

Hili Properties plc

Issuer and Guarantor

The legal and commercial name of the Issuer is Hili Properties plc having registration number C- 57954. The legal and commercial names of the Guarantors are Harbour (APM) Investments Limited having registration number C-58453 and Hili Estates Limited having registration number C-20513.

The Issuer was registered in Malta in terms of the Act on 23rd October 2012 as a private limited liability company and changed its status to a public limited liability company on 22nd June 2015. Hili Estates Limited and Harbour (APM) Investments Limited were registered in Malta in terms of the Act on 30th August 1996 and 4th December 2012 respectively as private limited liability companies. The Issuer and the Guarantors are domiciled in Malta.

The Issuer is a wholly owned subsidiary of Hili Ventures Limited and is the parent company of the property division of the Hili Ventures Group. The principal object of the Issuer is to purchase or otherwise acquire, under any title whatsoever, to hold and manage, by any title, movable and immovable property or other assets, both locally and overseas.

With regards to the Guarantors, the principal income stream of Hili Estates Limited is derived from contractual agreements with companies forming part of the Hili Ventures Group and other related parties. In view of the long term nature of such leases, Hili Estates Limited is not considered to be unduly exposed to operating uncertainties relating to the commercial real estate sector and/or to other external events related to the economy, which could be deemed likely to have a material impact on its business, at least for the foreseeable future.

As to Harbour (APM) Investments Limited, the company considers that its future performance will depend on the sale of the Benghajsa Site in the medium to long term as a commercial area and the cash flows likely to be generated when disposal thereof is initiated.

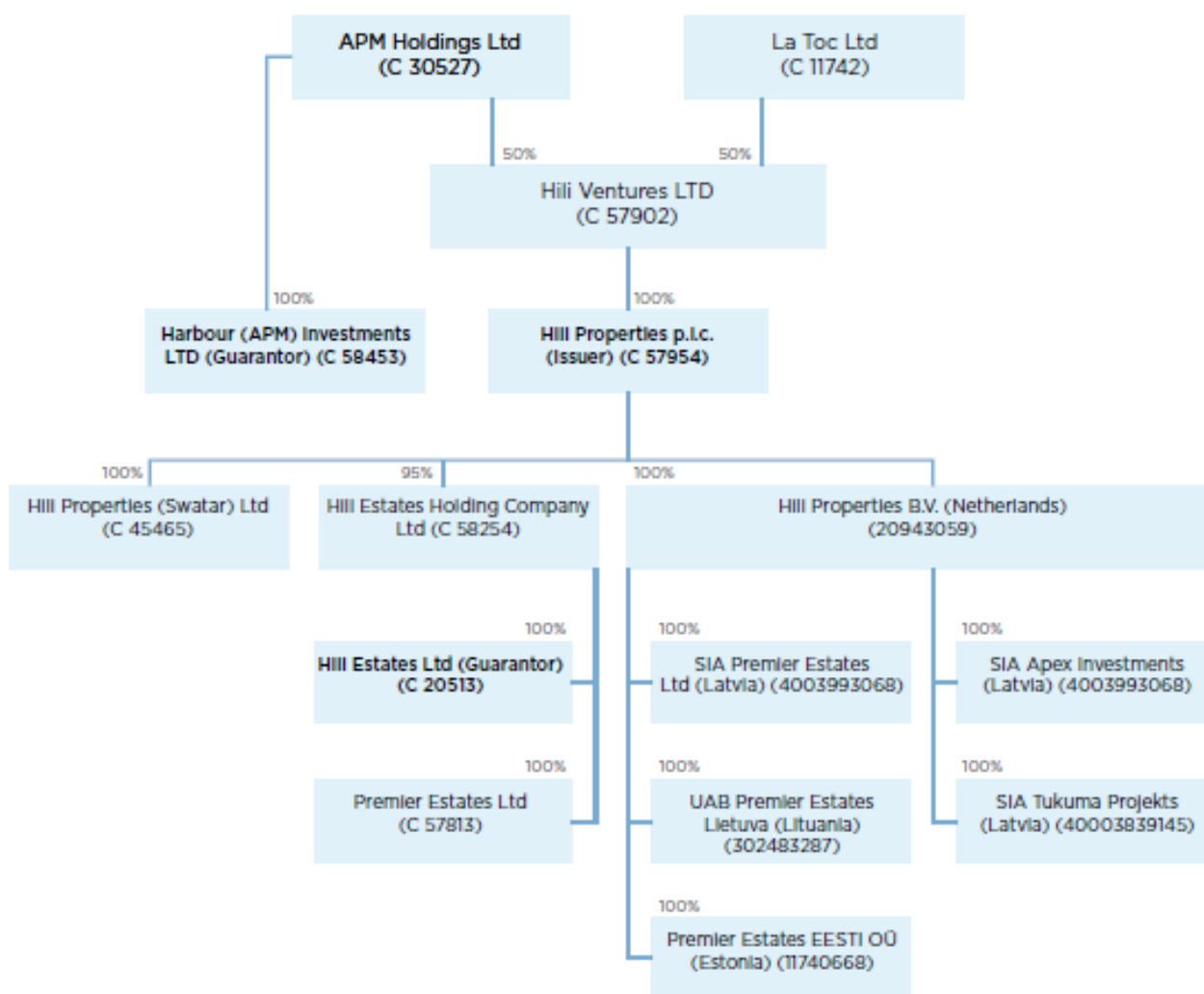
The Issuer is the holding company of the HP Group. Through the parent company and various subsidiary companies, including Hili Estates Ltd, the HP Group owns and manages a real estate portfolio consisting of 24 properties (46,900m² of rentable space), valued at €64.9 million. Occupancy was 93% as at 31st August 2015, with a weighted average unexpired lease term (WALT) of 8 years and a current gross rental yield of 7.3%. The Issuer's strategy is to create a property portfolio consisting primarily of commercial and retail property in Europe, to deliver income and capital growth through active asset management. The Issuer relies on active asset management to maximise operating efficiency and profitability at the property level. As the holding company of the HP Group, the Issuer is ultimately dependent upon the operations and performance of its subsidiaries and their respective operations.

Harbour (APM) Investments Limited is a wholly-owned subsidiary of APM Holdings Company Limited. It owns land at Benghajsa, Malta, valued at circa €25 million. The sites mainly consist of undeveloped agricultural fields



having a cumulative total area of approximately 92,000m². No income is currently generated from the aforementioned land and as such Harbour (APM) Investments Limited is ultimately dependent on the support provided by its shareholder.

The organisational structure of the Group is illustrated in the diagram below:



Hili Properties Plc - €37 million 4.5% Unsecured Bonds 2025

- The Issuer shall issue an aggregate of €37 million in Unsecured Bonds having a face value of €100 per bond, subject to a minimum subscription of €2,000 in Bonds.
- The Bonds are guaranteed jointly and severally by Hili Estates Limited and Harbour (APM) Investments Limited.
- The Bonds shall bear interest at the rate of 4.5% per annum and shall be repayable in full upon maturity unless they are previously re-purchased and cancelled.
- The Bonds are denominated in Euro (€).
- The Bonds shall bear interest from and including 16th October 2015 at the rate of 4.5% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 16th October 2016.
- Expected date of commencement of trading in the bonds is 26th October 2015.

Important Dates:

TIME-TABLE		
1	Applications Forms mailed to Hili Ventures Group Bondholders as at the Cut-Off Date	22 September 2015
2	Application Forms available	24 September 2015
3	Closing date for Applications to be received from Hili Ventures Group Preferred Applicants and Hili Ventures Group Bondholders	05 October 2015
4	Opening and closing of subscription lists, respectively	7 October 2015 to 9 October 2015 both days included
5	Commencement of interest on the Bonds	16 October 2015
6	Announcement of basis of acceptance	16 October 2015
7	Refunds of unallocated monies	23 October 2015
8	Expected dispatch of allotment advices	23 October 2015
9	Expected date of admission of the securities to listing	23 October 2015
10	Expected date of commencement of trading in the securities	26 October 2015

The Issuer reserves the right to close the Issue of Bonds before 9th October 2015 in the event of over-subscription, in which case the events set out in steps 6 to 10 above shall be brought forward, although the number of working days between the respective events shall not also be altered.

Offer

The proceeds from the Bond Issue, which net of Bond Issue expenses are expected to amount to approximately €36.2 million, will be used by the Issuer for the following purposes, in the amounts and order of priority set out below:

- (i) An amount of €19.54 million of proceeds shall be used to repay short term bank facilities, which funds were applied for the purpose of part-financing the acquisition consideration and refurbishment cost of a number of properties of the Group;
- (ii) An amount of €6 million shall be applied to part-finance the deposit payable on the promise of share purchase agreement in relation to the acquisition of Harbour (APM) Investments Limited, the company that owns the Benghajsa site; and
- (iii) The remaining balance of €10.66 million of the net Issue proceeds will be used for the purpose of part-funding new property acquisitions. For the purpose of identifying such properties, the Issuer shall fully adhere to the parameters established in terms of its business development strategy. The Issuer's Board of Directors shall, inter alia, aim to acquire attractively priced commercial properties located in European countries.

The Bonds are open for subscription to all categories of investors, which may be broadly split as follows:

- (i) The Issuer has reserved an aggregate amount of Bonds amounting to €1 million for subscription by Hili Ventures Group Preferred Applicants (shareholders, directors and employees of any company forming part of the Hili Ventures Group as at the Cut-Off Date);
- (ii) The Issuer has reserved an aggregate amount of Bonds amounting to €16 million for subscription by Hili Ventures Group Bondholders (the holders of 6.8% Premier Capital plc Bonds 2017-2020 and 5.1% PTL Holdings plc Bonds 2024 as at the Cut-Off Date);
- (iii) The remaining balance of €20 million in Bonds shall be made available for subscription by the general public. In the event that the aggregate amount of €17 million reserved for the Hili Ventures Group Preferred Applicants and Hili Ventures Group Bondholders (detailed in clauses (i) and (ii) above) is not fully taken up, such unutilised portion/s shall also become available for allocation to the general public.

In the event that subscriptions exceed the reserved portions referred to in clauses (i) and (ii) above of €1 million and €16 million respectively, the unsatisfied excess amounts of such applications will automatically part participate in the amount of Bonds available to the general public.

Risks - Essential information on the key risks specific to the business of the Issuer, the Group and the Guarantors:

- The Issuer is a holding company and, as such, its assets consist primarily of loans issued to and investments in Group companies. Consequently, the Issuer is largely dependent on income derived from dividends receivable from Group companies and the receipt of interest and loan repayments from Group companies.
- The Issuer is vulnerable to general market conditions. An increase in the supply of commercial space could impact negatively upon capital values and income streams of the property portfolio.
- The Group is dependent on tenants fulfilling their obligations under their lease agreements.
- The Group is 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.
- The Group's operating and other expenses could increase without a corresponding increase in revenue.
- No assurance can be given that the Group's 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.
- The Group and Guarantors are involved in the acquisition and disposal of properties, and as such are susceptible to fluctuations in property values. The Group's and Guarantors' operating performance could be adversely affected by a downturn in the property market in terms of capital values.
- Property is a relatively illiquid asset and such illiquidity may affect the Group's and Guarantors' ability to vary their respective portfolios or dispose of or liquidate part of their portfolios in a timely manner and at satisfactory prices.
- The Group and Guarantors are susceptible to adverse economic developments and trends both locally and overseas.
- Changes in laws and regulations relevant to the Group's and Guarantors' business and operations could be enacted that may have an adverse impact on the Group's and Guarantors' business, results of operations, financial condition or prospects.
- The Group's and Guarantors' ability to implement their respective business strategies is dependent upon, amongst other things, their ability to generate sufficient funds internally and to access continued financing at acceptable costs. The Group's current debt to equity ratios may hinder the Group's ability to procure additional financing for any new property acquisitions.

Financial Information

The profit/loss after the tax of the Issuer, Hili Properties plc, is the following. A loss of approximately €1.45 million was registered in 2013 whereas a profit of approximately €0.19 million was registered in 2014. In 2015 the forecast profit after tax amounts approximately to €1.89 million.

The Issuer was incorporated on 23rd October 2012 and therefore, the initial reportable financial period covered the 14 months from incorporation to 31st December 2013. During the historical financial period under review (23rd October 2012 to 31st December 2014), the Group generated rental income from 11 investment properties located in Malta, Latvia, Lithuania and Estonia, the majority of which are leased to related parties.

In 2015, the Issuer is expected to generate rental income of €4.3 million, an increase of €2.6 million when compared to 2014. During the said year (FY2015), the Issuer commenced earning income from the newly acquired properties – SIA Tukuma, SIA Apex and Swatar Business Centre.

Total assets of the Group as at 31st December 2014 amounted to €36.7 million (2013: €38.1 million) and primarily comprise: investment property (€33.2 million, 2013: €33.0 million), deferred tax assets (€0.5 million, 2013: €0.4 million), and receivables (€2.7 million, 2013: €3.1 million). As at 31st December 2015, investment property will increase by €32.3 million to €65.5 million, as a result of the acquisitions. Furthermore, the deposit of €12.5 million paid on signing a purchase agreement in relation to the Benghajsa transaction is recorded as ‘other financial assets’. Cash balances is projected to increase to €10.9 million, being the balance of net Bond proceeds earmarked to part finance for new property acquisitions.

Total liabilities of the Group principally include bank borrowings amounting to €13.6 million (2013: €14.9 million), amounts due to related parties of €7.0 million (2013: 7.7 million), and deferred tax liabilities amounting to €1.6 million (2013: €1.6 million). As a result of property acquisitions in 2015, total liabilities are expected to increase from €23.0 million to €65.9 million, which will principally consist of bank loans and Bonds.

As at 10th September 2015 the Group’s indebtedness amounted to €38.94 million, comprising of bank loans. The Group’s bank borrowings are secured by general hypothecs, pledges and guarantees provided by Group companies, by companies forming part of the Hili Ventures Group and by the Company’s ultimate shareholders. An amount of €19.54 million of bank borrowings will be repaid through net proceeds of the Bond Issue, and therefore bank borrowings senior to the Bonds will be reduced to circa €19.40 million.

The outstanding bank borrowings as at 10th September 2015 in relation to Harbour (APM) Investments Limited amounted to €1.73 million. The said bank loan is secured by the land at Benghajsa, Malta.



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