



REGISTRATION DOCUMENT

dated 18 July 2019

This Registration Document is issued in accordance with the provisions of Chapter 4 of the Listing Rules issued by the Listing Authority and in accordance with the provisions of Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements as amended. This Registration Document is issued pursuant to the requirements of Listing Rule 4.13 of the Listing Rules and contains information about Hili Finance Company p.l.c.

Issue of €80,000,000 3.80% Unsecured Bonds 2029

by

HILI FINANCE COMPANY P.L.C.

A PUBLIC LIMITED LIABILITY COMPANY REGISTERED IN MALTA
WITH COMPANY REGISTRATION NUMBER C 85692

with the joint and several Guarantee* of Hili Ventures Limited

A PRIVATE LIMITED LIABILITY COMPANY REGISTERED IN MALTA
WITH COMPANY REGISTRATION NUMBER C 57902

*Prospective investors are to refer to the Guarantee contained in Annex III of the Securities Note forming part of the Prospectus for a description of the scope, nature and term of the Guarantee. Reference should also be made to the sections entitled "Risks" or "Risk Factors" contained in the Summary Note, this Registration Document and the Securities Note for a discussion of certain risk factors which should be considered by prospective investors in connection with the Bonds and the Guarantee provided by the Guarantor.

Sponsor

Legal Counsel

Manager & Registrar



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IMPORTANT INFORMATION

THIS REGISTRATION DOCUMENT CONTAINS INFORMATION ON HILI FINANCE COMPANY P.L.C. IN ITS CAPACITY AS ISSUER AND HILI VENTURES LIMITED AS GUARANTOR IN ACCORDANCE WITH THE REQUIREMENTS OF THE LISTING RULES OF THE LISTING AUTHORITY, THE COMPANIES ACT (CAP. 386 OF THE LAWS OF MALTA) AND COMMISSION REGULATION (EC) NO. 809/2004 OF 29 APRIL 2004 IMPLEMENTING DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AS REGARDS INFORMATION CONTAINED IN PROSPECTUSES AS WELL AS THE FORMAT, INCORPORATION BY REFERENCE AND PUBLICATION OF SUCH PROSPECTUSES AND DISSEMINATION OF ADVERTISEMENTS (AS AMENDED).

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THE DIRECTORS OF THE ISSUER, AS IDENTIFIED UNDER THE HEADING "DIRECTORS" IN SECTION 3.1 OF THIS REGISTRATION DOCUMENT, ARE THE PERSONS RESPONSIBLE FOR THE INFORMATION CONTAINED IN THIS REGISTRATION DOCUMENT. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS OF THE ISSUER (WHO HAVE ALL TAKEN REASONABLE CARE TO ENSURE SUCH IS THE CASE), THE INFORMATION CONTAINED IN THIS REGISTRATION DOCUMENT IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. THE DIRECTORS OF THE ISSUER ACCEPT RESPONSIBILITY ACCORDINGLY.

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IT IS THE RESPONSIBILITY OF ANY PERSONS IN POSSESSION OF THIS DOCUMENT AND ANY PERSONS WISHING TO APPLY FOR ANY SECURITIES ISSUED BY THE ISSUER TO INFORM THEMSELVES OF, AND TO OBSERVE AND COMPLY WITH, ALL APPLICABLE LAWS AND REGULATIONS OF ANY RELEVANT JURISDICTION. PROSPECTIVE INVESTORS FOR ANY SECURITIES THAT MAY BE ISSUED BY THE ISSUER SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS OF APPLYING FOR ANY SUCH SECURITIES AND ANY APPLICABLE EXCHANGE CONTROL REQUIREMENTS AND TAXES IN THE COUNTRIES OF THEIR NATIONALITY, RESIDENCE OR DOMICILE.

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A COPY OF THE PROSPECTUS HAS BEEN SUBMITTED TO THE LISTING AUTHORITY IN SATISFACTION OF THE LISTING RULES, THE MALTA STOCK EXCHANGE IN SATISFACTION OF THE MALTA STOCK EXCHANGE BYE-LAWS AND HAS BEEN DULY FILED WITH THE REGISTRAR OF COMPANIES, IN ACCORDANCE WITH THE ACT.

STATEMENTS MADE IN THIS REGISTRATION 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 AND THE GUARANTOR NAMED IN THIS REGISTRATION DOCUMENT UNDER THE HEADING "ADVISORS" IN SECTION 3.2 OF THIS REGISTRATION DOCUMENT HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER AND THE GUARANTOR, AS THE CASE MAY BE, 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 PROSPECTUS.

THE CONTENTS OF ANY WEBSITE OF HILI VENTURES OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO ANY WEBSITE OF HILI VENTURES DO NOT FORM PART OF THIS PROSPECTUS. 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 PROSPECTUS AS A WHOLE AND SHOULD CONSULT THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS.



TABLE OF CONTENTS

IMPORTANT INFORMATION	2
TABLE OF CONTENTS	4
1. DEFINITIONS	5
2. RISK FACTORS	6
2.1 Forward-looking statements	6
2.2 General	7
2.3 Risks relating to the Issuer and its business	7
2.4 Risks relating to the business of Hili Ventures	7
2.5 Risks relating to the acquisition of the Comino Hotel and Bungalows	10
2.6 Risks relating to the container leasing business	11
2.7 Risks inherent in property valuations	11
2.8 Risks relating to the Guarantee	12
3. IDENTITY OF DIRECTORS, ADVISORS AND AUDITORS OF THE ISSUER AND GUARANTOR	12
3.1 Directors	12
3.2 Advisors	13
3.3 Auditors	13
4. INFORMATION ABOUT THE ISSUER AND GUARANTOR	13
4.1 The Issuer	13
4.2 The Guarantor	14
4.3 Overview of Hili Ventures' revenue segments	15
5. OPERATING AND KEY FINANCIAL REVIEW	17
5.1 The Issuer	17
5.2 The Guarantor	18
6. PRINCIPAL INVESTMENTS	22
7. BUSINESS DEVELOPMENT STRATEGY AND TREND INFORMATION	23
7.1 The Guarantor	23
7.2 Premier Capital p.l.c.	23
7.3 1923 Investments p.l.c.	24
7.4 Hili Properties p.l.c.	25
7.5 Motherwell Bridge Industries Limited	25
8. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES	25
8.1 The Issuer	25
8.2 The Guarantor	27
8.3 Working capital	29
8.4 Conflict of interest	29
9. AUDIT COMMITTEE PRACTICES	29
10. COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS	30
10.1 The Issuer	30
10.2 The Guarantor	30
11. HISTORICAL FINANCIAL INFORMATION	30
12. LITIGATION	31
13. ADDITIONAL INFORMATION	31
13.1 Share capital of the Issuer	31
13.2 Memorandum and Articles of Association of the Issuer	31
13.3 Share capital of the Guarantor	32
13.4 Memorandum and Articles of Association of the Guarantor	32
14. MATERIAL CONTRACTS	33
15. PROPERTY VALUATION REPORT	33
16. THIRD PARTY INFORMATION, STATEMENTS BY EXPERTS AND DECLARATIONS OF ANY INTEREST	33
17. DOCUMENTS AVAILABLE FOR INSPECTION	34
ANNEX I: PROPERTY VALUATION REPORT	1



1. DEFINITIONS

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

Act	the Companies Act (Cap. 386 of the Laws of Malta);
Bond Issue	the issue of the Bonds;
Bondholders	a holder of Bonds to be issued by the Issuer in terms of the Prospectus;
Bond(s)	a maximum of €80,000,000 unsecured bonds due 2029 of a face value of €100 per bond bearing interest at the rate of 3.80% per annum and redeemable at their nominal value, as detailed in the Securities Note;
Company or Issuer	Hili Finance Company p.l.c., a company registered under the laws of Malta with company registration number C 85692 and having its registered office at Nineteen Twenty Three, Valletta Road, Marsa MRS 3000, Malta;
Directors or Board	the directors of the Issuer whose names are set out under the heading "Directors" found in section 3.1 of this Registration Document;
EBIT	an abbreviation used for earnings before interest and tax;
EBITDA	an abbreviation used for earnings before interest, tax, depreciation and amortisation;
Euro or €	the lawful currency of the Republic of Malta;
Guarantee	the joint and several guarantee dated 18 July 2019 granted by the Guarantor as security for the punctual performance of all the obligations undertaken by the Issuer under the Bonds and, without prejudice to the generality of the foregoing, the undertaking on the part of the Guarantor to pay all amounts of principal and interest which may become due and payable by the Issuer to Bondholders under the Bonds, within 60 days from the date such amount falls due and remains unpaid by the Issuer. A copy of the Guarantee and a description of the nature, scope and terms of the Guarantee are appended to the Securities Note as Annex III thereto;
Guarantor	Hili Ventures Limited, a company registered under the laws of Malta with company registration number C 57902 and having its registered office at Nineteen Twenty Three, Valletta Road, Marsa MRS 3000, Malta;
Hili Ventures or Group	the Guarantor (as ultimate parent company) and its direct and indirect Subsidiaries;
Hili Ventures Company	any one of the companies forming part of Hili Ventures. The term " Hili Ventures Companies " shall be construed accordingly;
Listing Authority	the Board of Governors of the Malta Financial Services Authority, appointed as the Listing Authority for the purposes of the Malta Financial Services Authority Act (Cap. 330 of the Laws of Malta);
Listing Rules	the listing rules issued by the Listing Authority, as may be amended from time to time;
Malta Stock Exchange or MSE	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 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;
Memorandum and Articles of Association	the memorandum and articles of association of the Issuer in force at the time of publication of the Prospectus;
Prospectus	collectively, this Registration Document, the Securities Note and the Summary Note all dated 18 July 2019;
Registration Document	this document in its entirety;
Regulation	Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in a prospectus and dissemination of advertisements, as amended;
Securities Note	the securities note issued by the Issuer dated 18 July 2019, forming part of the Prospectus;



Sponsor	MeDirect Bank (Malta) plc having company registration number C 34125 and registered office at The Centre, Tigné Point, Sliema TPO 0001, Malta, licensed by the MFSA and a member of the MSE. The role of sponsor is conducted by the corporate finance division of MeDirect Bank (Malta) plc, which operates under the brand name 'Charts'. The use of the logo 'Charts' in the Prospectus shall be construed accordingly;
Subsidiaries	means all entities (including structured entities) over which the Issuer has control. In terms of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), a group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The term ' Subsidiary ' shall be construed accordingly;
Summary Note	the summary note issued by the Issuer dated 18 July 2019, forming part of the Prospectus.

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.

2. RISK FACTORS

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 THE PROSPECTUS, BEFORE MAKING ANY INVESTMENT DECISION WITH RESPECT TO THE ISSUER.

SOME OF THESE RISKS ARE SUBJECT TO CONTINGENCIES WHICH MAY OR MAY NOT OCCUR AND NEITHER THE ISSUER NOR THE GUARANTOR IS 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 AND/OR GUARANTOR'S FINANCIAL RESULTS AND TRADING PROSPECTS AND ON THE ABILITY OF THE ISSUER TO FULFIL ITS OBLIGATIONS UNDER THE SECURITIES TO BE ISSUED IN TERMS OF THE PROSPECTUS AND OF THE GUARANTOR TO HONOUR ITS OBLIGATIONS UNDER THE GUARANTEE. THE RISKS AND UNCERTAINTIES DISCUSSED BELOW ARE THOSE IDENTIFIED AS SUCH BY THE DIRECTORS OF THE ISSUER AND THE GUARANTOR AS AT THE DATE OF THE PROSPECTUS, BUT THESE RISKS AND UNCERTAINTIES MAY NOT BE THE ONLY ONES THAT THE ISSUER AND THE GUARANTOR MAY FACE. ADDITIONAL RISKS AND UNCERTAINTIES, INCLUDING THOSE WHICH THE ISSUER'S AND/OR GUARANTOR'S DIRECTORS ARE NOT CURRENTLY AWARE OF, MAY WELL RESULT IN A MATERIAL IMPACT ON THE FINANCIAL CONDITION AND OPERATIONAL PERFORMANCE OF THE ISSUER AND/OR GUARANTOR.

NEITHER THE PROSPECTUS NOR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH SECURITIES ISSUED BY THE ISSUER: (I) IS INTENDED TO PROVIDE THE BASIS OF ANY CREDIT OR OTHER EVALUATION NOR (II) SHOULD BE CONSIDERED AS A RECOMMENDATION BY THE ISSUER OR THE SPONSOR OR AUTHORISED FINANCIAL INTERMEDIARIES THAT ANY RECIPIENT OF THIS PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION THEREWITH, SHOULD PURCHASE ANY SECURITIES ISSUED BY THE ISSUER. PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS, AND SHOULD CONSIDER ALL OTHER SECTIONS IN THIS DOCUMENT.

2.1 FORWARD-LOOKING STATEMENTS

The Prospectus and the documents incorporated therein by reference or annexed thereto contain forward-looking statements that include, among others, statements concerning the Issuer's and Guarantor'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 involve predictions of future circumstances. 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. These forward-looking statements are inherently subject to a number of risks, uncertainties and assumptions. Important factors that could cause actual results to differ materially from the expectations of the Issuer's and Guarantor's directors include those risks identified under the heading "Risk Factors" and elsewhere in the Prospectus.

Important factors that could cause actual results to differ materially from the expectations of the Issuer's and Guarantor's directors include those risks identified under this section 2 and elsewhere in the Prospectus. As mentioned above, if any of the risks described were to materialise, they could have a material effect on the Issuer's and Guarantor's financial results and trading prospects and the ability of the Issuer to fulfil its obligations under the securities to be issued in terms of the Prospectus and of the Guarantor to honour its obligations under the Guarantee.

Accordingly, the Issuer and Guarantor caution 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 and Guarantor 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. All forward-looking statements contained in the Prospectus are made only as at the date hereof. The Issuer, Guarantor 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.

Prospective investors are advised to read the Prospectus in its entirety and, in particular, the sections entitled "Risk Factors", for an assessment of the factors that could affect the Issuer's and Guarantor's future performance. In the light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in the Prospectus may not occur.

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 re-purchased and cancelled. An investment in the Bonds involves certain risks, including those described below.

2.2 GENERAL

An investment in the Issuer and the Bonds may not be suitable for all recipients of the Prospectus and prospective investors are urged to consult an independent investment advisor licensed under the Investment Services Act (Cap. 370 of the Laws of Malta) as to the suitability or otherwise of an investment in the Bonds before making an investment decision. In particular, such advice should be sought with a view to ascertaining that 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 to the Prospectus 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 possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

2.3 RISKS RELATING TO THE ISSUER AND ITS BUSINESS

Issuer's dependence on Hili Ventures and its business

The Issuer is a Subsidiary of the Guarantor forming part of Hili Ventures and given its recent incorporation does not itself have any trading history. It was set up primarily as a finance and investment company with one of its purposes being that of financing or re-financing the funding requirements of the business of Hili Ventures. In this respect, the Issuer is dependent on the business prospects of Hili Ventures, and consequently, the operating results of Hili Ventures have a direct effect on the Issuer's financial position and performance. As such, the risks intrinsic in the business and operations of Hili Ventures shall have a direct effect on the financial position of the Issuer.

Issuer's exposure to Hili Ventures

As a finance company, the assets of the Issuer will comprise loans issued to the Guarantor and/or other Hili Ventures Companies. Consequently, the Issuer will be dependent on the operating results, cash flows and financial position of the Guarantor and/or other Hili Ventures Companies for the punctual receipt of interest payments and capital repayments from the afore-mentioned entities. Moreover, such interest payments and capital repayments may be restricted by *inter alia*: changes in applicable laws and regulations; by the terms of agreements to which the Guarantor and/or other Hili Ventures Companies are or may become party; or by other factors beyond the control of the Issuer and/or Hili Ventures.

The occurrence of any such factors could in turn negatively affect the ability of the Issuer to meet its obligations in respect of the repayment of principal and interest under the Bonds punctually when due.

Risks inherent in forecasts

The forecasts set out in the Prospectus are dependent on a number of assumptions and future expectations that may or may not occur. The non-occurrence of those future expectations could have material adverse effects on the financial position and results of Hili Ventures and the Issuer. The said forecasts are therefore merely an illustration of a possible future outcome which may or may not occur and the Issuer, its directors, officers and advisors make no representation as to their accuracy or likelihood of occurrence. Forecasts are inherently subject to the risks of adverse unexpected events which may affect the revenue streams and profitability of Hili Ventures and/or the Issuer.

2.4 RISKS RELATING TO THE BUSINESS OF HILI VENTURES

Hili Ventures' business is subject to market and economic conditions generally

The business activities of Hili Ventures are subject to general market and economic conditions, both locally and overseas. These conditions include, *inter alia*, consumer demand, financial market volatility, inflation, fluctuations in interest rates, exchange rates, direct and indirect taxation, unemployment, credit markets, government spending and other general market and economic conditions. Any further expansion of Hili Ventures' operations into other markets would further increase its susceptibility to adverse economic developments and trends affecting such other markets.

In the event that general market and economic conditions were to experience a downturn, these weakened conditions may have an adverse impact on the financial position and operational performance of Hili Ventures' business activities, potentially having a negative effect on the Issuer's financial position, cash flows, operational performance and its ability to fulfil its obligations under the Bonds.



Substantial competition could reduce Hili Ventures' market share and significantly harm its financial performance

Hili Ventures has a trading history in the technology and engineering industries; distribution of Apple products and services; transportation and logistics sector; ownership and management of properties; and operation of McDonald's restaurants. Each of the afore-mentioned business sectors are characterised by strong and increasing competition. Many of Hili Ventures' current and potential competitors' operating histories, name recognition, customer bases and financial and other resources are a competitive factor for Hili Ventures wherever it may have business. Severe competition in certain countries could adversely affect Hili Ventures' business and operating results.

Hili Ventures' key senior personnel and management have been and remain material to its growth

Hili Ventures believes that its growth is largely attributable to the efforts and abilities of the directors and members of its executive management team and other key personnel. If one or more of the members of this team were unable or unwilling to continue in their present position, Hili Ventures might not be able to replace them within the short term, which could have a material adverse effect on Hili Ventures' business, financial condition and results of operations.

In common with many businesses, Hili Ventures will be relying heavily on the contacts and expertise of its directors and senior management teams and other key personnel. Although no single person is solely instrumental in fulfilling Hili Ventures' business objectives, there is no guarantee that these objectives will be achieved to the degree expected following the possible loss of key personnel. The loss of the services of any of the key personnel could have, in the short term, a material adverse effect on Hili Ventures' business.

Litigation risk

All industries are subject to legal claims, with or 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 Hili Ventures' future cash flow, results of operations or financial condition.

Hili Ventures' insurance policies

Historically, Hili Ventures has maintained insurance at levels determined by Hili Ventures to be appropriate in light of the cost of cover and the risk profiles of the business in which Hili Ventures operates. With respect to losses for which Hili Ventures is covered by its policies, it may be difficult and may take time to recover such losses from insurers. In addition, Hili Ventures may not be able to recover the full amount from the insurer. No assurance can be given that Hili Ventures' current insurance coverage would be sufficient to cover all potential losses, regardless of the cause, nor can any assurance be given that an appropriate coverage would always be available at acceptable commercial rates.

Risks relative to changes in laws

Hili Ventures is subject to a variety of laws and regulations. As with any business, Hili Ventures 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 Hili Ventures Companies.

Hili Ventures' indebtedness could adversely affect its financial position

Hili Ventures has a material amount of debt and may incur additional debt in connection with its future growth and business development strategy. Consequently, a portion of Hili Ventures' generated cash flows will be required to make principal and interest payments on Hili Ventures' debt. Furthermore, any borrowings under bank credit facilities will likely be at variable interest rates, which could cause Hili Ventures to be vulnerable to increases in interest rates.

The agreements regulating Hili Ventures' bank debt may impose significant financial covenants on Hili Ventures, the covenants of which could limit Hili Ventures' ability to obtain future financing, make capital expenditure, withstand a future downturn in business or economic conditions generally or otherwise inhibit the ability to conduct necessary corporate activities.

Hili Ventures may be exposed to certain financial risks, including interest rate risk, which Hili Ventures may be unable to effectively hedge against

Hili Ventures' activities potentially expose it to a variety of financial risks, including market risk (principally interest rate risk and fair value risk), transaction risk, credit risk and risks associated with the unpredictability of financial markets, all of which could have adverse effects on the financial performance of Hili Ventures.

Interest rate risk refers to the potential changes in the value of financial assets and liabilities in response to changes in the level of interest rates and their impact on cash flows. Hili Ventures may be exposed to the risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows if any future borrowings are made under bank credit facilities set at variable interest rates. Although in such a case Hili Ventures seeks to hedge against interest rate fluctuations, this may not always be economically practicable.

Furthermore, the possibility of hedging may become more difficult in the future due to the unavailability or limited availability of hedging counter-parties. An increase in interest rates which is not hedged may have a material adverse effect on Hili Ventures' business, financial condition and results of operations.

Currency fluctuations may have a material adverse effect on Hili Ventures' business, financial condition and results of operations

Hili Ventures' operations are 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. As a result, exchange gains or losses may arise on the realisation of amounts receivable and the settlement of amounts payable in foreign currencies.



Hili Ventures' financial statements, which are presented in Euro, can be affected by foreign exchange fluctuations through both translation risk, which is the risk that the financial statements for a particular period or as at a certain date depend, although in part only, on the prevailing exchange rates of the various currencies against the Euro; and transaction risk, which is the risk that the currency of the costs and liabilities fluctuates in relation to the currency of its revenue and assets, which fluctuation may adversely affect its operating performance.

A portion of operating expenses are fixed

A portion of Hili Ventures' costs are fixed and operating results are vulnerable to short-term changes in its revenues. Hili Ventures' fixed operating expenses are not easily reduced to react to changes in its revenue by reducing its operating expenses, which could have a material adverse effect on its business, financial condition and results of operations.

In addition, Hili Ventures' operating and other expenses could increase without a corresponding increase in turnover or revenue. The factors which could materially increase operating and other expenses include:

- increases in the rate of inflation;
- increases in payroll expenses;
- increases in property taxes and other statutory charges;
- changes in laws, regulations or government policies;
- increases in insurance premiums;
- unforeseen increases in the costs of maintaining properties; and
- unforeseen capital expenditure.

Such increases could have a material adverse effect on Hili Ventures' financial position and its ability to make distributions to its shareholders.

Risks of integration and operation of acquired businesses

The integration and operation of businesses or additional franchises that may be acquired in the future may disrupt Hili Ventures' business and create additional expenses, and Hili Ventures may not achieve the anticipated benefits of any such acquisitions and expansion.

Integration of an acquired business or additional franchise involves numerous challenges and risks, including assimilation of operations of the acquired business and difficulties in the convergence of IT systems, the diversion of management's attention from other business concerns, risks of entering markets in which Hili Ventures have had no or only limited direct experience, assumption of unknown or unquantifiable liabilities, the potential loss of key personnel and/or clients, difficulties in completing strategic initiatives already underway in the acquired companies, and unfamiliarity with partners and clients of the acquired company, each of which could have a material adverse effect on Hili Ventures' business, results of operations and financial condition.

The success of integration of acquired businesses or additional franchises typically assumes certain synergies, economies of scale and other benefits. There is no assurance that these risks or other unforeseen factors will not offset the intended benefits of the acquisitions or expansion, in whole or in part.

Reliance on non-proprietary software systems and third-party IT providers

To varying degrees, Hili Ventures is reliant upon technologies and operating systems (including IT systems) developed by third parties for the running of its business, and are exposed to the risk of failures in such systems. Whilst Hili Ventures has service level agreements and disaster recovery plans to ensure continuity and stability of these systems, there can be no assurance that the service or systems will not be disrupted. Disruption to those technologies or systems and/or lack of resilience in operational availability could adversely affect the efficiency of Hili Ventures' business, financial condition and/or operating performance.

The business of 1923 Investments p.l.c. and its operating subsidiaries ("1923 Investments") is reliant on key suppliers

1923 Investments has established strategic relationships with its key suppliers. These relationships support 1923 Investments' product and service offerings, and sales activities generally. There is no guarantee that 1923 Investments will be able to maintain these alliances, enter into further alliances or that existing suppliers will not enter into relationships with 1923 Investments' competitors. The loss of any of these relationships, in particular, the agreement with Apple that authorises 1923 Investments to engage in the sale and distribution of Apple products as an Apple Premium Reseller in Poland and Hungary, could have a material adverse effect on 1923 Investments' business, results of operations and financial condition and in turn, could have a negative effect on the financial performance and position of Hili Ventures.

The business of Premier Capital p.l.c. and its operating subsidiaries ("Premier Capital Group") is highly dependent on its licensor/franchisor

The McDonald's system in Malta, the Baltic countries, Greece and Romania is developed pursuant to the terms of franchises issued by McDonald's Corporation (in the case of Malta and Romania) or by McDonald's International Property Company Ltd, a subsidiary of McDonald's Corporation (in the case of the Baltic countries and Greece). Premier Capital Group has undertaken to develop restaurants under and in accordance with the McDonald's brand and standards as prescribed by the said master franchise (or franchise) agreements. Furthermore, pursuant to master franchise (or franchise) agreements entered into with McDonalds Corporation (or its subsidiary McDonald's International Property Company Ltd, as applicable), Premier Capital Group has been granted the right to adopt and use the McDonald's restaurant system in accordance with the terms of such agreements.



In light of the aforesaid, Premier Capital Group's revenues are dependent on the continued existence of its contractual relationships with McDonald's, and in turn, of its right to operate McDonald's branded restaurants in Malta, the Baltic countries, Greece and Romania. Furthermore, many factors and decisions in the business of Premier Capital Group are subject to restrictions, specifications or approval. In view of the nature of franchising and the said franchise agreements entered into with the franchisor, the long-term success of Premier Capital Group will depend, to a significant extent, on:

- the continued vitality of the McDonald's concepts and the overall success of the franchise system;
- the ability of Premier Capital Group and its franchisor to identify and react to new trends in the restaurant industry, including the development of popular menu items;
- the ability of Premier Capital Group and its franchisor to develop and pursue appropriate marketing strategies in order to maintain and enhance the name recognition, reputation and market perception of McDonald's restaurants and to introduce and develop new products;
- the goodwill associated with the McDonald's trademarks;
- the quality, consistency and management of the franchisor's overall systems; and
- a continued cooperative franchise relationship with its franchisor.

As already mentioned, the development and operation of Premier Capital Group's business in Malta, the Baltic countries, Greece and Romania is regulated by agreements which require the Premier Capital Group to comply with a comprehensive set of terms and conditions. By their very nature, agreements of this kind contain terms and conditions that are prescriptive. Moreover, the success of a franchise significantly depends on the relationship between the franchisor and the franchisee. While every effort is expected to be made to ensure a positive relationship between Premier Capital Group and its franchisor, there is no assurance that events or circumstances in the future may not adversely affect that relationship or that its franchisor will not enforce its contractual rights under any of the said agreements in a manner that is adverse to Premier Capital Group and in turn adverse to Hili Ventures.

Risks relating to property investments and operations

Hili Properties p.l.c., a Hili Ventures Company, is involved in managing and maintaining a portfolio of properties. Property values are affected by and may fluctuate, *inter alia*, as a result of changing demand, changes in general economic conditions, changing supply within a particular area of competing space and attractiveness of real estate relative to other investment choices. The value of the property portfolios of Hili Properties p.l.c. may also fluctuate as a result of other factors outside the company's control, such as changes in regulatory requirements and applicable laws (including in relation to taxation and planning), political conditions, the condition of financial markets, potentially adverse tax consequences, interest and inflation rate fluctuations and higher accounting and control expenses. The operating performance of Hili Properties p.l.c. could be adversely affected by a downturn in the property market in terms of capital values.

Hili Properties p.l.c. is also subject to the risk that tenants may terminate or elect not to renew their respective lease, either due to the expiration of the lease term or due to an early termination of the lease. A decline in occupancy levels and/or the re-letting of property at less favourable terms than the current lease terms could adversely impact rental income and operating performance of Hili Properties p.l.c.

The business of Motherwell Bridge is subject to global and regional economic conditions and is affected by trends in global transportation and port investment cycles

Motherwell Bridge is principally involved in the provision of engineering services related to port equipment and crane assembly. Demand for such services is affected by the conditions of the global economy, as well as regional economies in which Motherwell Bridge operates, including the Mediterranean region, Morocco and neighbouring countries. A decline in revenue as a result of a fall in demand may reduce planned growth of Motherwell Bridge and otherwise hinder its ability to improve its performance in connection with its long term strategy.

Demand for port-handling equipment and related engineering services generally follow trends in global transportation and, over the shorter term, port investment cycles. Demand for maintenance services is driven by customers' capacity utilisation rates. In addition to risks relating to changes in demand, increased competition can also result in overcapacity and adversely affect market prices, which could have a material adverse effect on the business of Motherwell Bridge, its financial condition and results of operations.

Growth strategy

Hili Ventures' growth plans envisage the continued optimisation of Hili Ventures' operations, with a business strategy that looks to enhance Hili Ventures' mainstream business locally and overseas. There is a risk that Hili Ventures may not be able to execute its long-term business strategy. There is no assurance that Hili Ventures will be able to drive growth to the extent desired through its focus of efforts and resources on its sales or to enhance profitability to the extent desired through continuous improvement. Furthermore, Hili Ventures' theoretical growth projections may, in practice, and potentially for reasons over which it has little or no control, be considerably slower or quicker than anticipated, in turn disrupting Hili Ventures' envisioned strategy and consequently the results of its operations.

2.5 RISKS RELATING TO THE ACQUISITION OF THE COMINO HOTEL AND BUNGALOWS

Hili Ventures is subject to certain risks common to the hotel industry, certain of which are beyond its control

Hili Ventures plans to utilise part of the net proceeds from the Bond Issue to acquire the Comino Hotel and Bungalows, as further described in section 6 of this Registration Document. The business operations of the Comino Hotel and Bungalows and



the results thereof are subject to a number of external factors that could adversely affect Hili Ventures' business, many of which are common to the hotel industry and beyond Hili Ventures' 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 governmental laws and regulations, employment, the preparation and sale of food and beverages, smoking, health and alcohol licensing laws and environmental concerns, fiscal policies and zoning and development regulations 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;
- the termination, non-renewal and/or the renewal on less favourable terms of material contracts and management agreements.

The impact of any of these factors (or a combination of them) may adversely affect room rates and occupancy levels at the Comino Hotel and Bungalows, or otherwise cause a reduction in Hili Ventures' income, which would have a material adverse impact on Hili Ventures' business, financial condition and results of operations.

Furthermore, the hotel industry is characterised by strong and increasing competition. Many of Hili Ventures' existing and potential competitors may have longer operating histories, greater name recognition, larger customer bases and greater financial and other resources than Hili Ventures. Severe competition in Malta and changes in economic and market conditions could adversely affect Hili Ventures' business and operating results.

Project risk

The acquisition of the Comino Hotel and Bungalows is being made with a view to developing the site into a mixed-use hospitality project including a luxury hotel and upmarket serviced bungalows. In this respect, Hili Ventures will be subject to a number of specific risks normally encountered in similar developments, including: the risk of delays in obtaining the necessary planning permissions; the risk of cost overruns; the risk of construction delays which particularly may entail logistical issues due to the unique location of the Comino Hotel and Bungalows on the island of Comino; and the risk of insufficiency of resources to complete.

Furthermore, Hili Ventures will be subject to various counter-party risks, such as contractors and subcontractors engaged in the demolition, excavation, construction and finishing of the subject development. Such parties may default or fail to perform on their obligations to Hili Ventures due to insolvency, lack of liquidity, market or economic downturns, operational failure or other reasons which are beyond Hili Ventures' control. If such risks were to materialise, they could have an adverse impact on Hili Ventures' revenue generation, cash flows and financial performance.

2.6 RISKS RELATING TO THE CONTAINER LEASING BUSINESS

Container leasing demand can be negatively affected by numerous market factors as well as external political and economic events that are beyond Hili Ventures' control

Hili Ventures has incorporated Cobalt Leasing Ltd, a company registered in the United Kingdom, which will be engaged in the acquisition and leasing of containers. Demand for containers depends largely on the rate of world trade and economic growth. Demand for leased containers is also driven by customers' "lease vs. buy" decisions. Cyclical recessions can negatively affect the operating results of container lessors, due to the fact that during economic downturns or periods of reduced trade, shipping lines and other customers tend to lease fewer containers, or lease containers only at reduced rates, and tend to rely more on their own fleets to satisfy a greater percentage of their requirements.

As a result, during periods of weak global economic activity, container lessors, such as Hili Ventures' proposed container leasing business, will typically experience lower leasing demand and consequently lower revenue, a decline in equipment utilisation, lower average rental rates, lower used container resale prices and significantly decreased profitability. The impact thereof could have a material adverse effect on Hili Ventures' business, financial condition and results of operations.

Competition in the container leasing business

Competition among container leasing companies depends upon many factors, including, among others, lease rates, lease terms (including lease duration, drop-off restrictions and repair provisions) and customer service. New entrants may be more aggressive in pricing and structuring leases and as a result, the entry of new market participants together with the already highly competitive nature of the container leasing industry, may undermine Hili Ventures' ability to maintain a high level of asset utilisation or, alternatively, could force Hili Ventures to reduce the pricing and accept lower revenue and profit margins in order to achieve its growth plans, which could adversely affect Hili Ventures' business and operating results.

2.7 RISKS INHERENT IN PROPERTY VALUATIONS

The valuation of property is inherently subjective, due to, among other things, the nature of the subject property and the assumptions upon which the valuation is carried out. Accordingly, there can be no assurance that the valuation referred to in this Registration Document reflects actual values that could be achieved on a sale, even where any such sale were to occur shortly after the valuation date. Actual values may be materially different from any future values that may be expressed or implied by forward-looking statements set out in the valuation or anticipated on the basis of historical trends, as reality may not match the assumptions made. There can be no assurance that such valuation of property will reflect actual market values.



2.8 RISKS RELATING TO THE GUARANTEE

The Bonds, as and when issued and allotted, shall constitute the general, direct, unsecured and unconditional obligations of the Issuer and shall be guaranteed in respect of both the interest due and the principal amount under said Bonds by the Guarantor. The Bonds shall at all times rank *pari passu* without any priority or preference among themselves and, in respect of the Guarantor, they shall rank without any priority or preference over all its unsecured indebtedness, if any. In view of the fact that the Bonds are being guaranteed by the Guarantor on a joint and several basis, the Bondholders shall be entitled to request the Guarantor to pay both the interest due and the principal amount under said Bonds if the Issuer fails to meet any amount, when due in terms of the Prospectus.

The joint and several Guarantee also entitles the Bondholders to take action against the Guarantor without having to first take action against the Issuer. The strength of this undertaking on the part of the Guarantor and therefore, the level of recoverability by the Bondholders from the Guarantor of any amounts due under any of the Bonds, is dependent upon and directly linked to the financial position and solvency of the Guarantor.

3. IDENTITY OF DIRECTORS, ADVISORS AND AUDITORS OF THE ISSUER AND GUARANTOR

3.1 DIRECTORS

3.1.1 DIRECTORS OF THE ISSUER

As at the date of this Registration Document, the Board of Directors of the Issuer is constituted by the following persons:

Carmelo <i>sive</i> Melo Hili (395765M)	2, Immaculate Conception Street, Lija, Malta	Chairman; Non-Executive Director
Geoffrey Camilleri (569579M)	299, Ithaca, Triq Frans Sammut, Zebbug, Malta	Executive Director
Dorian Desira (442281M)	Sayonara, Fl 6, Triq iz-Zebbuga, Gudja, Malta	Non-Executive Director
Jacqueline Camilleri (340768M)	63, Alta Vista, Triq Claudette Agius, Dingli, Malta	Independent Non-Executive Director
Mario Vella (672753M)	Sivellier, Triq is-Siegh, Swieqi, Malta	Independent Non-Executive Director

Dr Melanie Miceli Demajo (548678M) of 21, Howard Street, Sliema, Malta, is the company secretary of the Issuer.

THE DIRECTORS OF THE ISSUER ARE THE PERSONS RESPONSIBLE FOR THE INFORMATION CONTAINED IN THIS REGISTRATION DOCUMENT. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS OF THE ISSUER (WHO HAVE ALL TAKEN REASONABLE CARE TO ENSURE SUCH IS THE CASE), THE INFORMATION CONTAINED IN THIS REGISTRATION DOCUMENT IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. THE DIRECTORS ACCEPT RESPONSIBILITY ACCORDINGLY.

The entities identified under the sub-heading "Advisors" in section 3.2 below have advised and assisted the Directors in the drafting and compilation of the Prospectus.

3.1.2 DIRECTORS OF THE GUARANTOR

As at the date of this Registration Document, the board of directors of the Guarantor is constituted by the following persons:

Steve Tarr (British passport number 800150906)	9 Hyde Park, Park Towers, Gorg Borg Olivier Street, St Julians, Malta	Chairman
Carmelo <i>sive</i> Melo Hili (395765M)	2, Immaculate Conception Street, Lija, Malta	Chief Executive Officer
Richard Abdilla Castillo (267256M)	Il-Girna, Notabile Road, Mriehel, B'Kara, Malta	Director
Victor Tedesco (594964M)	16, Triq Ghajn Zejtuna, Mellieha, Malta	Director
Jesmond Mizzi (328065M)	Campbell Close G2, Triq San Pawl, Attard, Malta	Independent Non-Executive Director

Dr Melanie Miceli Demajo (548678M) of 21, Howard Street, Sliema, Malta, is the company secretary of the Guarantor.



3.2 ADVISORS

Legal Counsel

Name: GVZH Advocates
Address: 192, Old Bakery Street, Valletta VLT 1455 – MALTA

Sponsor

Name: Charts (a division of MeDirect Bank (Malta) plc)
Address: The Centre, Tigné Point, Sliema TPO 0001 – MALTA

Manager & Registrar

Name: Bank of Valletta p.l.c.
Address: BOV Centre, Cannon Road, Zone 4, Central Business District, Santa Venera CBD 4060 – MALTA

Financial Advisors

Name: Deloitte Services Limited
Address: Deloitte Place, Mriehel Bypass, Mriehel BKR 3000 – MALTA

As at the date of the Prospectus the advisors named under this sub-heading have no beneficial interest in the share capital of the Issuer or the Guarantor. Additionally, save for the terms of engagement relative to their respective services provided in connection with the preparation of the Prospectus, no material transactions have been entered into by the Issuer or Guarantor with any of the advisors referred to above.

3.3 AUDITORS

Name: Grant Thornton
Address: Fort Business Centre, Floor 2, Mriehel Bypass, Mriehel BKR 3000 – MALTA

The financial statements of the Issuer for the period 6 April 2018 (being the date of incorporation) to 31 December 2018 were audited by Grant Thornton, Fort Business Centre, Floor 2, Mriehel Bypass, Mriehel BKR 3000, Malta.

The annual statutory financial statements of the Guarantor for the financial years ended 31 December 2016 and 2017 were audited by Deloitte Audit Limited, Deloitte Place, Mriehel Bypass, Mriehel BKR 3000, Malta. The annual statutory financial statements of the Guarantor for the financial year ended 31 December 2018 were audited by Grant Thornton, Fort Business Centre, Floor 2, Mriehel Bypass, Mriehel BKR 3000, Malta.

Each of Deloitte Audit Limited and Grant Thornton is a firm of certified public accountants holding a warrant to practice the profession of accountant in terms of the Accountancy Profession Act, 1979 (Cap. 281 of the laws of Malta). The Accountancy Board registration number of Deloitte Audit Limited and Grant Thornton is AB/26/84/81 and AB/26/84/22 respectively.

4. INFORMATION ABOUT THE ISSUER AND GUARANTOR

4.1 THE ISSUER

Full Legal and Commercial Name of the Issuer: Hilifinance Company p.l.c.
Registered Address: Nineteen Twenty Three, Valletta Road, Marsa MRS 3000, Malta
Place of Registration and Domicile: Malta
Registration Number: C 85692
Date of Registration: 6 April 2018
Legal Form: The Issuer is lawfully existing and registered as a public limited liability company in terms of the Act
Telephone Number: +356 2568 1200
Email: info@hilifinance.com
Website: www.hilifinance.com



The Issuer was established on 6 April 2018 as a wholly-owned subsidiary of the Guarantor (the ultimate parent of Hili Ventures), save for 1 Ordinary share which is held by APM Holdings Limited (C 30527). The principal object of the Issuer is to purchase or otherwise acquire, under any title whatsoever, to hold and manage, by any title, assets including but not limited to securities and other financial interests. The issue of bonds falls within the objects of the Issuer. The Issuer's intended purpose is to raise finance for the business of the Group through the Guarantor. In this respect, the Issuer is mainly dependent on the business prospects of the Guarantor and Hili Ventures. The Issuer operates exclusively in and from Malta.

In July 2018, the Company issued €40,000,000 3.85% unsecured bonds 2028, the net proceeds of which were on-lent to the Guarantor to repay bank borrowings and related party balances, and to part-finance various acquisitions and development of investment property, in terms of a prospectus dated 4 July 2018.

Save for the above, the Issuer itself has no other trading history.

4.2 THE GUARANTOR

Full Legal and Commercial Name of the Guarantor:	Hili Ventures Limited
Registered Address:	Nineteen Twenty Three, Valletta Road, Marsa MRS 3000, Malta
Place of Registration and Domicile:	Malta
Registration Number:	C 57902
Date of Registration:	17 October 2012
Legal Form:	The Guarantor is lawfully existing and registered as a private limited liability company in terms of the Act
Telephone Number:	+356 2568 1200
Email:	info@hiliventures.com
Website:	www.hiliventures.com

The Guarantor was established in 2012 and principally acts as the investment holding company of Hili Ventures to which it provides management and consultancy services. The Guarantor is principally engaged, through Subsidiaries, in investments that are predominantly involved in the business sectors described below:

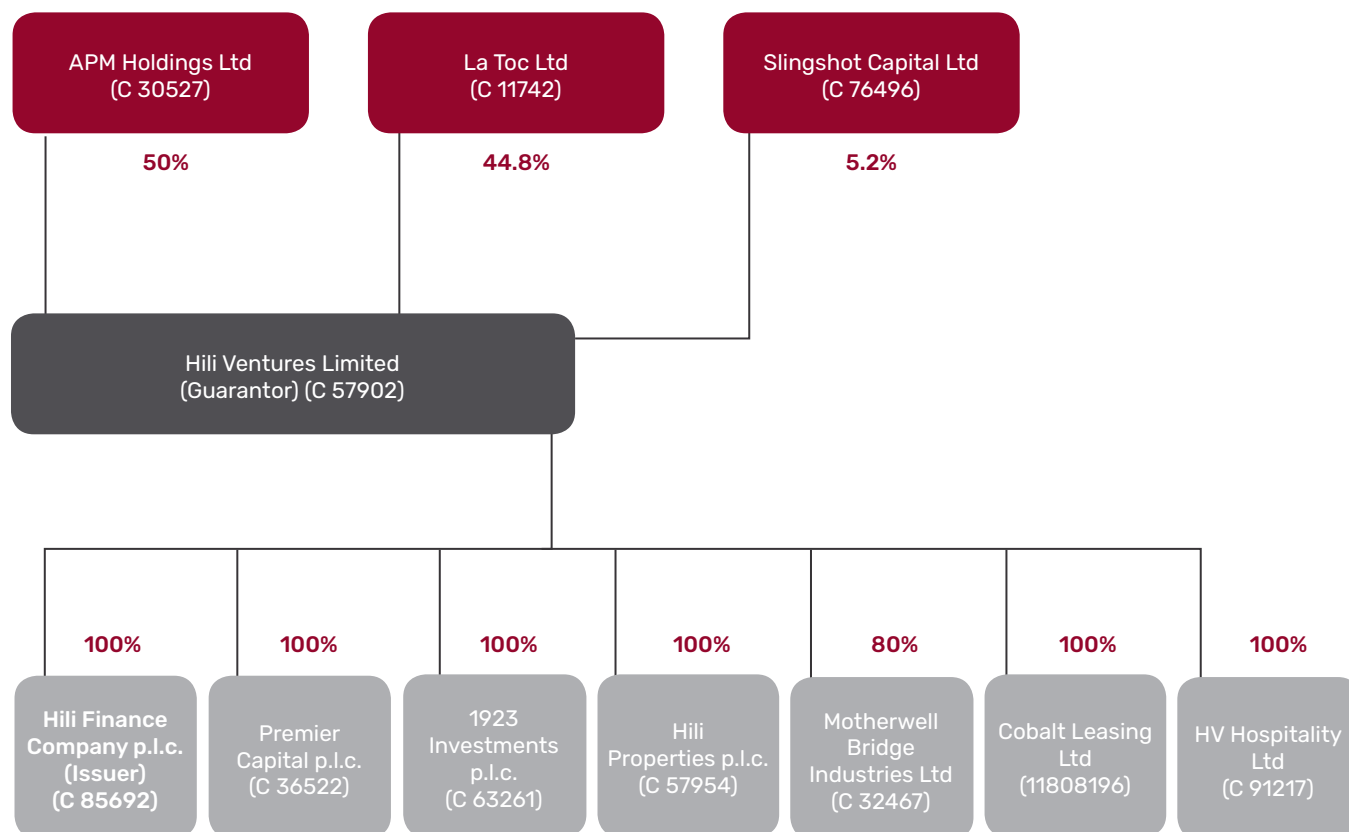
- **Premier Capital p.l.c.** is involved in the operations of McDonald's restaurants in Estonia, Greece, Latvia, Lithuania, Malta and Romania.
- **1923 Investments p.l.c.** (formerly PTL Holdings p.l.c.) is the investment operating division of Hili Ventures, other than the operation of McDonald's restaurants as described hereinabove and the property division which is managed by Hili Properties p.l.c.

1923 Investments p.l.c. is presently engaged in the sale and distribution of Apple products as an Apple Premium Reseller in Poland and Hungary; the sale, maintenance and servicing of information technology solutions, security systems and the provision of electronic payment solutions; and transport and logistics in Malta and Poland, including air, road, sea and rail freight forwarding, clearances and deliveries, customs brokerage, parcel services, warehousing, ship agency, ship-to-ship operations and project cargo.

- **Hili Properties p.l.c.** is the parent company of the property division of Hili Ventures, and owns and manages a property portfolio comprising commercial and retail property in Europe.
- **Motherwell Bridge Industries Limited** ("Motherwell Bridge") is primarily engaged in providing engineering services related to port equipment and crane assembly. Through the acquisition of Techniplus S.A. in 2016, Motherwell Bridge is also involved in providing maintenance services of port equipment and crane assembly in Morocco and neighbouring North African countries.
- **Cobalt Leasing Ltd** was established in the UK on 5 February 2019 as a private limited liability company, with company registration number 11808196 and having its registered office at 2, Kingdom Street, London,, United Kingdom. The company's principal objective is to operate a container leasing business, as further described in section 6 below.
- **HV Hospitality Limited** was registered in Malta on 17 April 2019 as a private limited liability company in terms of the Act, with company registration number C 91217 and having its registered office at Nineteen Twenty Three, Valletta Road, Marsa MRS 3000, Malta. The company's principal objective is to own, design, build, construct, develop, alter, refurbish, furnish, equip, maintain, provide, promote, finance, supervise, control, lease, rent, buy, sell, manage, operate or otherwise deal in any type of properties, including but not limited to hotels, residential units, retail and shopping outlets and areas, catering establishments, leisure and entertainment centres and amenities. HV Hospitality Limited is a single-member company with an authorised and issued share capital of €2,000,000 divided into 2,000,000 ordinary shares having a nominal value of €1 each, fully paid up and held by the Guarantor. The primary objective of the company is to operate and manage the hospitality business of Hili Ventures. It is expected that the initial transaction of this company will be the acquisition of Kemmuna Limited (the owner of the Comino Hotel and Bungalows) described in section 6 below.



As the holding company of Hili Ventures, the Guarantor is ultimately dependent upon the operations, performance and business prospects of the above-mentioned Subsidiaries. The diagram below illustrates the principal Subsidiaries within the organisational structure of Hili Ventures.



The complete list of Hili Ventures Companies is included in the consolidated audited financial statements of the Guarantor for the year ended 31 December 2018. The said financial statements are available for inspection as indicated in section 17 below.

In the last published prospectus of the Issuer dated 4 July 2018, it was mentioned that the Guarantor was considering listing the ordinary shares of 1923 Investments p.l.c. on the Official List of the Malta Stock Exchange and to offer up to 40% of its shareholding in the afore-mentioned company to the general public in Malta through an initial public offering. Since then, the Guarantor has reconsidered its plans and timing for a stock exchange listing.

4.3 OVERVIEW OF HILI VENTURES' REVENUE SEGMENTS

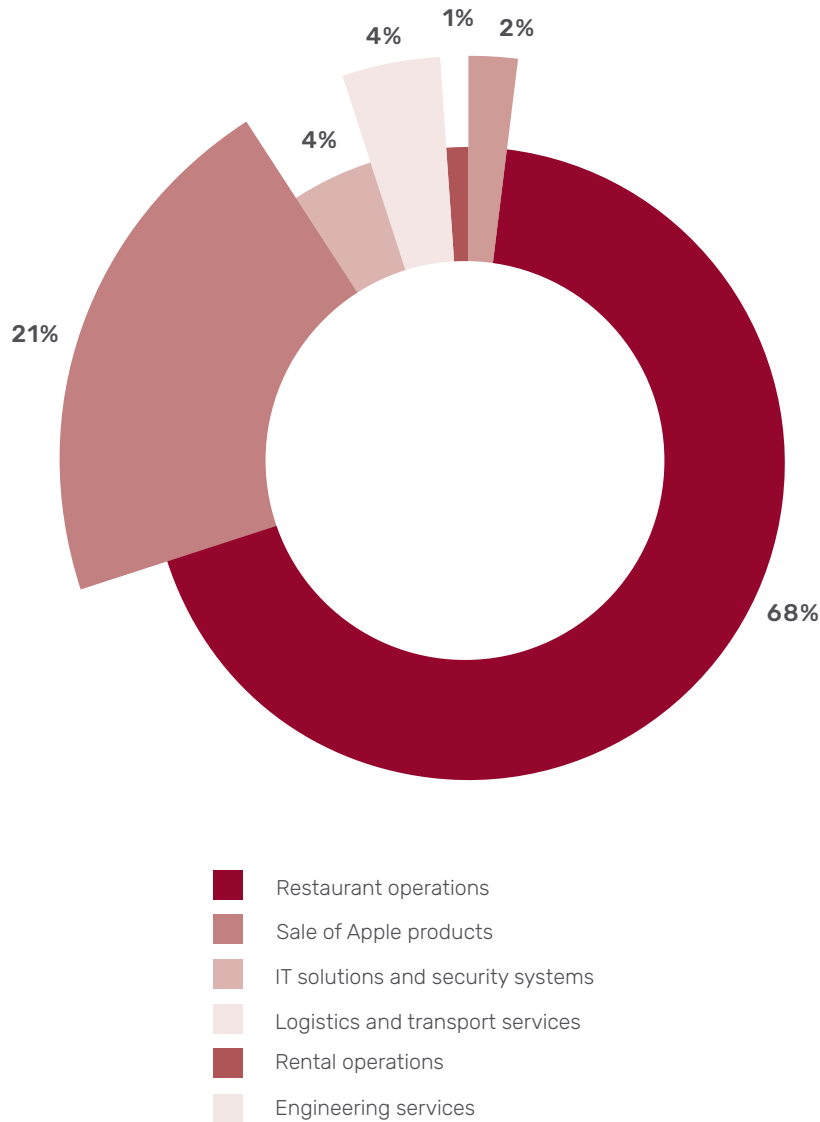
The following information on Hili Ventures is extracted from the audited consolidated financial statements of the Guarantor for the years ended 31 December 2016 to 2018, which are available for inspection as indicated in section 17 below.

Hili Ventures Limited Group Revenue by Activity for the year ended 31 December

	2016	2017	2018
	€000	€000	€000
Restaurant operations	230,161	263,419	293,650
Sale of Apple products	75,623	83,974	89,793
IT solutions and security systems	10,065	12,765	15,482
Logistics and transport services	15,522	22,907	16,397
Rental operations	3,152	4,589	5,250
Engineering services	6,716	8,835	6,838
Total revenue	341,239	396,488	427,410



HILI VENTURES GROUP REVENUE BY ACTIVITY (FY2018)



'Restaurant operations' revenue is generated by Premier Capital p.l.c. and comprises the operation of McDonald's restaurants in Estonia, Greece, Latvia, Lithuania, Malta and Romania. The McDonald's franchise for Malta was awarded in 1995 and that of the Baltic States in 2007. Four years later, in 2011, Premier Capital p.l.c. was awarded the developmental license for McDonald's in Greece and on 22 January 2016, Premier Capital p.l.c. acquired 90% shareholding in Premier Capital SRL, which indirectly operates the McDonald's restaurants in Romania. During the past 3 financial years, the average number of restaurants increased from 133 restaurants in FY2016 to 146 in 2018. In FY2018, 'restaurant operations' revenue represented circa 68% of Hili Ventures' total revenue (FY2017: 66%).

Revenue activities entitled **'Sale of Apple products'**, **'IT solutions and security systems'** and **'logistics and transport services'** principally relate to the business operations of iSpot Poland Sp. z.o.o., Harvest Technology Limited and Hili Logistics Limited respectively. The afore-mentioned companies are Subsidiaries of 1923 Investments p.l.c.

'Sale of Apple products' primarily refers to the business operations of iSpot Poland Sp. z.o.o. and its Subsidiary ("iSpot"), and in 2018 operated 26 stores involved in retailing Apple products in Poland under the iSpot brand (2017: 26 stores), together with a well-developed online proposition. In Q1 2019, iSpot closed 1 retail store and thereby reduced its complement of stores to 25 stores. As an Apple Premium Reseller and Apple Authorised Service Provider, iSpot outlets carry a full range of Apple products, including software and accessories, and through its trained staff also offer support and repair services to customers regardless of where they originally purchased the Apple product. In addition to Apple solutions, iSpot stores offer an extensive range of third-party products and software. iSpot also operates, through a joint venture, 4 stores in Hungary under the iCentre brand.



Up to Q1 2019, iSpot was also present in Bucharest, Romania, through the operation of 1 store. In April 2019, the business operation of iSpot Premium Romania s.r.l. was sold to a third party.

Furthermore, iSpot is involved in turnkey solutions for business customers, and its services comprise the design and construction of networks, data security, and the supply of hardware and software. As a certified Apple Authorised Training Centre, iSpot participates on an ongoing basis in various projects relating to the implementation of Apple technology in higher education.

'IT solutions and security systems' comprises the activities of Harvest Technology Limited and its Subsidiaries ("**Harvest**"), which primarily focuses on delivering business solutions and e-commerce systems to diverse clients in Malta, parts of Europe and North Africa. Harvest has four main revenue segments - networking, integration and hardware solutions, and product engineering; payment solutions (through the brand name 'APCOPAY') and security solutions; business applications; and business analytics and intelligence.

'Logistics and transport services' refers to the business of Hili Logistics Limited and its Subsidiaries in Malta and Poland ("**Hili Logistics**") and involves air, road, sea and rail freight forwarding, clearances and deliveries, customs brokerage, parcel services, warehousing, ship agency, ship-to-ship operations and project cargo. In the latter part of FY2016, Hili Logistics acquired Allcom Sp. z.o.o., an intermodal freight forwarding company and customs agency in Poland. The main sectors serviced by Allcom Sp. z.o.o. include the food, chemical and construction material industries.

In FY2018, operations undertaken by 1923 Investments p.l.c. namely 'IT retail operations', 'software and payment services' and 'logistics and transport services' represented *circa* 29% of Hili Ventures' total revenue (FY2017: 30%).

'**Rental operations**' revenue is generated by Hili Properties p.l.c. and its Subsidiaries ("**Hili Properties**"), which principally manages a property portfolio comprising commercial and retail property in Europe. The company relies on active asset management to maximise operating efficiency and profitability at the property level. As at 31 December 2018, the property portfolio of Hili Properties amounted to €119.5 million (31 December 2017: €104.0 million), of which, *circa* 68% and 32% of such property value is rented to third parties and intra-Group tenants respectively.

'**Engineering services**' revenue is derived from the operations of Motherwell Bridge Industries Limited and its Subsidiaries ("**Motherwell Bridge**"). Operating from a *circa* 15,000m² property in Hal Far Industrial Park, Malta, Motherwell Bridge principally provides customised engineering services and maintenance of port handling equipment and crane assembly. In FY2016, Motherwell Bridge acquired Techniplus S.A., a company engaged in the provision of maintenance services of port equipment and crane assembly in Morocco and neighbouring countries. In FY2018, revenue decreased from €8.8 million in FY2017 to €6.8 million (-23%) due to the suspension of marine division trading activities and restructuring efforts so as to improve the company's profitability.

5. OPERATING AND KEY FINANCIAL REVIEW

5.1 THE ISSUER

The Issuer was registered and incorporated on 6 April 2018 as a special purpose vehicle to act as a finance and investment company for the Guarantor and Hili Ventures. The financial information included below is extracted from the audited financial statements of the Issuer for the period 6 April 2018 to 31 December 2018. There were no significant changes to the financial or trading position of the Issuer since 31 December 2018.

Hili Finance Company p.l.c. Statement of Comprehensive Income for the period 6 April 2018 to 31 December 2018

	€000
Finance income	817
Finance costs	(686)
Gross profit	131
Administrative expense	(30)
Profit before tax	101
Taxation	(46)
Total comprehensive income	55



Hili Finance Company p.l.c.
Cash Flow Statement
for the period 6 April 2018 to 31 December 2018

	€000
Net cash from operating activities	(9)
Net cash from investing activities	(41,931)
Net cash from financing activities	42,000
Net movement in cash and cash equivalents	60
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	60

Hili Finance Company p.l.c.
Balance Sheet
as at 31 December 2018

	€000
ASSETS	
Non-current assets	
Loans owed by parent company	41,931
	41,931
Current assets	
Trade and other receivables	829
Cash and cash equivalents	60
	889
Total assets	42,820
EQUITY	
Equity and reserves	2,055
LIABILITIES	
Non-current liabilities	
Debt securities	40,000
Current liabilities	
Trade and other payables	765
	40,765
Total equity and liabilities	42,820

The Issuer was incorporated in April 2018 with an issued share capital of €2 million. In July 2018, the Issuer successfully raised €40 million through the issuance of 3.85% unsecured bonds 2028 and thereafter, the amount of €41.2 million (being the net proceeds from the bond issue together with the accumulated cash balance) was on-lent to the Guarantor.

During the six months ended 31 December 2018, interest receivable on the loan granted to the Guarantor amounted to €816,727, whilst accrued interest on outstanding debt securities and other finance costs amounted to €685,595. After accounting for administrative expenses and taxation, total comprehensive income amounted to €55,183.

5.2 THE GUARANTOR

The financial information included hereinafter is extracted from the audited consolidated financial statements of the Guarantor for the financial years ended 31 December 2016 to 2018.

The tables and discussion included in this section 5.2 contain certain alternative performance measures (as defined by the European Securities and Markets Authority (ESMA)), including EBITDA, that Hili Ventures' management and other competitors in the industry use. These non-IFRS financial measures are presented as supplemental information as (i) they represent measures that the Directors believe may be relevant for certain investors,



securities analysts and other parties in assessing Hili Ventures' operating and financial performance and may contribute to a fuller understanding of Hili Ventures' cash generation capacity and the growth of the combined business; and (ii) they may be used by Hili Ventures' management as a basis for strategic planning and forecasting.

Hili Ventures Limited Consolidated Statement of Comprehensive Income for the year ended 31 December	2016	2017	2018
	€000	€000	€000
Revenue	341,239	396,488	427,410
Cost of sales	(275,404)	(320,344)	(343,430)
Gross profit	65,835	76,144	83,980
Net operating expenses	(29,148)	(36,606)	(41,126)
EBITDA¹	36,687	39,538	42,854
Depreciation and amortisation	(14,120)	(14,148)	(15,731)
Net investment income/(loss)	1,585	(3,928)	644
Net finance costs	(11,080)	(12,102)	(11,996)
Profit before tax	13,072	9,360	15,771
Taxation	(7,984)	(2,461)	(3,959)
Profit for the year (continuing operations)	5,088	6,899	11,812
Loss from discontinued operations	(233)	(5)	-
Profit for the year	4,855	6,894	11,812
Other comprehensive income			
Movement on available-for-sale investments	39	(361)	(39)
Exchange differences - foreign operations	(1,402)	1,313	(2,311)
Gain on revaluation of assets	45	3,127	4,244
	(1,318)	4,079	1,894
Total comprehensive income	3,537	10,973	13,706

¹EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation.

Hili Ventures Limited Consolidated Statement of Financial Position as at 31 December	2016	2017	2018
	€000	€000	€000
ASSETS			
Non-current assets			
Goodwill and other intangibles	108,265	104,545	101,432
Property, plant and equipment	104,917	111,948	124,760
Investment property	43,102	73,802	86,132
Investments and financial assets	2,207	2,199	1,840
Deposit on acquisition of investments	12,500	24,500	26,800
Loans and receivables	10,388	10,897	13,928
Deferred tax asset and restricted cash	2,223	2,606	3,546
	283,602	330,497	358,438
Current assets			
Inventory	14,376	17,845	22,684
Trade and other receivables	22,040	22,469	20,751
Other assets	10,370	10,109	12,885
Cash and cash equivalents	71,851	27,284	40,354
	118,637	77,707	96,674
Total assets	402,239	408,204	455,112



EQUITY

Equity and reserves	72,768	82,870	86,390
LIABILITIES			
Non-current liabilities			
Borrowings and bonds	195,741	225,888	265,937
Other non-current liabilities	9,226	8,489	8,399
	204,967	234,377	274,336
Current liabilities			
Bank overdrafts	4,307	3,577	6,522
Borrowings	57,553	26,465	13,491
Other current liabilities	62,644	60,915	74,373
	124,504	90,957	94,386
	329,471	325,334	368,722
Total equity and liabilities	402,239	408,204	455,112

Hili Ventures Limited Consolidated Cash Flow Statement for the year ended 31 December

	2016	2017	2018
	€000	€000	€000
Net cash from operating activities	27,835	10,875	36,261
Net cash from investing activities	(71,351)	(56,813)	(34,516)
Net cash from financing activities	105,007	2,582	8,484
Net movement in cash and cash equivalents	61,491	(43,356)	10,229
Cash and cash equivalents at beginning of year	6,415	67,544	23,707
Effect of movements in exchange	(362)	(481)	(104)
Cash and cash equivalents at end of year	67,544	23,707	33,832

Hili Ventures reported a turnover of €341.2 million in **FY2016** (FY2015: €252.4 million), representing an increase of *circa* 35% over the prior year. Further analysis shows that 'restaurant operations' revenue increased by €130.2 million (+130%) from €99.9 million in FY2015 to €230.2 million in FY2016, mainly as a consequence of the acquisition in January 2016 of the business operating 67 McDonald's restaurants in Romania. As at year end (2016), Premier Capital operated a total of 133 restaurants (FY2015: 63 outlets). In FY2016, revenue generated from restaurant operations comprised 67% of aggregate Group revenue. In contrast, the other revenue items decreased y-o-y by €41.4 million to €111.1 million (-27%), principally due to the cessation of B2B operations at iSpot.

FY2016 EBITDA increased by 97% from a year earlier to €36.7 million (FY2015: €18.6 million). As explained above, the new acquisition at Premier Capital more than doubled the number of restaurants under operation and is the primary reason for the y-o-y increase in EBITDA. Profit for the year amounted to €4.9 million as compared to €3.4 million in FY2015 (+44%), which takes into account depreciation and amortisation of €14.1 million (FY2015: €8.6 million), net finance costs of €11.1 million (FY2015: €7.0 million) and taxation amounting to €8.0 million (FY2015: €0.7 million).

Revenue generated in **FY2017** amounted to €396.5 million, an increase of €55.2 million (+16%) when compared to the prior year. All business activities reported y-o-y increases (net of intra-group transactions which are eliminated on consolidation) as follows:

- (i) revenue derived from 'restaurant operations' increased by €33.3 million (+14%) to €263.4 million, principally due to an increase in restaurants from 133 outlets in 2016 to 140 in 2017 and growth in revenue per restaurant;
- (ii) turnover from 'Sale of Apple products' increased by €8.4 million (+11%) to €84.0 million in FY2017, wherein iSpot relocated 2 stores and opened 1 new store;
- (iii) an increase of 27% or €2.7 million was registered in 'IT solutions and security systems', particularly due to significant growth in new APCOPAY clients (payment gateway solutions);



- (iv) income from 'rental operations' increased from €3.2 million in FY2016 to €4.6 million (+44%), on account of a newly acquired property in Romania in Q2 2017, which property is fully leased;
- (v) turnover from 'logistics and transport services' increased from €15.5 million in FY2016 to €22.9 million (+48%), mainly reflecting a full year's income generated from Allcom Sp. z.o.o. which was acquired in the latter part of FY2016;
- (vi) income generated from 'engineering services' increased by 32% y-o-y to €8.8 million, primarily as a result of the acquisition of Techniplus S.A., a company with operations in Morocco and neighbouring countries involved in maintenance and servicing of port cargo handling equipment.

EBITDA for the year under review amounted to €39.5 million, an increase of 8% from a year earlier (FY2016: €36.7 million). Premier Capital's portion of EBITDA amounted to €35.1 million (FY2016: €32.7 million), representing 89% of aggregate EBITDA in FY2017 (FY2016: 89%). Depreciation and amortisation amounted to €14.1 million in each of FY2016 and FY2017. Net finance costs, on the other hand, increased by €1.0 million from €11.1 million in FY2016 to €12.1 million. In FY2017, Hili Ventures reported a net investment loss of €3.9 million, primarily as a consequence of goodwill write-offs amounting to €5.2 million, which was partly mitigated by an increase in fair value of investment property of €2.0 million. Taxation was considerably lower in FY2017 at €2.5 million when compared to the FY2016 tax charge of €8.0 million. After accounting for exchange differences and revaluation gains, the Group reported total comprehensive income amounting to €11 million as compared to €3.5 million registered in FY2016.

Revenue generated by Hili Ventures in **FY2018** amounted to €427.4 million, a y-o-y increase of €30.9 million (8%) from FY2017, of which, *circa* 89% (FY2017: 88%) represented 'restaurant operations' revenue (being income derived from the operation of McDonald's restaurants through Premier Capital) and 'Sale of Apple products' revenue (primarily being income from retailing Apple products under the iSpot brand). Other than 'logistics and transport services' and 'engineering services', all business activities reported y-o-y increases (net of intra-group transactions which are eliminated on consolidation) as follows:

- (i) revenue generated from 'restaurant operations' increased by €30.1 million (+11%) to €293.6 million, principally due to an increase in restaurants from 140 outlets in 2017 to 146 in 2018 and growth in revenue per restaurant;
- (ii) turnover derived from 'Sale of Apple products', which includes 30 Apple stores in Poland, Hungary and Romania, increased by €5.8 million (+7%) to €89.8 million in FY2018;
- (iii) IT solutions and security systems increased by 21% y-o-y from €12.8 million in 2017 to €15.5 million, mainly on account of software sales, maintenance & support services and payment solutions;
- (iv) income from 'rental operations' increased from €4.6 million in FY2017 to €5.3 million, reflecting a full year's lease from a property in Romania acquired in Q2 2017;
- (v) turnover from 'logistics and transport services' decreased from €22.9 million in FY2017 to €16.4 million, mainly reflecting a decline in revenue generated from Allcom Sp. z.o.o.;
- (vi) income generated from 'engineering services' decreased by €2.0 million (y-o-y) to €6.8 million, due to the discontinuation of the marine division and company restructuring.

EBITDA for the year under review amounted to €42.9 million compared to €39.5 million reported in FY2017, being an increase of €3.4 million (+8%). The principal contributor to EBITDA is Premier Capital as it accounted for 90% of total EBITDA in FY2018 (FY2017: 89%). Net investment income amounted to €644,000 and principally comprised net gains on disposal of investment property of €1.0 million, interest income of €0.5 million and a net decrease in fair value of investment property of €0.9 million. In FY2018, the Group reported a net profit of €11.8 million compared to €6.9 million in FY2017, while total comprehensive income amounted to €13.7 million as compared to €11.0 million achieved in the prior year.

Non-current assets in the statement of financial position as at 31 December 2018 amounted to €358.4 million (2017: €330.5 million). Notable items include: (i) goodwill and other intangibles amounting to €101.4 million (2017: €104.5 million), which principally relate to goodwill on acquisitions of going concerns, support services license, acquired rights, franchise fees for restaurant operations, patents and trademarks for Apple products and computer software licenses; and (ii) property, plant and equipment and investment property amounting to €210.9 million (2017: €185.8 million), which comprises improvements to leased properties, equipment and properties owned by Hili Properties p.l.c.

Current assets as at 31 December 2018 amounted to €96.7 million (2017: €77.7 million) and primarily include inventory, trade receivables, other assets and cash balances. Current liabilities amounted to €94.4 million (2017: €91.0 million), made up of borrowings as to €20.0 million (2017: €30.0 million) and other liabilities of €74.4 million (2017: €60.9 million). Hili Ventures' liquidity ratio (which is measured by dividing current assets by current liabilities and indicates a company's ability to pay its current liabilities from its current assets), as at 31 December 2018, stood at 1.02 times (2017: 0.85 times).

Non-current liabilities at year end amounted to €274.3 million (2017: €234.3 million) and mainly comprised borrowings and bonds. The equity value of Hili Ventures as at 31 December 2018 totalled €86.4 million (2017: €82.9 million).



Net cash flows from operating activities in FY2018, as presented in the statements of cash flows for the year ended 31 December 2018, amounted to €36.3 million as compared to €10.9 million in the prior year. The majority of cash generated from operating activities pertains to the restaurant and Sale of Apple products operations, which is offset by net cash outflows in working capital movements and interest and tax payments.

In FY2018, Hili Ventures used €34.5 million in investment activities, as compared to €56.8 million in FY2017, primarily to acquire investment property, property, plant and equipment, and other assets. Net cash flows from financing activities amounted to €8.5 million (FY2017: €2.6 million), which comprised the repayment of existing loans amounting to €50.3 million and the payment of €9.0 million in dividends. These cash outflows were mainly financed through a new bond issue of €40 million and proceeds from bank loans amounting to €28.9 million. Cash and cash equivalents at the end of 2018 amounted to €33.8 million, an increase of €10.1 million from a year earlier (FY2017: €23.7 million).

6. PRINCIPAL INVESTMENTS

The principal investments of Hili Ventures are described hereunder:

A) COMINO HOTEL AND BUNGALOWS

On 24 May 2019, HV Hospitality Limited, a Subsidiary of the Guarantor, entered into a share purchase agreement for the acquisition of 100% shareholding in Kemmuna Limited (C 15344), a company which owns the Comino Hotel and Bungalows situated in the vicinity of San Niklaw Bay and Santa Marija Bay on the Island of Comino. Subject to conditions precedent including *inter alia* the successful completion of a due diligence exercise, HV Hospitality Limited shall acquire the aggregate of 100% of the issued share capital of Kemmuna Limited, free and clear of any claim, charge and/or other encumbrances, and together with all rights and advantages attaching to the ordinary shares being acquired. The cash consideration for the said acquisition shall amount to €55 million and shall also include an amount as compensation for working capital balances, which shall be calculated in accordance with the terms of the share purchase agreement. A deposit amounting to €2 million has been paid to the sellers on signing of the share purchase agreement.

The shareholding of Kemmuna Limited is composed as follows:

Involved Party	Address	Issued Ordinary Shares	Class	% Paid Up	Normal Value Per Share (EUR)
Ropes Limited (C 45241)	Tumas Group Corporate Office, Portomaso Business Tower, Level 3, St Julians, Malta	551,470	B	100	2.329373
Ropes Limited (C 45241)	Tumas Group Corporate Office, Portomaso Business Tower, Level 3, St Julians, Malta	147,060	B	85	2.329373
Chrisanthon PTY Ltd (ACN 080223623) as Trustee for the Chrisanthon Trust	40A, Bay Street, Mosman, New South Wales 2088, Australia	73,529	C	100	2.329373
Alf. Mizzi & Sons Ltd (C 203)	Zachary House, Marsa Industrial Estate, Marsa MRS 3000, Malta	349,265	A2	100	2.329373
Consolidated Holdings Limited (C 1192)	Mizzi Organisation Corporate Office, Testaferrata Street, Ta' Xbiex XBX 1407, Malta	305,600	A1	100	2.329373
Festa Limited (C 799)	Industrial House, National Road, Hamrun, Malta	43,665	A1	100	2.329373

The above-mentioned acquisition will be funded from net proceeds of the Bond Issue in terms of the Securities Note. Further information on the subject property is provided in Annex I "Architect's Valuation Report".

Hili Ventures has initiated the design process to redevelop the existing properties into an exclusive five-star hotel and luxury serviced bungalows. The vision is to offer guests a one-of-a-kind experience through the creation of an eco-friendly secluded retreat, surrounded by pristine nature. The proposed project is subject to the issuance of necessary approvals and planning permits, and having the required funding in place.

B) CONTAINER LEASING BUSINESS OPERATION

The Group plans to initiate a container leasing operation through the newly incorporated company Cobalt Leasing Ltd. As such, the amount of €10 million from the net Bond Issue proceeds and *circa* an additional €10 million of bank borrowings will be utilised to finance the acquisition of new containers, which in turn will be leased to container shipping lines on a long term basis.



A significant percentage of containers used by shipping lines globally are leased from container leasing companies such as Cobalt Leasing Ltd, as it allows such shipping lines to adjust their container fleets both seasonally and over time and help to balance trade flows. The flexibility offered by container leasing assists container shipping lines in improving their overall fleet management and provides the container shipping lines with an alternative source of financing.

Save for the above, Hili Ventures is not party to any principal future investments, and has not entered into or committed for any such investments. However, a budget for capital expenditure has been allocated for the opening of new McDonald's restaurants, remodelling/upgrading of existing restaurants and general capital expenses. Such expenditure for FY2019 is projected to amount to circa €22.5 million, and will be financed from internally generated funds.

Furthermore, an amount of *circa* €10 million of net proceeds from the Bond Issue will be applied to fund Group-wide investment opportunities presently being considered, or which may arise in the near term, by the board of directors of the Guarantor, including, but not limited to, the setting up of a marine division.

In January 2018, Hili Ventures had submitted a bid, valued at €15.4 million, in relation to the proposed operation and management of the Gzira Gardens Yacht Marina. Hili Ventures has since received formal notification that the afore-mentioned bid was unsuccessful.

7. BUSINESS DEVELOPMENT STRATEGY AND TREND INFORMATION

There has been no material adverse change in the prospects of the Issuer since the date of publication of its latest audited financial statements.

The Issuer is dependent on the business prospects of the Guarantor and, therefore, the trend information relating to the Guarantor has a material effect on its financial position and prospects.

As at the time of publication of this Prospectus, the Guarantor considers that generally it shall be subject to the normal business risks associated with the business in which Hili Ventures operates, and, barring unforeseen circumstances, does not anticipate any trends, uncertainties, demands, commitments or events outside the ordinary course of business that could be considered likely to have a material effect on the upcoming prospects of Hili Ventures and its business, at least with respect to the current financial year. However, investors are strongly advised to carefully read the risk factors in the Prospectus.

7.1 THE GUARANTOR

There has been no material adverse change in the prospects of the Guarantor since the date of its last published audited consolidated financial statements.

The Guarantor's business strategy focuses on two principal elements as described hereunder:

- **Directional strategy** involves the oversight and evaluation by the Guarantor's Board of Directors of each of the businesses owned by Hili Ventures, so as to achieve positive operational results, distribute dividends to the Guarantor on a regular basis and increase shareholder value. The Guarantor monitors and supports Hili Ventures Companies by, *inter alia*:
 - regularly monitoring financial and operational performance of Hili Ventures Companies to effectively ensure that set goals and organic growth strategies are achieved; and
 - forming strong subsidiary level boards of directors to support executive management in their development and implementation of strategic goals and objectives.
- **Acquisition strategy** involves the acquisition of businesses that are expected to produce positive earnings and cash flow, and have high growth potential. In this respect, the Guarantor may acquire companies operating in sectors other than those in which Hili Ventures currently operates if the directors believe an acquisition target presents an attractive opportunity.

7.2 PREMIER CAPITAL P.L.C.

The principal objective of Premier Capital p.l.c. and its Subsidiaries ("**Premier Capital**") is to focus on the expansion of the McDonald's restaurant network within existing and new markets, given the belief of Premier Capital's management that there is significant market potential to continue to develop the McDonald's concept in Malta, the Baltic countries, Romania and Greece and, possibly, other territories (subject to franchisor's approval and granting of the associated licenses).

The opportunities for further expansion in the regions in which Premier Capital operates will depend on a number of factors that could have a material impact on Premier Capital's strategy to increase its operational presence in these territories. These factors are driven principally by the level of penetration that management reckons is sustainable in each of these territories to conduct profitable operations.



In devising future strategy, Premier Capital's management takes an *ad hoc* regional view of: general macro-economic conditions; the social development of the population; competition; regulation; affluence; political and economic stability within each territory. Moreover, Premier Capital commissions regular market studies in each of the territories in which it operates restaurants in order to keep under review all the relevant market conditions that could have an impact on its development strategy and to enable it to react in a timely manner as and when market conditions so dictate.

The outlook for Premier Capital's business across all six markets is positive. In the Baltic States, Malta and Romania, the McDonald's brand remains a market leader within the informal eating-out sector and Premier Capital continues to grow its market share and broaden its user base through improving overall customers' restaurant experience. This indication provides Premier Capital with opportunities to continue to expand the business in such markets in the coming years.

As to the Greek market, McDonald's still faces strong competition from key players in the informal eating-out sector which have a larger market share. Notwithstanding, Premier Capital has registered an increase in its share of the market and the financial results from the Greek operations have improved.

7.3 1923 INVESTMENTS P.L.C.

The principal objective of 1923 Investments p.l.c. is to operate and manage Hili Ventures' investments, other than the operation of McDonald's restaurants and the property division, which are managed by Premier Capital p.l.c. and Hili Properties p.l.c. respectively. The following is an overview of the business strategies and trends affecting each of the businesses currently operated by 1923 Investments p.l.c., specifically, iSpot, Harvest and Hili Logistics.

7.3.1 THE BUSINESS OF iSPOT

The market in Poland and Hungary for Apple products and services is highly competitive. As with other developed markets, the market is characterised by frequent product introductions and rapid technological advances that have substantially increased the capabilities and use of mobile communication and media devices, personal computers, and other digital electronic devices. iSpot competes with other resellers of Apple products and services, and therefore competing factors include mainly price of products, as well as location of stores, quality of service provided and share of the business-to-business ('B2B') market. iSpot's other competitors, which sell Apple products as well as other mobile devices and personal computers based on other operating systems, typically undertake aggressive price cuts and lower their product margins to gain or maintain market share. The challenge of the Apple Premium Reseller stores is to differentiate the total service experience beyond the product. Apple is, however, designing new ways to expand the business generated from its retail platforms beyond the current business-to-consumer ('B2C') activity, which will likely create growth opportunities for the company's already strong portfolio in the market. iSpot is continuously driven to obtain the ultimate store portfolio and looking for ways to increase cost efficiencies.

iSpot is highly dependent on Apple to continuously introduce new and improved products and services ahead of competitors so as to maintain high demand for Apple offerings. Principal competitive factors important to iSpot include price, product features, relative price/performance, product quality and reliability, design innovation, a strong third-party software and peripherals ecosystem, marketing and reselling capability, service and support, and corporate reputation.

7.3.2 THE BUSINESS OF HARVEST

Harvest aims to bring people together to share their skills, creativity, optimism and vision. Through entrepreneurship, ambition and opportunity, Harvest wants to create a space where companies with long-lasting ideas can gain access to resources and expertise that will help them define the right strategic footing to broaden their horizons and succeed.

Harvest's value is rooted in enabling the customers of the companies within its fold to do more, faster, more efficiently. The entities within Harvest have helped many customers flourish thanks to the ideas, technologies and systems that have been implemented for them. As such, Harvest is passionate about supporting other technology companies to grow. Harvest is looking to partner ambitious founders to lead them to a brighter, prosperous future, driving the growth of Harvest's value in the process.

The IT hardware, software and services industry is very fragmented and highly competitive. Harvest competes with a large number and wide variety of marketers and resellers of IT hardware, software and services. The competitive landscape in the industry is continually changing as various competitors expand their product and service offerings. In addition, emerging models such as cloud computing are creating new competitors and opportunities in business applications, infrastructure, security, collaboration and other services offerings, and, as with other areas, the above-mentioned companies resell and compete directly with many of these offerings.

With reference to payment gateway solutions, management believes that electronic transactions will expand further in the future and that an increasing percentage of these transactions will be processed through emerging technologies. Competitors are continually offering innovative products and enhanced services, such as products that support smart phones that contain mobile wallet software. As mobile payments continue to evolve and are desired by merchants and consumers, Harvest will continue to develop new products and services that will leverage the benefits that these new technologies can offer customers. In addition, it is expected that new markets will develop in areas that have been previously dominated



by paper-based transactions. Industries such as e-commerce, government, recurring payments and business-to-business should continue to see transaction volumes migrate to more electronic-based settlement solutions.

As such, the continued development of new products and services and the emergence of new vertical markets will provide opportunities for Harvest to expand its business in the years to come.

7.3.3 THE BUSINESS OF HILI LOGISTICS

The logistics services industry is intensely competitive and is expected to remain so for the foreseeable future. There are a large number of companies competing in one or more segments of the industry, and a more limited number of firms with a global network that offer a full complement of logistics services. Furthermore, there are new technology-based competitors entering the industry. Many of these competitors have significantly more resources than Hili Logistics. Depending on the location of the shipper and the importer, Hili Logistics must compete against both the niche players and larger entities. The industry continues to experience consolidations into larger firms aiming for stronger and more complete multinational and multi-service networks. However, regional and local competitors still maintain a strong market presence in certain areas.

The primary competitive factors in the logistics services industry continue to be price and quality of service, including reliability, responsiveness, expertise, convenience, and scope of operations. Hili Logistics emphasises quality customer service and is focused on optimising operations so as to maintain competitive prices over others in the industry.

Management has a strategy to grow Hili Logistics through the development of its current core activities and, in particular, endeavours to add new geographic territories, enhance the current base of customers, and/or add new services.

The acquisition of Allcom Sp. z.o.o. in 2016 has enabled Hili Logistics to expand its global reach by using available knowledge and range of services to grow the business. The operating companies forming part of Hili Logistics shall continue to exploit synergies, collaborate on projects and attract new clients by utilising existing logistical contacts and supply chains.

7.4 HILI PROPERTIES P.L.C.

It is the objective of Hili Properties p.l.c. and its Subsidiaries ("**Hili Properties**") to continue to act as the property holding vehicle of Hili Ventures. In this regard, Hili Properties aims to continue to manage existing properties, and to acquire and dispose of properties as necessary to meet the needs of Hili Properties' business operations. The rents chargeable by Hili Properties to Hili Ventures Companies are based on commercial rental rates and respective lease agreements are entered into on an arms-length basis.

With respect to the remaining portfolio, Hili Properties' strategy is to create a property portfolio consisting primarily of attractively-located, institutional and high quality, income-producing investment properties to deliver income and capital growth through active asset management. The Guarantor believes that Hili Properties' board of directors, with the support of external advisors and property experts, has appropriate knowledge and competence in order to capitalise on the opportunities presented by current and expected market conditions.

Hili Properties intends to continue to source its investment opportunities primarily through the board of directors' extensive network of relationships, which includes the corporate and private landlords, brokers, domestic banks and others. The board of directors expects to create both sustainable income and strong capital returns for Hili Properties.

7.5 MOTHERWELL BRIDGE INDUSTRIES LIMITED

Motherwell Bridge Industries Limited and its Subsidiaries ("**Motherwell Bridge**") operate in the engineering industry, particularly in the construction and maintenance of port-handling equipment as well as other related business operations. The afore-mentioned industry is highly competitive and Motherwell Bridge competes with both large as well as many mid-size and smaller companies. Competitive position is based on a multitude of factors, including pricing, backlog management, financial strength, and availability of partners, suppliers and workforce.

Through the acquisition of Techniplus S.A. in 2016, Motherwell Bridge has considerably expanded its geographic markets, client base and scale of operation. As such, looking ahead, Motherwell Bridge expects to materially grow its work pipeline and achieve profitable growth by continuing to progress in operational excellence with a performance-driven culture.

8. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

8.1 THE ISSUER

8.1.1 EXECUTIVE AND NON-EXECUTIVE DIRECTORS

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 four and not more than six Directors, who are appointed by the shareholders.



Directors of the Issuer are appointed by means of an ordinary resolution in general meeting. Accordingly, the Guarantor is empowered to appoint the Directors of the Issuer, thereby putting it in a position to appoint an absolute majority of the Directors of the Issuer and, accordingly, have control over the management and operations of the Issuer.

The Issuer is currently managed by a Board consisting of five Directors entrusted with its overall direction, including the establishment of strategies for future development. Its responsibilities include the oversight of the Issuer's internal control procedures and financial performance, and the review of the Issuer's business risks, thus ensuring such risks are adequately identified, evaluated, managed, and minimised. All the Directors have access to independent professional advice at the expense of the Issuer, should they so require.

The Executive Director of the Issuer is entrusted with the company's day-to-day management and is also a director or officer of other companies within Hili Ventures. The main functions of the remaining four non-executive Directors comprising the Board, two of whom are also independent of the Issuer, are to monitor the operations of the executive Director and his performance, as well as to review any proposals tabled by the executive Director. In line with generally accepted principles of sound corporate governance, at least one of the Directors shall be a person independent of the Group. All of the Directors of the Issuer were elected by the shareholders upon the Issuer's incorporation and no Directors have been removed and no further Directors elected and appointed since the Issuer's inception.

The business address of each Director is the registered office of the Issuer.

None of the Directors have been:

- a) convicted in relation to fraud or fraudulent conduct;
- b) made bankrupt or associated with any liquidation or insolvency caused by action of creditors;
- c) the subject of any official public incrimination or sanction by any statutory or regulatory authority; or
- d) disqualified by a court from acting as director or manager.

The Directors believe that the present organisational structure is adequate for the current activities of the Issuer. 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.

Hereunder is a brief *curriculum vitae* of each of the current Directors:

Carmelo sive Melo Hili is Non-Executive Chairman of the Issuer and the Chief Executive Officer of the Guarantor. He joined the family business in 1988 and was appointed Managing Director of Motherwell Bridge, then a joint venture with Motherwell Bridge Group of Scotland. Mr Hili later also headed the company's Italian operation and was a board member of Motherwell Bridge Bhicam in the Bahamas. He was named Developmental Licencee for McDonald's in Malta in 2005, for Estonia, Latvia and Lithuania in 2007, for Greece in 2011 and for Romania in 2016. Mr Hili is also Chairman of Premier Capital p.l.c. (C 36522), Hili Properties p.l.c. (C 57954), Motherwell Bridge Industries Limited (C 32467) and HV Hospitality Limited (C 91217), and is Chief Executive Officer of 1923 Investments p.l.c. (C 63261).

Geoffrey Camilleri is a Certified Public Accountant. After obtaining an Honours degree in Accountancy from the University of Malta, he joined the Assurance and Business Advisory division of PricewaterhouseCoopers in Malta. He then moved into industry and joined Malta's Middlesea Insurance Group, and later Gasan Group. He joined Hili Ventures in 2014 and was appointed Chief Financial Officer of the Guarantor in January 2016. Mr Camilleri is also director of Hili Properties p.l.c. (C 57954), 1923 Investments p.l.c. (C 63261), Motherwell Bridge Industries Limited (C 32467), Cobalt Leasing Limited (11808196) and HV Hospitality Limited (C 91217).

Dorian Desira is a Non-Executive Director of the Issuer and a Certified Public Accountant. He joined the organisation in 1997 as an accounts clerk and later was appointed financial controller of the group's IT arm and Motherwell Bridge. In 2008, Mr Desira graduated as an accountant and a year later joined Premier Restaurants Malta as Finance Manager. On takeover of the Greek McDonald's operation in 2011, Mr Desira moved to Greece to support the new addition to Premier Capital p.l.c. (C 36522). He returned to Malta as General Manager overseeing the McDonald's operation of nine restaurants. In May 2014, Mr Desira was appointed Chief Financial Officer of Premier Capital p.l.c. (C 36522). Mr Desira is a director of various entities within Premier Capital p.l.c. (C 36522) and of Carmelo Caruana Company Limited (C 9616). He is a fellow member of the Malta Institute of Accountants and the Association of Chartered Certified Accountants.

Jacqueline Camilleri is a Certified Public Accountant and a fellow member of the Malta Institute of Accountants. She graduated from the University of Malta with a B.A (Hons) in Accountancy and holds an MBA from Heriot-Watt University's Edinburgh Business School. Ms Camilleri held various roles at AX Holdings between 1990 and 1998. She later joined the team at the Foundation for Medical Services responsible for the opening of Mater Dei Hospital, and served as Directorate Management Accountant at Stock Mandeville Hospital in the UK. Ms Camilleri has provided financial consultancy to the private and national health sector in Malta and worked on privatisation processes, strategic reviews and business evaluations during her time at MIMCOL. In 2010, she was appointed Director General Finance and Administration at the Ministry for Health, Elderly and Community Care. In 2014,



Ms Camilleri was appointed Chief Executive Officer of retirement village Hilltop Gardens, a subsidiary of AX Holdings. She served on the board of the Foundation for Medical Services between 2005 and 2010, and was Vice Chair of Malta International Airport between 2008 and 2013. Ms Camilleri now provides business advisory services.

Mario Vella joined Barclays Bank in Malta in 1969 and occupied several positions within the banking sector, concluding his career with HSBC Bank Malta p.l.c. (C 3177) in 2013 as Head of Corporate Banking, responsible for the major share of the bank's lending portfolio and its largest corporate customers. He has been involved in driving through major change in banking strategies especially on Mid-Med Bank's takeover by HSBC. Over the years, Mr Vella has arranged finance for a significant number of high profile projects, through a mix of bank and syndicated lending and capital markets. In 2013, after 43 years in banking, Mr Vella joined KPMG in Malta as Director, Deal Advisory, and served as consultant to several company boards, assisted in raising finance for new ventures, and supporting clients refinance their borrowing facilities. He retired from KPMG in 2017, but continues to provide consultancy services to various businesses. Mr Vella is a Non-Executive Director or Chairman on a number of corporate boards, including boards of companies with securities listed on the Malta Stock Exchange, namely AgriHoldings plc (C 57008) and Mercury Projects Finance p.l.c. (C 89117).

8.1.2 DIRECTORS' SERVICE CONTRACTS

The respective functions of each of the Issuer's non-executive Directors are regulated by service contracts. A copy of each of these service contracts is available for inspection at the registered office of the Issuer in accordance with the requirements of the Listing Rules. The executive Director of the Issuer does not have a service contract with the Issuer.

8.1.3 AGGREGATE EMOLUMENTS OF DIRECTORS

For the financial period 6 April 2018 to 31 December 2018, director emoluments amounted to €20,250 in aggregate. In terms of the Memorandum and Articles of Association of the Issuer, the aggregate emoluments of all Directors in any one financial year, and any increases thereto, shall be such amount as may from time to time be determined by the Issuer in General Meeting, and any notice convening the General Meeting during which an increase in the maximum limit of such aggregate emoluments shall be proposed, shall contain a reference to such fact. 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.

8.1.4 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.

8.1.5 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 ordinary resolution of the shareholders as provided in article 140 of the Act.

8.1.6 POWERS OF DIRECTORS

The business of the Issuer is managed by the Directors, who may, in accordance with the Issuer's articles of association, exercise all such powers as are not by the said articles of the Issuer required to be exercised by it in general meeting.

In accordance with the Issuer's articles of association, the board of the Issuer may exercise all the powers of the Issuer to borrow money and to hypothecate or charge its undertaking, property and uncalled capital or any part thereof, and to issue bonds, debentures, debenture stock and other securities, on such terms, in such manner and for such consideration as they may deem fit, whether outright or as security for any debt, liability or obligation of the company or of any third party, subject to the limit established in the articles of association and the overriding authority of the shareholders in general meeting to change, amend, restrict and/or otherwise modify such limit and the Directors' borrowing powers.

8.1.7 EMPLOYEES

As at the date of the Prospectus, the Issuer has no employees.

8.2 THE GUARANTOR

8.2.1 DIRECTORS

The Guarantor is managed by a board of directors consisting of five directors that is entrusted with the responsibility of the direction and management of the Guarantor within the strategic parameters established by the board. The business address of each director of the Guarantor is the registered office of the Guarantor.



Hereunder is a brief *curriculum vitae* of each of the current directors:

The *curriculum vitae* of Melo Hilli is included in section 8.1.1 above.

Steve Tarr is chairman of the Guarantor. He is a certified management consultant and sits on a number of company boards in the UK, Malta and Germany. He has been involved in more than 20 mergers and acquisitions, and is a specialist in supporting organisations in change management and people management. Mr Tarr established Mdina International, a management and people consultancy, in 1980, after an apprenticeship in engineering and a career in sales in the UK. He has delivered bespoke training programmes to thousands of people within organisations of all sizes in more than 30 countries. Mdina International has offices in the UK, Malta and Germany.

Richard Abdilla Castillo is a Certified Public Accountant and is a Director of the Guarantor and Chief Executive Officer of 1923 Investments p.l.c. He joined the organisation in 1989 as a financial controller and has since been extensively involved in the growth of Hilli Ventures' companies and serving on various boards across the group. In 2016, he was appointed Director (Transactions & Major Projects). Mr Abdilla Castillo previously occupied senior roles at KPMG Malta within the firm's consultancy division. He was responsible for several companies in diverse industries, based in Malta and overseas.

Victor Tedesco is the Managing Director of Premier Capital p.l.c. (C 36522). He joined the McDonald's team in Malta before the first restaurant opened in Valletta in 1995. He was part of the team that opened the Valletta, St Julian's and Sliema restaurants. He was St Julian's store manager for three years during which time he won a Manager of the Year award in the European market. He became Operations Manager and moved to head office. In 2007, he was appointed Director of Operations for the Baltics and moved to Riga for three and a half years. In 2011, he was entrusted with leading the operation in Greece. He returned to Malta in 2014 as Managing Director for Malta and Greece. He was appointed to the board of directors of Hilli Properties p.l.c. (C 57954) in 2014. He assumed responsibility for all of Premier Capital p.l.c. (C 36522) in 2015. Mr Tedesco is also a director of HV Hospitality Limited (C 91217).

Jesmond Mizzi is Managing Director of Jesmond Mizzi Financial Advisors Limited (C 30176). He has a financial services career spanning 20 years. In 2002, he co-founded Jesmond Mizzi Financial Services after holding senior roles with a listed company in Malta. Mr Mizzi spent six years managing a family catering business and was at PricewaterhouseCoopers for seven years. He has also served as a director of Premier Capital p.l.c. (C 36522).

8.2.2 DIRECTORS' SERVICE CONTRACTS

None of the directors of the Guarantor have a service contract with the Guarantor.

8.2.3 AGGREGATE EMOLUMENTS OF DIRECTORS

For the financial year ended 31 December 2018, director emoluments amounted to €179,329 in aggregate (2017: €197,488).

8.2.4 LOANS TO DIRECTORS

There are no loans outstanding by the Guarantor to any of its directors nor any guarantees issued for their benefit by the Guarantor.

8.2.5 REMOVAL OF DIRECTORS

Directors of the Guarantor may, unless they resign, be removed by ordinary resolution of the shareholders as provided in article 140 of the Act.

8.2.6 POWERS OF DIRECTORS

By virtue of the Articles of Association of the Guarantor, the board of directors is empowered to exercise all the rights of the company except those rights as are expressly reserved for decision by the shareholders in general meeting.

8.2.7 EMPLOYEES

As at 31 December 2018, the average number of persons employed with Hilli Ventures (on a group basis) and Hilli Ventures Ltd (the company) amounted to 7,292 (2017: 7,003 employees) and 34 (2017: 38 employees) respectively.

8.2.8 BOARDS OF SUBSIDIARY COMPANIES

The operating entities of Hilli Ventures are each owned through subsidiary holding companies, namely Premier Capital p.l.c., 1923 Investments p.l.c., Hilli Properties p.l.c., Motherwell Bridge Industries Limited, Cobalt Leasing Ltd and HV Hospitality Limited. Accordingly, a board of directors is entrusted with the responsibility of the direction and management of each subsidiary holding company within the strategic parameters established by the Guarantor's board of directors.

The board of directors of each subsidiary holding company is autonomous in the determination of the appropriate policies for the respective operating companies. The operating companies, in turn, have their own management structures and employees that have the function of implementing the policies and directions of their respective subsidiary holding company board.



8.3 WORKING CAPITAL

As at the date of this Registration Document, the directors of the Issuer and Guarantor are of the opinion that working capital available to the Issuer and Guarantor is sufficient for the attainment of their objects and the carrying out of their respective business for the next 12 months of operations.

8.4 CONFLICT OF INTEREST

As at the date of this Prospectus, in addition to being a Director of the Issuer, Melo Hili is a director of the Guarantor and of HV Hospitality Limited, besides being a director of a number of other companies forming part of Hili Ventures. Moreover, Melo Hili is the controlling ultimate beneficial owner of Hili Ventures.

Geoffrey Camilleri and Dorian Desira are directors of the Issuer, besides being directors and officers of other companies forming part of Hili Ventures. Specifically, Geoffrey Camilleri is a director of HV Hospitality Limited.

Richard Abdilla Castillo and Victor Tedesco are directors of the Guarantor, besides being directors and officers of other companies forming part of Hili Ventures. Specifically, Geoffrey Camilleri is a director of HV Hospitality Limited.

In view of the foregoing, such directors are susceptible to conflicts between the potentially diverging interests of the different members of Hili Ventures.

No private interests or duties unrelated to the Issuer, Guarantor or Hili Ventures, as the case may be, have been disclosed by the general management team which may or are likely to place any of them in conflict with any interests in, or duties towards, the Issuer or the Guarantor, as the case may be.

In addition, in view of the lender-borrower relationship which is to arise between the Issuer and companies forming part of Hili Ventures, there may be situations that could give rise to conflicts between the potentially diverging interests of members of Hili Ventures. By virtue of the Memorandum and Articles of Association of the Issuer, the Directors are obliged to keep the Board advised of any interest in a contract, arrangement or proposal with the Issuer. The Board member concerned shall not take part in the assessment by the Board as to whether a conflict of interest exists. A Director shall not vote at a meeting of Directors in respect of any contract, arrangement or proposal in which he has a material interest, whether direct or indirect.

To the extent known or potentially known to the Issuer and Guarantor as at the date of this Prospectus, there are no other potential conflicts of interest between any duties of the Directors of the Issuer, and/or the directors of the Guarantor, as the case may be, and their respective private interests and/or their other duties, which require disclosure in terms of the Regulation.

9. AUDIT COMMITTEE PRACTICES

The Audit Committee's primary objective is to assist the Board of the Issuer in fulfilling its oversight responsibilities over the financial reporting processes, financial policies and internal control structure. The Audit Committee oversees the conduct of the internal and external audit and acts to facilitate communication between the Board, management, the external auditors and the internal audit team. The internal and external auditors are invited to attend the Audit Committee meetings. The Audit Committee reports directly to the Board of Directors.

The terms of reference of the Audit Committee include support to the Board of Directors of the Issuer in its responsibilities in dealing with issues of risk, control and governance, and associated assurance. The Board has set formal terms of establishment and the terms of reference of the Audit Committee which set out 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 Board reserved the right to change the Committee's terms of reference from time to time.

Briefly, the Committee is expected to deal with and advise the Board on:

- (a) its monitoring responsibility over the financial reporting processes, financial policies and internal control structures;
- (b) maintaining communications on such matters between the Board, management and the external auditors;
- (c) facilitating the independence of the external audit process and addressing issues arising from the audit process; and
- (d) preserving the Company's assets by assessing the Company's risk environment and determining how to deal with those risks.

In addition, the Audit Committee also has the role and function of evaluating any proposed transaction to be entered into by the Issuer and a related party, to ensure that the execution of any such transaction is at arm's length, on a commercial basis and ultimately in the best interests of the Issuer. Furthermore, the Audit Committee has the role of assessing any potential conflicts of interest between the duties of the Directors and their respective private interests or duties unrelated to the Issuer.

The Committee is made up entirely of non-executive Directors, two of whom are independent of the Issuer, and who are appointed for a period of one year. Mario Vella, an independent, non-executive Director of the Issuer, acts as Chairman, whilst Jacqueline Camilleri and Dorian Desira



act as members of the Audit Committee. In compliance with the Listing Rules, Jacqueline Camilleri is considered to be the member competent in accounting and/or auditing matters. The Issuer considers that the members of the Audit Committee have the necessary experience, independence and standing to hold office as members thereof.

10. COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS

10.1 THE ISSUER

The Issuer is subject to, and supports, the Code of Principles of Good Corporate Governance (the "Code") forming part of the Listing Rules. The Board has taken such measures as are necessary in order for the Issuer to comply with the requirements of the Code to the extent that these were considered appropriate and complementary to the size, nature and operations of the Issuer.

As at the date of this Prospectus, the Board considers the Issuer to be in compliance with the Code, save for the following exceptions:

(i) Principle 7 "Evaluation of the Board's Performance"

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 evaluated on an ongoing basis by, and is subject to the constant scrutiny of, the Board itself, the Issuer's shareholders, the market and the rules by which the Issuer is regulated as a listed company.

(ii) Principle 8 "Committees"

The Issuer does not have a Remuneration Committee or a Nomination Committee as recommended in Principle 8. Given that the Issuer does not have any employees other than the Directors and the company secretary, it is not considered necessary for the Issuer to maintain a remuneration committee. Also, 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 Memorandum and Articles of Association of the Issuer. The Issuer considers that the current members of the Board provide the required level of skill, knowledge and experience expected in terms of the Code.

10.2 THE GUARANTOR

As the Guarantor is not a public company having securities listed on a regulated market, it is not bound by the provisions of the Code set out in the Listing Rules. Notwithstanding the foregoing, the Board of directors of the Guarantor has established an Audit Committee in compliance with the Code, the primary purpose of which is to act independently from the executive management, to protect the interests of the company's shareholders and assist the directors in conducting their role effectively so that the company's decision-making capability and accuracy of its reporting and financial results are maintained at a high level at all times. The Audit Committee of the Guarantor, the latter entity being the parent company of Hili Ventures, is, pursuant to its terms of reference, entitled to review any issues that relate to the particular subsidiaries or activities carried on by the Group. In this regard, the Audit Committee of the Guarantor is to ensure that there is adequate cooperation with Hili Ventures (and with internal and external auditors of the individual companies within the Group) to enable the Audit Committee to discharge its responsibilities effectively.

11. HISTORICAL FINANCIAL INFORMATION

The historical financial information relating to the Issuer for the period 6 April 2018 to 31 December 2018 have been audited by Grant Thornton and are available for inspection as set out in section 17 below. There have been no significant changes to the financial or trading position of the Issuer since the end of the financial period to which the last audited financial statements relate.

The historical financial information relating to the Guarantor for the three financial years ended 31 December 2016 to 2018 are set out in the consolidated financial statements of the Guarantor, which are available for inspection as set out in section 17 below. There have been no significant changes to the financial or trading position of the Guarantor since the end of the financial period to which the last audited financial statements relate.

Furthermore, the Issuer and the Guarantor hereby confirm that there has been no material change or recent development which could adversely affect potential investors' assessments in respect of the Bonds, other than the information contained and disclosed in the Prospectus.



12. LITIGATION

There are no governmental, legal or arbitration proceedings against the Issuer and/or the Guarantor, including any pending or threatened proceedings, of which the Issuer and/or the Guarantor are aware and which could have significant effects on the financial position or profitability of the Issuer and/or the Guarantor and/or Hili Ventures, taken as a whole.

13. ADDITIONAL INFORMATION

13.1 SHARE CAPITAL OF THE ISSUER

The authorised share capital of the Issuer is €2,000,000 divided into 2,000,000 Ordinary Shares of a nominal value of €1.00 each. The issued share capital of the Issuer is €2,000,000 divided into 2,000,000 Ordinary Shares of a nominal value of €1.00 each, being 100 per cent paid up and subscribed for, allotted and taken up by the Guarantor, other than 1 share which is subscribed for, allotted and taken up by APM Holdings Limited (C 30527).

The authorised share capital of the Issuer may be increased by an ordinary resolution of the shareholders in general meeting. Shares can be issued under those conditions decided by extraordinary resolution of the shareholders in general meeting.

There are no classes of shares and each ordinary share confers the right to one vote at general meetings of the Issuer. All ordinary shares rank *pari passu* in all respects.

The shares of the Issuer are not listed on the Malta Stock Exchange and no application for such listing has been made to date.

It is not expected that the Issuer will issue any shares during the next financial year, whether fully or partly paid up, in consideration for cash or otherwise.

There is no capital of the Issuer which is currently under option, nor is there any agreement by virtue of which any part of the capital of the Issuer is to be put under option. There are no arrangements, known to the Issuer, which may at a subsequent date result in a change in control of the Issuer.

The Issuer adopts measures in line with the Code to ensure that the relationship of the Issuer with the rest of Hili Ventures and/or with the ultimate shareholders, are retained at arm's length, including, in respect of the Issuer, adherence to rules on related party transactions set out in Chapter 5 of the Listing Rules requiring the vetting and approval of any related party transaction by the Audit Committee, which is constituted in its totality by non-executive Directors, a majority of whom are independent of the Issuer. The Audit Committee has the task of ensuring that any potential abuse is managed, controlled and resolved in the best interests of the Issuer. The composition of the Board, including the presence of two independent, non-executive Directors, effectively minimises the possibility of any abuse of control by any major shareholder. With particular reference to the relationship between the Issuer and the ultimate shareholders, the articles of association of the Issuer require any director of the Issuer who in any way, whether directly or indirectly, has an interest in a contract, arrangement, transaction or proposal with the Issuer, to declare the nature of his interest to the Board of Directors of the Issuer. Furthermore, said Director shall not be permitted to vote at that meeting in respect of any contract, arrangement, transaction or any other proposal in which he has, either directly or indirectly, a personal material interest.

13.2 MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE ISSUER

13.2.1 OBJECTS

The objects of the Issuer are set out in clause 4 of the Issuer's Memorandum of Association, with the principal object being to purchase or otherwise acquire, under any title whatsoever, to hold and manage, by any title, movable and immovable property or other assets, including but not limited to securities and other financial interests.

The Memorandum and Articles of Association of the Issuer otherwise regulate matters customarily dealt with therein, including matters such as voting rights and restrictions thereof, and the appointment and powers of Directors.

A copy of the Memorandum and Articles of Association of the Issuer may be inspected during the lifetime of this Registration Document at the registered office of the Issuer as set out in section 17 below and at the Registry of Companies.

13.2.2 APPOINTMENT OF DIRECTORS

At present, in terms of clause 8 of the Issuer's Memorandum of Association, the management and administration of the Issuer shall be managed by a Board of Directors which shall be composed of not less than four and not more than six directors.

The Directors shall be appointed by means of an ordinary resolution of the shareholders of the Company in general meeting.



13.2.3 POWERS OF DIRECTORS

The Directors are vested with the management of the Issuer, and their powers of management and administration emanate directly from the Memorandum and Articles of Association and the law. The Directors are empowered to act on behalf of the Issuer and in this respect have the authority to enter into contracts, sue and be sued in representation of the Issuer. In terms of the Memorandum and Articles of Association they may do all such things that are not by the Memorandum and Articles of Association reserved for the shareholders in general meeting.

Directors may not vote on any proposal, issue, arrangement or contract in which they have a personal material interest.

The maximum limit of aggregate emoluments of the Directors is, in terms of the Memorandum and Articles of Association, to be established by the shareholders in general meeting. Within that limit, the Directors shall have the power to vote on remuneration to themselves or any member of their body. Any increases in the maximum limit of Directors' aggregate emoluments have to be approved by the Company in the general meeting.

In terms of the Memorandum and Articles of Association, the Board of Directors may exercise all the powers of the Issuer to borrow money and give security therefor, subject to such limit as may be established by the shareholders in general meeting.

There are no provisions in the Issuer's Memorandum and Articles of Association regulating the retirement or non-retirement of Directors over an age limit.

13.3 SHARE CAPITAL OF THE GUARANTOR

The authorised share capital of the Guarantor is €95,000,000 divided into 16,000,000 Ordinary Shares of a nominal value of €1 each and 79,000,000 Non-Cumulative 6.8% Redeemable Preference Shares of a nominal value of €1 each. The issued share capital of the Guarantor is €69,400,000 divided into 1,000,000 Ordinary Shares of a nominal value of €1 each and 68,400,000 Non-Cumulative 6.8% Redeemable Preference Shares of a nominal value of €1 each, which have been subscribed for, allotted and fully taken up as follows:

(i) APM Holdings Limited (C 30527)	500,000 Ordinary Shares
(ii) La Toc Limited (C 11742)	448,482 Ordinary Shares
(iii) Slingshot Capital Limited (C 76496)	51,518 Ordinary Shares
(iv) APM Holdings Limited (C 30527)	68,400,000 Non-Cumulative 6.8% Redeemable Preference Shares

The ultimate controlling beneficial owner of the Guarantor is Melo Hilli.

The authorised share capital of the Guarantor may be increased by an ordinary resolution of the shareholders in general meeting. Shares can be issued under those conditions decided by extraordinary resolution of the shareholders in general meeting.

Each ordinary share confers the right to one vote at general meetings of the Guarantor. All ordinary shares rank *pari passu* in all respects, particularly but not limited to dividend and capital repayment rights. The 68,400,000 Non-Cumulative 6.8% Redeemable Preference Shares do not carry any voting rights nor do they grant to their holders any voting rights to appoint directors on the Board of Directors of the company. They can be redeemed at the option of the company by 31 December 2099 at their par value, following a resolution to this effect at a General Meeting.

There is no capital of the Guarantor which is currently under option, nor is there any agreement by virtue of which any part of the capital of the Guarantor is to be put under option. There are no arrangements, known to the Guarantor, which may at a subsequent date result in a change in control of Guarantor.

13.4 MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE GUARANTOR

13.4.1 OBJECTS

The Guarantor is registered as a private limited liability exempt company in terms of the Act. The principal objects of the Guarantor are set out in clause 4 of the memorandum of association of the Guarantor and include, but are not limited to, acting as a holding company and investing and holding shares, participations and debentures in any other company, partnership or business.

The Guarantor is also empowered in terms of its memorandum and articles of association to secure and guarantee the repayment of any debt, liability or obligation of the company or any third party.

A copy of the memorandum and articles of association of the Guarantor may be inspected during the lifetime of this Registration Document at the registered office of the Issuer as set out in section 17 below and at the Registry of Companies.

13.4.2 APPOINTMENT OF DIRECTORS

At present, in terms of the memorandum and articles of association of the Guarantor, the board of directors of Guarantor shall consist of not less than two (2) and not more than seven (7) directors. Directors shall be appointed by means of an ordinary resolution of the shareholders of the Guarantor in general meeting.



13.4.3 POWERS OF DIRECTORS

The directors are vested with the management of the Guarantor, and their powers of management and administration emanate directly from the memorandum and articles of association and the law. The directors are empowered to act on behalf of the Guarantor and in this respect have the authority to enter into contracts, sue and be sued in representation of the Guarantor. In terms of the memorandum and articles of association they may do all such things that are not by the memorandum and articles of association or the law reserved for the shareholders in general meeting.

In terms of the Guarantor's memorandum and articles of association, the board of directors may exercise all the powers of the Guarantor to borrow money, and to hypothecate or charge its undertaking property and uncalled capital, or any part thereof, and to issue debentures, debenture stock, and other securities whether outright or as security for any debt, liability or obligations of the company or any third party.

There are no provisions in the Guarantor's memorandum and articles of association regulating the retirement or non-retirement of directors over an age limit.

14. MATERIAL CONTRACTS

Save for the share purchase agreement described in section 6 of this Registration Document in relation to the acquisition of Kemmuna Limited, each of the Issuer and the Guarantor has not entered into any material contracts which are not in the ordinary course of their respective business which could result in any member of Hili Ventures being under an obligation or entitlement that is material to the Issuer's or Guarantor's ability to meet their obligations to security holders in respect of the securities being issued pursuant to, and described in, the Securities Note.

15. PROPERTY VALUATION REPORT

In connection with the issue of the Bonds in accordance with the terms of the Prospectus, the Company commissioned DeMicoli & Associates to issue a property valuation report in relation to the Comino Hotel and Bungalows.

The following are the details of said independent valuer:

Name: Ray DeMicoli

Business address: DeMicoli & Associates, Capital Business Centre, Entrance A, Level 2, Triq Taz-Zwejt, San Gwann SGN 3000, Malta,

Listing Rule 7.4.3 provides that property valuations to be included in a prospectus must not be dated (or be effective from) more than 60 days prior to the date of publication of the prospectus in question. Accordingly, the property valuation report referred to herein is dated 21 May 2019.

A copy of said report dated 21 May 2019 compiled by Architect Ray DeMicoli in relation to the Comino Hotel and Bungalows, the aggregate value of which has been estimated at €56,500,000, is set out in Annex I to the Registration Document and is available for inspection as set out in section 17 below.

16. THIRD PARTY INFORMATION, STATEMENTS BY EXPERTS AND DECLARATIONS OF ANY INTEREST

Save for the property valuation report contained in Annex I to the Registration Document and the financial analysis summary set out as Annex IV to the Securities Note, the Prospectus does not contain any statement or report attributed to any person as an expert. The valuation report and the financial analysis summary have been included in the form and context in which they appear with the authorisation of DeMicoli & Associates of Capital Business Centre, Entrance A, Level 2, Triq Taz-Zwejt, San Gwann SGN 3000, Malta and Charts (a division of MeDirect Bank (Malta) plc) of The Centre, Tigné Street, Sliema TPO 0001, Malta respectively, which have given and have not withdrawn their consent to the inclusion of such reports herein.

DeMicoli & Associates and Charts (a division of MeDirect Bank (Malta) plc) do not have any beneficial interest in the Company or the Guarantor. The Company confirms that the valuation report and financial analysis summary have been accurately reproduced in the Prospectus and that there are no facts of which the Company is aware that have been omitted and which would render the reproduced information inaccurate or misleading.



17. DOCUMENTS AVAILABLE FOR INSPECTION

For the duration period of this Registration Document the following documents (or copies thereof) shall be available for inspection at the registered address of the Issuer:

- (a) Memorandum and Articles of Association of the Issuer and the Guarantor;
- (b) Audited financial statements of the Issuer for the period 6 April 2018 to 31 December 2018;
- (c) Audited consolidated financial statements of the Guarantor for the financial years ended 31 December 2016 to 2018;
- (d) Financial analysis summary dated 28 June 2019 and prepared by Charts (a division of MeDirect Bank (Malta) plc);
- (e) Property valuation report prepared at the Issuer's request in respect of the Comino Hotel and Bungalows;
- (f) Directors' service contracts;
- (g) The Guarantee; and
- (h) The letter of confirmation drawn up by Deloitte Services Limited and dated 18 July 2019.

Documents (a) and (d) are also available for inspection in electronic form on the Issuer's website www.hilifinance.com

VALUATION OF COMINO HOTEL AND BUNGALOWS

dated 21st May 2019

Address of Property Valued:	Comino Hotel and Bungalows, Comino
Effective Date of Valuation:	21st May 2019
Party Requesting Valuation:	Hili Finance p.l.c
Purpose of Valuation:	This valuation is to be used for the purpose of inclusion in a prospectus relating to a bond issue of EUR 80,000,000 by Hili Finance Company p.l.c due in 2029.
Object:	To value the property comprising The Comino Hotel and Bungalows and its surrounding grounds, held by Kemmuna Limited under title of temporary emphyteusis (the " Property ") including to conduct a site inspection of the Property, taking into account all technical, economic, visual and environment aspects in valuing the Property.
Compliance:	<p>We confirm that the independent valuation has been prepared in accordance with the appropriate sections of the Valuation Standards contained in the RICS Valuation – Professional Standards. There has been no departure from the above mentioned standards.</p> <p>As per MFSA listing rule LR7.3, we, the valuers confirm that we are independent from our client, Hili Finance Company p.l.c.</p> <p>The Property has been inspected and valued by DeMicoli and Associates, who are qualified for the purpose of the valuation in accordance with the RICS valuation standards. "<i>Valuers are independent and their work cannot be affected by any side</i>".</p> <p>We have been engaged to provide an independent valuation for the Property based on Market Value. Market Value is defined by RICS Valuation – Professional Standards as:</p> <p><i>'The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'</i></p>
Valuers Address:	Capital Business Centre, Entrance A, Level 2, Triq taz-Zwejt, San Gwann, SGN 3000, Malta
Site Inspection Date:	24th April 2019
Source of Information:	The information was supplied to us by the client and their consultants.
Basis of Valuation:	<p>This basis of value describes an exchange between parties that are unconnected and operating freely in the market place and ignores any price distortions caused by special value or synergistic value. This valuation has been based on open market value for existing use and a residual method has been used to arrive at our conclusion on value.</p> <p>The valuation has factored in a share purchase agreement to be executed on 24 May 2019 for the acquisition of 100% shareholding in Kemmuna Limited (C 15344), a company which owns the Comino Hotel and Bungalows for the cash consideration of EUR 55,000,000 (subject to conditions precedent including inter alia the successful completion of a due diligence exercise). Reliance has been placed on this share purchase agreement as it represents an arms-length transaction between willing sellers and a willing purchaser, and that all parties to the transaction are acting knowledgeably, prudently and without compulsion.</p> <p>The residual calculation carried out comprised of various exercises which calculated the potential return using a discounted EBITDA method that the Property could receive should the premises be fully redeveloped to a high standard. The various expenses involved in the redevelopment have been taken into account and an industry standard profit percentage was applied.</p> <p>We have estimated guest room rates, percentage occupancy, a suitable discount rate and other variables to arrive at an annualised EBITDA to perpetuity from which we deducted costs of redevelopment at current building rates, adjusted for logistical factors of sea travel to Comino. A deduction was also made for profit and finance resulting in a final value for the land under consideration.</p>
Tenure:	Temporary emphyteusis for a period of 150 years commencing from 11 March 1960 (expiring 10 March 2110). In 1989 additional plots were granted on temporary emphyteusis, also expiring on 10 March 2110. A nominal annual ground rent of EUR 11,768 is payable to the Maltese Government, otherwise the property is free and unencumbered with no other burdens.
Date Built:	The Hotel was built in <i>circa</i> 1965 and the Bungalows were built in <i>circa</i> 1970-1978.

Area of Land:	Areas as per government contract	Sq.m
	Plot of land (including foreshore)	113,500
	Plot of land	79,800
	Plot of land	5,139
	Plot of land	6,010
	Plot of land (excluding foreshore)	77,489
	Total land area	281,938
<hr/>		
	San Niklaw Approximate Areas	Sq.m
	Built up area	7,473
	Total disturbed land and building footprint	19,614
	Disturbed land	15,738
<hr/>		
	Santa Marija Approximate Areas	Sq.m
	Built up area	4,500
	Total disturbed land and building footprint	13,821
	Disturbed land*	10,256

* "Land is disturbed if it has been the subject of human activity that has changed the land's surface, being changes that remain clear and observable."

Relevant Planning Permissions

Listing rule 7.1.4.5:

The original permit for the hotel was lost.

The PA has set up two legislations that can assist establishing legal tenure in such cases:

A) This official document states that all buildings that showed up on the survey sheet or photos dating 1968, for all intents and purposes such property is considered to have a valid building permit. The buildings of the hotel in San Niklaw show below:



1978 Aerial Photo



1968 Survey Sheet

B) Quoting the Rural Policy and Design Guidance 2014, refer to glossary pg5.

“Legally established” is defined as follows:

“Unless specified otherwise in the policy document, the term ‘legally-established’ refers to any intervention, including land-use change and land reclamation covered by development permission or that which is visible on the 1978 aerial photographs.”

The interpretation of this important clause does not mean that it recognises the building with a permit, however if an application is submitted to the Planning Authority for the demolition or substitution of sections of the building, by the enactment of this policy guidance the Planning Authority is bound to acknowledge these buildings as ‘legally established.’

Here below is an aerial photo of 1978 showing that all the buildings that exist today were built or under construction.



Santa Marija 1978 Aerial Photo

In view of the legislation and having consulted with several legal and planning experts, the valuation may assume that the demolition and rebuilding of the existing built up area would be recognised as legally established.

Listing rule 7.4.1.6 - contain the details of “any material contravention of statutory requirements;” (see below)

There are three rooms that were served with an enforcement notice, however, these have no bearing on the value of the complex.

Planning Constraints:

Comino is a Rural Conservation Area and Natura 2000 site. This internationally recognised status means that: *“The entire Island of Comino, together with its associated minor islets, shall be afforded the same level of protection as scheduled property”* (Gozo and Comino Local Plan – GZ-COM-1).

The environmental importance of Comino necessitates protection from interventions that impact on its landscape, coast, marine life and habitats. Both the Local Plan and Natura 2000 guidelines express that further development should not be permitted on Comino.

“There shall be a general presumption against the further development of built facilities on Comino which entail additions in height, extent or intensity of use of existing or proposed facilities” (Gozo and Comino Local Plan – GZ-Ghjn-B).

New developments should therefore be kept to a minimum and directed towards improving existing degraded and disturbed areas. In an initial meeting with the Planning Authority it was outlined that current policy would permit the redevelopment of the hotel and bungalows, providing that the proposed total Gross Floor Area (GFA) be equivalent to the GFA of today (Rural Policy Guideline 6.2C). Therefore any new development is limited to 7,473 Sq.m for San Niklaw and 4,500 Sq.m for Santa Marija. In addition, the location of these new developments must remain within the footprint of already established, disturbed land.

The Gozo and Comino Local Plan and Natura 2000 guidelines highlight the requirement for a management agency to safeguard the long-term environmental protection of Comino (Gozo and Comino Local Plan – GZ-COM-3). In an initial meeting with the Environment and Resources Authority (ERA), we were guided on the importance of

establishing an autonomous group of stakeholders, involving both local inhabitants and its major uses in order to set out the parameters for the safeguarding and management of Comino.

In recent years, efforts to safeguard Comino have resulted in bulky waste being removed, sand dunes cordoned off for their protection and the removal of alien plants that threaten indigenous species. ERA has also introduced an afforestation programme that will contribute to the improvement and enhancement of Comino's landscape. Furthermore, ERA has designated an area close to the Blue Lagoon for use as a camping site, whilst banning camping in the former unofficial campsite at Santa Marija Bay. Rehabilitation works, including the restoration of sand dunes, marsh and footpaths are being proposed that will improve the quality and value of Santa Marija Bay and so subsequently heighten the value of a development here.

Existing Use:

The accommodation is divided into two areas, the primary area which includes the main part of the Hotel where 95 hotel rooms located at San Niklaw Bay and the Bungalow area containing 46 bungalows located at Santa Marija Bay. Both premises are currently operational.

On the main hotel side, there are two private sandy beaches for the exclusive use of the guests, as well as two large swimming pools, one for adults and another for children. The hotel and the 95 rooms along with all their amenities are located on the ground floor and first floor.

The bungalows are located within Santa Marija Bay and feature a private 'rocky' swimming area and a large swimming pool.

The amenities also include tennis courts, lounges, bars, restaurants, lobbies and water sport activities.

Site Potential:

Buildings at San Niklaw have gone through several upgrades and improvements throughout the years, however the potential of a secluded building on an island presents an opportunity for a development of low density and higher quality.

Based on this knowledge, it was therefore incorporated in the computation of the valuation methods adopted and potential of a new development applied.

The potential development would vary greatly depending upon quality, standards as well as the following:

- i. The estimated revenue of the operations
- ii. Operational costs
- iii. Costs of construction

Operational Challenges:

Santa Marija Bay is characterised by the beach and the camping site that is intended to be relocated. A historical chapel exists further inland where mass is celebrated and attended by the yachting fraternity in summer on days of obligation.

The bungalows located at the water's edge have severe exposure to the north easterly winds, consequently, upgrades were necessary. At the same time the uniqueness of having a building so close to the sea, presents opportunities to pitch the product to an exclusive level.

Weather: Since the island is only accessible by boat, transportation to and from Comino is heavily dependent on the weather. Currently during winter months, the hotel is closed for a short period due to adverse weather conditions. The passenger ferries can dock on two sides of the island, the main dock is on the north facing side of the island near the Hotel in Santa Marija Bay and the second dock is located on the south facing side in a sheltered bay called Crystal Lagoon or '*Taħt il-Mazz*'. Depending on the wind direction and the severity of the weather the captain of the ferry boat will decipher which dock to use.

Logistics: It should be pointed out that aside from the hotel guests, all staff and other personnel relating to the hotel will need to use the ferry boat to access Comino. The result of which will reflect in higher operational costs. All building materials, waste and other operational substances will also need to be transported via sea using vessels catered for the particular cargo.

Seasonality: As mentioned above, the weather is a major contributing factor to the operations. Comino is most attractive in the summer months where guests will want to enjoy the sun and the sea on Comino's sublime beaches. Summers on the Maltese islands are dry and since the summer season is relatively predictable, it is safe to say that Comino will have mostly favorable weather from mid-April to mid-October.

Assumptions:

The following assumptions have been made in the preparation of our Report:

- The properties are not contaminated and no contaminative or potentially contaminative uses have ever been carried out on it;
- There are no abnormal ground conditions present which might adversely affect the present or future occupation, development or value of the property;
- We have relied upon sources of information provided to us by the clients;
- All areas quoted within this report are approximate;
- Potential to upgrade and remodel the standard of the product

Listing Rules:

Listing Rule 7.4.1.8: *"main terms of tenants' leases or sub-leases (including repairing obligations)":*

Not Applicable.

Listing Rule 7.4.1.10: *"Present capital value in existing state:"*

Refer to value below.

Listing Rule 7.4.1.11: *"terms of any intra-Group lease on Property occupied by the Group (identifying the Properties) to the extent that such leases are taken into account in the valuation":*

Not Applicable.

Listing Rule 7.4.1.12: *"any other matters which materially affect the value (including any assumptions and information on contamination, if any)":*

Being an island, all construction materials, waste, workers, guests, general waste etc. will have to be taken to and from the island via sea travel. This will be an added expense which has been reflected in the valuation. At the same time this journey between the mainland and the island is part of the attraction of the hotel.

There is no indication of contamination.

Listing Rule 7.4.1.14: *"details of registered mortgages and privileges and other charges, real rights thereon including details of emphyteutical concessions, easements and other burdens":*

See details under heading 'Tenure'.

Listing Rule 7.4.7: *"where the Directors have required a valuation of the benefit or respect of Property or where there is thought to be benefit in any options held, show such detriment of contractual arrangements in valuations separately and include a reconciliation of the costs and values":*

Not Applicable.

Listing Rule 7.4.8: *"in those cases where Directors or promoters have had an interest in any acquisitions or disposals (of the type referred to in Listing Rule 6.18.6) of any of the Properties during the two (2) years preceding the valuation, contain details of the nature and extent of such interests and the date of the transactions and the prices paid or received or other terms on which the transactions were effected. In such cases, the information required must be provided by the Directors to the valuer for this purpose. Alternatively, the information on interests of Directors or promoters may be given elsewhere in the Prospectus or Circular".*

Not Applicable.

Properties held for development **Listing Rules 7.7**

Listing Rule 7.7.1: *"whether or not the relevant planning permits have been applied for, whether such applications have been granted or refused and the date of such grant or refusal:"*

No permits have been applied for.

Listing Rule 7.7.2: *"the nature and a brief description of the proposed development:"*

The proposed development will be a refurbishment of the existing Property (hotel and bungalows) and amenities or a complete demolition and rebuilt as a resort.

Listing Rule 7.7.3: "an indication of when it is reasonable to expect development to commence;"

2-3 Years

Listing Rule 7.7.4: "the expected development period;"

3- 5 Years

Listing Rule 7.7.5: "the estimated total costs of the development including, without limitation, the cost of financial carrying charges, letting commissions and other ancillary costs."

EUR 50,000,000 – EUR 60,000,000 (comprising initial costs, development costs, logistics and professional fees but excluding financial carrying charges and letting commissions). This wide nominal range has been applied to factor a contingency for any overruns in construction costs and the level of finish to be determined for the final product.

Other:

We wish to point out that there exists a significant degree of judgement involved in selecting methods and basis for valuation and a significant number of items which may be subjectively considered when arriving at such valuation. It follows that valuations are not a prediction of price or a guarantee of value and, whilst our valuation is one which we consider to be both reasonable and defensible, others may arrive at a different conclusion.

Unless otherwise specifically stated, the analysis set out in this document takes into account all the information known and made available to us up to 21st May 2019 and is therefore current as at that date.

We have taken all 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.

Valuation:

Having considered all the factors described above, I assess the value of the property on the open market as of today to be:

€56,500,000

(Fifty Six Million and Five Hundred Thousand Euro)

The original copy has been signed by

Ray DeMicoli

B.Arch (hons) A&CE

Principal



Aerial view of San Niklaw bay and Santa Maria bay incorporating the Hotel and Bungalows



Aerial view looking at the back end of the bungalow area.



Side view of the bungalow area



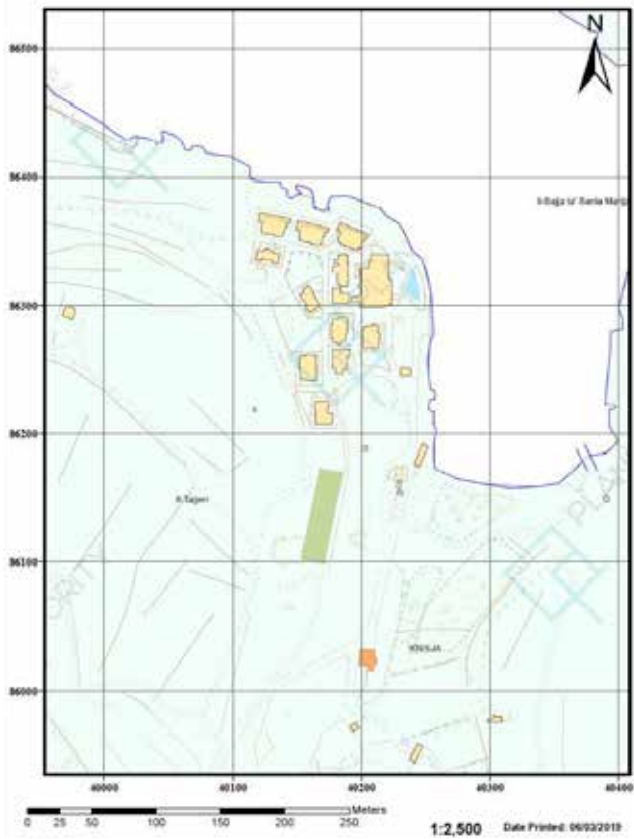
The main part of the Hotel with tennis courts and two swimming pools



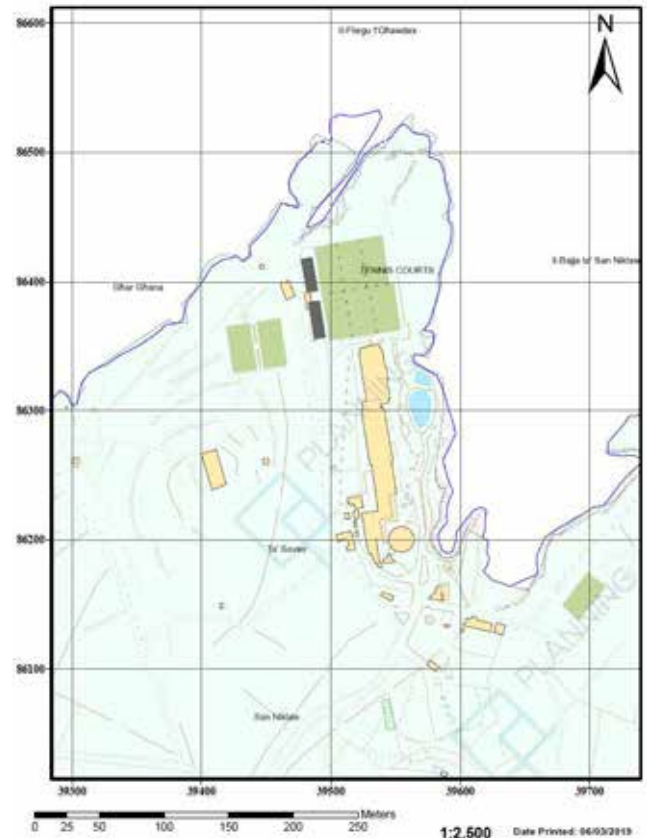
Close up of Bungalows



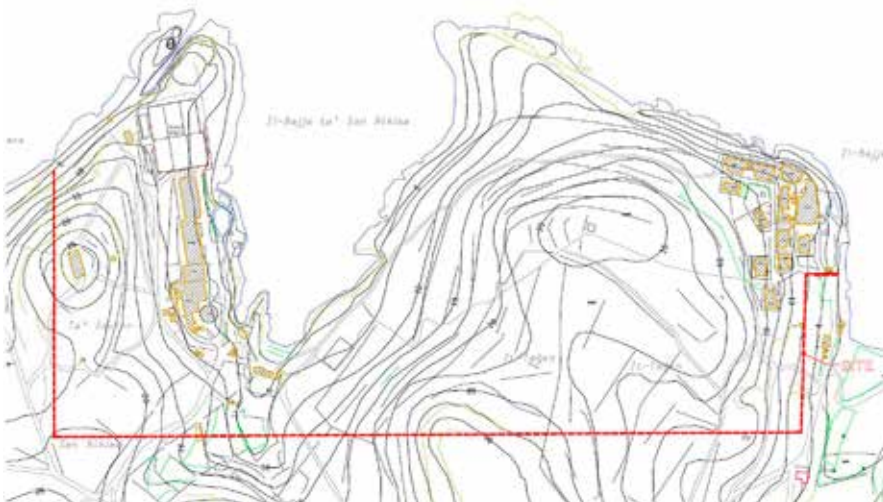
Aerial shot from the front side of the Hotel



Bungalow area in Santa Marija Bay



Hotel Area in San Niklaw Bay



Site Plan of Comino Hotel and Bungalows