated market. Hence the market for the Bonds may

be less liquid than a regulated market and a bondholder may find it more difficult to identify willing buyers for their Bonds.

- ii. **Fluctuations in exchange rate** - A Bondholder will bear the risk of any fluctuations in exchange rates between the currency of the Bonds (€) and the Bondholder's currency of reference, if different.
- iii. **Additional Indebtedness and Security** - The Issuer may incur further borrowings or indebtedness and may create or permit to subsist other security interests upon the whole or any part of its present or future undertakings, assets or revenues (including uncalled capital).
- iv. **Effect of Future Public Offerings/Takeover/Merger Activity** - No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, will have on the market price of any of the Bonds prevailing from time to time.
- v. **Fixed Rate Bonds** - The Issuer is entitled to issue Bonds bearing a fixed rate of interest which involves the risk that subsequent changes in market interest rates may adversely affect the market value of the said Bonds. Investors should also be aware that the price of the fixed rate Bonds moves adversely to changes in interest rates.
- vi. **Listing on the Prospects MTF** - Application has been made to the MSE for the Bonds to be admitted and traded on the Prospects MTF. The Prospects MTF is a multilateral trading facility which is operated by the MSE and provides a venue for SMEs to float their securities. Consequently, this market is designed primarily for companies to which a higher risk than that associated with established companies tends to be attached. A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and consultation with his or her own independent financial advisor.
- vii. **Suspension or Discontinuation of Admission and/or Trading on Prospects MTF** - Even after the Bonds are admitted to trading on Prospects MTF, the Issuer is required to remain in compliance with certain requirements of the Prospects MTF Rules issued by the Exchange as amended from time to time. Moreover, the MSE has the authority to suspend admission and/or trading of the Bonds if it comes to believe that such a suspension is required for the protection of investors or the integrity or reputation of the market. The MSE may also discontinue the admission and/or trading of the Bonds on Prospects MTF. Such admission and/or trading suspension or discontinuation could have a material adverse effect on the liquidity and value of the Bonds.
- viii. **Value of the Bonds** - The value of investments can rise or fall, and past performance is not necessarily indicative of future performance.
- ix. **No credit rating** - The Issuer has not sought, nor does it intend to seek, the credit rating of an independent rating agency and there has been no assessment by any independent rating agency of the Bonds.
- x. **Ranking**- The Bonds, as and when issued, shall constitute the general, direct, unconditional and unsecured obligations of the Issuer and shall at all times rank *paripassu*, without any priority or preference among themselves and with other unsecured debt, if any. Furthermore, subject to the negative pledge clause (section 17.4 of this Admissions Document), third party security interests may be registered which will rank in priority to the Bonds against the assets of the Issuer for so long as such security interests remain in effect.
- xi. **Terms and Conditions** - The Terms and Conditions of the Bonds are based on Maltese law in effect as at the date of this document and a change in Maltese law may have an effect on the terms of the Bonds.

## Section D – Offer

- D.1 Use of Proceeds** -The net proceeds from the Bond Issue will be utilised by the Issuer in order to pay part of the balance due by the Issuer in acquiring the Hotel from the Transferor.

Should subscriptions for a total of at least four million Euro (€4,000,000) (“Minimum Amount”) not be received, no allotment of Bonds shall be made, the Applications for Bonds shall be deemed not to have been accepted by the Issuer and all money received from Applicants for Bonds shall be refunded accordingly. In the event that the Minimum Amount is reached but the Bond Issue is still not fully subscribed, the Issuer will proceed with the allotment of the amount of Bonds subscribed for.

- D.2 Subscription** –The Issuer has appointed Calamatta Cuschieri as Placement Agent and Manager for the purposes of this Bond Issue and interested investors may contact the Placement Agent and Manager for the purposes of subscribing to Bonds during the Issue Period. Applications for subscriptions to the Bonds will be processed on a first-come-first-served basis and the Issue Period shall close immediately upon attaining full subscription or on the last day of the Issue Period, whichever is the earliest.

The Bonds are open for subscription to all categories of investors, provided that the Placement Agent and Manager shall be required to carry out an Appropriateness Test in respect of each Applicant for the purpose of assessing such Applicant's level of knowledge and experience prior to investing in the Bonds. Applications shall not be accepted by the Placement Agent and Manager unless, based on the results of such Appropriateness Test, the Placement Agent and Manager is satisfied that an investment in the Bonds may be considered appropriate for the Applicant. To the extent that the Placement Agent and Manager is providing advice in respect of a purchase of the Bonds by an Applicant, the Placement Agent and Manager shall also be required to conduct a Suitability Test in respect of the Applicant and, based on the results of such test, be satisfied that an investment in the Bonds may be considered suitable for the Applicant.

The Bond Issue is not underwritten. Should subscriptions for a total of at least four million Euro (€4,000,000) (the “Minimum Amount”) not be received, no allotment of the Bonds shall be made, the Applications for Bonds shall be deemed not to have been accepted by the Issuer and all money received from Applicants for Bonds shall be refunded accordingly. In the event that the Minimum Amount is reached but the Bond Issue is still not fully subscribed, the Issuer will proceed with the allotment of the amount of Bonds subscribed.

The total amount of five million Euro (€5,000,000) of Bonds is being reserved for subscription by the Placement Agent and Manager participating in the Placement Offer as detailed in Section 17.2 of this Document. The Issuer shall enter into a conditional Subscription Agreement with the Placement Agent and Manager for the subscription of Bonds, whereby it will bind itself to allocate Bonds thereto up to the total amount of €5,000,000 as aforesaid.

In terms of said Subscription Agreement entered into with the Placement Agent and Manager, the Issuer will be conditionally bound to issue, and the Placement Agent and Manager will be conditionally bound to subscribe to, up to the total amount of five million Euro (€5,000,000) of Bonds as indicated therein, each subject to the Minimum Amount of four million Euro (€4,000,000) being subscribed.

In terms of the said subscription agreement, the Placement Agent and Manager may subscribe for Bonds for its own account or for the account of underlying customers, including retail customers.

- D.3 Governing Law and Jurisdiction** - The Bonds have been created, and the Bond Issue relating thereto is being made, in terms of the Act. From their inception, the Bonds, and all contractual arrangements arising therefrom, shall be governed by and shall be construed in accordance with Maltese law. Any legal action, suit, action or proceeding against the Issuer arising out of or in connection with the Bonds shall be brought exclusively before the Maltese courts and the Bondholder shall be deemed to acknowledge that it is submitting to the exclusive jurisdiction of the Maltese courts.

- D.4 Fees** -Professional fees and costs related to publicity, advertising, printing, fees relating to the admission to trading on Prospects MTF, registration, corporate advisor, management, selling commission and other miscellaneous expenses in connection with this Bond Issue are estimated not to exceed sixty thousand Euro (€60,000) and shall be borne by the Issuer.

D.5 **Interest of natural and legal persons involved in the Issue** - Save for the subscription for Bonds by the Placement Agent and Manager and any fees payable to the Placement Agent and Manager in connection with the Bond Issue, to the best of the Issuer's knowledge no person involved in the Issue has an interest material to the Bond Issue.

D.6 **Expected Timetable of Principal Events:**

1. Application Forms Available	Monday 14 <sup>th</sup> May 2018
2. Issue Period	Monday 14 <sup>th</sup> May 2018 to Friday 18 <sup>th</sup> May 2018
3. Commencement of interest on Bonds	Saturday 19 <sup>th</sup> May 2018
4. Announcement of basis of acceptance	Monday 21 <sup>st</sup> May 2018
5. Issuance of Bonds	Monday 21 <sup>st</sup> May 2018
6. Expected date of Admission of the Bonds to Prospects MTF	Tuesday 22 <sup>nd</sup> May 2018
7. Expected date of commencement of trading in the Bonds	Wednesday 23 <sup>rd</sup> May 2018
8. Expected dispatch of allotment advices and refunds of unallocated monies	Tuesday 22 <sup>nd</sup> May 2018

The Issuer reserves the right to close the subscription lists before Friday 18th May 2018 in the event that the Bonds are fully subscribed prior to the said date and time. In such an eventuality, the events set out in steps 4 to 8 above shall be brought forward although the number of working days between the respective events shall not also be altered.

### 3. RISK FACTORS

THE VALUE OF INVESTMENTS, INCLUDING THE BONDS, CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL UPON MATURITY, UNLESS THE BONDS ARE PREVIOUSLY REDEEMED RE-PURCHASED OR CANCELLED. THE ISSUER SHALL REDEEM THE BONDS ON THE REDEMPTION DATE, UNLESS PREVIOUSLY REDEEMED. AN INVESTMENT IN THE BONDS INVOLVES CERTAIN RISKS, INCLUDING THOSE DESCRIBED BELOW.

PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER, WITH THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS, THE FOLLOWING RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS, AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THIS ADMISSION DOCUMENT, BEFORE DECIDING TO MAKE AN INVESTMENT IN THE BONDS. SOME OF THESE RISKS ARE SUBJECT TO CONTINGENCIES WHICH MAY OR MAY NOT OCCUR AND THE ISSUER IS NOT IN A POSITION TO EXPRESS ANY VIEWS ON THE LIKELIHOOD OF ANY SUCH CONTINGENCIES OCCURRING. THE SEQUENCE IN WHICH THE RISKS BELOW ARE LISTED IS NOT INTENDED TO BE INDICATIVE OF ANY ORDER OF PRIORITY OR OF THE EXTENT OF THEIR CONSEQUENCES. IF ANY OF THE RISKS DESCRIBED BELOW WERE TO MATERIALISE, THEY COULD HAVE A SERIOUS EFFECT ON THE ISSUER'S FINANCIAL RESULTS AND TRADING PROSPECTS MTF AND THE ABILITY OF THE ISSUER TO FULFIL ITS OBLIGATIONS UNDER THE SECURITIES ISSUED BY THE ISSUER FROM TIME TO TIME.

THE RISKS AND UNCERTAINTIES DISCUSSED BELOW ARE THOSE IDENTIFIED AS SUCH BY THE DIRECTORS OF THE ISSUER, BUT THESE RISKS AND UNCERTAINTIES MAY NOT BE THE ONLY ONES THAT THE ISSUER FACE. ADDITIONAL RISKS AND UNCERTAINTIES, INCLUDING THOSE WHICH THE ISSUER'S DIRECTORS ARE NOT CURRENTLY AWARE OF, MAY WELL RESULT IN A MATERIAL IMPACT ON THE FINANCIAL CONDITION AND OPERATIONAL PERFORMANCE OF THE ISSUER THAT COULD LEAD TO A DECLINE IN VALUE OF THE SECURITIES.

NEITHER THIS ADMISSION DOCUMENT NOR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE BONDS: (I) IS INTENDED TO PROVIDE THE BASIS OF ANY CREDIT OR OTHER EVALUATION, NOR (II) SHOULD BE CONSIDERED AS A RECOMMENDATION BY THE ISSUER, THE CORPORATE ADVISOR, THE PLACEMENT AGENT & MANAGER THAT ANY RECIPIENT

**OF THIS DOCUMENT OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE ADMISSION DOCUMENT OR ANY BONDS, SHOULD PURCHASE ANY BONDS ISSUED BY THE ISSUER.**

**ACCORDINGLY, PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS AND SHOULD CONSIDER ALL OTHER SECTIONS IN THIS DOCUMENT.**

### **3.1 Forward – Looking Statements**

The Admission Document contains forward-looking statements that include, among others, statements concerning the Issuer's strategies and plans relating to the attainment of their respective objectives, capital requirements and other statements of expectations, beliefs, future plans and strategies, anticipated developments and other matters that are not historical facts and which may, accordingly, involve predictions of future circumstances. Prospective investors can generally identify forward-looking statements by the use of terminology such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", or similar phrases. Such forward-looking statements are inherently subject to a number of risks, uncertainties and assumptions, a few of which are beyond the Issuer's control.

Important factors that could cause actual results to differ materially from the expectations of the Issuer's directors include those risks identified under this heading "*Risk Factors*" and elsewhere in the Admission Document. If any of the risks described were to materialise, they could have a serious effect on the Issuer's financial results, trading Prospects MTF and the ability of the Issuer to fulfil its respective obligations under the securities to be issued.

Accordingly, the Issuer cautions prospective investors that these forward-looking statements are subject to risks and uncertainties that could cause actual events or results to differ materially from those expressed or implied by such statements, that such statements do not bind the Issuer with respect to future results and no assurance is given that the projected future results or expectations covered by such forward-looking statements will be achieved.

Prospective investors are advised to read the Admission Document in its entirety and, in particular, the sections entitled "*Risk Factors*" for a further discussion of the factors that could affect the Issuer's future performance. In the light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in the Document may not occur. All forward-looking statements contained in the Admission Document are made only as at the date hereof. The Issuer and their respective directors expressly disclaim any obligations to update or revise any forward-looking statements contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the Bonds will be repayable in full upon maturity, unless the Bonds are previously redeemed, re-purchased and cancelled. An investment in the Bonds involves certain risks, including those described below.

### **3.2 General**

Authorised financial intermediaries are to determine the suitability of prospective investors' investment in the Bonds in the light of said prospective investors' own circumstances. The Bonds may not be a suitable investment for all investors. In particular, authorised financial intermediaries should determine whether each prospective investor:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in the Admission Document or any applicable supplement;
- (ii) has sufficient financial resources and liquidity to bear all the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the prospective investor's currency;

- (iii) understands thoroughly the terms of the Bonds and is familiar with the behaviour of any relevant indices and financial markets; and
- (iv) is able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect his/her/its investment and his/her/its ability to bear the applicable risks.

### **3.3 Risks relating to the Issuer and its business**

#### **3.3.1 The Issuer's indebtedness could adversely affect its financial position**

As a result of the investments made in furtherance of its growth and developments strategy, the HH Group has accumulated a material amount of debt. Although the amount of debt funding of the HH Group is expected to increase due to its new projects, the Issuer's policy is such as to maintain a balanced debt to equity ratio at prudent levels. A number of financial covenants that the HH Group may contract to, could give rise to a reduction in the amount of cash available for distribution to the HH Group, which would otherwise be available for funding of the HH Group's working capital, capital expenditure, development costs and other general corporate costs.

#### **3.3.2 The Issuer has a brief history of operations**

The Issuer has a limited trading record and history of operations. It was set up on the 17<sup>th</sup> January 2018 primarily to acquire properties in accordance with the HH Group's business strategy. The Issuer is substantially a start-up operation with all the attendant risks that start-ups normally entail. These risks include, but are not limited to, a lack of financial stability. Furthermore, the Issuer's operations and the results of its operations are subject to a number of factors that could adversely affect the HH Group's business, many of which are common to the hotel and real estate industry and beyond the HH Group's control. In the event that these risks were to materialise they could have a significant impact on the financial position of the Issuer.

#### **3.3.3 Seasonality**

The business activities of the operator of the Hotel are highly seasonal with higher demand in summer being attributable to the increased number of tourist arrivals in Malta. A fall in the number of tourist arrivals in Malta and lower-than-average summer temperatures may both have a negative impact on the operations of the Hotel, and in turn the revenues of the Issuer.

#### **3.3.4 The property market is a very competitive market that can influence the business of the Issuer**

The real estate market in Malta is very competitive in nature. An increase in supply and/or a reduction in demand in the property segments in which the Issuer operates may cause property leasing rates within the Issuer's properties to be leased at rates which are lower than those being anticipated by the Issuer or may cause the demand for the lease of such properties to be subdued or to take place at a slower pace than that anticipated by the Issuer. If these risks were to materialise this could have a material adverse impact on the Issuer's business and financial condition.

#### **3.3.5 Risks relating to reliance on the leases**

The Issuer relies on the revenues it generates and expects to generate from the lease of the Hotel. There can be no guarantee that the Issuer will find a suitable operator for the Hotel on the terms it seeks. In addition, the financial stability of the tenants may change over time. A default by the operator could result in a reduction in rental revenues, which could require the Issuer to contribute additional capital or obtain alternative financing. In addition, the Issuer may incur costs in enforcing rights under the operational lease agreement. Any adverse changes in tenants' financial condition may negatively affect cash flows generated by the operator. Any of the foregoing factors may adversely affect the business, financial condition and results of operations of the Issuer.

#### **3.3.6 Real Estate investments are illiquid**

The Issuer is a property-holding company. Property is a relatively illiquid asset and such illiquidity may impact the Issuer's ability to vary its portfolio or dispose of, or liquidate part of its portfolio in a timely manner and at satisfactory prices in response to changes in economic, real estate, market and other conditions. The real estate market is affected by several factors which include general economic conditions, availability of financing, interest rates and other factors, such as supply and demand that are beyond the Issuer's control. These factors could have an adverse effect on the Issuer's financial position and results.

### 3.3.7 The Issuer may be exposed to environmental liabilities attaching to real estate property

The Issuer may become liable for the costs of removal, investigation or remediation of any hazardous or toxic substances that may be located on or in, or which may have migrated from a property owned or occupied by it, which costs may be substantial. The Issuer may also be required to remove or remediate any hazardous substances that it causes or knowingly permits at any property that it owns or may in future own. Laws and regulations, which may be amended over time, may also impose liability for the presence of certain materials or substances or the release of certain materials or substances into the air, land or water or the migration of certain materials or substances from a real estate investment, including asbestos, and such presence, release or migration could form the basis for liability to third parties for personal injury or other damages. These environmental liabilities, if realised, could have a material adverse effect on the Issuer's business, financial condition and results of operations.

### 3.3.8 Exposure to general market conditions

The health of the market in which the HH Group operates may be affected by a number of factors such as national economy, political developments, government regulations, changes in planning or tax laws, interest rate fluctuations, inflation, and the availability of financing and yields of alternative investments.

### 3.3.9 Reputational risk

Reputational risk is usually associated with conflicts of interest, regulatory compliance, remuneration systems, professional behaviour of the human resources, reputation and financial soundness of major shareholders, corporate culture, leadership and corporate strategy and its implementation. Reputational risk could materially and adversely affect the HH Group's ability to retain or attract customers, particularly institutional and retail customers, whose loss could adversely affect the Group's operations, financial condition and Prospects MTF. More specifically, reputational harm may result in the loss of market share and revenue, increased compliance costs and higher financing costs, reflecting the perceived increased risks.

### 3.3.10 Litigation risk

All industries, including the industry in which the HH Group operates are subject to legal claims, with and without merit. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation and dispute resolution process, there can be no assurance that the resolution of any particular legal proceeding or dispute will not have a material adverse effect on the HH Group's future cash flow, results of operations or financial condition. Furthermore, a negative outcome in the Court Case (as further explained in section 20 of the Admission Document) would bear a material impact on the assets of the Issuer and the business strategy as a whole.

### 3.3.11 Concentration Risk

Concentration risk may also arise because of lack of diversification in business that may lead to excessive exposure or concentration in a group of connected counterparties. Furthermore, concentration risk may also arise in terms of geographies, regions, countries and industries.

The underlying asset of the Issuer is the Hotel and the income derived from the lease of the said Hotel. As a result of the composition of the Issuer's portfolio of assets, any broadly negative economic trends affecting the Maltese property and/or hospitality markets, may have an adverse effect on the Issuer.

### 3.3.12 Fluctuations in property valuations

The valuations referred to in this Admission Document are prepared by an independent qualified architect and are inherently subjective. In providing these market valuations, the independent architect has made certain assumptions that ultimately may cause the actual values to be materially different from any future values that may be expressed or implied by such forward-looking statements or anticipated on the basis of historical trends, as reality may not match the assumptions. There can be no assurance that such property valuations reflect actual market values.

### 3.3.13 Risks relative to changes in laws

The Issuer is subject to, *inter alia*, taxation, environmental and health and safety laws and regulations. The Issuer is at risk in relation to changes in laws and regulations and the timing and effects of changes in the laws and regulations to which it is subject, including changes in the interpretation thereof which cannot be predicted. No assurance can be given as to the impact of any possible judicial decision or change in law or administrative practice after the date of the Prospectus upon the business and operations of the Issuer.

### 3.3.14 Health and Safety

The nature of the Issuer's business necessitates that adequate importance is given to maintaining compliance with international health and safety standards. The failure to comply with such standards could expose the Issuer to third party claims which could in turn have a material adverse effect on the its business and profitability.

### 3.3.15 Key Personnel

The HH Group is mainly dependent on Mr Hugo Chetcuti as main driving force behind the HH Group business plan and its implementation. As such, the Issuer, and the HH Group in general, may be adversely affected if Mr Hugo Chetcuti or any one or more of its key personnel is/are unable or unwilling to continue in his/their employment within the Issuer and/or the HH Group.

### 3.3.16 Risks relating to the hospitality industry

The Issuer is indirectly dependent on the hospitality industry given the nature of the property within its portfolio of assets. The potential tenant's operation maybe affected by a number of external factors that could affect its business, many of which are common to the hotel industry and beyond the tenant's control, including the following:

- changes in travel patterns, any increase in or the imposition of new taxes on air travel and fuel, and cutbacks and stoppages on Malta-bound airline routes;
- changes in laws, regulations and/or applicable conditions on hotel licensing employment, the preparation and sale of foods and beverages, health and safety, alcohol licensing, environmental concerns, fiscal policies, zoning and development, and the related costs of compliance;
- the impact of increased threats of terrorism or actual terrorist events, impediments to means of transportation (including airline strikes and border closures), extreme weather conditions, natural disasters, travel-related accidents, outbreaks of diseases and health concerns, or other factors that may affect travel patterns and reduce the number of business and leisure travellers;
- increases in operating costs due to inflation, employment costs, workers' compensation and healthcare related costs, utility costs, increased taxes and insurance costs; and
- the termination, non-renewal and/or the renewal on less favourable terms of agreements entered into with tour operators.

The impact of any of these factors, inter alia, (or a combination of them) may adversely impact the financial position of the operator of the Hotel, being the tenant of the Issuer and thus may adversely affect the ability of the tenant to honour its commitments in favour of the Issuer.

Furthermore, as the hospitality industry is subject to rapidly evolving consumer trends, the success of the tenant's hospitality operations is dependent upon the priorities and preferences of customers, whether local or foreign, and its ability to swiftly anticipate, identify and capitalise upon emerging consumer trends. If the HH Group is unable to do so, it could experience reduced rates and occupancy levels, which could have a material adverse effect on the HH Group's operational results.

Hospitality operations are also susceptible to strong and increasing local and global competition, influenced by a variety of determining factors including accommodation rates, packages variety, quality, availability, reliability, after-sales service and logistics, and the fluctuations in demand for private and shared accommodation alternatives. The level of competition is subject to increase, and such increase or even saturation in the supply of accommodation may negatively impact the tenant's sales revenue and profitability in the hospitality sector.

## 3.4 Risks Relating to the Bonds

### 3.4.1 No Assurance of Active Secondary Market in the Bonds

Only upon successful admission, the Bonds will be traded on a multilateral trading facility but will NOT be traded on any regulated market. Hence, the market for the Bonds may be less liquid than a regulated market and a bondholder may find it more difficult to identify willing buyers for their Bonds. The existence of an orderly and liquid market for the Bonds depends



on a number of factors, including the presence of willing buyers and sellers of the Issuer's Bonds at any given time. Such presence is dependent upon the individual decisions of investors over which the Issuer has no control. Accordingly, there can be no assurance that an active secondary market for the Bonds will develop, or, if it develops, that it will continue. Furthermore, there can be no assurance that Bondholders will be able to sell the Bonds at, above the price at which the Issuer issued the Bonds, or at all.

#### 3.4.2 Fluctuations in exchange rate

A Bondholder will bear the risk of any fluctuations in exchange rates between the currency of the Bonds (€) and the Bondholder's currency of reference, if different.

#### 3.4.3 Additional Indebtedness and Security

The Issuer may incur further borrowings or indebtedness and may create or permit to subsist other security interests upon the whole or any part of its present or future undertakings, assets or revenues (including uncalled capital).

#### 3.4.4 Effect of Future Public Offerings/Takeover/Merger Activity

No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, will have on the market price of any of the Bonds prevailing from time to time.

#### 3.4.5 Fixed Rate Bonds

The Issuer is entitled to issue Bonds bearing a fixed rate of interest. Investment in such fixed rate Bonds involves the risk that subsequent changes in market interest rates may adversely affect the market value of the said Bonds. Investors should also be aware that the price of the fixed rate Bonds moves adversely to changes in interest rates. When prevailing market interest rates are rising, the price of fixed rate Bonds decline. Conversely, if market interest rates are declining, the price of fixed rate Bonds rises. This is called market risk since it arises only if a Bondholder decides to sell the Bonds before maturity on the secondary market.

#### 3.4.6 Suspension or Discontinuation of Admission and/or Trading on Prospects MTF

Even after the Bonds are admitted to trading on Prospects MTF, the Issuer is required to remain in compliance with certain requirements of the Prospects MTF Rules issued by the Exchange as amended from time to time. Moreover, the MSE has the authority to suspend admission and/or trading of the Bonds if it comes to believe that such a suspension is required for the protection of investors or the integrity or reputation of the market. The MSE may also discontinue the admission and/or trading of the Bonds on Prospects MTF. Such admission and/or trading suspension or discontinuation could have a material adverse effect on the liquidity and value of the Bonds.

#### 3.4.7 Value of the Bonds

The value of investments can rise or fall, and past performance is not necessarily indicative of future performance.

#### 3.4.8 Ranking

The Bonds, as and when issued, shall constitute the general, direct, unconditional and unsecured obligations of the Issuer and shall at all times rank *paripassu*, without any priority or preference among themselves and with other unsecured debt, if any. Furthermore, subject to the negative pledge clause (section 17.4 of this Admission Document), third party security interests may be registered which will rank in priority to the Bonds against the assets of the Issuer for so long as such security interests remain in effect.

### 3.4.9 Terms and Conditions

The Terms and Conditions of the Bonds are based on Maltese law in effect as at the date of this document. A change in Maltese law or administrative practice or a judicial decision may have an effect on the terms and conditions of the Bonds. No assurance can be given as to the impact thereof after the date of this document.

## 4. PERSONS RESPONSIBLE

Each and all of the Directors of the Issuer whose names appear in Section 7.1 hereunder, are the persons responsible for the information contained in this Admission Document. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this Document is in accordance with the facts and contains no omission likely to affect its import. The Directors accept responsibility accordingly.

As at the date of this Document there are no other facts or matters omitted from the Admission Document which were or are necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses and Prospects MTF of the Issuer and of the rights attaching to the Bonds.

## 5. ADVISERS AND STATUTORY AUDITORS

### Corporate Advisor, Placement Agent and Manager

Calamatta Cuschieri Investment Services Ltd.

Europa Business Centre, Triq Dun Karm Psaila, B'Kara, BKR 9034.

Calamatta Cuschieri Investment Services Ltd holds a Category 3 license issued by the Malta Financial Services Authority and is a member of the Malta Stock Exchange.

### Reporting Accountants

Deloitte Services Limited

Deloitte Place, Mriehel Bypass, Mriehel Bypass, Mriehel, Birkirkara, BKR 3000.

Deloitte Services Limited is a firm of certified public accountants, holding a warrant to practice the profession of accountant and a practicing certificate to act as auditors in terms of the Accountancy Profession Act, Cap. 281 of the laws of Malta.

### Advisors & Accountants to the Issuer

Charles Scerri & Associates

The Penthouse, Carolina Court, Giuseppe Cali' Street, Ta' Xbiex, XBX1425

Charles Scerri & Associates is a firm of certified public accountants, holding a warrant to practice the profession of accountant and a practising certificate to act as auditors in terms of the Accountancy Profession Act, Cap. 281 of the laws of Malta.

### Statutory Auditors to the Issuer

RSM Malta

Mdina Road Zebbug, ZBG9015, Malta

RSM Malta is a firm of certified public accountants, holding a warrant to practice the profession of accountant and a practising certificate to act as auditors in terms of the Accountancy Profession Act, Cap. 281 of the laws of Malta.

**Legal Advisors**

DF Advocates

DF Advocates II-Piazzetta A, Suite 52, Level 5, Tower Road, Sliema SLM1607, Malta

DF Advocates is a Malta based law firm servicing local and international clients in setting up and operating their business activities as well as advising on local and cross border transactions involving complex issues spanning various industries, with a specific focus on corporate law and financial services.

## 6. INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save for the subscription for Bonds by the Placement Agent and Manager and any fees payable to the Placement Agent and Manager in connection with the Bond Issue, to the best of the Issuer's knowledge no person involved in the Issue has an interest material to the Bond Issue.

## 7. IDENTITY OF DIRECTORS AND SENIOR MANAGEMENT OF THE ISSUER

### 7.1 Directors of the Issuer

As at the date of this Admissions Document, the following persons constitute the Board of Directors of the Issuer:

Hugo Chetcuti	Chairman and Executive Director
Luke Chetcuti	Executive Director
Tonio Depasquale	Non-Executive Independent Director
Benjamin Muscat	Non-Executive Independent Director

Mr Tonio Depasquale and Mr. Benjamin Muscat are considered as independent Directors since they are free of any business, family or other relationship with the Issuer, its controlling shareholders or the management of either, that could create a conflict of interest such as to impair their judgement. A list of the director's current and previous directorships is available in Annex I.

The business address of the Directors is HH Finance plc, 2, St Georges Court A, St Augustine Street, St Julian's, STJ3310, Malta.

The company secretary of the Issuer is Anne Marie Agius.

The Issuer's compliance officer in terms of the Rules is Anne Marie Agius.

The following are the respective curriculum vitae of the Directors:

#### Hugo Chetcuti - Executive Director

Hugo Chetcuti has established himself as a pioneer within the local hospitality industry, with his acute business sense and sheer determination already evident from his initial acquisition of Footloose, almost 30 years ago. Since then, he has founded a succession of lucrative bars, restaurants and nightclubs situated in the thriving hub of the island's entertainment quarter. The 'Hugo's' brand has developed into a commodity offering value for money, hi-end quality, brilliant customer service, excellent food & drink and a unique style.

In Recent year Hugo has been developing a hospitality offering with the opening of the Hugo's boutique-hotel that will be followed this year with the Hugo's Hotel a 200 room, avant-garde luxury hotel. This will transform 'Hugo's' into nothing less than a full-blown hospitality brand, one that delivers a seamless end-to-end experience for locals and tourists alike.

Ambition and a strong will to succeed, have always been at the forefront of all he does, however, Hugo's success has also been built on a foundation of loyalty and respect shown to his staff, thus resulting in a strong working relationship with his employees.

### **Luke Chetcuti – Executive Director**

Luke Chetcuti's career within the HH Group commenced as Outlet Manager and progressed to Operations Manager and now, Managing Director. Under his direction, the HH Group has expanded into the hospitality sector and particularly the hotel business, franchising of its popular outlets, and increased its brand awareness.

As Director, Luke offers the Board an important Company-based perspective. In addition, his particular knowledge of the Company's local markets and industry position provides the Board with valuable insight and market expertise.

### **Tonio Depasquale - Non-executive independent director**

Tonio Depasquale is the founder and Chairman of City Advisory, a boutique consultancy firm established in 2012. City Advisory provides advice across all areas related to financial services and management sectors.

Tonio also sits on the board of a number of companies in the financial, shipping, property, offshore marine, construction, health and other sectors.

Tonio Depasquale retired as CEO of Bank of Valletta p.l.c. in December 2011. He had joined the bank in 1969 and held a series of key positions within the group before being appointed CEO in 2004. During his banking career he introduced Corporate Finance services within the group in 1995 and spearheaded the setting up of BOV Stockbrokers Ltd in 2000. He was subsequently responsible for the acquisition by Bank of Valletta p.l.c. of an equity stake in E.I.F. which is the EU's specialist financial institution for SMEs. He also sat on the first Board of Governors of Finance Malta and for a number of years he was the Chairman of Malta Bankers Association.

### **Benjamin Muscat -Non-Executive Independent Director**

Benjamin Muscat is a Certified Public Accountant by profession (Fellow of the Association of Chartered and Certified Accountants – FCCA) with a long career in finance and management at senior executive positions. He has worked in various industry sectors including switchgear manufacturing, food production, beer and soft drink brewing and production and bottling, international fast food franchising, hospitality and timeshare, construction and real estate development, including marketing and selling luxury condominiums. In his capacity as Chief Executive Officer of MIDI Plc a Maltese listed company, Benjamin was key in the development of the Tigne' Point Project. Benjamin was also instrumental in the promotion of the re-generation of part of Malta's historical Grand Harbour including the development of a cruise ship porting facility locally known as the Valletta Waterfront project. He also has extensive experience in raising project specific funding via banking facilities, third party investment, private placements, and issue of equity and debt instruments through retail offers subsequently listed on the Malta Stock Exchange. Today Benjamin provides professional services as a freelance consultant and independent directorship services.

## **7.2 Senior Management Structure of the Group**

The Issuer does not have any employees of its own and is reliant on the resources, which are made available to it by the Group.

## 8. INFORMATION ABOUT THE ISSUER

### 8.1 Historical development of the Issuer

<b>Full legal and commercial name of the Issuer:</b>	HH Finance plc
<b>Registered address:</b>	2, St Georges Court A, St Augustine Street, St Julian's, STJ3310, Malta
<b>Place of registration and domicile:</b>	Malta
<b>Registration number:</b>	C 84461
<b>Date of registration:</b>	17 <sup>th</sup> January 2018
<b>Legal form</b>	The Issuer is a public limited liability company registered and incorporated in Malta in terms of the Companies Act
<b>Telephone number:</b>	+356 21382264
<b>E-mail address:</b>	info@hhfinance.com.mt
<b>Website:</b>	www.hhfinance.com.mt

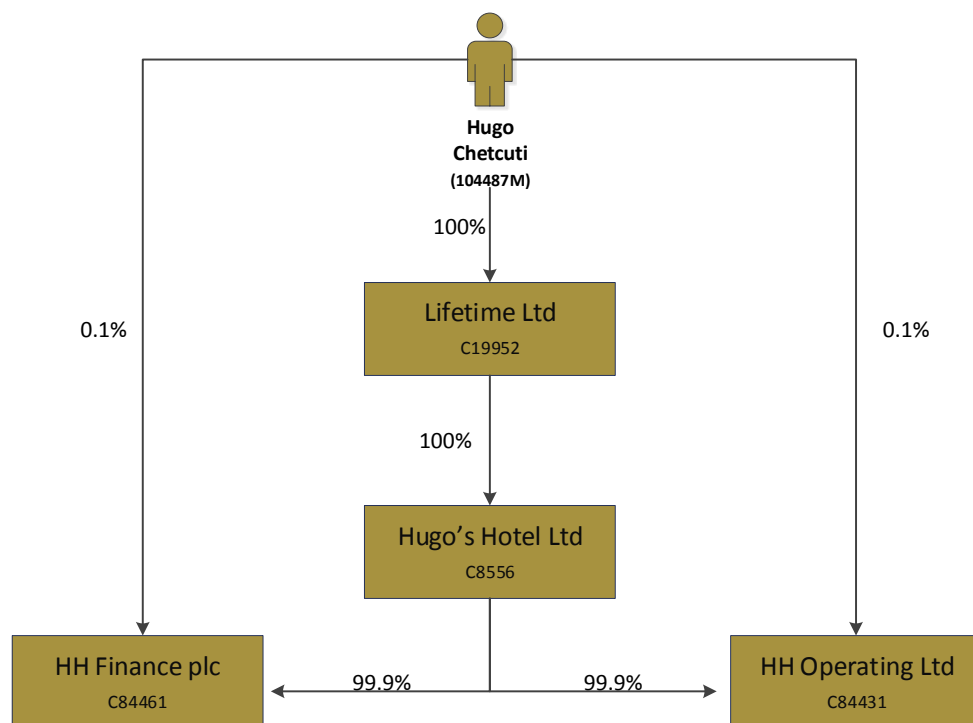
The Issuer was incorporated on the 17<sup>th</sup> January 2018 and is fully owned by Hugo's Hotel Ltd save for one (1) ordinary non-voting and non-participating 'B' share which is held by Mr. Hugo Chetcuti, the ultimate beneficial owner of the Issuer and the HH Group. The principal objects of the Issuer, as per its Memorandum and Articles of Association is to raise capital for the financing of capital projects and to own, manage, administer and dispose of property of any kind, whether belonging to the company or not, whether moveable or immoveable, personal or real, including intellectual property, and wherever situated. In this regard, the issue of the Bonds falls within the objects of the Issuer.

The Issuer operates exclusively in and from Malta.

The Issuer has set up a website with URL [www.hhfinance.com.mt](http://www.hhfinance.com.mt) and an "Investor Information" section from which investors can obtain current information on the Company. This section shall include all electronic communication for all information required to be disclosed under the Rules and / or applicable law to all holders of admitted securities.

## 9. GROUP ORGANISATIONAL STRUCTURE

The organisational structure of the HH Group, as at the date of the Admission Document is illustrated in the diagram below:



## 10. TREND INFORMATION

### 10.1 Trend information of the Issuer

The Issuer is a newly setup company that has been set up to act as a financing and property-holding company. Accordingly, the Issuer's business is limited to the raising of capital for the financing of capital projects, in the circumstances via the issue of the Bonds, and owning, managing, administrating and disposing of property of any kind, whether belonging to the company or not, whether moveable or immovable, personal or real, including intellectual property, and wherever situated. There has been no material adverse change in the Prospects MTF of the Issuer since the date of its incorporation.

Following the purchase of the Hotel, the Issuer is active in the property market with a particular exposure to the hospitality segment. Given the prime location of the property, the Issuer is expected to be in a favourable position to take advantage of the positive trending economic climate in Malta. As reported in the "Economic Update 3/2018"<sup>1</sup> issued by the Central Bank of Malta, "In February, the Bank's Business Conditions Index (BCI) was unchanged on a month earlier, and continued to suggest above-average conditions. Economic sentiment edged up, reflecting gains across all sectors except services. In January, retail sales and tourism activity grew in annual terms, while industrial production contracted slightly. Labour market conditions remained favourable, with the number of registered unemployed declining on an annual basis and Eurostat's measure of the unemployment rate falling further to a new record low. The annual rate of inflation based on the Harmonised Index of Consumer Prices (HICP) eased to 1.2% in January. Meanwhile, the annual rate of change of Maltese residents' deposits rose to 7.9%, while

<sup>1</sup><https://www.centralbankmalta.org/en/news/55/2018/6594>

*credit to residents increased by 1.7%. As regards fiscal developments, in the first month of the year, the cash-based Consolidated Fund showed a narrower deficit compared with January 2017.”*

Specifically related to the Retail and Tourism sector, the Central Bank of Malta report continues:

*“In January, growth in retail trade, which is a short-term indicator of final domestic demand, moderated. Calendar day-adjusted data show that the volume of retail trade increased at an annual rate of 5.8%, following a 12.5% rise in December. Meanwhile, the number of inbound tourists grew by 19.9% on a year earlier, following a 15.0% rise in December. Nights stayed grew by 15.1%, with most of this increase emanating from nights spent in collective accommodation. Tourist spending in Malta rose by 16.1% in annual terms. Spending on both non-package and package holidays increased while the ‘other’ expenditure category registered a decline.*

*In the fourth quarter of 2017, the total occupancy rate in collective accommodation establishments rose to 58.2% from 56.8% in the fourth quarter of 2016. Higher occupancy rates were recorded in the two-star, three-star and the “other establishments” categories. On the contrary, occupancy rates in five-star hotels, and to a much lesser extent, in 4-star establishments declined on the same quarter a year earlier”*

## **11. KEY FINANCIAL INFORMATION AND FUTURE INVESTMENTS**

### **11.1 Financial information of the Issuer**

The Issuer was registered and incorporated on the 17<sup>th</sup> January 2018 to issue the Bonds and loan the proceeds to the Group. As at the date of this Admission Document, apart from the acquisition of the Hotel and leasing thereof to the Lessee under the terms and conditions of the Operating Lease Agreement, the Issuer has not conducted any business and has no trading record. Since incorporation to the date of this Document, no financial statements have been prepared in respect of the Issuer.

There has not been any significant change in the financial or trading position of the Issuer, which has occurred since the company’s date of incorporation.

## **12. MANAGEMENT AND ADMINISTRATION**

### **12.1 The Board of Directors of the Issuer**

The Memorandum of Association of the Issuer provides that the business and affairs of the Issuer shall be managed and administered by a Board of Directors to be composed of not less than three (3) and not more than (10) Directors, who are appointed by the shareholders.

Directors of the Issuer are appointed by means of an ordinary resolution in general meeting.

The Issuer is currently managed by a Board of four (4) Directors, who are responsible for the overall direction and management of the Company. The Board currently consists of two (2) executive Directors, who are entrusted with the company’s day-to-day management, and two (2) non-executive Directors who are also independent of the Issuer, whose main functions are to monitor the operations of the executive Directors and their performance, as well as to review any proposals tabled by the executive Directors.

As at the date of the Document, the Board of the Issuer is composed of the individuals listed in sub-section 7.1 of this Document.

None of the Directors have been:

- convicted in relation to fraud or fraudulent conduct in the last five years;
- made bankrupt or associated with any liquidation or insolvency caused by action of creditors;
- the subject of any official public incrimination or sanction by any statutory or regulatory authority; or



- disqualified by a court from acting as director or manager in the last five years.

The Directors believe that the Issuer's current organisational structure is adequate for its present activities. The Directors will maintain this structure under continuous review to ensure that it meets the changing demands of the business and to strengthen the checks and balances necessary for better corporate governance.

## 12.2 Directors' service contracts

None of the Directors have a service contract with the Issuer.

## 12.3 Conflicts of Interest

In addition to being a director of the Issuer, Mr Hugo Chetcuti is currently the sole director and beneficial owner of HH Operating Limited, with whom the Issuer has entered into the Operating Lease Agreement. Additionally, Mr Hugo Chetcuti is the ultimate beneficial owner of the Group.

In light of the foregoing, such directors are susceptible to conflicts between the potentially diverging interests of the Issuer and the Lessee, as the case may be, and any of such other companies in transactions entered into, or proposed to be entered into, between them. The Audit Committee has the task of ensuring that any potential conflicts of interest that may arise at any moment pursuant to these different roles held by the directors are handled in the best interest of the Issuer and the HH Group as well as according to law. The fact that the Audit Committee is constituted with a majority of independent non-executive directors provides an effective measure to ensure that transactions vetted by the Audit Committee are determined on an arms-length basis.

Additionally, the Audit Committee has, pursuant to the relative terms of reference, been granted express powers to be given access to the financial position of the Issuer and all other entities comprising the HH Group on a quarterly basis. To this effect, the Issuer and all other entities comprising the HH Group are to submit to the Audit Committee bi-annual accounts, as well as at least quarterly comparisons of actuals against projections.

## 12.4 Loans to Directors

There are no loans outstanding by the Issuer to any of its Directors, nor any guarantees issued for their benefit by the Issuer.

## 12.5 Removal of Directors

In terms of the Issuer's Articles of Association, the first Directors of the Issuer shall serve until the end of the first annual general meeting during which the new directors shall be appointed. Thereafter, all other directors shall hold office from the general meeting at which they are elected until the end of the next annual general meeting. All retiring directors shall be eligible for re-election. The Directors of the Issuer currently in office are expected to remain in office at least until the next Annual General Meeting of the Issuer.

A director may, unless he resigns, be removed by an ordinary resolution of the shareholders as provided by Article 140 of the Act.

## 12.6 Powers of Directors

By virtue of the provisions of the Articles of Association of the Issuer, the Directors are empowered to transact all business, which is not by the Articles expressly reserved for the shareholders in general meeting.

## 12.7 Aggregate emoluments of the Issuer's Directors

Pursuant to the Issuer's Articles of Association, the maximum annual aggregate emoluments that may be paid to the directors are approved by the shareholders in general meeting.

The remuneration of directors shall be deemed to accrue from day to day. The directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the directors or any committee of the directors or general meetings of the Issuer or in connection with the business of the Issuer.

For the current financial year, ending on 31<sup>st</sup> December 2018 it is expected that the Issuer will pay an aggregate of forty four thousand Euro (€44,000) to its directors.

## 12.8 Employees

The Issuer does not have any employees of its own and is, therefore, reliant on the HH Group for administrative support.

## 12.9 Working capital

As at the date of the Document, the directors are of the opinion that working capital is sufficient for the attainment of their objects and the carrying out of their business for the next twelve (12) months of operations.

# 13. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

## 13.1 Major shareholders of the Issuer

The Authorized Share Capital of the Issuer is of one hundred and fifty thousand Euro (€150,000) divided into 150,000 shares of one euro (€1.00). The Issued share capital of the issuer is of one hundred and fifty thousand Euro (€150,000) divided into one hundred forty nine thousand nine hundred ninety nine (149,999) Ordinary 'A' shares of one Euro (€1.00) each fully paid up and one (1) Ordinary 'B' share of one Euro (€1.00) fully paid up.

To the best of the Issuer's knowledge, there are no arrangements in place as at the date of the Admission Document the operation of which may at a subsequent date result in a change in control of the Issuer.

# 14. BOARD COMMITTEES

The Issuer has set up an audit committee as per the requirements of the Rules. The terms of reference of the Audit Committee (the "Committee") of the Issuer consist of *inter alia* its support to the board of the Issuer in its responsibilities in dealing with issues of risk, control and governance, and associated assurance. The board of the Company has set formal terms of establishment and the terms of reference of the Audit Committee that establish its composition, role and function, the parameters of its remit, as well as the basis for the processes that it is required to comply with. The Audit Committee, which meets at least four (4) times a year, is a sub-committee of the board of the Issuer is directly responsible and accountable to the board of the Issuer. The board of the Company has reserved the right to change the Committee's terms of reference from time to time.

Briefly, the Committee is expected to deal with:

- its monitoring responsibility over the financial reporting processes, financial policies and internal control structures;

- maintaining communications on such matters between the board, management and the independent auditors at the level of the Issuer and the Group;
- facilitating the independence of the external audit process and addressing issues arising from the audit process; and
- preserving assets by understanding the risk environment in which the Issuer and the Group operate and determining how to deal with those risks.

Additionally, the Audit Committee has the role and function of considering and evaluating the arm's length nature of any proposed transactions to be entered into in order to ensure that the execution of any such transaction is, indeed, at arm's length and on a sound commercial basis and, ultimately, in the best interests of the Issuer and the Group. In this regard, the Audit Committee has the task of ensuring that any potential abuse that may arise is immediately identified and resolved.

The Audit Committee is entrusted with the review of the financial position of the Issuer and all other entities comprising the Group on a quarterly basis. To this effect, the Issuer and all other entities comprising the Group shall submit to the Audit Committee bi-annual accounts, as well as least quarterly comparisons of actuals against projections.

The Audit Committee shall at all times be composed of at least three (3) Directors, the majority of which shall be non-executive Directors. The Audit Committee of the Issuer is presently composed of Mr Hugo Chetcuti, Mr Tonio Depasquale, and Mr Benjamin Muscat.

Mr Benjamin Muscat is the independent, non-executive director who is competent in accounting and/or auditing matters and as such, has been appointed as the Chairman of the Audit Committee. The CVs of the said Directors may be found in sub-section 7.1.

## 15. COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS

The Company supports the Rules in their entirety and the stipulations of the said rules in relation to dealing restrictions.

The Issuer complies with the Code of Principles of Good Corporate Governance forming part of the Listing Rules of the Listing Authority (the "Code") with the exceptions mentioned below, and is confident that the adoption of the Code shall result in positive effects accruing to it. The Issuer adopts measures in line with the Code of Principles with a view to ensuring that the all transitions are carried out at arm's length

The Board of Directors sets the strategy and direction of the Issuer and retains direct responsibility for appraising and monitoring the Issuer's financial statements and annual report. The activities of the Board are exercised in a manner designed to ensure that it can effectively supervise the operations of the Issuer so as to protect the interests of bondholders, amongst other stakeholders. The Board is also responsible for making relevant public announcements and for the Issuer's compliance with its continuing obligations in terms of the rules of Prospects MTF.

As required by the Act, the Issuer's financial statements are to be subject to annual audit by the Issuer's external auditors. Moreover, the non-executive Directors will have direct access to the external auditors of the Issuer who attend at Board meetings at which the company's financial statements are approved. In ensuring compliance with other statutory requirements and with continuing admission obligations, the Board is advised directly, as appropriate, by its appointed corporate advisor, legal advisor and the external auditors. Directors are entitled to seek independent professional advice at any time on any aspect of their duties and responsibilities, at the Issuer's expense.

As at the date hereof, the Board considers the Issuer to comply with the Code save for the following exceptions:

**Principle 7:** Under the present circumstances, the Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the Board's performance is always under the scrutiny of the shareholders of the Company.

**Principle 8:** The Board of Directors considers that the size and operation of the Issuer does not warrant the setting up of nomination and remuneration committee. In addition, the Issuer will not be incorporating a nomination committee. Appointments to the Board of Directors are determined by the shareholders of the Issuer in accordance with the company's

Memorandum and Articles of Association. The Issuer considers that the members of the Board possess the level of skill, knowledge and experience expected in terms of the Code.

## 16. USE OF PROCEEDS

The proceeds from the Bond Issue shall be used to part finance the debt due to the Transferor by the Issuer pursuant to the acquisition of the Hotel. The Issuer intends to lease out the Hotel in its current state to the Lessee in accordance with the terms and conditions listed in the Operational Lease Agreement attached herewith.

### Subordination of the debts due by the Issuer to the Transferor

The Issuer has acquired the Hotel by virtue of the public deed in the records of Notary Rachel Busuttill on the eighth (8<sup>th</sup>) March 2018 of the year two thousand and eighteen (2018) (the 'Public Deed'). In terms of the Public Deed, the parties agreed in consideration of the price of thirty five million Euro (€35,000,000) (the "**Purchase Price**"), which shall be paid as follows:

- (a) the sum of four million eight hundred and seventy five thousand Euro (€4,875,000) shall be paid by not later than the fifteenth (15<sup>th</sup>) day of the month of April of the year two thousand and eighteen (2018);
- (b) the remaining balance of the Purchase Price (together with interest accrued thereon as provided hereunder) shall be paid by the lapse of 90 days from the thirtieth (30<sup>th</sup>) January of the year two thousand and twenty eight (2028).

The Issuer is bound, in terms of the said Public Deed, to pay interest at the rate of four per cent (4%) per annum calculated on the outstanding balance of the Purchase Price: Provided that interest shall start to accrue as from the thirtieth (30<sup>th</sup>) January of the year two thousand and nineteen (2019). As per 'Waiver of Partial Interest Due' in Annex H, the Transferor is unconditionally and irrevocably waiving its rights to the interest due to it over ten million Euro (€10,000,000) as part of the outstanding balance of the Purchase price.

By virtue of the Public Deed, both the Issuer and the Transferor have acknowledged that any debt due by the Issuer to the Transferor in terms of the said deed shall be subordinated to the debts due by the Issuer to the Bondholders, which debts shall include the principal amount of each Bond as well as any interest accrued thereon.

In terms of the Public Deed, the Issuer acknowledged a debt of thirty five million Euro (€35,000,000) of the Issuer in favour of the Transferor as of the date of the said Public Deed. The Issuer has, pursuant to the Public Deed, and in accordance with Article 1996A of the Civil Code (Chapter sixteen (16) of the Laws of Malta), waived the special privilege competent to it over the Hotel in respect of any outstanding balance of Purchase Price due to it in accordance with Article 2010(c) of the Civil Code,

Should subscriptions for a total of at least €4,000,000 ("Minimum Amount") not be received, no allotment of Bonds shall be made, the Applications for Bonds shall be deemed not to have been accepted by the Issuer and all money received from Applicants for Bonds shall be refunded accordingly. In the event that the Minimum Amount is reached but the Bond Issue is still not fully subscribed, the Issuer will proceed with the allotment of the amount of Bonds subscribed for and the proceeds shall be used for the part payment on a pro rata basis to the effect the acquisition of the Hotel as described above.

## 17. INFORMATION CONCERNING THE BONDS

Each Bond shall be issued on the terms and conditions set out in this Document and, by subscribing to or otherwise acquiring the Bonds, the Bondholders are deemed to have knowledge of all the terms and conditions of the Bonds hereafter described and to accept and be bound by the said terms and conditions.

## 17.1 General

- 17.1.1 Each Bond forms part of a duly authorised issue of 5% unsecured bonds 2023-2028 of a nominal value of €100 per Bond issued by the Issuer at par up to the principal amount of €5,000,000 (except as otherwise provided under sub-section 17.14 “Further Issues” below). The issue date of the Bonds is expected to be the 19th May 2018.
- 17.1.2 The currency of the Bonds is Euro (€).
- 17.1.3 Subject to admission to trading of the Bonds to the Prospects MTF List of the MSE, the Bonds are expected to be assigned the following ISIN: MT0001861203
- 17.1.4 All outstanding Bonds shall be redeemed by the Issuer at par on the Redemption Date, unless otherwise redeemed at the option of the Issuer on any of the Early Redemption Date/s.
- 17.1.5 The issue of the Bonds is made in accordance with the requirements of the Prospects MTF Rules.
- 17.1.6 The Issue Period of the Bonds is between 14<sup>th</sup> May 2018 and 18<sup>th</sup> May, both days included.
- 17.1.7 The Bond Issue is not underwritten. Should subscriptions for a total of at least four million Euro (€4,000,000) (the “Minimum Amount”) not be received, no allotment of the Bonds shall be made, the Applications for Bonds shall be deemed not to have been accepted by the Issuer and all money received from Applicants for Bonds shall be refunded accordingly. In the event that the Minimum Amount is reached but the Bond Issue is still not fully subscribed, the Issuer will proceed with the allotment of the amount of Bonds subscribed.
- 17.1.8 The Bonds will not be listed on the Official List or the Alternative Companies list of the Malta Stock Exchange or on any other regulated market.

## 17.2 Subscription

The Issuer has appointed Calamatta Cuschieri as Placement Agent and Manager for the purposes of this Bond Issue and interested investors may contact the Placement Agent and Manager for the purposes of subscribing to Bonds during the Issue Period. Applications for subscriptions to the Bonds will be processed on a first-come-first-served basis and the Issue Period shall close immediately upon attaining full subscription or on the last day of the Issue Period, whichever is the earliest.

The Bonds are open for subscription to all categories of investors, provided that the Placement Agent and Manager shall be required to carry out an Appropriateness Test in respect of each Applicant for the purpose of assessing such Applicant's level of knowledge and experience prior to investing in the Bonds. Applications shall not be accepted by the Placement Agent and Manager unless, based on the results of such Appropriateness Test, the Placement Agent and Manager is satisfied that an investment in the Bonds may be considered appropriate for the Applicant. To the extent that the Placement Agent and Manager is providing advice in respect of a purchase of the Bonds by an Applicant, the Placement Agent and Manager shall also be required to conduct a Suitability Test in respect of the Applicant and, based on the results of such test, be satisfied that an investment in the Bonds may be considered suitable for the Applicant.

The Bond Issue is not underwritten. Should subscriptions for a total of at least four million Euro (€4,000,000) (the “Minimum Amount”) not be received, no allotment of the Bonds shall be made, the Applications for Bonds shall be deemed not to have been accepted by the Issuer and all money received from Applicants for Bonds shall be refunded accordingly. In the event that the Minimum Amount is reached but the Bond Issue is still not fully subscribed, the Issuer will proceed with the allotment of the amount of Bonds subscribed.

The total amount of five million Euro (€5,000,000) of Bonds is being reserved for subscription by the Placement Agent and Manager participating in the Placement Offer. The Issuer shall enter into a conditional subscription agreement with the

Placement Agent and Manager for the subscription of Bonds, whereby it will bind itself to allocate Bonds thereto up to the total amount of five million Euro (€5,000,000) as aforesaid.

In terms of said subscription agreement entered into with the Placement Agent and Manager, the Issuer will be conditionally bound to issue, and the Placement Agent and Manager will be conditionally bound to subscribe to, up to the total amount of five million Euro (€5,000,000) of Bonds as indicated therein, each subject to the Minimum Amount of two thousand Euro (€2,000) being subscribed.

### 17.3 Ranking of the Bonds

The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer, and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured debt of each of the Issuer if any. Furthermore, subject to the negative pledge clause (Section 17.4 of this Document), third party security interests may be registered which will rank in priority to the Bonds against the assets of the Issuer for so long as such security interests remain in effect, with the exception of the subordination of debts due by the Issuer to the Transferor as disclosed under section 16 Use of Proceeds.

The following sets out a summary of HH Group indebtedness which following the issuance of the Bonds would amount to €34,314K. The Bonds would also rank after any future debts which may be secured by a cause of preference such as a privilege and/or a hypothec:

Summary of HH Group indebtedness	FY 2018
	<b>€000's</b>
Bond Issue	(5,000)
Amounts due to Hugo's hotel Ltd	(20,000)
	(25,000)
Subordinated (Shareholder) Loans	(9,850)
Total Debt	(34,850)
Cash Balance	536.5
Net Debt	(34,313.5)

### 17.4 Negative pledge

The Issuer undertakes, for as long as any principal or interest under the Bonds or any of the Bonds remains outstanding, not to create or permit to subsist any Security Interest (as defined below), other than a Permitted Security Interest (as defined below), upon the whole or any part of its present or future assets or revenues to secure any Financial Indebtedness (as defined below) of the Issuer, unless at the same time or prior thereto the Issuer's indebtedness under the Bonds shares in and is secured equally and rateably therewith, and the instrument creating such Security Interest so provides.

"Financial Indebtedness" means any indebtedness in respect of: (A) monies borrowed; (B) any debenture, bond, note, loan, stock or other security; (C) any acceptance credit; (D) the acquisition cost of any asset to the extent payable before or after the time of acquisition or possession by the party liable where the advance or deferred payment is arranged primarily as a method of raising finance for the acquisition of that asset; (E) leases entered into primarily as a method of raising finance for the acquisition of the asset leased; (F) amounts raised under any other transaction having the commercial effect of borrowing or raising of money; (G) any guarantee, indemnity or similar assurance against financial loss of any person;

"Security Interest" means any privilege, hypothec, pledge, lien, charge or other encumbrance or real right which grants rights of preference to a creditor over the assets of the Issuer;

"Permitted Security Interest" means: (A) any Security Interest arising by operation of law; (B) any Security Interest securing temporary bank loans or overdrafts in the ordinary course of business; (C) any other Security Interest (in addition to (A) and (B) above) securing Financial Indebtedness of the Issuer, in an aggregate outstanding amount not exceeding 80% of the

difference between the value of the unencumbered assets of the Issuer and the aggregate principal amount of Bonds and any unpaid interests due under the Bonds, that may be outstanding at the time.

Provided that the aggregate Security Interests referred to in (B) and (C) above do not result in the value of the unencumbered assets of the Issuer being less than 105% of the aggregate principal amount of the Bonds still outstanding;

“Unencumbered assets” means assets which are not subject to a Security Interest.

### **17.5 Rights attached to the Bonds**

There are no special rights attached to the Bonds other than the right of the Bondholders to:

- i. the payment of interest;
- ii. the payment of capital;
- iii. ranking with respect to other indebtedness of the Issuer in accordance with the provisions of sub-section 17.3 hereof;
- iv. attend, participate in and vote at meetings of Bondholders in accordance with the terms of this Admission Document; and
- v. enjoy all such other rights attached to the Bonds emanating from the Admission Document.

### **17.6 Interest**

The Bonds shall bear interest from and including the 19<sup>th</sup> May 2018 at the rate of 5% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 19<sup>th</sup> May 2019. Any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day. Each Bond will cease to bear interest from and including its due date for redemption, unless payment of the principal in respect of the Bond is improperly withheld or refused or unless default is otherwise made in respect of payment, in any of which events interest shall continue to accrue at the rate specified above plus 3% but in any event not in excess of the maximum rate of interest allowed by Maltese law. In terms of article 2156 of the Civil Code (Chapter 16 of the laws of Malta), the right of Bondholders to bring claims for payment of interest and repayment of the principal on the Bonds is barred by the lapse of five (5) years.

When interest is required to be calculated for any period of less than a full year, it shall be calculated on the basis of a three hundred and sixty (360) day year consisting of twelve (12) months of thirty (30) days each and, in the case of an incomplete month, the number of days elapsed.

### **17.7 Yield**

For Bonds issued at the Bond Issue Price, the gross yield calculated on the basis of the Interest, the Bond Issue Price and the Redemption Value of the Bonds at Redemption Date is 5%.

### **17.8 Form, Denomination and Title**

17.8.1 Certificates will not be delivered to Bondholders in respect of the Bonds in virtue of the fact that the entitlement to Bonds will be represented in an uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD. There will be entered in such electronic register the names, addresses, identity card numbers (in the case of natural persons), registration numbers (in the case of companies) and MSE account numbers of the Bondholders and particulars of the Bonds held by them respectively, and the Bondholders shall have, at all reasonable times during business hours, access to the register of bondholders held at the CSD for the purpose of inspecting information held on their respective account.

17.8.2 The CSD will issue, upon a request by a Bondholder, a statement of holdings to such Bondholder evidencing his/her/its entitlement to Bonds held in the register kept by the CSD.

17.8.3 Upon submission of an Application Form subject to satisfactory Customer Due Diligence, Bondholders who do not have an online e-portfolio account will be registered by the CSD for the online e-portfolio facility and will receive by mail at their registered address a handle code to activate the new e-portfolio login. The Bondholder's statement of holdings evidencing entitlement to the Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Those Bondholders who opt not to avail themselves of this facility should indicate such on the Application Form. Further detail on the e-portfolio is found on <https://eportfolio.borzamalta.com.mt/Help>.

17.8.4 The Bonds will be issued in fully registered form, without interest coupons, in denominations of any integral multiple of one hundred Euro (€100) provided that on subscription the Bonds will be issued for a minimum of €2,000 per individual Bondholder. Authorised intermediaries subscribing to the Bonds through nominee accounts for and on behalf of clients shall apply the minimum subscription amount of €2,000 to each underlying client.

17.8.5 Any person in whose name a Bond is registered may (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Bond. Title to the Bonds may be transferred as provided below under the heading "Transferability of the Bonds" as per the stipulations of the Admission Document.

## 17.9 Pricing

The Bonds are being issued at par, that is, at €100 per Bond.

## 17.10 Payments

17.10.1 Payment of the principal amount of a Bond will be made in euro by the Issuer to the person in whose name such Bonds are registered, with interest accrued up to the Redemption Date, by means of direct credit transfer into such bank account as the Bondholder may designate from time to time, provided such bank account is denominated in Euro and held with any licensed bank in Malta. Such payment shall be effected within 30 days of the Redemption Date. The Issuer shall not be responsible for any loss or delay in transmission. Upon payment of the Redemption Value, the Bonds shall be redeemed and the appropriate entry made in the electronic register of the Bonds at the CSD.

17.10.2 In the case of Bonds held subject to usufruct, payment will be made against the joint instructions of all bare owners and usufructuaries. Before effecting payment the Issuer and/or the CSD shall be entitled to request any legal documents deemed necessary concerning the entitlement of the bare owner/s and the usufructuary/ies to payment of the Bonds.

17.10.3 Payment of interest on a Bond will be made to the person in whose name such Bond is registered at the close of business 1 day prior to the Interest Payment Date, by means of a direct credit transfer into such bank account as the Bondholder may designate, from time to time, which is denominated in euro and held with any licensed bank in Malta. Such payment shall be effected within 1 day of the Interest Payment Date. The Issuer shall not be responsible for any loss or delay in transmission.

17.10.4 All payments with respect to the Bonds are subject in all cases to any applicable fiscal or other laws and regulations prevailing in Malta. In particular, but without limitation, all payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made net of any amount which the Issuer is compelled by law to deduct or withhold for or on account of any present or future taxes, duties, assessments or other government charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Republic of Malta or any authority thereof or therein having power to tax.

17.10.5 No commissions or expenses shall be charged by the Issuer to Bondholders in respect of payments made in terms of sub-section 17.10. the Issuer shall not be liable for charges, expenses and commissions levied by parties other than the Issuer.

## 17.11 Redemption and purchase

17.11.1 The Bonds shall be repayable in full upon maturity on the 19th May 2028 unless previously re-purchased, cancelled or redeemed, provided that the Issuer reserves the right to redeem any one or more of the Bonds or any part thereof on any of



the Early Redemption Dates, as the Issuer may determine with the prior approval of the Exchange on giving not less than thirty (30) days' notice to Bondholder.

17.11.2 Unless previously purchased and cancelled, the Issuer irrevocably covenants in favour of each Bondholder that the Bonds will be redeemed at their nominal value (together with interest accrued to the date fixed for redemption) on the 19th May 2028. The Issuer reserves the right to redeem all or any part of the Bonds on any of the Early Redemption Dates. The Issuer shall give at least thirty (30) days' notice in writing to all Bondholders of its intention to affect such earlier redemption, stating the number of Bonds that will be redeemed on that Early Redemption Date and the manner in which it shall select the Bonds for such early redemption.

## 17.12 Events of Default

The Bonds shall become immediately due and repayable at their principal amount, together with any accrued interest, if any of the following events ("Events of Default") shall occur:

- the Issuer, shall fail to pay any interest on any Bond when due and such failure shall continue for 30 days after written notice thereof shall have been given to the Issuer, as the case may be, by any Bondholder; or
- the Issuer shall fail duly to perform or shall otherwise be in breach of any other material obligation contained in the terms and conditions of the Bonds and such failure shall continue for 30 days after written notice thereof shall have been given to the Issuer by any Bondholder; or
- an order is made or resolution passed or other action taken for the dissolution, termination of existence, liquidation, winding-up or bankruptcy of the Issuer; or
- the Issuer stops or suspends payments (whether of principal or interest) with respect to all or any class of its debts or announces an intention to do so or ceases or threatens to cease to carry on its business or a substantial part of its business; or
- the Issuer is unable, or admits in writing its inability, to pay its debts as they fall due or otherwise becomes insolvent; or
- there shall have been entered against the Issuer a final judgment by a court of competent jurisdiction from which no appeal may be or is made for the payment of money in excess of one million Euro (€1,000,000) or its equivalent and ninety (90) days shall have passed since the date of entry of such judgment without its having been satisfied or stayed; or
- any default occurs and continues for ninety (90) days under any contract or document relating to any Financial Indebtedness (as defined above) of the Issuer in excess of one million Euro (€1,000,000) or its equivalent at any time.

## 17.13 Transferability of the Bonds

17.13.1 The Bonds are freely transferable and, once admitted to the Prospects MTF List, shall be transferable only in whole (in multiples of €100) in accordance with the rules and regulations of the MSE applicable from time to time. If Bonds are transferred in part, the transferee thereof will not be registered as a Bondholder.

17.13.2 Any person becoming entitled to a Bond in consequence of the death or bankruptcy of a Bondholder may, upon such evidence being produced as may, from time to time, properly be required by the Issuer or the CSD, elect either to be registered himself as holder of the Bond or to have some person nominated by him registered as the transferee thereof. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the CSD a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered he shall testify his election by transferring the Bond, or procuring the transfer of the Bond, in favour of that person. Provided always that if a Bond is transmitted in furtherance of this paragraph, a person will not be registered as a Bondholder unless such transmission is made in multiples of €100.

17.13.3 All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations.

17.13.4 The cost and expenses of effecting any registration of transfer or transmission, except for the expenses of delivery by any means other than regular mail (if any) and except, if the Issuer shall so require, the payment of a sum sufficient to cover any tax, duty or other governmental charge or insurance charges that may be imposed in relation thereto, will be borne by the person to whom the transfer / transmission has been made.

17.13.5 The Issuer will not register the transfer or transmission of Bonds for a period of (15) days preceding the due date for any payment of interest on the Bonds or the due date for redemption.

#### **17.14 Further Issues**

Subject to the Negative Pledge under Section 17.4, the Issuer may, from time to time, without the consent of the Bondholders, create and issue further debentures, debenture stock, bonds, loan notes, or any other debt securities, either having the same terms and conditions as any outstanding debt securities of any series (including the Bonds) and so that such further issue shall be consolidated and form a single series with the outstanding debt securities of the relevant series (including the Bonds), or upon such terms as the Issuer may determine at the time of their issue.

#### **17.15 Meetings of Bondholders**

17.15.1 The Issuer may, from time to time, call meetings of Bondholders for the purpose of consultation with Bondholders or for the purpose of any of the following: (i) considering and approving any matter affecting their interest, including the amendment, modification, waiver, abrogation or substitution of any of the Terms and Conditions of the Bonds and the rights of the Bondholders, whether or not those rights arise under the Admission Document; (ii) considering and approving the exchange or substitution of the Bonds by, or the conversion of the Bonds into, shares, debentures or other obligations or securities of the Issuer; and (iii) obtaining the consent of Bondholders on other matters which in terms of the Admission Document require the approval of a Bondholders' meeting in accordance with the below.

17.15.2 A meeting of Bondholders shall be called by the Directors by giving all Bondholders listed on the register of Bondholders as at a date being not more (30) days preceding the date scheduled for the meeting, not less than (14)days' notice in writing. Such notice shall set out the time, place and date set for the meeting and the matters to be discussed or decided thereat, including, if applicable, sufficient information on any amendment of the Document that is proposed to be voted upon at the meeting and seeking the approval of the Bondholders. Following a meeting of Bondholders held in accordance with the provisions contained hereunder, the Issuer shall, acting in accordance with the resolution(s) taken at the meeting, communicate to the Bondholders whether the necessary consent to the proposal made by the Issuer has been granted or withheld. Subject to having obtained the necessary approval by the Bondholders in accordance with the provisions of this section at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Issuer.

17.15.3 The amendment of any of the Terms and Conditions of issue of the Bonds may only be made with the approval of Bondholders at a meeting called and held for that purpose in accordance with the terms hereof.

17.15.4 A meeting of Bondholders shall only validly and properly proceed to business if there is a quorum present at the commencement of the meeting. For this purpose at two (2) Bondholders present, in person or by proxy, representing not less than 50% in nominal value of the Bonds then outstanding, shall constitute a quorum. If a quorum is not present within thirty (30) minutes from the time scheduled for the commencement of the meeting as indicated on the notice convening same, the meeting shall stand adjourned to a place, date and time as shall be communicated by the Directors to Bondholders present at that meeting. The Issuer shall within two (2) days from the date of the original meeting publish by way of a company announcement the date, time and place where the adjourned meeting is to be held. An adjourned meeting shall be held not earlier than seven (7) days, and not later than fifteen (15) days, following the original meeting. At an adjourned meeting the number of Bondholders present at the commencement of the meeting, in person or by proxy, shall constitute a quorum; and only the matters specified in the notice calling the original meeting shall be placed on the agenda of, and shall be discussed at and decided upon during, the adjourned meeting.

17.15.5 Any person who in accordance with the Memorandum and Articles of Association of the Issuer is to chair the annual general meetings of shareholders shall also chair meetings of Bondholders.

17.15.6 Once a quorum is declared present by the chairman of the meeting, the meeting may then proceed to business and address the matters set out in the notice convening the meeting. In the event of decisions being required at the meeting the Directors or their representative shall present to the Bondholders the reasons why it is deemed necessary or desirable and appropriate that a particular decision is taken. The meeting shall allow reasonable and adequate time to Bondholders to present their views to the Issuer and the other Bondholders present at the meeting. The meeting shall then put the matter as proposed by the Issuer to a vote of Bondholders present at the time at which the vote is being taken, and any Bondholders taken into account for the purpose of constituting a quorum who are no longer present for the taking of the vote shall not be taken into account for the purpose of such vote.

17.15.7 The voting process shall be managed by the Issuer's company secretary under the supervision and scrutiny of the auditors of the Issuer.

17.15.8 The proposal placed before a meeting of Bondholders shall only be considered approved if at least sixty per cent (60%) in nominal value of the Bondholders present at the meeting at the time when the vote is being taken, in person or by proxy, shall have voted in favour of the proposal.

17.15.9 Save for the above, the rules generally applicable to proceedings at general meetings of shareholders of the Issuer shall *mutatis mutandis* apply to meetings of Bondholders.

### **17.16 Authorizations and approvals**

The Directors authorised the Bond Issue and the publication of the Admission Document pursuant to a board of directors' resolution passed on the 18<sup>th</sup> March 2018.

### **17.17 Admission to trading**

Application has been made to the Malta Stock Exchange for the Bonds being issued pursuant to the Admission Document to be traded on its Prospects MTF List. The Bonds are expected to be admitted to the Malta Stock Exchange with effect from 22<sup>nd</sup> May 2018 and trading is expected to commence on the 23<sup>rd</sup> May 2018. Dealing may commence prior to notification of the amount allotted being issued to Applicants.

### **17.18 Representations and warranties**

17.18.1 The Issuer represents and warrants to Bondholders, who shall be entitled to rely on such representations and warranties, that:

- i. it is duly incorporated and validly existing under the laws of Malta and has the power to carry on its business as it is now being conducted and to hold its property and other assets under legal title;
- ii. it holds the Hotel under title of ownership and shall continue to do so throughout the term of the Bond Issue unless and until it holds another assets of equal or higher value to that of the Hotel in its finished state in which case, it shall be entitled to, at its own discretion, dispose of the Hotel during the term of the Bond Issue; it has the power to execute, deliver and perform its obligations under the Document and that all necessary corporate, shareholder and other actions have been duly taken to authorise the execution, delivery and performance of the same, and further that no limitation on its power to borrow or guarantee shall be exceeded as a result of the Terms and Conditions or the Document; and
- iii. apart from the Court Case referred to in Section 20 of the Admission Document, no litigation, arbitration or administrative proceedings are taking place, pending or, to the knowledge of the officers of the Issuer, threatened against the Issuer which could have a material adverse effect on the business, assets or financial condition of the Issuer.

17.18.2 The Admission Document contains all relevant material information with respect to the Issuer and all information contained in the Document is in every material respect true and accurate and not misleading, and there are no other

facts in relation to the Issuer and/or the HH Group, their respective businesses and financial position, the omission of which would, in the context of issue of the Bonds, make any statement in the Admission Document misleading or inaccurate in any material respect.

### **17.19 Bonds held jointly**

In respect of any Bonds held jointly by several persons (including husband and wife), the joint holders shall nominate one (1) of their number as their representative and his/her name will be entered in the register with such designation. The person whose name shall be inserted in the field entitled "Applicant" on the Application Form, or the first named in the register of Bondholders shall, for all intents and purposes, be deemed to be such nominated person by all those joint holders. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond/s so held.

### **17.20 Bonds held subject to usufruct**

In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register. The usufructuary shall, for all intents and purposes, be deemed vis-a-vis the Issuer to be the holder of the Bond/s so held and shall have the right to receive interest on the Bond/s and to vote at meetings of the Bondholders but shall not, during the continuance of the Bond/s, have the right to dispose of the Bond/s so held without the consent of the bare owner, and shall not be entitled to the repayment of principal on the Bond (which shall be due to the bare owner).

## **18. TERMS AND CONDITIONS OF THE BOND ISSUE**

- 18.1 The issue and allotment of the Bonds is conditional upon the Bonds being admitted to the Prospects MTF List. In the event that the Bonds are not admitted to the Prospects MTF List any Application monies received by the Issuer will be returned without interest by direct credit into the Applicant's bank account indicated by the Applicant on the relative Application Form. If no such bank account number is provided, or in the event that bank account details on the Application Form are incorrect or inaccurate, such returns will be made by means of a cheque mailed to the Applicant's address (or, in the case of joint Applications, the address of the first named Applicant) indicated in the Application Form.
- 18.2 The Issuer has established a minimum subscription level of least four million Euro (€4,000,000) for the Bond Issue.
- 18.3 It is the responsibility of investors wishing to apply for the Bonds to inform themselves as to the legal requirements of so applying, including any requirements relating to external transaction requirements in Malta and any exchange control in the countries of their nationality, residence or domicile.
- 18.4 The contract created by the Issuer's acceptance of an Application filed by a prospective bondholder shall be subject to all the terms and conditions set out in this Document and the Memorandum and Articles of Association of the Issuer.
- 18.5 Any person, whether natural or legal, shall be eligible to submit an Application and any one (1) person, whether directly or indirectly, should not submit more than one (1) Application Form. If an Application Form is signed on behalf of another party or on behalf of a corporation or corporate entity or association of persons, the person signing will be deemed to have duly bound his principal, or the relative corporation, corporate entity, or association of persons, and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions on their behalf. Such representative may be requested to submit the relative power of attorney/resolution or a copy thereof duly certified by a lawyer or notary public if so required by the Issuer and/or the Corporate Advisor, but it shall not be the duty or responsibility of the Corporate Advisor or Issuer to ascertain that such representative is duly authorised to appear on the Application Form and bind the Applicant.

- 18.6 In the case of joint Applications, reference to the Applicant in these Terms and Conditions is a reference to each of the joint Applicants, and liability therefor is joint and several.
- 18.7 Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption monies payable to the parents / legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption monies shall be paid directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years.
- 18.8 The Bonds have not been and will not be registered under the Securities Act of 1933 of the United States of America and, accordingly, may not be offered or sold within the United States or to or for the account or benefit of a U.S. person.
- 18.9 No person receiving a copy of the Document or an Application Form in any territory other than Malta may treat the same as constituting an invitation or offer to such person nor should such person in any event use such Application Form, unless, in the relevant territory, such an invitation or offer could lawfully be made to such person or such Application Form could lawfully be used without contravention of any registration or other legal requirements.
- 18.10 It is the responsibility of any person outside Malta wishing to make any Application to satisfy himself/herself/itself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- 18.11 Subject to all other terms and conditions set out in the Document, the Issuer reserves the right to reject, in whole or in part, or to scale down, any Application, including multiple or suspected multiple applications, and to present any cheques and/or drafts for payment upon receipt. The right is also reserved to refuse any Application which in the opinion of the Issuer is not properly completed in all respects in accordance with the instructions or is not accompanied by the required documents. Only original Application Forms will be accepted and photocopies/facsimile copies will not be accepted.
- 18.12 Save where the context requires otherwise or where otherwise defined therein, terms defined in the Document bear the same meaning when used in these Terms and Conditions, in the Application Forms, in any of the Annexes and in any other document issued pursuant to the Admission Document.
- 18.13 The Issuer has not sought assessment of the Bonds by any independent credit rating agency.
- 18.14 Subject to all other terms and conditions set out in the Document, the Issuer reserves the right to revoke the Issue at any time before the closing of the Issue Period. The circumstances in which such revocation might occur are expected to be exceptional, for example where a significant change in market conditions occurs.
- 18.15 The Bonds will be issued in multiples of €100. The minimum subscription amount of Bonds that can be subscribed for by all Applicants is €2,000.
- 18.16 The completed Application Forms are to be lodged with the Placement Agent and Manager. An authorized financial intermediary shall, prior to accepting an Application, conduct an Appropriateness Test in respect of the Applicant and, based on the results of such test, be satisfied that an investment in the Bonds may be considered appropriate for the Applicant. To the extent that the authorized financial intermediary is providing advice in respect of a purchase of the Bonds by an Applicant, the authorized financial intermediary shall also be required to conduct a Suitability Test in respect of the Applicant and, based on the results of such test, be satisfied that an investment in the Bonds may be considered suitable for the Applicant.

For the purpose of this Document, the term “Appropriateness Test” means the test conducted by any licensed financial intermediary, when providing an investment service (other than investment advice or portfolio management) in relation to the subscription for and the trading of Bonds, for the purpose of such licensed financial intermediary determining

(after collecting the necessary information) whether the investment service or the Bonds are appropriate for the prospective Applicant or prospective transferee. In carrying out this assessment, the licensed financial intermediary shall ask the Applicant or the prospective transferee to provide information regarding the Applicant or transferee's knowledge and experience so as to determine that the Applicant or transferee has the necessary experience and knowledge in order to understand the risks involved in relation to the Bonds or investment service offered or demanded, in accordance with Part BI of the ISR. In the event that the licensed financial intermediary considers, on the basis of the test conducted, that the transfer of Bonds is not appropriate for the Applicant or prospective transferee, the licensed financial intermediary shall reject the prospective Applicant's request to subscribe for or acquire Bonds, irrespective of whether the Applicant or transferee is warned that the investment in the Bonds is not appropriate for the Applicant or transferee;

For the purpose of this Securities Note, the term "Suitability Test" means the process through which a licensed financial intermediary providing investment advice or portfolio management services in relation to the subscription for and trading of Bonds obtains such information from the Applicant or prospective transferee as is necessary to enable the licensed financial intermediary to recommend to or, in the case of portfolio management, to effect for, the Applicant or prospective transferee, the investment service and trading in Bonds that are considered suitable for him/her, in accordance with Part BI of the ISR. The information obtained pursuant to this test must be such as to enable the licensed financial intermediary to understand the essential facts about the Applicant or prospective transferee and to have a reasonable basis for believing, giving due consideration to the nature and extent of the service provided, that the specific transaction to be recommended, or to be entered into in the course of providing a portfolio management service, satisfies the following criteria:

- it meets the investment objectives of the Applicant or prospective transferee in question;
- it is such that the Applicant or prospective transferee is able financially to bear any related investment risks consistent with investment objectives of such Applicant or prospective transferee; and
- it is such that the Applicant or prospective transferee has the necessary experience and knowledge in order to understand the risks involved in the transaction or in the management of his portfolio.

18.17 For the purposes of the Prevention of Money Laundering 2008 and Funding of Terrorism Regulations, made under the Prevention of Money Laundering Act (Chapter 373 of the Laws of Malta), as amended from time to time, all appointed authorised financial intermediaries are under a duty to communicate to the CSD, all information including customer due diligence data about clients as is required under the Implementing Procedures issued by the Financial Intelligence and Analysis Unit in view of its placing of reliance on the said intermediaries under the said Regulations and Articles 1.2(d) and 2.4 of the "Code of Conduct for Members of the Malta Stock Exchange" appended as Appendix IV to Chapter 3 of the Malta Stock Exchange Bye-Laws, irrespective of whether the said appointed authorised financial intermediaries are Malta Stock Exchange Members or not. Such information shall be held and controlled by the Malta Stock Exchange in terms of the Data Protection Act (Chapter 440 of the laws of Malta) for the purposes and within the terms of the Malta Stock Exchange Data Protection Policy as published from time to time.

18.18 By completing and delivering an Application Form, the Applicant:

- agrees and acknowledges to have had the opportunity to read the Admission Document and to be deemed to have had notice of all information and representations concerning the Issuer and the issue of the Bonds contained therein;
- warrants that the information submitted by the Applicant in the Application Form is true and correct in all respects and in the case where an MSE account number is indicated in the Application Form, such MSE account number is the correct account of the Applicant. In the event of a discrepancy between the personal details (including name and surname and the Applicant's address) appearing on the Application Form and those held by the MSE in relation to the MSE account number indicated on the Application Form, the details held by the MSE shall be deemed to be the correct details of the Applicant;
- authorises the Placement Agent and Manager and the Directors of the Issuer to include his/her/its name or, in the case of joint Applications the first named Applicant, in the register of debentures of the Issuer in respect of

the Bonds allocated to such Applicant and further authorises the Issuer and the MSE to process the personal data that the Applicant provides in the Application Form, for all purposes necessary and subsequent to the Bond Issue applied for, in accordance with the Data Protection Act (Chapter 440 of the laws of Malta). The Applicant has the right to request access to and rectification of the personal data relating to him/her/it as processed by the Issuer and/or the MSE. Any such requests must be made in writing and sent to the Issuer at the address indicated in the Admission Document. The requests must further be signed by the Applicant to whom the personal data relates;

- confirms that in making such Application no reliance was placed on any information or representation in relation to the Issuer or the issue of the Bonds other than what is contained in the Admission Document and, accordingly, agree/s that no person responsible solely or jointly for the Document or any part thereof will have any liability for any such other information or representation;
- agrees that the registration advice and other documents and any monies returnable to the Applicant may be retained pending clearance of his/her/its remittance and any verification of identity as required by the Prevention of Money Laundering Act (Chapter 373 of the laws of Malta) and regulations made thereunder, and that such monies will not bear interest;
- agrees to provide the Placement Agent and Manager and/or the Issuer, as the case may be, with any information which it/they may request in connection with the Application;
- warrants, in connection with the Application, to have observed all applicable laws, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with his/her/its Application in any territory, and that the Applicant has not taken any action which will or may result in the Issuer or the Corporate Advisor acting in breach of the regulatory or legal requirements of any territory in connection with the issue of the Bonds or his/her/its Application;
- warrants that all applicable exchange control or other such regulations (including those relating to external transactions) have been duly and fully complied with;
- represents that the Applicant is not a U.S. person (as such term is defined in Regulation S under the Securities Act of 1933 of the United States of America, as amended) and that he/she/it is not accepting the invitation set out in the Admission Document from within the United States of America, its territories or its possessions, or any area subject to its jurisdiction (the "United States") or on behalf or for the account of anyone within the United States or anyone who is a U.S. person;
- agrees that Calamatta Cuschieri Investment Services Limited will not, in their capacity of and Placement Agent and Manager, treat the Applicant as their customer by virtue of such Applicant making an Application for the Bonds, and that Calamatta Cuschieri Investment Services Limited will owe the Applicant no duties or responsibilities concerning the price of the Bonds or their suitability for the Applicant;
- agrees that all documents in connection with the issue of the Bonds and any returned monies, including refunds of all unapplied Application monies, if any, will be sent at the Applicant's own risk and may be sent, in the case of documents, by post at the address (or, in the case of joint Applications, the address of the first named Applicant) as set out in the Application Form and in the case of monies by direct credit into the Applicant's bank account as indicated by the Applicant on the Application Form;
- renounces to any rights the Applicant may have to set off any amounts the Applicant may at any time owe the Issuer against any amount due under the terms of these Bonds;
- irrevocably offers to purchase the number of Bonds specified in his/her/its Application Form (or any smaller number for which the Application is accepted) at the Bond Issue Price subject to the Admission Document, the terms and conditions thereof and the Memorandum and Articles of Association of the Issuer;
- warrants that his/her/its remittance will be honoured on first presentation and agrees that if such remittance is not so honoured he/she/it will not be entitled to receive a registration advice, or to be registered in the register of debentures or to enjoy or receive any rights in respect of such Bonds unless and until payment in cleared funds for such Bonds is received and accepted by the Issuer and/or the Corporate Advisor (which acceptance shall be made in the absolute discretion of the Issuer and/or the Corporate Advisor and may be on the basis that the Issuer and/or the Corporate Advisor is indemnified against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of such remittance to be honoured on first presentation) and that, at any time prior to unconditional acceptance by the Issuer and/or the Corporate Advisor of such late payment in respect of such Bonds, the Issuer and/or the Corporate Advisor may (without prejudice to other rights) treat the agreement to allocate such Bonds as void and may allocate such Bonds to some other person, in which case the

Applicant will not be entitled to any refund or payment in respect of such Bonds (other than return of such late payment);

- agrees that all Applications, acceptances of applications and contracts resulting therefrom will be governed by, and construed in accordance with, Maltese law and that he/she/it submits to the exclusive jurisdiction of the Maltese Courts and agrees that nothing shall limit the right of the Issuer to bring any action, suit or proceeding arising out of or in connection with any such Applications, acceptances of applications and contracts in any other manner permitted by law in any court of competent jurisdiction;
- warrants that if he/she signs the Application Form on behalf of another party or on behalf of a corporation or corporate entity or association of persons, he/she has due authority to do so and such person, corporation, corporate entity or association of persons will also be bound accordingly, and will be deemed also to have given the confirmations, warranties and undertakings contained in these Terms and Conditions;
- warrants that he/she is not under the age of eighteen (18) years or if he/she is lodging an Application in the name and for the benefit of a minor, warrants that he/she is the parent/s or legal guardian/s of the minor;
- confirms that, in the case of a joint Application entered into in joint names, the first named Applicant shall be deemed the holder of the Bonds; and
- agrees that, in all cases, any refund of unallocated Application monies, if any, will be sent to the Applicant by direct credit into the Applicant's bank account as indicated by the Applicant on the Application Form. No interest shall be due on refunds. The Issuer shall not be responsible for any changes, loss or delay in transmission. If no such bank account number is provided, or in the event that bank account details on the Application Form are incorrect or inaccurate, such refund will be made by means of a cheque mailed to the Applicant's address (or, in the case of joint Applications, the address of the first named Applicant) indicated in the Application Form.



## 19. TAXATION

### 19.1 General

Investors and prospective investors are urged to seek professional advice as regards both Maltese and any foreign tax legislation which may be applicable to them in respect of the Bonds, including their acquisition, holding and disposal, as well as any income/gains derived therefrom or made on their disposal. The following is a summary of the anticipated tax treatment applicable to the Bonds and to Bondholders in so far as taxation in Malta is concerned. This information does not constitute legal or tax advice and does not purport to be exhaustive.

The information below is based on an interpretation of tax law and practice relative to the applicable legislation, as known to the Issuer at the date of the Admission Document, in respect of a subject on which no official guidelines exist. Investors are reminded that tax law and practice and their interpretation as well as the levels of tax on the subject matter referred to in the preceding paragraph, may change from time to time.

This information is being given solely for the general information of investors. The precise implications for investors will depend, among other things, on their particular circumstances and on the classification of the Bonds from a Maltese tax perspective, and professional advice in this respect should be sought accordingly.

### 19.2 Malta Tax on Interest

Since interest is payable in respect of a Bond which is the subject of a public issue, unless the Issuer is otherwise instructed by a Bondholder or if the Bondholder does not fall within the definition of "recipient" in terms of article 41(c) of the Income Tax Act (Chapter 123 of the laws of Malta), interest shall be paid to such person net of a final withholding tax, currently at the rate of 15% of the gross amount of the interest, pursuant to article 33 of the said Income Tax Act. Interest payments made to Prescribed Funds will be subject to a final withholding tax at the rate of 10%. Bondholders who do not fall within the definition of a "recipient" do not qualify for the said rate and should seek advice on the taxation of such income as special rules may apply. For the purpose of the above, a "recipient" is generally a person who is resident in Malta during the year in which investment income is payable to him or other persons or entities acting on behalf of such resident person or a trustee or foundation pursuant to or by virtue of which any money or other property whatsoever shall be paid or applied to or for the benefit of such resident persons.

This withholding tax is considered as a final tax and a Maltese resident individual Bondholder may not declare the interest so received in his income tax return. No person shall be charged to further tax in respect of such income.

In the case of a valid election made by an eligible Bondholder resident in Malta to receive the interest due without the deduction of final tax, interest will be paid gross and such person will be obliged to declare the interest so received in his income tax return and be subject to tax on it at the progressive rate/s applicable to that person at that time. Additionally, in this latter case the Issuer will advise the Inland Revenue on an annual basis in respect of all interest paid gross and of the identity of all such recipients unless the beneficiary does not qualify as a "recipient" in terms of article 41(c) of the Income Tax Act. Any such election made by a resident Bondholder at the time of subscription may be subsequently changed by giving notice in writing to the Issuer. Such election or revocation will be effective within the time limit set out in the Income Tax Act.

In terms of article 12(1)(c) of the Income Tax Act, Bondholders who are not resident in Malta satisfying the applicable conditions set out in the Income Tax Act are not taxable in Malta on the interest received and will receive interest gross, subject to the requisite declaration/evidence being provided to the Issuer in terms of law.

### 19.3 Foreign Account Tax Compliance Act

The United States has enacted rules, commonly referred to as "FATCA", that generally impose a new reporting regime and withholding requirements with respect to certain US source payments (including dividends and interest), gross proceeds from the disposition of property that can produce US source interest and dividends and certain payments made by, and financial

accounts held with, entities that are classified as financial institutions under FATCA. The United States has entered into an intergovernmental agreement with Malta dated 6 December 2013 regarding the implementation of FATCA with Malta. Payments effected by the Issuer on or with respect to the Bonds are not expected to be subject to withholding under FATCA except to the extent that any Bondholder fails to comply with its obligations under FATCA. However, FATCA may affect payments made to custodians or intermediaries, if any, in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payments to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Bondholders should choose any custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer's obligations under the Bonds are discharged once it has effected payment as stipulated in this Admission Document and therefore the Issuer has no responsibility for any amount thereafter transmitted through the payment chain.

FATCA requires participating financial institutions to satisfy applicable due diligence and reporting requirements in terms of the intergovernmental agreement entered into by Malta together with the relevant regulations and guidelines issued by the Commissioner for Revenue. Consequently certain confidential information in relation to the Bondholders and/or other relevant persons may be reported to the Commissioner for Revenue and automatically exchanged pursuant to these requirements.

FATCA is particularly complex. Each Bondholder should consult his own tax advisor to obtain a more detailed explanation of FATCA and to learn how it might affect such holder in his specific circumstance.

#### **19.4 Directive on Administrative Cooperation in the Field of Taxation**

The Council of the European Union has adopted Directive 2014/107/EU amending Directive 2011/16/EU on administrative cooperation in the field of taxation so as to introduce an extended automatic exchange of information regime that implements the OECD measures known as the "Common Reporting Standard". Member States are required to begin exchanging information pursuant to this Directive no later than 30 September, 2017 (subject to deferral under transitional rules in the case of Austria).

Malta has transposed Directive 2014/107/EU into national law by means of Legal Notice 384 of 2015 amending the Cooperation with Other Jurisdictions on Tax Matters Regulations. In terms of this legal notice, the automatic exchange of information obligations extends also to jurisdictions that are not EU Member States with which there is a relevant arrangement in place.

In consequence, financial institutions of an EU Member State and of participating jurisdictions will be required to report to their respective tax authorities certain financial account information in respect of account holders (and in some cases, beneficial holders), that are residents of another EU Member State or of a participating jurisdiction in order to be exchanged automatically with the tax authorities of the other EU Member States or participating jurisdictions. Financial account information in respect of holders of the Bonds could fall within the scope of EU Directive 2014/107/EU and the may therefore be subject to reporting obligations.

#### **19.5 Maltese taxation on capital gains on transfer of the Bonds**

To the extent that the Bonds do not fall within the definition of "securities" in terms of article 5(1)(b) of the Income Tax Act, that is, "shares and stocks and such like instruments that participate in any way in the profits of the company and whose return is not limited to a fixed rate of return", no Malta tax on capital gains should be chargeable in respect of transfers of Bonds held as capital assets at the time of disposal.

## 19.6 Duty on documents and transfers

In terms of article 50 of the Financial Markets Act (Chapter 345 of the laws of Malta), in view of the fact that the Bonds constitute financial instruments of a company quoted on a Multilateral Trading Facility, as is the Prospects MTF, redemptions and transfers of the Bonds are exempt from Maltese duty.

## 19.7 Tax status of the Group

The Maltese incorporated companies forming part of the Group should be subject to tax in Malta at the standard corporate tax rate, which currently stands at 35%.

Income from foreign sources received by such companies (including capital gains, dividends, interest and any other income) is also subject to tax in Malta at the rate of 35%, subject to claiming relief for double taxation in terms of the provisions of the Income Tax Act (Chapter 123 of the laws of Malta).

**INVESTORS AND PROSPECTIVE INVESTORS ARE URGED TO SEEK PROFESSIONAL ADVICE AS REGARDS BOTH MALTESE AND ANY FOREIGN TAX LEGISLATION APPLICABLE TO THE ACQUISITION, HOLDING AND DISPOSAL OF BONDS AS WELL AS INTEREST PAYMENTS MADE BY THE ISSUER. THE ABOVE IS A SUMMARY OF THE ANTICIPATED TAX TREATMENT APPLICABLE TO THE BOND AND TO BONDHOLDERS. THIS INFORMATION, WHICH DOES NOT CONSTITUTE LEGAL OR TAX ADVICE, REFERS ONLY TO BONDHOLDERS WHO DO NOT DEAL IN SECURITIES IN THE COURSE OF THEIR NORMAL TRADING ACTIVITY.**

## 20. LITIGATION PROCEEDINGS

The Transferor is currently a defendant to a civil suit in the Court of Appeals (Superior Jurisdiction) instituted by Olive Gardens Investments Ltd (C16715) in the names Olive Gardens Investments Ltd (C 16715) vs Hugo's Hotel Limited (C8556) and Marcus Development Company Limited (C1363) case number 210/2014/1 (the '**Court Case**'). The outcome of the Court Case bears material consequence on the ownership pertaining to the part of the Hotel constructed within the airspace on top of St George's Court Block A and Block B with an aggregate area of circa 712 meters squared (the 'Disputed Area').

The Court Case is an appeal to the judgement of the 13<sup>th</sup> January 2017 in the same names with case number 210/14MH wherein Olive Gardens Investments Ltd (the '**Plaintiff**') made reference to the promise of sale agreement dated 12 February 2004 with Marcus Development Company Limited for the sale of the Disputed Area. The Plaintiff claimed that the deed of sale dated 30 July 2013 entered into between Marcus Development Company Limited and the Transferor was entered into fraudulently against the rights of the said Plaintiff and that as such, it requested the court to revoke and rescind the said deed of sale dated 30 July 2013.

Marcus Development Company Limited, on its part, countered that the Plaintiffs were unfounded in fact and at law in that, at the time of the deed of sale of the 30 July 2013 there was no outstanding obligations on its part towards the plaintiff, inter alia. The Transferor, on its part, countered that there was no juridical relationship between itself and the Plaintiff and that no juridical interest on the part of the Plaintiff subsisted given that the promise of sale agreement dated 12 February 2004 was expired, inter alia.

Further to its considerations, the Court found in favour of the defendants on the basis that there was no juridical relationship between the Plaintiff and the said defendants and proceeded to dismiss the case with all costs to be borne by the Plaintiff.

On the 31 January 2017, the Plaintiff lodged an appeal with the Court of Appeal (Superior Jurisdiction) the outcome of which is still pending.

The Disputed Area is also subject to a civil suit in the Court of Appeals (Superior Jurisdiction) instituted by Olive Gardens Investments Ltd (C16715) in the names Olive Gardens Investments Ltd (C16715) v Marcus Development Company Limited (C1363) case number 993/2013/1 (the 'Connected Court Case').

The Connected Court Case is an appeal to the judgement of the 13th January 2017 in the same names with case number 993/2013MH wherein the Plaintiff made reference to the same promise of sale agreement dated 12 February 2004 with Marcus Development Company Limited for the sale of the Disputed Area. The Plaintiff claimed that the promise of sale agreement was still valid and that Marcus Development Company Limited should be ordered to enter into a deed of sale agreement with the Plaintiff for the sale of the Disputed Area in terms of the said promise of sale agreement.

Marcus Development Company Limited, on its part, countered that the Plaintiff's claim was unfounded in fact and at law in that the claim brought forward by the Plaintiff was time-barred and that the Disputed Area had, in the meantime, been sold to third parties, inter alia.

Further to its considerations, the Court found in favour of the defendant on the basis that the promise of sale agreement was no longer valid and the Disputed Area was legally and validly sold to third parties.

On the 31 January 2017, the Plaintiff lodged an appeal with the Court of Appeal (Superior Jurisdiction) the outcome of which is still pending.

Other than the Court Case, and the Connected Court Case, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the period covering twelve months prior to the date of the Admission Document which may have, or have had, in the recent past significant effects on the financial position or profitability of the Issuer, and/or the HH Group.

## **21. GOVERNING LAW**

The Bonds are governed by and shall be construed in accordance with Maltese law. Any legal action, suit or proceedings against the Issuer arising out of or in connection with the Bonds and/or the Admission Document shall be brought exclusively before the Maltese courts.

## **22. NOTICES**

Notices will be mailed to Bondholders at their registered addresses and shall be deemed to have been served at the expiration of twenty-four (24) hours after the letter containing the notice is posted, and in proving such service it shall be sufficient to prove that a prepaid letter containing such notice was properly addressed to such Bondholder at his/her/its registered address and posted.

## **23. DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents or certified copies thereof, where applicable, are available for inspection at the registered office of the Issuer at HH Finance plc, 2, St George's Court A, St Augustine Street, St. Julian's, Malta, during the term of the Bond Issue during office hours:

1. the Memorandum and Articles of Association of the Issuer;
2. the Property Valuation;
3. the Operating Lease Agreement;
4. a copy of the Deed of Transfer and Acquisition;
5. A copy of the judgement together with all supporting documentation in relation to the Court Case.

The documents listed above are also available for inspection in electronic form on the Issuer's website [www.hhfinance.com.mt](http://www.hhfinance.com.mt).

## ANNEX A – Deed of Transfer and Acquisition

Today the eighth day of March of the year two thousand and eighteen.

Before me, Doctor of Laws Rachel Busuttil, a Notary Public in Malta, duly admitted and sworn, have personally appeared duly identified by me by means of the here in mentioned official documents according to Law:-

Of the First Part:

Hugo Chetcuti, in business, son of Francis and Wilhemina nee Spiteri, born in Bengazi, Libya on the seventh (7<sup>th</sup>) day of March of the year nineteen sixty six (1966) and residing in St Julians, holder of identity card numbered: one zero four four eight seven letter "M" (104487M), who is appearing hereon for and in representation of **Hugo's Hotel Limited** bearing company registration letter "C" number eight five, five six (C 8556), previously named 'Hotel Bernard Limited' and having its registered office at Hugo's Hotel, St George's Bay, St Julian's, Malta, as duly authorised to appear hereon in virtue of the Memorandum and Articles of Association of the said company; Hugo's Hotel Limited is hereinafter referred to as the "**Transferor**".

Of the Second part:

Luke Chetcuti (holder of Identity Card Number 595691M) in business, unmarried son of Hugo and Tanya nee Micallef, born in Zabbar on the 29/9/91 and residing in Saint Julians who is appearing hereon for and in representation of **HH Finance plc** bearing company registration letter "C" number eight four four six one (C 84461) and having its registered office at 2, St Georges Court A, St. Augustine Street, St Julians, Malta, as duly authorised to appear hereon in virtue of the Memorandum and Articles of Association of the said company; HH Finance plc is hereinafter referred to as the "**Transferee**".

(The Transferor and the Transferee are collectively hereinafter referred to as the "**Parties**").

**Whereas** the Transferor is the owner of the Property (as hereunder defined); and

**Whereas** the Transferee is desirous of acquiring, and the Transferor is desirous of transferring to the Transferee, the whole of the Property for a consideration of thirty five million Euro (€35,000,000); and

**Whereas** the Transferee is in the process of applying to the Malta Stock Exchange plc (a public limited liability company registered and incorporated under the Laws of Malta with

Act No.: 32

Sale

Enrolled:

12/3/18

Ins. No.:

5780/2018



DR. RACHEL BUSUTTIL LL.B.  
 NOTARY PUBLIC  
 COMMISSIONER FOR OATHS  
 184 / I STREET VALLETTA  
 99425505 21234695

company registration letter "C" number four two five two five (C 42525) and having its registered office situated at Garrison Chapel, Castille Place, Valletta VLT1063, Malta) for admission on the multilateral trading facility for small to medium sized companies (known as the 'Prospects MTF'), for the issue of five million Euro worth of unsecured bonds having a nominal value of one thousand Euro (€1,000) each, bearing an interest rate of five per cent (5%) per annum, and with a maturity date occurring in ten (10) years as from the end of the offer period of the said bonds (the bonds are hereinafter referred to as the "**Bonds**"); and

**Whereas** the Transferee is desirous of paying, and the Transferor accepts to receive, the consideration for the Property by means of two (2) instalments as hereinafter set forth.

Now therefore by virtue of this deed, the Transferor is hereby selling and transferring unto the Transferee, who accepts, purchases and acquires, the hotel together with its roof and overlying airspace, without official number and named 'Hugo's Hotel', in in Upper Saint Augustine Street, corner with Saint Rita Steps/Street, Saint George's Bay, **Saint Julians**.

Said hotel was constructed in part on the site previously occupied by a hotel which was previously named 'Hotel Bernard' in Upper Saint Augustine Street, corner with Saint Rita Steps/Street, Saint George's Bay, Saint Julians and in part in lieu of apartments which previously formed part of 'Saint George's Court Block B', in Upper Saint Augustine Street, Saint George's Bay, Saint Julians.

The hotel is bounded on the South/South West by Saint Rita Street/Steps, on the West by Upper Saint Augustine Street and on the West by an unnamed street which abuts onto Saint Rita Street/Steps and Saint George's Road.

The hotel is being sold with its basement level and underling subterranean of that part of the Hotel which starts from the ground floor level, which basement extends to beneath and underlies the hereunder mentioned 'Hugo's Pub' and 'Hugo's Burger' together with its relative underlying subterranean.

Said hotel in part overlies the hereunder mentioned commercial establishments, which are property of the Transferor, and which are expressly **EXCLUDED** from this sale namely:

1. The commercial establishment named 'Hugo's Burger Bar', on two levels, at ground and first floor level, with main entrance in Upper Saint Augustine Street; Saint Julians, bounded on the West by Upper Saint Augustine Street, on the East by the property being sold and on the South by the hereunder mentioned establishment named 'Hugo's Pub';

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2. The commercial establishment without official number and named 'Hugo's Pub', in Upper Saint Augustine Street corner with Saint Rita Street/Steps, Saint Julians, bounded on the North in part by the above mentioned establishment named 'Hugo's Burger' and in part by the property being sold, on the South by Saint Rita Street/Steps and East by and the foundations of the unnamed street/steps which abut onto Saint George's Road and Saint Rita Street/Steps.

3. The commercial establishment without official number and named 'Bacco's Stick and Sum', in Saint Rita Street/Steps corner with Upper Saint Augustine Street, Saint Julians, bounded on the North in part by the above mentioned establishment named 'Hugo's Burger' and in part by the property being sold, on the South by Saint Rita Street/Steps and East by the foundations of the unnamed street/steps which abut onto Saint George's Road and Saint Rita Street/Steps. Said property overlies the above mentioned 'Hugo's Pub' and underlies in part the hotel being sold and in part the hereunder mentioned commercial establishment named 'Hugo's Middle East'.

4. The commercial establishment without official number and named 'Hugo's Middle East', in an unnamed street, which is made up of steps, which abuts, on one side, onto Saint George's Road and on the other side onto Saint Rita Street/Steps, corner with Saint Rita Street/Steps, Saint Julians, bounded on the North in part by the hereunder mentioned commercial establishment named 'Hugo's Pizza/Pasta', on the East by the said unnamed road/steps and on the South by Saint Rita Street/Steps. This commercial establishment overlies the above mentioned Bacco's Stick and Sum and underlies the hereunder mentioned 'Hugo's Pizza/Pasta'.

5. The commercial establishment without official number and named 'Hugo's Pizza/Pasta' in an unnamed street, which is made up of steps, which abuts on one side, onto Saint George's Road and on the other side onto Saint Rita Street/Steps, corner with Saint Rita Street/Steps, Saint Julians, and which commercial tenement overlooks the said two streets, Said commercial establishment is bounded on the South by Saint Rita Street/Steps on the East by the unnamed street/steps which abut onto Saint George's Road and Saint Rita Street/Steps and on the West in part by the hotel being sold and in part by property the hereunder mentioned two store rooms. Said commercial establishment overlies the above mentioned 'Hugo's Middle East' and underlies the hotel being sold.

6. The two stores without name and number, with their underlying basement and subterrain both adjacent to the above mentioned Hugo's Pizza/Pasta, both are accessible from Saint George's Road, Saint Julians, and are bounded together since they are contiguous, on the North by the hotel being sold, on the





South by Hugo's Pizza/Pasta and on the east by Saint George's Road;

7. The Lift shaft with its entrance and hallway and with all its equipment, accessible from Saint George's Road, starting from one floor above street level down to the level of the commercial establishments mentioned above, bounded on the north by the property being sold, on the East by Saint George's Road and on the South and West by property of the Transferor, which is specifically being excluded from this sale;

8. The tenement owned by Brian Zammit or his assignees as described in the deed in my records of the twelfth day of August of the year two thousand and fifteen (12/8/2015) together with all servitudes which it may enjoy over the property being sold, as resulting from the said deed. The property which belongs to Brian Zammit or his assignee was developed and constructed on an airspace situated between the eleventh (11<sup>th</sup>) stone course beneath street level when measured from said street up to the twenty third (23<sup>rd</sup>) stone course above street level, also when measured from the street, without number and name in Upper Saint Augustine Street, Saint Julians, which property is bounded on the West by the Street and on the South by property of the Transferor and on the North in part by property of family Patinott and in part by property of the Transferor Said property has a clear frontage of twenty six (26) feet

The Transferor, with the acceptance of the Transferee, for himself and his successor's in title is reserving in its favour and in favour of his successor's in title, the real perpetual and uninterrupted right to install and maintain and the right of access thereto for the purpose of carrying out works of installation, maintenance and repair, after reasonable prior notification is given, in that part of the property being sold which has been constructed for the purpose of housing the services of the same hotel, all services necessary for the running of the underlying commercial establishments, better described above and excluded from this sale. For all intents and purposes, these services are presently situated beneath the pool of the hotel being sold and in the basement of the said hotel being sold. The Transferor, with the acceptance of the Transferee reserves the right to substitute and add to these services and to move them to another location within the hotel being sold, to an area suitable for the housing of same.

The said hotel is being transferred in a semi-finished state, 'tale quale' inclusive of goodwill if any, hereinafter referred to as the **"Property"**.

Save as otherwise stated in this deed, the Property is being sold as free and unencumbered, with all its rights and appurtenances, free from any burdens, servitudes, hypothecs and privileges and free from any rights whether real or personal in favour of any person or other property, with free and vacant possession, free from any requisition or expropriation orders.



Reference is made to the pending court case in the Appeals Court (Superior Jurisdiction) in the names Olive Gardens Investments Limited vs Hugo's Hotel Limited et Case number two one zero stroke two thousand and fourteen stroke one relating to "all residual rights which it possesses and owns in the above mentioned two blocks of flats respectively named "Saint George's Court Block A" and "St. George's Block B" as well as in the land on which the said flats were constructed originally known as "Il-Hofra ta' San Gorg" (following the sales mentioned above), in Upper Saint Augustine Street, St. George's Bay, Saint Julians which residual rights include but are not limited to: the airspace overlying the aforementioned "Saint George's Court Block A" and "Saint George's Block B" outlined and marked in the colour yellow with black intermittent lines, on the attached plan marked as Document letter "X" which airspace directly overlies:

- the flat at third floor level internally numbered seven of the said Block B; and
- the flat at third floor level internally numbered eight of the said Block B;
- the flat at third floor level internally numbered eight of Block A; and
- part of the flat at third floor level internally numbered seven of the said Block A; The room and other amenities pertaining to Flat 7A as better described in the contract published by Notary Doctor Joseph Brincat of the thirtieth day of January of the year nineteen hundred and seventy six (30/01/1976) and which room and other amenities are outlined in blue and marked with the letter Z and grey and marked with the letter Y on the plan which is attached to the deed and marked with the letter "X", are excluded from the sale. The airspace over the said rooms/areas outlined in blue and marked with the letter Z and grey and marked with the letter Y on the plan which is attached to the deed and marked with the letter "X" are being sold and transferred by the Vendor unto the Purchaser who accepts" wherein the plaintiffs are demanding that the above-mentioned residual rights have been fraudulently transferred and the Transferor is rejecting such claims. The Transferee declares to be fully aware of the Court case and renounces to any warranty for peaceful possession in respect of the said residual rights. The rights of the Transferor in the said Court case are hereby assigned to the Transferee together with the aforementioned sale of the Property.

This sale is being made and concluded under the following terms and conditions:-

1. In consideration of the price of thirty five million Euro (€35,000,000) (the "Purchase Price"), which shall be paid as follows:



(a) the sum of four million eight hundred and seventy five thousand Euro (€4,875,000) shall be paid by not later than the fifteenth (15<sup>th</sup>) day of the month of April of the year two thousand and eighteen (2018);

(b) the remaining balance of the Purchase Price (together with interest accrued thereon as provided hereunder) shall be paid upon the lapse of ninety (90) days from the thirtieth (30<sup>th</sup>) January of the year two thousand and twenty eight (2028).

The Transferee shall be bound to pay interest at the rate of four per cent (4%) per annum calculated on the outstanding balance of the Purchase Price: Provided that interest shall start to accrue as from the thirtieth (30<sup>th</sup>) January of the year two thousand and nineteen (2019).

The Parties hereby agree that the repayment of the balance of the Purchase Price and interest thereon shall be paid after, and subject to, the repayment by the Transferee of the interest and capital due to the investors holding the Bonds.

The Parties hereby acknowledge a debt of thirty five million Euro (€35,000,000) of the Transferee in favour of the Transferor as of the date hereof. Whereas, in accordance with Article 2010(c) of the Civil Code (Chapter sixteen (16) of the Laws of Malta), the Transferor is entitled to a special privilege for the whole or the residue of the price, stipulated in the deed of sale, in accordance with article 1996A of the Civil Code, the Transferor hereby waives the special privilege competent to it over the Property in respect of any outstanding amount from the Purchase Price due to it by the Transferee, which accepts and acknowledges such waiver.

The Parties further acknowledge that any debt due by the Transferee to the Transferor in terms of this deed shall be subordinated to the debts due by the Transferee to the holders of the Bonds, which debts shall include the principal amount of each Bond as well as any interest accrued thereon.

2. The Property is being sold *tale quale* in its present state and condition. The Transferee hereby declares that such state and condition is satisfactory to it. The Transferor hereby warrants that the items installed on the Property as of the date hereof are in a good condition.

3. The Transferor hereby declares and guarantees in favour of the Transferee, which accepts, that:

- i. The title of the Transferor over the Property, as described above, is a good and certain title.
- ii. The Property is constructed in accordance to law and in accordance with all the necessary permits, including building



and sanitary permits and in compliance with all the plans approved by the competent authorities.

iii. All architect fees, building permit fees, road and drainage contributions, and all fees and expenses of the contractors and suppliers for the construction and completion of the Property as of the date hereof have been paid in full and that no claims for payment may be brought against the Transferee and the Transferor agrees to hold the Transferee fully indemnified against any claims by any such person in relation to the Property.

iv. The Property is not subject to any pending or threatened legal disputes or to any claims or pretensions made by third parties.

v. All services provided to the Property, including water and electricity services, have been paid in full by the Transferor up to today. The Transferor is hereby binding itself to transfer the said services into the name of the Transferee as paid in full.

vi. The Property does not include any structural defects.

vii. There shall be no obligation whatsoever on the Transferee to pay compensation for party walls and that any relative compensation to be paid shall remain solely the expense of the Transferor.

4. The Transferor is hereby assigning, as an integral part of the sale of the Property and for no extra consideration, any and all development permits pertaining to the Property.

5. This notarial deed of sale is governed by the laws of Malta.

6. All fees and expenses relative to this deed of sale, the registration and cancellation of hypothecs and privileges contemplated in this deed, notarial fees and Duty on Documents and other Transfers shall be borne by the Transferee. Capital Gains Tax shall be paid by the Transferor.

For the purposes of the Duty on Documents and Transfers Act (Chapter three hundred and sixty four (364) of the laws of Malta), it is being declared that:

The Transferor acquired the Property or parts thereof by onerous title as follows:

a. from Green Dolphin Co. Limited:

- the hotel named 'Green Dolphin' and renamed 'Hotel Bernard', built on a site known as 'Il-Hofra ta' San Gorg' in Saint George's Bay, Saint Julians, as exempt from the payment of its share of an annual and perpetual ground rent, burdening the whole land 'Il-Hofra ta' San Gorg'; and

- a plot of land measuring one hundred and seventy five point six, four, four square metres (175.644sq/m), bounded on the west by the Green Dolphin Hotel as subject to an annual and perpetual ground rent indicated in the deed, inclusive of any right over a side curtilage on a side alley;

by virtue of a deed in the records of Notary Victor John Bisazza of the seventeenth (17<sup>th</sup>) day of December one thousand nine hundred and ninety one (1991);



- b. from Major Philip Morris and his wife Eva Mary Morris the flat numbered two (2) in Block B, Saint George's Court, in Saint George's Bay, Saint Julians, as subject to an annual and perpetual sub ground rent of twenty maltese liri (Lm20), together with an undivided share of the common parts of Block B, by virtue of a deed in the records of Notary John Victor Bisazza of the eleventh (11<sup>th</sup>) day of September of the year nineteen hundred and ninety five (1995);
- c. from Saint George's Bay Hotel Limited the house marked with the official number eighty nine (89), known as Acqua House, formerly Cosaline House in Saint George's Road, Saint Julians, free and unencumbered with all its rights and appurtenances, by virtue of a deed in the records of Notary John Victor Bisazza of the fifth (5<sup>th</sup>) day of May of the year two thousand (2000);
- d. from Irene Aurora sive Aurora Sciortino and Adriana Maria Zarb Adami the flat numbered four (4) and forming part of Block B, Saint George's Court, Saint Augustine Street, Saint Julians, as subject to an annual and perpetual ground rent of forty six Euro and fifty nine cents (€46.59), by virtue of a deed in my records of the twenty sixth (26<sup>th</sup>) day of July of the year two thousand and ten (2010) (Ins. 11934/10);
- e. from Digitech Company Limited, the flat numbered eight (8) and forming part of Block B, Saint George's Court, Saint Augustine Street, Saint Julians, as subject to an annual and perpetual ground rent of forty six Euro and fifty eight cents (€46.58), by virtue of a deed in my records of the nineteenth (19<sup>th</sup>) day of July of the year two thousand and twelve (2012) (Ins. 12677/12);
- f. from Joseph Xuereb, the flat numbered three (3) and forming part of Block B, Saint George's Court, Saint Augustine Street, Saint Julians, as subject to an annual and perpetual ground rent of forty six Euro and fifty nine cents (€46.59), by virtue of a deed in my records of the ninth (9<sup>th</sup>) day of November of the year two thousand and twelve (2012) (Ins. 18927/12);
- g. from Godfrey Galea and his wife Mary Galea the flat numbered six (3) and forming part of Block B, Saint George's Court, Saint Augustine Street, Saint Julians, as subject to an annual and perpetual ground rent of forty six Euro and fifty nine cents (€46.59), by virtue of a deed in my records of the twenty fourth (24<sup>th</sup>) day of November of the year two thousand and twelve (2012) (Ins. 20154/12);
- h. from Notary Doctor Anthony Gatt and his wife Therese Gatt Galea the flat numbered five (3) and forming part of Block B, Saint George's Court, Saint Augustine Street, Saint Julians, as subject to an annual and perpetual ground rent of forty six Euro and fifty nine cents (€46.59), by virtue of a deed in my records of the thirty first (31<sup>st</sup>) day of July of the year two thousand and thirteen (2013) (Ins. 12178/13);
- i. from Marcus Development Company Limited:  
 i. all residual rights which it possessed and owned over 'Saint George's Court Block A and Block B', in Saint Augustine Street, Saint Julians and the land known as 'Il-Hofra ta' San Gorg', on



which said flats were constructed, which rights included but were not limited to:

- the airspace overlying 'Saint George's Court Block A and Block B';
- Flats seven (7) and eight (8), Saint George's Court Block B;
- Flat eight (8), part of flat seven (7) together with airspace overlying the room and amenities pertaining to Flat seven, Saint George's Court Block A;
- ii. The direct dominium and the relative annual and perpetual ground rent of €46.59 burdening each of:
  - Flat one (1), Flat three (3), eight (8), four (4), two (2), five (5) and six (6) Saint George's Court Block A.

- Flat seven (7), four (4), six (6), eight (8), three (3), five (5), one (1) and two (2) Saint George's Court Block B.

- iii. The direct dominium and the relative annual and perpetual ground rent of sixty seven Euro and fifty five cents (€66.55) burdening flat seven letter A, Saint George's Court Block A.

- by virtue of a deed in my records of the thirtieth (30<sup>th</sup>) day of July of the year two thousand and thirteen (2013) (Ins.12598/13); In this deed, it was declared that:

A. In virtue of a deed published in the records of Notary Francis Micallef of the twentieth day of January of the year nineteen hundred and sixty nine (20/1/1969) Marcus Development Company Limited had purchased a plot of land known as "Il-Hofra ta' San Gorg" in Saint George's Bay, in the limits of Saint Julians measuring approximately three hundred (300) square canes, equivalent to one thousand three hundred and seventeen point three (1317.3) square metres including the building erected thereon consisting of sixteen (16) apartments still in course of construction with all their accessories and amenities, bounded such land on the North by the Coast Road, on the South by Saint Rita Street and on the West by a strip of land expropriated by the Government for the formation of the road, previously the property of Saint George's Bay Hotel Limited and on the East partly by a land and partly by property of third parties. The land and apartments thereon, were sold as subject to an annual and perpetual ground rent of four hundred and thirty six Euro and seventy six cents (€436.76) equivalent to one hundred and eighty seven Maltese liri and fifty cents (Lm187.50) which were imposed by virtue of the original deeds of perpetual emphyteusis referred to in preamble C below;

B. Subsequently, and in virtue of a deed published in the records of Notary Francis Micallef of the twenty fifth day of April of the year nineteen hundred and sixty nine (25/4/1969), Marcus Development Company Limited sold ninety four point five (94.5) square canes, equivalent to four hundred and fourteen point ninety five (414.95) square metres, of land forming part of the lands called "Il-Hofra ta' San Gorg", acquired by Marcus Development Company Limited in virtue of the deed mentioned in paragraph A above, bounded on the North by property of Marcus Development Company Limited on the South by Saint Rita Street and on the West by a proposed square. Said land was



sold as exempt from the payment of its share of the annual and perpetual ground rent referred to in preamble A above.

C. In the original deeds of perpetual emphyteusis published in the records of Notary Mario Bonello of the twenty seventh day of July of the year nineteen hundred and sixty six (7/7/1966) and Notary Francis Micallef of the nineteenth August nineteen hundred and sixty six (19/8/1966), the said original annual and perpetual ground rent of thirty one Maltese liri and twenty five cents (Lm31.25) and one hundred and fifty six Maltese liri and twenty five cents (Lm156.25) together amounting to one hundred and eighty seven Maltese liri and fifty cents (Lm187.50) which is equivalent to four hundred and thirty six Euro and seventy six cents (€436.76) was imposed as subject to the obligation to redeem the said annual and perpetual ground rent from the direct owners within ten years from its imposition.

D. Marcus Development Company Limited subsequently redeemed:

i. the annual and perpetual ground rent of thirty one Maltese liri and twenty five cent (Lm31.25) which burdened one sixth (1/6) undivided share of the land and this in virtue of a deed published in the records of Notary Francis Micallef of the twenty fourth November nineteen hundred and sixty nine (24/11/1969); and

ii. the annual and perpetual ground rent of one hundred and fifty six Maltese liri and twenty five cent (Lm156.25) which burdened five sixth (5/6) undivided share of the said land and this in virtue of a deed in the records of Notary George Bonello Du Puis of the seventh September nineteen hundred and seventy six (7/9/1976).

j. from D.M.S Limited the flat numbered eight forming part of Saint George's Court Block A, Saint Augustine Street, Saint Julians, as subject to an annual and perpetual ground rent of forty six Euro and fifty nine cents (€46.59), by virtue of a deed in my records of the twelfth (12<sup>th</sup>) day of March of the year two thousand and fourteen (2014) (Ins. 5241/14);

k. from Carmel sive Charles Bartolo and Grace Bartolo the flat numbered six (6), Saint George's Court Block A, Saint Augustine Street, Saint Julians, as subject to an annual and perpetual ground rent of forty six Euro and fifty nine cents (€46.59), by virtue of a deed in my records of the twelfth (12<sup>th</sup>) day of March of the year two thousand and fourteen (2014) (Ins. 5243/14);

l. from Albert Zammit the flat numbered two (2), Saint George's Court Block A, Saint Augustine Street, Saint Julians, as subject to an annual and perpetual ground rent of forty six Euro and fifty nine cents (€46.59), by virtue of a deed in my records of the twelfth (12<sup>th</sup>) day of March of the year two thousand and fourteen (2014);

m. from Romeo Camilleri and his wife Ann Camilleri the flat numbered four (4), Saint George's Court Block A, Saint Augustine Street, Saint Julians, as subject to an annual and perpetual ground rent of forty six Euro and fifty nine cents (€46.59), by virtue of a deed in my records of the fifth (5<sup>th</sup>) day of May of the year two thousand and fourteen (2014) (Ins. 8047/14);



n. from Vittoria (Victoria) Carmela Cini and Maria Cini also known as Maria Biavati the flat numbered seven (7), Saint George's Court Block B, Saint Augustine Street, Saint Julians, as subject to an annual and perpetual ground rent of forty six Euro and fifty nine cents (€46.59), by virtue of a deed in my records of the seventeenth (17<sup>th</sup>) day of December of the year two thousand and fourteen (2014) (Ins. 23719/2014);

o. from Brian Zammit the flat numbered one (7), Saint George's Court Block B, Saint Augustine Street, Saint Julians, as subject to an annual and perpetual ground rent of forty six Euro and fifty nine cents (€46.59), by virtue of a deed in my records of the twelfth (12<sup>th</sup>) day of August of the year two thousand and fifteen (2015) (Ins. 17145/2015); By virtue of this same contract, the Transferor assigned a divided airspace to the said Brian Zammit, which was previously occupied by the flat purchased above, as better described within this contract.

p. From Charles Grech Mallia, the tenements numbered eighty nine (89), ninety (90), ninety one (91) and ninety two (92), in Saint George's Road, Saint George's Bay, Paceville, limits of Saint Julians, with their overlying airspace and underlying land, by virtue of a deed in my records of the twenty third day of March of the year two thousand and seventeen.

For the purposes of article 5(9) of the Income Tax Act (Chapter one hundred and twenty three (123) of the laws of Malta), no loss or gain is deemed to have arisen from the transfer of the Property under this deed, in view that the Transferor and the Transferee are deemed to be a group of companies for the purposes of article sixteen (16) of the Income Tax Act.

For this reason, and for the purposes of the Duty on Documents and Transfers Act of the year one thousand nine hundred and ninety-three (1993), it is being hereby declared that the Transferee has been exempted from the payment of duty on documents in Accordance with Section thirty two subsection six [Section 32(6)] of the Duty on Documents and Transfers Act as is also evidenced from the letter of exemption which have been issued by the Inland Revenue Department hereby attached and marked as Document letters 'A'.

For the purposes of the Income Tax (Amendment) Act of the year one thousand nine hundred and ninety-three (1993), regarding Capital Gains Tax, it is to be declared that no capital gains tax shall be collected from the Transferor since the Section five subsection nine [Section 5(9)] and Section five letter A subsection 4 letter f (Section 5A (4)(f) of the Income Tax Act apply to the vendor.

For the purposes of the Immovable Property (Acquisition by non-residents) Act (Chapter two hundred and forty six (246) of the laws of Malta), the Transferee declares that it qualifies in such a way as not to require a permit for the acquisition of immovable property by non-residents in view of the fact that:





- a. not less than seventy-five percent (75%) of the shareholding in the said Transferee; and
- b. not less than seventy-five percent (75%) of the controlling shares of the Transferee

belong to European Union citizens who have resided continuously in Malta for at least five (5) years during their lifetime; and

- c. all directors are also European Union citizens who have resided continuously in Malta for at least five (5) years during their lifetime.

This declaration is being made after due explanation of its import according to Law by the undersigned Notary.

For the purposes of the Notarial Profession and Notarial Archives (Chapter Fifty-Five (55) of the laws of Malta) and of Legal Notice Three Hundred and Fifty-Five (355) of the year two thousand and twelve (2012) entitled 'Examination of Title Regulation', the Transferee hereby declares to be exempting the undersigned Notary to provide to it a written report on the title of the Property herein transferred. This declaration is being made after I the undersigned Notary explained and warned the Transferee of the importance and consequence of such exemption, according to Law.

For the purposes of sub-article twelve (12) of Article five letter A (5A) of the Income Tax Act, the parties declare that they have declared to the undersigned notary all the facts that determine if the transfer is one to which Article five letter A (5A) applies and that are relevant for ascertaining the proper amount of tax chargeable or any exemption, including the value which in their opinion, reasonably reflects the market value of the said property, if this value is higher than the consideration for the transfer. The parties make such a declaration after the undersigned notary warned them about the importance of the truthfulness of this declaration.

For the purposes of the Prevention of Money Laundering Act (Chapter three hundred and seventy three (373) of the laws of Malta), the Transferee declares that the funds used for all payments made on this deed do not derive from an illegal or criminal activity but they are the fruits of a legal and legitimate activity. The Transferor declares that the funds used to purchase the property being sold hereon and for all payments made on this deed do not derive from an illegal or criminal activity but are the fruits of a legal and legitimate activity. Moreover, the Parties declare that they are not politically exposed persons. These declarations are being made by the parties after I the undersigned Notary have duly warned them of the importance of the truthfulness of such declarations.



Done, published and executed after appearers have been duly informed of the import hereof according to the law in Malta, Gzira, Saint George's Road, number twenty seven (27).

Signed: Hugo Chetcuti  
Luke Chetcuti  
Dr Rachel Busuttill  
Notary Public, Malta



DR RACHEL BUSUTTILL LL.B.  
NOTARY PUBLIC  
COMMISSIONER FOR OATHS  
184/1 STRAIT STREET VALLETTA  
99425505 21234695

## ANNEX B – Lease Agreement

Today the 8<sup>th</sup> March 2018

Of the first part:-

Mr Luke Chetcuti bearer of Maltese Identity Card numbered 595691(M), who is appearing hereon for and on behalf of **HH Finance plc.**, a public limited liability company incorporated under the Laws of Malta, having its registered office at 2, St George's Court A, St Augustine Street, St Julians, Malta, with company registration number C84461, duly authorized for the purpose by virtue of the Memorandum and Articles of Association of the said company (hereinafter referred to as the "**Lessor**").

Of the second part:-

Mr Hugo Chetcuti bearer of Maltese Identity Card numbered 104487(M), who is appearing hereon for and on behalf of **HH Operating Limited**, a private limited liability company incorporated under the Laws of Malta, having its registered office at 2, St George's Court A, St Augustine Street, St Julians, Malta, with company registration number C84431, duly authorized for the purpose by virtue of the Memorandum and Articles of Association of the said company (hereinafter referred to as the "**Lessee**").

The Lessor and the Lessee are hereinafter individually referred to as the "**Party**" and are collectively referred to as the "**Parties**".

### **Preambles**

**WHEREAS** the Lessor is the owner of the Hotel;

**WHEREAS** the Lessor is desirous to lease the Hotel to the Lessee, and the Lessee is desirous to lease the Hotel from the Lessor, for the Lessee to provide the Services therefrom;

Now therefore the Parties are hereby agreeing as follows:

### **CLAUSE 1 – DEFINITIONS & INTERPRETATION**

### **1.1 Definitions**

The words and expressions beginning with capital letters and defined in this Agreement shall, unless the context otherwise requires, have the meaning ascribed thereto herein, and the words and expressions hereunder shall have the meaning ascribed to them below:

**Agreement** means this lease agreement;

**Business Day** means a banking day in the Republic of Malta;

**Hotel** means the hotel together with its roof and overlying airspace, without official number and named 'Hugo's Hotel', in in Upper Saint Augustine Street, corner with Saint Rita Steps/Street, Saint George's Bay, Saint Julians. Said hotel was constructed in part on the site previously occupied by a hotel which was previously named 'Hotel Bernard' in Upper Saint Augustine Street, corner with Saint Rita Steps/Street, Saint George's Bay, Saint Julians and in part in lieu of apartments which previously formed part of 'Saint George's Court Block B', in Upper Saint Augustine Street, Saint George's Bay, Saint Julians. The hotel is bounded on the South/South West by Saint Rita Street/Steps, on the West by Upper Saint Augustine Street and on the West by an unnamed street which abuts onto Saint Rita Street/Steps and Saint George's Road;

**Lease** means the lease granted by the Lessor to the Lessee in terms of this Agreement;

**Lessee Events of Default** means the events of default listed in Clause 10.1 of this Agreement;

**Rent** means the rent payable by the Lessee to the Lessor in terms of Clause 2.2 of this Agreement;

**Republic of Malta** shall have the same meaning as attributed to it in terms of the Constitution of Malta;

**Service(s)** means the Hospitality Services and the Ancillary Services to be delivered by or on behalf of the Lessee, qua the operator of the Hotel;

**Term** means the term of the Lease as indicated in Clause 2.1.1 of this Agreement; and

**Works** means the general body of works to be completed by the Lessee as may be agreed between the Parties from time to time thereby rendering the Hotel operational and the Lessee capable of procuring the Services therefrom.

## **1.2 Interpretation**

1.2.1 In this Agreement, unless the context otherwise requires and subject to provisions which expressly provide otherwise or qualify this understanding:

- (a) references to any legislation or any provision thereof shall include an amendment or re-enactment or consolidation of such legislation or any provision thereof so far as such amendment or re-enactment or consolidation applies or is capable of applying to any transaction entered into hereunder;
- (b) references to the laws of Malta, or Maltese law or regulations having the force of law shall include the laws, acts, ordinances, rules, regulations, bye laws or notifications which have the force of law in the territory of Malta and as from time to time may be amended, modified, supplemented, extended or re-enacted. References to the applicable law shall be deemed to include the foregoing as well as the applicable laws of the European Union;
- (c) references to a “person” and words denoting a natural person shall be construed as reference to any individual, firm, company, corporation, trust, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) or two or more of the above and shall include successors and assigns as the case may be;
- (d) headings or sub-headings in this Agreement are for convenience of reference only and shall not be used in, and shall not affect, the construction or interpretation of this Agreement;
- (e) the words “include” and “including” or to any derivative thereof or similar expression are to be construed without limitation and shall be deemed to be followed by “without limitation” or “but not limited to” whether or not they are followed by such phrases;
- (f) any reference to any period of time shall mean a reference to such according to Central European Time and corresponding Central European Summer Time;
- (g) any reference to day shall mean a reference to a calendar day;

- (h) any reference to month shall mean a reference to a calendar month as per the Gregorian calendar;
- (i) any reference to any period commencing “from” a specified day or date and “till” or “until” a specified day or date shall include both such days or dates; provided that if the last day of any period computed under this Agreement is not a business day, then the period shall run until the end of the next business day. In the case of periods for the filing of judicial and/or arbitration acts a day shall lapse at the closing time of the registry of the courts or arbitration institution as the case may be;
- (j) the words importing singular shall include plural and vice versa;
- (k) references to any gender shall include the other and the neutral gender;
- (l) any reference, at any time, to any agreement, deed, instrument, license or document of any description shall be construed as reference to that agreement, deed, instrument, license or other document as amended, varied, supplemented, modified or suspended at the time of such reference;
- (m) any covenant on the part of the Lessee or the Lessor herein contained not to do or omit from doing (as the case may be) any act or thing shall be deemed to include an obligation not to permit or knowingly suffer such act or thing to be done or omitted (as the case may be);
- (n) any agreement, consent, approval, authorization, notice, communication, information or report required under or pursuant to this Agreement from or by any Party shall be valid and effective only if it is in writing under the hand of a duly authorized representative of such Party, as the case may be, in this behalf and not otherwise;
- (o) the preambles of, and any schedules to, this Agreement form an integral part of this Agreement and will be in full force and effect as though they were expressly set out in the body of this Agreement;
- (p) references to the preambles, articles, clauses, sub-clauses or schedules in this Agreement shall, except where the context otherwise requires, mean references to recitals or preambles, articles, clauses, sub-clauses and schedules of or to this Agreement, and references to a paragraph shall, subject to any contrary indication, be construed as a reference to a paragraph of this Agreement or of the schedule in which such reference appears;

- (q) the words “herein”, “hereto”, “hereby”, “hereof”, “herewith”, “hereunder” and “hereafter” (to the exclusion of “hereinafter”) shall refer to this Agreement as a whole and not to any single clause, paragraph or provision thereof;
- (r) any word or expression used in this Agreement shall, unless otherwise defined or construed in this Agreement, bear its ordinary English meaning; and

## **CLAUSE 2: LEASE OF THE HOTEL**

This lease is being made and accepted under the following terms and conditions:-

### **2.1 GRANT OF LEASE**

- 2.1.1 In consideration of the Rent, covenants and agreements set forth herein, the Lessor grants by title of lease to the Lessee, who hereby accepts, takes and acquires by the same title of lease the Hotel for the term of fifteen (15) years commencing on the date of this Agreement and which shall thereafter lapse and terminate on the 8<sup>th</sup> March 2033.
- 2.1.2 The Hotel is being leased to the Lessee, which acknowledges and accepts the Hotel, ‘*tale quale*’ with all the defects, and apparent and latent faults in the Hotel, known, suspected or otherwise by the Lessor.
- 2.1.3 The Lessee acknowledges that the Lessor makes no warranties or representations, (whether express or implied), regarding the fitness of the Hotel for any particular use, other than such warranties or representations as may otherwise be stipulated herein. Except as otherwise may be specifically set forth herein and/or except as otherwise obliged at law, the Lessor shall not be required to make any alterations, improvements, or repairs of a structural nature to the Hotel at any time.
- 2.1.4 The Hotel shall be used by the Lessee exclusively for the purpose of carrying on the following to carry out the Services.
- 2.1.5 The Lessee shall not change the nature of the Hotel during the Term.

### **2.2 RENT PAYMENTS**

- 2.2.1 In consideration of the use of the Hotel being granted under title of lease in terms of this Agreement, the Lessee agrees to pay to the Lessor, which accepts, rent without demand, deduction or set-off in accordance with the following schedule:

- A. Eighty three thousand, three hundred and thirty two Euro (€83,332) for the period commencing from the date of this Agreement to the thirtieth (30th) day of April of the year two thousand and eighteen (2018);
- B. One million, one hundred and sixty eight thousand Euro (€1,168,000) for the period commencing on the first (1st) day of May of the year two thousand and eighteen to the thirty-first (31st) day of December of the year two thousand and eighteen (2018);
- C. One million seven hundred and fifty two thousand Euro (€1,752,000) per annum for the period commencing on the first (1st) day of January of the year two thousand and nineteen (2019) to the thirty-first December of the year two thousand and twenty two (2022);
- D. Two million and forty four thousand Euro (€2,044,000) per annum for the period commencing on the first (1st) day of January of the year two thousand and twenty three (2023) to the thirty-first December of the year two thousand and twenty seven (2027);
- E. Two million three hundred and eighty five thousand Euro (€2,385,000) per annum for the period commencing on the first (1st) day of January of the year two thousand and twenty eight (2028) to the thirty-first December of the year two thousand and thirty three (2033).

2.2.2 All amounts to be paid in terms of the preceding Clause 2.2.1 of this Agreement are payable monthly in advance and exclusive of Value Added Tax (VAT) or any other tax, charge or levy as may be imposed in respect thereof from time to time.

### **CLAUSE 3: OBLIGATIONS OF THE PARTIES**

#### **3.1 OBLIGATIONS OF THE LESSEE**

3.1.1 During the Term the Lessee agrees and accepts:

- 3.1.1.1 to effect the Works, maintain and keep the Hotel in a good state of maintenance and repair (complying at all times with the Maintenance Requirements) and ensure that no damage to the Hotel is inflicted by or otherwise attributable to the Lessee or any of its employees or persons claiming through or under it or any other third party engaged by it;
- 3.1.1.2 to be responsible throughout the duration of the Lease for the safety, soundness and durability of the Hotel including all structures forming part thereof;
- 3.1.1.3 to observe and fulfil all environmental and other requirements under the law in respect of the Lease;



- 3.1.1.4 not to place or create, nor permit any of its employees or persons claiming through or under it or any other third party to place or create, any burden or encumbrance, whether of a real or personal nature, over all or any part of the Hotel or on any rights of the Lessee therein or thereon, save as expressly authorised in writing by the Lessor;
- 3.1.1.5 to maintain, preserve and in no way hinder, curtail or diminish unnecessarily the existing rights of access to the Hotel for the purpose of maintenance, installation, performance of works, servicing or other related activities pertaining to utilities, save as necessary in terms of the applicable law;
- 3.1.1.6 to ensure that the Hotel remains free from any encroachments and take all and immediate steps to remove encroachments;
- 3.1.1.7 to develop and enhance the commercial value of the activities and operations carried out from the Hotel and to take decisions which are in conformity with the best commercial and industry practice;
- 3.1.1.8 not to do or omit from doing anything which may decrease the value of the Hotel and the activities carried therefrom or which may place the same in a state of disrepute or in any other way damage the reputation of the Lessor;
- 3.1.1.9 not to carry out from the Hotel any activity, project, or undertaking whatsoever, whether for the pursuit of profit or other purpose, other than the activities permitted in terms of this Agreement;
- 3.1.1.10 to be exclusively responsible and liable and punctually pay for the cost of labour, supplies and other services rendered to it, whether professional, technical or otherwise, in connection with the activities and operations of the Hotel;
- 3.1.1.11 not to sell, transfer, alienate or in any manner dispose of or otherwise encumber the Hotel (or attempt to do so) save as expressly authorised in writing by the Lessor;
- 3.1.1.12 not to encroach in any manner and for whatever reason upon any land or property adjacent to the Hotel, whether privately or publicly owned, save for carrying out - as far as permissible - general upkeep

duties of sites adjacent to the Hotel in order to ensure that the approach to and environs of the Hotel are kept in a noticeably good, clean and proper order;

3.1.1.13 not install, keep or use in or on the Hotel any materials, equipment or apparatus the installation, keeping or use of which is likely to cause (or in fact causes):

3.1.1.13.1 material damage to the Hotel; or

3.1.1.13.2 the generation, accumulation or migration of any hazardous substance in an unlawful manner whether within or outside the Hotel, and shall undertake to ensure that all materials, equipment or apparatus in or on the Hotel are operated in terms of good industry practice and the law so as to minimise noise vibration likely to cause annoyance or disturbance and the unlawful generation or migration of any hazardous substance;

3.1.2 to use the Hotel only for the purpose for which they are being leased, as specified in this Agreement. No other purpose or use shall be made of the Hotel;

3.1.3 to observe and abide by all legal requirements applicable to the Services provided from the Hotel in terms of this Agreement;

3.1.4 to comply with all applicable requirements of all governmental authorities now in force, or which may hereafter be in force, as such requirements are applicable to the Hotel and/or the Services carried out therein;

3.1.5 to observe all laws and regulations now in force or which may hereafter be in force, including but not limited to regulations relating to any licenses required by Lessee for the carrying out of the Services from the Hotel;

3.1.6 to procure at and maintain at its cost and expense any licenses, building permits or other consents required by it to carry out the Works or to provide the Services;

3.1.7 without prejudice to the generality of its obligations, in respect of any hazardous substances which are brought into the Hotel by the Lessee or persons engaged/employed by it:

3.1.7.1 to procure that all hazardous material and equipment used or stored on the Hotel shall be kept in accordance with the law and good

industry practice, properly and securely labelled and stored, under appropriate supervision and used only by appropriately trained and competent individuals; and

3.1.7.2 to use all practicable and reasonable means to:

- 3.1.7.2.1 prevent or counteract the unlawful emission of any hazardous substance;
- 3.1.7.2.2 prevent the unlawful discharge into any conducting media serving the Hotel of any hazardous substances;
- 3.1.7.2.3 prevent the unlawful generation, accumulation or migration of any hazardous substance at or from the Hotel; and
- 3.1.7.2.4 prevent any environmental claims arising or any circumstances arising likely to result in any environmental claims, insofar as such hazardous substance is, or should be, under the control of the Lessee pursuant to this Lease.

3.1.8 The Lessee agrees and undertakes to carry out the Works in line with the relative Planning Authority permits and in accordance with the provisions of all building laws and regulations and in conformity with all health and safety regulations and practices. The Lessee acknowledges that all such works and improvements are deemed to accede to the Hotel without any right on the part of the Lessee to claim or demand at any time any refund or compensation from the Lessor for such works and improvements.

3.1.9 The Lessee binds itself to procure the execution of Works after having obtained all the necessary building permits from the competent authorities in terms of applicable law. The Lessee guarantees that all such Works shall be in accordance with all the approved building permits and plans and in conformity with all existing building laws and regulations and shall be executed under the direction and supervision of a qualified architect and civil engineer chosen by it.

3.1.10 The Lessee shall at its own expense during the period in which the Works on the Hotel are in progress, take out an insurance policy to be known as the 'Project Insurance/Contractors' All Risks Insurance'.

3.1.11 Following completion of the Works and throughout the Term as the case may be the Lessee shall (i) adequately insure the Hotel in the names of the Lessor and the Lessee against material damage (ii) adequately insure in the names of the Lessor and the Lessee an item covering 12 months' rent receivable by the Lessor with cover operative following a claim under the material damage insurance policy; (iii) adequately insure against third party liability, including legal costs and expenses, to cover any loss damage, injury or death to third parties and (iv) keep its operations and activities duly and adequately

insured against all normal risks. Cover for the above risks shall be placed with a reputable insurance company duly licensed to operate in terms of the applicable law.

### **3.2 OBLIGATIONS OF THE LESSOR**

3.2.1 During the Term the Lessor agrees and accepts:

3.2.1.1 to grant the Lessee physical possession of the Hotel subject to the provisions of this Agreement;

3.2.1.2 to generally observe and comply with all its obligations under this Agreement;

3.2.1.3 not to disturb and/or molest the Lessee and/or its assignees, as may be applicable, in its possession and/or enjoyment of the Hotel, and/or any part thereof, and not to deprive the Lessee and/or its assignees, as may be applicable, of the Hotel, and/or any part thereof, except as and to the extent otherwise provided in this Agreement or in terms of the applicable law;

3.2.1.4 to desist from interfering, intruding, imposing and/or impinging in any way whatsoever in the conduct from the Hotel or any part thereof of the Services unless such conduct runs contrary to the provisions of this Agreement or any part thereof;

3.2.1.5 to permit the Lessee, and/or its assignees or delegates, as may be applicable, to commence the performance of the Works and to provide the Services.

### **CLAUSE 4: EXPENSES AND FEES**

4.1 All expenses arising from the operation of the Hotel (including but not limited to electricity and telephone bills) shall be borne by the Lessee, together with all expenses contracted by the said Lessee.

4.2 The Lessee shall ensure that any and all utilities and/or other fees, expenses or bills as may become due and payable in respect of any meter rental and/or consumption are duly paid and settled without delay.

4.3 The Lessor shall not be liable for damages or otherwise for any interruption, reduction, disruption, curtailment or failure in the supply, quality of electricity, water, or other utility or service if either the quality thereof is changed or is no longer available or suitable for the Lessee's requirements, nor shall any interruption, reduction, disruption, curtailment,

failure or change in quantity, quality or character constitute or be deemed to constitute constructive eviction of the Lessee.

#### **CLAUSE 5: INDEMNITY**

- 5.1 The Lessee agrees and undertakes to indemnify and hold harmless, and keep fully indemnified, the Lessor from and against any and all claims arising from any breach or default in the performance of any obligation on Lessee's part to be performed under the terms of this Agreement, or arising from any negligence of Lessee's principals, agents, contractors and/or employees, and from and against any and all costs, charges, damages, liability, claims, expenses, demands or any loss whatsoever ("**Indemnified Amounts**"), incurred by, the Lessor, directly or indirectly, in connection with or as a consequence of the breach or default, excluding Indemnified Amounts to the extent that such Indemnified Amounts resulted from the gross negligence or willful misconduct of the Lessor.
- 5.2 The Lessee shall indemnify the Lessor and hold the Lessor harmless from and against any and all claims arising from the Lessee's use of the Hotel and from the provision of the Services being conducted from the Hotel, or from any activity, work or thing done, act and/or omission permitted or suffered by the Lessee in or about the Hotel, and arising from the fraud, willful misconduct or negligence of the Lessee.
- 5.3 As a material part of the consideration to the Lessor, the Lessee hereby assumes all risk of damage to property or injury to persons in or about the Hotel arising from any cause and the Lessee hereby waives all claims in respect thereof against the Lessor, except for any claim arising out of the Lessor's negligence or willful misconduct.

#### **CLAUSE 6: ASSIGNMENT & SUBLETTING**

- 6.1 For the duration of the Term, the Lessee may assign, transfer or novate its rights or obligations in respect of this Agreement or sublet all or any portion of the Hotel to a third party. The Lessor may not unreasonably withhold its consent to such assignment, transfer or novation.

#### **CLAUSE 7: LICENCES AND PERMITS**

- 7.1 The Lessor warrants that the Hotel is, at the date of this Agreement, covered with all the permits and licenses required for such Hotel to be used for the provision of the Services.
- 7.2 The Lessor shall be responsible to procure, at its own expense, the transfer of the said permits and/or licences in the name of the Lessee for the duration of this Agreement. At

the termination of the term of this Agreement, the Lessor shall procure, at its own expense, the re-assignment of the said permits and/or licences in the name of the Lessor.

- 7.3 The Parties hereby agree and undertake to fully comply and co-operate with each other in the event that such co-operation is required for the transfer or otherwise of the licences and/or permits in question.

#### **CLAUSE 8: RELEASE FROM OBLIGATIONS & WARRANTIES**

- 8.1 The Lessee irrevocably and unconditionally releases and discharges the Lessor from:
- 8.1.1 the obligation to make any repairs to the Hotel including structural repairs and extraordinary maintenance, and the Lessee acknowledges and accepts that all costs arising in connection with any such repairs shall be borne entirely by the Lessee;
  - 8.1.2 the obligation to warrant the Hotel against the faults or defects which prevent or diminish the use thereof arising before and/or after the date of this Agreement and the Lessee waives its right to demand the dissolution of this Agreement or an abatement of the Rent for any such reason; and
  - 8.1.3 Any liability whatsoever arising in connection with or as a consequence of latent faults or defects existing in the Hotel on the date of this Agreement whether known, suspected or otherwise by the Lessor.

#### **CLAUSE 9: ACCESS**

- 9.1 The Lessor shall have the right to enter the Hotel at all times to verify that the Lessee is complying with the conditions of the Lease.

#### **CLAUSE 10: SURRENDER OF THE HOTEL**

- 10.1 The Lessee shall upon termination of the Lease for any reason whatsoever surrender the Hotel to the Lessor together with all building improvements, fixtures, lighting, alterations, improvements, and additions, unless such improvements and additions can be easily dismantled without causing damage to the Hotel, in which case they become the property of the Lessee. In addition, the Lessee shall deliver to the Lessor all the keys to the Hotel.

#### **CLAUSE 11: DEFAULTS & REMEDIES**

- 11.1 The occurrence of any one or more of the following events (each a “Lessee Event of Default”) shall constitute a material default and breach of this Lease by the Lessee:
- 11.1.1 the failure by the Lessee to make any Rent payment, promptly when due and such failure continues for 15 days or more after demand in writing by the Lessor;
  - 10.1.2 the failure by the Lessee to observe or perform any of the covenants, conditions or provisions of this Lease, if such failure continues for a period of seven (7) working days or more after notice thereof in writing. Provided, however, that if the nature of the Lessee's failure is such that more than seven (7) days is reasonably required for its cure, then the Lessee shall not be deemed to be in default if the Lessee commences such cure within said period and thereafter diligently proceeds such cure to completion;
  - 10.1.3 the Lessee vacating or abandoning the Hotel for more than 28 days;
  - 10.1.4 the Lessee making any general assignment or general arrangement for the benefit of creditors; and/or filing by or against the Lessee of an application to have the Lessee adjudged as insolvent; and/or appointment of a liquidator for the Lessee; or
  - 10.1.5 the Lessee is unable to pay its debts in terms of article 214 of the Companies Act, Chapter 386 of the Laws of Malta.
- 10.2 The occurrence of a Lessee Event of Default will entitle the Lessor to, at any time thereafter, with or without notice or demand and without limiting the Lessor in the exercise of any right or remedy which the Lessor may have by reason of such default or breach:
- 10.2.1 unilaterally, and at its own discretion, terminate this Agreement by simple notice in writing and retake possession of the Hotel. In this respect, the Lessor shall be entitled to force entry into the Hotel, even if the Lessee is still occupying the Hotel, and expel the Lessee from the Hotel, without incurring any liability towards the Lessee; and
  - 10.2.2 pursue any remedy available to the Lessor in terms of the laws of Malta.
- 10.3 The failure by the Lessor to observe or perform any of the covenants, conditions or provisions of this Lease, and such failure continues for a period of seven (7) working days or more after notice thereof in writing shall constitute a material default and breach of this Lease by the Lessor: Provided, however, that if the nature of the Lessor's failure is

such that more than seven (7) days is reasonably required for its cure, then the Lessor shall not be deemed to be in default if the Lessor commences such cure within said period and thereafter diligently proceeds such cure to completion.

- 10.4 Failure of the Lessor to remedy the default or breach shall entitle the Lessee to terminate this Agreement, without limitation to the exercise of any right or remedy available to the Lessee.
- 10.5 In the event of termination of the Services Concession Agreement, for any reason whatsoever, the Lease shall terminate *ipso facto*.

#### **CLAUSE 11: SEVERABILITY**

- 11.1 In the event that any term, condition or provision of this Agreement shall be held to be invalid, unlawful or unenforceable to any extent by any court, judicial or administrative tribunal, regulatory body or arbitrator, such term, condition or provision shall to that extent be deemed omitted from this Agreement but shall survive to the extent it is not so held. All of the other provisions of this Agreement shall remain in full force and effect.

#### **CLAUSE 12: NOTICES**

- 12.1 All notices required to be given under this Agreement and all consents, requests, demands and other communications under or pursuant to this Agreement shall be given or made in writing and may be so given or made by e-mail or registered letter and shall be in the English language.

- 12.3 The postal address e-mail address for the purposes of any notice, consent, request, demand and other communication in writing to Lessor shall be:

Postal address: Attn. Mr Luke Chetcuti, HH Finance plc., 2, St George's Court  
A, St Augustine Street, St Julian's, Malta  
E-mail address: luke@hugosmalta.com

or any substitute addresses, e-mail addresses or fax numbers as Lessor may notify to the other Parties in writing with not less than five (5) Days' notice.

- 12.4 The postal address, e-mail address and fax number for the purposes of any notice, consent, request, demand and other communication in writing to the Lessee shall be:



Postal address: Attn. Mr Hugo Chetcuti, HH Operating Limited, 2, St George's Court A, St Augustine Street, St Julian's, Malta  
 E-mail address: hugo@hugosmalta.com

or any substitute addresses, e-mail addresses or fax numbers as the Lessee may notify to the other Parties in writing with not less than five (5) Days' notice.

- 12.5 Unless otherwise provided in this Agreement, any notice or communication given or made under or pursuant to this Agreement shall be deemed to have been duly given and received by the addressee:
- 12.5.1 if sent by e-mail to the relevant e-mail address, on the same day of transmission; and
  - 12.5.2 if mailed, on the 5<sup>th</sup> (fifth) Business Day after mailing by express or first class or registered mail, postage prepaid and properly addressed to the addressee.

**CLAUSE 13: GOVERNING LAW**

- 13.1 Any dispute, controversy or claim arising out of or relating to this Agreement, or the breach, termination or invalidity thereof, shall be governed by the laws of the Republic of Malta.
- 13.2 The Parties agree to submit to the exclusive jurisdiction of the courts of Malta.

**CLAUSE 14: MISCELLANEOUS**

- 14.1 This Agreement constitutes the entire understanding between the Parties in relation to the subject matter of this Agreement and supersedes all prior representations, warranties, communications, negotiations, agreements and/or understandings between them, whether written or oral, concerning the subject matter of this Agreement.




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**Luke Chetcuti**  
*for and on behalf of*

**HH Finance plc**  
**Lessor**




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**Hugo Chetcuti**  
*for and on behalf of*

**HH Operating Limited**  
**Lessee**

## **PROPERTY VALUATION REPORT**

Hugo's Hotel,  
Triq Santu Wistin,  
Paceville, St. Julian's, Malta

15<sup>th</sup> February 2018

15<sup>th</sup> February 2018

**RE: PROPERTY VALUATION OF HUGO'S HOTEL,  
TRIQ SANTU WISTIN, PACEVILLE, ST. JULIAN'S, MALTA**

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I, the undersigned architect and civil engineer holder of ID 546971M and warrant number 351 (hereafter referred to as the "Valuer") have been requested to draw up an estimation of the financial investment still required to complete this property to a state for it to operate. This report is being drawn up in terms of the Prospects Rules.

By taking into consideration the relevant factors described in this report, it may be established that the open market value for existing use of this freehold property is **€39,000,000.00 (Thirty-nine million Euros)**.



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**Perit Christian Spiteri**

## SECTION A: BACKGROUND

### 1. Party requesting valuation

HH Finance plc (C84461)

### 2. Effective date of valuation report

15<sup>th</sup> February 2018

### 3. Subject property

Hugo's Hotel, Triq Santu Wistin, Paceville, St. Julian's, Malta

### 4. Proprietor

HH Finance plc (C84461)

### 5. Compliance with valuation standards

The valuation has been prepared in accordance with:

- i. Chapter 7 of the Listing Rules published by the Malta Financial Services Authority (MFSA); and
- ii. The Royal Institute of Chartered Surveyors (RICS) Valuation - Global Standards (2017) hereafter referred to as the "Valuation Standards".

### 6. Capacity of Valuer

The undersigned (hereafter referred to as 'the Valuer') has taken on this assignment as an Independent Valuer as defined in the Valuation Standards. Furthermore, it is hereby confirmed that the Valuer:

- i. Is a warranted architect in terms of section 7 (3) of the architecture and civil engineering professionals (Periti) Act 1996, and is thus qualified to act as an appraiser;
- i. Is not aware of any conflict of interest in relation to the property or to the Proprietor; and
- ii. Is covered by Professional Indemnity Insurance which is updated in terms of standard provisions.

### 7. Special conditions and confidentiality

It is to be noted that this report is being submitted solely for the use of HH Finance plc, its bankers and its professional advisors. We accept no responsibility to third parties.

Also, in accordance with standard practice, save for the inclusion of the said report in the Prospectus, this report cannot be included in any published documents, circular or statement without the prior written consent of the undersigned.

#### 8. Basis of valuation

This report leads to an estimation of the "Market Value" of the property, as defined in the International Valuation Standards Committee (IVSC), that is, *"the estimated amount for which the property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."*

Without prejudice to the foregoing, the price stated in this valuation is deemed to be the best price which is both reasonable and defensible at which the sale of an interest in the property might reasonably be expected to have been completed unconditionally for cash consideration on the date of valuation, subject to the following premises:

- i. The state of the market, level of property values and other relevant circumstances were, on the date of exchange of contracts, the same as the date of valuation;
- ii. The title of ownership has not been investigated and such investigation was not within the scope of this valuation. This valuation assumes that a good freehold title can be shown and the property is not subject to any unusual or onerous restrictions, encumbrances or outgoings;
- iii. The property is free from latent defects and no deleterious materials have been used in its construction;
- iv. Only a visual inspection of the property was carried out to establish the condition of repair and, unless otherwise specifically stated herein, and in that event only to the extent so specified, no parts of the property which were covered, unexposed or otherwise inaccessible to visual inspection have been inspected, and no tests have been made as to whether or not such parts are free of defects, so that the valuation assumes that a structural survey would reveal no major defects involving substantial expenditure.

#### 9. Purpose of valuation

The purpose of this valuation is for inclusion within the Prospectus to be published in connection with the proposed bond issue by HH Finance plc (C84461), in accordance with Chapter 7 of the Listing Rules published by the MFSA.

#### 10. Sources of information

The Undersigned has taken reasonable care to ensure that the information is correct, and to the best of our knowledge is in accordance with the facts as given to us, and contains no omission likely to affect its import.

#### 11. Property inspection

The property was inspected by the undersigned on various occasions between 2009 and the valuation date.

## **SECTION B: PROPERTY DESCRIPTION**

### **12. Property type and features**

Formerly the "Bernard Hotel" the subject property is a four star hotel which aspires to become one of the highest quality buildings in the hospitality industry after a complete transformation exercise and vertical extension.

Indeed more than a transformation, internally the building has been completely reconstructed. A number of modifications have also been carried out to the main external elevation. A number of new levels have been added by virtue of the recently approved "height concession" policy for hotels.

In total the hotel comprises of 164 bedrooms with a number of which having side-sea views. The property now extends over 9 floors, the upper 6 floors of which are used solely as hotel rooms, a topmost level for leisure and entertainment (roof-top lounge bar which is currently also accessible from Hugo's Boutique Hotel by means of a bridge interconnecting the two properties) and the previously described lower 2 levels which are used as a reception area and a basement spa.

The hotel also includes the standard facilities and amenities such as storage facilities, laundry rooms (per floor) and service elevator. The bedrooms themselves are of the highest standards and include ensuite bathroom facilities.

Presently, the building is structurally complete and also operative on a number of levels, namely the commercial area located at the top of the hotel – the pool and adjoining pool club. Finishing in the hotel rooms as well as the public areas has also commenced, however is not complete (with the completion date aimed for mid-2018).

An important issue to be taken into consideration is the fact that the commercial areas from level -1 to level 3 may operate independently from the hotel business itself and may hence be each leased out independently and are not being considered in this valuation. The valuation includes the value of the airspace of the property.

(See Annexes 1 for a Site Plan which indicates the boundaries assumed for the property and Annex 2 for photographs of the subject property).

### **13. Common areas and access**

The property has no common areas with third party properties.

### **14. Parking provision**

There is no parking provision for the existing hotel and none is intended to be provided.

**15. Property boundaries**

Site boundaries of the property are clearly defined by party walls on two sides, with the other sides being defined by frontages on three public roads (*Triq Santu Wistin, Triq Santa Rita* and *Triq San Gorg*) and a stepped pedestrian side-street.

**16. Easements**

No signs of any easements were observed.

**17. Tenure**

The property is freehold as indicated by the Proprietor. No contracts or documentation were provided to the Valuer to prove this.

**18. Occupation**

The property is currently unoccupied as construction works are still be implemented. The intended use of the property is a hotel which will be used by one of the subsidiary companies of the Proprietor, however there are currently no contractual agreements for this.

**19. Insurance**

HH Finance plc has a duty to keep in full effect, at its sole expense a policy of Public Liability Insurance with respect to the Hotel and all installations and improvements thereon, which shall cover the hotel against liability for all damages which may arise to third parties from the business carried on in the hotel.

**20. Age**

Judging by the methods and style of construction the original structure is less than 10 years old.

**21. Construction type**

The structure consists of a mixed-frame type structure (steel and concrete) with reinforced concrete ceilings.

**22. Finishes and condition of repair**

This is not a condition report. No surveys or inspections were made of unexposed or inaccessible parts of the structure. However the following were noted by visual inspection:

- The structure appears to be in a good condition;
- The finishes are of a high standard and the workmanship seems to be of good quality throughout; and
- The property is considered to be well finished for its intended use and is ready to move into. It is also being considered that a major refurbishment would not be required before at least 10 years' time, barring any extraordinary events.

## SECTION C: ACCOMMODATION

### 23. Accommodation

A land survey of the property under report was not carried out and such survey was not within the scope of this valuation. The areas and dimensions indicated below are indicative only and were calculated from the plans downloaded from Planning Authority (previously referred to as MEPA) website from the drawings of PA/01291/17 and PA/00259/18 (see Annex X for a copy of these drawings) and were measured using the Code of Measuring Practice in the Valuation Standards.

Level (From Triq Santu Wistin)	Space use	No. of bedrooms	Site area
-1	Indoor pool; Spa; Technical plant room; Storage	0	≈ 1,298.7m <sup>2</sup>
0	Reception; Storage	0	≈ 364.9m <sup>2</sup>
1	Lounge; Bar; Restaurant; Storage	0	≈ 649.9m <sup>2</sup>
2	Hotel rooms; Storage	12	≈ 939.6m <sup>2</sup>
3	Hotel rooms; Storage	15	≈ 1,054.1m <sup>2</sup>
4	Hotel rooms	24	≈ 1,463.6m <sup>2</sup>
5	Hotel rooms	24	
6	Hotel rooms	24	
7	Hotel rooms	24	
8	Hotel rooms	19	
9	Hotel rooms	19	
10	Hotel rooms; conference room; multipurpose room	3	
11	Commercial; Roof terrace with pool	0	
12	Roof terrace	0	
<b>Total</b>		<b>164</b>	

### 24. Other dimensions

	Triq Santu Wistin	Triq Santa Rita	Triq San Gorg	Side street	Total
Frontage (ground floor)	≈ 16.6m	0m	≈ 8.8m	0m	≈ 25.4m
Frontage (upper floors)	≈ 49.8m	≈ 32.1m	≈ 18.5m	≈ 23.2m	≈ 123.6m



## SECTION D: SERVICES

### 25. Building services

The services of the hotel are currently being installed which will satisfy the needs that a 21<sup>st</sup> hotel requires including, but not limited to:

- Security system;
- Fire detection and fire fighting systems;
- 3 passenger lifts;
- Air-conditioning units in all rooms (VRF system);
- Double glazing;
- Television, telephone and internet service;
- Electrical substation; and
- Standby generator.

## SECTION E: LOCATION

### 26. Local Authority

St. Julian's Local Council

### 27. Locality

Paceville is one of the most sought after localities both for commercial, entertainment, leisure and hospitality purposes and is home to:

- a number of large and established hotels such as the Hilton Malta and the Intercontinental Hotel;
- prominent commercial (offices and retail) establishments;
- numerous catering facilities;
- numerous properties of entertainment and leisure uses; and
- a sandy beach (Il-Bajja ta' San Gorg).

The locality is situated circa 11.5 kilometres from the Malta International Airport and 9.5 kilometres from Valletta.

### 28. Surroundings

The property in caption is situated in one of the most prominent parts of Paceville, in the hub of the commercial and entertainment centre; more precisely it is positioned amidst the main "pjazza" which has a lot of exposure and foot traffic.

### 29. Roads

The property almost entirely occupies an entire building block on four streets (*Triq Santu Wistin, Triq Sanra Rita, Triq San Gorg* and a side stepped pedestrian street connecting the

latter two streets) except for a block of apartments on one corner. A large change in level is present from the lower street to the uppermost street. The hotel has its formal entrance via the more prestigious *Triq Santu Wistin*, whereas service entrances and vehicular access is via the other streets.

The streets are all made up and surfaced with tar madadam, and are in a decent condition. Adjacent roads are also made up and surfaced and have street lighting installed.

The property is also close to *Triq Mikiel Anton Vassalli* which is a busy street that connects the area to the main arterial road system.

## SECTION F: PLANNING AND STATUTORY CONSIDERATIONS

### 30. Planning considerations

The property falls under the requirements of the North Harbour Local Plan (PV1 and PV2) published by the Planning Authority (see Annex 4). The site lies in the developable area of Paceville and falls under a 'Secondary Town Centre'. The use of retail activity ranging in most of the Class Orders is highly encouraged.

The property is located in a zone which states that the building height limitation is of five floors plus semi-basement. Referring to the Planning Authority's guidelines, the site can be built to a maximum height of 25.0m. A number of additional levels have been added by virtue of the recently approved "height concession" policy for hotels.

### 31. Development permits

A series of planning applications and subsequent permits (see Annex 3) may be traced for this development most relevant of which being PA/03510/14 and PA/01106/16 both of which essentially approve the existence and vertical extension of the hotel building. A visual inspection did not result in any issues which comprise a breach in building conditions which should be noted in this report.

Planning application PA/00259/18 is presently being assessed by the relevant authorities to sanction a service area and retractable canopy at the topmost levels. There is no reason to believe that this application should be refused.

The existing layout of the property is covered by the following development permits:

Case No.	Description of Works	Applicant	Perit	Status; Date
PA/03510/14	Internal and external alterations to	Mr. Hugo	Christian	Approved;

	previously approved hotel. Demolition and reconstruction of adjacent property to be also joined to form one hotel, and addition of two floors over the entire development as per recently announced hotel policy.	Chetcuti	Spiteri	18/12/2014
PA/04356/15	Proposed fixing of canopy on pavement.	Mr. Hugo Chetcuti	C and K Architects	Approved; 06/05/16
PA/01106/16	Proposed extension to approved hotel by virtue of PA3510/14, including the addition of rooms at levels 9 and 10. Proposal also includes internal alterations at all levels, subdivision of one Class 4D outlet into three separate ones at ground floor level and splitting up of one duplex Class 4D outlet into two separate Class 4D outlets'.	Mr. Hugo Chetcuti	Christian Spiteri	Approved; 07/10/2016
PA/01291/17	Demolition of existing building, proposed extension to approved hotel by virtue of PA 01106/16, including the addition hotel rooms and stores. Proposal also includes internal and external alterations at all levels.	Mr. Hugo Chetcuti obo Hugo's Hotel Ltd	C and K Architects	Approved; 14/06/2017
PA/00259/18	To sanction services floor beneath pool area of existing hotel approved by PA 1106/16 and construction of retractable canopy at level 11 and 12.	Mr. Hugo Chetcuti	C and K Architects	Awaiting recommendation

### 32. Statutory considerations

Case No.	Breach	Status
EC/00322/10	Extensive works have been carried out without a permit.	Enforcement Action Closed – Permission was granted to sanction the illegal development

It is to be noted that there does not appear to be any enforcement action on the property, and that it seems to follow all relevant statutory considerations. Former enforcement action served on site by virtue of EC/00322/10 has since been lifted.

### 33. Compliance with law

The Transferor is currently a defendant to a civil suit in the Court of Appeals (Superior Jurisdiction) instituted by Olive Gardens Investments Ltd (C16715) in the names Olive Gardens Investments Ltd (C 16715) vs Hugo's Hotel Limited (C8556) and Marcus Development Company Limited (C1363) case number 210/2014/1 (the 'Court Case'). The outcome of the Court Case bears material consequence on the ownership pertaining to the part of the Hotel constructed within the airspace on top of St

George's Court Block A and Block B with an aggregate area of circa 712 meters squared (the 'Disputed Area').

The Court Case is an appeal to the judgement of the 13<sup>th</sup> January 2017 in the same names with case number 210/14MH wherein Olive Gardens Investments Ltd (the 'Plaintiff') made reference to the promise of sale agreement dated 12 February 2004 with Marcus Development Company Limited for the sale of the Disputed Area. The Plaintiff claimed that the deed of sale dated 30 July 2013 entered into between Marcus Development Company Limited and the Transferor was entered into fraudulently against the rights of the said Plaintiff and that as such, it requested the court to revoke and rescind the said deed of sale dated 30 July 2013.

Marcus Development Company Limited, on its part, countered that the Plaintiff's were unfounded in fact and at law in that, at the time of the deed of sale of the 30 July 2013 there was no outstanding obligations on its part towards the plaintiff, inter alia. The Transferor, on its part, countered that there was no juridical relationship between itself and the Plaintiff and that no juridical interest on the part of the Plaintiff subsisted given that the promise of sale agreement dated 12 February 2004 was expired, inter alia.

Further to its considerations, the Court found in favour of the defendants on the basis that there was no juridical relationship between the Plaintiff and the said defendants and proceeded to dismiss the case with all costs to be borne by the Plaintiff.

On the 31 January 2017, the Plaintiff lodged an appeal with the Court of Appeal (Superior Jurisdiction) the outcome of which is still pending.

Other than the Court Case, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Valuer is aware) which may have an impact on the valuation of the property.

## **SECTION G: VALUATION METHODOLOGY**

### **34. Valuation methodology**

The comparative method, capitalization method and discounted cash flow method were used.

### **35. Variables and assumptions**

Discount rate: 8.00%

Annual growth rate: 2.50%

Capitalization rate: 5.50%  
Exit yield: 5.50%  
Date of opening: Mid 2018  
Cost estimate of finishes and services of the property: €10,000,000.00

### 36. Market Value

On the basis of the characteristics and conditions described above, I estimate the open market value for the existing use of this freehold property as follows:

- As today: **€39,000,000.00 (Thirty-nine million Euros)**; and
- On completion (Mid-2018): **€55,000,000.00 (Fifty-five million Euros)**



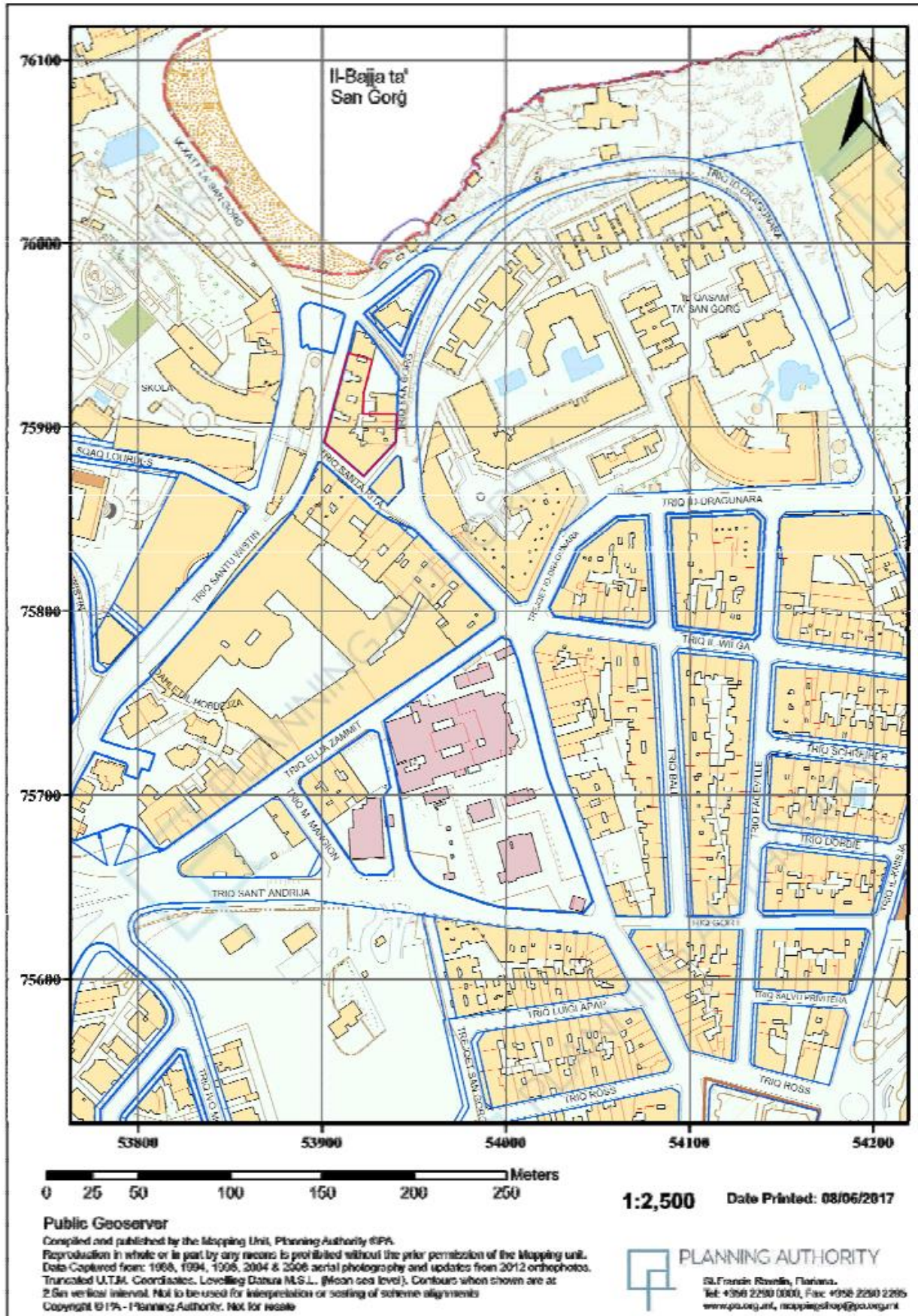
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**Perit Christian Spiteri**

#### Annexes:

1. Site plan
2. Photographs
3. Planning permit and permit drawings
4. Extracts from North Harbours Malta Local Plan, Maps











**CHRISTIAN SPITERI**

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 T: +356 2132 0005, +356 2132 0033 F: +356 21 34 7126 E: info@candkarchitects.com

PROJECT Property Valuation	TAKEN BY JM
DRAWING Site Photographs	PAPER SIZE A4 (Portrait)
ADDRESS Hugo's Hotel, Triq Santu Wistin, Paceville, St. Julian's, Malta	DATE 15/02/2018
CLIENT HH Finance plc	SHEET NO. 01



**CHRISTIAN SPITERI**

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 T: +356 2132 0005, +356 2132 0033 F: +356 21 34 7126 E: info@candkarchitects.com

PROJECT Property Valuation	TAKEN BY JM
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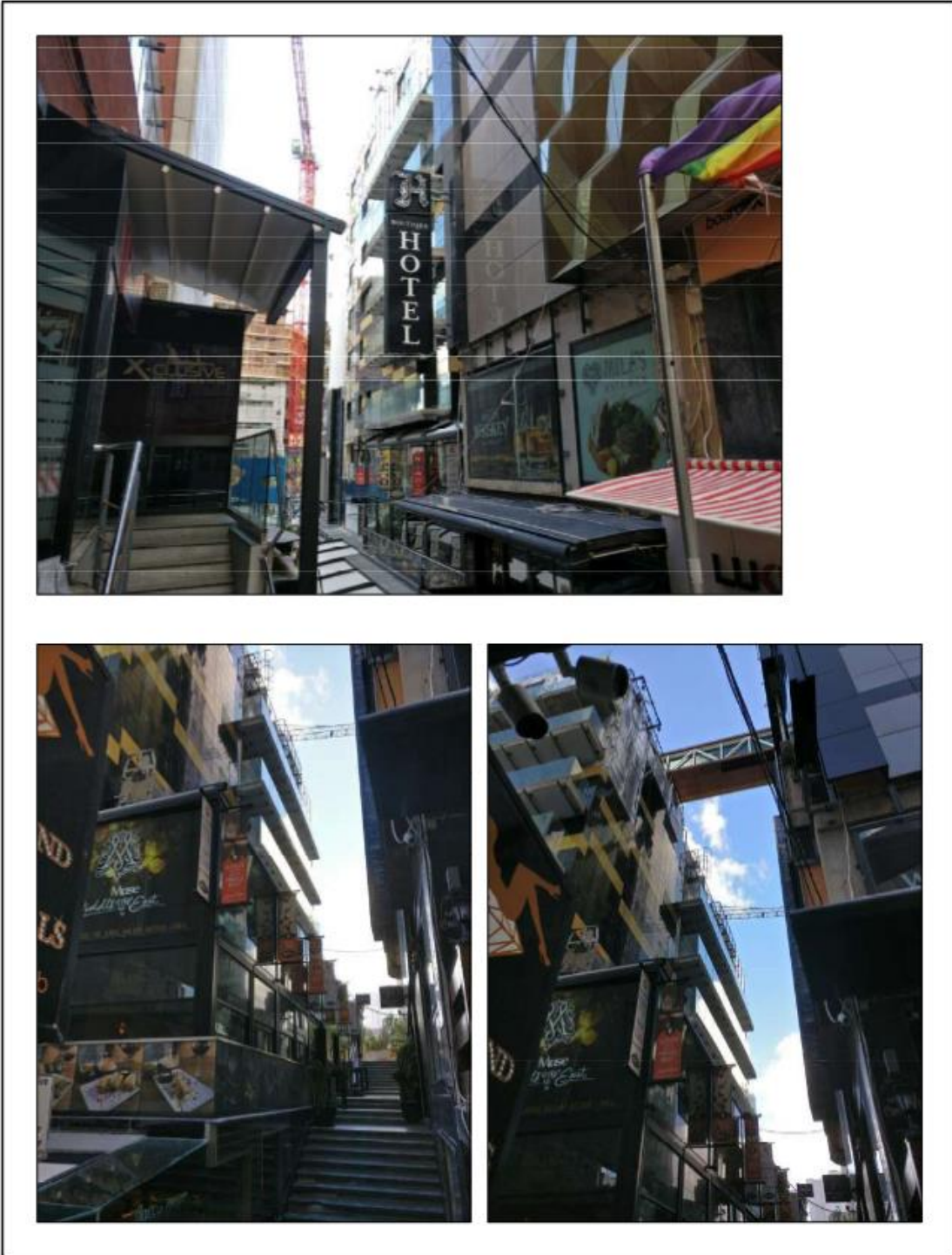
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CLIENT HH Finance plc	SHEET NO. 04



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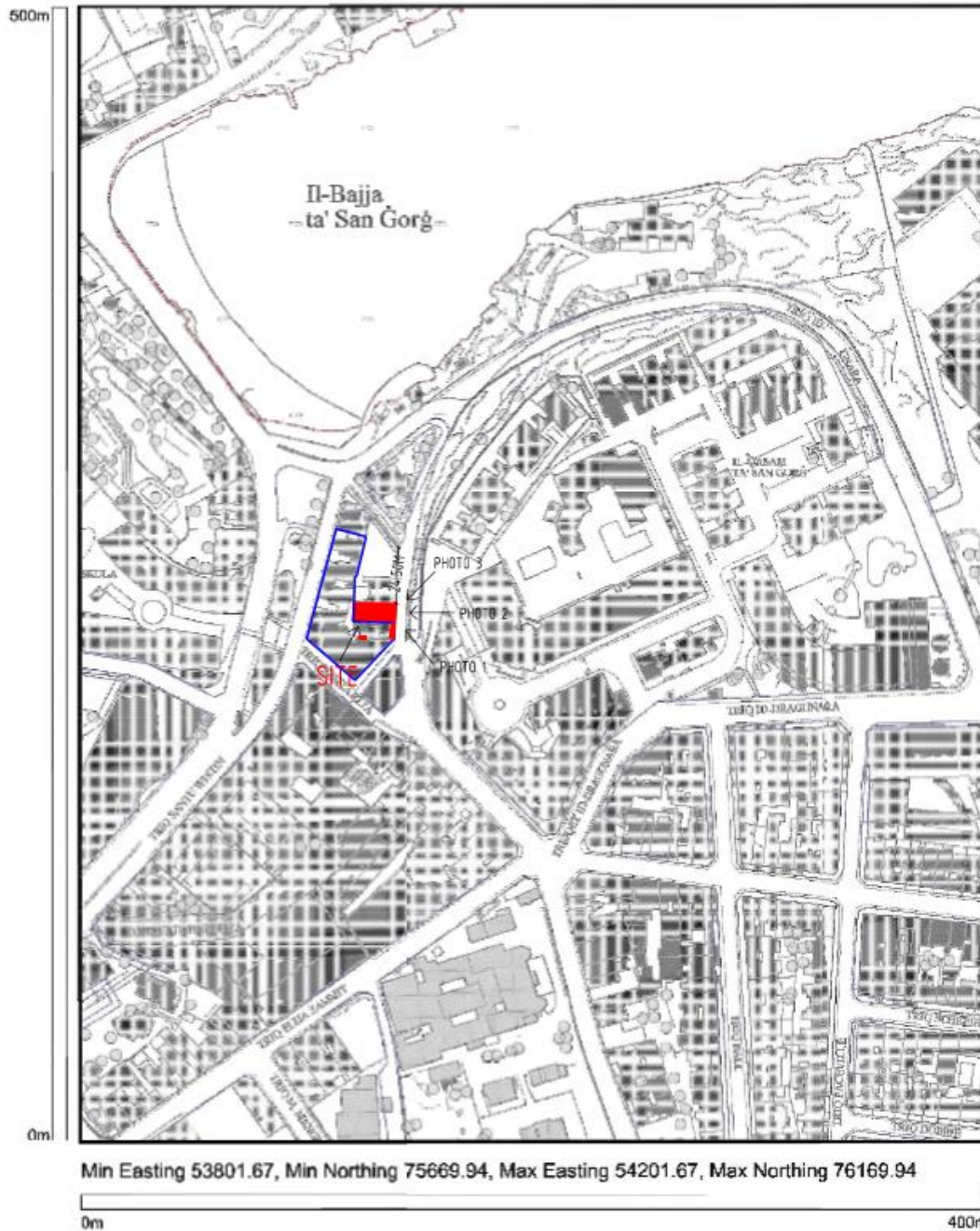
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ADDRESS Hugo's Hotel, Triq Santu Wistin, Paceville, St. Julian's, Malta	DATE 15/02/2018
CLIENT HH Finance plc	SHEET NO. 05



PA/01291/17 - 78a - Valid,  
 Recommended for Approval,  
 Planning Commission (Development Permissions) - Approved - Christian Spiteri (Perit) - 15/2/18 1:07:12 PM

78a



**Planning Authority - www.pa.org.mt**

St. Francis Ravelin  
 Floriana FRN 1230, Malta  
 PO Box 200, Marsa MRS 1000, Malta  
 Tel: +356 2290 0000 Fax: +356 22902295

**Site Plan, Scale 1:2500**  
 Printed on: Tuesday, November 08, 2016

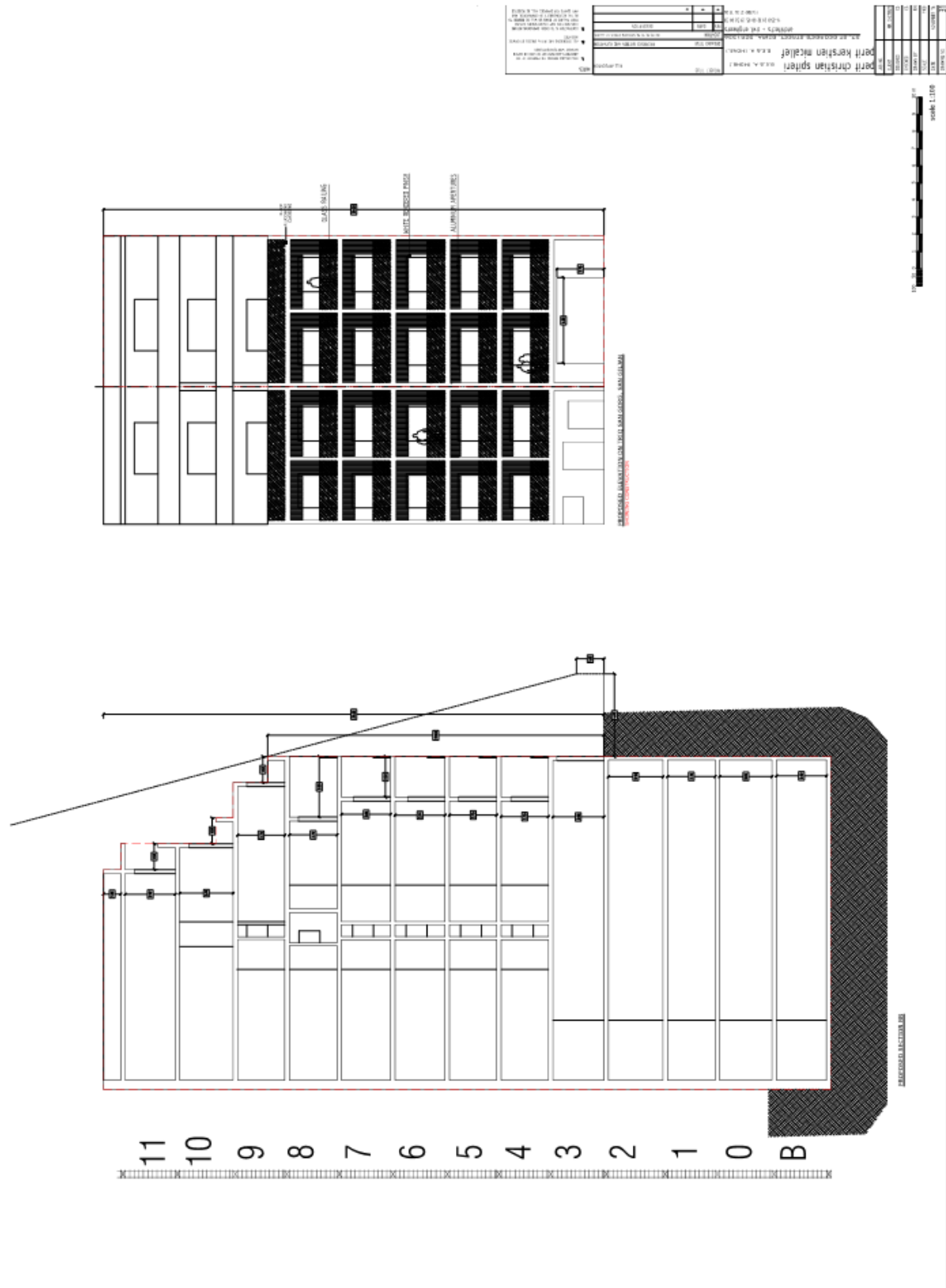
No. to be used for interpretation or scaling of scheme alignments  
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**C AND K ARCHITECTS**

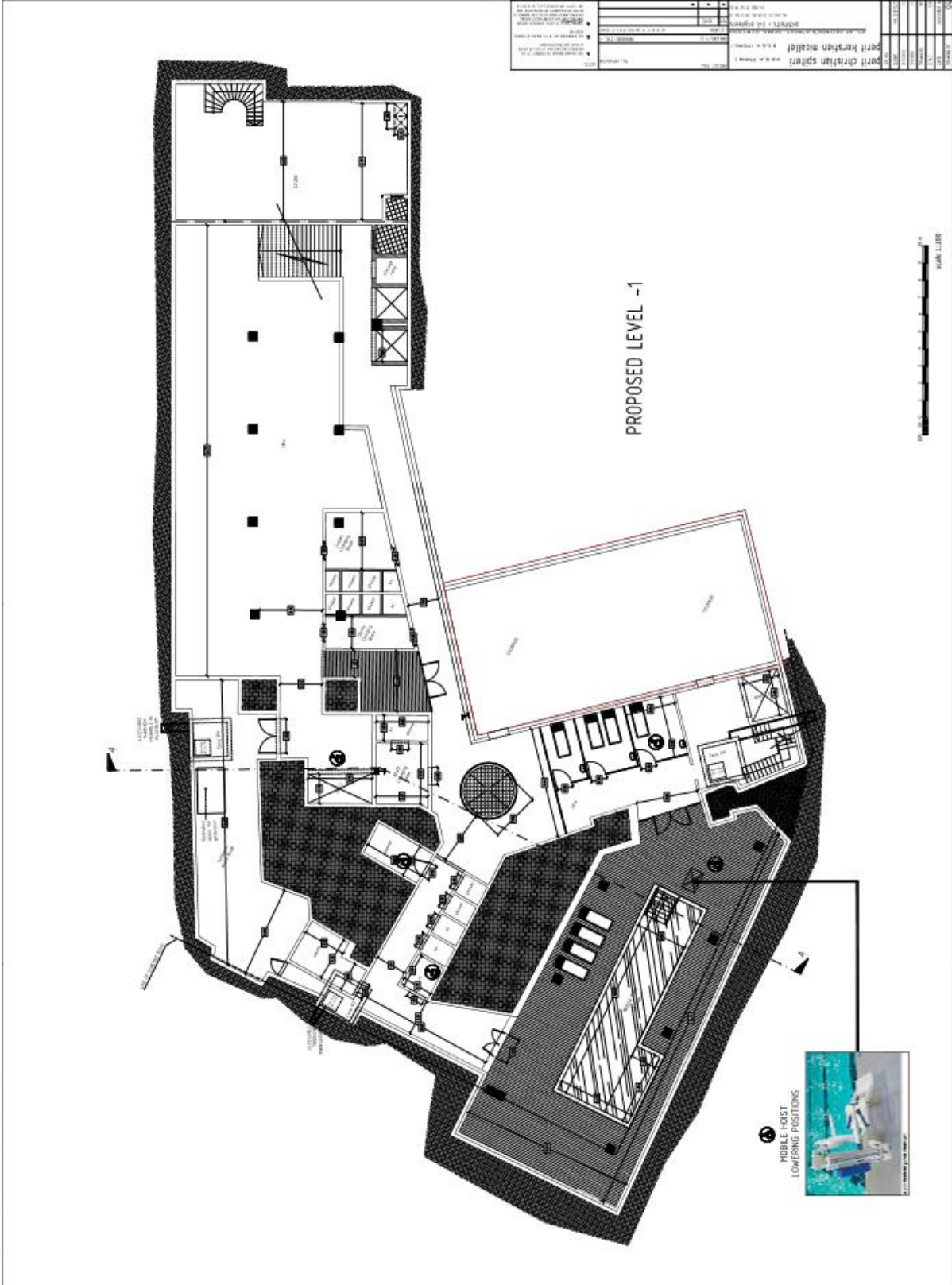
27, ST GEORGE'S STREET, GZIRA, GZR1336  
 architects + civil engineers

t(+356) 21 32 00 05, 21 32 00 33  
 f(+356) 21 34 71 26

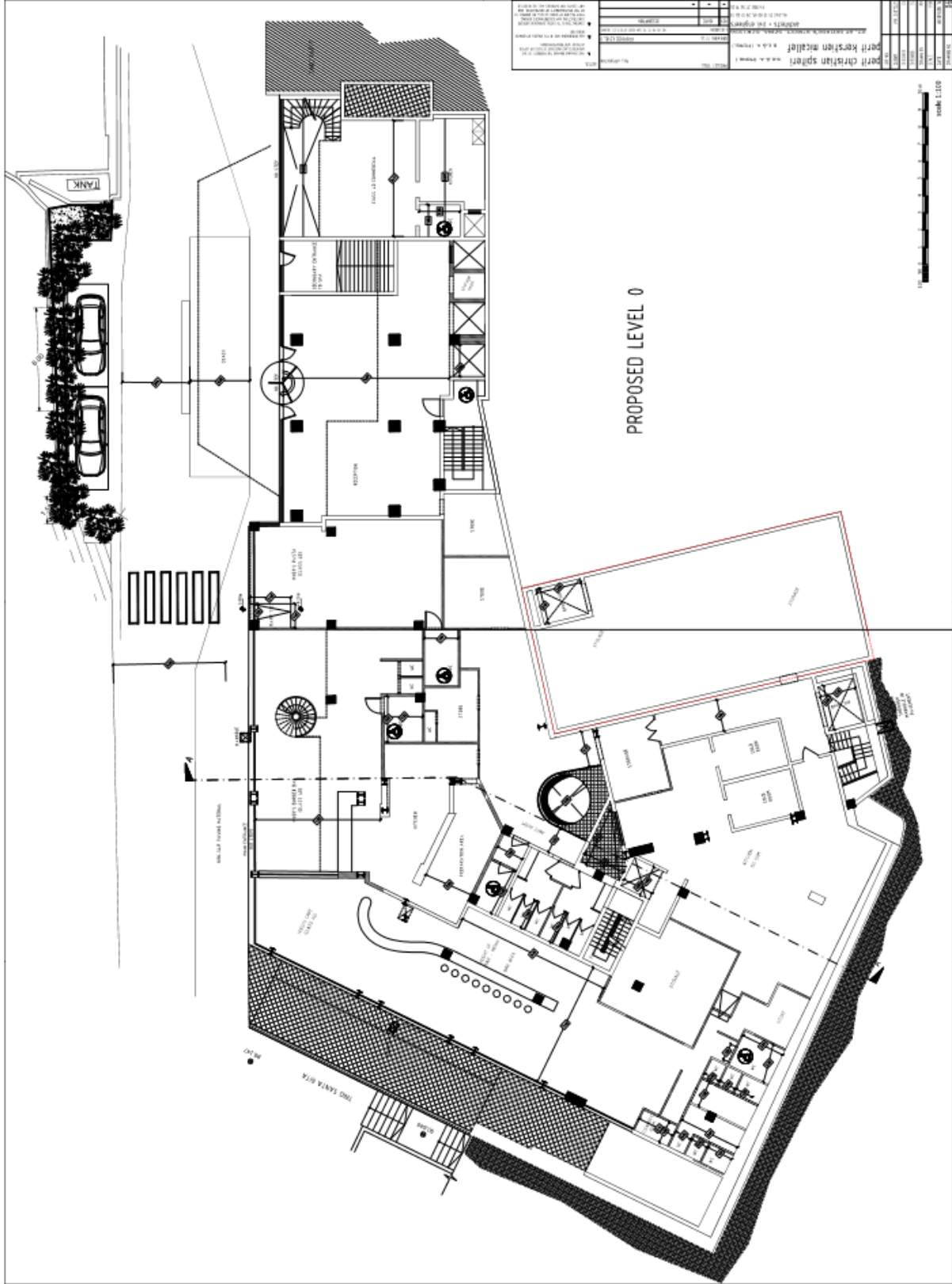




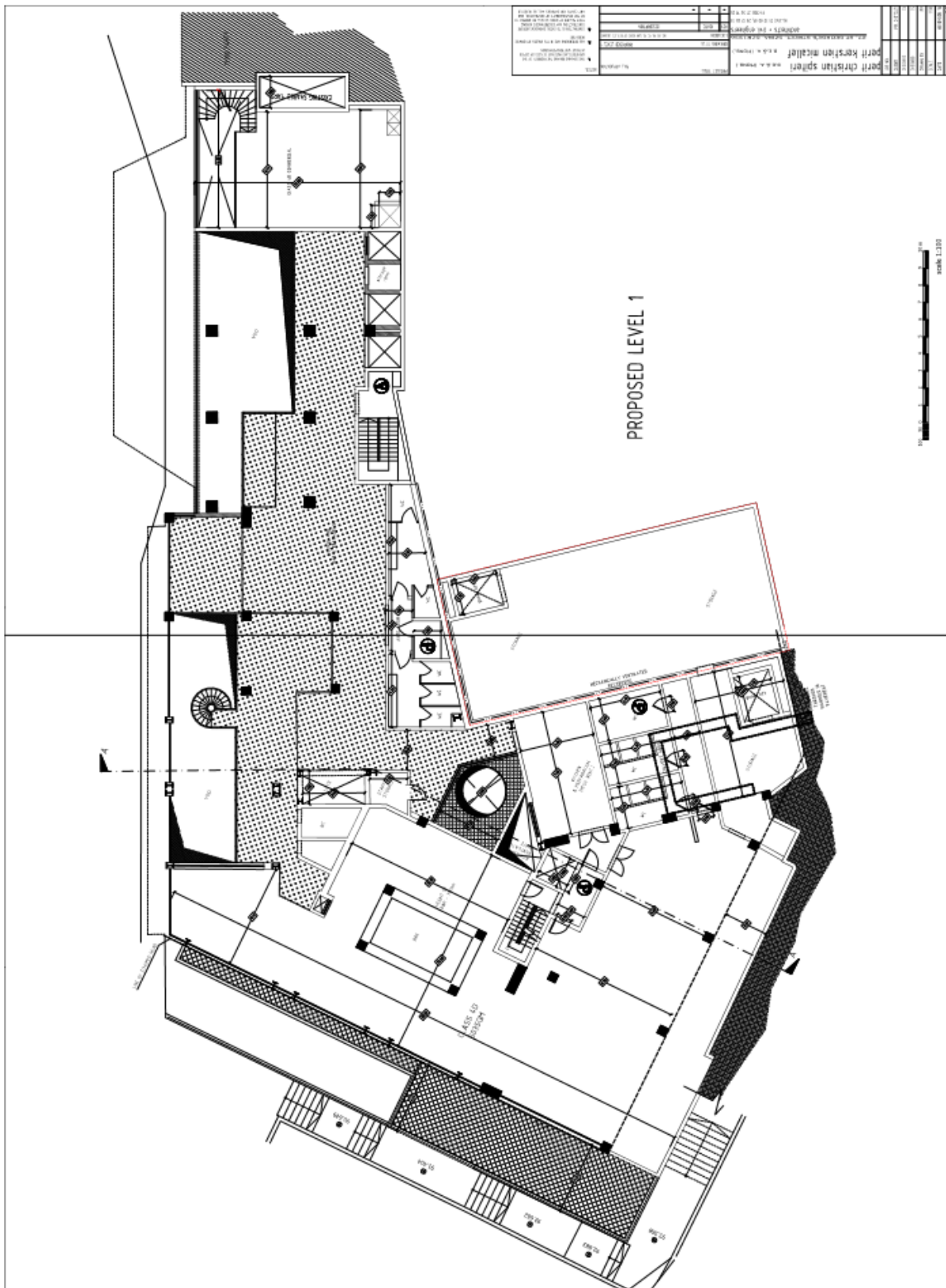




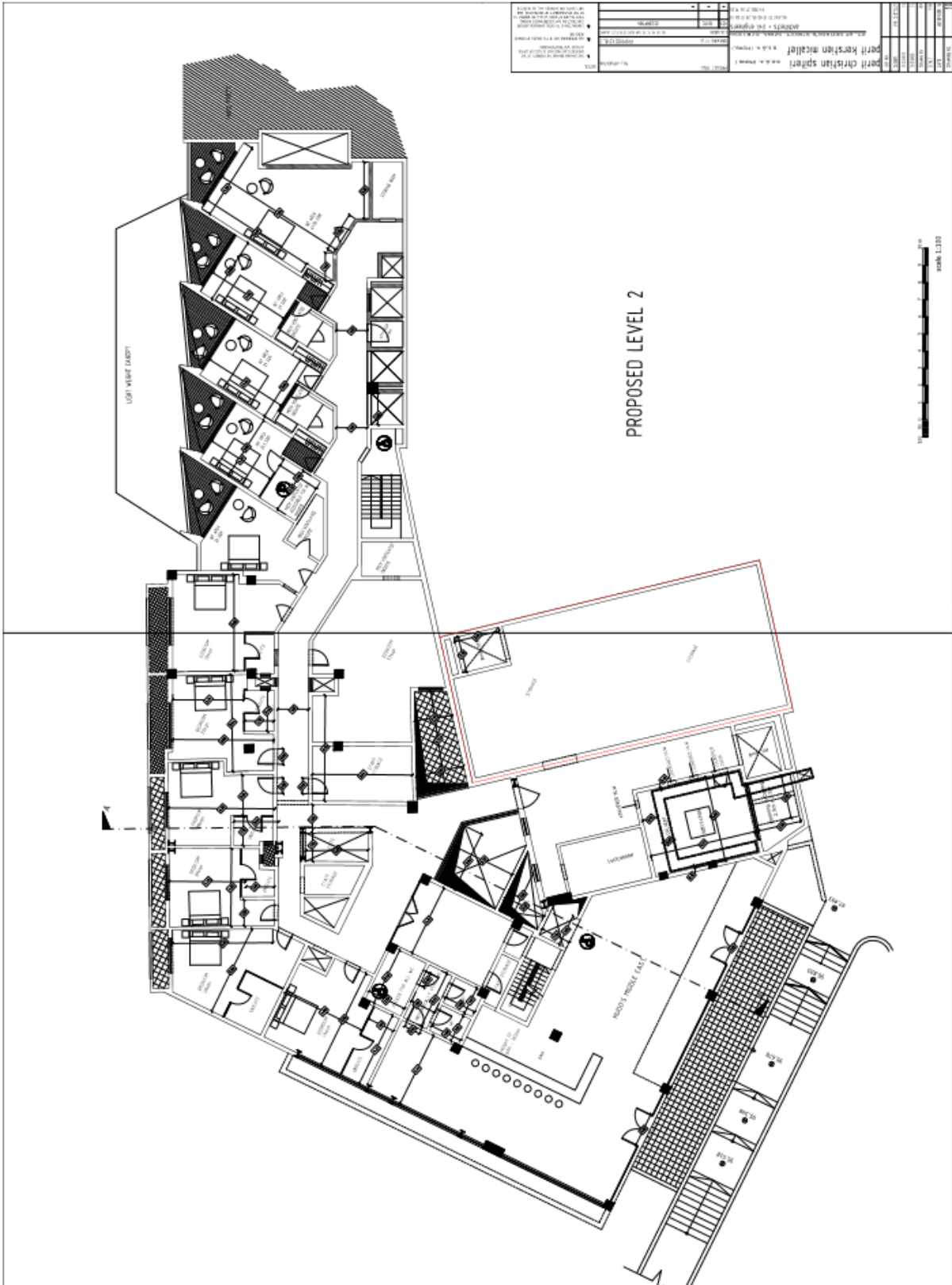
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CHECKED BY	M. Jones
APPROVED BY	K. Brown
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CLIENT	Healthcare Facility
LOCATION	123 Main St, Sydney, NSW
DESIGNER	ABC Architects
CONTACT	02 1234 5678

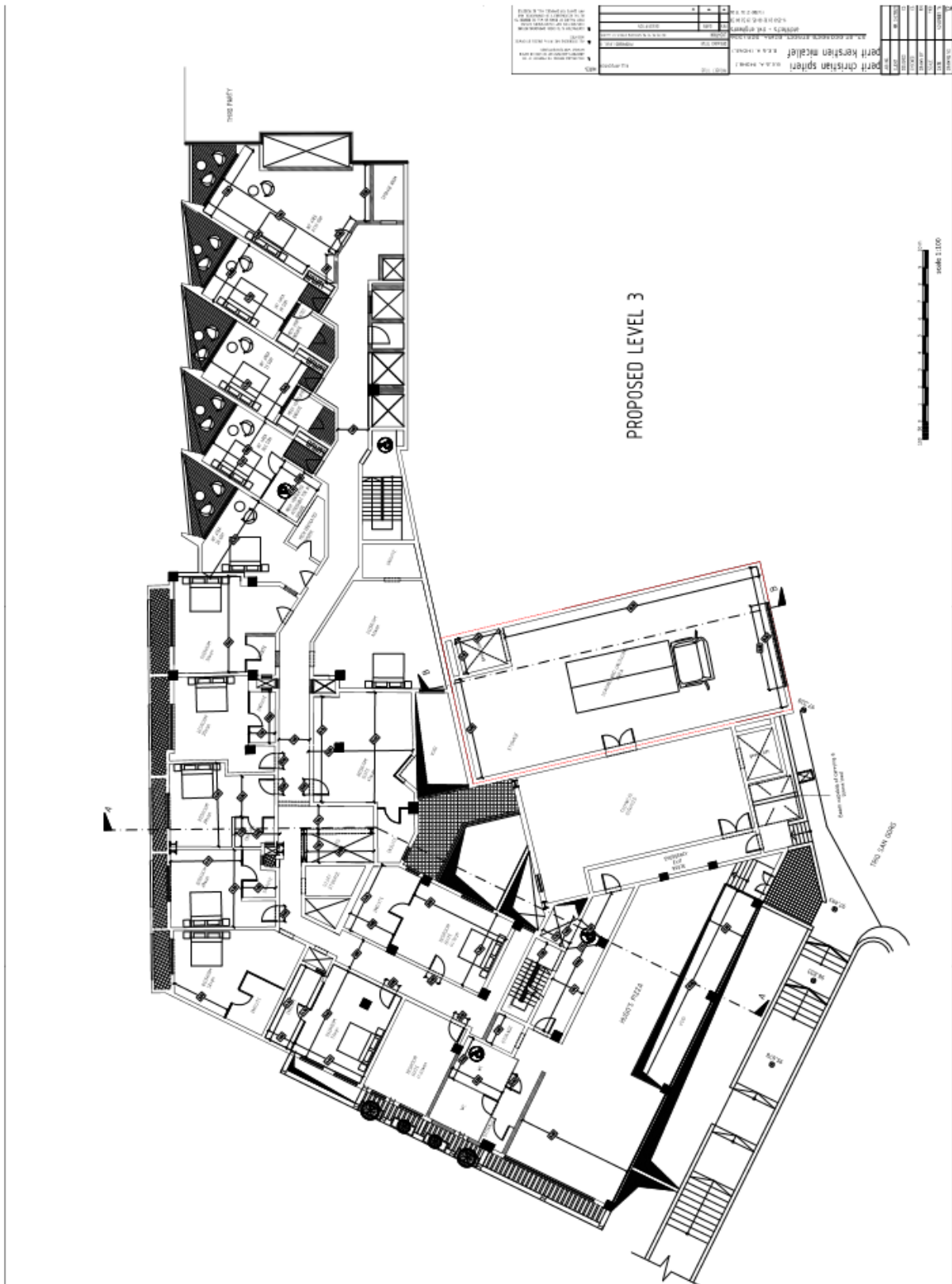


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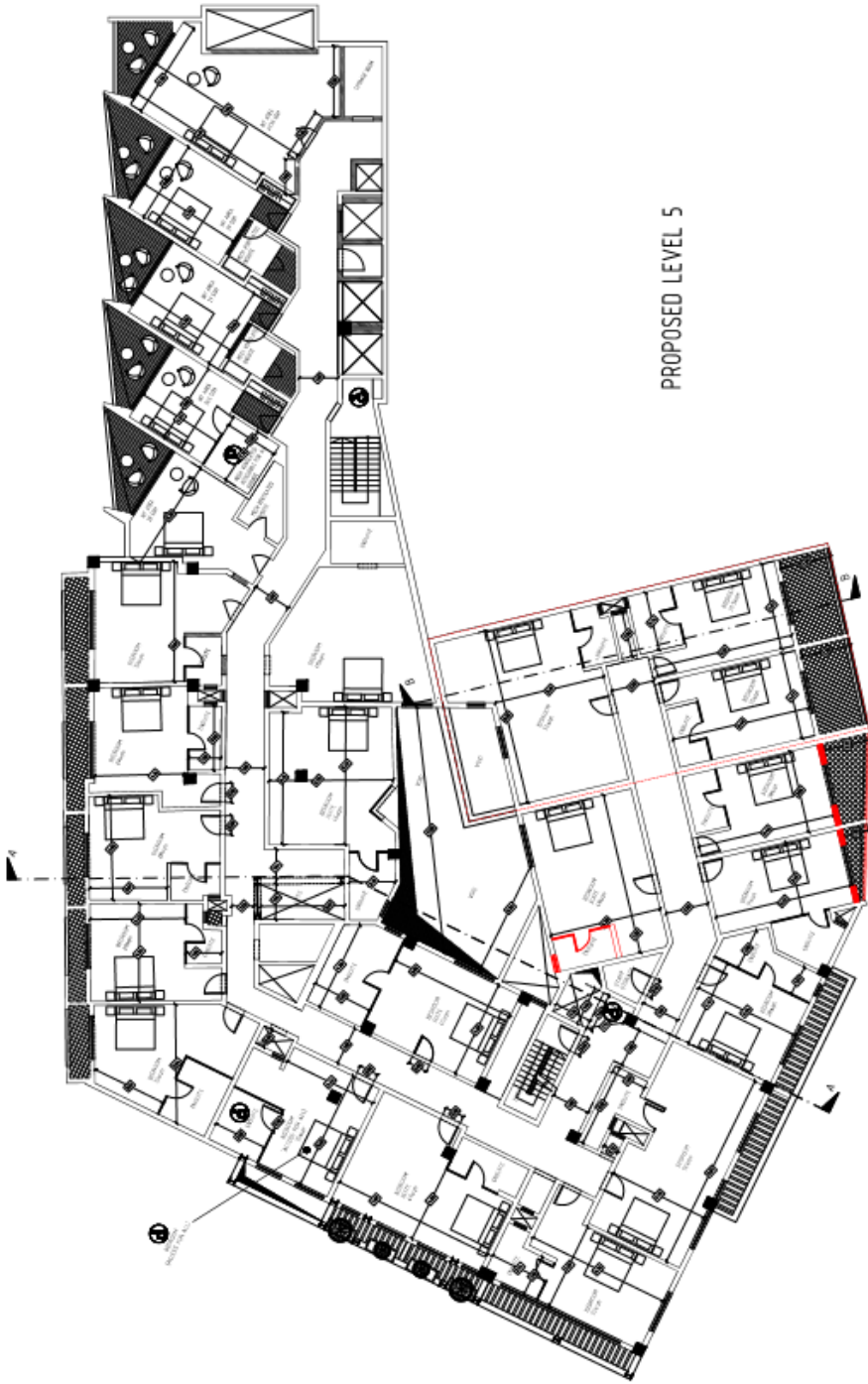






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Blattinhalt	FLOOR PLAN
Blattzustand	Final
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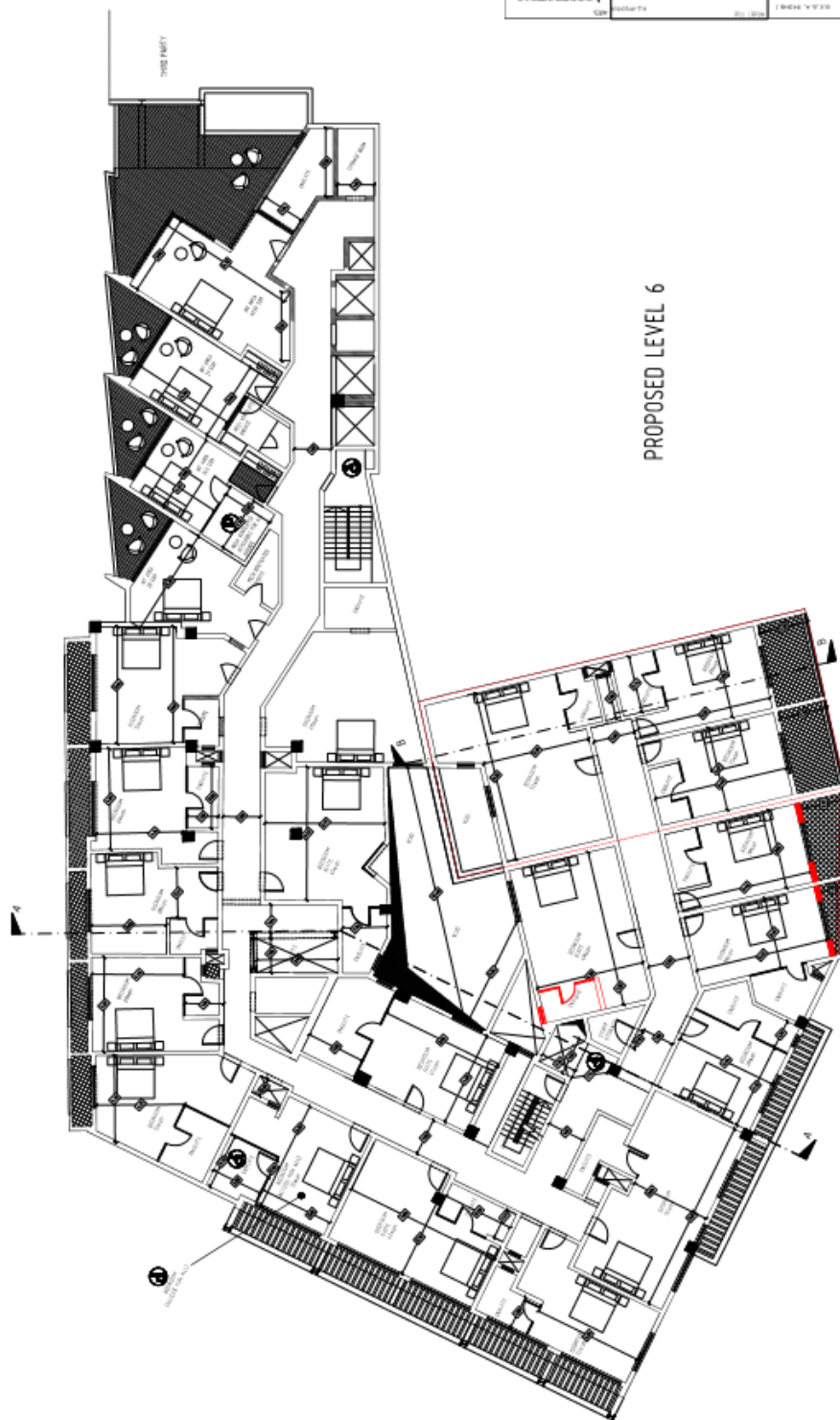
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 FH Technik, Fachbereich Technik



PROPOSED LEVEL 5



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CLIENT NAME	CLIENT NO.	DATE	NO.
DESIGNER NAME	DESIGNER NO.	DATE	NO.
DATE OF ISSUE	ISSUE NO.	DATE	NO.
SCALE	SCALE NO.	DATE	NO.
bert christian spiteri B.C.S.A. (ARCHITECT) ARCHITECTS & ENGINEERS 10/10/2018			



PROPOSED LEVEL 6



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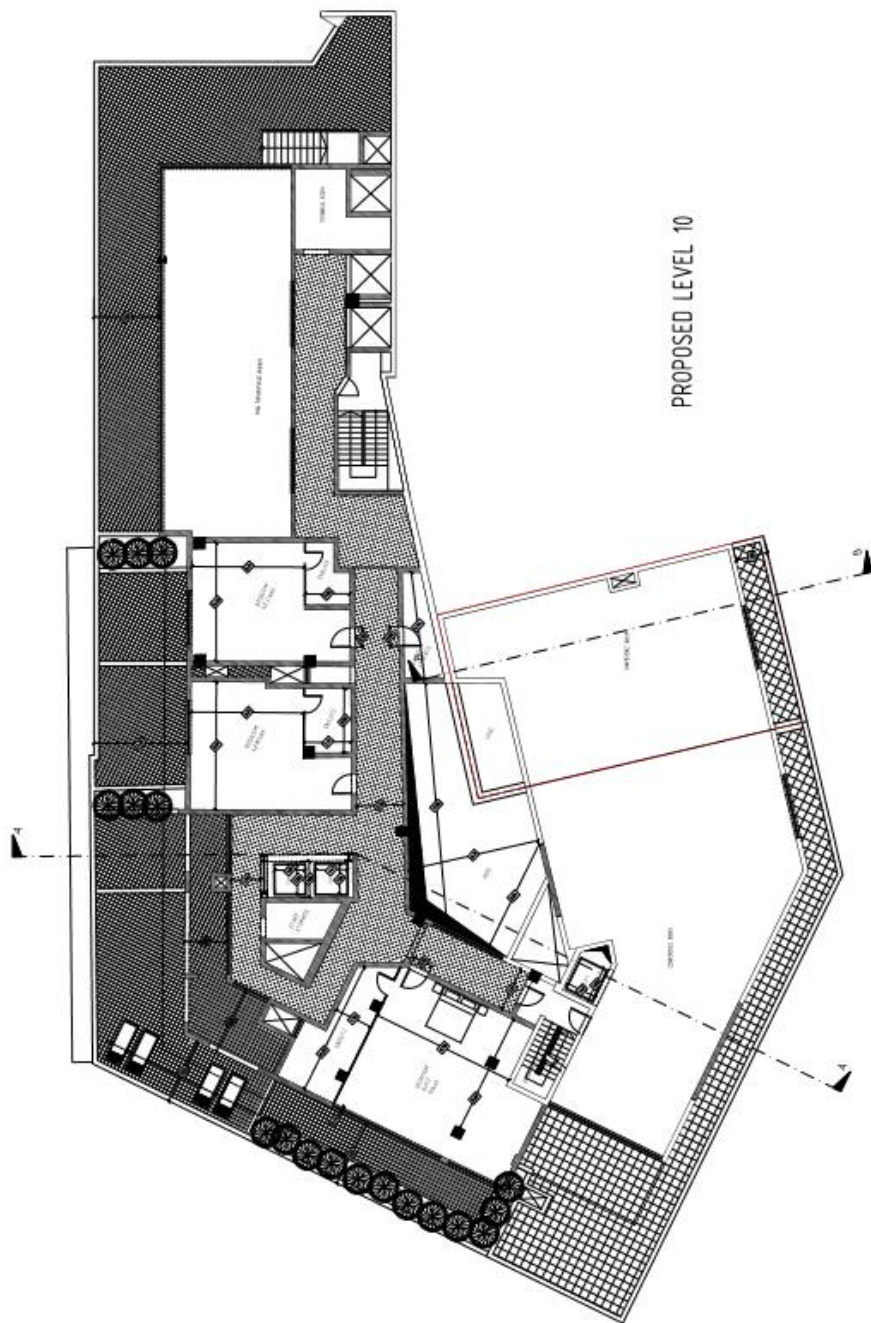






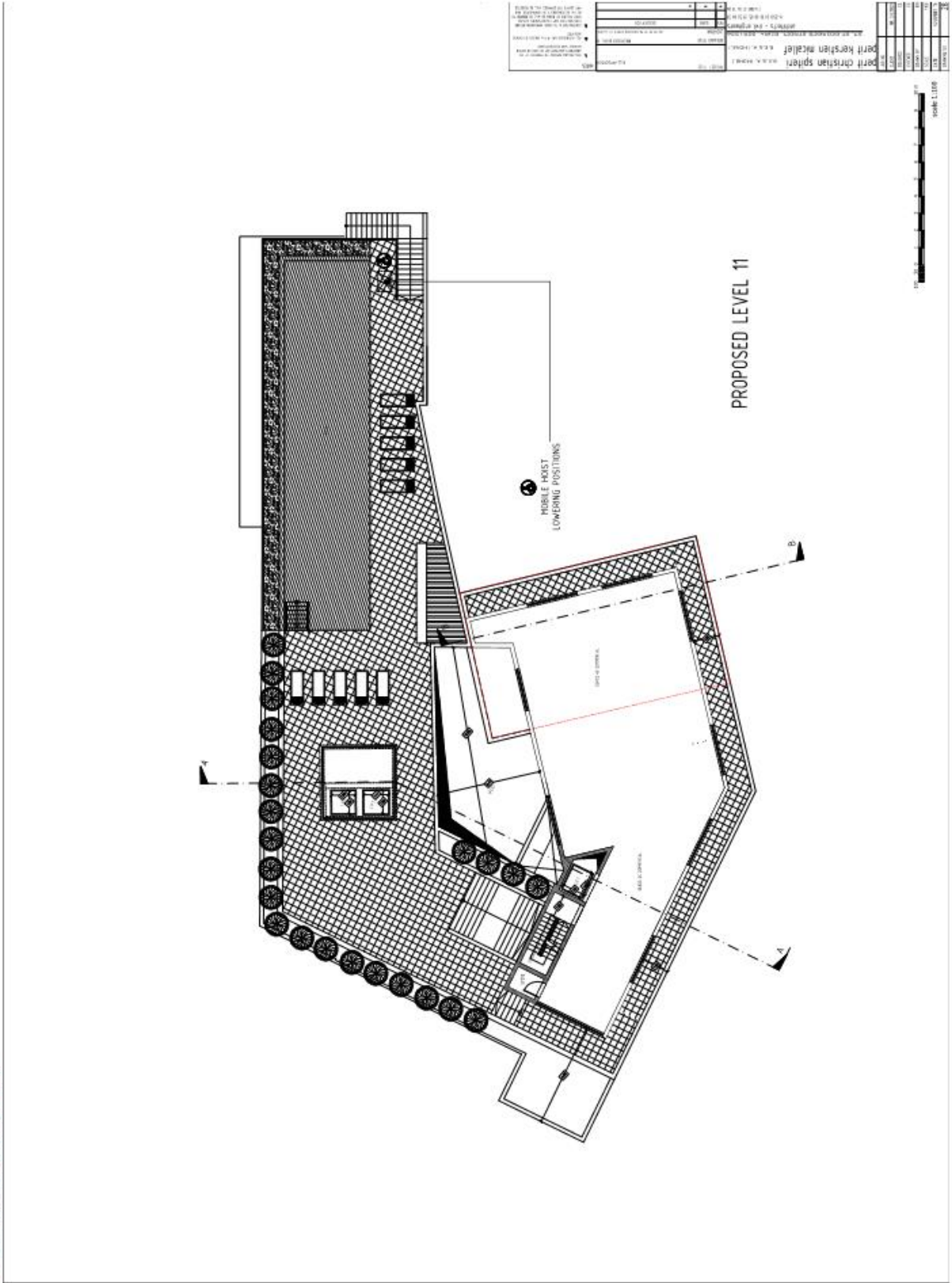


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PROJEKTNAME	1801 - Villa	PROJEKTLEITER	DR. phil. phil. DI. phil. phil. DI. phil. phil.
PROJEKTLEITER	DR. phil. phil. DI. phil. phil. DI. phil. phil.	PROJEKTLEITER	DR. phil. phil. DI. phil. phil. DI. phil. phil.
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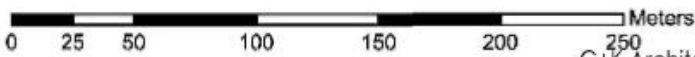
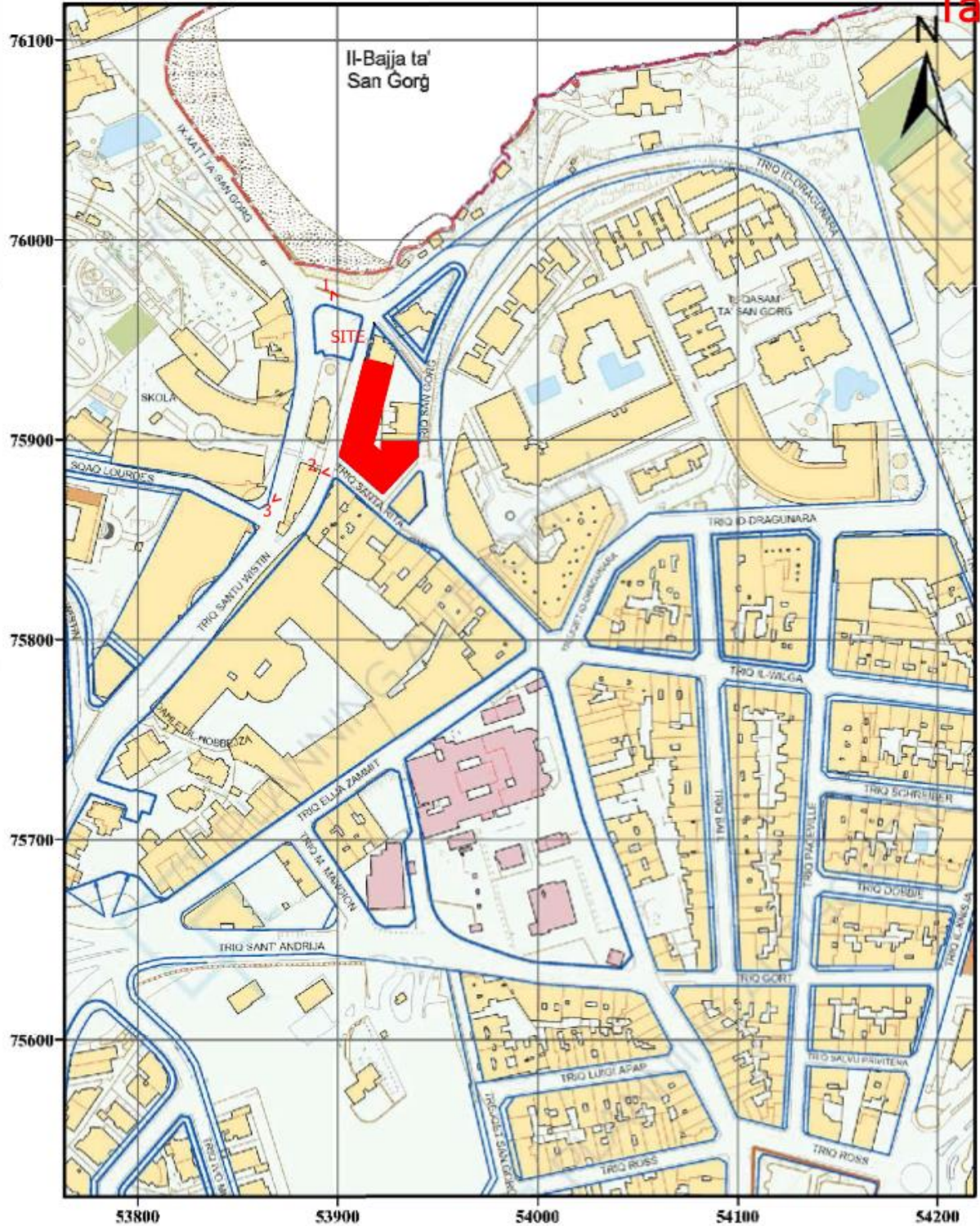
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65i Architects Inc.  
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PA/00259/18 - 1a - Valid - Christian Spiteni (Perit) - 15/2/18 1:12:22 PM



C+K Architects 1:2,500 Date Printed: 08/06/2017

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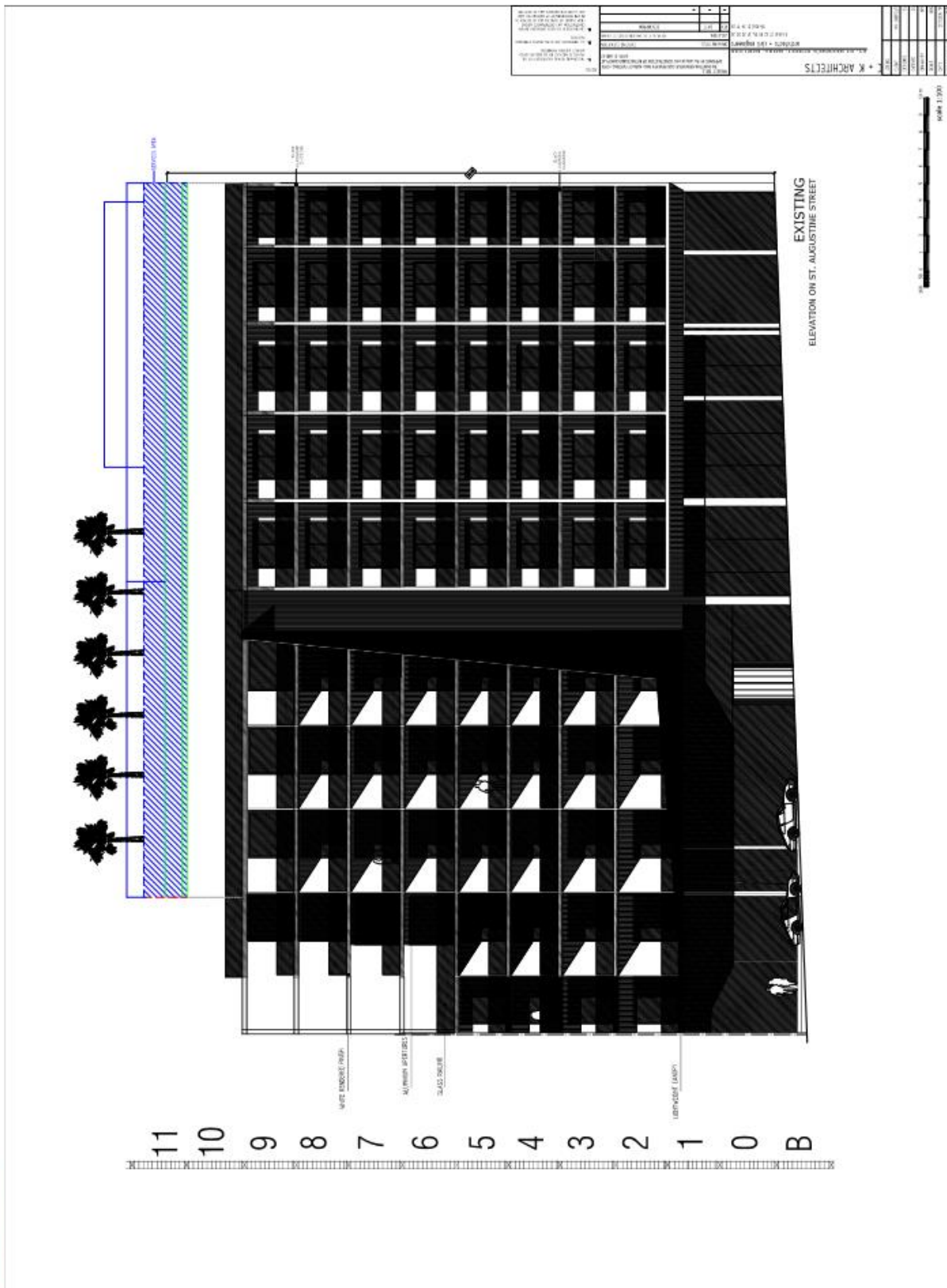
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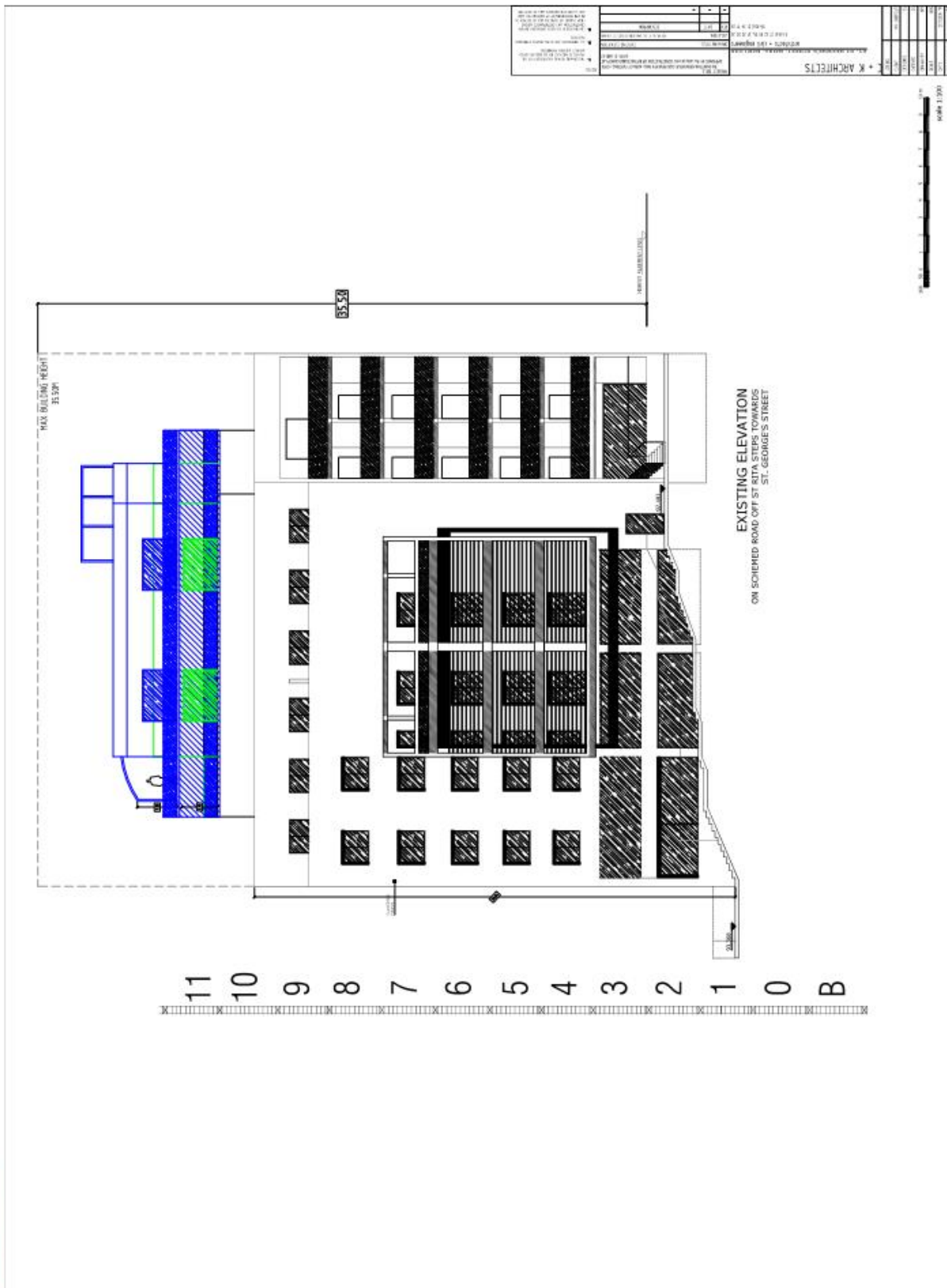


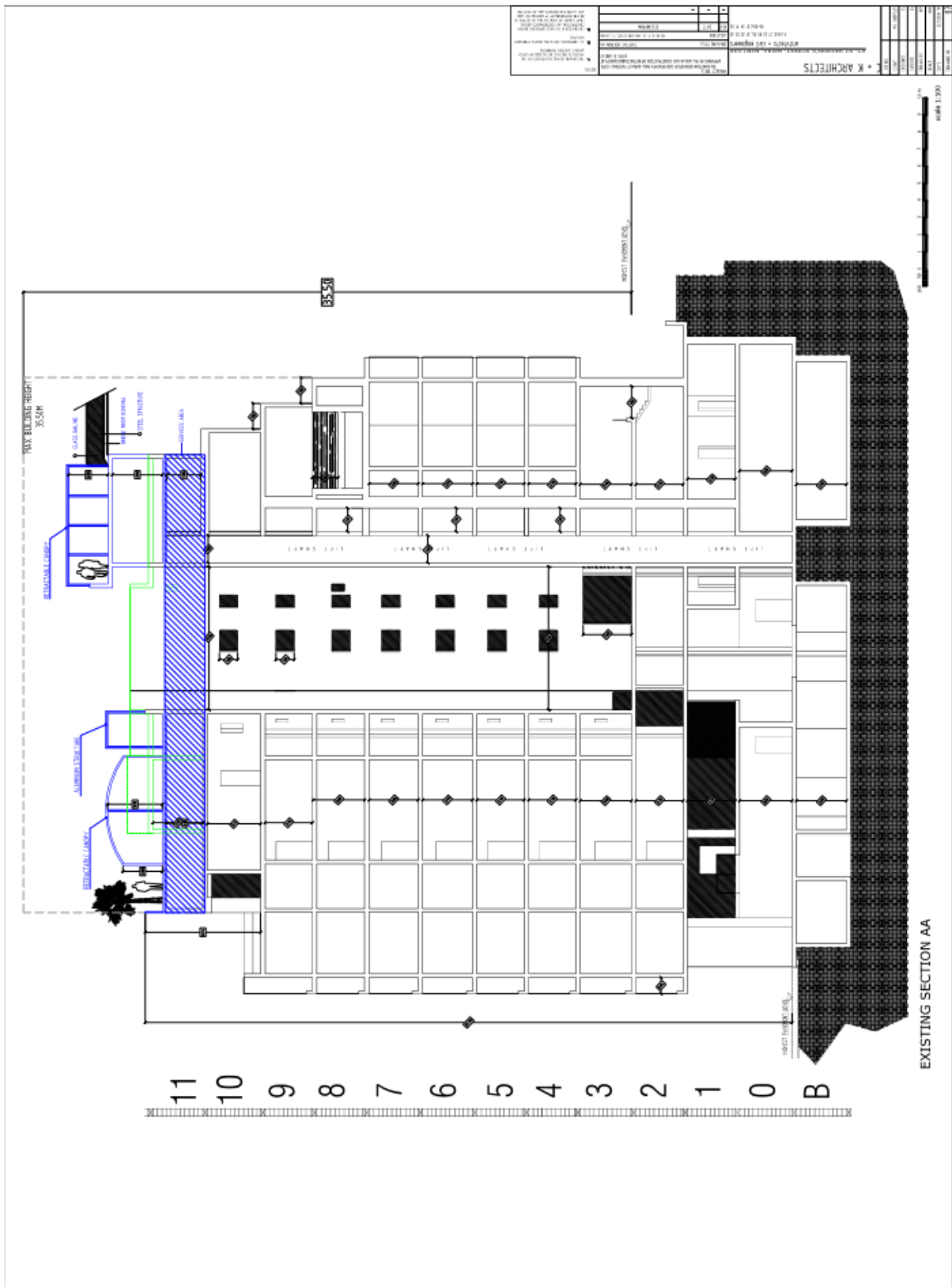
**PLANNING AUTHORITY**

St Francis Ravelin, Floriana.  
 Tel: +356 2290 0300, Fax: +356 2290 2205  
[www.pa.org.mt](http://www.pa.org.mt), [mappingshop@pa.org.mt](mailto:mappingshop@pa.org.mt)









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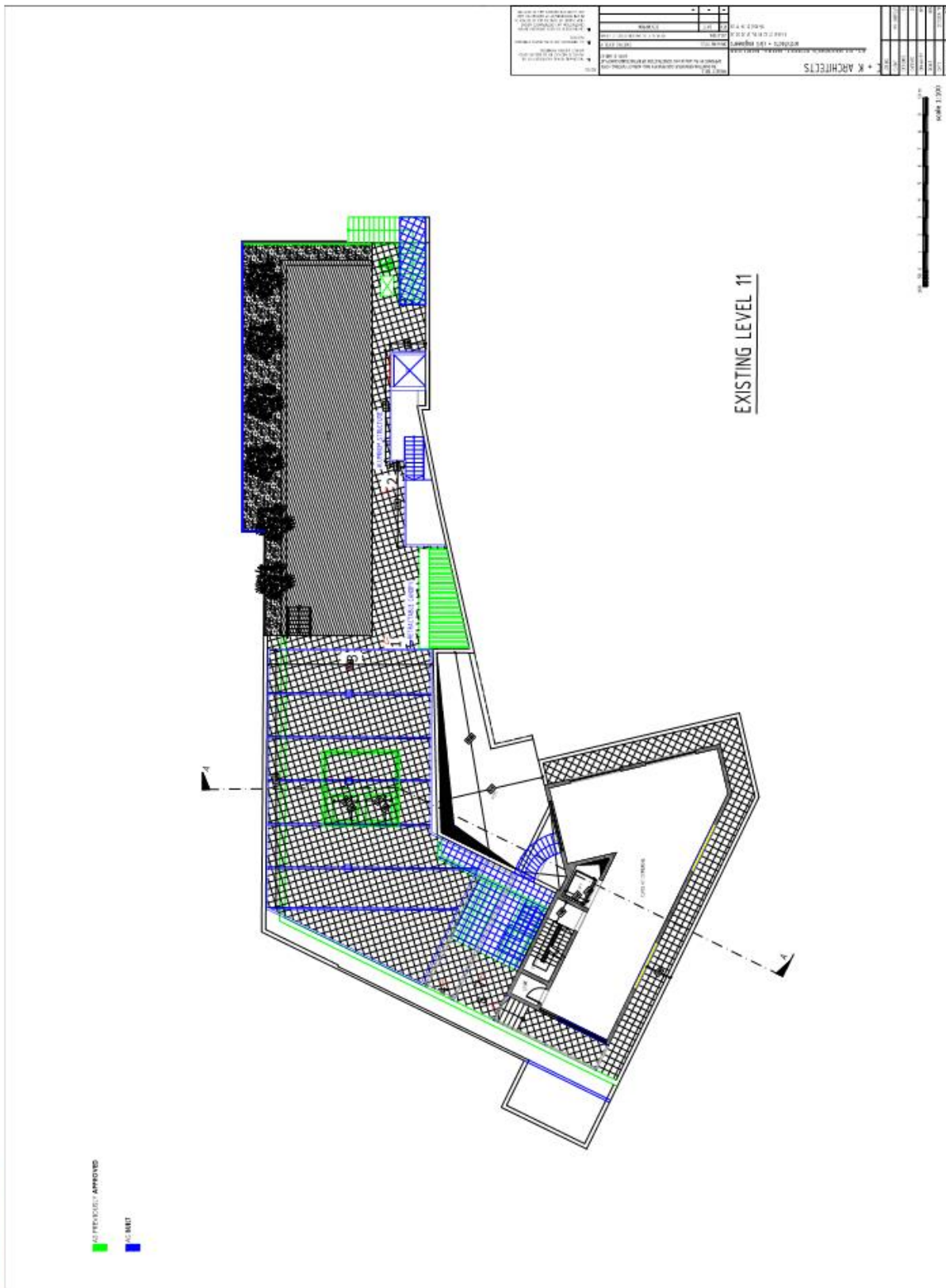
  

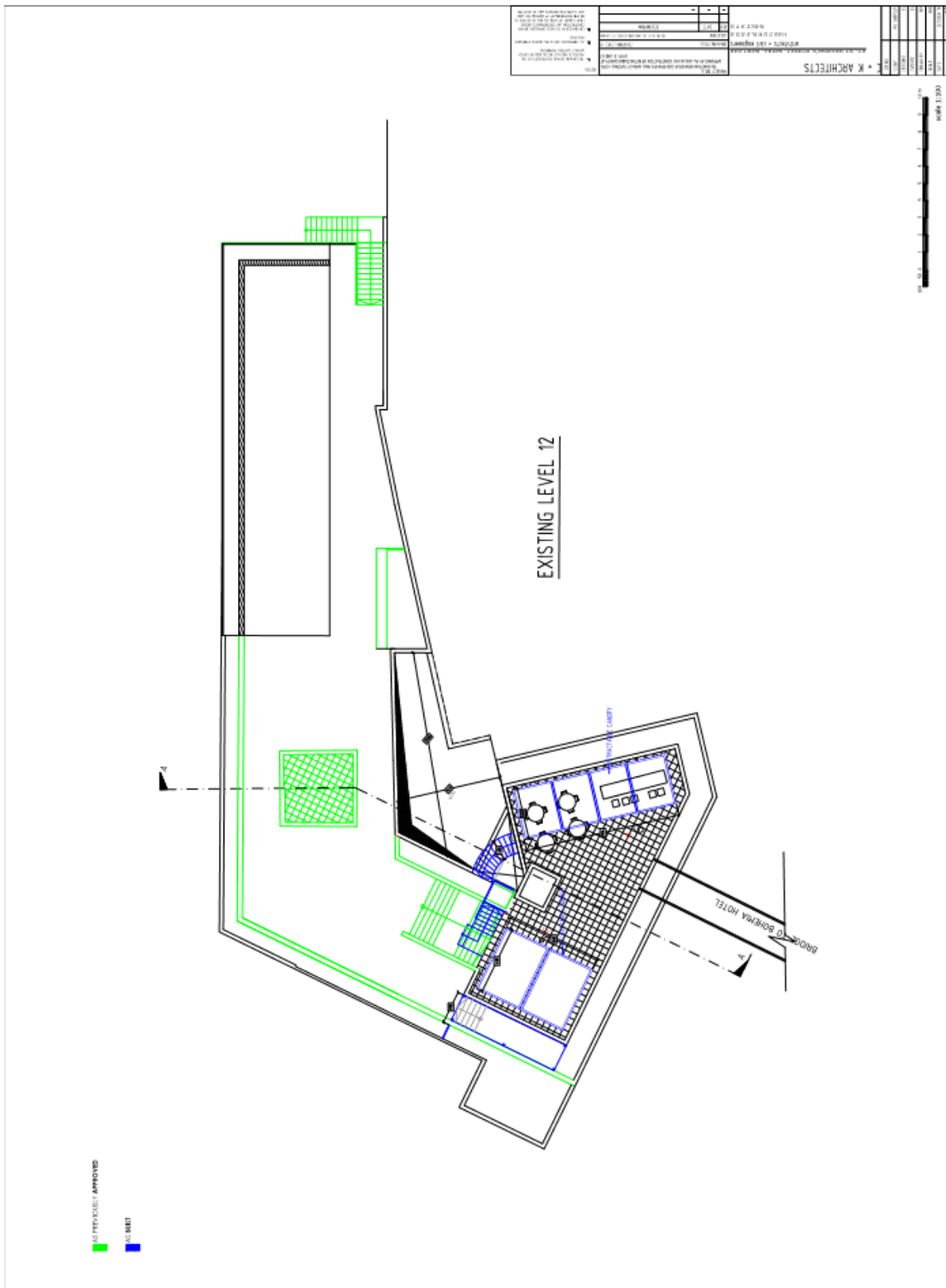
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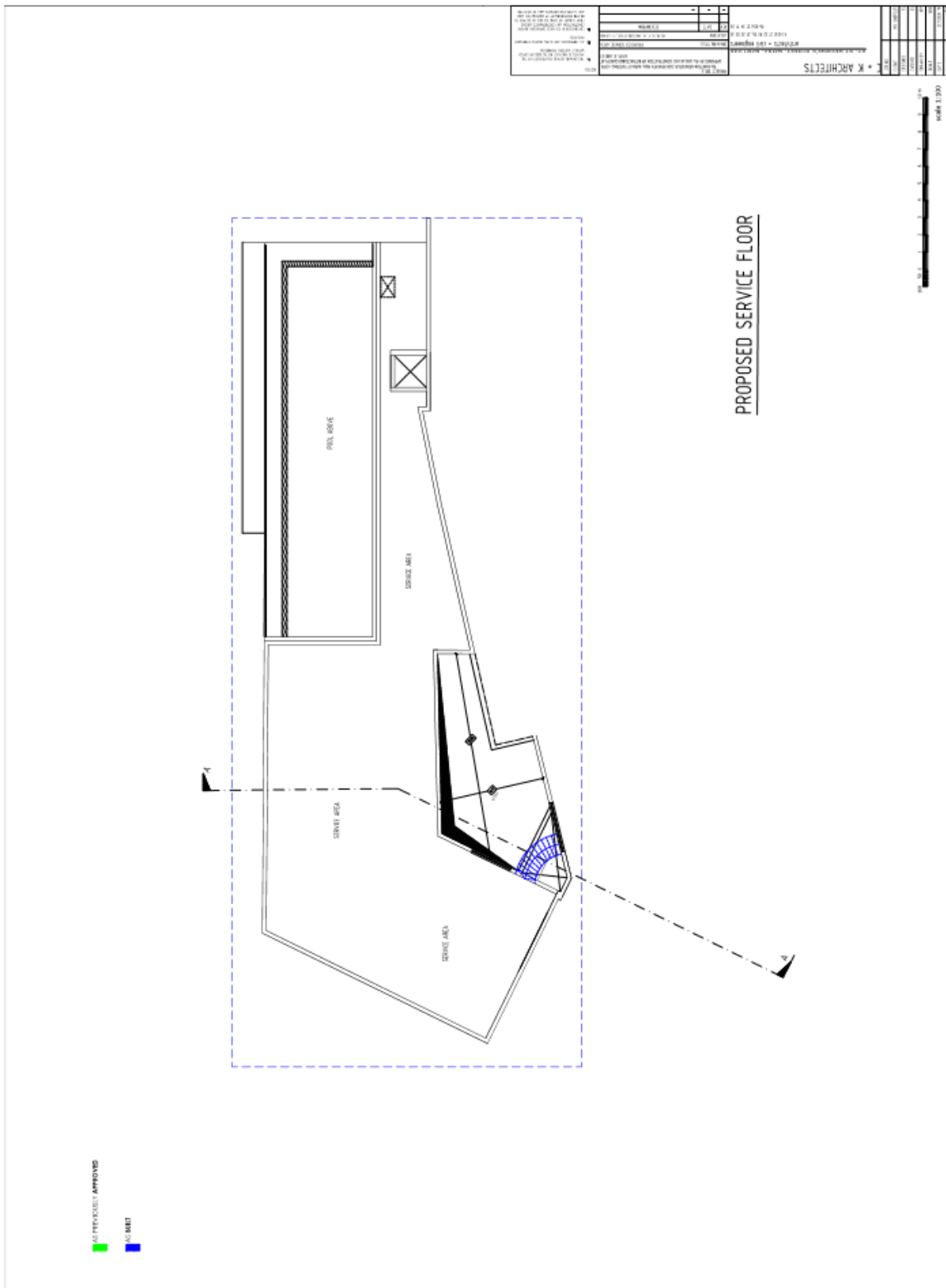
  

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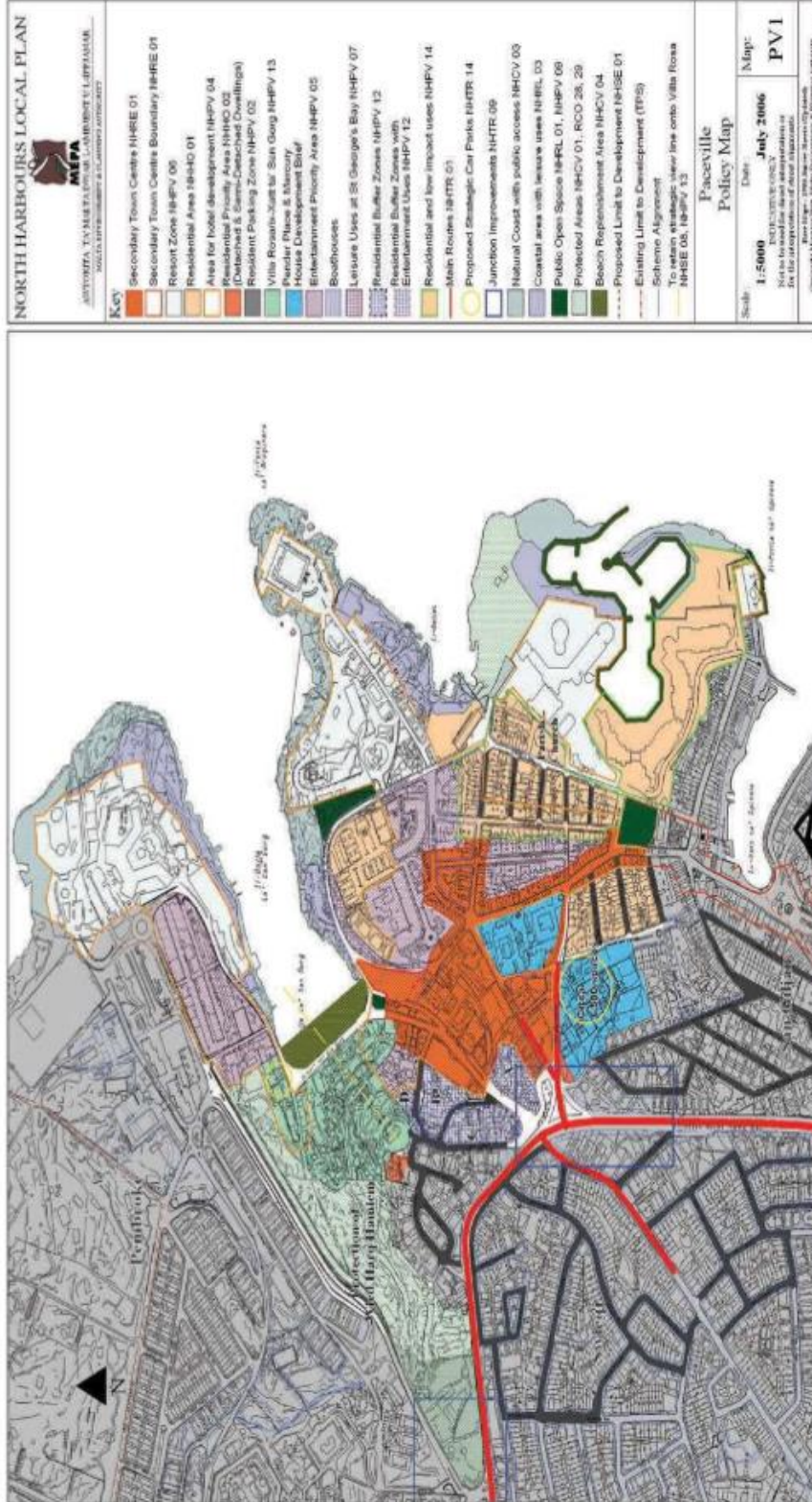




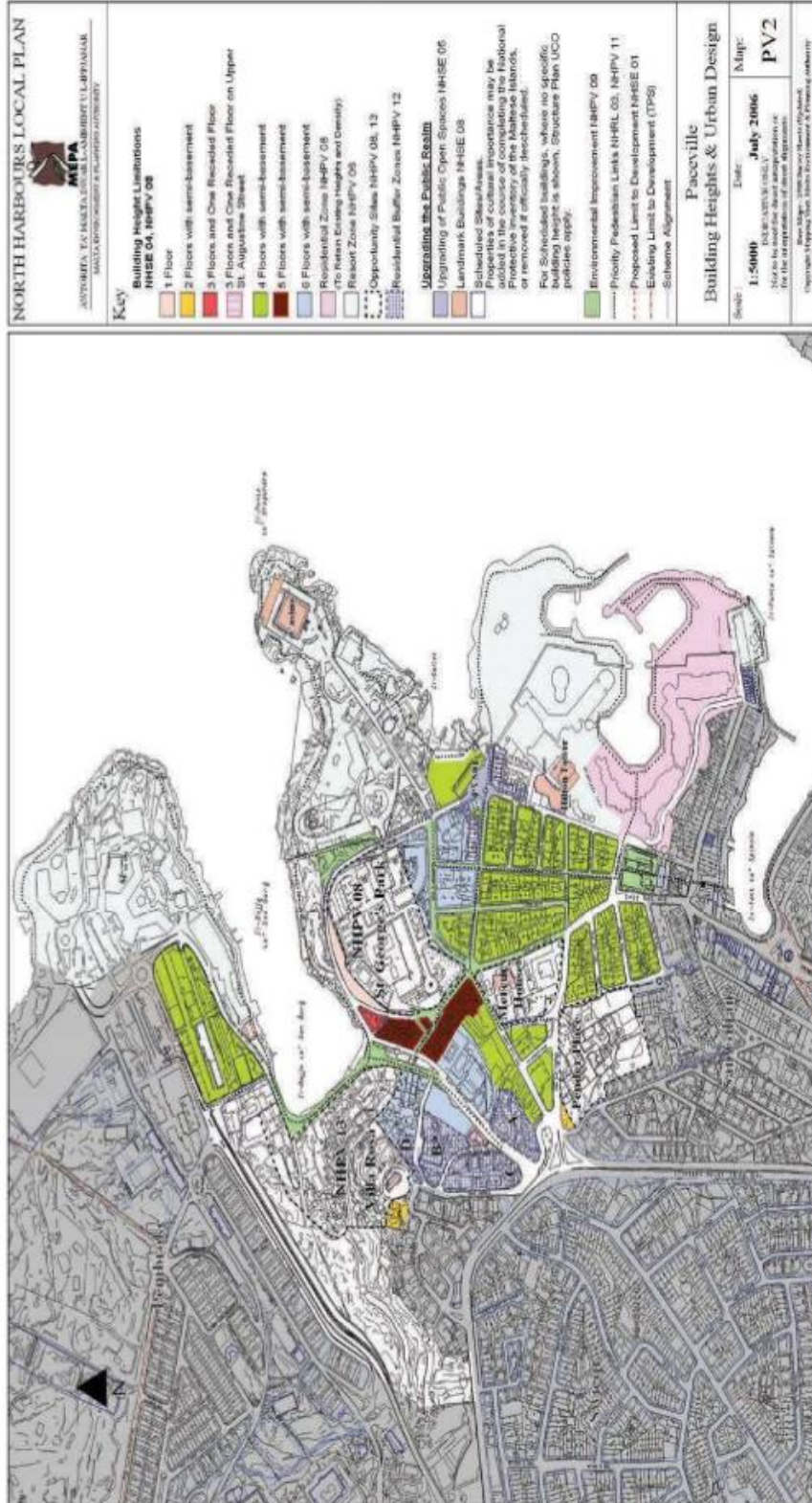
PROVISIONAL 2D - Valid - Condition Subject to Part 15/2018 (15/05/2024)

AS PREPARED APPROVED  
 JAC MITT









# **North Harbours Local Plan**

**Approved Document**

**July 2006**

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development to appropriate growth areas in locations that will utilise existing Regional Road connections or are well served by the arterial road network.

## NHSE04

## Building Height Amendments

In line with Policy NHSE03 and the Plan's overall strategy, building height limitations have been reviewed for each local council area and are detailed through the relevant area policies and Building Heights and Urban Design Maps. The Local Plan designates only limited relaxation of Building Height Limitations established by the Temporary Provision Schemes (1988).

Development shall comply with the maximum building height limitation indicated in the relevant Building Heights and Urban Design Maps, shall comply with the relevant area policies that regulate building heights, shall be in accordance with the criteria for building heights established in the DC2005, and shall comply with all the relevant sanitary regulations.

For sites located within designated Urban Conservation Areas, where Receded Floors are permitted in accordance with the relevant Building Heights and Urban Design Maps, each Receded Floor is to be setback by 2m from the building alignment of the underlying floor notwithstanding that this may not be in accordance with the provisions of the DC2005. Penthouses above the Receded Floors will not be allowed. In addition, and except for townhouses on two floors located within the Sliema Urban Conservation Area, a setback floor on residential buildings of not more than 2 floors that are located within Urban Conservation Areas may be permitted provided the setback floor is receded by at least 2 metres from the front façade, notwithstanding that this would not comply with criterion (iii) of Paragraph 10.5 of the DC2005. However all the other criteria of Paragraph 10.5 of the DC2005 are to be adhered to. For townhouses on two floors located within the Sliema Urban Conservation Area, the provisions of Policy NHSJ06 shall apply.

Where maximum building heights are not specified in this local plan, the redevelopment of land or buildings will be considered in relation to the prevailing building height limitation for the area in which the development is situated. In addition these proposals shall enhance the townscape and the setting of the development within its context.

Where the need arises for an existing school to extend so as to incorporate required ancillary facilities, and this expansion cannot be achieved by means of horizontal extensions due to site constraints, then MEPA in consultation with the Department of Education will consider the development of an additional floor for the school above the maximum building height limitation indicated in the relevant Building Height Limitations and Urban Design Maps. This additional floor will be considered irrespective of the predominant height of existing buildings in the vicinity of the site in question. However, extension above the height limitation will not be permitted by MEPA in the following circumstances:

- i. for additional classrooms which would result in an increase in the student population of the school;
- ii. for schools located within Residential Priority Areas; and
- iii. where the additional floor would, in MEPA's opinion, create an unacceptable visual impact on important scheduled or landmark buildings as viewed in their setting and/or against the skyline.

MEPA will also consider relaxing building height limitations in relation to the provision of Public Civic Facilities in accordance with the provisions of Policy NHSO02, in relation to hotel extensions in accordance with the provisions of Policies NHTO01 and 2, and in relation with the provision of Public Car Parks in accordance with the provisions of Policy NHSG03. However, should the school, public civic facility, public car park or hotel land uses indicated above cease to operate and a change of use be approved by MEPA involving the demolition and reconstruction of the existing buildings on site,

the development right for the additional floor shall be nullified and the building height of the new development is to conform to the maximum building height limitation as indicated for the site in the relevant Building Height and Urban Design Map. Furthermore, if the use of the structure for school, public civic facility, public car park or hotel land uses indicated above remains in operation for a period of ten years or longer, then the additional floor can be retained even where a change of use has been permitted by MEPA.

**The maximum building height limitations indicated in this local plan override any approved supplementary guidelines with respect to building heights.**

- 2.4.9 The Structure Plan requires Local Plans to consider in detail the appropriate height of buildings in conjunction with a full range of development issues. Overall, the Local Plan aims to concentrate new development in accessible areas to create a balanced transport network (see Policy NHSE03). Where activity nodes such as town centres or employment sites have been designated, a relatively flexible approach to building heights has been taken. The Local Plan also defines maximum heights in areas where ambiguity previously existed through the TPS (1988).
- 2.4.10 Within Urban Conservation Areas building height amendments have been effected to the TPS (1988) in line with the provisions of the 'Design Guidance: Development Control within Urban Conservation Areas' (1995). Therefore within UCAs the designated building height limitations as indicated in the Building Heights and Urban Design Maps actually reflect the predominant height of the existing buildings and building permits already issued. Where building heights have been reviewed, consideration has also been given to the size and scale of surrounding buildings. Urban areas that were already developed in the 1960's have generally been developed without semi-basements. Therefore in order to safeguard the streetscapes of these urban areas as identified in the relevant Building heights Maps, no new buildings with semi-basements will be permitted. Regarding sites located within the Sliema and St. Julian's UCAs, since most streets within these urban cores are quite narrow, recessed additional floors with a reduced setback of 2m would generally still not cause a negative impact on the skyline. In addition, given that many plots within the Sliema and St. Julian's UCAs are quite restricted, a 2m recess (excluding penthouses) would enable the provision of more required floorspace. This same reasoning applies to allowable setback floors on residential buildings of not more than 2 floors that are located within Urban Conservation Areas.
- 2.4.11 Building height relaxation not exceeding one floor is being permitted on school sites if this is the only option available to accommodate school extensions needed for the provision of new ancillary educational facilities (e.g.; media room, computer labs, art rooms etc.). This is being sought so as to avoid the costly relocation of existing schools. However, these vertical extensions will be allowed by MEPA provided that they are strictly in line with the Department of Education's school design policy and regulations. MEPA will not permit that the new space provided by the extension be used for new classrooms as this would increase the student population and thereby lead to increased impacts in traffic generation and reduced amenity. School extensions above height limitation for sites located within RPAs or affecting important Local Views in UCAs are not being allowed in order to protect the environment and amenity of these areas. Other floor increases are planned for Public Civic Facilities, Hotels subject to conditions and Public Car Parks in San Gwann subject to Policy NHSG03. It is noted that a hotel operation does not include time share or serviced apartments.

## NHSE05

## Upgrading of Public Open Spaces

**Excessively wide road spaces, traffic junctions and designated urban public open spaces with potential for upgrading are identified for improvement as indicated in the Building Heights and Urban Design Maps and in Appendix 1. On these sites, MEPA encourages proposals for embellishment by private or public sector bodies in line with the environmental and design criteria stipulated in Appendix 1.**

## General Strategy

5.3.4 In brief the strategy for Town and Local centres is as follows:

The Local Plan will focus public and private sector investment in retailing on a regional network of existing and planned Primary, Secondary Town Centres and Local Centres. Investment opportunities to improve traffic management, accessibility by public transport and the quality of shopping streets in these centres, is outlined in the Local Plan. Shops (excluding showrooms) that serve more than just a local catchment area will be discouraged outside the designated Town Centre to safeguard residents from traffic congestion and pollution and disturbance associated with larger retail uses. Small local shops will continue to establish outside these centres subject to amenity and design. In cases of areas suffering from an under-provision of retailing, the plan designates Local Centres for local convenience shopping.

## 5.4 Policies

### NHRE01

### Town Centres

MEPA designates the following town centres within the local plan area:

Type of Centre	Locality	Area Policy Map
Primary Centres	Sliema	SJ1
Secondary Centres	St. Julian's/Paceville	SJ2, PV1
	San Gwann	SG1, SG2
	Tigné	SJ1

The boundaries of the town centres are indicated in the relevant Area Policy Maps. The acceptable land uses (new uses, extensions to existing uses, and change of uses) within all frontages located within the town centres are as follows;

- i. Class 1 (Use Classes Order, 1994) dwelling units on upper floors only. Proposals for residential development at ground level will only be considered by MEPA provided that the proposed development scheme includes one dwelling unit only. Conversions from existing commercial uses at ground floor level to new residential units will not be permitted by MEPA.
- ii. Class 2 (Use Classes Order, 1994) residential institutions on upper floors only.
- iii. Class 3 (Use Classes Order, 1994) hostels and hotels provided that these uses are in accordance with all other relevant Local Plan policies.
- iv. Class 4, (Use Classes Order, 1994) retail uses including shopping malls and speciality shopping, but excluding showrooms, provided they comply with the provisions of MEPA's Interim Retail Planning Guidelines (2003).
- v. Supermarkets provided that they comply with all the provisions of Policy NHRE04.
- vi. Class 5 (Use Classes Order, 1994) offices.
- vii. Class 6 (Use Classes Order, 1994) food and drink, including hot food take-away. However take-aways are not to be allowed above ground level.
- viii. Class 7 (Use Classes Order, 1994) non-residential institutions including interpretation centres. However public halls are to have a floor area that does not exceed 150 sqm.
- ix. Class 8 (Use Classes Order, 1994) educational facilities.
- x. Class 9 (Use Classes Order, 1994) assembly and leisure.
- xi. Class 11 (Use Classes Order, 1994) business and light industry provided that:
  - The gross floor area of the premises does not exceed 50 sqm (including storage of materials and/or finished products);

- The activity conducted within the premises does not use heavy duty and/or noisy electrical/mechanical (including pneumatic) equipment, and equipment which requires a 3 phase electricity supply;
- The activity conducted within the premises does not entail extensive and/or prolonged use of percussion hand tools (eg. hammers, mallets etc);
- The activity employs less than 5 people; and
- The activity conducted within the premises does not inherently entail the generation of combustion, chemical or particulate by products.

Examples of acceptable uses considered by MEPA include tailor, cobbler and computer repair. Moreover, examples of unacceptable uses include carpentry, panel beating, mechanic, mechanical plant servicing and spray painting.

Proposals to convert from existing Class 12 (Use Classes Order, 1994) general industry to Class 11 (Use Classes Order, 1994) business and light industry within designated Town Centres shall only be considered acceptable by MEPA if all the conditions listed above are adhered to, and provided that it can be proven that the Class 12 Use (general industry) operation is a permitted one and the Class 11 Use (business and light industry) operation is actually more neighbourhood compatible than the Class 12 Use operation it intends to replace.

- xii. Class 17 (Use Classes Order, 1994) storage facilities only provided that the gross floor area does not exceed 75 sqm.
- xiii. Taxi Business or for the hire of motor vehicles.
- xiv. Band club and social club.
- xv. Cleaning of clothes in venues where articles are brought by the public, provided that the gross floor area does not exceed 75 sqm.
- xvi. Conference Centre.
- xvii. Indoor shooting range provided that all the conditions of the Guidance on Shooting Ranges are fully adhered to.
- xviii. Bakery and Confectionery with provision for outside catering.

MEPA will support initiatives from public agencies and the private sector that contribute to the enhancement of the external environment of town centres and add to their attraction as a community and retail hub. Proposals for appropriate pedestrianisation schemes, landscaping schemes and traffic management will also be considered favourably. MEPA will strongly encourage the establishment of town centre management initiatives in the primary town centre.

- 5.4.1 The town centre is the focus for a range of commercial and community activities, resulting in a mix of, often interdependent, land uses that provide a focus for identity, social interaction and business opportunities. It includes a combination of features; historic buildings, cultural, civic and governmental buildings, as well as public open spaces. This physical form and mix of functions, which have evolved over a considerable period of time, makes a town centre different from a shopping centre and provides much of its character which can be further enhanced by introducing appropriate new uses into historic buildings. It also has a high level of accessibility to employment, services, and facilities for all the community. Shopping provision is a key component of town centres, and makes a major contribution to their vitality and viability. It is important therefore that they retain retailing as a core function.
- 5.4.2 The term "town centre" is used generally to cover city and town centres which provide a broad range of facilities and services and act as a focus for both the community and for public transport. It excludes small clusters of shops of purely local significance. The size of the centre will influence the range of activities that it offers and its function. The scale of development possible and the opportunities available will differ from place to place.
- 5.4.3 The Retail Strategy defined a primary town centre as a town centre with a regional or sub-regional function for non-food shopping. A secondary centre is a town centre with a significant non-food shopping element but serving local residents or residents of closely neighbouring villages and used

at least by 2,500 people for non-food shopping. Non-food shopping is to be considered as comparison goods, which include clothing, footwear, furniture, household textiles, electrical goods, hardware, chemist goods, jewellery, recreational and other miscellaneous goods. Convenience goods retail outlets are to be directed towards local centres that are the appropriate commercial areas for this type of shopping.

- 5.4.4 Although retailing is a dominant activity in a town centre, the attraction of each centre for the location of other businesses and social and community facilities were taken into account in identifying the acceptable range and mix of uses indicated in the policy. The vitality and viability of town centres depends on a varied mix of uses and activities that encourage people to visit the centre whilst ensuring that they remain an attractive place to live in.
- 5.4.5 Creating liveable communities requires integrated initiatives aimed at improving the quality of life of citizens. A quality physical external environment can act as the catalyst for investment, economic growth and social well-being.

## NHRE02

## Local Centres

MEPA designates the following Local Centres within the local plan area:

Location	Area Policy Map
Gzira (around Parish Church area)	GT1
Swieqi (Triq Ta' L-Ibragg)	SW2
Swieqi (Triq il-Qasam)	SW2
Swieqi (Triq L-Uqija)	SW2
Pieta` (St Luke's Road area)	MP1
Msida (around Parish Church area)	MP1
Sliema (around junction of Rudolph and Manoel Dimech Street)	SJ1
Pembroke (Triq Mons. Mifsud Tommasi)	PE1
Pembroke (Triq Giorgio Mitrovitch)	PE1
San Gwann (Triq Tal-Balal)	SG1

The boundaries of the local centres are indicated in the relevant Area Policy Maps. The acceptable land uses (new uses, extensions to existing uses, and change of uses) within all frontages located within the local centres are as follows;

- i. Class 1 (Use Classes Order, 1994) dwelling units on upper floors only. Proposals for residential development at ground level will only be considered by MEPA provided that the proposed development scheme includes one dwelling unit only. Conversions from existing commercial uses at ground floor level to new residential units will not be permitted by MEPA.
- ii. Class 2 (a) (Use Classes Order, 1994) residential accommodation and care to people in need of care on upper floors only.
- iii. Class 4, (Use Classes Order, 1994) retail uses including speciality shopping but excluding showrooms, provided:
  - that the gross floor area does not exceed 250 sqm; and
  - they comply with the provisions of MEPA's Interim Retail Planning Guidelines (2003).
- iv. Supermarkets provided that they comply with all the provisions of Policy NHRE04.
- v. Class 5 (Use Classes Order, 1994) offices provided that the gross floor area does not exceed 100 sqm.
- vi. Class 6 (Use Classes Order, 1994) food and drink including hot food take-away. However take-aways are not to be allowed above ground level.
- vii. Class 7 (Use Classes Order, 1994) non-residential institutions including interpretation centres. However public halls are to have a floor area that does not exceed 150 sqm.
- viii. Class 8 (Use Classes Order, 1994) educational facilities provided that the gross floor area does not exceed 75 sqm.

George's bay. Restrictions on building height and uses are being imposed in order to safeguard the amenity of adjacent residential uses.

## **NHPV08**

### **Height Envelopes**

Maximum building heights for Paceville are designated as shown in Map PV2. Specific building heights guidance applies on individual sites/areas namely:

#### **Villa Rosa**

Development shall not compromise the setting of the villa, valley and the bay in line with Policies NHPV13, NHSE07 and 8.

#### **St. George's Park**

In consideration of large scale redevelopment of this site MEPA will consider a flexible approach to height envelopes provided that:

- i. The ratio of built to un-built space is according to the previous permit granted in 1987; and
- ii. A maximum height of 3 floors is retained in that part of the designated area that is located adjacent to St. George's Bay.

#### **Residential Buffer Zones**

The specific maximum building heights for these zones are as detailed in Policy NHPV12.

#### **Resort Zone**

MEPA will adopt a restrictive approach to building heights within this zone. Heights will conform to existing permitted heights on site with the exception of the Hilton Tower, which will not be used to determine future heights.

#### **Pender Place and Mercury House**

Building heights are as specified in the Pender Place and Mercury House Development Brief (2005)

15.4.18 Overall there is no relaxation of building heights from those specified in the TPS (1988) due to the area's over-stretched infrastructure in relation to traffic, open space, tourist facilities and other services. Further relaxation of heights would jeopardize the plan's objectives which are to reduce congestion, improve the tourist product and enjoyment of the public realm.

## **NHPV09**

### **Environmental Improvements**

MEPA shall support measures by the ADT, the Works Division and any other relevant agencies to improve the flow of pedestrians within Paceville. Priority areas for improvements are highlighted in Map PV3, namely:

#### **Within the Town Centre**

Designs should lower kerbs, introduce new surfaces and allow for night-time pedestrianisation as envisaged by Policy NHPV01 and as indicated in Maps PV2 and 3.

#### **St. George's Bay**



## ANNEX D – Accountant’s Report



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 Exemption number: EXO2156

The Directors  
 Calamatta Cuschieri Investment Services  
 Limited  
 Ewropa Business Center  
 Triq Dun Karm  
 B’kara, BKR9034

11 April 2018

Dear Sirs,

### **Independent Accountants’ Report on the Forecast Financial Information of HH Finance plc**

We report on the forecast statements of financial position, income and cash flow (“the Forecast Financial Information”) of HH Finance plc (the “Issuer”) for the financial years ending 31 December 2018, 31 December 2019 and 31 December 2020. The Forecast Financial Information, the basis of preparation and the material assumptions upon which the forecasts are based, are set out in Annex F “Summary of significant assumptions and accounting policies” of the Company Admission Document issued by HH Finance plc dated 10 April 2018.

This report is required in terms of Appendix 4.7 (4) in the Prospects MTF Rules issued by the Malta Stock Exchange dated September 2017 and is given for the purpose of complying with that regulation and for no other purpose.

### **Directors’ responsibilities for the Forecast Financial Information**

It is the responsibility of the Directors of the Issuer to prepare the Forecast Financial Information and the assumptions upon which it is based, as set out in Annex F “Summary of significant assumptions and accounting policies” of the Company Admission Document, in accordance with the requirements of the Prospects MTF Rules issued by the issued by the Malta Stock Exchange.

### **Accountants’ responsibility**

It is our responsibility to form an opinion as required by Appendix 4.7 (4) in the Prospects MTF Rules as issued by the Malta Stock Exchange as to the proper compilation of the Forecast Financial Information, in so far as the application of the underlying assumptions and accounting policies and accuracy of calculations are concerned, and to report that opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed, to the fullest extent permitted by law, we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in connection with report or our statement, required by and given solely for the purposes of complying with the Prospects MTF Rules.

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Cassar Torregiani & Associates is a firm of advocates warranted to practise law in Malta and is exclusively authorised to provide legal services, in Malta, under the Deloitte brand.

### **Basis of preparation of the Forecast Financial Information**

The financial information has been prepared on the basis stated in Annex F "Summary of significant assumptions and accounting policies" of the Company Admission Document and is based on the forecasts for the years ending 31 December 2018, 31 December 2019 and 31 December 2020. The Forecast Financial Information is required to be presented on a basis consistent with the accounting policies of the Group.

### **Basis of opinion**

We have examined the basis of compilation and the accounting policies of the accompanying Forecast Financial Information of the Issuer for the years ending 31 December 2018, 31 December 2019 and 31 December 2020 in accordance with ISAE 3000 "Assurance Engagements Other than Audits and Reviews of Historical Financial Information". Our work included evaluating the basis on which the financial information included in the forecast has been prepared and considering whether the Forecast Financial Information has been accurately computed based upon the disclosed assumptions and the accounting policies of the Group.

The assumptions upon which the Forecast Financial Information is based are solely the responsibility of the Directors of HH Finance plc and accordingly we express no opinion on the validity of the assumptions. However, we considered whether anything came to our attention to indicate that any of the assumptions adopted by the Directors which, in our opinion, are necessary for a proper understanding of the Forecast Financial Information have not been disclosed and whether any material assumption made by the Directors appears to us to be unrealistic.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Forecast Financial Information has been properly compiled on the basis stated, in so far as the application of the underlying accounting policies and accuracy of calculations are concerned.

The Forecast Financial Information is not intended to, and does not provide all the information and disclosures necessary to give a true and fair view of the results of the operations and the financial position of the Issuer in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs).

Since the Forecast Financial Information and the assumptions on which it is based relate to the future and may therefore be affected by unforeseen events, we can express no opinion as to whether the actual results reported will correspond to those shown in the Forecast Financial Information and differences may be material.

### **Opinion**

In our opinion, the Forecast Financial Information has been properly compiled on the basis stated and the basis of accounting used is consistent with the accounting policies of the Group.

Yours sincerely,



**Raphael Aloisio**  
**Director**  
**Deloitte Services Limited**

## ANNEX E- Specimen Application Forms

**HH Finance plc**  
**€5,000,000 5% Unsecured Bonds 2023-2028**
**APPLICATION FORM**  
**Application No. \_\_\_\_\_**

Please read the notes overleaf before completing this Application Form. Mark 'X' if applicable. Unless otherwise indicated, each of the panels below is to be completed.

<b>APPLICANT</b>			
<input type="checkbox"/> Non-Resident	<input type="checkbox"/> Minor (under 18)	<input type="checkbox"/> Corporate	<input type="checkbox"/> CIS
TITLE (Mr/Mrs/Ms/...)		FULL NAME & SURNAME / REGISTERED NAME	
ADDRESS			
		POST CODE	
MSE A/C NO. (if applicable)		DATE OF BIRTH	NATIONALITY
<input type="checkbox"/> I.D. CARD / PASSPORT <input type="checkbox"/> LEGAL ENTITY IDENTIFIER (LEI)		DOCUMENT NUMBER	CONTRY OF ISSUANCE
E-MAIL ADDRESS			MOBILE NO.
Already Registered for e-Portfolio <input type="checkbox"/>		Please register me for e-Portfolio <input type="checkbox"/>	Please do NOT register me for e-Portfolio <input type="checkbox"/>
<b>ADDITIONAL (JOINT) APPLICANTS</b> (please use additional application form if space is not sufficient)			
TITLE (Mr/Mrs/Ms/...)		FULL NAME & SURNAME	
DATE OF BIRTH		CONTRY OF ISSUANCE	
<input type="checkbox"/> I.D. CARD / PASSPORT		DOCUMENT NUMBER	
<input type="checkbox"/> I.D. CARD / PASSPORT		DOCUMENT NUMBER	
CONTRY OF ISSUANCE		CONTRY OF ISSUANCE	
<b>MINOR'S PARENTS/LEGAL GUARDIANS (See Note 4)</b> (to be completed ONLY if the Applicant is a minor)			
TITLE (Mr/Mrs/Ms/...)		FULL NAME & SURNAME	
DATE OF BIRTH		CONTRY OF ISSUANCE	
<input type="checkbox"/> I.D. CARD / PASSPORT		DOCUMENT NUMBER	
TITLE (Mr/Mrs/Ms/...)		FULL NAME & SURNAME	
DATE OF BIRTH		CONTRY OF ISSUANCE	
<input type="checkbox"/> I.D. CARD / PASSPORT		DOCUMENT NUMBER	
I/We apply to purchase and acquire the amount set out below			
AMOUNT IN FIGURES		AMOUNT IN WORDS	
€			
HH Finance plc €5,000,000 Unsecured 5% Bonds 2023-28 at the Bond Issue Price (at par) pursuant to the Admission Document dated 11 <sup>th</sup> May 2018 (minimum €2,000 and in multiples of €100 thereafter)			
<b>RESIDENT - WITHHOLDING TAX DECLARATION</b> (to be completed ONLY if the Applicant is a Resident of Malta)			
<input type="checkbox"/> I/We elect to have Final Withholding Tax deducted from my/our interest.			
<input type="checkbox"/> I/We elect to receive interest GROSS (i.e. without deduction of withholding tax)			
<b>NON-RESIDENT DECLARATION FOR TAX PURPOSES</b> (to be completed ONLY if the Applicant is a Non-Resident)			
TAX COUNTRY		TOWN OF BIRTH	
T.I.N. (Tax Identification Number)		COUNTRY OF BIRTH	
PASSPORT/NATIONAL I.D. CARD NUMBER		ISSUE DATE	
<input type="checkbox"/> I/We am/are NOT Resident in Malta but I/we am/are Resident in the European Union.			
<input type="checkbox"/> I/We am/are NOT Resident in Malta and I/we am/are NOT Resident in the European Union.			
<b>INTEREST, REFUND AND REDEMPTION MANDATE</b> (completion of this panel is mandatory)			
BANK		IBAN	
I/We have fully understood the instructions for completing this Application Form, and am/are making this Application on the basis of the Admission Document, and subject to its Terms and Conditions (as defined therein) which have been explained to me/us, and which I/we fully accept.			
Signature/s of Applicant/s		Date	
Financial Intermediary			
(All parties are to sign in the case of a joint Application)			
FINANCIAL INTERMEDIARY'S STAMP		FINANCIAL INTERMEDIARY'S CODE	

## Notes on how to complete this Application Form and other information

The following notes are to be read in conjunction with the Admission Document dated 11<sup>th</sup> May 2018

1. This Application is governed by the Terms and Conditions of Application contained in the Admission Document. Capitalised terms not defined herein shall, unless the context otherwise requires, have the same meaning ascribed to them in the Admission Document.
2. The Application Form is to be completed in BLOCK LETTERS.
3. Applicants are to insert full personal details in Panel B. In the case of an application by more than one person (including husband and wife) full details of all individuals – including I.D. Card Numbers – must be given in Panels B and C but the person whose name appears in Panel B shall, for all intents and purposes, be deemed to be the registered holder of the Bonds (vide note 7 below).  
Upon submission of an Application Form, Bondholders who do not have an online e-portfolio account will be registered by the CSD for the online e-portfolio facility and will receive by mail at their registered address a handle code to activate the new e-portfolio login. The Bondholder's statement of holdings evidencing entitlement to Secured Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Those Bondholders who opt not to avail themselves of this facility should indicate such on the Application Form. Further detail on the e-portfolio is found on <https://eportfolio.borzamalta.com.mt/Help>.
4. Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or by the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. The relative box in Panel A must also be marked appropriately. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption proceeds payable to the parents or legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption proceeds shall be payable directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years.
5. Applicants who are Non-Resident in Malta for tax purposes must indicate their passport number in Panel B and complete Panel G. The relative box in Panel A must also be marked appropriately.
6. In the case of a body corporate, the name of the entity exactly as registered, and the registration number are to be inserted in Panel B. Applications must be signed by duly authorised representatives indicating the capacity in which they are signing.
7. APPLICANTS WHO ALREADY HOLD SECURITIES ON THE MSE ARE TO INDICATE THEIR MSE ACCOUNT NUMBER IN PANEL B. APPLICANTS ARE TO NOTE THAT ANY SECURITIES ALLOTTED TO THEM WILL BE RECORDED IN THE MSE ACCOUNT NUMBER QUOTED ON THE APPLICATION FORM. IF DETAILS OF SUCH MSE ACCOUNT NUMBER, AS HELD BY THE MSE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF, A SEPARATE REQUEST BY THE APPLICANT TO CHANGE THESE DETAILS AS RECORDED AT THE MSE WILL HAVE TO BE EFFECTED.
8. The amount applied for must be in multiples of €100 subject to a minimum application of €2,000. The Applicant must ensure that the relative Application Form is accompanied by payment of the full price of the amount of Bonds applied for. Payment of the amount, must be made in Euro in cleared funds to "The Placement Agent and Manager – HH Finance plc". In the event that the cheque accompanying the Application Form is not honoured on the first presentation the Issuer and the Registrar reserve the right to invalidate the relative Application.
9. Only Applicants who hold an official Maltese Identity Card or companies registered in Malta will be treated as resident in Malta. In such a case the Applicant may elect to have Final Withholding Tax, currently 15%, deducted from interest payments in which case such interest need not be declared in the Applicant's income tax return. The Applicant may elect to receive the interest gross (i.e. without deduction of Final Withholding Tax), but he/she will be obliged to declare interest so received on his/her tax return. Authorised entities applying in the name of a Prescribed Fund (having indicated their status in the appropriate box in Panel A) will have Final Withholding Tax, currently 10%, deducted from interest payments.
10. In terms of Section 19 of the Admissions Document, unless the Issuer is otherwise instructed by a Bondholder, or if the Bondholder does not fall within the definition of 'recipient' in terms of article 41(c) of the Income Tax Act (Cap. 123 of the Laws of Malta), Interest shall be paid to such a person net of final withholding tax (currently 15%) of the gross amount of interest, pursuant to Article 33 of the Tax Act (Cap. 123 of the Laws of Malta).
11. If any Application is not accepted, after the closure of the subscription lists or is accepted for fewer Bonds than those applied for, the monies of the balance of the amount paid but not allocated, as the case may be, will be returned by direct credit into the bank account as indicated in the application form. Interest or redemption proceeds will be credited to the account designated or as otherwise amended by the Bondholder/s during the term of the Bond.
12. European Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments requires all payers established in the EU which pay interest to an individual resident in another EU Member State, to report the interest payment to the tax authorities of the Member State in which the payer is established. If the Applicant's permanent residential address is in an EU Member State or in another country to which the said Directive applies (called a "specified territory") then the interest paid will be reported.
13. Completed Application Forms are to be delivered to the Placement Agent and Manager, Calamatta Cuschieri Investment Services Limited during normal office hours by not later than 12:00 noon on the 18th May 2018. Remittances by post are made at the risk of the Applicant and the Issuer disclaims all responsibility for any such remittances not being received by the closing date indicated above. The Issuer reserves the right to refuse any Application, which appears to be in breach of the general terms and conditions of the Admissions Document. Any applications received by the Placement Agent and Manager after 12:00 noon on the 18<sup>th</sup> May 2018 will be rejected.
14. By completing and delivering an Application Form you (as the Applicant(s)):
  - a. acknowledge that the Issuer may process the personal data that you provide in the Application Form in accordance with the Data Protection Act (Cap. 440 of the Laws of Malta);
  - b. acknowledge that the Issuer may process such personal data for all purposes necessary for and related to the Bonds applied for; and
  - c. acknowledge that you, as the Applicant, have the right to request access to and rectification of the personal data relating to you, as processed by the Issuer. Any such requests must be made in writing and addressed to the Issuer. The request must be signed by yourself as the Applicant to whom the personal data relates. The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the Bonds on offer will be repayable in full upon redemption. An investor should consult an independent financial advisor, licensed under the Investment Services Act (Cap. 370 of the Laws of Malta), for advice.

## ANNEX F – Summary of Significant Assumptions and Accounting Policies

**HH Finance plc**  
**2 St. George's Court A**  
**St. Augustine Street St. Julians Malta**

### A. SUMMARY OF SIGNIFICANT ASSUMPTIONS AND ACCOUNTING POLICIES

#### 1. Introduction

HH Finance plc (the "Issuer") was incorporated on 17 January 2018 and has no trading record of operations. The Issuer itself is a finance and property company whose principal objective is to own, manage, administer and dispose of property of any kind, lend and advance money, give credit, grant or provide guarantees, hypothecs, privileges, charges, security interests or other security, exclusively to, or in favour of group companies or partnerships. The issue of the Bonds falls within the objects of the Issuer.

The forecast statement of financial position, the forecast income statement, and the forecast statement of cash flows ("the Forecasts") of the Issuer for the period of three years to December 2020 have been prepared to provide financial information for the purposes of inclusion in the Issuer's Company Admission Document, dated April 2018. The Forecasts as presented in Annex G of the Company Admission Document, together with the assumptions set out below, are the sole responsibility of the Directors of the Company.

The Forecasts are intended to show a possible outcome based on assumptions relating to anticipated future events which the Directors expect to take place, and on actions the Directors expect to take. Events and circumstances frequently do not occur as expected, and therefore, actual results may differ materially from those included in the forecast and projected financial information. Attention is drawn in particular, to the risk factors set out in the Admission Document, which describe the primary risks associated with the business to which the Forecasts relate.

The Forecasts are not intended to and do not provide all the information and disclosures necessary to give a true and fair view of the financial results, financial position, and cash flows of the Group, in accordance with International Financial Reporting Standards as adopted by the EU, however the Directors have exercised due care and diligence in adopting the assumptions set out below.

The Forecasts were formally approved on April 2018 by the Directors, and the stated assumptions reflect the judgements made by the Directors at that date. The assumptions that the Directors believe are significant to the prospective financial information are described in Section 3 below.

#### 2. Significant accounting policies

The significant accounting policies of the Company are envisaged to be similar to the significant accounting policies applied by the Group in the preparation of the audited financial statements of the Group for the financial year ended 31 December 2018. Where applicable, in so far as they relate to recognition and measurement criteria, these have been applied in the preparation of the forecast financial information.



**HH Finance plc**  
**2 St. George's Court A**  
**St. Augustine Street St. Julians Malta**

### 3. Basis of preparation and principal assumptions

Since FY18 will be the first year of operations for the Issuer, the projections have been prepared solely on managements assumptions as summarised below:

#### Income Statement

- Projected rental revenue is based on the lease agreement signed on 8 March 2018 between HH Finance plc and HH Operating Limited. Rental income to be received by the Company shall be as follows:
  - In 2018, an aggregate amount of €1.25m for the period commencing on 8 March 2018 to 31 December 2018;
  - From 2019 to 2022, the Company will receive an annual rent of €1.752m and;
  - From 2023 to 2028, the Company will receive an annual rent of €2.044m.
- Operating expenses are projected to increase by a yearly inflation rate of 1.5% from 2019 to 2022, followed by a step-up in costs in 2022. For the remaining duration of the bond to 2028, these expenses shall only increase by an inflation rate of 1.5%.
- Operating expenses include:
  - Director fees amounting to €44,000 in 2018
  - Legal fees projected at €5,000 in 2018. These are in relation to on-going legal and compliance costs.
  - Audit fees projected at €8,000 in 2018.
  - Other administration expenses projected at €20,000 in 2018. These costs relate to outsourcing of the finance function to Charles Scerri & Associates and potential recharge costs for administration support to its parent entity
- Annual bond issue expenses projected at €12,500 per annum. Estimated bond issue expenses of €125,000 shall be amortised over the term of the bond.
- Subordinated loan interest projected at a rate of 4%, based on the Transfer of property agreement with Hugo's Hotel Limited dated 8 March 2018
- Bond coupon expense is projected at €250k annually (€5 million, 5% Unsecured Bonds, 2023 – 2028)
- Tax charge is projected at 35% after deducting interest expenses and 20% maintenance allowance.



**HH Finance plc**  
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**Balance Sheet**

- Land & Buildings are valued at an acquisition cost of €35 million and is classified as an investment property.
- Amounts due to Hugo's Hotel Limited relates to a part of the amount payable for the transfer of the property from Hugo's Hotel Limited amounting to €20m carrying an interest rate of 4% in 2018 based on the Transfer of property agreement with Hugo's Hotel Limited dated 8 March 2018. The remaining portion of the loan has been categorised as subordinated loan to be paid after the projected term of the bond.
- Company share capital is projected to be €150,000 for the duration of the bond (2018-2028).

**4. Conclusion**

The Directors believe that the assumptions on which the projections are based are reasonable. The Directors further believe that, in the absence of unforeseen circumstances outside their control, the working capital available to the Group will be sufficient for the carrying on of its business.

Approved by the Board of Directors on April 2018 and signed on its behalf by:



Hugo Chetcuti  
Director  
HH Finance plc

ANNEX G - Forecast Information of the Issuer  
 Unaudited Forecast Financial Information of HH Finance plc for the Financial Years Ending 2018, 2019, 2020

	Y1	Y2	Y3
Income Statement (€'000)	Y 2018	Y 2019	Y 2020
<b>Revenue</b>			
Rent from Hugo's Hotel	<u>1,251.3</u>	<u>1,752.0</u>	<u>1,752.0</u>
<b>Total Revenue</b>	<b>1,251.3</b>	<b>1,752.0</b>	<b>1,752.0</b>
<b>Operating Expenses</b>			
Director fees	(44.0)	(44.7)	(45.3)
Legal fees	(5.0)	(5.1)	(5.2)
Audit fees	(8.0)	(8.1)	(8.2)
Other administration fees	<u>(20.0)</u>	<u>(20.3)</u>	<u>(20.6)</u>
<b>Total Operating Expenses</b>	<b>(77.0)</b>	<b>(78.2)</b>	<b>(79.3)</b>
<b>EBITDA</b>	<b>1,174.3</b>	<b>1,673.8</b>	<b>1,672.7</b>
Amortization of bond issue expenses	(12.5)	(12.5)	(12.5)
Subordinated Loan Interest	-	(800.0)	(832.0)
Bond interest	<u>(250.0)</u>	<u>(250.0)</u>	<u>(250.0)</u>
<b>PBT</b>	<b>911.8</b>	<b>611.3</b>	<b>578.2</b>
Tax	<u>(262.9)</u>	<u>(123.1)</u>	<u>(111.9)</u>
<b>PAT</b>	<b>649.0</b>	<b>488.3</b>	<b>466.3</b>

Source: Management information

Operating expenses as % of revenue	6.2%	4.5%	4.5%
EBITDA margin (%)	93.8%	95.5%	95.5%

	Y1	Y2	Y3
Cash flow Statement (€'000)	Y 2018	Y 2019	Y 2020
<b>EBITDA</b>	1,174.3	1,673.8	1,672.7
Bond Interest	(250.0)	(250.0)	(250.0)
Taxation	(262.9)	(123.1)	(111.9)
Bond proceeds	5,000.0	-	-
Payment of bond proceeds to Hugo's hotel Ltd	(5,000.0)	-	-
Bond issue expenses	(125.0)	-	-
Bond repayment	-	-	-
	<b>536.5</b>	<b>1,300.8</b>	<b>1,310.8</b>
Cash b/f	-	536.5	1,837.2
<b>Cash c/f</b>	<b>536.5</b>	<b>1,837.2</b>	<b>3,148.1</b>

Source: Management information

	Y1	Y2	Y3
Balance Sheet (€'000)	Y 2018	Y 2019	Y 2020
Land & Buildings	<u>35,000.0</u>	<u>35,000.0</u>	<u>35,000.0</u>
<b>Total Fixed Assets</b>	<b>35,000.0</b>	<b>35,000.0</b>	<b>35,000.0</b>
<b>Current Assets</b>			
Cash/bank overdraft	<u>536.5</u>	<u>1,837.2</u>	<u>3,148.1</u>
	<b>536.5</b>	<b>1,837.2</b>	<b>3,148.1</b>
<b>Liabilities</b>			
Bond - Net	(4,887.5)	(4,900.0)	(4,912.5)
Amounts due to Hugo's hotel Ltd	<u>(20,000.0)</u>	<u>(20,800.0)</u>	<u>(21,632.0)</u>
	<b>(24,887.5)</b>	<b>(25,700.0)</b>	<b>(26,544.5)</b>
<b>Net Assets</b>	<b>10,649.0</b>	<b>11,137.2</b>	<b>11,603.6</b>
Share Capital	150.0	150.0	150.0
Subordinated Loans	9,850.0	9,850.0	9,850.0



Retained earnings	<u>649.0</u>	<u>1,137.2</u>	<u>1,603.6</u>
<b>Shareholders' equity</b>	<b><u>10,649.0</u></b>	<b><u>11,137.2</u></b>	<b><u>11,603.6</u></b>

Source: Management information

Key Bond ratios	Y 2018	Y 2019	Y 2020
Interest Cover (EBITDA/ Bond Interest)	4.7 x	6.7 x	6.7 x
Gearing Ratio	70%	70%	70%
Interest Cover (EBITDA/ Total Interest) - Assuming shareholder loan interest is paid	4.7 x	1.6 x	1.5 x

## ANNEX H - Waiver of Partial Interest Due

### Waiver of Partial Interest Due

This Waiver of Partial Interest Due (the “Waiver”) is being entered into today the **eight (8<sup>th</sup>) day of March of the year two thousand and eighteen (2018)**.

#### BETWEEN:-

Of the First Part:-

Hugo Chetcuti, in business, son of Francis and Wilhemina nee’ Spiteri, born in Benghazi, Libya on the seventh (7<sup>th</sup>) day of March of the year nineteen sixty six (1966) and residing in St Julians, holder of Maltese identity card numbered 104487M, appearing hereon for and in representation of **Hugo’s Hotel Limited**, a company registered and incorporated under the laws of Malta with company registration number C 8556 and having its registered address situated at Hugo’s Hotel, St George’s Bay, St Julian’s, Malta (hereinafter referred to as the “**Transferor**”);

And of the Second Part:-

Luke Chetcuti, in business, son of Hugo and Tanya nee’ Micallef, born in Zabbar on the twenty ninth (29<sup>th</sup>) day of September of the year nineteen ninety one (1991) and residing in St Julians, holder of Maltese identity card numbered 595691M, appearing hereon for and in representation of **HH Finance plc**, a company registered and incorporated under the laws of Malta with company registration number C 84461 and having its registered address situated at 2, St George’s Court A, St Augustine Street, St Julians, Malta (hereinafter referred to as the “**Transferee**”);

The Transferor and the Transferee shall hereinafter be collectively referred to as the “**Parties**”.

#### PREAMBLES

**WHEREAS** by virtue of a deed in the records of Notary Dr Rachel Busuttill dated the 8<sup>th</sup> March 2018 (the “**Deed**”), the Transferee has acquired the Property (as defined in the Deed) for a consideration of thirty five million Euro (€35,000,000) (the “**Purchase Price**”);

**WHEREAS** in the terms of the Deed, the Parties agreed that the Purchase Price would be paid as follows:

- (a) The sum of €4,875,000 by not later than the fifteenth (15<sup>th</sup>) day of the month April of the year 2018;
- (b) The outstanding balance of the Purchase Price (together with interest accrued thereon) shall be paid upon the lapse of 90 days from the 30<sup>th</sup> January of the year 2028 (“**Maturity**”);

**WHEREAS** in terms of the Deed, the Transferee is bound to pay interest at the rate of four per cent (4%) per annum calculated on the outstanding balance of the Purchase Price which interest shall start to accrue as from the thirtieth (30<sup>th</sup>) day of January of the year 2019;

**WHEREAS** the Transferor is desirous of waiving its right towards the interest due to it over ten million Euro (€10,000,000) due to it as part of the outstanding balance of the Purchase Price (the “**Waiver**”);

**WHEREAS** the Transferee is desirous, and the Transferor agrees, of having the option at Maturity to effect the repayment of the ten million Euro (€10,000,000) due to the Transferor as part of the outstanding balance of the Purchase Price in cash or to capitalize in favour of the Transferor said ten million Euro (€10,000,000) through the capitalization of the debts due by the Transferee to the Transferor through the allotment of a fresh issue of ten million (10,000,000) ordinary shares of a nominal value of one Euro (€1.00) each (the “**Shares**”);

**WHEREAS** the Parties are entering into this agreement in order to regulate their mutual rights and obligations in terms of the Waiver.


**NOW THEREFORE:-**

- 1) The Transferor is hereby unconditionally and irrevocably waiving its rights to the interest due to it over ten million Euro (€10,000,000) due to it as part of the outstanding balance of the Purchase Price.
- 2) Should, at Maturity, the Transferee elect to effect the repayment of the ten million Euro (€10,000,000) due to the Transferor as part of the outstanding balance of the Purchase Price through the issuance of the Shares, the Transferor undertakes to subscribe to the Shares in full and final settlement of the said million Euro (€10,000,000).
- 3) The Parties agree and undertake to duly execute and deliver such resolutions, forms or other documentation, and do and cause to be done such further acts and things, as may be necessary in connection with this Waiver.
- 4) This Waiver shall be subject to the laws of Malta as in force from time to time. The Parties irrevocably agree that the Courts of Malta shall have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with this Waiver.



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Hugo Chetcuti  
f/obo **Hugo's Hotel Limited**  
("Transferor")



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Luke Chetcuti  
f/obo **HH Finance plc**  
("Transferee")

## ANNEX I – List of Directorships

**Mr Hugo Chetcuti**

Current Directorships			
Company Name	Company Number	Company Name	Company Number
<b>All Round Entertainment Ind. Ltd</b>	C 34949	Hugo's Limited	C 43083
<b>Blue Apple Company Limited</b>	C 33389	Hugo's Yachting Limited	C 59994
<b>Cha Ltd</b>	C 66137	JH Operations Limited	C 78476
<b>Chizouka Holdings Limited</b>	C 51402	Lifetime Limited	C 19952
<b>F.O.D. Limited</b>	C 30371	Native Limited	C 30373
<b>Energylab Ltd.</b>	C 67174	Paceville Entertainments Ltd	C 76425
<b>H Hotel Ltd</b>	C 81887	Slingshot Malta Limited	C 47423
<b>HH Operating Limited</b>	C 84431	Three Sixty Limited	C 30372
<b>HR Holdings Limited</b>	C 55440	Vivo Limited	C 43082
<b>Hugo Cast &amp; Co Limited</b>	C 28906	Betfold Limited	C 44430
<b>Hugo's Hotel Limited</b>	C 8556	Life Gaming Ltd	C 45719
<b>H Operations Ltd</b>	C 58951	CG Trading Limited	C 26560
<b>HH Finance Plc</b>	C 84461	Future Lettings Ltd	C 85394
Past Directorships in the last five years			
<b>Buzz Limited</b>	C 44739		

**Mr Luke Chetcuti**

Current Directorships			
Company Name	Company Number	Company Name	Company Number
<b>Diabolic Entertainment Limited</b>	C 51442	Rocco Entertainments Limited	C 54546
<b>Slingshot Malta Limited</b>	C 47423	HH Finance Plc	C 84461

Mr Chetcuti had no other Directorships in the last five years.

**Mr Tonio Depasquale**

Current Directorships			
Company Name	Company Number	Company Name	Company Number
<b>Vassallo Builders Group</b>	C 2448	Nicia Enterprises Ltd	
<b>Blue Projects Limited</b>	C 64849	Hv Vi Invest Tau Ltd	C 60329
<b>Credorax Bank Limited</b>	C 46342	Tug Malta	
<b>FXDD Malta Ltd</b>		Drago Ltd	
Past Directorships in the last five years			
<b>Macor Ltd</b>	C 74887	Ousheng Capital Ltd	C77892

**Mr Benjamin Muscat**

Current Directorships			
Company Name	Company Number	Company Name	Company Number
<b>Equiom (Malta) Ltd</b>	C 57173	Seaculture Ltd	C 76053
<b>RBC Services Ltd</b>	C 6040	Smarmets Malta Ltd	C 44795
<b>Wigam Holdings Ltd</b>	OC612	Smarmets Holdings ( Malta ) Ltd	C 72638
<b>Remedia International Ltd</b>	C 41801	Silicon Isles SICAV Plc	SV4281/1
<b>Northam European Asset Management Ltd</b>	C 57824	ETSF Fund SICAV PLC	SV 410
<b>Novum Bank Ltd</b>	C 46997	Shoreline Residence Ltd	C 77212
<b>Meristero Ltd</b>	OC767	Shoreline Holdings Ltd	C 71626
<b>Martello Finance Company Ltd</b>	OC820	Shoreline Mall Ltd	C 84005
<b>Martello Financing Ltd</b>	C 80444	Shoreline Contracting Ltd	C 83994
<b>Dodder Finance Ltd</b>	52897(Ber)	HH Finance Plc	C 84461
<b>Windel Investments Ltd</b>	C 7038	Bariflow Ltd	C 78497
<b>S3( Malta) SICAV Plc</b>	SV 86	Raytheon CCS	OC 1085
<b>S3( Valletta) SICAV Plc</b>	SV192	Equiom Corporate Services (Malta) Ltd	C 62051
<b>Schembri Finance PLC</b>	C 64755	Royal Fund SICAV Plc	SV 346
<b>Pefaco International PLC</b>	C 65715	Real Holdings Ltd	C 62267
<b>Templar EIS Ltd</b>	C 70357	Brown's Pharma Ltd	C 22952
<b>Immersion Technology Ltd</b>	OC 988	Concha Investments Ltd	C 74684
Past Directorships in the last five years			
<b>Oneka Asset Management Ltd</b>	C 78655	Schembri Asphalt Ltd	C 58219
<b>Abalone Ltd</b>	C 74560	Windmill Ltd	C 54277
<b>Systems Research Ltd</b>	C 70822	Fleetmatics Development Ltd	3928887
<b>Dase Holdings Ltd</b>	C 68601	AIS Capital Management Investment Fund SICAV P.I.C	SV 290
<b>Hermitage Holding Ltd</b>	C 27662	Molden Enterprises Limited	C 59862
<b>Vasala Ltd</b>	C 28672	ABS Entertainment Ltd	569282
<b>Kamata BV</b>	58332	Tendall Capital Markets Ltd	C 70955

## Issuer



HH Finance plc.  
2, St George's Court A, St Augustine Street, St Julian's, STJ3310, Malta  
[www.hhfinance.com.mt](http://www.hhfinance.com.mt)

## Corporate Advisor, Placement Agent and Manager



CalamattaCuschieri Investment Services Ltd.  
Ewropa Business Centre, Triq Dun Karm Psaila, Birkirkara, BKR 9034.  
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## Reporting Accountants

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