

456. IL-MINISTRU GHALL-KULTURA, L-ARTIJET U L-GVERN LOKALI, L-ONOR. OWEN BONNICI, jipproponi:

Illi l-Kamra tad-Deputati tapprova din ir-Riżoluzzjoni:

Illi permezz ta' kuntratt fl-atti tan-Nutar Anthony Hili datat l-1 ta' Frar 2017 (imsejjaħ “Il-Kuntratt Oriġinali”) (Anness 1), il-Gvern ta' Malta kien għadda b'titolu ta' ċens temporanju, għall-perjodu ta' 99 sena li jiskadi fil-31 ta' Jannar 2116, lill-kumpanija DB San Ġorġ Property Limited (imsejjaħ “L-Enfitewta”), sit fil-Bajja ta' San Ġorġ, San Ġiljan li kien okkupat mill-Istitut tal-Istudji Turistiċi, għall-iżvilupp tal-proġett magħruf bħala “City Centre Project”.

Illi minkejja li d-data effettiva tal-Kuntratt Oriġinali kienet l-1 ta' Frar 2017, kien biss fil-31 ta' Mejju 2023 li l-permess approvat ta' żvilupp PA/3807/17 ġie konfermat b'mod finali u definittiv.

Illi l-Enfitewta ressaq diversi talbiet quddiem l-Awtorità tal-Artijiet sabiex iwettaq tibdiliet fil-Kuntratt Oriġinali.

U billi, permezz ta' protest ġudizzjarju ppreżentat fit-12 ta' Lulju 2019, kif ukoll permezz ta' protesti ġudizzjarji oħra mressqa fis-6 ta' Lulju 2021 u fl-4 ta' Lulju 2023, l-Enfitewta komplew jafferma u jsostnu t-talbiet tagħhom fir-rigward tad-danni li allegaw li sofrew minhabba l-Awtorità tal-Ippjanar, b'riżultat tad-dewmien fil-proċedura għall-ħruġ tal-permess ta' żvilupp, u dan speċjalment fid-dawl tal-fatt li skont l-Enfitewta ma kien hemm ebda nuqqas imputabbli lilhom.

Illi t-talbiet tal-Enfitewta jiffokaw fuq l-obbligazzjoni tal-Gvern ta' Malta, hekk kif stipulat fi Klawnsola 16 tal-Kuntratt Oriġinali, li jhaffef il-proċess tal-applikazzjonijiet għall-permessi, liċenzji jew awtorizzazzjonijiet meħtieġa. Dan kollu flimkien mad-dati u miri stipulati għat-tlestija tal-proġett hekk kif maqbul fil-Kuntratt Oriġinali bejn iż-żewġ partijiet. L-argument tal-Enfitewta huwa msejjes fuq l-allegat fatt li l-Gvern ta' Malta naqas milli jissodisfa l-obbligazzjonijiet kuntrattwali u konsegwentement poġġa lill-Enfitewta f'pożizzjoni impossibbli li jilhaq dawn id-dati u l-miri stipulati.

Illi sabiex tivverifika dawn it-talbiet u kwistjonijiet, l-Awtorità tal-Artijiet ingaġġat kumpanija ta' awditjar skont il-proċeduri ta' xiri pubbliku approvati. Din il-kumpanija hejjiet żewġ rapporti ta' verifika datati Mejju 2024 (Anness 2) u Marzu 2025 (Anness 3). Sussegwentement, ġie mhejji Kuntratt ta' Varjazzjoni (Anness 4) maħsub sabiex jindirizza l-emendi u l-varjazzjonijiet segwenti:

1) Emenda Numru 1: Reviżjoni taċ-ċens temporanju kif stipulat fil-Kuntratt Oriġinali

Klawnsola 7.1 tal-Kuntratt Oriġinali tistipula li jekk it-total taż-żoni żviluppabbli approvat mill-Awtorità tal-Ippjanar ikun differenti minn dak propost u mnizzel fil-Kuntratt Oriġinali, iċ-ċens dovut għandu jiżdied jew jonqos skont il-każ.

Għaldaqstant abbażi ta' din il-kundizzjoni kuntrattwali u abbażi li l-permess tal-iżvilupp PA/3807/17 ingħata b'mod definittiv u eżegwibbli, il-ħlas taċ-ċens annwu dovut lill-Awtorità tal-Artijiet ġie rivedut 'l isfel għal €1,112,784, riflettiv tat-total taż-żoni żviluppabbli kif speċifikat fil-permess PA/3807/17.

L-ammont ta' ċens rivedut, dovut mill-Enfitewta, ġie determinat mill-kumpanija tal-awditjar li ġiet ingaġġata mill-Awtorità tal-Artijiet.

Madankollu, qed jiġi speċifikat li s-somma ta' €1,112,784 kellha tiġi aġġornata bl-indiċi tal-inflazzjoni fl-1 ta' Frar 2022, jiġifieri mal-iskadenza tas-60 xahar mid-data tal-Kuntratt Originali, kif stipulat fl-istess kuntratt. Konsegwentement, iċ-ċens ġie aġġustat għal €1,184,758.

Sal-preżent, iċ-ċens għadu mhux dovut minhabba l-perjodu ta' tnaqqis ta' hames snin previst fil-Kuntratt Originali. Dan il-perjodu ser jiġi estiż b'erba' snin oħra skont il-Kuntratt ta' Varjazzjoni, jiġifieri sal-1 ta' Frar 2026 hekk kif indikat aktar 'l isfel f'din ir-Riżoluzzjoni.

Għalhekk, wara li jiskadi l-perjodu ta' 60 xahar, ir-reviżjoni sussegwenti bl-Indiċi tal-Inflazzjoni, skedata għall-1 ta' Frar 2027, għandha tiġi applikata fuq iċ-ċens ta' €1,184,758.

2) **Emenda Numru 2: Rivalutazzjoni tal-Konsiderazzjoni Pagabbli bbażata fuq l-iżvilupp permissibbli**

Klawsola 7.5 tal-Kuntratt Originali tistipula li wara l-ħruġ tal-permess ta' żvilupp li jiddetermina eżatt il-perimetru taż-żona żviluppabbli fl-intier tal-iżvilupp ta' City Centre, għandu jkun hemm hlas ta' konsiderazzjoni lill-Gvern jew mill-Gvern lill-Enfitewta.

Permezz tar-rapport ta' verifika mhejji mill-kumpanija tal-awditjar ingaġġata mill-Awtorità, ġie stabbilit li t-total ta' konsiderazzjoni pagabbli mill-Enfitewta jammonta għas-somma ta' €15,219,743. Minn din is-somma, €5,000,000 thallsu mal-Kuntratt Originali, filwaqt li €5,714,286 oħra thallsu mid-data tal-Kuntratt Originali sal-lum. Għaldaqstant, jibqa' bilanċ pendent ta' €4,505,457 li għad irid jiġihallas.

3) **Varjazzjoni Numru 1: Estensjoni fil-perjodu ta' tnaqqis fiċ-ċens dovut**

L-istadju ta' meta kienet saret ir-revokazzjoni tal-permess ta' żvilupp approvat wassal lill-Enfitewta sabiex jieħu parir legali fuq il-profitti mitlufa minhabba d-dewmien fid-data tal-bidu tal-proġett. Dan kollu ġie spjegat fid-dettall fl-ittra msemmija aktar 'il fuq datata t-3 ta' Jannar 2024 fejn ġie indikat li l-kumpanija allegatament ġarrbet telf ta' madwar €40 miljun minhabba dan id-dewmien.

Bħala kompromess, l-Enfitewta ppropona li l-perjodu ta' tnaqqis fiċ-ċens dovut, li oriġinarjament kien ta' hames (5) snin skont il-klawsola 7.2 tal-Kuntratt Originali, li skadew fl-1 ta' Frar 2022, jiġi estiż sal-1 ta' Frar 2026 bl-istess rata ta' €1,000 ċens fis-sena hekk kif stipulat fil-Kuntratt Originali. Dan il-perjodu ta' erba' (4) snin jirrappreżenta bejn wieħed u ieħor il-perjodu ta' żmien allegatament "mitluf" minhabba r-revokazzjoni u d-dewmien fil-ħruġ tal-istess permess għall-iżvilupp.

4) **Varjazzjoni Numru 2: Estensjoni fiż-żmien tat-terminu enfitewtiku**

B'riżultat ta' din l-estensjoni fit-tnaqqis taċ-ċens dovut, l-Enfitewta ppropona li jingħata estensjoni fiż-żmien tat-terminu tal-konċessjoni enfitewtika b'erba' snin, sabiex effettivament id-data tat-terminazzjoni timxi mill-2116, kif stipulat oriġinarjament fil-klawsola 4 tal-Kuntratt Originali, għall-2120. Iċ-ċens fit-tmien tat-terminu oriġinali tal-

konċessjoni għandu jibqa' jiġi rivedut bil-mekkaniżmu tal-indiċi tal-inflazzjoni hekk kif deskritt fil-Kuntratt Originali.

B'dan il-mod qed jiġi assigurat li ċ-ċens dovut għaž-żmien addizzjonali ta' tnaqqis ma jkunx qed jinħafer, iżda sempliciment jiġi differit għal data iktar tard.

5) **Varjazzjoni Numru 3: Rifużjoni ta' spejjeż relatati mal-provvista ta' servizzi adegwati lis-sit**

Klawsola 13.3 tal-Kuntratt Originali tgħid li l-Gvern ta' Malta għandu jassigura l-provvista adegwata tal-ilma u l-elettriku lis-sit.

L-Enfitewta stqarr li dawn ix-xoghlijiet li kellu jagħmel il-Gvern għamilhom hu bi spejjeż li ammontaw għal €469,183. Din l-ispiza għet ukoll ivverifikata mill-kumpanija tal-awditjar ingaġġata mill-Awtorità tal-Artijiet.

L-Awtorità tal-Artijiet waslet fi qbil mal-Enfitewta biex din l-ispiza tiġi rkuprata permezz ta' "set-off", jiġifieri billi tiġi kkreditata kontra pagamenti futuri dovuti mill-Enfitewta lill-Gvern ta' Malta.

6) **Varjazzjoni Numru 4: Tibdil fid-definizzjoni tat-terminu "Site" u/jew "Property" fil-Kuntratt Originali**

Din il-varjazzjoni, li hija ta' natura teknika iżda neċessarja, tikkonċerna d-definizzjoni ta' "Sit" kif ukoll it-test tal-Klawsola 6.7 tal-Kuntratt Originali. Id-definizzjoni ta' "Sit" għet emendata sabiex tinkludi wkoll is-siti D u E, u għaldaqstant kien meħtieġ li ssir emenda fil-pjanta PD No: 195_98_A_2 (Anness 5), bil-għan li tingħata indikazzjoni aktar ċara u komprensiva tas-sit fl-intier tiegħu.

Din il-varjazzjoni tiżgura wkoll li jiġu inklużi b'mod esplicitu l-konnessjonijiet sotterrani bejn is-siti prinċipali A, B u C kif spjegat aktar 'l isfel.

L-għanijiet ewlenin ta' din il-varjazzjoni huma li:

- a) Jiġu ċċarati l-qies u l-perimetri tal-konnessjonijiet sotterrani msemmija fil-klawsola 6.7 tal-Kuntratt Originali għaliex dawn kienu deskritti b'mod ġeneriku bħala konnessjoni sotterrana.
- b) Id-delineazzjoni ta' Siti D u E speċifikament determinati sabiex jgħaqqdu Siti A, B u C flimkien taħt il-livell tat-triq kif indikat fuq il-pjanta P.D. No.: 195_98_A_3_A (Anness 6).
- c) Tiżdied proviżjoni li tistipula li f'każ li xi porzjon mis-sit jerga' lura għand il-Gvern, irrilevanti r-raġuni, dan it-trasferiment lura m'għandux iwassal għat-terminazzjoni jew tneħħija ta' xi servitujiet li jkunu ġew kostitwiti, kemm jekk favur jew kontra żoni speċifiċi koperti bil-konċessjoni enfitewtika.

7) **Varjazzjoni Numru 5: Bidla fil-klawsola tal-Garanzija Bankarja**

Artiklu 26 tal-Kuntratt Originali jagħti d-dritt lill-Gvern sabiex jirtira mill-garanzija bankarja l-ammont ta' €500 kull jum bħala danni likwidi, fil-każ li l-iżvilupp tal-proġett ma jkunx fi stat komplut f'perjodu ta' 62 xahar mid-data tal-hruġ tal-permess ta' żvilupp. Dan it-terminu ta' 62 xahar qed jiġi estiż sabiex ikun 62 xahar mid-data tal-iffirmar tal-Kuntratt ta' Varjazzjoni jew mid-data tal-hruġ ta' kwalunkwe permess ta' żvilupp sussegwenti għall-permess tal-iżvilupp bin-numru PA/3807/17, skont liema data minn dawn it-tnejn isseħh l-aħħar.

8) **Varjazzjoni Numru 6: Tnaqqis fil-Privileġġ Speċjali I. 5561/2017**

Meta jiġi kkunsidrat il-ħlas dovut abbażi ta' Artiklu 7 tal-Kuntratt Originali u fid-dawl ta' pagamenti li diġà qed isiru, l-Enfitewta talab li jitnaqqsu l-ipoteka u drittijiet ta' privileġġ tal-Gvern li joħroġu mill-iskrizzjoni registrata go Volum I fir-Registru Pubbliku ta' Malta taħt in-numru 5561/2017 b' tali mod u manjiera li din tibqa' valida u effettiva fuq is-somma ta' €4,505,457 li għandha tithallas f'seba' pagamenti indaqs annwali mingħajr interessi bl-ewwel pagament isir fit-30 ta' Ġunju 2026. Il-pagamenti l-oħra isiru kollha f'kull anniversarju ta' din id-data.

Fl-istess ħin dan it-tnaqqis qiegħed isir b'tali mod u manjiera li l-ipoteka u drittijiet ta' privileġġ tal-Gvern li joħroġu mill-iskrizzjoni msemmija fil-paragrafu preċedenti tibqa' valida u effettiva fuq parti mis-sit li huwa okkupat jew ser jiġi okkupat mil-lukanda.

U fid-dawl tal-emendi u l-varjazzjonijiet suċċitati, dan il-Kuntratt ta' Varjazzjoni ser jiġi eżegwit bħala compromess bejn iż-żewġ partijiet u bħala ftehim shiħ u finali ta' kwalunkwe talba jew kwistjoni bejn iż-żewġ partijiet f'rigward tal-modifikazzjoni tat-terminu skont il-klawsola 5 tal-Kuntratt Originali.

U billi fl-artiklu 31, subartiklu (ċ) ta' Taqsima III tal-Att dwar Artijiet tal-Gvern (Kapitolu 573), huwa maħsub li art li tkun proprjetà tal-Gvern jew amministrata minnu tista' tiġi trasferita, jew jista' jsir tibdil ta' xi kundizzjoni, skont riżoluzzjoni speċjali tal-Kamra tad-Deputati li tkun fis-seħh fil-waqt tat-trasferiment.

Għalhekk huwa b'dan riżolut illi l-kuntratt enfitewtiku temporanju fl-att oriġinali tan-Nutar Anthony Hili datat l-1 ta' Frar 2017, jiġi modifikat skond il-pattijiet u l-kundizzjonijiet fl-abbozz tal-Kuntratt ta' Varjazzjoni hawn anness.

10.03.2026

Enc.

Anness 1 – Il-Kuntratt Originali

Anness 2 – Rapport ta' Verifika mhejji mill-kumpanija tal-Awditjar datat Mejju 2024

Anness 3 – Rapport ta' Verifika mhejji mill-kumpanija tal-Awditjar datat Marzu 2025

Anness 4 – Kuntratt ta' Varjazzjoni

Anness 5 – P.D. No: 195_98_A_2

Anness 6 – P.D. No.: 195_98_A_3_A

Today

Before me, Notary Public and Doctor of Laws _____, there personally came and appeared after I the undersigned Notary identified them in virtue of the hereunder mentioned official documents:

Of the First Part:

Robert Noel Vella, chief executive office, holder of identity card number 48869M, a married son of Joseph and of Carol nee Cassar, born in Zejtun on the 12th January 1969 and residing at Mellieha who is appearing hereon for and on behalf of the **Lands Authority** which in turn is representing the **Government of Malta** as duly authorised by virtue of document 'BR1' attached,

- Hereinafter referred to as '**the Lands Authority**' and/or '**the Government of Malta**' as the case may be.

Relative papers in respect of this deed are file bearing capital letter 'L' and number three hundred and fifteen stroke one thousand nine hundred eighty-six (L 315/1986).

Of the Second Part:

who is appearing on this deed for and in representation of the company **DB San Gorg Property Limited**, a company registered under

Deed No:

**Deed of
Modification**

Date of
Enrolment:

No. of
Enrolment:

Vol. I:

LRA:

the laws of Malta whose registered office is situated at the DB Seabank Hotel, Marfa Road, Ghadira, Mellieha MLH 9064, bearing company registration number C 77344, duly authorized by virtue of a Board Resolution herewith attached as document “BR2”, hereinafter referred to as **“the Company”**.

The Parties

The Government and the Company are in this deed collectively referred to as the **“Parties”** and each one a **“Party”**.

Clause 1 – Definitions

In this deed, unless otherwise expressly stated or the contrary intention appears and in addition to any other definitions contained elsewhere in this deed, the following terms shall have the following meanings respectively assigned to them, and where in conflict with the definitions of the Title Deed, the definitions in this deed will prevail:

- **“Architect”** means the architect and civil engineer appointed by the Company for the purpose of certifying completion of the Project.
- **“Building”** means a permanent structure forming an enclosure and the terms “Buildings” shall be construed accordingly.
- **“Car Park”** means those parts of the Site shown on the Development Permit as designated for such use.
- **“Certificate of Completion”** means the certificate issued by the Architect in accordance with sub-clause six of clause fifteen (15.6) of the Title Deed and confirming that the Project is in a Complete State.
- **“CityCentre Development”** means the development of an upmarket mixed tourism and leisure development incorporating the Components which the Company is to construct and develop on the Site in

accordance with the provisions of the Title Deed , and in accordance with the provisions of this deed.

- **“Company”** means the private limited liability Company ‘DB San Gorg Property Limited’ with company registration letter C number seven seven three four four (C-77344), a limited liability company registered on the twenty-sixth (26th) of September two thousand and sixteen (2016) under the Laws of Malta, and/or its successors in title.
- **“Complete State”** means that a Building or any unit in a Building is developed and built in accordance with the applicable Development Permit/Building Permits in relation to the same and completed in all respects in full compliance with all laws and regulations in respect of buildings in general, including sanitary and environmental matters, with materials of good quality, and to a good standard of workmanship, in terms of local building custom.
- **“Components”** means the Hotel and Commercial Areas, the Mall, the Car Park, the Towers and the Public Spaces. The term “Component” shall mean any single one of such amenities.
- **“Developable Area”** means the total sum of Gross Floorspace Area allocated to Hotel and Commercial Area, Mall and Car Park, and Net Floor-space Area allocated to Residential Units, Office Units and Garage Spaces in a Development Permit.
- **“Development of the Project”** means the performance, execution or supply of anything which shall be required to be performed, done or supplied by the Company in order to complete the obligations assumed by it on the Title deed in respect of the completion of the Project and for all the requirements mentioned in the definition of Complete State to be satisfied in full and includes, but is not limited to, the performance, execution or supply of all labour, materials, constructional plant and

equipment, temporary works, remedial works, and architectural and technical services and supervision to construct, develop and complete the Project in all respects in compliance with all laws and regulations in respect of buildings in general including sanitary and environmental matters, possible requirements by the competent authorities, the Building Permits, and the execution of all works necessary to satisfy the Company's obligations arising from the Title Deed and this deed, as well as the filing of applications for and the procurement of necessary amendments to the Building Permits and the issuance of any compliance or completion certificates in respect of the Project in terms of the "the Development Planning Act", Chapter five hundred fifty-two (552) of the Laws of Malta, and of all other necessary certifications, permits, authorisations and licences required during the Development of the Project, and on its completion and the procurement, installation and commissioning of all utilities required for the Project.

- **"Development Infrastructure"** means the infrastructure within the Site required in the CityCentre Development, and includes networks for water, electricity, sewerage, and electronic transmissions, communications and reception systems.
- **"Development Permit"** means all and any permits and authorisations required by applicable laws and regulations, validly issued and uncontested and unappealable, for the demolition, excavation, construction, completion and use of a specific phase, building or structure of the City Centre Development; and which includes for purposes of this deed, the current approved permit, namely permit number 3807/2017 (three thousand eight hundred and seven of the year two thousand and seventeen)
- **"Emphyteutical Grant"** means the temporary emphyteutical grant of the Property made by

the Government of Malta to the Company by virtue of the Title Deed.

- **“Expected Development”** means the foreseen development of the Property in terms of the Original Proposal presented by the Company in response to the RFP [as defined in the Title Deed] providing for the development of a Hotel, a number of offices, residential units, a retail mall, parking spaces and open spaces in terms of a private interpretation of current Planning Authority policies. The expected development only represents the Company’s intentions and does not imply any guarantees or certainty that such expected development shall be permitted by the relevant regulatory authorities. Neither does it in any way inhibit the Company for applying to its advantage for any additional permit after any future changes to local Planning Policies to further increase the development, provided that such changes are in line with the Title Deed.
- **“Force Majeure”** means any act, event or circumstance which is beyond the reasonable control of a party, including but not limited to acts of God, war, civil commotion, fire, flood or other calamity, strike, riot, lock-out or other industrial disturbance, terrestrial or extra-terrestrial interference, blockade, insurrection, action, order, direction judgement, including but not limited to prohibitory injunction of the Government, or any Court, Tribunal, Regulatory Authority or other judicial and/or quasi judicial body including but not limited any other cause of a similar nature, which makes that party’s performance of its obligations under the Title Deed and/or this deed impossible, or so impractical as to be considered impossible under the circumstances.
- **“Foreshore”** means the area of land hatched in green on the Site Plan marked document ‘B’ attached to the Title Deed.

- **“Garage Spaces”** means those spaces within the Car Park that are and/or shall be designated for individual parking units that may be transferred in terms of the Title Deed and this deed with Residential Units and Office Units
- **“Government/Government of Malta”** means the Government of Malta and/or its successors in title and/or the Dominus and/or its successors in title.
- **“Gross Floorspace Area”** means the total floor area inside the building envelope, including the external walls, but excluding the roof, enclosed machinery rooms, and mechanical and electrical services.
- **“Ground-rent”** means the annual temporary ground-rent stated in clause seven (7) of the Title Deed as herein amended, and, when revised in accordance with the Title Deed, the annual temporary ground-rent as so revised.
- **“Hotel and Commercial Area”** means those parts of the Site which are shown and/or shall be shown on the Development Permit as designated for such use.
- **“Immovable Things”** means all buildings, structures, developments, infrastructure, facilities, installations, equipment, plant and machinery and other improvements, now existing, or which in the future shall exist, within the boundaries of the Site, whether installed, constructed or erected on, in or under the Site but to the extent only that they are considered immovable things in terms of the Civil Code, Chapter sixteen (16) of the Laws of Malta.
- **“ITS”** means the former Institute of Tourism Studies building scheduled as a Grade TWO (2) building by the PA as at date of the Title Deed.
- **“Mall”** means those parts of the Site which are shown and/or shall be shown on the Development Permit as designated for such use.

- **“Net Floor Space Area (NFA)”** means Net internal area (or usable floor area) - The Net internal Area is the Gross internal area less the floor areas taken up by lobbies, enclosed machinery rooms on the roof, stairs and escalators, mechanical and electrical services, lifts, columns, toilet areas (other than in domestic property), ducts (internal unit shafts), risers and outside terraces or balconies forming part of the residential unit
- **“Office Units”** means those parts of the Site which are shown and/or shall be shown on the Development Permit as designated for such use.
- **“Peninsula”** means the Saint George’s Bay peninsula, Saint Julian’s on which the Site is located as shaded in blue on the site plan attached to the Title Deed and therein marked as Document ‘B’.
- **“Permitted Uses,”** means the uses of the Property as specified in clause six (6) of the Title Deed.
- **“PA”** means the Planning Authority
- **“Project”** means the CityCentre Development incorporating the Components which the Company is constructing and shall continue to construct and develop on the Site in accordance with the provisions of the Title Deed and this deed.
- **“Public Spaces”** means those parts of the Site which are shown and/or shall be shown in the Development Permit as designated for such use. Provided that any area below the road surface level of the Public Spaces which is developed as part of the other Components shall not be considered as part of the Public Spaces and shall be treated for the purposes of the Title Deed and this deed as part of the component for which it has been developed.
- **“Residential Units”** means those parts of the Site intended for private residential purposes, which are shown and/or shall be shown in the Development Permit as designated for such

use.

- **“Site”** and/or **“Property”** means the divided portion of land as defined in the Title Deed in Saint Julians, Malta as amended below in terms of article 7 of this deed.
- **“Term”** means the term of the Emphyteutical Grant as set out in clause five (5) of the Title Deed and clause four (4) of this deed.
- **“Title Deed”** means the deed in the records of Notary Anthony Hili of the first (1st) day of February of the year two thousand and seventeen (1st February 2017), as duly enrolled in the public registry under enrolment number three thousand one hundred and forty eight of the year two thousand and seventeen (3148/2017), by virtue of which the Government of Malta granted by temporary emphyteusis to the Company which accepted and acquired the Site as therein defined.
- **“Tower”** means those parts of the Site which are and/or shall be shown in the Development Permit as designated for such use.
- **“Undesirable Person”** means a person who:
 - (a) has been convicted of a crime, wherever committed:
 - i. against the safety of the Government in terms of articles fifty five (55) to fifty nine (59), both articles included, of the Criminal Code, Chapter nine (9) of the Laws of Malta (in this deed referred to as the **“Criminal Code”**), or
 - ii. against public safety in terms of articles three hundred and eleven (311) to three hundred and seventeen (317), both articles included, of the Criminal Code, or
 - iii. specified in the Schedule to the Extradition Act, Chapter two hundred and seventy six (276) of the Laws of Malta, and for a term of imprisonment of more than three (3) years;
 - iv. against the Prevention of Money Laundering Act, Chapter three hundred and seventy three (373) of the Laws of Malta;
 - v. in violation of the articles three hundred and

seven (307) to three hundred and fifteen (315) (both articles included) of the Companies Act, Chapter three hundred and eighty six (386) of the Laws of Malta (in this deed referred to as the “**Companies Act**”) and in violation of article one hundred and ninety one (191) of the Criminal Code;

- vi. against Sub-Titles IVA and B of Title IX of Part II of Book First of the Criminal Code;
- vii. against the laws or by the courts of another country with respect to the crimes substantially equivalent to those specified in paragraphs i.(roman number one), iv.(roman number four) and v.(roman number five) above.

(b) is the subject of sanctions or restrictions issued by the United Nations, the European Union or other international governmental body of which Malta is part and which are adopted or applied by the Government in terms of the National Interest (Enabling Powers) Act, Chapter three hundred and sixty five (365) of the Laws of Malta and / or other applicable law, and this for such time as such sanctions remain in force.

(c) is the subject of an international arrest warrant or of a European Arrest Warrant or is otherwise wanted by INTERPOL or other equivalent trans-national police organisation, and this for such time as he so remains.

(d) is insolvent or bankrupt and unable to pay his debts as they fall due

(e) being a legal entity, the director, the administrator or other officer or the controlling shareholder of which is:

- i. an Undesirable Person, or
- ii. in case of a director or officer, disqualified to be a director of a company in terms of the Companies Act or of a similar law of a jurisdiction of which the director or officer is a national or resident and this for as long as such person remains so disqualified

Clause Two (2) – Interpretation

2.1 In this deed, unless otherwise expressly stated or the contrary intention appears:

a) words importing the masculine gender shall include the feminine gender and vice-versa and words importing the neuter gender shall include the masculine and the feminine gender;

b) references to a Recital, Part, heading, section, clause, paragraph, document or schedule is to a Recital, Part, heading, section, clause, paragraph, document or schedule of or annexed to this deed;

c) references to a person include references to any person, whether natural or legal and whether registered or not and whether incorporated or unincorporated, and includes (without limitation) an undertaking and this irrespective of citizenship, place of registration, residence or management;

d) any reference to any law shall be deemed to include any amendment, replacement or re-enactment thereof for the time being in force and to include any subordinate legislation, legal notices, rules, regulations, orders, notices, directions, consents or permissions (together with any conditions attaching to any of the foregoing) made thereunder;

e) all obligations undertaken by the Parties will be binding on them during the entire Term, save as otherwise provided in this deed ;

f) where the context permits, the term “**Site**” and/or “**Property**” shall include any part of the Site, together with all the Immovable Things which now, or in the future, shall appertain to them.

g) The headings in this deed are inserted for convenience only and do not affect its construction.

h) The documents annexed to this deed shall be construed to form a substantial and integral part of this deed and any reference to this deed shall include a reference to the said documents.

Clause Three (3): Recitals

WHEREAS:

- a) in virtue of the Title Deed, that is the deed in the records of Notary Anthony Hili of the first (1st) day of February of the year two thousand and seventeen (1st February 2017), as duly enrolled in the public registry under enrolment number three thousand one hundred and forty eight of the year two thousand and seventeen (3148/2017) the Government of Malta granted by temporary emphyteusis to the Company which accepted and acquired the Site;
- b) The Development Permit has been issued.
- c) The Parties hereto have agreed to modify the Title Deed, and for which reason the Parties are entering into this deed of Modification, and hereby agree and covenant as follows:

Clause Four (4): Amendments to the Term.

Whereas the said original term in accordance to the Title Deed, was for a period of ninety nine (99) years commencing from the date of the Title Deed; that is to expire on the thirty first (31st) day of January of the year two thousand one hundred and sixteen (31/1/2116).

Whereas the Parties wish to modify the Title Deed, specifically by modifying the Term under clause five (5) of the Title Deed, into a one hundred and three (103)-year term, in such a way as to have the Emphyteutical Concession constituted by the Title Deed terminate on the thirty first (31st) day of January of the year two thousand one hundred and twenty (31/1/2120).

Now therefore, by virtue of this present deed, the Parties are hereby agreeing and giving their consent to modify, and are hereby modifying, the original term in the manner stipulated above. The Parties are agreeing that the Emphyteutical Concession of the Site shall terminate on the

thirty first (31st) day of January of the year two thousand one hundred and twenty (31/1/2120).

Clause Five (5): Amendments to Clause Seven (7) of the Title Deed.

5.1. Amendment to Article 7.1 of the Title Deed

In terms of article 7.1 of The Emphyteutical Grant constituted in terms of the Title Deed, it was stated that *“in consideration of the annual temporary ground-rent of one million five hundred and sixty two thousand five hundred and nine Euro (€1,562,509), which shall be revised upwards on the lapse of five (5) years, and which five years is reckoned from the date of issuance of the Certificate of Completion by the Architect in respect of the Project or, after the lapse of sixty (60) months from the date of this Deed, whichever occurs first, according to the official rate of inflation, which shall be taken to be the official rate of inflation published in respect of the year immediately preceding the year when the ground rent is to be increased, and thereafter, on the lapse of every subsequent five-year period, by said rate of inflation on the pro tempore ground-rent payable annually in terms of this deed in each year in the immediately preceding five-year period.”*

Furthermore the same article 7.1 of the Title Deed provided that:

“From the whole of the temporary groundrent to be imposed, and for purposes of Clause eight point two point two (8.2.2) below, the sum of one million one hundred and sixty nine thousand and five hundred seventy nine Euro (€1,169,579) is the part of the ground rent of the total of one million five hundred and sixty two thousand five hundred and nine Euro (€1,562,509) to be allocated for redemption purposes based on a Net Floor Space Area identified in the Expected

Development, set at thirty five thousand nine hundred and ten square metres (35,910sqm), that is, the Net Floor Space Area designated as Residential Units, and Office Units and fifteen thousand one hundred and twenty square metres (15,120 sqm) of Garage Space for resale.

In the event that the Net Floor Space Area identified in the Expected Development, set at thirty five thousand nine hundred and ten square metres (35,910sqm) of Net Floor Space Area designated as Residential Units, and Office Units and fifteen thousand one hundred and twenty square metres (15,120sqm) of Garage Space for resale, is not permitted in a Development Permit, the groundrent payable in respect of the component of the development allocated towards Residential Units, Office Unit and Garage Space for resale, shall increase or decrease, as the case may be, which increase or decrease shall be adjusted in accordance with the rates indicated in Clause eight point two point two (8.2.2) below.

The groundrent is being so divided, as the realizable value for the residential units in terms of the formula determining the calculation of the contribution, is not only diverse in terms of a monetary expected return but also subject to further prospective return on the option to convert the title of such residential units from a temporary to a perpetual one.

Whereas in terms of the Development Permit, the Net Floor Space Area identified in the Expected Development, has resulted to be less than the already envisaged square meterage of Net Floor Space Area designated as Residential Units, and Office Units and of Garage Space for resale, and for which reason, the Parties are hereby amending the said clause seven point one (7.1) in the following manner:

The annual temporary ground-rent of one million five hundred and sixty two thousand five hundred and nine Euro (€1,562,509), is being revised to one million one hundred and twelve thousand seven hundred and eighty four Euro (€1,112,784); which shall be revised upwards on the lapse of five (5) years in terms of the Title Deed , according to the official rate of inflation, which shall be taken to be the official rate of inflation published in respect of the year immediately preceding the year when the ground rent is to be increased, and thereafter, on the lapse of every subsequent five-year period, by said rate of inflation on the *pro tempore* ground-rent payable annually in terms of this deed in each year in the immediately preceding five-year period.

Furthermore, it is agreed that from the whole of the temporary groundrent mentioned herein, and for purposes of Clause eight point two point two (8.2.2) of the Title Deed, the sum of six hundred and eighty nine thousand, six hundred and fourteen Euro (€689,614) is the part of the ground rent of the total of one million one hundred and twelve thousand seven hundred and eighty four Euro (€1,112,784) to be allocated for redemption purposes based on a Net Floor Space Area identified in the Development Permit, set at twenty one thousand seven hundred and forty one square metres (21,741sqm), that is, the Net Floor Space Area designated as Residential Units, and Office Units and thirty thousand two hundred and forty Euro (€30,240) set at fifteen thousand one hundred and twenty square meters (15,120 sqm) of Garage Space for resale.

Furthermore, due to the revision stated above, the ground rent has on the 1st February 2022 (that is on the lapse of sixty months from the date of the Title Deed) been revised in terms of the Title Deed; and thus:

- a) The total groundrent of one million one hundred and twelve thousand seven

hundred and eighty four Euro (€1,112,784) has been revised to one million one hundred and eighty four thousand seven hundred and fifty eight Euro and eight cents (€1,184,758.08); whereas

- b) The groundrent of six hundred and eighty nine thousand, six hundred and fourteen Euro (€689,614), being the part of the ground rent of the total of to be allocated for redemption purposes based on a Net Floor Space Area identified in the Development Permit, set at twenty one thousand seven hundred and forty one square metres (21,741sqm), that is, the Net Floor Space Area designated as Residential Units, and Office Units; has been revised to seven hundred and thirty four thousand and two hundred and seventeen Euro and seventy four cents (€734,217.74); whereas
- c) The groundrent of thirty thousand two hundred and forty Euro (€30,240) set at fifteen thousand one hundred and twenty square meters (15,120 sqm) of Garage Space for resale; has been revised to thirty two thousand one hundred and ninety five Euro and ninety cents (€32,195.90);

Thus the revision that is to take place in the year 2027 shall be carried out on the revised ground rent amounts indicated above.

It is further agreed that in calculating inflation, the inflation rate of the then previous year is used.

It is further being agreed that in case the Net Floor Space Area designated as Residential Units, Office Units and Garage Space for resale is increased, the ground-rent payable for the aforementioned components shall increase in accordance with the rates indicated in Clause eight point two point two (8.2.2) of the Title Deed.

It is further clarified that the groundrent payable for the extended period of the Term (in terms of clause four above) shall remain payable, and be subject to revision in terms of the Title Deed.

Furthermore: it is agreed that out of the said total annual and temporary groundrent, one million one hundred and twelve thousand seven hundred and eighty four Euro (€1,112,784) as revised to one million one hundred and eighty four thousand seven hundred and fifty eight Euro and eight cents (€1,184,758.08); the annual and temporary groundrent of:

- three hundred and five thousand four hundred and sixty five Euro (€305,465) as revised to three hundred and twenty five thousand two hundred and twenty two Euro and twenty six cents (€325,222.26) is allocated as the annual and temporary groundrent over the Mall; and
- eighty seven thousand four hundred and sixty five Euro (€87,465), as revised to ninety three thousand one hundred and twenty two Euro and seventeen cents (€93,122.17) is allocated as the annual and temporary groundrent over the Hotel;

Which amounts are fixed (and will not increase and/or decrease should the square meterage increase and/or decrease from time to time), however will be further revisable upwards on first day of February of the year two thousand and twenty seven (1st February 2027) in terms of the Title Deed, according to the official rate of inflation, which shall be taken to be the official rate of inflation published in respect of the year immediately preceding the year when the ground rent is to be increased, and

thereafter, on the lapse of every subsequent five-year period, by said rate of inflation on the *pro tempore* ground-rent payable annually in terms of this deed in each year in the immediately preceding five-year period.

5.1. Amendment to Article 7.2 of the Title Deed

Article 7.2 of the Title Deed which reads as follows:

7.2 The Ground-rent due as established in sub-clause one of this clause seven (7.1) reckoned from the date of this deed is being administratively but irrevocably abated by the Government in favour of the Company to a nominal amount of one thousand Euro (€1,000) per annum, which abatement shall however remain applicable only until the Certificate of Completion is issued by the Architect in respect of the Project or, the lapse of five years from date this Deed, whichever occurs first, and upon either of the aforementioned occurrences the Ground-rent shall revert to its full amount as stipulated in sub-clause one of this clause (7.1). This abatement is being given as a one time and non extendable grant, due to the fact that no actual permit or permit warranty is being herein given by Government;

Provided that, any abatement of the ground rent stipulated in this clause shall in any event and notwithstanding any other article of this deed cease on the lapse of five years from date of this Deed.

Is being modified with the following clause:

7.2 The Ground-rent due as established in sub-clause one of this clause seven (7.1) reckoned from the date of the Title Deed is being abated by

the Government in favour of the Company to a nominal amount of one thousand Euro (€1,000) per annum, which abatement shall however remain applicable only until the thirty first day of January of the year two thousand and twenty six (31st January 2026); thereafter, the Ground-rent shall revert to its full amount as stipulated in sub-clause one of this clause (7.1). This abatement is being given as a one time and non extendable grant;

Provided that, any abatement of the ground rent stipulated in this clause shall in any event and notwithstanding any other article of this deed cease on the thirty first day of January of the year two thousand and twenty six (31st January 2026).

5.2. Amendment to Article 7.5 of the Title Deed

Article 7.5 of the Title Deed reads as follows:

Provided that the emphyteutical concession constituted in virtue of the Title Deed was made in consideration of a total contribution made by the Company to the Government of Malta, in terms of article seven point five of the Title Deed and payable as follows:

- (i) *“The sum of Fifteen Million Euros (€15,000,000) shall be paid over a period of seven [7] years with the first payment of five million Euros (€5,000,000) being paid hereon, on signing of the Deed and the balance of ten million Euros (€10,000,000) shall be payable in seven [7] equal annual installments, interest free, with the first payment due on the thirty first day of January two thousand and eighteen (31/1/2018) and subsequent payments on each anniversary thereafter;*
- (ii) *upon the issuance of a Development Permit*

determining the full extent of actual developable area within the entirety of the CityCentre Development, a consideration shall further be due, to Government or by Government to Company as the case may be, which consideration shall be calculated in accordance to the provisions of the attached schedule marked [J]. The payment of such additional consideration shall be effected over a period of seven [7] years payable in seven [7] equal annual instalments, interest free, with the first payment being due one week following the issuance of the Development Permit, and subsequent payments on each anniversary thereafter; and

- (iii) *an additional consideration shall become due in the event that, throughout the entirety of the Term of the deed, a Development Permit is issued allowing for further developable area originally permitted, which consideration shall be calculated in accordance to the provisions of the attached schedule marked [J]. The payment of such additional consideration shall be effected in its entirety within one week from the issuance of the Development Permit allowing for such further developable floorspace in excess of that original granted in terms of the preceding.”*

Whereas: the Company has since paid further payments on account of the total contribution.

For this reason

it is being clarified that:

- i. the first payment of five million Euro (€5,000,000) has been paid on the Title Deed,

- and for which the Government of Malta has already granted due receipt on the same Title Deed;
- ii. the sum of five million seven hundred and fourteen thousand two hundred and eighty six Euro (€5,714,286) has also been paid till today and for which the Government of Malta hereby grants due receipt;
 - iii. the remaining balance in terms of the contribution set in the Title Deed is of four million two hundred and eighty five thousand seven hundred and fourteen Euro (€4,285,714)
 - iv. Furthermore, the total contribution in terms of the Development Permit [PA/3807/17 (PA three thousand eight hundred and seven of the year two thousand and seventeen)] has been set in terms of the Title Deed, at fifteen million two hundred and nineteen thousand seven hundred and forty three Euro (€15,219,743), and thus the balance due, as a result of such amended total contribution, results to €4,505,457 (four million five hundred and five thousand four hundred and fifty seven Euro); which shall be payable in seven [7] equal annual installments, interest free, with the first payment due on the thirtieth day of June of the year two thousand and twenty six (30/6/2026) and subsequent payments on each anniversary thereafter;
 - v. The above clarification is without prejudice to the applicability of the provisions resultant from the Title Deed which regulate the contribution so applicable, and any future revisions relating to the payable consideration shall continue to be carried out in accordance to the Title deed

6. Amendment to Article 13.2 of the Title Deed

Whereas in terms of article 13.2 of the Title Deed, the Government undertook at its sole cost, risk, legal and financial liability to effect the required

improvements to the road and utilities infrastructure leading to the Site in respect of the Peninsula.

Whereas the Company had to undertake certain works itself to be able to commence works on the Site, and this in the amount of four hundred and sixty nine thousand one hundred and eighty three Euro (Euro 469,183).

The Parties agree that this will be set off against future payments due by the Company to the Government of Malta.

7. Amendment to the definition of the term ‘Site’ and/or “Property”

The term “**Site**” and/or “Property” was defined as

“the divided portion of land of irregular shape with all amenities constructed thereupon and with airspace and subterranean levels and as subject to no servitudes or third party rights save as herein expressly reserved on this deed and having the total measurement of circa twenty-three thousand nine hundred and seventy five square metres (23,975 sqm), in Saint Julians, Malta and which immovable is accessible from Profs Walter Ganado Street and Triq ix-Xatt ta’ San Gorg, both roads within the same locality which site is divided in three (3) separate portions, one having an area of approximately five thousand five hundred and thirty six square metres (5,536 sqm) bounded from the north-west and from the north-east with property of the Government of Malta and from the south-east with Profs Walter Ganado Street, one having an area of approximately eighteen thousand two hundred and two square metres (18,202 sqm) bounded from the north-east and from the north-west with Profs Walter Ganado Street and from the south-east with Triq ix-Xatt ta’ San Gorg and the last

one having an area of approximately two hundred and thirty seven square metres (237 sqm) bounded from the north-west with Triq ix-Xatt ta' San Gorg, from the north-east with property of the Government of Malta and from the south with the foreshore, as shown marked edged in red and respectively marked with letters A, B and C on the Government Property Division plan marked with letters P.D. number one hundred and ninety five underscore ninety eight underscore letter A underscore two (P.D. NO: 195_98_A_2), annexed to the Title Deed as Document 'C' and save for the directum dominium temporaneum rights and subsequent full ownership, constituted by the concession granted on the Title Deed as modified by this deed and relative Special Privilege arising at law in favour of the Government of Malta in terms of the Title Deed, it is free and unencumbered from any other groundrents or pious burdens and with all its rights and appurtenances. The same said divided portions of the above-described site are also shown marked in red on the site-plans attached to the Title Deed, therein marked as documents 'D', 'E' and 'F'."

Furthermore in terms of article 6.7 of the Title Deed it was stated that: *"The Government is hereby granting and conceding to the Company the right, exercisable for the duration of the Term, to link, on a subterreanean basis, the sites forming part of the Site, namely A, B and C, respectively one to another, provided that, in the exercise of such linkage facilities, the Company shall permit the passing of all necessary third party infrastructure, including but not limited to drains, water, cables serving property outside the Site as determined by the respective authorities."*

It has resulted that even though the Site as defined in the Title Deed included the right to link same on a subterreanean basis, the said parts whereby the link is to take place, were not clearly identified, and thus were not included in the

definition of the term 'Site' in terms of the Title Deed, and for which reason the parties are hereby amending the said definition of the term 'Site' and/or Property, to include within the said Site itself, the said areas wherein the properties forming part of the Site are to be linked, and thus the term Site is hereby being amended and substituted to read as follows:

- **"Site"** and/or "Property" means the divided portion of land of irregular shape, consisting of:
 - i) the divided portion of land of irregular shape with all amenities constructed thereupon and with airspace and subterranean levels and as subject to no servitudes or third party rights save as herein expressly reserved on this deed and having the total measurement of circa twenty-three thousand nine hundred and twenty square metres (23,920 sqm), in Saint Julians, Malta and which immovable is accessible from Profs Walter Ganado Street and Triq ix-Xatt ta' San Gorg, both roads within the same locality which site is divided in three (3) separate portions, one having an area of approximately five thousand four hundred and eighty four square metres (5,484 sqm) bounded from the north-west and from the north-east with property of the Government of Malta and from the south-east with Profs Walter Ganado Street, one having an area of approximately eighteen thousand two hundred and two square metres (18,202 sqm) bounded from the north-east and from the north-west with Profs Walter Ganado Street and from the south-east with Triq ix-Xatt ta' San Gorg and the last one having an area of approximately two hundred and thirty four square metres (234 sqm) bounded from the north-west with Triq ix-Xatt ta' San Gorg, from the north-east with property of the Government of Malta and from the south with the foreshore, as shown marked edged in red and respectively marked with letters A, B and C on the *Government Property*

Division plan marked with letters P.D. number one hundred and ninety five underscore ninety eight underscore letter A underscore three underscore A (P.D. NO: 195_98_A_3_A), annexed to this deed as Document 'PD3A'; and

- ii) includes also the two (2) divided portions of land , one having an area of approximately one thousand two hundred and ninety seven square metres (1,297sqm) from the level of Triq il-Prof. Walter Ganado downwards, excluding the road structure, bounded from the north with the site above described as portion letter 'A', from the south with the site above described as portion letter 'B' and from the north-east with Triq il-Prof. Walter Ganado and the other one having an area of approximately six hundred and thirteen square metres (613sqm) from the level of Ix-Xatt ta' San Gorg downwards, excluding the road structure, bounded from the north-west with the site above described with letter 'B', from the south-east with the site above described with letter 'C' and from the north-west with Triq ix-Xatt ta' San Gorg, which sites are shown marked edged in red and respectively with letters D and E on the *Government Property Division* plan marked with letters P.D. number one hundred and ninety five underscore ninety eight underscore letter A underscore three underscore A (P.D. NO: 195_98_A_3_A) [annexed to this deed as Document 'PD3A'] and save for the *directum dominium temporaneum* rights and subsequent full ownership, constituted by the concession granted on the Title Deed as modified by this deed and relative Special Privilege arising at law in favour of the Government of Malta in terms of the Title Deed, it is free and unencumbered from any other groundrents or pious burdens and with all its rights and appurtenances. It being clarified that the three portions of land (marked as A, B, and C)

mentioned in the previous paragraph are thus to be linked through these two (2) divided portions of land included hereon, marked as portions 'D' and 'E'; and resultant from *Property Division* plan marked with letters P.D. number one hundred and ninety five underscore ninety eight underscore letter A underscore three underscore A (P.D. NO: 195_98_A_3_A) [annexed to this deed as Document 'PD3A'].

8. Other Amendments

8.1. Article 6.7 of the Title Deed is being amended in the following manner to include the following: The Government is hereby granting and conceding to the Company the right, exercisable for the duration of the Term, to link, the sites forming part of the Site, namely sites A, B, C through sites D and E on a subterranean basis and this as identified on document 'PD3A', respectively one to another, provided that, in the exercise of such linkage facilities, the Company shall permit the passing of all necessary third party infrastructure, including but not limited to drains, waters, cables serving properties outside the Site as determined by the respective authorities .

8.2. Clause 26.1(iv) which entitles the Government to withdraw, the bank guarantee mentioned in article 26 of the Title Deed for any of the following reasons and in the below stated amounts: (iv) An amount of up to five hundred Euro (€500) *per diem* as liquidated damages for mere delay, if the Property is not in a Complete State within sixty two (62) months from date of issue of full development permit, or any extension thereof, until such day that the Property is in a Complete State. This term of sixty two (62) month is being extended to be sixty two (62) months from the later of today's date or of any development permission which is issued,

whichever is the later of the two; and thus the Government is entitled to withdraw from the bank guarantee mentioned in article 26 of the Title Deed an amount of up to five hundred Euro (€500) *per diem* as liquidated damages for mere delay, if the Property is not in a Complete State within sixty two (62) months from the later of today's date or any development permission which is issued, whichever is the later of the two, until such day that the Property is in a Complete State;.

9. Reduction to Special Privilege I. 5561/2017

9.1 Due to the consideration due in terms of article 7 (seven) of the Title Deed, as herein amended, and due to certain payments already being so paid, the Government of Malta is hereby reducing its hypothecary and privileged rights resulting from the hypothecary and privileged inscription duly registered in volume letter I of the public registry of Malta under hypothecary inscription number five thousand five hundred and sixty one of the year two thousand and seventeen (5561/2017), and this in such a manner that it remains valid and effective over the sum of €4,505,457 (four million five hundred and five thousand four hundred and fifty seven Euro) which shall be payable in seven [7] equal annual instalments, interest free, with the first payment due on the thirtieth day of June of the year two thousand and twenty six (30/6/2026) and subsequent payments on each anniversary thereafter

At the same time the Government of Malta is hereby reducing its hypothecary and privileged rights resulting from the hypothecary and privileged inscription duly registered in volume letter I of the public registry of Malta under hypothecary inscription number five thousand five

hundred and sixty one of the year two thousand and seventeen (5561/2017), and this in such a manner that it remains valid and effective over the part of the Site which is occupied and/or to be occupied by the Hotel.

At the same time the Government of Malta retains valid firm and effective all the hypothecary and privileged inscription duly registered in volume letter I of the public registry of Malta under hypothecary inscription number five thousand five hundred and sixty one of the year two thousand and seventeen (5561/2017), not being reduced hereon.

This deed is being signed by way of compromise between the parties and in full and final settlement of any and all claims resultant between the Parties in relation to the modification of the Term under clause five (5) of Title Deed.

10 Costs and other conditions

10.1 Notarial fees and expenses payable upon publication of this deed shall be paid by the Company.

10.2 Each Party shall be responsible for the payment of the fees of its own advisors.

10.3 This deed of modification is being entered into for the nominal price of one thousand Euro (€1000).

Statutory Declarations

(A) For the purposes of the Immovable Property (Acquisition by Non-Residents) Act, Chapter two hundred and forty six (246) of the Laws of Malta (the “**AIP Act**”) the representative on this deed of

DB San Gorg Property Limited (the “Company”) declares that the Company qualifies to acquire the temporary *dominium utile* of the Property acquired on this deed without the necessity of obtaining a permit under the AIP Act for the reason that (i) it is constituted under the laws of Malta; (ii) it has its registered address, principal place of residence and of business in Malta; (iii) not less than seventy five per cent (75%) of the shareholding in the said Company and not less than seventy five per cent (75%) of the controlling shares of the said Company belong to European Union citizens who have resided continuously in Malta for at least five years; (iv) it is not in any manner and whether directly or indirectly controlled by one or more non-resident persons; and (v) that the Property is required by the Company for the purpose of carrying out the activity for which the Company has been set up which purpose is also represented in the Memorandum and Articles of Association of the Company; and that they are making this declaration after I the undersigned Notary warned them of the importance of the truthfulness and of the consequence in the case of false or erroneous declarations.

(B) For the purposes of the Duty on Documents and Transfers Act, Chapter three hundred and sixty four (364) of the Laws of Malta, the ad valorem duty due by the Company on this deed amounts to fifty Euro (€50).

(C) For the purposes of the Income Tax Management Act, Chapter three hundred and seventy two (372) of the Laws of Malta and the Income Tax Act, Chapter one hundred and twenty three (123) of the Laws of Malta:

i. The Government and the Company declare that for the purposes of sub-article twelve (12) of article five capital A (5A) of the Income Tax Act, they have declared to the undersigned Notary all the facts that determine if the transfers made by virtue of this deed is one to which the aforesaid

article 5A applies or otherwise and that are relevant for ascertaining the proper amount of tax chargeable or any exemption, including the value which, in their opinion, reasonably reflects the market value of the temporary *dominium utile* of the Property transferred by virtue of this deed, if this value is higher than the consideration for the transfer. The Government and the Company make such declaration after I the undersigned Notary warned them about the importance of the truthfulness of this declaration of theirs.

ii. The Government of Malta declares that it does not pay income tax or capital gains tax.

(D) For the purposes of the Land Registration Act, Chapter two hundred and ninety six (296) of the Laws of Malta, I the undersigned Notary declare that the Property is registered at the Land Registry.

(E) Fees and expenses relative to the contract, including notarial fees will be at the charge of the Company.

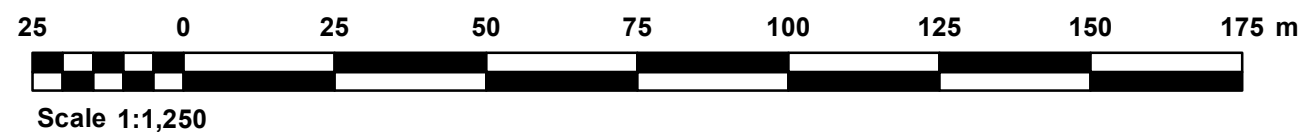
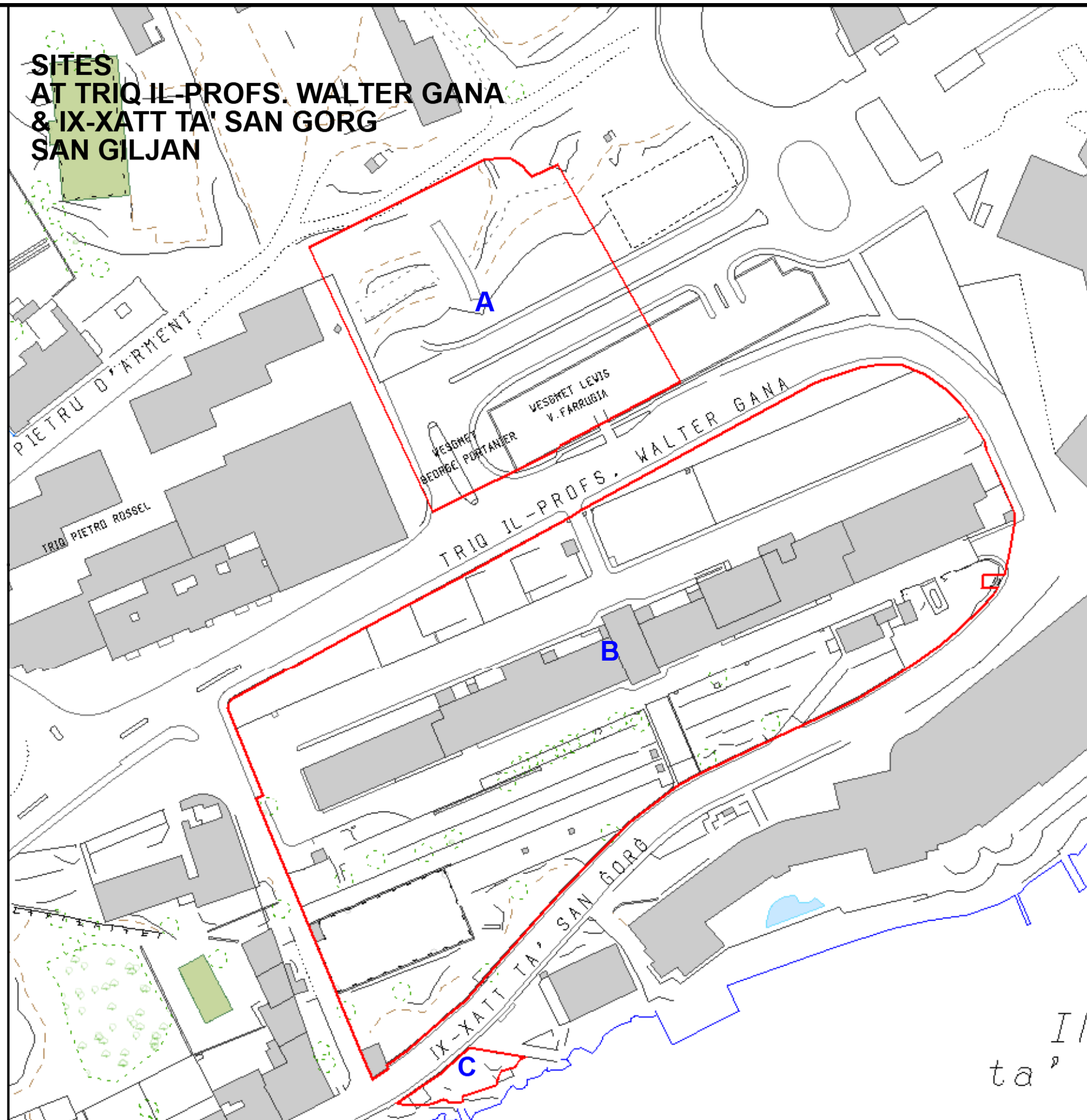
For the purpose of the second proviso to Sub-Article five (5) of Article eighty four letter C (84C) of the Notarial Profession and Notarial Archives Act, it is being declared that paragraph letter 'd' of the regulation number four (4) of the Legal Notice regarding the 'Examination of Title Regulations', the Notary is exempt '*ipso iure*' from examining the title with regards to the immovable property being acquired by means of this deed and the acquires declare that I the undersigned Notary explained to the Parties the importance and consequences of such exemption.

For the purpose of the Prevention of the Money Laundering Act, Chapter three hundred and seventy three (373) the Company declares that the funds which it is disbursing in connection with this deed originate from a legitimate source of income and that the Company's wealth source is

from legitimate means.

This deed has been done, read and published by me the undersigned Notary after I explained the contents hereof to the Parties hereto according to the law in Malta, at Valletta, Auberge de Baviere, Saint Sebastian Street, at the offices of the Lands Authority.

**SITES
AT TRIQ IL-PROFS. WALTER GANA
& IX-XATT TA' SAN GORG
SAN GILJAN**



- A** PROPERTY No.: E268755
AREA : 5536m²
- B** PROPERTY No.: G27018
AREA : 18202m²
- C** PROPERTY No.: E268756
AREA : 237m²

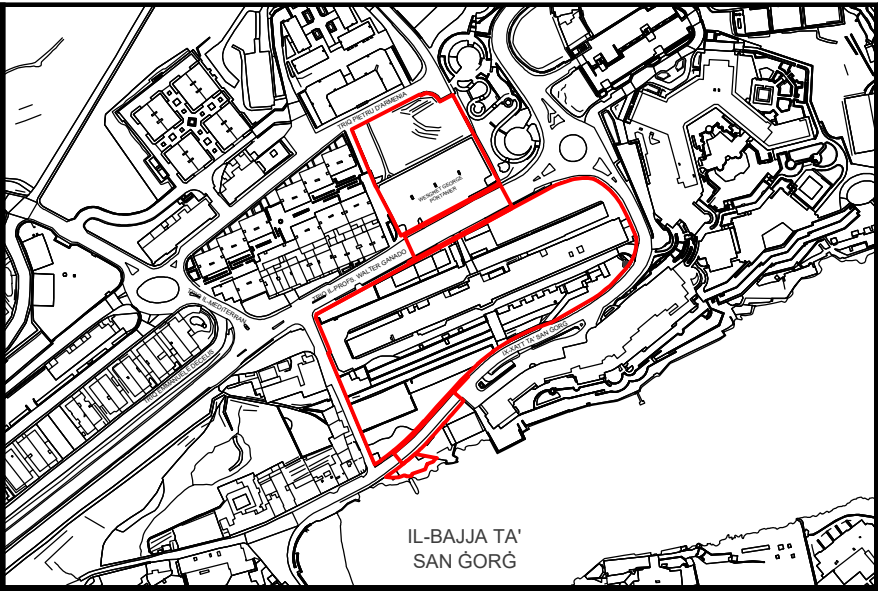
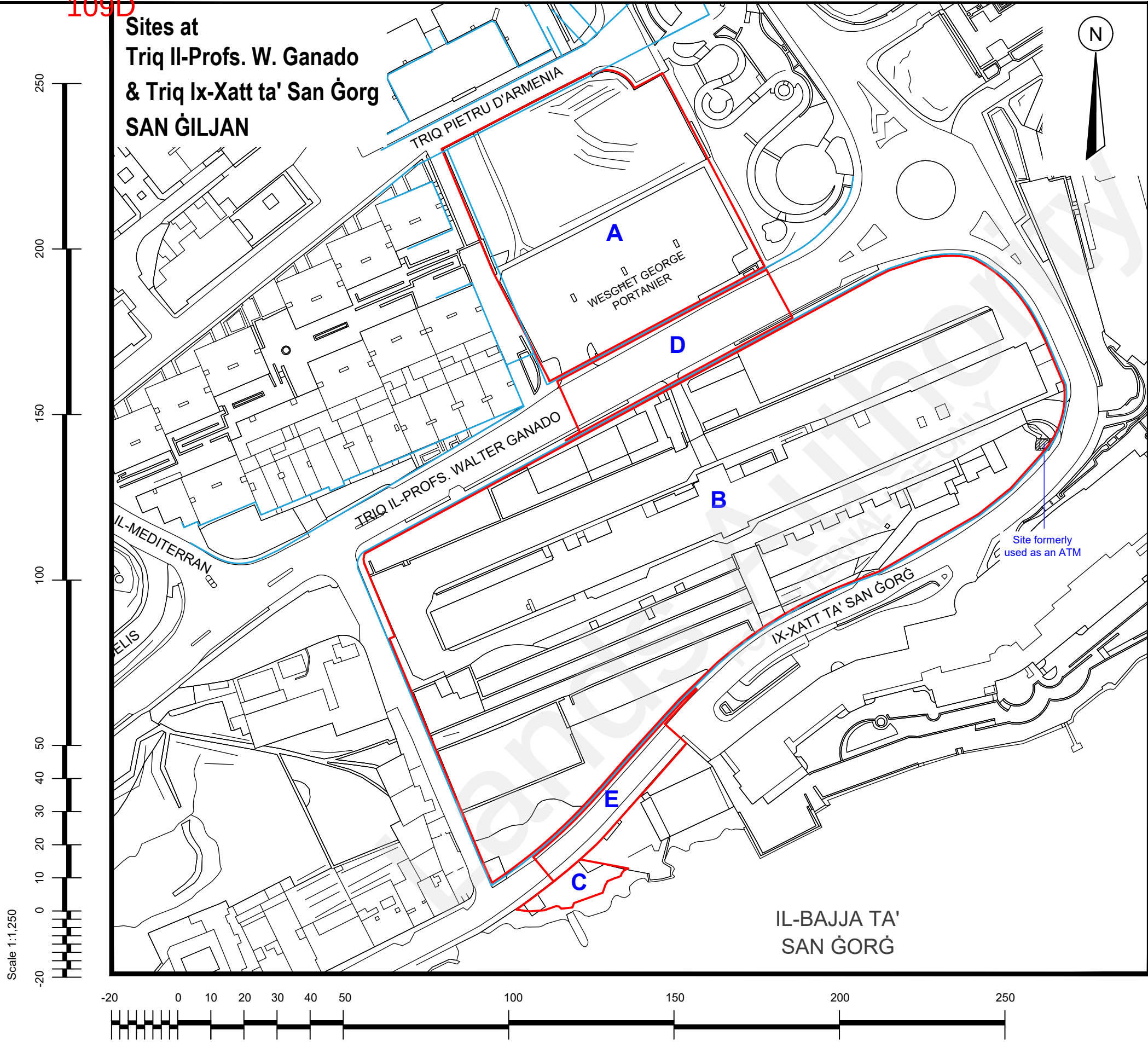
**LANDS AUTHORITY - ESTATE MANAGEMENT
AND BUSINESS DEVELOPMENT DIRECTORATE**

LOCALITY: PEMBROKE, SAN GILJAN

P.D. NO: 195_98_A_2	SCALE 1:1250
FILE: 1315/86	DRAWN BY: gaucn003
(sgd. S. Scotto) A&CE DATE:12/11/2015	(sgd. C. Camilleri) Director Estate Management DATE:12/11/2015

109D

Sites at
Triq Il-Prof. W. Ganado
& Triq Ix-Xatt ta' San Ġorg
SAN ĠILJAN



Site Plan
S.S. 5276

Scale 1:5000
Map Ref.: 53926
76253 (ED50) 453869
3976057 (WGS84)

- A** Property No : **E268755**
Area : **5,484m²**
 - B** Property No : **G27018**
Area: **18,202m²**
 - C** Property No : **E268756**
Area: **234m²**
 - D** Property No : **E292332**
Area: **1,297m²**
(Site underlying Triq il-Prof. Walter Ganado,
excluding road structure)
 - E** Property No : **E292333**
Area: **613m²**
(Site underlying Ix-Xatt ta' San Ġorg,
excluding road structure)
- Official Planning Authority alignment
interpreted on the 2018 Basemap



**LANDS
Authority**

Auberge de Baviere
St. Sebastian Str, Valletta
Phone (00356) 2295 3238/39/40/42
Website landsauthority.org.mt

Estate Management & Business Development

Locality: SAN ĠILJAN	
P.D. No.: 195_98_A_3_A	Scale : 1 : 1,250
File No.: L/0315/1986	Drawn by : bonam051
A&CE sgd (S.Scotto)	f/ Chief Officer Estate Management & Business Development sgd (M. Bonanno)
Date : 16th June, 2025	Date : 16th June, 2025

Sites A to E are interpreted from plans submitted by Applicant and approved by the Planning Authority.

Deed No 7
Temp Emphy
Enr :- 3148/2017
on:- 13/02/2017
Hyp. No. 2818/2017
Privilege ; -5561/2017
Lr:- 581/2017
Lr:- 582/2017
Lr:- 583/2017
LRC:- 626/17
LRC:-627/17
LRC:-628/17

Today, the first (1st) of February two thousand and seventeen (2017).

Before me, Doctor of Laws Anthony Hili, a Notary Public in the Government Property Division duly admitted and sworn, have personally appeared and identified themselves according to law, by means of the hereunder mentioned official documents:

Of the first part:

Peter Mamo, Commissioner of Land, son of the late Joseph and of Concetta nee' Valvo, born at Cospicua on the 14th March 1956 and residing at Xghajra, holder of identity card number 229556M who is appearing on this deed for and on behalf of the **Government of Malta** and the **Government Property Department** as duly authorized by virtue of Government Notice numbered one thousand two hundred and fifty eight (1258) published in the Government Gazette of the twelfth (12th) December of the year two thousand and fourteen (2014) and Government Notice numbered sixty one (61) published in the Government Gazette of the twenty-third (23rd) January of the year two thousand and fifteen (2015), hereinafter called '**the Government of Malta**'.

The related papers are marked Lands number three hundred and fifteen stroke eighty six (L315/86).

Of the second part:

Silvio Debono, a company director, son of Joseph and of Mary nee' Fenech, born in Mellieha on the 11th December 1959 and residing at Mellieha, holder of Identity Card Number 26060(M), who is appearing on this deed for and in representation of the company **DB San Gorg Property Limited**, a company registered under the laws of Malta whose registered office is situated at the DB Seabank Hotel, Marfa Road, Ghadira, Mellieha MLH 9064, bearing company registration number C 77344, duly authorized by virtue of a Board Resolution herewith attached as document "A", hereinafter referred to as **"the Company"**.

The Parties

The Government and the Company are in this deed collectively referred to as the **"Parties"** and each one a **"Party"**.

WHEREAS:

Following the invitation by the Government of Malta of a Request for Tender Proposals ("RFP") for the Design, Build, and Operation of an upmarket tourism and leisure development in Saint George's Bay, Saint Julians on the site currently occupied by the Institute for Tourism Studies ("the Site") issued on the thirteenth (13th) November two thousand and fifteen (2015), which Request for Tender Proposals was duly published in the Government Gazette dated seventeenth (17th) November two thousand and fifteen (2015), a joint venture of companies ("the JV") affiliated to the Company submitted its detailed proposal in terms of said RFP ;

Following a short-listing exercise the JV was successfully identified as the Preferred Proponent in terms of the RFP and was invited further to enter into negotiations with the Government of Malta;

Following negotiations the Parties have agreed the terms that are to regulate their relationship;

The Parties hereby agree and covenant:

Clause 1 - Definitions

1. In this deed, unless otherwise expressly stated or the contrary intention appears and in addition to any other definitions contained elsewhere in this deed, the following terms shall have the following meanings respectively assigned to them:

“Architect” means the architect and civil engineer appointed by the Company for the purpose of certifying completion of the Project.

“Building” means a permanent structure forming an enclosure and the terms “Buildings” shall be construed accordingly.

“Car Park” means those parts of the Site which will be shown on the Development Permit as designated for such use.

“Certificate of Completion” means the certificate issued by the Architect in accordance with sub-clause six of clause fifteen (15.6) of this deed and confirming that the Project is in a Complete State.

“CityCentre Development” means the development of an upmarket mixed tourism and leisure development incorporating the Components which the Company is to construct and develop on the Site in accordance with the provisions of this deed.

“Company” means the private limited liability Company DB San Gorg Property Limited with company registration letter C number seven seven three four four (C-77344), a limited liability company registered on the twenty-sixth (26th) of September two thousand and sixteen (2016) under the Laws of Malta, and/or its successors in title.

“Complete State” means that a Building or any unit in a Building is developed and built in accordance with the applicable Development Permit/Building Permits in relation to the same

and completed in all respects in full compliance with all laws and regulations in respect of buildings in general, including sanitary and environmental matters, with materials of good quality, and to a good standard of workmanship, in terms of local building custom.

“Components” means the Hotel and Commercial Areas, the Mall, the Car Park, the Towers and the Public Spaces. The term “Component” shall mean any single one of such amenities.

“Developable Area” means the total sum of Gross Floorspace Area allocated to Hotel and Commercial Area, Mall and Car Park, and Net Floor-space Area allocated to Residential Units, Office Units and Garage Spaces in a Development Permit.

“Development of the Project” means the performance, execution or supply of anything which shall be required to be performed, done or supplied by the Company in order to complete the obligations assumed by it on this deed in respect of the completion of the Project and for all the requirements mentioned in the definition of Complete State to be satisfied in full and includes, but is not limited to, the performance, execution or supply of all labour, materials, constructional plant and equipment, temporary works, remedial works, and architectural and technical services and supervision to construct, develop and complete the Project in all respects in compliance with all laws and regulations in respect of buildings in general including sanitary and environmental matters, possible requirements by the competent authorities, the Building Permits, and the execution of all works necessary to satisfy the Company’s obligations arising from this deed, as well as the filing of applications for and the procurement of necessary amendments to the Building Permits and the issuance of any compliance or completion certificates in respect of the Project in terms of the Environment and Planning Act, Chapter five hundred and four (504) of the Laws of Malta, and of all other necessary certifications, permits, authorisations and licences required during the Development of the Project, and on its completion and the procurement, installation and commissioning of all utilities required for the Project.

“Development Infrastructure” means the infrastructure within the Site required in the CityCentre Development, and includes

networks for water, electricity, sewerage, and electronic transmissions, communications and reception systems.

“Development Permit” means all and any permits and authorisations required by applicable laws and regulations, validly issued and uncontested and unappealable, for the demolition, excavation, construction, completion and use of a specific phase, building or structure of the City Centre Development.

“Emphyteutical Grant” means the temporary emphyteutical grant of the Property made by the Government of Malta to the Company by virtue of this deed.

“Expected Development” means the foreseen development of the Property in terms of the Original Proposal presented by the Company in response to the RFP providing for the development of a Hotel, a number of offices, residential units, a retail mall, parking spaces and open spaces in terms of a private interpretation of current Planning Authority policies. The expected development only represents the Company’s intentions and does not imply any guarantees or certainty that such expected development shall be permitted by the relevant regulatory authorities. Neither does it in any way inhibit the Company for applying to its advantage for any additional permit after any future changes to local Planning Policies to further increase the development, provided that such changes are in line with this Deed.

“Force Majeure” means any act, event or circumstance which is beyond the reasonable control of a party, including but not limited to acts of God, war, civil commotion, fire, flood or other calamity, strike, riot, lock-out or other industrial disturbance, terrestrial or extra-terrestrial interference, blockade, insurrection, action, order, direction judgement, including but not limited to prohibitory injunction of the Government, or any Court, Tribunal, Regulatory Authority or other judicial and/or quasi judicial body including but not limited any other cause of a similar nature, which makes that party’s performance of its obligations under this contract impossible, or so impractical as to be considered impossible under the circumstances.

“Foreshore” means the area of land hatched in green on the Site Plan marked document ‘B’ attached to this deed.

“Garage Spaces” means those spaces within the Car Park that shall be designated for individual parking units that may be transferred in terms of this Deed with Residential Units and Office Units

“Government/Government of Malta” means the Government of Malta and/or its successors in title and/or the Dominus and/or its successors in title.

“Gross Floorspace Area” means the total floor area inside the building envelope, including the external walls, but excluding the roof, enclosed machinery rooms, and mechanical and electrical services.

“Ground-rent” means the annual temporary ground-rent stated in clause seven (7) of this deed and, when revised upwards in accordance with same clause, the annual temporary ground-rent as so revised.

“Hotel and Commercial Area” means those parts of the Site which will be shown on the Development Permit as designated for such use.

“Immovable Things” means all buildings, structures, developments, infrastructure, facilities, installations, equipment, plant and machinery and other improvements, now existing, or which in the future shall exist, within the boundaries of the Site, whether installed, constructed or erected on, in or under the Site but to the extent only that they are considered immovable things in terms of the Civil Code, Chapter sixteen (16) of the Laws of Malta.

“TTS” means the former Institute of Tourism Studies building scheduled as a Grade TWO (2) building by the PA as at today.

“Mall” means those parts of the Site which will be shown on the Development Permit as designated for such use.

“Net Floor Space Area (NFA)” means Net internal area (or usable floor area) - The Net internal Area is the Gross internal area less the floor areas taken up by lobbies, enclosed machinery rooms on the roof, stairs and escalators, mechanical and electrical services, lifts, columns, toilet areas (other than in domestic property), ducts (internal unit shafts), risers and outside terraces or balconies forming part of the residential unit.

“Office Units” means those parts of the Site which will be shown on the Development Permit as designated for such use.

“Peninsula” means the Saint George’s Bay peninsula, Saint Julian’s on which the Site is located as shaded in blue on the site plan hereto attached and marked Document [‘B’].

“Permitted Uses,” means the uses of the Property as specified in clause six (6) of this deed.

“PA” means the Planning Authority

“Project” means the CityCentre Development incorporating the Components which the Company is to construct and develop on the Site in accordance with the provisions of this deed.

“Public Spaces” means those parts of the Site which shall be shown in the Development Permit as designated for such use. Provided that any area below the road surface level of the Public Spaces which is developed as part of the other Components shall not be considered as part of the Public Spaces and shall be treated for the purposes of this deed as part of the component for which it has been developed.

“Residential Units” means those parts of the Site intended for private residential purposes, which shall be shown in the Development Permit as designated for such use.

“Site” and/or **“Property”** means the divided portion of land of irregular shape with all amenities constructed thereupon and with airspace and subterranean levels and as subject to no servitudes or third party rights save as herein expressly reserved on this deed and having the total measurement of circa twenty-three thousand nine hundred and seventy five square metres

(23,975 sqm), in Saint Julians, Malta and which immovable is accessible from Profs Walter Ganado Street and Triq ix-Xatt ta' San Gorg, both roads within the same locality which site is divided in three (3) separate portions, one having an area of approximately five thousand five hundred and thirty six square metres (5,536 sqm) bounded from the north-west and from the north-east with property of the Government of Malta and from the south-east with Profs Walter Ganado Street, one having an area of approximately eighteen thousand two hundred and two square metres (18,202 sqm) bounded from the north-east and from the north-west with Profs Walter Ganado Street and from the south-east with Triq ix-Xatt ta' San Gorg and the last one having an area of approximately two hundred and thirty seven square metres (237 sqm) bounded from the north-west with Triq ix-Xatt ta' San Gorg, from the north-east with property of the Government of Malta and from the south with the fore-shore, as shown marked edged in red and respectively marked with letters A, B and C on the *Government Property Division* plan marked with letters P.D. number one hundred and ninety five underscore ninety eight underscore letter A underscore two (P.D. NO: 195_98_A_2), annexed to this deed as Document ['C'] and save for the *directum dominium temporaneum* rights and subsequent full ownership, constituted by this concession on this deed and relative Special Privilege arising at law in favour of the Government of Malta, it is free and unencumbered from any other groundrents or pious burdens and with all its rights and appurtenances. The same said divided portions of the above-described site are also shown marked in red on the attached site-plans marked documents ['D', 'E' and 'F'].

“Term” means the term of the Emphyteutical Grant as set out in clause five (5) of this deed.

“Tower” means those parts of the Site which may be shown in the Development Permit as designated for such use.

“Undesirable Person” means a person who:

(a) has been convicted of a crime, wherever committed:

- i. against the safety of the Government in terms of articles fifty five (55) to fifty nine (59), both articles includ-

ed, of the Criminal Code, Chapter nine (9) of the Laws of Malta (in this deed referred to as the “**Criminal Code**”), or

ii. against public safety in terms of articles three hundred and eleven (311) to three hundred and seventeen (317), both articles included, of the Criminal Code, or

iii. specified in the Schedule to the Extradition Act, Chapter two hundred and seventy six (276) of the Laws of Malta, and for a term of imprisonment of more than three (3) years;

iv. against the Prevention of Money Laundering Act, Chapter three hundred and seventy three (373) of the Laws of Malta;

v. in violation of the articles three hundred and seven (307) to three hundred and fifteen (315) (both articles included) of the Companies Act, Chapter three hundred and eighty six (386) of the Laws of Malta (in this deed referred to as the “**Companies Act**”) and in violation of article one hundred and ninety one (191) of the Criminal Code;

vi. against Sub-Titles IVA and B of Title IX of Part II of Book First of the Criminal Code;

vii. against the laws or by the courts of another country with respect to the crimes substantially equivalent to those specified in paragraphs i.(roman number one), iv.(roman number four) and v.(roman number five) above.

(b) is the subject of sanctions or restrictions issued by the United Nations, the European Union or other international governmental body of which Malta is part and which are adopted or applied by the Government in terms of the National Interest

(Enabling Powers) Act, Chapter three hundred and sixty five (365) of the Laws of Malta and / or other applicable law, and this for such time as such sanctions remain in force.

(c) is the subject of an international arrest warrant or of a European Arrest Warrant or is otherwise wanted by INTERPOL or other equivalent trans-national police organisation, and this for such time as he so remains.

(d) is insolvent or bankrupt and unable to pay his debts as they fall due.

(e) being a legal entity, the director, the administrator or other officer or the controlling shareholder of which is:

- i. an Undesirable Person, or
- ii. in case of a director or officer, disqualified to be a director of a company in terms of the Companies Act or of a similar law of a jurisdiction of which the director or officer is a national or resident and this for as long as such person remains so disqualified

Clause 2 - Interpretation

2.1 In this deed, unless otherwise expressly stated or the contrary intention appears:

a) words importing the masculine gender shall include the feminine gender and vice-versa and words importing the neuter gender shall include the masculine and the feminine gender;

b) references to a Recital, Part, heading, section, clause, paragraph, document or schedule is to a Recital, Part, heading, section, clause, paragraph, document or schedule of or annexed to this deed;

c) references to a person include references to any person, whether natural or legal and whether registered or not and whether incorporated or unincorporated, and includes (without limitation) an undertaking and this irrespective of citizenship, place of registration, residence or management;

d) any reference to any law shall be deemed to include any amendment, replacement or re-enactment thereof for the time being in force and to include any subordinate legislation, legal notices, rules, regulations, orders, notices, directions, consents or permissions (together with any conditions attaching to any of the foregoing) made thereunder;

e) all obligations undertaken by the Parties will be binding on them during the entire Term, save as otherwise provided in this deed ;

f) where the context permits, the term “**Site**” and/or “**Property**” shall include any part of the Site, together with all the Immovable Things which now, or in the future, shall appertain to them.

g) The headings in this deed are inserted for convenience only and do not affect its construction.

h) The documents annexed to this deed shall be construed to form a substantial and integral part of this deed and any reference to this deed shall include a reference to the said documents.

Clause 3 - Grant of Emphyteusis of the Property

3.1 By virtue of this deed, the Government hereby grants by title of temporary emphyteusis to the Company, which on its part accepts and acquires by the same title of temporary emphyteusis, the Site, for the Term specified in Clause five (5) and for the consideration and upon the terms and conditions set out and contained in this deed. The Site includes all its rights and appurtenances including its sub soil. The Site is also shown in red on the *Government Property Division* plan marked with letters P.D. number one hundred and ninety five underscore ninety eight underscore letter A underscore two (P.D. NO: 195_98_A_2) annexed to this deed as Document [‘C’].

3.2.1 Save as hereinafter provided the Site is being granted and accepted with immediate vacant possession as free and unencumbered, and as such free from any other ground-rent, bur-

dens, servitudes, hypothecs, privileges, charges, cautions, enforcement orders, and free from any other rights, both real and personal and whatever type or nature in favour of third parties including the Government or any other public authority, free from litigation and the Property is being granted *tale quale*, and with the exclusion of the warranty of hidden/latent defects.

3.2.2 The Parties acknowledge and recognise that the Property is currently partially occupied by the Institute for Tourism Studies and Government hereby undertakes and warrants to have the Property vacated by not later than thirtieth (30th) June two thousand and seventeen (2017) and to grant the ITS to the Company with vacant possession free and unencumbered by not later than thirtieth (30th) September two thousand and seventeen (2017). In the event that vacant possession is not given by such date (30/9/2017) then the extra amount of full days required by the Government to vacate the Property over such date shall be added to all dates agreed to in this agreement which are dependant on the date of vacating of Property including but not limited to completion dates agreed to by the Company for completion of obligations herein, but this without prejudice to any other rights of specific enforcement appertaining to the Company.

3.3 The Parties also declare and agree that the Site includes all the Immovable Things, which now or in the future shall appertain to the Site.

3.4 The Government warrants in favour of the Company, which accepts, that it has good and valid title to the Site and it further warrants in favour of the Company which accepts, the quiet and peaceful possession of the Site with all its rights and appurtenances according to law.

3.5. The Government also warrants and guarantees in favour of the Company, which accepts, that the Site may be legally transferred to the Company in terms of this deed to be used for the Permitted Uses and that there are no proceedings pending or threatened in connection with and/or relating to the Site and that there are no circumstances which are likely to give rise to any litigation or arbitration.

3.6. In the event that parts of the Site are required by Government for public use, the Government shall, in terms of and subject to any applicable laws, be bound to concede to the Company the equivalent area of land in compensation. Government shall have sole discretion to identify such land and shall endeavour to identify land adjacent to the Site.

Clause 4 - Terms and Conditions of the Emphyteutical Grant

4.1 This Emphyteutical Grant is governed by the terms and conditions set out in this deed and, except to the extent lawfully excluded or modified hereby, also by the provisions of the Civil Code, Chapter sixteen (16) of the Laws of Malta.

4.2 The following documents shall be deemed to form and be read and construed as part of this deed, in the following order of precedence:

- i. The Executive Summary of the original proposal presented by the Company in response to the RFP attached to this deed and marked Document [' G'];
- ii. The RFP published by the Government of Malta on the thirteenth (13th) November two thousand and fifteen (2015), attached to this deed and marked Document [' H'].

It is intended that the reading and construction of the clauses of this deed and the above-referred documents shall be clear and consistent but in the event of any inconsistency, the clauses of this Deed shall in all circumstances prevail.

Clause 5 - Term

5.1 This temporary emphyteutical grant is being granted by the Government of Malta and accepted by the Company for a period of ninety nine (99) years commencing from the date of publication of this deed.

Clause 6 – Construction of the Development and Permitted Uses

6.1.1.a The Parties agree that the Company shall at its own cost and risk construct, develop and complete the CityCentre Development in compliance with the Development Permit;

6.1.1.b The Company shall immediately apply for the Expected Development in terms of this Deed and whilst no guarantee is being given by the Government of the extent of the development, Government shall, as hereunder better indicated, retain the right to increase or decrease, as the case may be, its calculation of the Total Value of the Property should in any way or another or due to a change of planning policy result in an increase or decrease in the developable area of the Development Permit when compared to the estimated valuation in terms of Clause eight letter 'a' (8A) below, setting out the original agreement value based on the Expected Development.

6.1.2 The CityCentre Development shall be developed by the Company or its successors in title in a number of phases as represented in the schedule hereto attached and marked Document ['T'];

6.1.3 The Company will be responsible for all the works related to the Public Spaces and the Development Infrastructure within the boundaries of the Site and will finance all such works including but not limited to, any construction involved and installation of the infrastructural networks.

6.2. The Parties agree that when constructed :

6.2.1 The Hotel and Commercial Area shall be used to provide a hotel, restaurants, coffee shops and other catering outlets, retail outlets, entertainment, leisure and gaming facilities, clubs, lido and water sport facilities, health and fitness centres, parking facilities and other similar, ancillary or related activities.

6.2.2 The Towers shall be used to provide facilities including apartments and other lodging facilities, as well as offices, business centres, facilities management centres, employee facilities, parking facilities and other similar, ancillary or related facilities which shall serve the CityCentre Development .

6.2.3 The Car Park shall be used to provide parking facilities to guests of the Hotel, clients of the Commercial Area and the Mall, occupants of the Towers, employees working at the CityCentre Project, service providers and suppliers to the CityCentre Project and the general public, and this at such charge as may be determined by the Company from time to time

6.2.4 The Mall shall be used to provide retail, food and beverage facilities, leisure and gaming facilities, food malls, super markets, restaurants, coffee shops catering outlets, employee facilities and other similar, ancillary or related facilities which shall serve the CityCentre Development .

6.3.1 All the Public Areas shall be made accessible free of charge to the general public at all times subject to the rules and regulations implemented from time to time by the Company.

6.3.2 Government will retain control of the Public Spaces in respect only of public order and policing whereas management, upkeep, maintenance, repair and cleanliness of the Public Spaces will be the sole and exclusive responsibility of the Company.

6.3.3 Notwithstanding the above the Company will have the exclusive right to:

- i. organise or allow other to organise commercial and/or social events and parking areas in the Public Spaces where such commercial and /or social or parking areas are permitted in terms of the Development Permit; and
- ii. allow Tenants to erect kiosks, place tables and chairs and to organise events and activities.

It is being agreed that any fee charged by the Company for encroachment or any revenue made from any commercial and/or social events, as well as from the use of parking areas will accrue in favour of the Company.

6.4 The Company shall bear any and all costs and expenses, whether ordinary or extraordinary, that may be necessary or desirable in connection with the permitted use as prescribed in subclause two of this clause six (6.2), and in accordance with the Company's rights over the Site, the Company shall be enti-

bled to retain all revenues generated from the development and operation of the Site.

6.5 The Company undertakes to continue to operate the Site for the duration of this emphyteutical grant, subject to what is hereunder further stipulated and agreed.

6.6 No other use is permitted in respect of the Site other than the Permitted Uses unless otherwise expressly approved and agreed in writing by the Government of Malta, which approval and agreement can be refused without the obligation to give reasons for such refusal.

6.7 The Government is hereby granting and conceding to the Company the right, exercisable for the duration of the Term, to link, on a subterreanean basis, the sites forming part of the Site, namely sites A, B and C, respectively one to another, provided that, in the exercise of such linkage facilities, the Company shall permit the passing of all necessary third party infrastructure, including but not limited to drains, waters, cables serving properties outside the Site as determined by the respective authorities .

Clause 7 - Ground-rent and Premium

7.1 This Emphyteutical Grant is being made in consideration of the annual temporary ground-rent of one million five hundred and sixty two thousand five hundred and nine Euro (€1,562,509), which shall be revised upwards on the lapse of five (5) years, and which five years is reckoned from the date of issuance of the Certificate of Completion by the Architect in respect of the Project or, after the lapse of sixty (60) months from the date of this Deed, whichever occurs first, according to the official rate of inflation, which shall be taken to be the official rate of inflation published in respect of the year immediately preceding the year when the ground rent is to be increased, and thereafter, on the lapse of every subsequent five-year period, by said rate of inflation on the *pro tempore* ground-rent payable annually in terms of this deed in each year in the immediately preceding five-year period.

From the whole of the temporary groundrent to be imposed, and for purposes of Clause eight point two point two (8.2.2) below, the sum of one million one hundred and sixty nine thousand and five hundred seventy nine Euro (€1,169,579) is the part of the ground rent of the total of one million five hundred and sixty two thousand five hundred and nine Euro (€1,562,509) to be allocated for redemption purposes based on a Net Floor Space Area identified in the Expected Development, set at thirty five thousand nine hundred and ten square metres (35,910sqm), that is, the Net Floor Space Area designated as Residential Units, and Office Units and fifteen thousand one hundred and twenty square metres (15,120 sqm) of Garage Space for resale.

In the event that the Net Floor Space Area identified in the Expected Development, set at thirty five thousand nine hundred and ten square metres (35,910sqm) of Net Floor Space Area designated as Residential Units, and Office Units and fifteen thousand one hundred and twenty square metres (15,120sqm) of Garage Space for resale, is not permitted in a Development Permit, the groundrent payable in respect of the component of the development allocated towards Residential Units, Office Unit and Garage Space for resale, shall increase or decrease, as the case may be, which increase or decrease shall be adjusted in accordance with the rates indicated in Clause eight point two point two (8.2.2) below.

The groundrent is being so divided, as the realizable value for the residential units in terms of the formula determining the calculation of the contribution, is not only diverse in terms of a monetary expected return but also subject to further prospective return on the option to convert the title of such residential units from a temporary to a perpetual one.

7.2 The Ground-rent due as established in sub-clause one of this clause seven (7.1) reckoned from the date of this deed is being administratively but irrevocably abated by the Government in favour of the Company to a nominal amount of one thousand Euro (€1,000) *per annum*, which abatement shall however remain applicable only until the Certificate of Completion is issued by the Architect in respect of the Project or, the lapse of five years from date this Deed, whichever occurs first,

and upon either of the aforementioned occurrences the Ground-rent shall revert to its full amount as stipulated in sub-clause one of this clause (7.1). This abatement is being given as a one time and non extendable grant, due to the fact that no actual permit or permit warranty is being herein given by Government;

Provided that, any abatement of the ground rent stipulated in this clause shall in any event and notwithstanding any other article of this deed cease on the lapse of five years from date of this Deed.

7.3 The Ground-rent shall be paid by the Company without demand, deduction or set-off unless otherwise agreed to in writing by the Government of Malta.

7.4 Without prejudice to clause twenty six (26), in order to secure the payment of the Ground-rent and any penalty that may become due by the Company on this deed and also to secure the proper performance of each and all of the obligations arising from this Emphyteutical Grant, the Government reserves in its favour the special privilege on the Site accorded to the Dominus by law.

7.5 This emphyteutical concession is being made in consideration of a total contribution made by the Company to the Government of Malta, and payable as follows:

- (i) The sum of Fifteen Million Euros (€15,000,000) shall be paid over a period of seven [7] years with the first payment of five million Euros (€5,000,000) being paid hereon, on signing of the Deed and the balance of ten million Euros (€10,000,000) shall be payable in seven [7] equal annual installments, interest free, with the first payment due on the thirty first day of January two thousand and eighteen (31/1/2018) and subsequent payments on each anniversary thereafter;
- (ii) upon the issuance of a Development Permit determining the full extent of actual developable area within the entirety of the CityCentre Development, a consideration shall further be due, to Gov-

- ernment or by Government to Company as the case may be, which consideration shall be calculated in accordance to the provisions of the attached schedule marked [J]. The payment of such additional consideration shall be effected over a period of seven [7] years payable in seven [7] equal annual instalments, interest free, with the first payment being due one week following the issuance of the Development Permit, and subsequent payments on each anniversary thereafter; and
- (iii) an additional consideration shall become due in the event that, throughout the entirety of the Term of the deed, a Development Permit is issued allowing for further developable area originally permitted, which consideration shall be calculated in accordance to the provisions of the attached schedule marked [J]. The payment of such additional consideration shall be effected in its entirety within one week from the issuance of the Development Permit allowing for such further developable floorspace in excess of that original granted in terms of the preceding.

Clause 8A – Transfers and Conversion to Perpetual Emphyteusis

8.1 Subject only to the applicable provisions of the Civil Code, Chapter Sixteen (XVI) of the Laws of Malta relating to emphyteusis, the Company is entitled to freely transfer by any title, the Residential Units, Office Units and Garage Spaces forming part of the Project to any person (“the Transferee”) without obtaining the prior consent of the Government above.

8.2.1 In the event of the transfer of any part of the Project as provided in sub-article eight point one (8.1), the Ground-rent shall be divided and the part so transferred shall be subject to a divided part of the Ground-rent divided as shall be agreed between the Parties, and the Ground rent payable by the Company to Government shall be reduced by an equivalent amount.

8.2.2 The parties agree that following the issuing of the Development Permit over the Site and thus a clear identification of all prospective units would be available to both the Government and Company, the same parties herein on the deed bind themselves to enter into a declaratory deed of prospective divisibility of groundrent payment due on each and every property approved in such Development Permit in order to establish without doubt, with the immediate consent to be given by the Government, of the ground rent encumbering any particular immovable forming part of the Site. The parties further bind themselves to enter into such deed within one (1) month from the issuance of the Development Permit.

For the purposes of this sub-article, in the event that the Expected Development is fully permitted in the Development Permit, the parties agree that the ground-rent payable by the Transferee in respect of the part so transferred shall be calculated as follows:

(A). In the case of a transfer by the Company of a Residential Unit forming part of the Project, such third party Transferee shall pay Government a rate (“the Residential Rate”) per square metre of the acquired unit, which Residential Rate shall be the final figure reached after multiplying Net Floor Space Area (NFA) of the acquired unit Residential Unit by thirty one Euro and seventy two cents (€31.72) $(NFA \times €31.72)$;

(B). In the case of a transfer by the Company of an Office Unit forming part of the Project, such third party Transferee shall pay Government a rate (“the Leisure Rate”) per square metre of the acquired unit, which Leisure Rate shall be the final figure reached after multiplying Net Floor Space Area (NFA) of the acquired Office Unit by thirty one Euro and seventy two cents (€31.72) $(NFA \times €31.72)$; and

(C) In the case of a transfer by the Company of a Garage Space forming part of the Project, such third party Transferee shall pay Government a rate (“the Garage Rate”) per square metre of the acquired unit, which Garage Rate shall be the final figure reached after multiplying the Net Floor Space Area (NFA) of the acquired Garage Space/s being acquired by two Euro (€2) $(NFA \times €2)$.

Provided further that in the event that the Expected Development is not permitted, the above proposed divisibility of ground-rent payable by the Transferee in respect of the part so transferred shall vary to represent the change in the net floor-space area permitted for Residential Unit, Office Unit and Garage Space on a *pro-rata* basis.

8.2.3 A Transferee, who acquires any part of the Project or any improvements made thereon in terms of Article eight point one (8.1) above, and who is acknowledged or is entitled to be acknowledged by the Government, shall be responsible towards the Government only for the payment of that part of the Ground-rent attributed according to the formula established in terms of article eight point two point two (8.2.2), burdening the part transferred to him, and shall only be responsible towards the Government to observe or complete those obligations of the Company arising from this deed, only to the extent that such obligations must be observed or completed on the part of the Project acquired by him. The special privilege reserved by the Government as security for the payment of the Ground-rent and the payment of any penalties that may become due by the Company on this deed shall apply to the part transferred only to the extent and as security for the Ground-rent and the payment of the penalties due by the Transferee, and on a written request by the Company, the Government shall appear on a notarial deed to reduce the value of the special privilege accordingly at the expense of the transferee.

8.3 The Company shall deliver to the Government an authenticated copy of any deed of transfer relating to the Project within ninety (90) days commencing from the date of the deed of transfer.

8.4 The Company shall furnish the Government each year by not later than the end of March of each year with a list of all transfers of the '*utile dominium*' or '*sub-utile dominium*' of any part of the Project made by the Company, and the current Ground-rent payable by each transferee with respect to transfers made by the Company, during the preceding calendar year.

8.5.1 Subject to what is hereinafter provided, the Transferee of any Residential and/or Office Units and/or Garage Spaces forming part of the Project, shall have the right, at any time, to convert his title of that Residential Unit and/or Office Unit and/or Garage Space/s into a title of perpetual emphyteusis, subject to the additional payment by Transferee to Government of a premium equivalent to one hundred and sixty seven euro (€167) per square metre of Net Floor Space Area (NFA), exclusive of external terraces and other external spaces of the Residential Unit and/ or Office Unit and thirty three euro (€33) per square metre of Net Floor Space Area (NFA) of the Garage Space held by him on temporary emphyteusis.

8.6 For the avoidance of doubt it is agreed that, even after the conversion of title into a perpetual emphyteusis and/or the redemption of the Ground-rent made pursuant to such conversion, the Permitted Uses of the property, the title to which has been converted or redeemed, shall continue to be those allowed for the said property as agreed in this deed and may not without the written consent of the Government, be used for any other purpose.

8.7 The Parties agree that the right to convert a title of temporary emphyteusis or temporary sub-emphyteusis into a title of perpetual emphyteusis shall include automatically the right of the *utilista* or *sub-utilista* to convert his title in respect of any common part or area held by such person on emphyteusis or sub-emphyteusis in respect of such Residential Unit, Office Unit and/or Garage Space held by it as so converted.

8.8 Any person who converts his title from a temporary emphyteusis to a perpetual revisable emphyteusis, shall be entitled to immediately redeem the Ground-rent burdening his property at the capitalisation rate of five per cent (5%) of the *pro tempore* Ground-rent (without abatement). It being understood that nothing in this sub-article shall prejudice the rights of the Company under article one thousand five hundred and one (1501) of the Civil Code, Chapter sixteen (XVI) of the Laws of Malta, subject to the pre-agreed rate of redemption herein agreed.

8.9 The Government shall appear on and sign a notarial deed to effect the conversion of title and redemption of the Ground-rent (as applicable) as contemplated in this article eight (8) within three (3) months from the date that it is notified with a judicial letter filed for this purpose by the person who has opted for the right to convert at the expense of such person.

8.10 The Company cannot transfer any of the garage/parking spaces which the Planning Authority specifically requires for the Approved Uses on Site, with the exception of those being required for the Residential Units and/or the Office Units and subject to Clause nine point three (9.3) hereof, the Shopping Mall, or any such garage/parking spaces in excess of such specific requirements. Such garage/parking spaces shall be subject to such terms and conditions as the Company may from time to time apply in respect of the use of such parking facilities, including but not limited to the charging of fees for use of such parking facilities;

Clause 8B - Total estimated commercial consideration

8B.1 For sake of clarity, the total estimated commercial consideration of this agreement based on the Expected Development is valued at fifty nine million and eighty nine thousand two hundred and seventy seven Euro (€59,089,277), calculated as follows:

- a) Capitalisation of Ground Rent payments unto Government, which Capitalisation has the value of eleven million two hundred and twenty six thousand five hundred and sixty Euro (€11,226,560), using a capitalisation rate of three point five percent (3.5%), in the case of the part of the Hotel Ground Rent, the Mall Ground Rent and the non-redeemable portion of the Car Park Ground Rent;
- b) Conversion of title from Temporary to Perpetual Emphyteusis, having an estimated total value of six million four hundred and ninety five thousand nine hundred and thirty Euro (€6,495,930);
- c) Redemption of Perpetual Emphyteusis, burdening the property for a total estimated value of twenty three

million thee hundred and ninety one thousand five hundred and eighty seven Euro (€23,391,587).

- d) Cash consideration inclusive of stamp duty payable on transfer of title to land valued at seventeen million, nine hundred and seventy five thousand and two hundred Euro (€17,975,200).

Clause 9 – Letting and other Concessions

9.1 Except in respect of residential and/or office units and/or car parking spaces or as provided in subclause two of this clause nine (9.2), and sub clause (3) of this clause nine (9) the Company may not without the prior written consent of the Government transfer, dispose of, alienate or otherwise assign the whole or any part of the Project, under any title whatsoever, including but not limited to (i) a transfer of the *utile dominium* of the Project or part thereof or (ii) granting it in whole or in part by way of sub-emphyteusis or assignment, lease, possession, operation agreement or management agreement.

The above prohibition in Article nine point one (9.1) shall not apply in respect of a transfer, disposition of, or alienation or other assignment of the whole or any part of the Project under any title whatsoever by the Company unto another company wherein the ultimate beneficial ownership of which is the same as that of the Company, save for such part (if applicable) of the ownership which may be listed on the Stock Exchange and/or floated to the public.

9.2 Notwithstanding the provisions of the sub-clause immediately preceding this, the Company may enter into joint venture agreements, grant leases, operation agreements, management agreements or other similar rights over any part of the Project and this exclusively for the purposes of the Permitted Uses.

Provided that no such leases, operation agreements, management agreements or other similar rights may be granted to a single third party over the whole Project.

Provided further that, the Company shall upon request by Government make available to it copies of any such agreements

within three (3) months from such request. The Government undertakes not to disclose such private commercial agreements to the public unless it will be compelled by an Authority be it judicial or administrative.

9.3 The Government is hereby granting the Company the right to grant the Mall on sub-emphytheusis to a company (the Sub-Emphyteuta), of which the Company is the beneficial owner of at least forty percent (40%) of the issued share capital and in respect of which the shareholding structure of the remaining shares is held as stipulated in the draft memorandum and articles of association hereto attached and marked Documents [K, L, M and N] in respect of whom Government has carried out a positive due diligence. It is further agreed and understood that:

1. The shareholding structure of the Sub-Emphyteuta shall remain unchanged, unless the Government gives its prior consent to a transfer, transmission or allotment of shares. In the event of a proposed transfer, transmission or allotment of shares, the Sub-Emphyteuta shall notify beforehand in writing the Government, who shall carry out a due diligence process. In the event that the ultimate beneficial owner/s shall remain unchanged, the Government shall be bound to provide its consent forthwith without the carrying out of a due diligence process. Failure by the Government to provide its response within the following time-limits from receipt of written notification from the Company, shall be deemed an approval, namely: -
 - i. one (1) month for Maltese subjects; and
 - ii. two (2) months for non-Maltese subjects.
2. The activity of the Sub-Emphyteuta shall be limited to the ownership and operation of the Mall granted to it pursuant to such sub-emphyteusis, together with any other necessary and ancillary activities, and the sub-emphyteutical grant shall be restricted to the operation of the Mall;

3. The Company shall, at its own expense, provide the Government with a legal copy of the deed of transfer, which is mandatorily to be published in Malta, within twenty (20) days of the publication of the deed of sub-emphyteusis.
4. The Sub-Emphyteuta acquiring any part of the Mall from the Company in whatsoever manner, shall not be entitled to transfer the said sub-emphyteusis other than to the Company or to legal persons and/or entities approved by Government, always subject to the restrictions, terms and conditions of this Clause.

9.4 Leases, operation agreements, management agreements or other similar rights may only be made subject to the following terms and conditions, namely, they shall:

- i. not exceed the term of this emphyteutical grant;
- ii. not be made subject to terms which constitute a breach of the terms and conditions agreed to herein;
- iii. not be entered into with an Undesirable Person;
- iv. not be entered into for any illicit purpose or contrary to public policy.

9.5 The Government of Malta recognises that leases and/or concessions which are in force at the date hereof shall not in any way constitute or be deemed to constitute a breach of the terms and conditions of this Deed at any time.

Clause 10 – Facilities and Standards

10.1 The Company is bound, for the entire duration of this deed, to provide adequate facilities and standards for the operation of the Permitted Uses, in accordance with generally accepted standards and relevant legislation, for the efficient operation of the Development.

10.2 Such facilities and standards shall include but not be limited to:

- i. undertake all reasonable endeavours to maintain high levels of customer satisfaction;
- ii. preserve and maintain the Development facilities in a safe, serviceable and efficient condition;
- iii. carry out a continuing programme of maintenance and repair activities on the equipment, fixtures and fittings which will ensure that the Development facilities are at all times in good working order and in a serviceable condition;
- iv. ensure that all structures on the Site are inspected frequently for deterioration and, where necessary, carry out repairs or replacements;
- v. affect all routine repairs including replacement and enhancement of equipment and systems on the Site necessary for the efficient and adequate operation of the Development and the Permitted Uses;
- vi. adopt and periodically update a high standard of environmentally-friendly energy saving solutions and sustainable use of resources;
- vii. ensure throughout the entire term, full and unhindered accessibility to the Development at a minimum level established by law;
- viii. establish adequate rules covering sanitation, security, accessibility, sustainable energy and resource use and conservation, crowd control and fire protection at the Development;
- ix. comply with all safety, sanitary and security standards in accordance with applicable laws;
- x. maintain all facilities at an adequate standard including housekeeping and cleaning, decor and their availability to customers at the Development.

Clause 11 – Maintenance and Repairs

11.1 For the duration of the Emphyteutical Grant, the Company shall keep the Development and anything related to the Development at all times in a good state of repair according to law and to the satisfaction of the Commissioner of Land as a representative of the Government of Malta, at its own risk, cost and expense and it shall carry out:

- i. all preventive and remedial maintenance as may be necessary in accordance with applicable law and internationally recognized industry standards; and
- ii. all ordinary and extraordinary repairs;

and on the termination of the Emphyteutical Grant by lapse of time or on the dissolution of the Emphyteutical Grant for any other reason, the Company shall relinquish and/or return the Property and any permanent improvements thereon without any compensation and/or right of compensation, unless otherwise stated in the deed, in a good state of repair and operation, fair wear and tear excepted. Any damage occurring not only through ordinary causes but also through fortuitous, extraordinary and unforeseen circumstances or by Act of God, or by Force Majeure, shall be made good by the Company which shall be bound to reconstruct if necessary any portion of the said tenement, or the whole tenement, at its own expense.

11.2 The Government of Malta may request once every five (5) years from the date of this deed, that the Company prepares a written condition report in respect of the maintenance of the Property and such condition report shall be delivered by the Company to the Government within a reasonable date agreed between the Company and the Government.

11.3 Notwithstanding the above, it is agreed and understood that the maintenance and upkeep of such parts of the Development as are transferred to third parties in terms of this Deed shall be the responsibility of such third parties transferees and not of the Company.

Clause 12 – Development, Restoration and Embellishment of the Property

12.1 The Site is being granted to the Company to use it exclusively for the Permitted Uses provided for in this deed, including for the development, restoration and embellishment of the Property, and the restoration of the ITS. Accordingly, the Company shall by not later than twenty four (24) months, apply to the Planning Authority for the issue of the Development Permit in respect of the Site, and for the restoration and embellishment of the Property and restoration of the ITS.

If for any reason not attributable to the Company or to the doing by the Company of anything which obstructs or delays the issue of the Development Permit, the Development Permit is not issued within said period of two (2) years from date of Planning Application validation, the Company shall notify the Government of such fact and upon such notification, the time limits imposed on the Company in terms of this deed to complete the development of the Project and to commence the operation thereof shall be extended by the number of days equivalent to the number of days which would pass between the lapse of the aforementioned two (2) year period up until the date on which the Development Permit is duly issued.

In addition, in any such case that the Development Permit is not issued within the said two (2) year period for reasons not attributable to the Company, the Company shall not be subject to the penalty as set out in clause twenty two point one sub 'd' (22.1(d)).

Provided that, if the said Development Permit/Building Permits is/are issued by Planning Authority, the Company shall give a copy of the said permit/s, free of charge, to the Commissioner of Land on behalf of the Government of Malta within fifteen (15) days from the date of its issue.

12.2 In the event that a Development Permit/Building Permits is/are issued by the Planning Authority (PA), the Company shall commence works within two (2) months of the issuance of such Development Permit.

12.3 The Company shall, upon obtaining the Development Permit commence and complete the development of the Site and the restoration and embellishment of the Property and the restoration of the ITS in accordance with the phases stipulated in Document [I] and shall commence the operation of the permitted uses in accordance with this deed and within the parameters of and in accordance with the Development Permit and any other permit or authorisation required by law by not later than five (5) years from the issue of the respective Development Permits.

12.4 The development of the Project and restoration and embellishment works of the Property and the restoration of the ITS shall be overseen by the Architect indicated by the Company in his proposal, which Architect shall be engaged by and at the cost of the Company.

Provided that, any change of Architect shall be notified to the Government of Malta which shall in writing within ten (10) running days, approve or otherwise refuse the proposed substitution thereof. Should the Government fail to inform the Company of its decision within ten running days from notification then such failure to inform shall be tantamount to an acceptance for the purpose of this clause.

12.5 The Company shall invest a minimum sum of one hundred and fifty million Euro (€150,000,000) on the development of the Site and restoration and embellishment of the Property and shall complete the whole development, restoration and embellishment works to the full satisfaction of the Government of Malta within the time period stipulated in clause twelve point three (12.3), save for any extension/s of the time limits stipulated in clause twelve point one (12.1) as may become necessary, subject to any penalties which may be imposed in terms of this deed if so applicable.

12.6 When any phase of the Development is in a Complete State, the Company shall provide the Government with a Certificate of Completion in respect of such phase issued by the Architect in charge of the Development.

12.7 The investment mentioned in subclause five of this clause

twelve (12.5) shall be valued and certified by the Architect appointed in terms of subclause four of this clause twelve (12.4) and confirmed by the Commissioner of Land or his representative/s as a representative of the Government of Malta.

Provided that in case of disagreement between the Architect and the Commissioner of Lands or his representative/s mentioned in this subclause an independent Architect appointed by mutual consent and agreement of the Parties shall value the investments referred to in this subclause, whose valuation shall be final and binding on the Parties.

Clause 13 – Further Obligations of the Company and the Government

13.1 The Company further binds itself to:

- i. fully operate the Project for the permitted uses throughout the duration of the entire term of this emphyteutical grant;
- ii. to actively market, advertise and promote the Property;

13.2 The Government undertakes at its sole cost, risk, legal and financial liability to effect the required improvements to the road and utilities infrastructure leading to the Site in respect of the Peninsula.

13.3 The Government undertakes to ensure the provision of adequate water and power supply to the Site.

13.4 The Government promises and undertakes in favour of the Company not to give on encroachment terms or to transfer by any title any part of the Foreshore adjacent to part 'C' of the Site to any third party not being the Company and the Government further binds itself not to construct, place or install visually intrusive structures on such Foreshore.

The Government moreover undertakes not to permit or tolerate any moorings up to a distance of fifteen metres (15m) from the water's edge of the Foreshore adjacent to part 'C' of the Site.

Clause 14 - Obligations and Charges Imposed by Law on Owners

14.1 The Company and its successors in title, for divided parts, shall be bound to comply with and to carry out any obligation or duty imposed by law on the owners of buildings or lands and this according to what is stated in Article one thousand five hundred and seven (1507) of the Civil Code (Chapter sixteen (XVI) of the Laws of Malta).

14.2 All burdens, taxes, rates, impositions or other charges whatsoever imposed by law on the owners of land shall during the continuance of the emphyteutical concession be paid by the Company, to the exception of such divided parts of the Site which would have been transferred unto third parties, in which case such third party shall *ipso iure* accede to such burdens, taxes, rates, impositions or other charges whatsoever imposed by law on such alienated immovable property.

Clause 15 – Compliance with Law and Other Obligations

15.1 The Company shall, at its sole cost and expense, comply with all legislation, rules, regulations, and administrative orders applicable to Malta, whether made by the Government or otherwise, now in force, or which may hereafter be in force, applicable to the Site and/or the operation of the Permitted Uses, and shall faithfully observe all conditions included in all licences, permits and authorisations issued to the Company or for the Development in relation to the operation of the Permitted Uses, now in force or which may hereafter be in force. In particular but without prejudice to the generality of the foregoing, the Company shall obtain and comply with all licenses and permits necessary for the use of the Site in accordance with the Permitted Use.

15.2 The Company shall not permit oil, grease, trade wastes or other deleterious matter to enter the public drains and sewers in accordance to applicable law, from time to time.

15.3 The Company shall not cause damage to existing public services passing through, under or above the Site and when damage is caused or the temporary removal is necessary it shall be bound to re-instate same as soon as possible, at its own and sole expense. For the purposes of this clause, the Government nonetheless undertakes in favour of the Company, which accepts, to assist the Company, at the Company's own expense, by all lawful means possible as may be necessary for the removal and/or re-instatement of the said public services if the Company itself, in spite of various attempts from its part, of which proof in writing shall be given to the Government, has failed to remove and/or re-instate the same. In such case the time limits imposed on the Company in terms of this deed to complete the development of the Property and the restoration of the ITS and to commence the operation of the Project shall be extended by a time equivalent to the time that may be required for the removal and/or re-instatement of the said public services by the Government. The Company is also presently and with immediate affect renouncing to any compensation and/or right of compensation for any expenses of whatever nature and/or to any claim and/or any action of whatever nature which it has and/or might have against the Government of Malta in relation to obligation undertaken by the Government by virtue of this clause.

15.4 All bills and charges relating to the Property including deposits, fees and charges for water, electricity, drainage, telephone and any other service or utility used in or upon or furnished to the Property incurred as from the date of this deed shall be paid by the Company as from the date that the Government hands over to the Company the free and vacant possession thereof.

Clause 16 - Permits, Licences and Authorisations

16.1 The Government of Malta undertakes to use its good offices to ensure the expeditious processing of applications for permits, licences or other authorisations that may be necessary.

16.2 For the avoidance of doubt, it is hereby declared and acknowledged that the undertakings of the Government of Malta in terms of this Clause are subject to the Company:

- i. having made and duly filed all applications for the aforesaid permits, licences or authorisations which it is obliged to file, which applications must be accompanied with all information, documents and details as are normally required by the appropriate authority; and
- ii. having satisfied and/or complied with all requisites for the grant of such permits, licences or authorisations or any conditions which are imposed on it, such requisites and/or conditions being such as are within its reasonable power and control to satisfy and/or comply with.

Clause 17 – Financing

17.1 The Company may not grant or create or suffer to subsist any security interests, whether by way of privilege, hypothec (whether general or special) or other real right, over the Site or any part thereof except:

- i. for the purpose of obtaining financing through banking institutions and/or other entities, individuals including but not limited through the issue of public bonds and other forms of raising public finance, which will lend, or through which finance will be made available to the Company solely for the purpose of developing the City Centre Development as set out in this Deed and this up to a maximum of two hundred and fifty million euro (€250,000,000);
- ii. for the purpose provided for in sub-clause five of clause seven (7.5);
- iii. by operation of law;
- iv. for the purpose of securing the performance of an obligation to alienate a Residential Unit, Office Unit and/or Car Space entered into in lieu of a promise of sale or concession by the Company in favour of third party acquirers.
- v. on such parts or the whole of the City Centre Development, for such purposes as the Government of Malta may otherwise consent, which consent must be in writing and may be given or withheld unreasonably and at its sole discretion.

17.2 For the avoidance of doubt, nothing in this deed shall be construed as prohibiting the Company from granting or creating any security interest in any form whatsoever (including by way of privilege or hypothec) over any other assets or things of the Company of whatever nature or kind other than over the City Centre Development.

17.3 Save as permitted by subclause one of this clause seventeen (17.1) no security interest shall be created over the City Centre Development by way of suretyship or for the purpose of guaranteeing any third party obligation, liabilities or financing irrespective of the extent, nature or place of the activities carried out. It is agreed and understood however that “third party obligations” shall not be deemed to include obligations entered into by subsidiary, affiliate or joint venture companies involved in the management, operation, maintenance or franchise in re-

spect of any part of the CityCentre Development in respect of whom any such suretyship by the Emphyteuta shall be permissible provided that such suretyship is limited to the obligations of such subsidiary, affiliate or joint venture company in respect of the CityCentre Development.

Clause 18 - Antiquities

18.1 The Company shall give immediate notice to the competent authority of the discovery of any trace of objects or monuments of local antiquarian or archaeological importance (including but not limited to all old remains such as caves, tombs, wells, stonewalls, pottery, coins, bones and other objects of a similar nature) on the Site. Any find of such movables shall "ipso facto" become the property of the Government.

18.2 On obtaining information of each such discovery the Government shall have the right to access any part of the Site to which the finds purport to relate, for the purposes of causing the latter to be inspected by any person delegated for the purpose and on ascertaining the existence of such finds, the Government shall have the right to rescind the emphyteutical grant in its entirety or over such part of the site subjected to the discovery and this on giving notice thereof to the Company. In such event, the Company shall be entitled to compensation only for the permit/s expenses and to the extent of the actual value of such works including professional fees incurred and paid for as it may have carried out on the site and at a valuation of the same to be made by the Commissioner of Land or his representative/s as a representative of the Government of Malta jointly with the Architect appointed by the Company in terms of sub-clause four of clause twelve (12.4) of this deed, and it shall not be entitled to any other compensation of any sort;

Provided that in case of disagreement between the Architect and the Commissioner of Lands or his representative/s mentioned in this sub-clause an independent Architect appointed by mutual consent and agreement of the Parties shall value the investments referred to in this sub-clause, whose valuation shall be final and binding on the Parties.

Provided further that:

- (i) the Company may nonetheless opt either to retain that part of the Site not affected by such finds with a relative diminution of ground rent or where this is possible integrate such finds within the Site; and
- (ii) should action by any Government Agency or Department relative to any such discovery, cause any hindrance or delay in the progress of the works, a pro-rata reduction of ground-rent for the duration of such hindrance and delay and an extension of all applicable and relative time limits will become effective.

18.3 The dissolution of the emphyteusis for failure to give the said notice as provided for in this deed, shall not in any way diminish the liability of the Company from any penalty or other consequence deriving from the provisions of the Antiquities (Protection) Act.

18.4 The Company shall nonetheless have itself the right to demand the rescission of the emphyteutical grant if it proves in writing that the retention by itself of that part of the Site not affected by the finds with a relative diminution of ground rent or the integration of such finds within the Site would render the development of the Site and/or the operation of the Permitted Uses not viable and/or unfeasible. In such event, the Company shall be entitled to compensation only for the permit/s expenses and to the extent of the actual value of such works including professional fees it may have incurred and paid for as it may have carried out on the site and at a valuation of the same to be made by the Commissioner of Land or his representative/s as a representative of the Government of Malta jointly with the Architect appointed by the Company in terms of subclause four of clause twelve (12.4) of this deed, and it shall not be entitled to any other compensation of any sort;

Provided that in case of disagreement between the Architect and the Commissioner of Lands or his representative/s mentioned in this sub-clause an independent Architect appointed by mutual consent and agreement of the Parties shall value the investments referred to in this sub-clause, whose valuation

shall be final and binding on the Parties.

Clause 19 – Access Rights

19.1 The Company shall permit the Government of Malta or its representative/s at all reasonable times to have access to the Site and to the improvements thereon and when requested to do so in writing the Company shall give all possible facilities and aid to enable the Government of Malta or its representative/s to verify whether the conditions of the emphyteutical grant are being or have been complied with. In the event that the Company defaults in its obligations under this clause, the Company will incur a penalty of two hundred Euro (€200) for each and every occurrence.

Clause 20 – Insurance

20.1 The Company shall within one (1) month for the issuance of a Completion Certificate, insure and keep insured during the whole term of this emphyteutical grant, at its own expense, the Property to its full current replacement value, together with an amount equivalent to a year's ground rent, for damages resulting from fire, lightning, tornado, storm, tempest, floods and explosions, bursting or overflowing of water tanks, apparatus or pipes, earthquakes and volcanic eruptions, subterranean fire, aircraft, impact, riots, strikes, malicious damage and other insurable perils and casualties as are commonly insured against, with respect to properties/premises of a similar character.

20.2 The contract of insurance shall include the clauses known as: Reinstatement, Public Authorities, Architects' and Surveyors' Fees, Debris clearance, Lease, Extensions, Designation of Property, Impact by Own Vehicle, Grantee's Improvements and Alterations.

20.3 The Government of Malta may at all times request the Company to produce proof that such insurance has been validly affected.

20.4 The Company shall ensure that the Government of Malta is named as beneficiary in the insurance policy and that any sums recoverable there under shall first be applied to make good any losses suffered by the Government of Malta.

20.5 The Company shall within a reasonable time supply the Government of Malta with certified true copies of the insurance policies with any amendments and relevant renewal receipts of the premiums paid in respect thereof, on commencement and on each renewal.

20.6 If the Company fails to insure as so bound by this deed, the Company shall be responsible for any damages arising.

Provided that if the Company fails to obtain, maintain or renew the insurance policy/ies or any of them, the Government of Malta at its sole discretion may affect any missing insurance policy/ies and charge the relative expenses to the Company.

Provided that the Government's aforementioned right shall not exempt the Emphyteuta from the obligation to insure as laid down in this clause.

Clause 21 – Interest

21.1 Any sum due by virtue of any provisions of this Deed shall, if not paid within thirty (30) days of the date due, be due with interests at the rate of eight per cent (8%) per annum to run from the date due and until it is so paid.

Clause 22 – Events of Default

22.1 The occurrence of one or more of the following events (in this deed collectively referred to as the “**Events of Default**” and each one an “**Event of Default**”) shall constitute a default and breach of this Emphyteutical Grant by the Company and their occurrence shall entitle the Government of Malta to demand the dissolution of the Emphyteutical Grant:

- (a) if the Company fails to pay the Ground-rent for two (2) years or if although it has made part payments in each year, a sum equal in amount to two (2) years' ground-rent is still owed to the Government of Malta whether by way of ground-rent or interest thereon; or
- (b) If the Company is in breach of any material Planning Imposition or gains defined in the Development Permit.
- (c) subject to the provisions of clause twelve point one (12.1), Force Majeure and to the other provisions in this deed extending the time limit for the completion of the development, restoration and embellishment of the Property and the ITS, if the Company fails for reasons attributable to it, to complete the Development of the Site as provided for in this deed and commence the operation of the Permitted Uses in accordance with this deed and within the parameters of and in accordance with the Development Permit/Building Permits by not later than twenty five (25) years from date of this Deed; or
- (e) if once commenced, the work in relation to the Property is interrupted for an aggregate period of two (2) years; or
- (f) if the Property is used for any purpose other than the Permitted Uses provided for in this deed, save for any exception/s provided for in this deed;
- (g) if the Company fails to obtain and keep in full effect the insurance policy/ies it is required to keep in accordance with the terms of this deed or otherwise agreed to by Government; or
- (h) if the Company becomes an Undesirable Person or if, either because of supervening circumstances or if because there is a change in either management or control of the Company or in the beneficial ownership of an entity which determines management and control of the Company becomes an Undesirable Person; or

- (i) if the Company is in breach of any of the material conditions of this deed; or
- (j) if the Company encroaches on land outside the Property granted on temporary emphyteusis by virtue of this deed; or
- (k) if the Company becomes insolvent; or
- (l) if a winding up order against the Company is made by the Court or the appointment of a liquidator or provisional administrator; or
- (m) the passing of a resolution for the voluntary winding up of the Company; or
- (n) the application for, or sanctioning by the Court of, a compromise or arrangement involving the Company in terms of article three hundred and twenty-seven (327) of the Companies Act, Chapter three hundred and eighty six (386) of the Laws of Malta; or
- (o) if the Company fails to invest a minimum sum on permanent improvements to the Property as set out in clause twelve (12) of this deed.

Provided that in the event of (a) above, if there is any dispute about the amount due, the Company shall effect payment of the amount not in dispute and the balance in dispute shall be payable together with interest thereon, from the date when the balance was originally due up to the date of effective payment, if such dispute is resolved in favour of the Government of Malta;

22.2 The Government of Malta shall, prior to requesting the dissolution of the temporary emphyteusis on the basis of sub-clause one of this clause twenty two (22.1), notify the Company and any creditor/s and/or bank/s and/or financial institution/s which had granted any credit facilities to the Company, and the Company has duly informed the Government of Malta thereof, of the Government's intention to dissolve the temporary emphyteusis, by means of a judicial letter. Nonetheless, the Gov-

ernment of Malta shall grant the Company a period of six (6) months to remedy and/or rectify any such breach. Government may only proceed to terminate and dissolve the temporary emphyteusis if Emphyteuta fails to remedy such breach within the time so conceded.

22.3 Without prejudice to any rights of the Government of Malta under this deed or at law, the Government of Malta shall be entitled to recover from the Company all losses, damages, injuries, costs, expenses and liabilities of any kind (including legal fees and expenses) by the Government of Malta by reason of the Company's default.

22.4 The Emphyteuta is reserving the right to dissolve the temporary emphyteusis, by giving the Government notice of its intention by a judicial letter, in the event that the Development Permits in respect of the CityCentre Development are not issued within ten (10) years from date of this deed or in the event that circumstances of Force Majeure impeding the Emphyteuta from carrying out its obligations under this deed carry on for six (6) months. In the event of such dissolution, the Emphyteuta shall bear no further liability or obligation towards the Government.

Clause 23 – Surrender of the Site

23.1 On the termination of the Emphyteutical Grant by lapse of term, or on the dissolution or determination or rescission or earlier termination of the Emphyteutical Grant for any reason whatsoever and by whoever, the Company shall surrender to the Government of Malta, the Site and all improvements thereon. The Company shall have no right to compensation whatever may be the cause of the termination or dissolution or determination or rescission or earlier termination of the Emphyteutical Grant, unless otherwise provided for in this Deed.

Clause 24 – Third Party Rights

24.1 The dissolution or termination of the Emphyteutical Grant or any part thereof, whether at the instance of the Government

or the Company, shall be without prejudice to and shall not affect any rights, whether real or personal, in respect of the Site or any part thereof already then acquired by any lessee, operator, manager or concessionaire or by any third party acknowledged or entitled to be acknowledged as a Company or sub-Company. Following such dissolution, any rents, or other fees falling due after dissolution payable by such third parties to the Company shall be payable to the Government.

Clause 25 – Consents, Approvals or Directions required by the Company

25.1 The Government and the Company agree that all consents, approvals or directions which the Company is required to obtain from the Government in terms of this Emphyteutical Grant shall not be unreasonably withheld and shall be adequately obtained, if obtained in writing from the Commissioner of Land or any person or authority substituting the office of Commissioner of Land or otherwise nominated by the Government for this purpose.

Clause 26 – Performance Guarantee

26.1 The Company is presently providing a bank guarantee in favour of the Government of Malta, of two hundred and fifty thousand Euro (€250,000) to be increased to seven million five hundred thousand Euro (€7,500,000) upon the issue of the first Development Permit in respect of the CityCentre Development to be retained until completion of the City Centre Development and upon the issue of the final Certificate of Completion by the Architect, such Performance Guarantee shall be reduced by seven million Euro (€7,000,000) to the sum total of five hundred thousand Euro (€500,000), which guarantee shall be renewable yearly for the entire term of the Emphyteutical Grant. The Government shall be entitled to withdraw, the said bank guarantee for any of the following reasons and in the below stated amounts:

(i) An amount of One hundred Euro (€100) *per diem*, as liquidated damages for mere delay, if the Company has not for rea-

sons attributable to it failed to obtain the Development Permit/Building Permits within a period of ten (10) years from the date of signing of this deed, until such day the Company obtains such Full Development Permit/Building Permits;

(ii) An amount of One hundred Euro (€100) *per diem*, as liquidated damages for mere delay, if development has not commenced within a period of four (4) months from the date of issue of the Full Development permit/Building Permits, until such day that the Company effectively commences such development;

(iii) An amount of One hundred Euro (€100) *per diem* as liquidated damages for mere delay, if the Development is interrupted for a period exceeding twenty four (24) weeks, until such day that the interruption ceases.

(iv) An amount of up to five hundred Euro (€500) *per diem* as liquidated damages for mere delay, if the Property is not in a Complete State within sixty two (62) months from date of issue of full development permit, or any extension thereof, until such day that the Property is in a Complete State.

(v) An amount of two hundred and fifty Euro (€250) *per diem* as liquidated damages if the Company is in manifest breach of any of its contractual obligations, until such day as the manifest breach is effectively remedied.

(vi) An amount of five hundred thousand Euro (€500,000) as liquidated damages if the Company abandons the Emphyteutical Grant or the operation of the Project for reasons solely imputable on the Company.

26.2 In the event that the Government shall make a withdrawal of any amount under the bank guarantee, the Government of Malta shall forthwith communicate such fact to the Company, which shall in turn procure that, by not later than fifteen (15) days from the aforesaid communication, the bank guarantee shall be amended by the bank that issued the said guarantee, so that the amount thereof is increased by the amount so withdrawn as if no such withdrawal has been made.

26.3 The bank guarantee shall be cancelled upon the termination for whatever reason of this Emphyteutical Grant.

26.4 Except for the case of mere delay, claims by the Government under this clause shall be without prejudice to the Government's right to take other action against the Emphyteuta in terms of this deed or in terms of law.

Clause 27 – Indemnity

27.1 The Company shall indemnify and/or keep the Government of Malta fully indemnified against all actions, proceedings, claims and demands brought or made against it, and against all losses, damages, costs, expenses (including legal fees and expenses) and liabilities incurred, suffered or arising directly or indirectly in respect of or otherwise in connection with anything relating to the temporary emphyteutical grant.

Clause 28 – No Right of Compensation/Reimbursement

28.1 The Company shall not be entitled for any reimbursement of any expenses incurred in the carrying out of any obligations undertaken to be performed and/or performed by virtue of this deed. This clause shall apply both on the expiry of the temporary emphyteutical grant and also in case of dissolution or rescission or an early termination of the temporary emphyteutical grant for any reason whatsoever, save as otherwise provided for in this deed.

Clause 29 – Force Majeure

29.1 Without prejudice to sub-clause one of clause eleven (11.1), neither Party shall be liable for delay in performing or failure to perform obligations if the delay or failure results from Force Majeure. Such delay and/or failure resulting from Force Majeure shall not constitute a breach of this deed and the time for performance of the concerned obligation shall be extended

by a period equivalent to that during which performance has been prevented by Force Majeure.

Clause 30 – Severability

30.1 If any part, clause or provision, or any part thereof, of this deed shall be held to be invalid or unenforceable for any reason, the remaining provisions shall continue to be valid and enforceable. If any provision of this deed is invalid or unenforceable, but that by limiting such provision, it would become valid and enforceable, then such provision shall be deemed to be written, construed, and enforced as so limited.

Clause 31 – Waivers

31.1 No waiver by any party (the “Non-Defaulting Party”) of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by the other party (the “Defaulting Party”) of the same or any other breach. The Non-Defaulting Party’s consent to or approval of any act shall not be deemed to render unnecessary the obtaining of the Non-Defaulting Party’s consent to or approval of any subsequent act by the Defaulting Party. The acceptance of ground rent or of any other dues under this Deed by the Government of Malta shall not be a waiver of any preceding breach by the Company of any provision hereof other than the failure of the Company to pay the particular ground rent or dues so accepted, regardless of the knowledge of the Government of Malta of such preceding breach at the time of acceptance of such ground rent or other dues.

Clause 32 – Applicable Law and Jurisdiction

32.1 This deed shall be read, governed by and construed according to the Laws of Malta and the parties hereby submit themselves to the exclusive jurisdiction of the Maltese Courts.

Clause 33 – Notices

33.1 Unless otherwise expressly provided in this deed, any notice, notification or other communication under or in connection with this deed shall be in writing and shall be delivered by hand or recorded delivery or sent by courier to the relevant party at the relevant address for service set out below or to such other address in Malta as each party may specify by notice in writing to the other party to the deed:

Name: **Government of Malta**

Address: Land Department,
Auberge de Bavière,
Saint Sebastian Street,
Valletta, Malta.

Attention: Commissioner of Land

Name: DB San Gorg Property Limited

Address: c/o Db Seabank Resort & Spa,
Marfa Road, Ghadira MLH 9064

Attention: Mr Silvio Debono

33.2 Any such notice or other communication shall be deemed to have been served on the party to whom it is addressed when so delivered.

33.3. For the avoidance of doubt, it is agreed that sub clause one of this clause thirty three (33.1) and sub-clause two of this clause thirty three (33.2) do not apply to judicial acts filed in the Courts of Malta which will be served in accordance with applicable Court procedures and service of such judicial acts shall be deemed to have been made in terms of law.

Clause 34 – Costs

34.1 Notarial fees and expenses payable upon publication of this deed shall be paid by the Company.

34.2 Each Party shall be responsible for the payment of the fees of its own advisors.

Statutory Declarations

(A) For the purposes of the Immovable Property (Acquisition by Non-Residents) Act, Chapter two hundred and forty six (246) of the Laws of Malta (the “**AIP Act**”) the representative on this deed of DB San Gorg Property Limited (the “Company”) declares that the Company qualifies to acquire the temporary *dominium utile* of the Property acquired on this deed without the necessity of obtaining a permit under the AIP Act for the reason that (i) it is constituted under the laws of Malta; (ii) it has its registered address, principal place of residence and of business in Malta; (iii) not less than seventy five per cent (75%) of the shareholding in the said Company and not less than seventy five per cent (75%) of the controlling shares of the said Company belong to European Union citizens who have resided continuously in Malta for at least five years; (iv) it is not in any manner and whether directly or indirectly controlled by one or more non-resident persons; and (v) that the Property is required by the Company for the purpose of carrying out the activity for which the Company has been set up which purpose is also represented in the Memorandum and Articles of Association of the Company; and that they are making this declaration after I the undersigned Notary warned them of the importance of the truthfulness and of the consequence in the case of false or erroneous declarations.

(B) For the purposes of the Duty on Documents and Transfers Act, Chapter three hundred and sixty four (364) of the Laws of Malta, the ad valorem duty due by the Emphyteuta on this deed amounts to two million nine hundred and seventy five thousand and two hundred Euro (€2,975,200).

(C) For the purposes of the Income Tax Management Act, Chapter three hundred and seventy two (372) of the Laws of Malta and the Income Tax Act, Chapter one hundred and twenty three (123) of the Laws of Malta:

i. The Government and the Company declare that for the purposes of sub-article twelve (12) of article five capital A (5A) of the Income Tax Act, they have declared to the undersigned Notary all the facts that determine if the transfers made by virtue of this deed is one to which the aforesaid article 5A applies or otherwise and that are relevant for ascertaining the proper amount of tax chargeable or any exemption, including the value which, in their opinion, reasonably reflects the market value of the temporary *dominium utile* of the Property transferred by virtue of this deed, if this value is higher than the consideration for the transfer. The Government and the Company make such declaration after I the undersigned Notary warned them about the importance of the truthfulness of this declaration of theirs.

ii. I the undersigned Notary declare that the Government does not pay income tax or capital gains tax.

(D) For the purposes of the Land Registration Act, Chapter two hundred and ninety six (296) of the Laws of Malta, I the undersigned Notary declare that the Property is registered at the Land Registry.

(E) Fees and expenses relative to the contract, including notarial fees will be at the charge of the Company.

For the purpose of the second proviso to Sub-Article five (5) of Article eighty four letter C (84C) of the Notarial Profession and Notarial Archives Act, it is being declared that paragraph letter 'd' of the regulation number four (4) of the Legal Notice regarding the 'Examination of Title Regulations', the Notary is exempt '*ipso iure*' from examining the title with regards to the immovable property being acquired by means of this deed and the acquires declare that I the undersigned Notary explained to them the importance and consequences of such exemption.

For the purpose of the Prevention of the Money Laundering Act, Chapter three hundred and seventy (373) the Company declares that the funds which it is disbursing in connection with this deed originate from a legitimate source of income and that the Company's wealth source is from legitimate means.

Since the documents annexed to this deed are more than five (5), a list of the annexed documents is also annexed to this deed as a document marked with the letter "X" for the signature of the parties in lieu of the documents themselves as allowed by law.

This deed has been done, read and published by me the undersigned Notary after I explained the contents hereof to the Parties hereto according to the law in Malta, at Valletta, Auberge de Baviere, Saint Sebastian Street, at the offices of the Government Property Department.

Signed:- Peter Mamo
 Silvio Debono

Anthony Hili
Notary Public Malta
Government Property Division

LIST OF DOCUMENTS

- Annex A - Board Resolution of DB San Gorg Property Limited (C 77344)
- Annex B - Site-plan showing 'Peninsula' and 'Foreshore'
- Annex C - Plan Property Division Number 195_98_A_2
- Annex D - Site-plan of site measuring 18,202 m²
- Annex E - Site-plan of site measuring 5,536 m²
- Annex F - Site-plan of site measuring 237 m²
- Annex G - Executive Summary of the Original Proposal
- Annex H - Request for Tender Proposals
- Annex I - Schedule of Development of City Centre Development
- Annex J - Schedule of Payment of Contribution
- Annex K - Memorandum and Articles of Association of DB San Gorg Property Limited
- Annex L - Memorandum and Articles of Association of Shawncara Limited
- Annex M - Memorandum and Articles of Association of JP & M Limited
- Annex N - Memorandum and Articles of Association of Maui Investments Limited

Signed:- Peter Mamo
Silvio Debono
Anthony Hili
Notary Public Malta
Government Property Division

First (1) February two thousand and seventeen (2017)

A deed entered into:

Of the one part: **The Government of Malta**

Of the other part: The company **DB San Gorg Property Limited**, a company registered under the laws of Malta whose registered office is situated at the DB Seabank Hotel, Marfa Road, Ghadira, Mellieha MLH 9064, bearing company registration number C 77344;

The Government and the Company are on the deed collectively referred to as the “**Parties**” and each one a “**Party**”.

WHEREAS:

Following the invitation by the Government of Malta of a Request for Tender Proposals (“RFP”) for the Design, Build, and Operation of an upmarket tourism and leisure development in Saint George’s Bay, Saint Julians on the site currently occupied by the Institute for Tourism Studies (“the Site”) issued on the thirteenth (13th) November two thousand and fifteen (2015), which Request for Tender Proposals was duly published in the Government Gazette dated seventeenth (17th) November two thousand and fifteen (2015), a joint venture of companies (“the JV”) affiliated to the Company submitted its detailed proposal in terms of said RFP ;

Following a short-listing exercise the JV was successfully identified as the Preferred Proponent in terms of the RFP and was invited further to enter into negotiations with the Government of Malta;

Following negotiations the Parties have agreed the terms that are to regulate their relationship;

In the deed, unless otherwise expressly stated or the contrary intention appears and in addition to any other definitions contained elsewhere in the deed, the following terms shall have the following meanings respectively assigned to them:

“**Architect**” means the architect and civil engineer appointed by the Company for the purpose of certifying completion of the Project.

“**Building**” means a permanent structure forming an enclosure and the terms “Buildings” shall be construed accordingly.

“**Car Park**” means those parts of the Site which will be shown on the Development Permit as designated for such use.

“**Certificate of Completion**” means the certificate issued by the Architect in accordance with sub-clause six of clause fifteen (15.6) of the deed and confirming that the Project is in a Complete State.

“CityCentre Development” means the development of an upmarket mixed tourism and leisure development incorporating the Components which the Company is to construct and develop on the Site in accordance with the provisions of the deed.

“Company” means the private limited liability Company DB San Gorg Property Limited with company registration letter C number seven seven three four four (C-77344), a limited liability company registered on the twenty-sixth (26th) of September two thousand and sixteen (2016) under the Laws of Malta, and/or its successors in title.

“Complete State” means that a Building or any unit in a Building is developed and built in accordance with the applicable Development Permit/Building Permits in relation to the same and completed in all respects in full compliance with all laws and regulations in respect of buildings in general, including sanitary and environmental matters, with materials of good quality, and to a good standard of workmanship, in terms of local building custom.

“Components” means the Hotel and Commercial Areas, the Mall, the Car Park, the Towers and the Public Spaces. The term “Component” shall mean any single one of such amenities.

“Developable Area” means the total sum of Gross Floorspace Area allocated to Hotel and Commercial Area, Mall and Car Park, and Net Floor-space Area allocated to Residential Units, Office Units and Garage Spaces in a Development Permit.

“Development of the Project” means the performance, execution or supply of anything which shall be required to be performed, done or supplied by the Company in order to complete the obligations assumed by it on the deed in respect of the completion of the Project and for all the requirements mentioned in the definition of Complete State to be satisfied in full and includes, but is not limited to, the performance, execution or supply of all labour, materials, constructional plant and equipment, temporary works, remedial works, and architectural and technical services and supervision to construct, develop and complete the Project in all respects in compliance with all laws and regulations in respect of buildings in general including sanitary and environmental matters, possible requirements by the competent authorities, the Building Permits, and the execution of all works necessary to satisfy the Company’s obligations arising from the deed, as well as the filing of applications for and the procurement of necessary amendments to the Building Permits and the issuance of any compliance or completion certificates in respect of the Project in terms of the Environment and Planning Act, Chapter five hundred and four (504) of the Laws of Malta, and of all other necessary certifications, permits, authorisations and licences required during the Development of the Project, and on its completion and the procurement, installation and commissioning of all utilities required for the Project.

“Development Infrastructure” means the infrastructure within the Site required in the CityCentre Development, and includes networks for water, electricity, sewerage, and electronic transmissions, communications and reception systems.

“Development Permit” means all and any permits and authorisations required by applicable laws and regulations, validly issued and uncontested and unappealable, for the demolition, excavation, construction, completion and use of a specific phase, building or structure of the City Centre Development.

“Emphyteutical Grant” means the temporary emphyteutical grant of the Property made by the Government of Malta to the Company by virtue of the deed.

“Expected Development” means the foreseen development of the Property in terms of the Original Proposal presented by the Company in response to the RFP providing for the development of a Hotel, a number of offices, residential units, a retail mall, parking spaces and open spaces in terms of a private interpretation of current Planning Authority policies. The expected development only represents the Company’s intentions and does not imply any guarantees or certainty that such expected development shall be permitted by the relevant regulatory authorities. Neither does it in any way inhibit the Company for applying to its advantage for any additional permit after any future changes to local Planning Policies to further increase the development, provided that such changes are in line with the Deed.

“Force Majeure” means any act, event or circumstance which is beyond the reasonable control of a party, including but not limited to acts of God, war, civil commotion, fire, flood or other calamity, strike, riot, lock-out or other industrial disturbance, terrestrial or extra-terrestrial interference, blockade, insurrection, action, order, direction judgement, including but not limited to prohibitory injunction of the Government, or any Court, Tribunal, Regulatory Authority or other judicial and/or quasi judicial body including but not limited any other cause of a similar nature, which makes that party’s performance of its obligations under this contract impossible, or so impractical as to be considered impossible under the circumstances.

“Foreshore” means the area of land hatched in green on the Site Plan marked document ‘B’ attached to the deed.

“Garage Spaces” means those spaces within the Car Park that shall be designated for individual parking units that may be transferred in terms of the Deed with Residential Units and Office Units.

“Government/Government of Malta” means the Government of Malta and/or its successors in title and/or the Dominus and/or its successors in title.

“Gross Floorspace Area” means the total floor area inside the building envelope, including the external walls, but excluding the roof, enclosed machinery rooms, and mechanical and electrical services.

“Ground-rent” means the annual temporary ground-rent stated in clause seven (7) of the deed and, when revised upwards in accordance with same clause, the annual temporary ground-rent as so revised.

“Hotel and Commercial Area” means those parts of the Site which will be shown on the Development Permit as designated for such use.

“Immovable Things” means all buildings, structures, developments, infrastructure, facilities, installations, equipment, plant and machinery and other improvements, now existing, or which in the future shall exist, within the boundaries of the Site, whether installed, constructed or erected on, in or under the Site but to the extent only that they are considered immovable things in terms of the Civil Code, Chapter sixteen (16) of the Laws of Malta.

“ITS” means the former Institute of Tourism Studies building scheduled as a Grade TWO (2) building by the PA as at today.

“Mall” means those parts of the Site which will be shown on the Development Permit as designated for such use.

“Net Floor Space Area (NFA)” means Net internal area (or usable floor area) - The Net internal Area is the Gross internal area less the floor areas taken up by lobbies, enclosed machinery rooms on the roof, stairs and escalators, mechanical and electrical services, lifts, columns, toilet areas (other than in domestic property), ducts (internal unit shafts), risers and outside terraces or balconies forming part of the residential unit.

“Office Units” means those parts of the Site which will be shown on the Development Permit as designated for such use.

“Peninsula” means the Saint George’s Bay peninsula, Saint Julian’s on which the Site is located as shaded in blue on the site plan attached and marked Document [‘B’] to the deed.

“Permitted Uses,” means the uses of the Property as specified in clause six (6) of the deed.

“PA” means the Planning Authority.

“Project” means the CityCentre Development incorporating the Components which the Company is to construct and develop on the Site in accordance with the provisions of the deed.

“Public Spaces” means those parts of the Site which shall be shown in the Development Permit as designated for such use. Provided that any area below the road surface level of the Public Spaces which is developed as part of the other Components shall not be considered as part of the Public Spaces and shall be treated for the purposes of the deed as part of the component for which it has been developed.

“Residential Units” means those parts of the Site intended for private residential purposes, which shall be shown in the Development Permit as designated for such use.

“Site” and/or **“Property”** means the divided portion of land of irregular shape with all amenities constructed thereupon and with airspace and subterranean levels and as subject to no servitudes or third party rights save as expressly reserved on the deed and having the total measurement of circa twenty-three thousand nine hundred and seventy five square metres (23,975 sqm), in Saint Julians, Malta and which immovable is accessible from Profs Walter Ganado Street and Triq ix-Xatt ta’ San Gorg, both roads within the same locality which site is divided in three (3) separate portions, one having an area of approximately five thousand five hundred and thirty six square metres (5,536 sqm) bounded from the north-west and from the north-east with property of the Government of Malta and from the south-east with Profs Walter Ganado Street, one having an area of approximately eighteen thousand two hundred and two square metres (18,202 sqm) bounded from the north-east and from the north-west with Profs Walter Ganada Street and from the south-east with Triq ix-Xatt ta’ San Gorg and the last one having an area of approximately two hundred and thirty seven square metres (237 sqm) bounded from the north-west with Triq ix-Xatt ta’ San Gorg, from the north-east with property of the Government of Malta and from the south with the foreshore, as shown marked edged in red and respectively marked with letters A, B and C on the *Government Property Division* plan marked with letters P.D. number one hundred and ninety five underscore ninety eight underscore letter A underscore two (P.D. NO: 195_98_A_2), annexed to the deed as Document [‘C’] and save for the *directum dominium temporaneum* rights and subsequent full ownership,

constituted by this concession on the deed and relative Special Privilege arising at law in favour of the Government of Malta, it is free and unencumbered from any other groundrents or pious burdens and with all its rights and appurtenances. The same said divided portions of the above-described site are also shown marked in red on the site-plans marked documents [‘D’, ‘E’ and ‘F’] attached to the deed.

“**Term**” means the term of the Emphyteutical Grant as set out in clause five (5) of the deed.

“**Tower**” means those parts of the Site which may be shown in the Development Permit as designated for such use.

“**Undesirable Person**” means a person who:

(a) has been convicted of a crime, wherever committed: (i) against the safety of the Government in terms of articles fifty five (55) to fifty nine (59), both articles included, of the Criminal Code, Chapter nine (9) of the Laws of Malta (in this deed referred to as the “**Criminal Code**”), or (ii) against public safety in terms of articles three hundred and eleven (311) to three hundred and seventeen (317), both articles included, of the Criminal Code, or (iii) specified in the Schedule to the Extradition Act, Chapter two hundred and seventy six (276) of the Laws of Malta, and for a term of imprisonment of more than three (3) years; (iv) against the Prevention of Money Laundering Act, Chapter three hundred and seventy three (373) of the Laws of Malta; (v) in violation of the articles three hundred and seven (307) to three hundred and fifteen (315) (both articles included) of the Companies Act, Chapter three hundred and eighty six (386) of the Laws of Malta (in this deed referred to as the “**Companies Act**”) and in violation of article one hundred and ninety one (191) of the Criminal Code; (vi) against Sub-Titles IVA and B of Title IX of Part II of Book First of the Criminal Code; (vii) against the laws or by the courts of another country with respect to the crimes substantially equivalent to those specified in paragraphs i.(roman number one), iv.(roman number four) and v.(roman number five) above;

(b) is the subject of sanctions or restrictions issued by the United Nations, the European Union or other international governmental body of which Malta is part and which are adopted or applied by the Government in terms of the National Interest (Enabling Powers) Act, Chapter three hundred and sixty five (365) of the Laws of Malta and / or other applicable law, and this for such time as such sanctions remain in force;

(c) is the subject of an international arrest warrant or of a European Arrest Warrant or is otherwise wanted by INTERPOL or other equivalent trans-national police organisation, and this for such time as he so remains;

(d) is insolvent or bankrupt and unable to pay his debts as they fall due;

(e) being a legal entity, the director, the administrator or other officer or the controlling shareholder of which is: (i) an Undesirable Person, or (ii) in case of a director or officer, disqualified to be a director of a company in terms of the Companies Act or of a similar law of a jurisdiction of which the director or officer is a national or resident and this for as long as such person remains so disqualified.

By virtue of the deed, the Government granted by title of temporary emphyteusis to the Company, which on its part accepted and acquired by the same title of temporary emphyteusis, the Site, for a period of ninety nine (99) years, reckoned as from the date of the deed. The Site includes all its rights and appurtenances including its sub soil. The Site is also shown in red on the *Government Property*

Division plan marked with letters P.D. number one hundred and ninety five underscore ninety eight underscore letter A underscore two (P.D. NO: 195_98_A_2) annexed to the deed as Document ['C'].

Save as provided in the deed, the Site was granted and accepted with immediate vacant possession as free and unencumbered, and as such free from any other ground-rent, burdens, servitudes, hypothecs, privileges, charges, cautions, enforcement orders, and free from any other rights, both real and personal and whatever type or nature in favour of third parties including the Government or any other public authority, free from litigation and the Property was granted *tale quale*, and with the exclusion of the warranty of hidden/latent defects.

The Parties acknowledged and recognised that the Property is currently partially occupied by the Institute for Tourism Studies and Government undertook and warranted to have the Property vacated by not later than thirtieth (30th) June two thousand and seventeen (2017) and to grant the ITS to the Company with vacant possession free and unencumbered by not later than thirtieth (30th) September two thousand and seventeen (2017). In the event that vacant possession is not given by such date (30/9/2017) then the extra amount of full days required by the Government to vacate the Property over such date shall be added to all dates agreed to in this agreement which are dependant on the date of vacating of Property including but not limited to completion dates agreed to by the Company for completion of obligations herein, but this without prejudice to any other rights of specific enforcement appertaining to the Company.

The Parties also declared and agreed that the Site includes all the Immovable Things, which now or in the future shall appertain to the Site.

The Government warranted in favour of the Company, which accepted, that it has good and valid title to the Site and it further warranted in favour of the Company which accepted, the quiet and peaceful possession of the Site with all its rights and appurtenances according to law.

The Government also warranted and guaranteed in favour of the Company, which accepted, that the Site may be legally transferred to the Company in terms of the deed to be used for the Permitted Uses and that there are no proceedings pending or threatened in connection with and/or relating to the Site and that there are no circumstances which are likely to give rise to any litigation or arbitration.

In the event that parts of the Site are required by Government for public use, the Government shall, in terms of and subject to any applicable laws, be bound to concede to the Company the equivalent area of land in compensation. Government shall have sole discretion to identify such land and shall endeavour to identify land adjacent to the Site.

The Parties agreed that the Company shall at its own cost and risk construct, develop and complete the CityCentre Development in compliance with the Development Permit; The Company shall immediately apply for the Expected

Development in terms of the Deed and whilst no guarantee was given by the Government of the extent of the development, Government shall, as better indicated in the deed, retain the right to increase or decrease, as the case may be, its calculation of the Total Value of the Property should in any way or another or due to a change of planning policy result in an increase or decrease in the developable area of the Development Permit when compared to the estimated valuation in terms of Clause eight letter 'a' (8A) of the deed, setting out the original agreement value based on the Expected Development. The CityCentre Development shall be developed by the Company or its successors in title in a number of phases as represented in the schedule attached and marked Document [T] to the deed; The Company will be responsible for all the works related to the Public Spaces and the Development Infrastructure within the boundaries of the Site and will finance all such works including but not limited to, any construction involved and installation of the infrastructural networks.

The Parties agreed that when constructed:

The Hotel and Commercial Area shall be used to provide a hotel, restaurants, coffee shops and other catering outlets, retail outlets, entertainment, leisure and gaming facilities, clubs, lido and water sport facilities, health and fitness centres, parking facilities and other similar, ancillary or related activities.

The Towers shall be used to provide facilities including apartments and other lodging facilities, as well as offices, business centres, facilities management centres, employee facilities, parking facilities and other similar, ancillary or related facilities which shall serve the CityCentre Development.

The Car Park shall be used to provide parking facilities to guests of the Hotel, clients of the Commercial Area and the Mall, occupants of the Towers, employees working at the CityCentre Project, service providers and suppliers to the CityCentre Project and the general public, and this at such charge as may be determined by the Company from time to time.

The Mall shall be used to provide retail, food and beverage facilities, leisure and gaming facilities, food malls, super markets, restaurants, coffee shops catering outlets, employee facilities and other similar, ancillary or related facilities which shall serve the CityCentre Development.

All the Public Areas shall be made accessible free of charge to the general public at all times subject to the rules and regulations implemented from time to time by the Company.

Government will retain control of the Public Spaces in respect only of public order and policing whereas management, upkeep, maintenance, repair and cleanliness of the Public Spaces will be the sole and exclusive responsibility of the Company.

Notwithstanding the above the Company will have the exclusive right to:

- i. organise or allow other to organise commercial and/or social events and parking areas in the Public Spaces where such commercial and /or social or parking areas are permitted in terms of the Development Permit; and
- ii. allow Tenants to erect kiosks, place tables and chairs and to organise events and activities.

It was agreed that any fee charged by the Company for encroachment or any revenue made from any commercial and/or social events, as well as from the use of parking areas will accrue in favour of the Company.

The Company shall bear any and all costs and expenses, whether ordinary or extraordinary, that may be necessary or desirable in connection with the permitted use as prescribed in subclause two of clause six (6.2) of the deed, and in accordance with the Company's rights over the Site, the Company shall be entitled to retain all revenues generated from the development and operation of the Site.

The Company undertook to continue to operate the Site for the duration of the emphyteutical grant, subject to what is further stipulated and agreed in the deed.

No other use is permitted in respect of the Site other than the Permitted Uses unless otherwise expressly approved and agreed in writing by the Government of Malta, which approval and agreement can be refused without the obligation to give reasons for such refusal.

The Government granted and conceded to the Company the right, exercisable for the duration of the Term, to link, on a subterranean basis, the sites forming part of the Site, namely sites A, B and C, respectively one to another, provided that, in the exercise of such linkage facilities, the Company shall permit the passing of all necessary third party infrastructure, including but not limited to drains, waters, cables serving properties outside the Site as determined by the respective authorities .

The concession was made in consideration of the annual temporary ground-rent of one million five hundred and sixty two thousand five hundred and nine Euro (€1,562,509), which shall be revised upwards on the lapse of five (5) years, and which five years is reckoned from the date of issuance of the Certificate of Completion by the Architect in respect of the Project or, after the lapse of sixty (60) months from the date of the Deed, whichever occurs first, according to the official rate of inflation, which shall be taken to be the official rate of inflation published in respect of the year immediately preceding the year when the ground rent is to be increased, and thereafter, on the lapse of every subsequent five-year period, by said rate of inflation on the *pro tempore* ground-rent payable annually in terms of this deed in each year in the immediately preceding five-year period.

From the whole of the temporary groundrent to be imposed, the sum of one million one hundred and sixty nine thousand and five hundred seventy nine Euro (€1,169,579) is the part of the ground rent of the total of one million five hundred and sixty two thousand five hundred and nine Euro (€1,562,509) to be allocated for redemption purposes based on a Net Floor Space Area identified in the Expected Development, set at thirty five thousand nine hundred and ten square metres (35,910sqm), that is, the Net Floor Space Area designated as Residential Units, and Office Units and fifteen thousand one hundred and twenty square metres (15,120 sqm) of Garage Space for resale.

In the event that the Net Floor Space Area identified in the Expected Development, set at thirty five thousand nine hundred and ten square metres (35,910sqm) of Net Floor Space Area designated as Residential Units, and Office Units and fifteen thousand one hundred and twenty square metres (15,120sqm) of Garage Space for

resale, is not permitted in a Development Permit, the groundrent payable in respect of the component of the development allocated towards Residential Units, Office Unit and Garage Space for resale, shall increase or decrease, as the case may be, which increase or decrease shall be adjusted in accordance with the rates indicated in Clause eight point two point two (8.2.2) on the deed.

The groundrent is being so divided, as the realizable value for the residential units in terms of the formula determining the calculation of the contribution, is not only diverse in terms of a monetary expected return but also subject to further prospective return on the option to convert the title of such residential units from a temporary to a perpetual one.

The Ground-rent shall be paid by the Company without demand, deduction or set-off unless otherwise agreed to in writing by the Government of Malta.

This emphyteutical concession was made in consideration of a total contribution made by the Company to the Government of Malta, and payable as follows:

- (i) The sum of Fifteen Million Euros (€15,000,000) shall be paid over a period of seven [7] years with the first payment of five million Euros (€5,000,000) being paid hereon, on signing of the Deed and the balance of ten million Euros (€10,000,000) shall be payable in seven [7] equal annual installments, interest free, with the first payment due on the thirty first day of January two thousand and eighteen (31/1/2018) and subsequent payments on each anniversary thereafter;
- (ii) upon the issuance of a Development Permit determining the full extent of actual developable area within the entirety of the CityCentre Development, a consideration shall further be due, to Government or by Government to Company as the case may be, which consideration shall be calculated in accordance to the provisions of the schedule marked [J] attached to the deed. The payment of such additional consideration shall be effected over a period of seven [7] years payable in seven [7] equal annual instalments, interest free, with the first payment being due one week following the issuance of the Development Permit, and subsequent payments on each anniversary thereafter; and
- (iii) an additional consideration shall become due in the event that, throughout the entirety of the Term of the deed, a Development Permit is issued allowing for further developable area originally permitted, which consideration shall be calculated in accordance to the provisions of the schedule marked [J] attached to the deed. The payment of such additional consideration shall be effected in its entirety within one week from the issuance of the Development Permit allowing for such further developable floorspace in excess of that original granted in terms of the preceding.

This deed was made and accepted under all the other conditions stipulated in this deed.

Notary Doctor Anthony Hili
Government Property Division

Rimarki
(ghall- uzu
ufficjali biss)

Creditor: Government of Malta

Debtor:- DB San Gorg Property Limited, a company registered under the laws of Malta whose registered office is situated at the DB Seabank Hotel, Marfa Road, Ghadira, Mellieha MLH 9064, bearing company registration number C 77344.

Credit: One million five hundred and sixty two thousand five hundred and nine Euro (€1,562,509) temporary yearly groundrent as from the first (1) of February of the year two thousand and seventeen (2017), which groundrent which shall be revised upwards on the lapse of five (5) years, and which five years is reckoned from the date of issuance of the Certificate of Completion by the Architect in respect of the Project or, after the lapse of sixty (60) months from the date of this Deed, whichever occurs first, according to the official rate of inflation, which shall be taken to be the official rate of inflation published in respect of the year immediately preceding the year when the ground rent is to be increased, and thereafter, on the lapse of every subsequent five-year period, by said rate of inflation on the *pro tempore* ground-rent payable annually in terms of this deed in each year in the immediately preceding five-year period as per deed in my records of the first (1) day of February of the year two thousand and seventeen (2017).

Cause of Preference: Special Privilege on a the divided portion of land of irregular shape with all amenities constructed thereupon and with airspace and subterranean levels and as subject to no servitudes or third party rights save as expressly reserved on the deed and having the total measurement of circa twenty-three thousand nine hundred and seventy five square metres (23,975 sqm), in Saint Julians, Malta and which immovable is accessible from Profs Walter Ganado Street and Triq ix-Xatt ta' San Gorg, both roads within the same locality which site is divided in three (3) separate portions, one having an area of approximately five thousand five hundred and thirty six square metres (5,536 sqm) bounded from the north-west and from the north-east with property of the Government of Malta and from the south-east with Profs Walter Ganado Street, one having an area of approximately eighteen thousand two hundred and two square metres (18,202 sqm) bounded from the north-east and from the north-west with Profs Walter Ganado Street and from the south-east with Triq ix-Xatt ta' San Gorg and the last one having an area of approximately two hundred and thirty seven square metres (237 sqm) bounded from the north-west with Triq ix-Xatt ta' San Gorg, from the north-east with property of the Government of Malta and from the south with the foreshore, as shown marked edged in red and respectively marked with letters A, B and C on the *Government Property Division* plan marked with letters P.D. number one hundred and ninety five underscore ninety eight underscore letter A underscore two (P.D. NO: 195_98_A_2), annexed to the deed as Document ['C'] with all its rights

and appurtenances. The same said divided portions of the above-described site are also shown marked in red on the site-plans marked documents ['D', 'E' and 'F'] attached to the deed.

Today

2017

.....
Director

.....
Notary Dr Anthony Hili
Governemnt Property Division

UFFICJU TAT-TAXXI INTERNI

Dipartiment tal-Capital Transfer Duty
46, Triq il-Merkanti, Valletta

**OFFICE OF INLAND REVENUE**

Capital Transfer Duty Department
46, Merchants Street, Valletta

Rule 2

INTER VIVOS

First Schedule

**NOTICE OF AN *INTER VIVOS* TRANSFER OF IMMOVABLE PROPERTY TO BE GIVEN IN TERMS OF THE
DUTY ON DOCUMENTS AND TRANSFERS ACT
AND THE INCOME TAX ACTS**

This form must be completed by the Notary publishing the deed of transfer and must be filed by the Notary in duplicate within 15 working days from the date of the transfer.

Continuation sheets are to be added as necessary.

SECTION A – PARTICULARS OF THE TRANSFER

Transferor/s				
Name	Surname	Address	I.D. / income tax registration number	Telephone or mobile number
Govt of Malta		Auberge de Baviere Valletta		21224016

Transferee/s					
Name	Surname	Address	I.D. / income tax registration number	Telephone or mobile number	AIP No. (if applicable)
DB San Gorg Property Ltd		DB Seabank Hotel Marfa Rd Ghadira Mellieha	C77344		

SECTION B – INFORMATION ABOUT THE TRANSFER

Date of Deed	1/02/2017						
Description of the property <i>A full description of the immovable property is to be given and a site plan on Land Registration Stationery duly signed by an Architect should be annexed.</i> Vide desc attached							
Type of Transfer <i>In the case of mixed transfers, mark all applicable boxes</i>							
Sale		Emphyteutical concession	*	Donation		Exchange	
Assignment on Partition		<i>Datio in solutum</i>		Other (specify)			
The manner in which the property was acquired <i>In the case of mixed acquisitions, mark all applicable boxes</i>							
Sale		Emphyteutical concession		Donation		Exchange	
Assignment on Partition		<i>Datio in solutum</i>		Govt Property	*		

Name of Broker	I.D / I.T. No.
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Name of Architect <i>(if applicable)</i>	I.D / I.T. No.
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SECTION C – DUTY ON DOCUMENTS AND OTHER TRANSFERS (DDTA)

Exemptions and Relief	
An assignment that is exempt in terms of art. 32(3) DDTA	
A transfer that qualifies for relief from duty under art. 32(4) DDTA	
A partition of inherited property that is exempt in terms of art. 32(5) DDTA	

A transfer from one company to another that qualifies for the intra-group exemption in terms of art. 32(6) DDTA	
First time donation from parents in terms of art. 32C DDTA	
A transfer that is exempt from duty for reasons other than those mentioned above Specify grounds for exemption:-	
Dutiable value of property	€15,000,000 (premium) €1,562,509 per annum
Amount of duty payable	€2,975,200
Promise of Sale Number	n/a

SECTION D – TAX PAYABLE UNDER THE INCOME TAX ACT

Name of Trans-feror	Final tax					Provision-al Tax	Total
	5%	7%	8%	10%	12%		
Govt of Malta							exempt
Total							exempt

SECTION E – PARTICULARS OF BANK DRAFT / CHEQUE

Tax/Duty payable under:	BANK	BANK DRAFT / CHEQUE NUMBER
Duty on Documents and Transfers Act	HSBC	096602
Income Tax Act	NIL	NIL

NAME OF NOTARY **Dr Anthony Hili**

SIGNATURE OF NOTARY

FOR OFFICIAL USE			
Provisional C.G.T Paid:	€	Duty on Documents:	€
Final Withholding Tax:	€	Provisional Duty:	€
		Total:	€
Receipt No/s:		Receipt No/s:	
			
			
			
Date of Receipt/s:		Date of Receipt/s:	
Receiving Officer:		Receiving Officer:	

The Inland Revenue Department uses the information provided, to process this form in accordance with the Income Tax Acts and subsidiary legislation. We may check information provided by you, or information about you provided by a third party, with other information held by us. We will not disclose information about you to anyone outside the Inland Revenue Department unless permitted by law. The Inland Revenue Department treats your personal information in accordance with the Data Protection Act 2001 (Cap 440) to protect your privacy. Any queries may be addressed to The Data Controller, Inland Revenue Department, Floriana, CMR 03.

FORMOLA A

APPLIKAZZJONI GHAL TITOLU:

numru:

Data:

Hlas:

Ricevitur:

XORTA TA' APPLIKAZZJONI:

Transfer of LRA 346/2017

DESKRIZZJONI TAL-PROPRJETA:

The portion of land in Saint Julians, Malta having an area of approximately two hundred and thirty seven square metres (237 sqm) bounded from the north-west with Triq ix-Xatt ta' San Gorg, from the north-east with property of the Government of Malta and from the south with the foreshore with all amenities constructed thereupon and with airspace and subterranean levels and as subject to no servitudes or third party rights save as expressed by deed and which immovable is accessible from Profs Walter Ganado Street and Triq ix-Xatt ta' San Gorg, both roads within the same locality.

Bejjiegh:

The Government of Malta.

Xerrej:

DB San Gorg Property Limited, a company registered under the laws of Malta whose registered office is situated at the DB Seabank Hotel, Marfa Road, Ghadira, Mellieha MLH 9064, bearing company registration number C 77344

RESTRIZZJONIJIET:

As per deed of temporary emphyteusis.

BAZI TA' L-APPLIKAZZJONI:

As per deed of temporary emphyteusis in the acts of Not. Anthony Hili dated 1/2/2017.

VALUR JEW KONSIDERAZZJONI:

€15445.87 – pro rata annual and temporary groundrent for a period of 99 years.

The annual temporary ground-rent for a period of 99 years of one million five hundred and sixty two thousand five hundred and nine Euro (€1,562,509) (**whole area of 23975m²**), which shall be revised upwards on the lapse of five (5) years, and which five years is reckoned from the date of issuance of the Certificate of Completion by the Architect in respect of the Project or, after the lapse of sixty (60) months from the date of this Deed, whichever occurs first, according to the official rate of inflation, which shall be taken to be the official rate of inflation published in respect of the year immediately preceding the year when the ground rent is to be

increased, and thereafter, on the lapse of every subsequent five-year period, by said rate of inflation on the *pro tempore* ground-rent payable annually in terms of this deed in each year in the immediately preceding five-year period.

LISTA TAD-DOKUMENTI PREZENTATI:

1. Copy of deed in the acts of Not. Anthony Hili dated 1/2/2017
2. Plan and Survey Sheet incorporated 18315 M annexed to LRA 346/2017.

Jien hawn taht iffirmat niddikjara li kull ma jinsab f'din il-formola sa fejn naf jien huwa veru, u li jiena ivverifikajt id-dokumenti rilevanti, u ma hemm ebda fatt li jien naf bih li hu kuntrarju ghal dak migjub fid-dokumenti.

Not. Anthony Hili LL.D.

Notary Public at the Government Property Division.

File No L315/86

FORMOLA A

APPLIKAZZJONI GHAL TITOLU:

numru:

Data:

Hlas:

Ricevitur:

XORTA TA' APPLIKAZZJONI:

Transfer of LRA344/2017

DESKRIZZJONI TAL-PROPRJETA:

The portion of land in Saint Julians, Malta having an area of approximately eighteen thousand two hundred and two square metres (18,202 sqm) bounded from the north-east and from the north-west with Profs Walter Canada Street and from

the south-east with Triq ix-Xatt ta' San Gorg with all amenities constructed thereupon and with airspace and subterranean levels and as subject to no servitudes or third party rights save as expressed by deed and which immovable is accessible from Profs Walter Ganado Street and Triq ix-Xatt ta' San Gorg, both roads within the same locality.

Bejjiegh:

The Government of Malta.

Xerrej:

DB San Gorg Property Limited, a company registered under the laws of Malta whose registered office is situated at the DB Seabank Hotel, Marfa Road, Ghadira, Mellieha MLH 9064, bearing company registration number C 77344

RESTRIZZJONIJIET:

As per deed of temporary emphyteusis.

BAZI TA' L-APPLIKAZZJONI:

As per deed of temporary emphyteusis in the acts of Not. Anthony Hili dated 1/2/2017.

VALUR JEW KONSIDERAZZJONI:

€1,186,268.56 - pro rata annual and temporary groundrent for a period of 99 years.

The annual temporary ground-rent for a period of 99 years of one million five hundred and sixty two thousand five hundred and nine Euro (€1,562,509), (**whole area of 23975m²**), which shall be revised upwards on the lapse of five (5) years, and which five years is reckoned from the date of issuance of the Certificate of Completion by the Architect in respect of the Project or, after the lapse of sixty (60) months from the date of this Deed, whichever occurs first, according to the official rate of inflation, which shall be taken to be the official rate of inflation published in respect of the year immediately preceding the year when the ground rent is to be increased, and thereafter, on the lapse of every subsequent five-year period, by said rate of inflation on the *pro tempore* ground-rent payable annually in terms of this deed in each year in the immediately preceding five-year period.

LISTA TAD-DOKUMENTI PREZENTATI:

1. Copy of deed in the acts of Not. Anthony Hili dated 1/2/2017
2. Plan and Survey Sheet incorporated 18313 M annexed to LRA344/2017

Jien hawn taht iffirmat niddikjara li kull ma jinsab f'din il-formola sa fejn naf jien huwa veru, u li jiena ivverifikajt id-dokumenti rilevanti, u ma hemm ebda fatt li jien naf bih li hu kuntrarju ghal dak migjub fid-dokumenti.

Not. Anthony Hili LL.D.

Notary Public at the Government Property Division.

FORMOLA A

APPLIKAZZJONI GHAL TITOLU:

numru:

Data:

Hlas:

Ricevitur:

XORTA TA' APPLIKAZZJONI:

Transfer of LRA345/2017

DESKRIZZJONI TAL-PROPRJETA:

The portion of land in Saint Julians, Malta having an area of approximately five thousand five hundred and thirty six square metres (5,536 sqm) bounded from the north-west and from the north-east with property of the Government of Malta and from the south-east with Profs Walter Ganado Street, with all amenities constructed thereupon and with airspace and subterranean levels and as subject to no servitudes or third party rights save as expressed by deed and which immovable is accessible from Profs Walter Ganado Street and Triq ix-Xatt ta' San Gorg, both roads within the same locality.

Bejjiegħ:

The Government of Malta.

Xerrej:

DB San Gorg Property Limited, a company registered under the laws of Malta whose registered office is situated at the DB Seabank Hotel, Marfa Road, Ghadira, Mellieha MLH 9064, bearing company registration number C 77344

RESTRIZZJONIJIET:

As per deed of temporary emphyteusis.

BAZI TA' L-APPLIKAZZJONI:

As per deed of temporary emphyteusis in the acts of Not. Anthony Hili dated 1/2/2017.

VALUR JEW KONSIDERAZZJONI:

€360,794.57 – pro rata annual and temporary groundrent for a period of 99 years.

The annual temporary ground-rent for a period of 99 years of one million five hundred and sixty two thousand five hundred and nine Euro (€1,562,509), (**whole area of 23975m²**), which shall be revised upwards on the lapse of five (5) years, and which five years is reckoned from the date of issuance of the Certificate of Completion by the Architect in respect of the Project or, after the lapse of sixty (60) months from the date of this Deed, whichever occurs first, according to the official rate of inflation, which shall be taken to be the official rate of inflation published in respect of the year immediately preceding the year when the ground rent is to be increased, and thereafter, on the lapse of every subsequent five-year period, by said rate of inflation on the *pro tempore* ground-rent payable annually in terms of this deed in each year in the immediately preceding five-year period.

LISTA TAD-DOKUMENTI PREZENTATI:

1. Copy of deed in the acts of Not. Anthony Hili dated 1/2/2017
2. Plan and Survey Sheet incorporated 18314 M annexed to LRA345/2017

Jien hawn taht iffirmit niddikjara li kull ma jinsab f'din il-formola sa fejn naf jien huwa veru, u li jiena ivverifikajt id-dokumenti rilevanti, u ma hemm ebda fatt li jien naf bih li hu kuntrarju ghal dak migjub fid-dokumenti.

Not. Anthony Hili LL.D.
Notary Public at the Government Property Division.

FORMOLA B
Application for a Charge

No. LRC
Data
Hlas
Ricevitur
CHARGE ON LRA 582 /2017

DESKRIZZJONI TAL-PROPRJETA:

The portion of land in Saint Julians, Malta having an area of approximately two hundred and thirty seven square metres (237 sqm) bounded from the north-west with Triq ix-Xatt ta' San Gorg, from the north-east with property of the Government of Malta and from the south with the foreshore with all amenities constructed thereupon and with airspace and subterranean levels and as subject to no servitudes or third party rights save as expressed by deed and which immovable is accessible from Profs Walter Ganado Street and Triq ix-Xatt ta' San Gorg, both roads within the same locality.

Kreditur:

The Government of Malta

Debituri:

DB San Gorg Property Limited, a company registered under the laws of Malta whose registered office is situated at the DB Seabank Hotel, Marfa Road, Ghadira, Mellieha MLH 9064, bearing company registration number C 77344

Kundizzjonijiet:

As per deed of temporary emphyteusis in the acts of Not. Anthony Hili dated 1/2/2017.

Kreditu:

€15445.87 – pro rata annual and temporary groundrent for a period of 99 years.

The annual temporary ground-rent for a period of 99 years of one million five hundred and sixty two thousand five hundred and nine Euro (€1,562,509) (**whole area of 23975m²**) which shall be revised upwards on the lapse of five (5) years, and which five years is reckoned from the date of issuance of the Certificate of Completion by the Architect in respect of the Project or, after the lapse of sixty (60) months from the date of this Deed, whichever occurs first, according to the official rate of inflation, which shall be taken to be the official rate of inflation published in respect of the year immediately preceding the year when the ground rent is to be increased, and thereafter, on the lapse of every subsequent five-year period, by said rate of inflation on the *pro tempore* ground-rent payable annually in terms of this deed in each year in the immediately preceding five-year period.

LISTA TAD-DOKUMENTI PREZENTATI:

3. Copy of Hypothec, Copy of deed annexed with LRA 582/2017, Plan annexed to LRA 346/2017.

Jien hawn taht iffirmat niddikjara li kull ma jinsab f'din il-formola sa fejn naf jien huwa veru, u li jiena ivverifikajt id-dokumenti rilevanti, u ma hemm ebda fatt li jien naf bih li hu kuntrarju ghal dak migjub fid-dokumenti.

Nutar Anthony Hili LL.D.
Notary Public at the Government Property Division.

FORMOLA B
Application for a Charge

No. LRC
Data
Hlas
Ricevitur
CHARGE ON LRA 581/2017

DESKRIZZJONI TAL-PROPRJETA:

The portion of land in Saint Julians, Malta having an area of approximately eighteen thousand two hundred and two square metres (18,202 sqm) bounded from the north-east and from the north-west with Profs Walter Ganado Street and from the south-east with Triq ix-Xatt ta' San Gorg with all amenities constructed thereupon and with airspace and subterranean levels and as subject to no servitudes or third party rights save as expressed by deed and which immovable is accessible from Profs Walter Ganado Street and Triq ix-Xatt ta' San Gorg, both roads within the same locality.

Kreditur:

The Government of Malta

Debituri:

DB San Gorg Property Limited, a company registered under the laws of Malta whose registered office is situated at the DB Seabank Hotel, Marfa Road, Ghadira, Mellieha MLH 9064, bearing company registration number C 77344

Kundizzjonijiet:

As per deed of temporary emphyteusis in the acts of Not. Anthony Hili dated 1/2/2017.

Kreditu:

€1,186,268.56 - pro rata annual and temporary groundrent for a period of 99 years.

The annual temporary ground-rent for a period of 99 years of one million five hundred and sixty two thousand five hundred and nine Euro (€1,562,509), (**whole area of 23975m²**), which shall be revised upwards on the lapse of five (5) years, and which five years is reckoned from the date of issuance of the Certificate of Completion by the Architect in respect of the Project or, after the lapse of sixty (60) months from the date of this Deed, whichever occurs first, according to the official rate of inflation, which shall be taken to be the official rate of inflation published in respect of the year immediately preceding the year when the ground rent is to be increased, and thereafter, on the lapse of every subsequent five-year period, by said rate of inflation on the *pro tempore* ground-rent payable annually in terms of this deed in each year in the immediately preceding five-year period.

LISTA TAD-DOKUMENTI PREZENTATI:

Copy of Hypothec, Copy of deed annexed with LRA 581/2017, Plan annexed to LRA 344/2017.

Jien hawn taht iffirmit niddikjara li kull ma jinsab f'din il-formola sa fejn naf jien huwa veru, u li jiena ivverifikajt id-dokumenti rilevanti, u ma hemm ebda fatt li jien naf bih li hu kuntrarju ghal dak migjub fid-dokumenti.

Nutar Anthony Hili LL.D.
Notary Public at the Government Property Division.

FORMOLA B
Application for a Charge

No. LRC
Data
Hlas
Ricevitur
CHARGE ON LRA 583/2017

DESKRIZZJONI TAL-PROPRJETA:

The portion of land in Saint Julians, Malta having an area of approximately five thousand five hundred and thirty six square metres (5,536 sqm) bounded from the north-west and from the north-east with property of the Government of Malta and from the south-east with Profs Walter Ganado Street, with all amenities constructed thereupon and with airspace and subterranean levels and as subject to no servitudes or third party rights save as expressed by deed and which immovable is accessible from Profs Walter Ganado Street and Triq ix-Xatt ta' San Gorg, both roads within the same locality.

Kreditur:

The Government of Malta

Debituri:

DB San Gorg Property Limited, a company registered under the laws of Malta whose registered office is situated at the DB Seabank Hotel, Marfa Road, Ghadira, Mellieha MLH 9064, bearing company registration number C 77344

Kundizzjonijiet:

As per deed of temporary emphyteusis in the acts of Not. Anthony Hili dated 1/2/2017.

Kreditu:

€360,794.57 – pro rata annual and temporary groundrent for a period of 99 years.

The annual temporary ground-rent for a period of 99 years of one million five hundred and sixty two thousand five hundred and nine Euro (€1,562,509), (**whole area of 23975m²**), which shall be revised upwards on the lapse of five (5) years, and which five years is reckoned from the date of issuance of the Certificate of Completion by the Architect in respect of the Project or, after the lapse of sixty (60) months from the date of this Deed, whichever occurs first, according to the official rate of inflation, which shall be taken to be the official rate of inflation published in respect of the year immediately preceding the year when the ground rent is to be increased, and thereafter, on the lapse of every subsequent five-year period, by said rate of inflation on the *pro tempore* ground-rent payable annually in terms of this deed in each year in the immediately preceding five-year period.

LISTA TAD-DOKUMENTI PREZENTATI:

1. Copy of Hypothec, Copy of deed annexed with LRA 583/2017, Plan annexed to LRA 345/2017.

Jien hawn taht iffirmit niddikjara li kull ma jinsab f'din il-formola sa fejn naf jien huwa veru, u li jiena ivverifikajt id-dokumenti rilevanti, u ma hemm ebda fatt li jien naf bih li hu kuntrarju ghal dak migjub fid-dokumenti.

Nutar Anthony Hili LL.D.
Notary Public at the Government Property Division.

"X"

LIST OF DOCUMENTS

- Annex A - Board Resolution of DB San Gog Property Limited (C77344e).
- Annex B - site-plan showing 'Peninsula' and 'foreshore'.
- Annex C - Plan Property Division Number. 195_98_A_2
- Annex D - site-Plan of site measuring 18,202 m²
- Annex E - site-Plan of site measuring 5536 m²
- Annex F - site-Plan of site measuring 237 m².
- Annex G - Executive Summary of the Original Proposal.
- Annex H - Request for Tender Proposals.
- Annex I - Schedule of Development of City Centre Development.
- Annex J - Schedule of Payment of Contribution
- Annex K - Memorandum and Articles of Association of DB San Gog Property Limited
- 
- 

Annex L - Memorandum and Articles
of Association of Shawcore
limited.

Annex M - Memorandum and Articles
of Association of
JP & M Limited

Annex N - Memorandum and Articles
of Association of
Hawi Investments limited.



Aller

Pleer

A.

DB San Gorg Property Limited (C77344)
c/o DB Seabank Resort & Spa
Marfa Road,
Ghadira MLH 9064

31st January 2017

At a meeting of the Board of Directors of DB San Gorg Property Limited (C77344) held at db Seabank Hotel Marfa Road Ghadira, today at 1100, the Board was informed that the DB San Gorg Property Limited will be entering into a concession agreement with the Land Department for the granting of a site in St. George's Bay, St. Julians measuring circa 23,975 sq m on a temporary emphyteusis basis for a 99 year terms.

The Board approved that Mr Silvio Debono, holder of ID card number 26060M is to sign all the necessary documents and agreements to facilitate such concession in favour of DB San Gorg Property Limited.

Certified true copy of extracts of Board Minutes

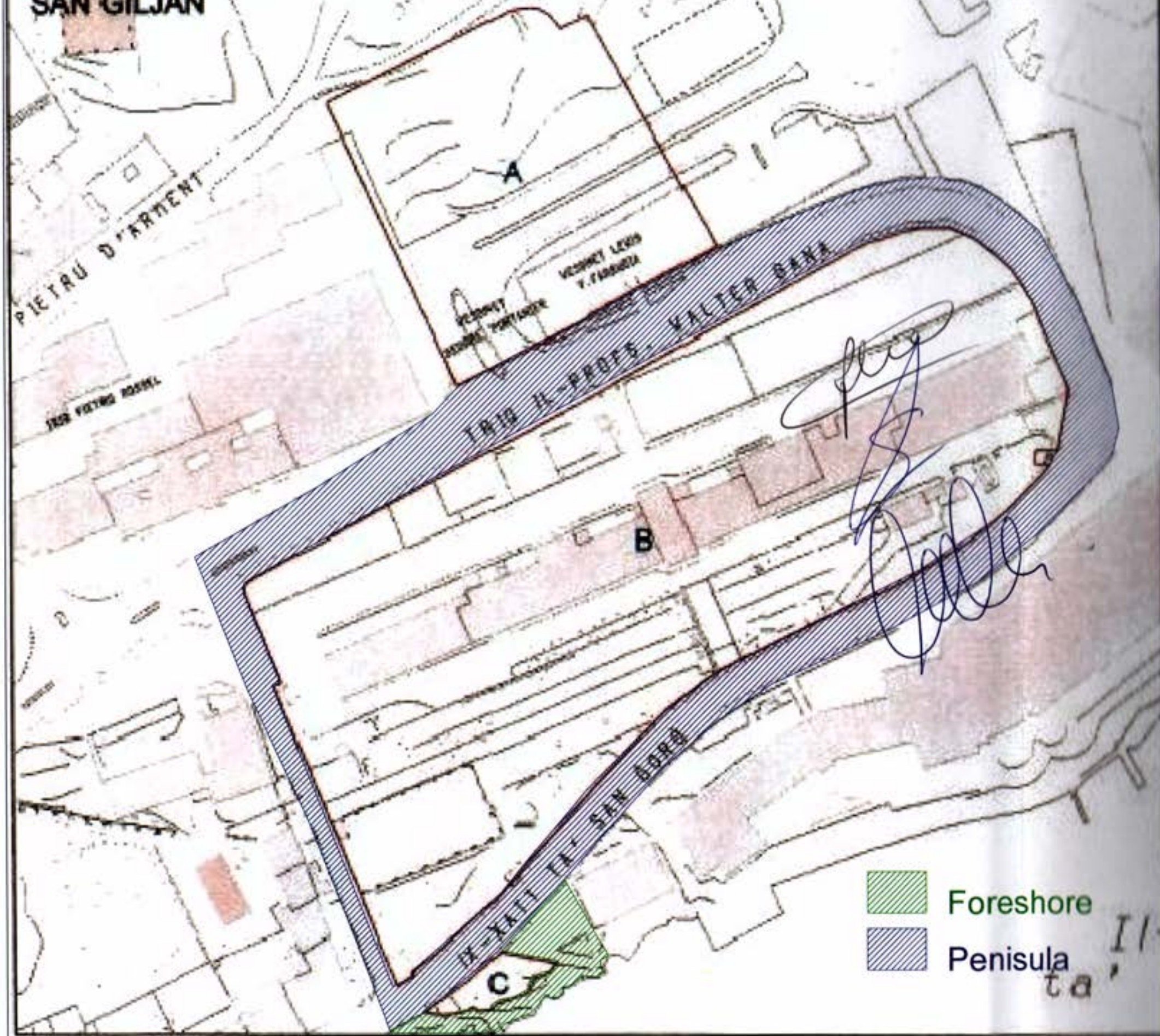
Dr Vincent Micallef B.A., LL.D.

MICALLEF & ELLUL ADVOCATES
22/9, Vincenz Buildings
Strait Street, Valletta VLT 1432

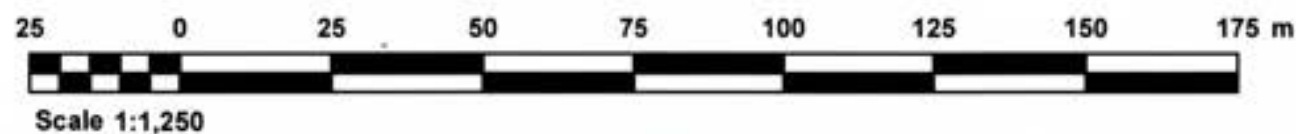
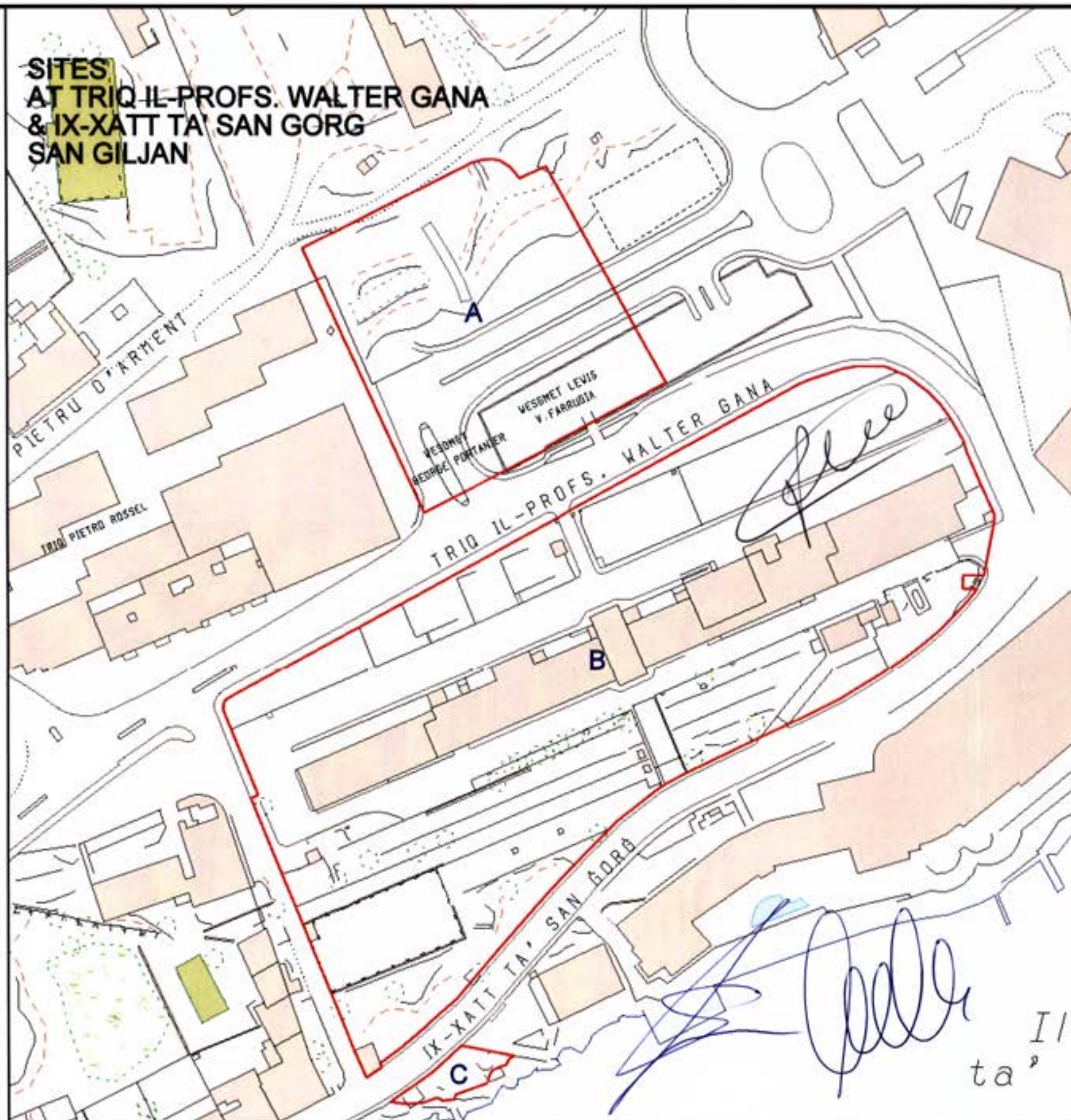
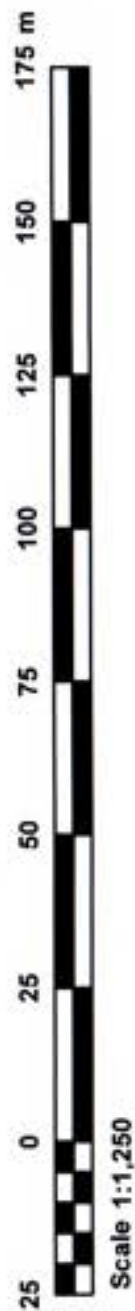
Malta - Europe
Dr Vincent Micallef

Board Secretary

**SITES
AT TRIQ IL-PROFS. WALTER GANA
& IX-XATT TA' SAN GORG
SAN GILJAN**



SITES AT TRIQ IL-PROFS. WALTER GANA & IX-XATT TA' SAN GORG SAN GILJAN



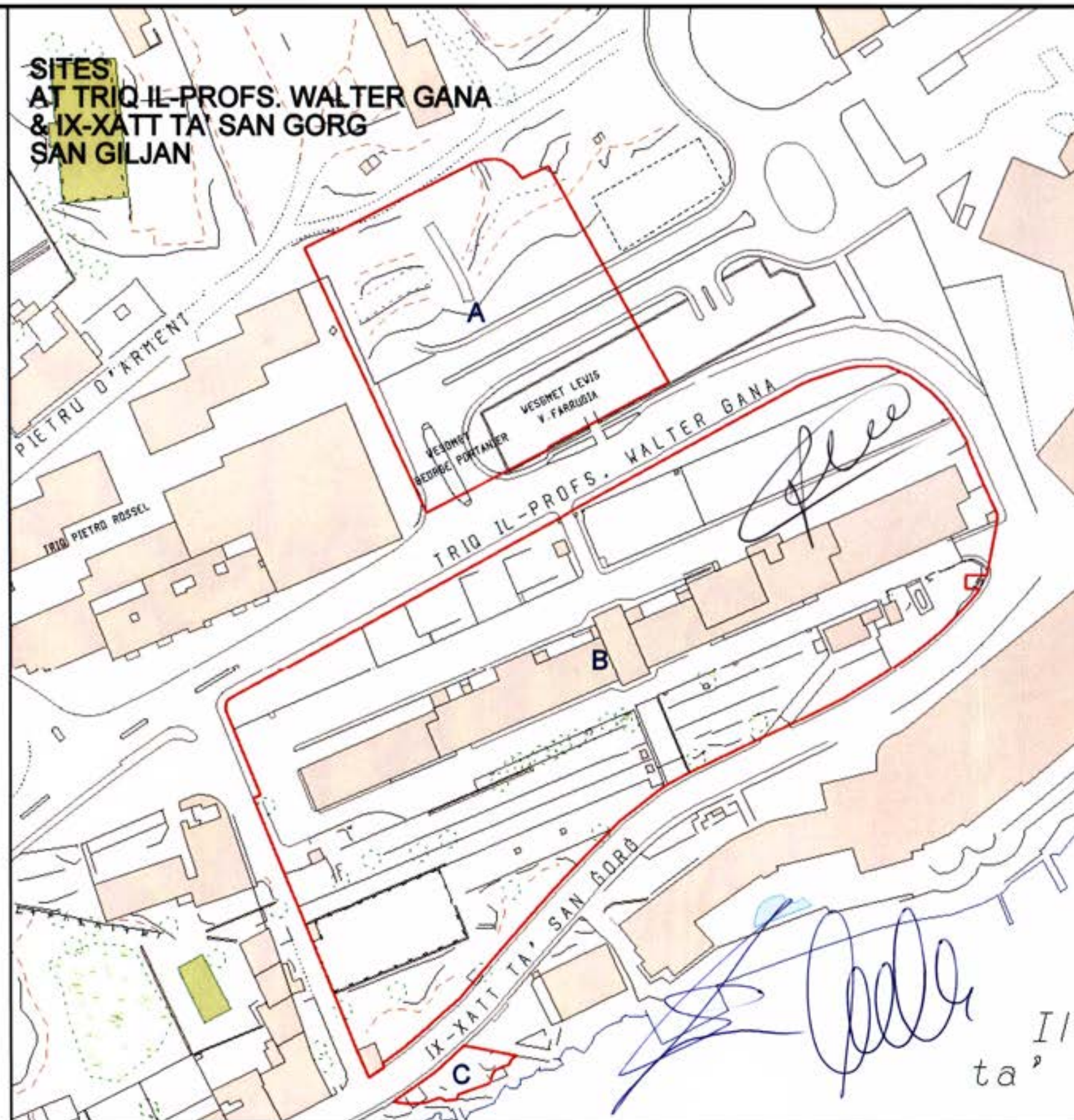
- A** PROPERTY No.: E268755
AREA : 5536m²
- B** PROPERTY No.: G27018
AREA : 18202m²
- C** PROPERTY No.: E268756
AREA : 237m²



GOVERNMENT PROPERTY DEPARTMENT ESTATE MANAGEMENT DIRECTORATE	
LOCALITY: PEMBROKE, SAN GILJAN	
P.D. NO: 195_98_A_2	SCALE 1:1250
FILE: 1315/86	DRAWN BY: gaucn003
(sgd. S. Scotto) A&CE DATE:12/11/2015	(sgd. C. Camilleri) Director Estate Management DATE:12/11/2015

**SITES
AT TRIQ IL-PROFS. WALTER GANA
& IX-XATT TA' SAN GORG
SAN GILJAN**

175 m
150
125
100
75
50
25
0
25
Scale 1:1,250



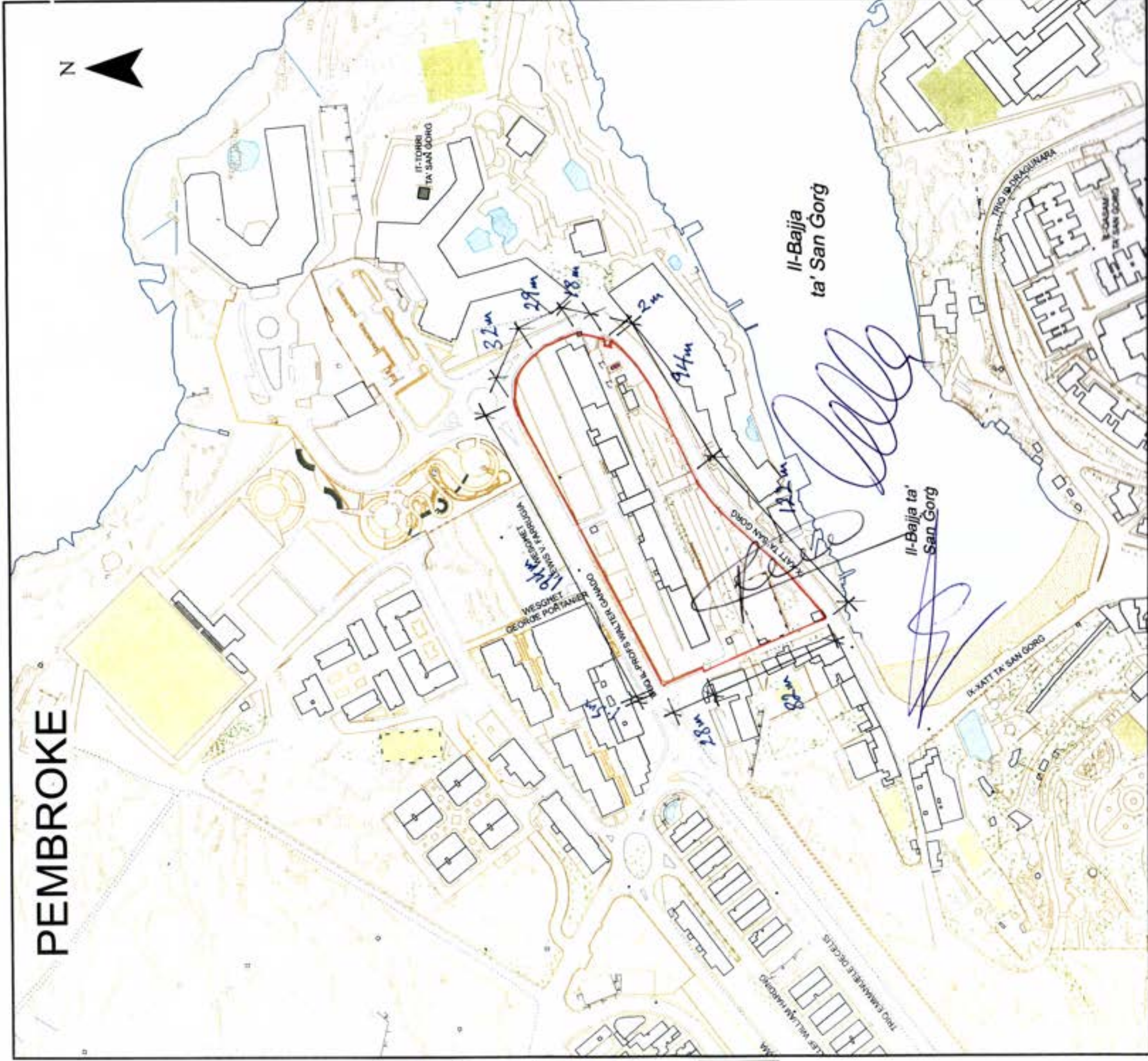
25 0 25 50 75 100 125 150 175 m
Scale 1:1,250

- A** PROPERTY No.: E268755
AREA : 5536m²
- B** PROPERTY No.: G27018
AREA : 18202m²
- C** PROPERTY No.: E268756
AREA : 237m²



GOVERNMENT PROPERTY DEPARTMENT ESTATE MANAGEMENT DIRECTORATE	
LOCALITY: PEMBROKE, SAN GILJAN	
P.D. NO: 195_98_A_2	SCALE 1:1250
FILE: 1315/86	DRAWN BY: gaucn003
(sgd. S. Scotto) A&CE DATE:12/11/2015	(sgd. C. Camilleri) Director Estate Management DATE:12/11/2015

PEMBROKE



0 50 100 150 200 250m
Scale 1:2500

Scale 1:2500

Gvern ta' Malta

Government of Malta

Registru ta' l-Artijiet

Land Registry

Casa Bolino, 116, Triq il-Punent, Valletta

Casa Bolino, 116, Triq il-Punent, Valletta

Nru tal-Mappa:

Map Number:

18313 M

Polizzjoni Centrali:

x = 53923

Centre Coordinates:

y = 76295

Parti min S.S.:

Extracted from S.S.:

5276

Data:

30/01/2017

Date:

Perit:

Architect:

Perit: Perit Stefan Scetto

Stamp: state Management Department

Qies (metri kwadri):

Area (square metres):

CIRCA :- 18,202 m²

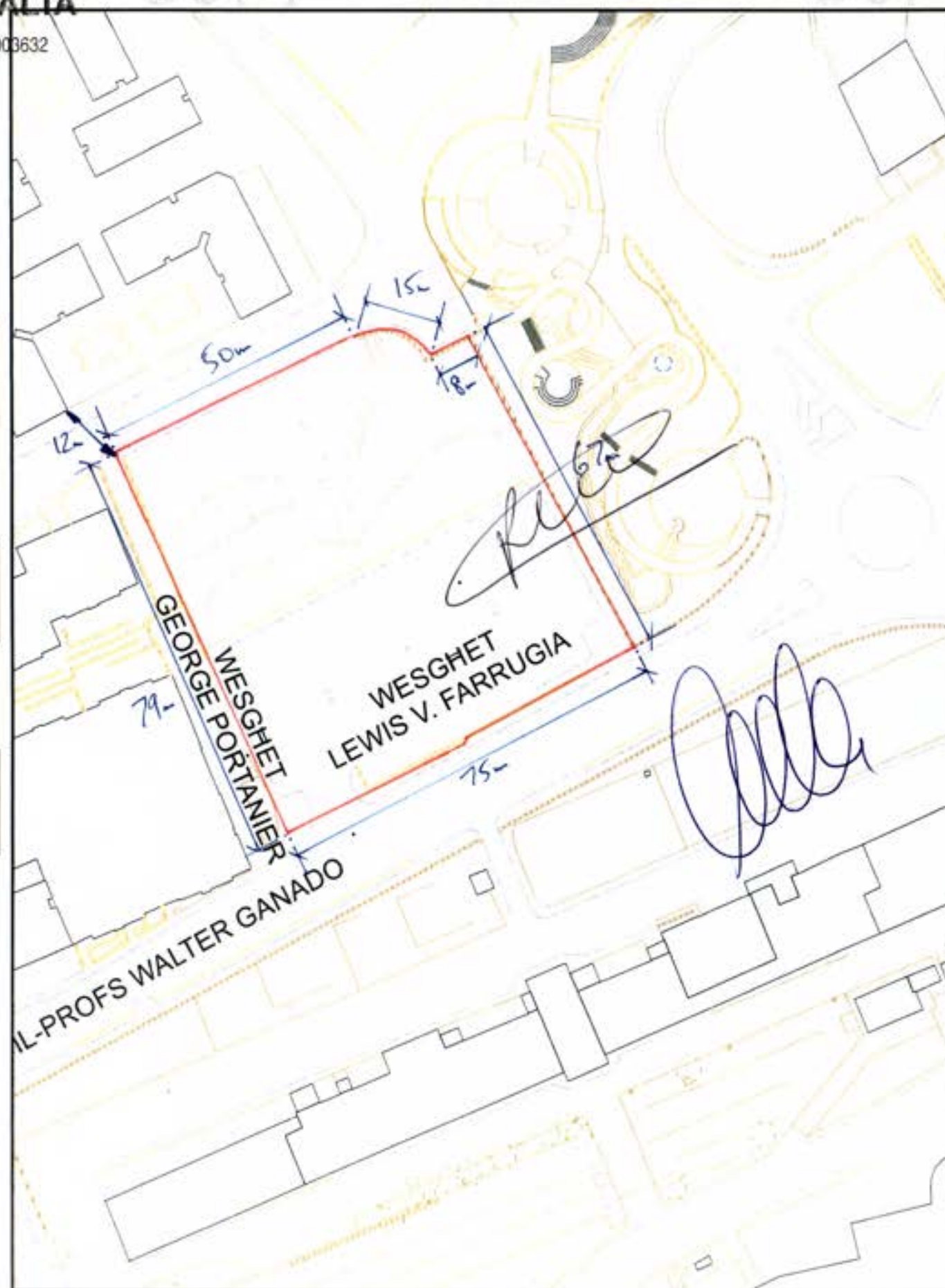
Firma ta' l-Applikant:

Applicant's Signature:

Dritt imhallas
Fee Paid

LR003632

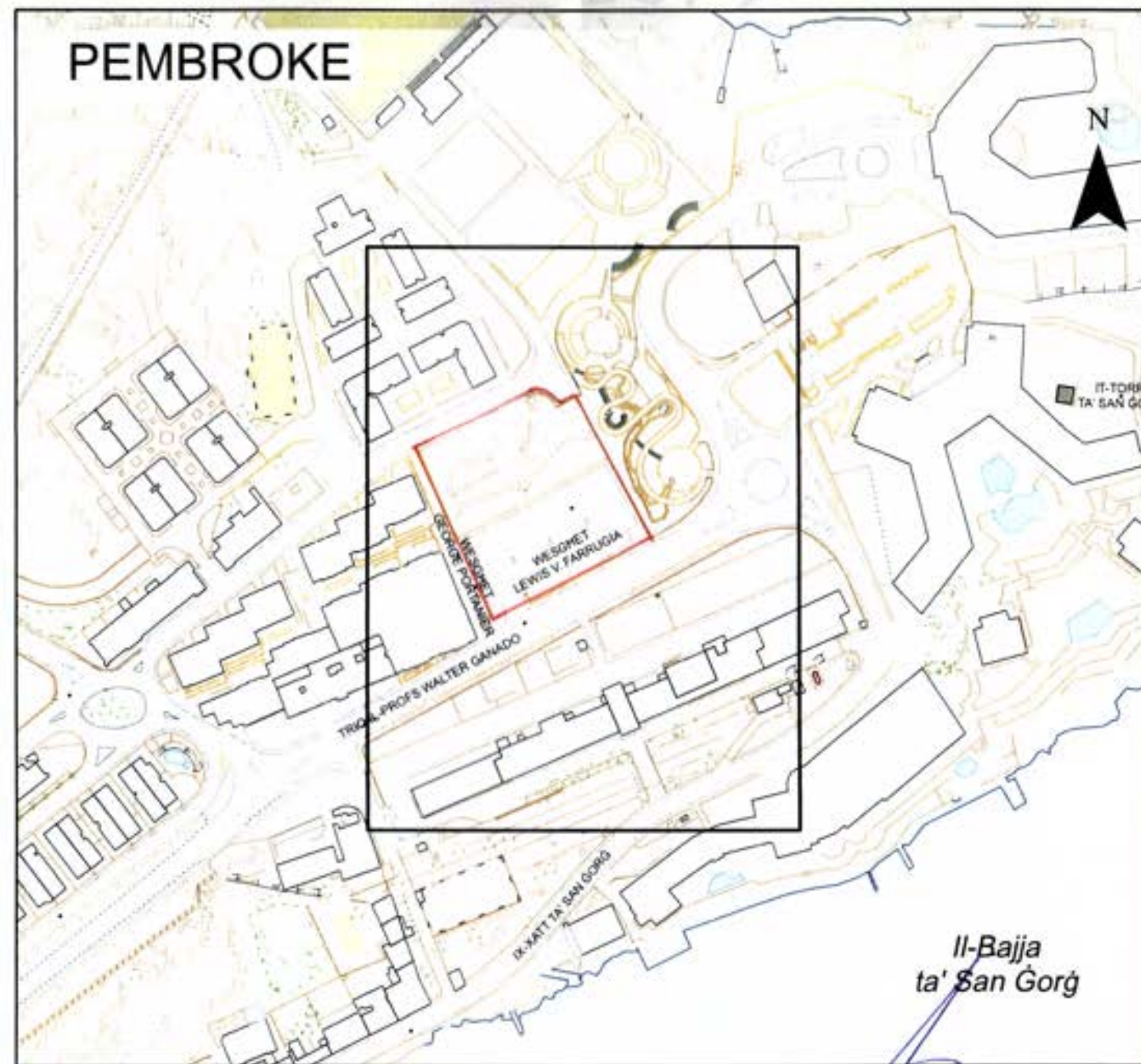
Scale 1:1000



Scale 1:1000



PEMBROKE



Il-Bajja
ta' San Gorg

Gvern ta' Malta

Pjanta tas-Sit 1:2500 Site Plan

Registru ta' l-Artijiet

Casa Bolino, 116, Triq il-Punent, Valletta

Government of Malta

Land Registry

Casa Bolino, 116, Triq il-Punent, Valletta

Nru tal-Mappa:
Map Number:

18314 M

Pozizzjoni Ċentrali: x = 53922
Centre Coordinates: y = 76330

Parti min S.S.:
Extracted from S.S.:

5276

Data:
Date:

30/01/2017

Perit:
Architect:

Timbru tal-Perit:
Architect's Stamp:

Perit Stefan Scauto
State Management Department

Qies (metri kwadri):
Area (square metres):

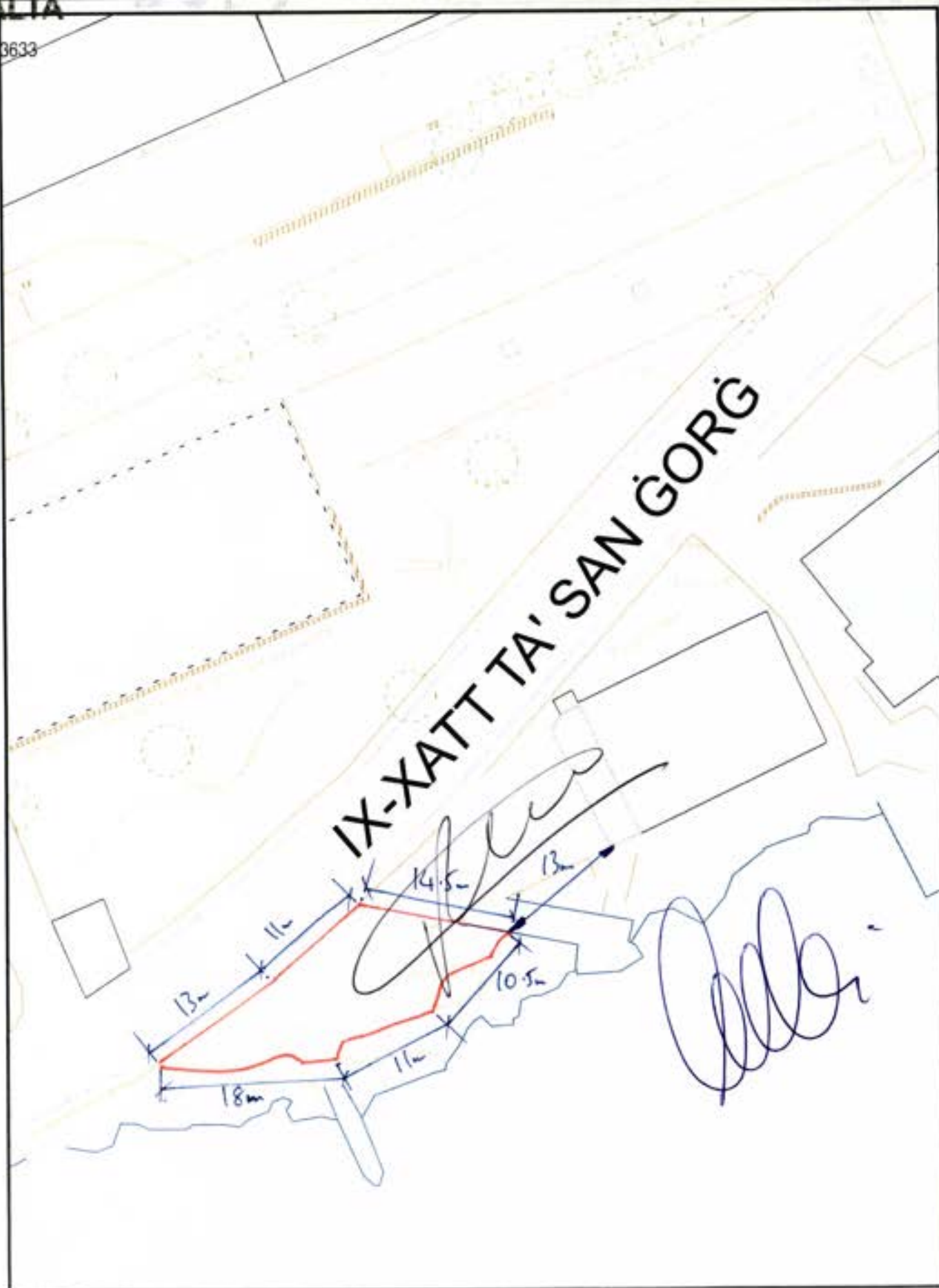
5536 m² circa

Firma ta' l-Applikant:
Applicant's Signature:

Dritt imballas
Fee Paid

LR003633

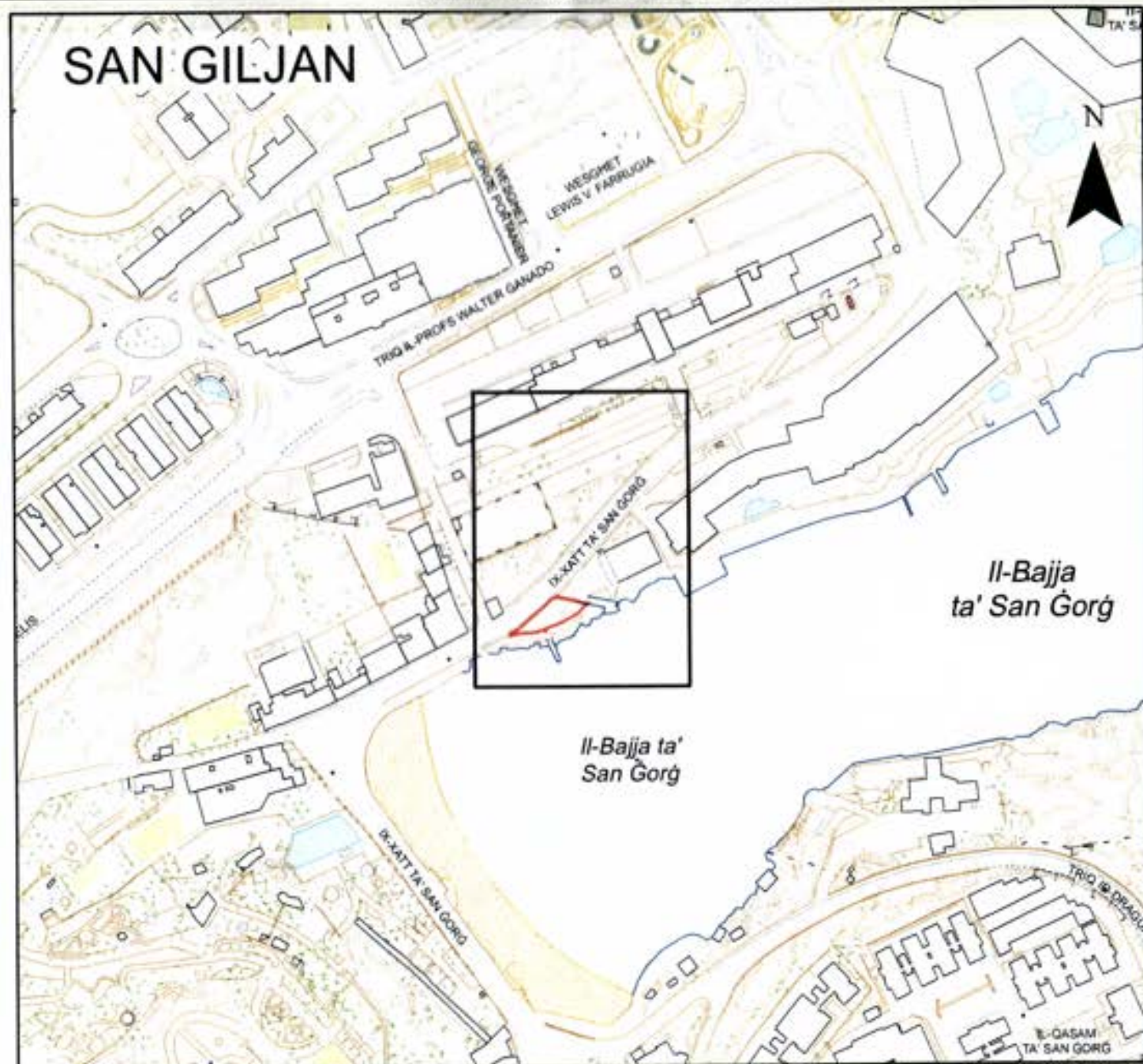
0
10
20
30
40
50m
Scale 1:500



Scale 1:500

0 10 20 30 40 50m

SAN GILJAN



Pjanta tas-Sit 1:2500 Site Plan

Gvern ta' Malta

Government of Malta

Registru ta' l-Artijiet

Casa Bolino, 116, Triq il-Punent, Valletta



Land Registry

Casa Bolino, 116, Triq il-Punent, Valletta

Nju tal-Mappa: 18315 M
Map Number:

Pozizzjoni Centrali: x = 53906
Centre Coordinates: y = 76176

Parti min S.S.: 5276
Extracted from S.S.:

Data: 30/01/2017
Date:

Perit:
Architect:

Timbru tal-Perit:
Architect's Stamp:

Perit Stefan Seatto
State Management Department

Qies (metri kwadri): 237-1 circa
Area (square metres):

Firma ta' l-Applikant:
Applicant's Signature:

Dritt imballas:
Fee Paid

Private and Confidential

Projects Malta Limited
The Clock Tower, Level 1
Tigne Point
Sliema, TP01

15th January 2016

Proposal for the design, build and operation of an upmarket mixed tourism and leisure development in St. George's Bay, St. Julian's.

We are delighted to be submitting this proposal in response to the Request for Tender Proposals (hereinafter referred to as the 'RfP') for the design, build and operation of an upmarket mixed tourism and leisure development in St. George's Bay, St. Julian's, dated 13 November 2015. We are confident that our vision and this submission for the development of City Centre @ St. George's Bay will exceed the expectations of the evaluating committee. This letter and the contents herein are an integral part of our submission.

This document is split into the following sections:

- 1 The contents of this submission
- 2 Addressing the specific objectives
- 3 Financial offer
- 4 Selected summary financial information
- 5 Highlights of economic impact assessment



1. The contents of this submission

This section outlines the contents of this submission. In terms of section 7.1 of the RfP, the submission includes one (1) original hard copy clearly marked "Original" all pages of which are duly initialled by the authorised person; two (2) copies, each one clearly marked "Copy 1" and "Copy 2". Also included is a soft copy of the whole proposal on a USB drive. The bid bond is being submitted separately in a sealed envelope clearly marked "Bid Bond".

The following is the comprehensive list of documents for this submission:

- **Document 1:** The Proponents, the drivers and the enablers

The Proponents document provides a detailed overview of the relevant experience of all proponents, key drivers and all external advisors as key enablers. Document 1 also includes CVs of all key personnel that will form part of the operation as well as the experience of the operators of the hotel and ancillary functions. This also includes details of all external advisors who have been or will be engaged throughout this Project in case of a favourable evaluation.

This meets the previous experience requirements set out in sections 6.1 and 6.2 as well as partly addresses Specific Objective 3 – *timely implementation of the project*, and addresses Specific Objective 9 – *the development of business through the capabilities of key international players*

- **Document 2:** Concept and Design

The concept and design document presents an overview of the project, from conception to design finalisation, and encompasses elements of project functionality, aesthetics, cohesion and innovation. It describes the shortlisting and selection process of various designs received from world renowned architect and interior design firms which ultimately led to the preferred option which we are presenting in this submission. This document also contains the three design development concepts for the site.

This document addresses Specific Objective 1 – *Project components*, Specific Objective 6 – *Adding value to the Maltese economy*, Specific Objective 9 – *the development of business through the capabilities of key international players*, and Specific Objective 15 – *Diversity to the tourism product currently available in Malta* - under Section 3.2 of the RfP. It also meets the Design requirement set out in Section 6.4






- **Document 3: Market analysis and marketing plans**

After a detailed situation analysis on the tourism industry and the property market, this document presents separate marketing strategies for the Hotel, casino, shopping mall, and residential towers, embedded and unified within a coherent overarching marketing framework for City Centre. This document satisfies the requirement of section 6.2, Business plan, for a marketing plan which covers the first five operative years.

This document addresses Specific Objective 5 - *the attraction of quality and diversified tourism to the Maltese Islands*, Specific Objective 9 - *the development of business through the capabilities of key international players*, Specific Objective 11 - *the attraction of foreign direct investment*, Specific Objective 12 - *the inclusion of an international brand providing a distinct and innovative touristic product within the Maltese market*, Specific Objective 13 - *The creation of a new niche market within the tourism market*, 15 - *The diversity to the tourism product currently available in Malta*, and Specific Objective 16 - *The identification of the brand linked to the proposal in markets not traditionally linked with Malta, as to encourage new segments and new markets to visit Malta*.

- **Document 4: Operational Plan**

The operational plan sets out the objectives of each operation, a description of the development phase, each component and its operational activity as well as an analysis of key milestones in descriptive and in the form of a Gantt chart, covering the operational plan requirements in section 6.2 of the RfP excluding the detailed human resources plan. This document also includes a Good Neighbour Plan, project management plan and a number of technical studies carried out for this development.

This document addresses Specific Objective 1 - *inclusion of five star hotel under a world recognised brand and other ancillary facilities*, Specific Objective 3 - *timely implementation of the project*, Specific Objective 7 - *no revenue support will be required by the GoM*, Specific Objective 8 - *the site is to be run profitably whilst also meeting all legal and operational obligations*, and Specific Objective 9 - *the development of business through the capabilities of key international players*.

- **Document 5: HR Plan**

The human resources plan lays out the initiatives, strategies, roles, costs and structures of the human resources within City Centre. This document also contains a Gantt chart



outlining key milestones and activities related to human resources for the first ten years of the concession.

This document addresses Specific Objective 4 – *Creation of employment opportunities* – under Section 3.2 of the RfP. It also meets the Detailed Human Resources plan parameter in Technical capacity requirements set out in Section 6.2

- **Document 6:** Financial projections including statement of assumptions

KPMG have assisted us in carrying out detailed financial projections for this development. This document contains the financial projections covering the first ten years of the concession, an explanation and breakdown of the assumptions used including the ground rent payable to the Government of Malta the upfront payment and the timing, level and type of capital investment required for each individual aspect on the project.

This document meets the business plan requirements set out in section 6.2. In particular:

- *"The financial projections covering the first ten (10) years of the Concession including a profit and loss account, a balance sheet and a cash flow statement"*
- *"The timing, level and type of capital investment required for each individual aspect of the project".*

A copy of each financial statement is also provided in excel format as part of the soft copy of the submission in the box marked "Original".

Document 6 also addresses Specific Objective 2 – *facilities are to be operated privately*, Specific Objective 7 – *no revenue support will be required by the GoM*, Specific Objective 8 – *the site is to be run profitably whilst also meeting all legal and operational obligations*, Specific Objective 10 – *the financing of the project shall be exclusively undertaken through private sector investment*.

- **Document 7:** Economic Impact Assessment

KPMG were engaged to carry out an economic impact assessment for the development. This document outlines the macro-economic effects that City Centre will generate. We look at jobs created, total revenue generated to Government, and outline the expected ripple effects on the economy in terms of output and value added during both the construction and operational phases.






This document addresses Specific Objective 6 - *add value to the Maltese economy*, Specific Objective 11 - *The attraction of foreign direct investment* and Specific Objective 14 - *The maximisation of spill over benefits to the Maltese economy*.

- Other documentation required by the RfP

This is the compilation of all documentation required by the RfP that is not contained in the other 7 documents outlined above. These are:

- Full details of the proponents including names and respective positions of the persons authorised to represent the proponents
- Details of the shareholders (no shareholding agreements currently exist)
- Certified copies of the certificate of incorporation of the consortium entities
- Certified copies of the certificate of good standing of the consortium entities
- Declaration of amounts due to the Government of Malta for VAT, national insurance contributions, personal and corporate taxation
- Comfort letters from various banks and brokers
- Certified copy of the detailed group structure
- Certified copies of the board resolutions and consortium agreement including the names and respective positions of the persons authorised to represent the proponents
- Certified copies of the audited financial statements of the last three years of each member of the consortium
- Certified copy of the conflict declaration form
- Certified copies of the letters of intent with Hard Rock International and Big Bon Group
- Proof of payment for RfP collection
- CGIs of the three proposed design developments

The hard copies of the CGIs are also printed separately on A2 sized 5mm thick PVC boards and can be found in each of the boxes submitted. This includes:

- Two (2) Holder Mathias design CGIs
- Two (2) Jestico & Whiles design CGIs
- Five (5) MYGG design CGIs

The submission also includes a highly detailed model of the preferred development option. Please note that the bid bond is submitted separately in a sealed envelope marked "Bid Bond".





CITY CENTRE

Enclosed in the 'Original' submission also find an audio-visual presentation of the proposed development. Please copy the video found on the USB stick on a hard drive or solid state drive for optimal performance.

Free

[Signature]

[Signature]

[Signature]

2. Addressing the specific objectives

This section outlines how each of the objectives in section 3.2 of the RfP are met through the detailed documentation in this submission.

- 1 *The site shall include a hotel which is rated as a five (5) star hotel or higher and which is operated under a world recognised brand of hotels, operating world-wide. The project shall also include leisure and entertainment facilities, food and beverage and retail outlets.*

City Centre @ St. George's Bay will include a five star Hotel, operated under the Hard Rock brand which currently operates twenty hotels all over the world including North America, South America, Europe and Asia. The Hard Rock Hotel in City Centre @ St. George's Bay will include a number of leisure and entertainment facilities and amenities including a Rock Spa®, Body Rock® fitness centre, Roxity Kids Club, a state-of-the-art Congress Hall, a Hard Rock Cafe, recording studio, an exclusive Sky Bar and the largest and most exclusive shopping mall on the island. In line with the global Hard Rock strategy, a Hard Rock Casino will be integrated with the hotel. City Centre @ St. George's Bay will also include a Michelin-starred restaurant, other themed food and beverage outlets, and two high-rise buildings including 209 luxury apartments and five levels of prime office space.

- 2 *Facilities are to be operated privately*

The project will be operated and managed by the proponents in collaboration with the key drivers and the key enablers as outlined in the document entitled 'The Proponents, the Drivers and the Enablers'.

- 3 *The timely implementation of the project*

There are a number of safeguards for ensuring the timely implementation of the project. The first and most significant one is the impressive track record of the proponents in completing previous large-scale projects in remarkable time frames, as detailed in 'The Proponents, the Drivers and the Enablers'. The proponents have also appointed some of the best international firms, Mace Group and HurleyPalmerFlatt for the project management, execution, monitoring of the development and mechanical and engineering. These international companies will be working together with P.Manage Limited and ECL Consulting Engineers to merge their international expertise with local insight and knowhow. Over and above the requirements of the RfP, the proponents have appointed experts to carry out technical studies including a heritage report, ecological



appraisal, geotechnical and geological studies in order to better understand any geological and environmental factors that may impact the development.

4 The creation of employment opportunities in all strata of potential employable persons

During the construction phase, City Centre @ St. George's Bay will generate around 200 FTEs during 2016, which will increase by 300 FTEs to a total of 500 during the years 2017 and 2018, which will then see another increment of 140 FTEs, bringing it to a total of 640 FTEs during 2019. When operating at full capacity, an estimated 556 FTEs will be directly employed at City Centre during the off-peak months, rising to 697 FTEs during the peak months. These include over 200 different roles requiring many different levels of experience, expertise and education. In addition it is estimated that the Shopping Mall generate an additional 600 FTEs, while tenants renting the office space at the high rise towers are estimated to employ an additional 200 FTEs. In total this means that City Centre @ St. George's Bay will likely create a maximum of approximately 1,500 jobs. This will ensure that employment opportunities will be available to all strata of employable persons. The Human Resources Plan goes in detail on the career opportunities that will be offered by the project.

5 The attraction of quality and diversified tourism to the Maltese Islands

City Centre @ St. George's Bay will offer a myriad of top quality experiences and services, all targeted to higher income groups. This will be a top quality development for the top quality tourist that will offer something different to what is currently available on the island. A differentiated product also brings with it diversified tourism. The Hard Rock brand brings in a differentiated element to the luxury leisure segment. Every component in the development brings something new to the Maltese tourist product; the totality of the development and its cohesive and synergistic nature is also a diversifier in itself. We believe that we will be tapping into markets additional to those currently available; we will not be simply competing with other operators in the area, but adding a new dimension to the local tourist product.

Document 1 gives some detail into the story and the world that is Hard Rock, the operational plan describes each component in detail and Document 3 outlines who and how we will attract diversified tourism to the project.

6 The proposed project and the ancillary activities add value to the Maltese economy

KPMG have compiled an Economic Impact Assessment of the project, included as part of this submission, wherein the value added to the Maltese economy that this project will



generate during the construction phase and the operational period is identified and analysed. This includes, the value added to the economy, direct income to Government and the spill over benefits to the economy.

7 That no revenue support shall be required by the GoM

Document 6 includes financial projections for the project covering the first 10 years of the concession. This document will show that the project is profitable and sustainable solely from private funding. We commit that no revenue support shall be required by the Maltese Government for this project.

8 The site is to be run profitably whilst also meeting all legal and operational obligations

The project will be run profitably and sustainably, and this is demonstrated in the Business Plan included in this submission. The proponents have appointed Guido Demarco & Associates as legal experts to ensure that all legal obligations are met. All stakeholders will be consulted during the development phase to ensure that all operational obligations are met and exceeded. The Operational Plan includes a concise outline of how we intend to work together with all stakeholders to ensure a smooth development phase as well as meet all operational obligations.

pecco

9 The development of business through the capabilities of key international players

City Centre @ St. George's Bay will be developed and operated in collaboration with a number of key international players. The Operational Plan outlines how the Hard Rock Hotel and Casino will operate through capabilities including specialised training programmes, service standards, SOPs and Internal Control Minimum Procedures (ICMPs). The Casino itself will have a rigid set of standards that includes not only the strictest compliance with regulations but also how to create an experience that guests will remember. We also intend on bringing in new luxury international retail brands as well as a Michelin Star level restaurant franchise. The development of the project itself, as mentioned earlier, will be a collaborative effort with key international players. This theme is recurrent throughout all our documentation in this submission.

10 The financing of the project shall be exclusively undertaken through private sector investment

Document 6 details how the project will be financed, and all financing will be raised through private investment.



11 The attraction of foreign direct investment

Hard Rock International believe in this project, and they see huge potential in Malta and have committed to invest €2,000,000 in the project. The Economic Impact Assessment document also outlines how City Centre @ St. George's Bay will attract substantial foreign direct investment, the residential component of which is estimated at €74 million, beyond what is committed by Hard Rock International.

12 The inclusion of an international brand providing a distinct and innovative touristic product within the Maltese market

As outlined earlier, the main international brand of the project is Hard Rock. The brand identity is focused on being different and it offers numerous services and experiences that makes it stand out from the rest. From the Congress Hall to the Roxity Kids Club®, every element of Hard Rock provides a distinct and innovative touristic product that is as yet untapped in the Maltese market. The Operational Plan and the Marketing Plan outline how each component brings something new to the Maltese tourist product.

13 The creation of a new niche market within the tourism market

The project is envisaged to evolve Malta's tourism offering to fill an empty niche in our portfolio. Loosely termed as the 'upper five star' segment, the hotel will be targeting this segment directly, as set out in the Marketing Plan. This is complemented by the new niche offerings in the project, ranging from the integrated shopping mall and its specific premium brand offering, the integrated casino and its formula (successfully implemented by Hard Rock in several other locations) of hotel and casino, and by the Residential development and its envisaged synergies with the rest of the project.

14 The maximisation of spill over benefits to the Maltese economy

The Economic Impact Assessment of the project identifies the spill over effects on the rest of the Maltese economy, both during the construction and the operating phases.

15 The diversity to the tourism product currently available in Malta, which the proposal will offer

The overarching objective of City Centre @ St. George's Bay is: "To create a cohesive, synergetic complex that delivers an innovative and differentiated product to Maltese tourism thereby adding value to the Maltese economy and the project's shareholders"




The Operational Plan details the objectives of each operation and how each component contributes to the overarching objective by adding value not just to the project as a whole, but how it offers something that is not currently available in Malta.

16 The identification of the brand linked to the proposal in markets not traditionally linked with Malta, as to encourage new segments and new markets to visit Malta

The Hard Rock brand is traditionally very strong in sourcing a dedicated following from North and South America and in the South East Asian market. The Promoters, Key Drivers and Key Enablers document highlights the unique features of the Hard Rock brand, which uniqueness creates a dedicated client base which is particularly significant in the source markets where Hard Rock is strongest. The Marketing Plan highlights the strength of the brand in these markets and our belief that the brand strength will encourage visitors from new segments and new markets.

File




3. Financial offer

This section outlines our financial offer which satisfies the requirements set out in section 6.2, Business Plan in the RfP. In particular:

- *"A detailed breakdown of the annual ground rent payable to the GoM, including if any, the rate per square metre to be charged in favour of GoM for the conversion from temporary to perpetual emphyteusis of residential units in terms of clause 5.2 of this RFP"*
- *"The value of and calculation for determining the upfront payment which would be paid to the Government by the selected proponent"*

Our proposal includes the following financial offer:

Upfront payment

The Proponents are offering the sum of six million, five hundred thousand Euros (€6,500,000) as a one-time upfront payment to the Government of Malta, the timing of which payment shall be negotiated during evaluation stage as provided for in para 5.7 of the RFP. We suggest making this payment in five equal instalments over the first five years of the concession.

We have related the computation of this payment to a comparable recent concession – namely the concession on temporary emphyteusis of two sites at Ghadira, with a total area of approximately 18,560 sqm, on which the db Seabank Resort has been developed. This concession was executed by virtue of a deed dated 8 July 2011, against a package comprising an annual ground rent and a one-off consideration of €3,411,000.

Applying the same consideration to the current proposal, where the site in St George's Bay covers a total footprint of 24,340 sqm, would result in a proportionately higher consideration of €4,473,261. We subsequently acknowledge that there are two principal differentiating factors: the first is that the proposed development at St George's Bay comprises both Leisure and Non-Leisure uses where the Non-Leisure use would typically attract a premium, and the second is that there is a time lag of five years separating the concession at Ghadira from the current proposal. For both these reasons, we are applying a premium of 45.3% to the above consideration, leading us to propose an updated one-off upfront payment of six million, five hundred thousand Euros (€6,500,000).





Annual Ground Rent

Annual ground rent payable by the Proponents to the Government of Malta yearly in advance will be equivalent to €105,000. Proponents reserve the right to negotiate an administrative abatement of such annual ground rent for a limited period not exceeding three (3) years from the signing of the Concession Agreement, if their offer is successful, as provided for in para 5.6 of the RFP.

Conversion of Temporary to Perpetual sub-emphyteusis

Third parties acquiring residential units forming part of the Project shall have the right to convert the temporary emphyteusis to perpetual emphyteusis on a proposed payment of an amount equivalent to €167 / sqm to Government of Malta based on the attributable net floor area for each residential unit. In addition, a payment equal to one fifth of €167 / sqm will be charged for external areas and garage area. Thereafter such third party purchasers shall be entitled to purchase the freehold rights in respect of such residential units at the capitalisation rate of five (5) % in terms of the law. It is proposed that upon such redemption of the perpetual emphyteusis by a third party purchaser of a residential unit, the portion of ground rent attributable to such residential unit would be deducted from the ground rent payable by the Proponents to the Government of Malta.



4. Selected summary financial information

The following are some selected summary extracts from document 6 in this submission. These figures pertain to prospective financial information for the years ended 31 December 2016 to 31 December 2025.

Condensed Projected Statements of Comprehensive Income For the y/e 31 Dec

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenue	-	-	58,802	80,788	80,850	85,427	88,035	72,126	62,258	63,870
EBITDA	(57)	(723)	21,966	32,263	36,817	36,005	36,035	30,799	26,670	27,403
Profit/(loss) for the year	(57)	(723)	6,851	12,910	15,454	14,973	14,905	10,574	7,018	7,345

Condensed Projected Statements of Financial Position As at 31-Dec

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Total assets	16,929	115,535	184,112	183,522	158,977	158,985	166,337	171,287	172,727	174,493
Total equity	(7)	9,220	16,071	28,080	43,534	58,507	73,412	83,987	91,005	98,350
Total liabilities	16,936	106,315	168,041	155,441	115,443	100,478	92,925	87,300	81,722	76,143
Total equity and liabilities	16,929	115,535	184,112	183,522	158,977	158,985	166,337	171,287	172,727	174,493

Condensed Projected Statements of Cash Flow For the y/e 31 Dec

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Net cash from operating activities	(451)	(28,275)	2,674	28,458	44,769	41,627	41,596	31,278	22,709	23,399
Net cash used in financing activities	(10,352)	(55,976)	(50,570)	(6,023)	(16,561)	(3,832)	(3,516)	(3,583)	(3,555)	(3,731)
Net cash from financing activities	10,804	90,609	48,812	(21,872)	(30,536)	(16,696)	(9,314)	(9,314)	(9,314)	(9,314)
Net movement in cash	-	6,358	716	573	(2,328)	21,099	28,767	18,382	9,741	10,354
Cash and cash equivalents at start of year	-	-	6,358	7,074	7,647	5,319	26,418	55,185	73,567	83,308
Cash and cash equivalents at end of year	-	6,358	7,074	7,647	5,319	26,418	55,185	73,567	83,308	93,662

Level and type of capital investment

The total capital investment for the Project is expected to amount to €215.1 million, which capital investment is spread over two development phases.

Phase 1 of the development, which comprises the Hard Rock Hotel (incl. Body Rock, Rock Spa and the Sky Bar), Hard Rock Casino, the congress hall, the shopping mall, car park, restaurants and the first residential tower, is expected to span a period of 27 months from award of the concession and completion is expected by June 2018. The total estimated cost for Phase 1 of the Project amounts to €181.3 million.



The construction and development of Phase 2 of the Project, which comprises the second residential tower and offices, is expected to commence in July 2018, with completion expected by the end of August 2019. The total estimated development cost for Phase 2 of the Project is of €33.8 million.

An overview of the total capital investment by component is duly set out below.

Level and type of capital investment

Project component	€'000
Hard Rock Hotel	58,381
Body Rock & Rock Spa	3,674
Sky bar	2,116
Congress Hall	6,565
Shopping mall	21,589
Car park	19,786
Speciality Restaurants	4,285
Hard Rock Café	1,314
Hard Rock Casino	8,478
Residential Towers	77,986
Offices	4,143
Land	6,780
Total	215,096





5. Highlights of the economic impact assessment

The following are the highlights from the economic impact assessment carried out by KPMG, referred to as Document 7 in this submission.

Summary of economic impacts during construction phase				
	2016	2017	2018	2019
Total government revenue	€ 3,157,942	€ 30,015,650	€ 24,509,331	€ 10,135,153
Total direct, indirect and induced value-added multiplier effects	€ 13,612,412	€ 72,121,341	€ 66,009,020	€ 16,196,968
Employment income generated through construction	€ 1,620,000	€ 35,250,000	€ 20,790,000	€ 13,720,000
Total employment generated by construction (FTEs)	257	1,544	880	684

During the project's construction phase, it is estimated that government revenue arising from income tax on employment, national insurance contributions, taxes on corporate profits, and value added tax, will amount to a total of around **€67.8 million** between the years 2016 and 2019.

Spill-over effects into the economy, seen as the direct, indirect and induced value-added multiplier effects, are expected to total around **€170 million** over the four years during which construction will take place.

The construction of this project is expected to create new employment amounting to around **257 FTEs** during 2016, **1,544 FTEs** during 2017, **880 FTEs** during 2018, and **684 FTEs** during 2019. This will result in the creation of additional employment incomes of almost **€71.4 million** over the entire construction period.




Summary of economic impacts during operations			
	Total government revenue	Total direct, indirect and induced value-added multiplier effects	FDI generated through operations
	€	€	€
2016	1,300,000	-	-
2017	1,300,000	-	-
2018	26,918,153	54,777,710	16,123,375
2019	35,261,737	74,739,459	15,073,131
2020	41,039,452	80,324,283	15,062,625
2021	40,524,555	78,837,776	12,818,875
2022	40,659,503	79,301,578	12,392,375
2023	36,921,927	65,981,964	5,281,375
2024	34,316,150	56,508,938	-
2025	35,351,427	57,837,595	-
2026	38,518,902	59,114,717	-
2027	40,019,083	60,142,633	-
2028	40,432,324	61,304,625	-

The operation of this development is expected to generate significant economic benefits. Total government revenue for the period 2016-2028 is expected to reach around **€415.56 million**. The majority of this revenue will be created through taxation, other key contributing sources would also be the ground rent and upfront payments made by the project proponents, and payments made by owners of residential units to convert the temporary emphyteusis on their property to a permanent emphyteusis.

Spill-over effects into the economy, seen as the direct, indirect and induced value-added multiplier effects, are expected to total around **€728.9 million** over the period 2016-2028.

This development is expected to generate a total of around **€76.75 million** in FDI between the years 2018 and 2023. This FDI will take the form of investment from Hard Rock International, as well as investment in local property by individuals who are not based in Malta.

Once the development is completed and operations stabilise, it is expected that the average annual number of FTEs employed by the project proponents, the operators of retail outlets, and commercial tenants within the high-rise towers, will average around **1,469 FTEs**. During the peak season, the operation is expected to be employing around **1,498 FTEs**. It is estimated that this will result in around **€30.8 million** in income generated from this employment each year.






CITY CENTRE

We trust that you will find this proposal as exciting and intriguing as we do.

Yours sincerely



Arthur Gaur
CEO, Seabank Group



Authorised signatory on behalf of:

SD Holdings Limited
Seabank Hotel and Catering Limited
Seaport Franchising Limited



Request for Tender Proposals

For the Design, Build and Operation of an upmarket mixed tourism and leisure development in St. George's Bay, St. Julian's

Collection Fee Euro 10,000

Projects Malta Limited (C 64764)
The Clock Tower, Level 1
Tigné Point
Sliema, TP01
Malta

13th November, 2015

PML/06/2015

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1. Definitions

The following terms, expressions and abbreviations, as used in this Request for Proposals in their capitalized form or otherwise, shall except where the context otherwise requires and except where otherwise defined therein, bear the following meanings:

Bank	A credit institution duly licensed in terms of the Banking Act (Chapter 371 of the Laws of Malta).
Competitive Process	The competitive process commenced by the Projects Malta Limited on behalf of the Government of Malta following the conclusion of the RFP process, involving the issuance by the PML of this RFP setting out the final terms and expected financial parameters of proposals to be submitted by proponents during this competitive process, the identification by PML of the preferred proposal, further discussions and negotiations with the preferred proponents and ultimately leading to the award of the Concession to the successful proponent, including the execution of the Concession agreement and/or any other agreement or document as may be material or otherwise ancillary thereto.
Complainant	Any proponent who has participated in the tender process and who feels aggrieved by a decision taken in his regard by the review board.
Concession	The granting of a 99 year temporary emphyteutical Concession by GoM, through this competitive process, for the rights which will entitle the successful proponent to design, build and operate an upmarket mixed tourism and leisure project.
Concession Agreement	The agreement to be entered into between the Government and the successful proponent, including any other agreement or document material or ancillary thereto, in respect of the Concession.
Concessionaire	The successful proponent or the limited liability company which is incorporated or is to be incorporated in Malta by the successful proponent (as the case may be) for the purpose of entering into the Concession agreement.
Conflicts Declaration	The declaration in the form prescribed in Annex I to be executed by each proponent and, in the case of a consortium, by each participant in the consortium as the case may be.



Consortium	One or more natural or legal persons getting together in terms of a joint venture agreement, consortium agreement or similar agreement in writing with the intention of submitting a joint proposal in response to this RFP.
Evaluation Committee	An ad hoc evaluation committee appointed by the PML and set up for the purpose of evaluating the proposals, identifying the preferred proponent and if so directed by the PML, to enter and conclude negotiations with the preferred proponent.
Evaluation Criteria	The evaluation criteria as identified in Clause 6.4 of this RFP
Financial Institution	A financial institution duly licensed in terms of the Financial Institutions Act (Chapter 376 of the Laws of Malta).
GoM, Government or Government of Malta	The Government of Malta.
ITS	Institute of Tourism Studies.
Preferred Proponent	A proponent which been positively identified by the evaluation committee following an evaluation process in terms of clause 6.4 of this RFP and with whom the GoM has entered into advanced discussions, to the extent that these can be entertained, with a view of finalising and awarding the Concession.
PML	Projects Malta Limited
Proponent	Any person who goes to submit (whether individually or jointly with other persons in the form of a consortium) a proposal in response to and in terms of this RFP.
Proposal	A proposal made by a proponent in the prescribed form in response to this RFP in compliance with the terms and conditions set out in this RFP.
Prospective Proponent	Any party which intends to submit a proposal in response to, and in terms of this RFP.
Review Board	The Concessions Review Board
RFP	Request for tender proposals.
Site	The tract of land as identified and defined in clause 4 of this RFP.

**Successful
Proponent**

The preferred proponent upon the award of the Concession.

Unless the context otherwise requires, all references to Malta within this RFP are to the Republic of Malta.

Unless it appears otherwise from the context:

1. The singular includes the plural and vice-versa;
2. Words importing a gender include all genders;
3. Headings and sub-headings shall not be taken into consideration in the interpretation or construction of this Agreement;
4. Any reference to the words "include" or "including" or to any derivative thereof or to any cognate expression shall be construed in all cases and at all times to mean "including without limitation" or words of a like meaning and import.

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2. Invitation to prospective proponents

The Government of Malta intends to proceed with awarding the Concession for the site which currently houses the Institute of Tourism Studies in St. George's Bay, St. Julian's and land which is in close proximity thereto as defined and outlined in clause 4 of this RFP. The Concession will be awarded to the successful proponent for the design, build and operation of an upmarket mixed tourism and leisure project.

In light of the above, the GoM is inviting submissions of proposals from prospective proponents, in terms of Chapter 268 of the Laws of Malta and in full compliance thereto, which are interested in pursuing their participation in this competitive process, with a view to obtaining a Concession in terms of this RFP.

PML on behalf of GoM is conducting this competitive process as stipulated in this RFP.

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3. Objectives

3.1 General objective

The tourism sector contributes 20%¹ to Malta's gross domestic product, making this industry one of the main driving forces of the Maltese economy. Moreover, based on the importance of this sector to the local economy, the GoM acknowledges that the prime contributor towards meeting and exceeding visitor's expectations is that of offering touristic and leisure facilities which are of a superior standard than those offered by competing touristic destinations. It is therefore the intention of the GoM, through this request for proposals, to continue to improve on the current touristic and leisure facilities on offer in Malta.

3.2 Specific objectives

In this regard the GoM is calling on prospective proponents to submit their proposal to design, build and operate upmarket mixed tourism and leisure facilities on the total site which falls within the scope of this RFP. More specifically the operator is to ensure the following:

- The site shall include a hotel which is rated as a five (5) star hotel or higher and which is operated under a world recognized brand of hotels, operating world-wide. The project shall also include leisure and entertainment facilities, food and beverage and retail outlets.
- Facilities are to be operated privately;
- The timely implementation of the project;
- The creation of employment opportunities in all strata of potential employable persons;
- The attraction of quality and diversified tourism to the Maltese Islands;
- The proposed project and the ancillary activities add value to the Maltese economy;
- That no revenue support shall be required by the GoM;
- The site is to be run profitably whilst also meeting all legal and operational obligations;
- The development of business through the capabilities of key international players;
- The financing of the project shall be exclusively undertaken through private sector investment;;
- The attraction of foreign direct investment;
- The inclusion of an international brand providing a distinct and innovative touristic product within the Maltese market;
- The creation of a new niche market within the tourism market;
- The maximization of spill over benefits to the Maltese economy;
- The diversity to the tourism product currently available in Malta, which the proposal will offer;
- The identification of the brand linked to the proposal in markets not traditionally linked with Malta, as to encourage new segments and new markets to visit Malta.

The above specific objectives shall constitute the basis of award and all evaluation criteria indicated and referred to in clause 6.4 of this RFP shall, depending on their relevance, be assessed in terms of these specific objectives.

¹ Malta Tourism Authority Statistical report, 2014 edition



4. The site

The land being offered by the GoM under Concession is located in St. George's Bay, St. Julian's. With a total footprint of 24,340 square metres, the site is split into three (3) areas:

- Site A, measuring 5,536 square metres;
- Site B, currently being occupied by ITS, measures 18,567 square metres, and
- Site C, located by the sea and measuring 237 square metres.

Maps detailing the exact specifications and location of these sites may be found in Annex II. Additionally each proponent may, during the RFP stage, undertake a site survey and geological study of the terrain which falls within the scope of the concession. Any costs associated with the study shall be born in its entirety by the proponent undertaking the said study.

The Concession for the site will be awarded by the GoM, in terms of Chapter 268 of the Laws of Malta, with the aim of it being utilised for an upmarket mixed tourism and leisure project. This project is aimed at creating a landmark development to further enhance the touristic and business product in Malta in order to attract new niche markets, which will further attain the GoM's objectives as outlined in section 3 and more specifically in clause 3.2 of this RFP.

More specifically the site shall include a hotel which is rated as a five (5) star hotel or higher and which is operated under a world recognized brand of hotels, operating world-wide. The project shall also include leisure and entertainment facilities, food and beverage and retail outlets. All these have to be designed and targeted towards meeting the salient requirements of the clientele of the hotel and that of the Maltese economy. The site may also include a number of residential units.

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5. The Concession

The Concession for the design, build and operation of the proposed project shall be for a period of 99 years, awarded to the successful proponent under the title of temporary emphyteusis and subject to the concession agreement as negotiated by the parties thereto.

The terms and conditions of the concession agreement will be negotiated and finalised with the preferred proponent.

The concession agreement and any other agreement to be entered into by the successful proponent shall all be governed, construed and enforced in accordance with the Laws of Malta. Any dispute which may so arise in connection therewith shall be construed as being governed by such Laws and as falling under the exclusive jurisdiction of the Courts of the Republic of Malta and shall be finally settled by the Courts accordingly.

Specifically, the provisions contained in Title VIII of Part II of the Civil Code shall apply in their totality unless the parties to the concession agreement, to the extent premissable by law, otherwise agree. The concession agreement and any other agreement to be entered into by the successful proponent shall as a minimum reflect any commitments made by the preferred proponent in his proposal and/or during discussions and/or negotiations with the Government.

5.1 Termination of the Concession

The Concession will naturally conclude upon the expiration of the Concession period of 99 years where the successful proponent shall transfer operations, and any constructions, improvements and any other ancillary property to the site to the GoM, unless any part thereof is assigned in perpetuity under the same title of emphyteusis or otherwise alienated in favour of third parties in accordance with the concession agreement if so negotiated and permitted by the parties. Upon the termination of the Concession period, the successful proponent will endeavour to make the transition as smooth and as simple as possible.

Furthermore, the Government reserves the right to terminate the Concession at any point in time, should the successful proponent's implementation of the project not meet the contracted standards and/or obligations.

The above shall be without prejudice to any further grounds for termination which may be identified in the concession agreement awarded in favour of the successful proponent.

5.2 Transferability of the Concession

The proponent shall not, for the duration of the Concession, transfer or assign the Concession to a third party without obtaining the written approval of the GoM, unless otherwise agreed to in the concession agreement.

If residential units are included in the development as indicated in section 4 above, the Concession agreement shall allow the transfer by the successful proponent of any such residential units to third parties, for the duration of the concession period and subject to negotiation between the GoM and the successful proponent. The agreement shall allow and authorise third parties acquiring such residential units within the project to, at their option, convert the temporary emphyteusis attached to such residential units acquired by them to perpetual emphyteusis at such rate per square metre indicated by the proponent in his proposal,

the sum of which is to be paid directly to the GoM. Thereafter, such third party purchasers shall be entitled to purchase the freehold rights in respect of such residential units at the capitalization rate of five per cent (5%) in terms of law. The parties further agree that the right of conversion referred to in this paragraph shall not extend to and be enforceable directly by the successful proponent, its subsidiaries, affiliated companies, or to any other undertaking which the successful proponent, its subsidiaries or affiliated companies exercise effective control thereon.

5.3 Lease of space to third parties

The concession agreement shall enable the successful proponent to transfer parts of the site to a third party for commercial purposes as long as any such lease agreement does not exceed beyond the Concession period.

Such transfer shall be limited to lease, operation agreements, management agreements or other similar rights. For the avoidance of doubt the Concession agreement shall not allow for the transfer of any real rights over the site whether in whole or in part, with the exception of any residential units which may be included in terms of section 4 and subject to clause 5.2 of this RFP.

5.4 Repairs and maintenance, and return of property

Upon being awarded the Concession, the successful proponent is expected to maintain the site in a good condition, as well as carry out any preventive repair works. The proponent is to return the site in a good state of repair and fully operational upon the conclusion of the Concession term.

5.5 Permits and licences

The responsibility for obtaining the necessary licenses and/or permits shall be the full responsibility of the Concessionaire. The Government will in no instance enter into any act which alleviates the successful proponent from this responsibility however the GoM undertakes to use its good offices to ensure the expeditious processing of applications for permits, licences or other authorisations that may be necessary.

5.6 Annual ground rent

Upon the award of the Concession, the successful proponent is to pay an annual ground rent to the Government. The ground rent shall be payable yearly in advance and shall be commensurate and reflective of the market value of the site and the nature and extent of the proposed development.

Subject to negotiations, the Concession agreement shall allow for an administrative abatement of such ground rent for a limited period not exceeding three (3) years from the signing of the Concession agreement, in accordance with good practices and custom.

The ground rent indicated by the proponent in his proposal shall constitute the original ground rent in terms of the Concession agreement. Said ground rent shall however be revised upwards on the lapse of five (5) years reckoned from the date of the concession agreement according to the official rate of inflation which shall be taken to be the official rate of inflation published in respect of the year immediately preceding the year when the ground rent is to be increased, and thereafter, on the lapse of every subsequent five-year period, by said rate of inflation on the *pro tempore* ground rent payable annually in terms of the concession agreement in each year in the immediately preceding five (5) year period.

5.7 Upfront payment

Upon the award of the Concession and successfully obtaining the necessary development permits which will be required to design, build and operate the upmarket mixed tourism and leisure project, the successful proponent shall commit to making a one (1) time upfront payment to the GoM. The time limit for making this payment shall be negotiated during the evaluation stage.

5.8 Performance Guarantee

In order for the Government of Malta to ensure the implementation quality of this operation, a performance guarantee shall be provided by the successful proponent upon being awarded the Concession. The value of the performance guarantee shall be set at five (5) percent of the capital expenditure committed by the Proponent in his proposal. Following the completion of the project and upon commencement of operations the Concessionaire shall have the right to reduce the value of the Performance Guarantee to a value equivalent to one year ground rent.

The Successful Proponent will lose fifty (50) percent of the performance guarantee if a planning application is not submitted within three (3) months of the effective date of the Concession Agreement.

The Successful Proponent will also lose fifty (50) percent of the performance guarantee if construction is not commenced within three (3) months from the issuance of the relevant development permit and due authorisation from the relevant authority for commencement of works is issued, which authorisation is not to be delay by actions attributable solely to the Concessionaire.

5.9 Other clauses to be included in the Concession agreement

The clauses above indicated and included in section 5 are not exhaustive and other clauses shall be included within the concession agreement, including but not limited to: terms and conditions regarding insurances to be obtained, other penalties to be imposed for the non-compliance to the fullest extent of obligations assumed, indemnities, termination and rescission of such concession agreement, and financing of the development.

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6. Submission requirements

6.1 General requirements

Participation in this RFP may be undertaken by an incorporated body or a consortium composed of a number of incorporated bodies, Maltese or foreign. Every incorporated body, whether forming part of a consortium or not, must, as part of their proposal, submit the minimum documentation as listed below. This minimum information may be supplemented with additional information as the proponent considers necessary.

- Full details of the incorporated body or of each member of the consortium. This information is to include the registered office address, telephone number, facsimile number, contact name and e-mail address;
- Details of incorporation including a certified copy of the incorporation documents and a certificate of good standing for each company whether participating in a consortium or not; In case of a consortium, a certified copy of the consortium agreement should be provided, together with a document designating the lead partner;
- Previous experience of the proponent or of each of the consortium members, as applicable;
- The names and respective positions of the persons authorized to represent the proponent;
- Details of shareholders and any shareholding agreements for each proponent;
- A certified copy of the board resolution approving the contents of the response document;
- A certified copy of a detailed group structure of each company;
- A certified copy of the last three (3) year audited financial statements. All figures are to be denominated in the Euro currency. In the event of the reporting currency of the company being in a different currency, the figures must be converted to Euro. These adjusted financial statements must be accompanied by an audit certificate;
- Details of all external advisors (e.g. financial, legal, other) who have been or will be engaged for the purpose of this RFP.

6.2 Technical capacity requirements

Each proponent, whether part of a consortium or not, is expected to submit all the following information. This information is intended to provide the Evaluation Committee with a clear understanding of the technical capacity of each proponent to carry out the operation identified in their response. The proponents must provide, however are not limited to, the following information:



- *Previous experience* – All proponents, members of a consortium or sole proponents, must provide a detailed overview of the relevant experience they possess in order to carry out the scope of this RFP. The proponent must also substantiate the level of experience with CV's of key personnel which will form part of the operation. The proponent must also provide in detail, the experience that operators for the hotel and ancillary functions possess. The proponent is also expected to provide detailed information on the chain of hotels which is being proposed for this site. A copy of a letter of intent between the proponent and the respective chain of hotels would also need to be presented by the proponent at RFP stage.
- *Business plan* which is to contain:
 - Financial projections covering the first ten (10) years of the Concession including a profit and loss account, a balance sheet and a cash flow statement, a copy of each is to be provided in excel format;
 - A marketing plan which covers the first five (5) operative years;
 - A detailed breakdown of the annual ground rent payable to the GoM, including if any, the rate per square metre to be charged in favour of GoM for the conversion from temporary to perpetual emphyteusis of residential units in terms of clause 5.2 of this RFP;
 - The value of and calculation for determining the upfront payment which would be paid to the Government by the selected proponent;
 - The timing, level and type of capital investment required for each individual aspect of the project.
- *Operational plan* to cover the first ten (10) years of the Concession. This plan must detail the following:
 - The objectives of each operation;
 - A detailed human resources plan;
 - An analysis of key milestones within the operational activity. This analysis must be provided in both narrative form and in the form of a Gantt chart.

6.3 Financial capacity requirements

Every proponent, be it an individual company or a member of a consortium, must provide the Evaluation Committee with a satisfactory level of comfort, that they possess the necessary financial capacity to undertake the project put forward in their proposal. In order to ascertain this, the following are to be submitted:

- A comfort letter issued by a financial institution confirming that the proponent has the necessary capability to raise the debt levels indicated in the business plan submitted by the proponent;
- A declaration listing all amounts due to the Government of Malta, such as but not limited to any outstanding national insurance contributions, personal and corporate taxation liabilities.

6.4 Design requirements

Each proponent is to also submit the following design requirements:

- A minimum of three (3) design development concepts for the site;

- A model of at least one (1) design development (not less than 100cm x 100cm);
- Computer-generated imagery (CGI) of the design development.

6.5 Evaluation and award

The Government of Malta, through PML, will ultimately aim at selecting a proponent which meets the overall objective set out in this RFP, particularly in terms of the specific objectives set out in terms of clause 3.2 of this RFP. The PML, through the specifically appointed evaluation committee will assess each proposal and identify the preferred proponent on three (3) fair, transparent and objective criteria, which are shown below:

	Evaluation Criteria	Score 100
DESIGN	Innovative Aspect and Design	10
	Overall understanding of the objectives	5
	Articulation and overall cohesion of concept	10
TECHNICAL	Fitness and properness of the proponent	5
	Level of experience the proponent has in similar project	10
	Sustainability of the business plan and operational plan presented	20
	Capacity to raise the required financing and the ability to execute and deliver the project	10
FINANCIAL	The level of upfront payment	10
	Yearly ground rent payable to the GoM	10
	Level of capital investment	10

The evaluation committee shall be responsible for the design, technical and financial assessment of proposals during this competitive process. However, during its evaluation, the evaluation committee may be assisted by any other person, officer, authority, entity, advisors, or consultants which or whom the evaluation committee may wish to engage for this purpose.

The evaluation committee shall submit its recommendations to PML whether the nature of the proposals submitted during said competitive process is sufficiently satisfactory to justify the identification of the preferred proponent and, eventually, the successful proponent for awarding of the concession. PML has absolute discretion in deciding whether to accept the recommendations of the evaluation committee.

During the evaluation process, the proponents may be invited or permitted by the evaluation committee to make one or more presentations concerning proposals submitted by them, provided that such

presentation/s will be restricted to clarification and elaboration of the information already provided in their submitted proposals. In particular, the purpose of any such presentations would be for proponents to:

- Elaborate and expand on their proposals and to answer questions;
- Respond to any issue which may arise from their proposals; and
- Submit supplementary material, if required.

Following the evaluation process and the identification of the preferred proponent, PML, on behalf of GoM, reserves the right to enter into discussions and/or negotiations with such preferred proponent which discussions and/or negotiations shall lead to an agreement, in light of any commitments that the preferred proponent may have offered in its proposals, on a draft of the Concession agreement and any other legal documents that may be necessary for the execution of the Concession. In this process PML may be assisted by a specifically appointed negotiating team, the members of which will be notified to the preferred proponent at the appropriate time.

The full co-operation of the preferred proponent is expected during such discussion period so as to conclude the process as expeditiously as possible.

6.6 Appeals

This RFP and the competitive award process shall be regulated by the review of the Concession Review Board established by virtue of the Concessions Review Board Regulations of 2015 (Legal Notice 214 of 2015). For ease of reference, a copy of Part III of that Legal Notice is included in Annex IV.

The deposit to be accompanied with a complaint in terms of this clause shall be the highest contemplated an allowable in the regulations.

6.7 Ethics Clause

Any attempts by a Proponent to obtain confidential information or enter into unlawful agreements with competitors during any part of this competitive process will lead to disqualification of its Proposal and may result in administrative penalties.

Any attempt on the part of Proponents or any of their directors and other officers, employees, representatives, contractors or agents to exercise undue influence on any of the competitive process will lead to disqualification of its Proposal and may result in administrative penalties.

Proposal/s concerned will be rejected or the Concession Agreement terminated, if it emerges that the award or execution of the Concession Agreement has given rise to unusual commercial expenses. Such unusual commercial expenses are commissions not mentioned in the main Concession Agreement or not stemming from a properly concluded Concession Agreement, commissions not paid in return for any actual and legitimate services, commissions paid to a recipient who is not clearly identified or commissions paid to a company which has every appearance of being a front company.

Government reserves the right to terminate the Concession Agreement if corrupt practices of any kind are discovered at any stage of the award process.



Furthermore, in submitting their Proposals, Proponents acknowledge and accept that the Government may run probity checks about them with the relevant competent authorities or third parties and, by making their Proposals, they give their consent to the disclosure of information by any third parties requested by Government and accept that Government retains the right to disqualify a Proposal if it has good and sufficient reason to believe that the Proponent or any of its constituent members or affiliated companies thereof is or are not of good repute.

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7. Submission process

7.1 Guidelines

All proponents are to submit their proposals to this RFP in one (1) original hard copy clearly marked "Original" and two (2) copies, each one clearly marked "Copy 1" and "Copy 2". All pages of the original hard must be initialled by the authorised person. Each proponent is also requested to submit a soft copy of the whole proposal on a CD/DVD/USB. The bid bond is to be submitted separately, in a sealed envelope clearly marked "Bid Bond". All of which must in turn be packaged in a single envelope labelled "Private and confidential - RFP for the Design, Build and Operation of the Institute of Tourism Studies site and the lands in Close proximity to it, St. Julian's".

Proposals are to be delivered by hand to Projects Malta Limited, The Clock Tower, Level 1 Tigné Point, Sliema, Malta by noon (CET) of Friday, 15th January, 2016.

Otherwise Projects Malta Ltd offices are open for proposal delivery on weekdays between 9:00 and 18:00 (Central European Time) excluding public holidays and the 24th and 31st December, 2015.

A non-refundable collection fee of Euro 10,000 must be made prior to the collection of the RFP. The proof of payment must be included with the RFP submission.

The collection fee may be settled either by:

- bank draft payable to Projects Malta Limited or
- Internet Banking or SWIFT transfer, with reference "PML/06/2015" and "proponent's name", receivable in the account bearing the following details:

Bank	Bank of Valletta
BIC	VALLMTMT
Sort code	22677
Account	40022613370
Name	Projects Malta Limited
IBAN	MT84VALL22013000000040022613370



7.2 Clarifications

Any requests for clarification regarding this document or the project shall be received by e-mail at admin.projects@malta.gov.mt by the Monday, 30th of November, 2015. The message shall be clearly captioned **"RFP for the Design, Build and Operation of the Institute of Tourism Studies site and the lands adjacent to it, St. Julian's"**. The answers to all clarification requests shall be circulated by e-Mail to all interested parties.

7.3 Timeframes

Friday 13 th November, 2015	Issue date of RFP
Monday, 30 th November, 2015	Closing date for clarification requests
Friday, 11 th December, 2015	Closing date for the Issuing Authority to publish answers to the clarification questions
Friday, 15 th January, 2016	Closing date of RFP



7.4 Bid bond

Every response document to this RFP must be supplemented with an unconditional bid bond, issued by a financial institution, which is licensed as such in any member state of the European Union. The amount of which is that of €1,500,000. This bid bond shall be valid for a period of 12 months from the closing date for the submission of a response to this RFP.

The bid bond shall be issued by a bank or financial institution acceptable to PML, such as, that such bid bond shall be irrevocable and unconditional and shall become payable to PML on its first demand without contestation or counter-claim. It shall not be incumbent on the guarantor bank or financial institution to verify whether such demand is justified, provided that where the guarantor is a foreign institution, the said guarantor will agree that the bid bond will be governed and construed according to Maltese Law and will furthermore submit to the exclusive jurisdiction of the Courts of Malta.

The bid bond is intended to secure the due and proper performance by the relative proponent of all obligations assumed by it in pursuance of the RFP (including, without limitation, its obligation to renew the bid bond as provided below) and as security that the relative proponent(s) will not, during the validity period of the bid bond, withdraw, alter or qualify its proposal. The bid bond is also intended as security that the relative proponent, if it is chosen as the successful proponent, will enter into the Concession agreement when called upon to do so, and that it will furnish the performance guarantee as set out in this RFP.

Should a proponent be in default of any of its obligations under this RFP, or should it withdraw, alter, or qualify its proposal during the validity period of the bid bond or should the successful proponent refuse to enter into the Concession agreement as aforesaid or to furnish the performance guarantee of this RFP, then PML, shall have the right to call on the bid bond and the amount of such bid bond shall be forfeited in favour of PML by way of pre-liquidated damages and not as a penalty. Notwithstanding, PML reserves the right to seek judicial remedy for ulterior damages.

If a proponent is notified in writing by PML that his proposal has been rejected in an irrevocable manner, the said proponent shall be entitled to have the bid bond furnished by them released and returned to the relative issuing bank or financial Institution, notwithstanding that by such time the validity period of the bid bond would not have expired.

In the event that negotiations with any proponent are likely to protract beyond the expiry of the bid bond, the said proponent will be required to procure an extension of the bid bond from the issuing bank or financial institution, without the need of receiving any notice or request to this effect from PML or any other person/entity. The said extension must be obtained by the proponent by not later than seven (7) days before the expiry of the initial one (1) year validity period. The proponent shall also be bound to procure the renewal of the bid bond from the issuing bank or financial institution by a further six (6) months from the expiry of the initial one (1) year validity period or from the expiry of each successive six (6) months renewal validity period as required by the ongoing negotiations. Failure to procure the said extension shall be deemed to constitute a breach of the proponent's obligation to renew the bid bond as well as a withdrawal of the proposal, thereby entitling PML to call upon the bid bond and to disqualify the defaulting proponent.



7.5 General

All proposals are to be submitted in the English language and all figures are to be indicated in the Euro (€) currency.

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8. Cancellation

The issue of this RFP by the Government of Malta, is not binding and nor does it give certainty that this RFP will be awarded to any one of the participants to this RFP. Furthermore, the fact that this RFP has been issued and the respective timetables set does not preclude the Government from suspending or altering such at any time before or during the evaluation process. It further does not provide the participant and/or members of the general public with a right to appeal such a decision, which need not be substantiated, unless as otherwise determined by this RFP.

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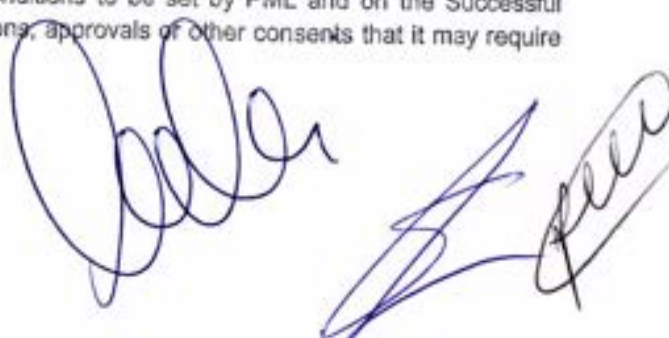
9. Additional general terms and conditions

Prospective Proponents, Proponents or Preferred Proponents should be aware that the following additional terms and conditions also apply to this RFP:

- This RFP contains an invitation by PML to Prospective Proponents to submit their proposals in response to this Request for Proposals;

PML does not bind itself to accept any proposal and may proceed as, in its sole discretion, it determines following receipt of proposals. PML reserves the right, in its absolute discretion to refuse/reject any or all proposals, even the most advantageous, without incurring any liability therefore, and the submission of a proposal by a Proponent or Preferred Proponent shall in no way commit or otherwise bind PML in any many whatsoever. For the purpose of clarity PML is not bound to accept the highest scoring or any proposal and shall not give reasons for the acceptance or rejection of a particular proposal;

- PML may subsequently at its sole discretion and without incurring any liability therefore, re-issue revised RFPs which may have a material impact on the value of the transaction, after proponents have submitted proposals and bids;
- Any costs and expenses incurred by Prospective Proponents, Proponents or Preferred Proponents relating to their proposals will be borne by them. PML is not liable to pay such costs and expenses or to reimburse or to compensate proponents under any circumstances, including the rejection of any or all of the proposals or the cancellation of this RFP;
- PML will not accept responsibility for any delays or costs associated with any reviews or approval processes or with the implementation of any mitigating measures;
- PML makes and provides no warranty as to the accuracy or completeness of any information provided in this RFP and accompanying documents. Moreover, the information given in this RFP and accompanying documents are not to be considered as an exhaustive and authoritative account of the applicable statutory requirements. Prospective Proponents, Proponents or Preferred Proponents are thus responsible for obtaining their own independent advice on the information provided in terms of this RFP;
- Prospective Proponents, Proponents or Preferred Proponents shall not rely on any verbal statements made by PML or its Advisors, employees, consultants or members of the Evaluation Committee;
- PML reserves the right to request new or additional information regarding the Prospective Proponents, Proponents or Preferred Proponents and any individuals or other persons associated with its proposal;
- Prospective Proponents, Proponents or Preferred Proponents must commit to negotiate in good faith;
- PML may, at any time, make public the names of all registered Prospective Proponents, Proponents or Preferred Proponents;
- Confirmation of the decision to award the Concession Agreement will, *inter alia*, be subject to the fulfilment by the Successful Proponent of conditions to be set by PML and on the Successful Proponent securing the clearances, permissions, approvals or other consents that it may require from third parties;



- This RFP process shall be governed, construed and enforced in accordance with the Laws of Malta and any dispute which may arise in connection therewith and shall be construed as being governed by such Laws and, save and without prejudice to the limitations established in Section 6.6, as falling under the exclusive jurisdiction of the Courts of the Republic of Malta and shall be finally settled by such Courts accordingly. By lodging submissions and proposals in terms of this RFP, a Prospective Proponents, Proponents or Preferred Proponents submits to the exclusive jurisdiction of the Maltese Courts, and in terms of Section 6.6 to the Concession Review Board with regards to Complaints, in connection with any dispute as aforesaid and accepts to be bound by all the terms and conditions contained or referred to in this RFP. For avoidance of doubt pending the complaints procedure as stipulated herein, or during any another time prior to or following award, Prospective Proponents, Proponents, Preferred Proponents and Successful Proponents renounce to any right, and declare, that they shall not seek any injunctive relief before the Courts of the Republic of Malta;
- PML has the right to negotiate with the Preferred Proponent/s and, as part of that negotiation, to negotiate changes, amendments or modifications to the proposals as submitted without offering other proponents the opportunity to amend their proposals. Provided that any such changes, amendments or modifications to proposals shall be in favour of and to the benefit of the Government of Malta;
- This issue and dispatch of this RFP is not and shall not be in any manner construed as committing or binding upon PML or as creating any obligation on the part of PML towards any Prospective Proponents, Proponents or Preferred Proponents;
- PML reserve the right of accepting any proposal wholly or in part;
- By submitting a proposal, the Prospective Proponents, Proponents or Preferred Proponents irrevocably confirm to have understood and agreed to these general terms and conditions, as well as all other terms and conditions within this RFP document, in their entirety, and accept to assume all the obligations set out herein, without reservations;
- Any proposal shall be submitted at the sole risk and expense of the Prospective Proponents, Proponents or Preferred Proponents submitting it and PML shall under no circumstance be liable for any cost, expense or damages incurred or sustained by any Prospective Proponents, Proponents or Preferred Proponents in compiling, completing and submitting a proposal, whether such proponent is successful or otherwise;
- Any Proposal submitted after the closing date set out in this RFP shall not be considered;
- PML may, in their own and absolute discretion, extend the deadline for submission of bids by issuing a modification in accordance with Section 8. In such cases, all rights and obligations of PML and Proponent regarding the original date specified in this RFP will be subject to the new date.



10. Annexes

- Annex I: Conflicts declaration form
- Annex II: Site maps
- Annex III: Bid Bond
- Annex IV: Appeal

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ANNEX I: CONFLICT DECLARATION FORM

Date: _____

Re: Request for Proposals ('RFP' or 'RFP Process') - For the Design, Build and Operation of the Institute of Tourism Studies site and the lands adjacent to it, St. Julian's (the 'Concession') - Declaration of Conflicts of Interest

I, the undersigned, appearing hereon in the name and on behalf of the below named Proponent (hereinafter referred to as the 'Proponent'), as duly authorised, hereby declare and confirm that there is no potential or real conflict of interest that would arise in the event of the Proponent's possible involvement in the Concession and in the possible operation and management of the former Institute of Tourism Studies site to be developed as an upmarket mixed tourism and leisure project.

Furthermore, the Proponent shall forthwith inform the Privatisation Unit of any such conflict/s of interest and shall disclose to the Privatisation Unit the full nature and details thereof, immediately upon the materialisation of any such conflicts during the RFP Process.

[OR]

I, the undersigned, appearing hereon in the name and on behalf of the below named Proponent (hereinafter referred to as the 'Proponent'), as duly authorised, hereby declare and confirm that the Proponent's possible involvement in the Concession and in the possible operation and management of the former Institute for Tourism Studies site to be developed as an upmarket mixed tourism and leisure project gives rise to the following potential or real conflicts of interest. [TO PROVIDE FULL NATURE AND DETAILS OF SUCH CONFLICTS]

Yours sincerely,

Name of signatory _____

Identity/Passport Number _____

Name of Proponent _____

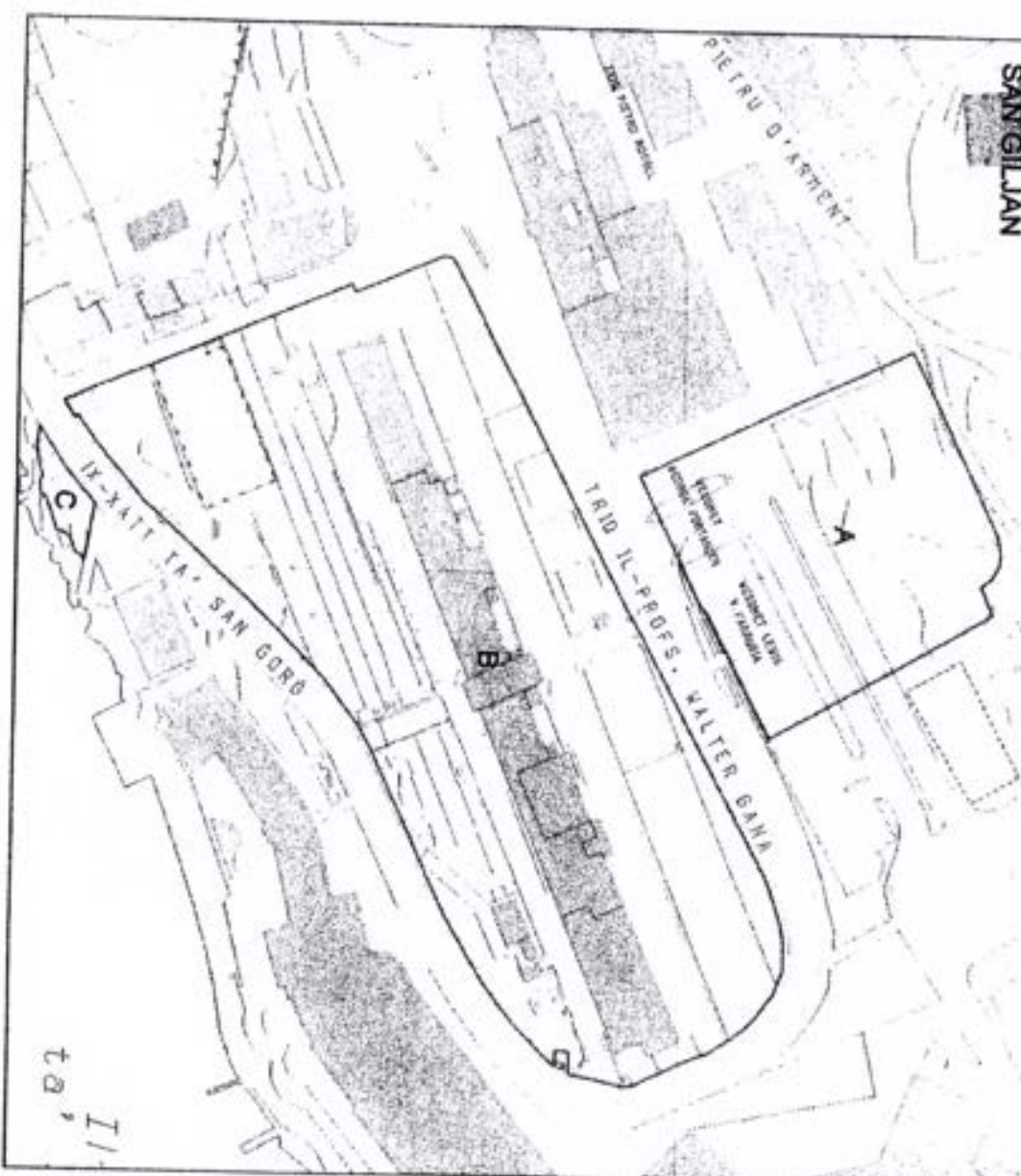
Designation of Signatory _____

Signature _____

Date _____



SITES
AT TRIO IL-PROFS. WALTER GANA
& IX-XATT TA' SAN GORG
SAN GILJAN



A PROPERTY No.: E206755
 AREA : 5559m²

B PROPERTY No.: G27018
 AREA : 18202m²

C PROPERTY No.: E206756
 AREA : 227m²



GOVERNMENT PROPERTY DEPARTMENT
ESTATE MANAGEMENT DIRECTORATE

LOCALITY: PEMBROKE, SAN GILJAN

P.D. NO: 195_98_A_2

SCALE 1:1250

FILE: 1315/86

DRAWN BY:
 (signature)

(sgd. S. Scotto)
A&CE
DATE: 12/11/2015

(sgd. C. Camilleri)
Director Estate Management
DATE: 12/11/2015

25 0 25 50 75 100 125 150 175 m
 Scale 1:1,250

25 0 25 50 75 100 125 150 175 m
 Scale 1:1,250

ANNEX III – FORMAT OF BID BOND

To: Projects Malta Limited
The Clock Tower, Level 1
Tigné Point
Sliema, TP01
Malta

Date: _____

Dear Sirs,

Our Guarantee Number: _____

We refer to the Request for Proposals (hereinafter the "RFP") issued by you on the 13th of November 2015 inviting submission of bid proposals for the Design, Build and Operation of an upmarket mixed tourism and leisure development in St. George's Bay, St. Julian's and to your requirement that each proponent should provide you with a Bid Bond issued by a bank in the amount of one and a half million euro (€1,500,000) to secure:

- (i) the due and proper performance by the proponent of all obligations assumed or to be by him in pursuance of the said RFP (including, without limitation, his obligation to renew the Bid Bond as provided in the RFP);
- (ii) that the proponent will not, during the validity period of the Bid Bond (namely, its initial validity period plus the period of any renewal the proponent is obliged to make in terms of the RFP), withdraw, alter or qualify his proposal;
- (iii) that the relative proponent, if he is chosen as the successful proponent, will enter into the Concession Agreement when called upon to do so as provided in the RFP, and duly provide the performance guarantee as provided for in the RFP.

We also refer to the proposal submitted or being submitted by _____ [*Name of proponent*] (hereinafter the "Proponent").

Now, therefore, we _____ [*Name of Bank*] hereby irrevocably and unconditionally guarantee to pay you on demand a maximum sum of one million and five hundred thousand euro (€1,500,000) in case of breach by the Proponent of any of his obligations referred to in paragraphs (i) to (iii) above.

It is understood that this guarantee will become payable on your first written demand and that it shall not be incumbent upon us to verify whether such demand is justified.

For the avoidance of doubt, it is hereby declared that although this instrument gives rise to legal relations between us as guarantor and yourself, this does not exempt the Proponent from any obligation or undertaking assumed or given by it under or pursuant to the said proposal.

This guarantee expires on _____ unless it is extended or renewed by us or returned to us for cancellation before that date. Any demand made by you for payment must be received in writing not later than the aforementioned expiry date.

This document should be returned to us for cancellation on utilisation or expiry or in the event the guarantee being no longer required by you.

Yours faithfully,

o.b.o [*Name of Bank*] Countersigned by Proponent

Annex IV – Part III of L.N. 214 of 2015

A handwritten signature in blue ink, consisting of stylized cursive letters and a long horizontal flourish.

PART III

Procedure for the submission and hearing of complaints.

30. Any candidate who feels aggrieved either by any decision of a procuring entity in relation to the procurement procedure, including any decision to disqualify and, or exclude a candidate from a procurement procedure, any decision to award a contract, and any inclusion of technical, economic or financial specification in the invitation to tender, contract documents or in any other document relating to such procedure, may, within ten (10) calendar days following the communication date or the date on which the decision was published by the procuring entity, file a complaint at the premises of the procuring entity, which shall deliver the complaint to the Secretary of the Board forthwith:

Complaint
following a
decision.

For the purposes of this regulation, "communication date" means the day on which the procuring entity communicates a decision by fax or electronic means to the candidates, or in the case where the candidates are not yet identified, the day on which the procuring entity communicates that decision by electronic means on its website.

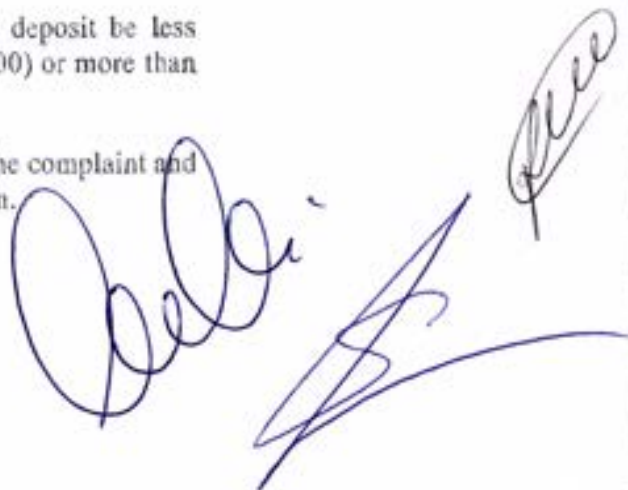
31. The complaint referred to in regulation 30 shall only be valid if:

Validity of
complaint.

(a) accompanied by a deposit in the amount specified by the procuring entity in the procurement procedure, or in the case of procurement procedures initiated prior to the promulgation of these regulations, in the notice issued by the procuring entity in terms of regulation 6:

Provided that in no case shall the deposit be less than one thousand and two hundred euro (€1,200) or more than fifty eight thousand euro (€58,000); and

(b) it sets out in detail the grounds for the complaint and is accompanied by all supporting documentation.



CITY CENTRE @ ST. JULIAN'S

ID	Task Mode	Task Name	Duration	Start	Finish	2016	2017	2018	2019	2020	2021	2022	2023
1		City Centre @ St. Julian's - LEVEL 1 MASTER PLAN	1692 days	Fri 20/01/17	Tue 18/07/23								
2		STAGE 1 - DESIGN, COMMERCIAL TO PLANNING PERMITS	300 days	Fri 20/01/17	Thu 15/03/18								
3		COMMERCIAL	40 days	Fri 20/01/17	Fri 17/03/17								
4		Negotiations with Central Gov (on-going)	8 wks	Fri 20/01/17	Thu 16/03/17								
5		Concession Agreement	0 days	Fri 17/03/17	Fri 17/03/17								
6		DESIGN & PROCUREMENT PROCESS	300 days	Fri 20/01/17	Thu 15/03/18								
7		Detailed Concept Development	12 wks	Fri 20/01/17	Thu 13/04/17								
8		Scheme Design Development	16 wks	Fri 20/01/17	Thu 11/05/17								
9		Detailed Design Development	32 wks	Fri 20/01/17	Thu 31/08/17								
10		Procurement strategy & work packaging phased process	52 wks	Fri 17/03/17	Thu 15/03/18								
11		CONSTRUCTION MANAGEMENT PLANNING & FDP	140 days	Fri 20/01/17	Thu 03/08/17								
12		Preparatory work to full development application, consultations and further studies & reviews	16 wks	Fri 20/01/17	Thu 11/05/17								
13		Full development application full validation, evaluation and granting of permit	16 wks	Fri 14/04/17	Thu 03/08/17								
14		FDP	0 days	Thu 03/08/17	Thu 03/08/17								
15		STAGE 2 - SITE PROJECT WORK	1489 days	Wed 01/11/17	Tue 18/07/23								
16		Phase 1 - Hotel & Tower 1; Tower 2 (sub structure only)	1145 days	Wed 01/11/17	Tue 22/03/22								
17		Phase 1 A - Site Possession, Temporary Facilities & Enabling works	190 days	Wed 01/11/17	Tue 24/07/18								
18		Take over of site (assumed latest date)	0 wks	Wed 01/11/17	Wed 01/11/17								
19		Mobilisation and Temporary Facilities	3 mons	Wed 01/11/17	Tue 23/01/18								
20		Bulk excavations	22 wks	Wed 07/02/18	Tue 10/07/18								
21		Shoring and related works	10 wks	Wed 16/05/18	Tue 24/07/18								

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Deadline
Progress
Manual Progress

Start-only
Finish-only
External Tasks
External Milestone

Manual Task
Duration-only
Manual Summary Rollup
Manual Summary

Project Summary
Inactive Task
Inactive Milestone
Inactive Summary

Task
Split
Milestone
Summary

HRH revision 02
Date: Fri 20/01/17

CITY CENTRE @ ST. JULIAN'S

ID	Task Name	Task Mode	Duration	Start	Finish	MSL	2017	2018	2019	2020	2021	2022	2023
22	Excavations for foundations		8 wks	Wed 30/05/18	Tue 24/07/18								
23	Phase 1B - Shell & Core sub-structure & Super Structure		400 days	Wed 20/06/18	Tue 31/12/19								
24	Sub-structure to podium level		380 days	Wed 20/06/18	Tue 03/12/19								
25	Foundations and Basement Construction Hotel & Tower 1		10 mons	Wed 20/06/18	Tue 26/03/19								
26	Foundations and Basement Construction Tower 2		9 mons	Wed 27/03/19	Tue 03/12/19								
27	Road deviation		3 mons	Thu 07/02/19	Wed 01/05/19								
28	Superstructure Hotel & Tower 1		200 days	Wed 27/03/19	Tue 31/12/19								
29	Construction of core & frame Main Hotel & Amenities		8 mons	Wed 27/03/19	Tue 05/11/19								
30	Construction of core & frame Tower 1		9 mons	Wed 24/04/19	Tue 31/12/19								
31	Phase 1C - MEP & Fit-out		600 days	Wed 30/01/19	Wed 19/05/21								
32	Basements and Main Infrastructure distribution		18 mons	Wed 30/01/19	Tue 16/06/20								
33	External Envelope & water tightness Hotel		12 mons	Wed 14/08/19	Tue 14/07/20								
34	External Envelope & water tightness Tower 1		12 mons	Wed 14/08/19	Tue 14/07/20								
35	Internal fit-out Car Park, Hotel & Amenities		12 mons	Wed 09/10/19	Tue 08/09/20								
36	Internal fit-out Shopping Mall		12 mons	Wed 04/12/19	Tue 03/11/20								
37	Internal fit-out Tower 1		18 mons	Wed 04/12/19	Tue 20/04/21								
38	External Soft landscaping Hotel & Tower 1		3 mons	Wed 24/02/21	Tue 18/05/21								
39	Phase 1 substantial completion		0 days	Wed 19/05/21	Wed 19/05/21								
40	Phase 1D - Commissioning to Soft Opening Hotel		240 days	Wed 21/04/21	Tue 22/03/22								
41	Testing & Commissioning Hotel and Tower 1		8 mons	Wed 21/04/21	Tue 30/11/21								
42	Soft opening process		8 mons	Wed 11/08/21	Tue 22/03/22								

Task

Split

Milestone

Summary

Project Summary

Inactive Task

Inactive Milestone

Inactive Summary

Manual Task

Duration-only

Manual Summary Rollup

Manual Summary

Start-only

Finish-only

External Tasks

External Milestone

Deadline

Progress

Manual Progress

HSH revision 02

Date: Fri 20/01/17

PHAL_rev2

Page 2

CITY CENTRE @ ST. JULIAN'S

ID	Task Mode	Task Name	Duration	Start	Finish	3016	2017	2018	2019	2020	2021	2022	2023
43		Phase 2 - Tower 2 Superstructure to completion	564 days	Wed 19/05/21	Tue 18/07/23								
44		Phase 2A - Shell & Core Tower 2	340 days	Wed 19/05/21	Tue 06/09/22								
45		Remobilization	3 wks	Wed 19/05/21	Tue 08/06/21								
46		Construction of core & frame Tower 2	14 mons	Wed 19/05/21	Tue 14/06/22								
47		External Envelope & water tightness Tower 2	12 mons	Wed 06/10/21	Tue 06/09/22								
48		Phase 2B - MEP & Fit-out Tower 2	260 days	Wed 23/03/22	Tue 21/03/23								
49		MEP & Internal fit-out Tower 2	12 mons	Wed 23/03/22	Tue 21/02/23								
50		External Soft landscaping Tower 2	4 mons	Wed 30/11/22	Tue 21/03/23								
51		Phase 2C - Commissioning to Soft opening	144 days	Wed 28/12/22	Tue 18/07/23								
52		Testing & Commissioning	6 mons	Wed 28/12/22	Tue 13/06/23								
53		Soft opening	4.2 mons	Wed 22/03/23	Mon 17/07/23								
54		Tower 2 complete Overall Project Complete	0 days	Tue 18/07/23	Tue 18/07/23								

High revision 02 Date: Fri 20/01/17	Task Split Milestone Summary	Project Summary Inactive Task Inactive Milestone Inactive Summary	Manual Task Duration-only Manual Summary Rollup Manual Summary	Start-only Finish-only External Tasks External Milestone	Deadline Progress Manual Progress	
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J

Schedule J

Formula determining the calculation of the contribution due in terms of Clause 7.5

For the purposes of calculating the Consideration due in terms of clause seven sub-clause five (7.5) of the Grant, specifically that premium referred to in sub-paragraphs having roman number (ii) and (iii) of the clause here referred, the following formula shall be used:

$$PC = TV - (CoGR + CoTP + RoPG + PPC)$$

Where:

PC means the Payable Consideration due by the Company in terms of clause 7.5 (ii) or (iii), above referred;

TV means the Total Value of the CityCentre Development, which value shall be calculated as follows:

- A. Euro one thousand two hundred and fifty (€1250) per square meter of developable net floorspace area (NFA) of Residential Units and Office Units permitted within the original Development Plan and any subsequent Development Plan which may allow for further developable net floor space area of Residential Units and Office Units;
- B. Euro three hundred and twenty five (€325) per square meter of developable gross floorspace area (GFA) of the Mall and other Commercial Areas which do not form part or are not ancillary and complementary to the Hotel;
- C. Euro fifty (€50) per square meter of developable gross floorspace area (GFA) of Hotel and Commercial Area, provided that the Commercial Area which is deemed to form part of the Hotel and which is ancillary and complimentary thereto shall be such Commercial areas which are within the edifice of the Hotel and its immediate and adjacent grounds and which do not exceed nine thousand five hundred (9,500) square meters;

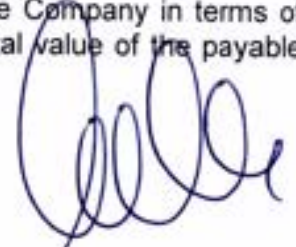
Provided that the values above referred shall be adjusted in accordance with the Immovable Property Price Index published in terms of the Immovable Property Price Index Notice (Subsidiary Legislation 246.08), where the base rate shall be that of the year two thousand sixteen (2016), having the index rate of 155.88. The adjustment shall occur once the developable net floorspace area is determined within the original Development Permit. In the event of any subsequent Development Permits that may permit an increase in developable net floorspace area in addition to that already granted only such additional net floorspace area granted shall be so adjusted.

CoGR means the value of the Capitalisation of the Hotel, Mall and Car Park Ground Rent payments unto Government in terms of clause seven sub-clause one (7.1) of the Grant which Capitalisation has the value of Euro eleven million two hundred and twenty six thousand five hundred and sixty (€11,226,560) using a capitalisation rate of 3.5%.

CoTP means the value of the full potential Conversion of title from Temporary to Perpetual Emphyteusis in terms of Clause eight (8) of the Grant, more specifically but not limitedly Clause eight sub-clause five paragraph one (8.5.1).

RoPE means the full potential value of the Redemption of Perpetual Ground-rent in terms of Clause eight (8) of the Grant, more specifically but not limitedly Clause eight sub-clause eight (8.8).

PPC means the total value of Previously Paid Considerations paid by the Company in terms of Clause seven sub-clause five (7.5) of the Grant which shall reflect the total value of the payable consideration already established and determined in terms of same clause.



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Report to the Lands Authority

**Verification of Ground-rent Payable
and Settlement Claims**
May 2024





Mr Robert Vella
The Chief Executive Officer
Lands Authority
Auberge de Baviere,
Valletta
Attn: Mr Josef Agius

07 May 2024

Dear Sir,

Agreed-upon Procedures - Verification of Ground-rent Payable and Settlement Claims

In accordance with your instructions set out in our Proposal dated 15 March 2024, we have pleasure in enclosing a copy of our report in relation to the agreed-upon procedures performed concerning (i) the verification of ground-rent payable by DB San Gorg Property Limited ("DB San Gorg", "the Company" or "the Emphyteuta") to the Government of Malta ("the Government") and (ii) the verification of Settlement Claims filed by the Company against the Government and the Planning Authority ("PA").

As stated in our Proposal, this report contains the results of the verification procedures performed on the supporting documentations provided by the Company and by the Lands Authority. Hence our Report does not express an opinion or an assurance conclusion.

In preparing our report, our primary source has been the information provided and representations made to us by the Management of DB San Gorg and by the Lands Authority. We do not accept responsibility for such information, which remains the responsibility of both the Company's Management and the Lands Authority. Details of our principal information sources are set out throughout the report and we have satisfied ourselves, so far as possible, that the information presented in our report is consistent with other information which was made available to us in the course of our work.

This report is confidential and has been prepared exclusively for the Lands Authority ("the Contracting Authority"). It should not be used, reproduced or circulated for any other purpose, in whole or in part, without our prior written consent.

Transaction Advisory Services

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To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the addressees hereto for our work, our report and other communications, or for any opinions we have formed. We do not accept any responsibility for any loss or damages arising out of the use of the report by the addressees for any purpose other than in connection with the scope of this report.

Yours faithfully

A handwritten signature in blue ink, appearing to read "G Vella".

Grant Thornton

If you have any questions in respect of this report or its contents, please contact:

George Vella
Partner | Head of Advisory
T +356 2093 1801
E george.vella@mt.gt.com

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01

Executive summary

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Executive summary

Verification of ground-rent payable and settlement claims

- We have been engaged by the Lands Authority (“the Contracting Authority”) to carry out a verification exercise:
 - to review the provisions of the emphyteutical deed dated 1 February 2017 between DB San Gorg Property Limited (“DB San Gorg”, “the Company” or “the Emphyteuta”) and the Government of Malta (“the Government”), along with the approved development and confirm the ground-rent payable calculations by the Emphyteuta, including the validation or otherwise of the following:
 - the net floorspace area of each apartment as well as the corresponding ground-rent allocation;
 - the amounts detailed by the Emphyteuta to convert the ground-rent from temporary to perpetual; and
 - the amounts detailed by the Emphyteuta to redeem the ground-rent of each apartment.
 - to review the costs incurred by the Emphyteuta to verify the related invoices as well as the relevant proof of payment. The ultimate objective is to confirm that there is sufficient evidence that justifies the Claim lodged by the Emphyteuta which amounts to €5.0 million.

Summary of procedures performed

- In verifying the Ground-rent payable, we performed the following procedures:
 - Reviewed and obtained an understanding of the provisions of the original emphyteutical deed;
 - Reviewed the proposed amendments to the deed to ensure that the changes align with the developments as approved by the Planning Authority (“PA”);
 - Compared the Net Floorspace Area as per the residential plans to the Net Floorspace Area as per the computation sheet provided by the Company; and
 - Re-computed the ground-rent payable based on the Net Floorspace Area of the the residential plans for each residential unit under Towers A and B, and using the rates as per the original emphyteutical deed.

Summary of procedures performed (cont.)

- In verifying the Settlement Claims, we performed the following procedures:
 - Reviewed the provisions of the original emphyteutical deed and obtained an understanding of rights and obligations of each Party as agreed;
 - Obtained the list of expenses under each claim as well as the relevant documents supporting such expenses;
 - Performed 100.0% vouching on the documents obtained and verified the nature of the expenses to confirm that they pertain to the City Centre Project; and
 - Additional verification of expenses incurred twice by the Company.

Summary of results

Verification of ground-rent payable

- There have been changes between the Expected Development as indicated in the emphyteutical deed and the Approved Development as per PA/03807/17 which was approved and published by the Planning Authority on 12 July 2023.
- Whereas the original Net Floorspace Area indicated in the emphyteutical deed for residential and office units was at 35,910 sqm and garage spaces at 15,120 sqm, the Approved Development, and the proposed amendments, no longer included office units resulting in a reduction in the total Net Floorspace Area.

Net Floorspace Area – Residential Units and Garage Spaces

Components	as per original emphyteutic deed	as per proposed amendments	Change
Residential Unit ¹	35,910	21,732	(14,178)
Garage spaces	15,120	15,120	-
Total	51,030	36,852	(14,178)

Note ¹ Office Units are no longer part of the Approved Development Permit (PA/03807/17)
Source: Original Emphyteutical Deed; Company’s Letter dated 3 January 2024; and Draft Deed of Amendment

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02

Introduction

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Introduction

Background

- DB San Gorg Property Limited (“DB San Gorg”, “the Company” or “the Emphyteuta”) was incorporated on 22 September 2016 as a limited liability company, with company registration number C 77344 and is domiciled in Malta, having its registered office at DB Seabank Hotel, Marfa Road, Ghadira, Mellieha, MLH9064, Malta.
- On 1 February 2017, the Company entered into a 99-year emphyteutical agreement (“the agreement” or “the deed”) with the Commissioner of Land who appeared on behalf of the Government of Malta (“the Government”). The emphyteutic agreement was for a site in St George’s Bay slated for the development of the db City Centre.
- The deed and the Expected Development, as also outlined in the original development permit application submitted to the Planning Authority (“PA”), proposed a multi-use tourism and leisure development comprising of residential and office units, a hotel, a commercial area, a car park, and a mall.
- There have been changes between the Expected Development as indicated in the emphyteutical deed and the Approved Development as per PA/03807/17 which was approved and published by the Planning Authority on 12 July 2023. Whereas the original Net Floorspace Area (“NFA”) indicated in the emphyteutical deed for residential and office units was at 35,910 sqm and garage spaces at 15,120 sqm, the Approved Development no longer included office units resulting to a reduction in the total Net Floorspace Area from 51,030 sqm down to 36,852 sqm (residential units at 21,732 sqm and garage spaces at 15,120 sqm).
- According to the emphyteutical deed, a total annual ground rent of €1,562,509 shall be payable by the Emphyteuta to the Government, out of which €1,169,579 is to be allocated for redemption purposes based on the NFA for residential units, office units, and garage spaces as mentioned above. In accordance with the reduction in NFA, the Company is proposing for the annual ground-rent payable to be reduced to €1,112,784. In the interim, the ground rent was temporarily reduced to €1,000 per annum until the issuance of a certificate of completion by an architect
- A reimbursement totalling €5.0 million (“the Settlement Claim”) is also being filed for costs incurred by DB San Gorg. The Claim is two-fold with the First Claim of €1.2 million filed against the Government pertaining to construction, finishes, refurbishment and improvements costs incurred by the Company in relation to the relocation of the ITS from St. Julian’s to an alternative site situated in Luqa. The Second Claim, amounting to €3.8 million, is being filed against the PA by reason of the alleged undue delay in the approval process leading to the issue of the full and final development permit relative to the City Centre Project (PA/03807/17).

Our scope of work - agreed-upon procedures

- Grant Thornton has been engaged by the Lands Authority (“the Contracting Authority”) to carry out a verification exercise:
 - to review the provisions of the emphyteutical deed along with the approved development and confirm the ground rent payable by the Emphyteuta, including the verification of amounts detailed by the Emphyteuta to convert the ground-rent from temporary to perpetual and the amounts to redeem the ground-rent of each apartment; and
 - to review the costs incurred by the Emphyteuta to verify the related invoices as well as the relevant proof of payment. The ultimate objective is to confirm that there is sufficient evidence that justifies the Claim lodged by the Emphyteuta which amounts to €5.0 million.
- We have performed the following procedures, which were agreed with the Contracting Authority, to verify the Ground-rent payable and the Settlement Claim:
 - Facilitated a kick-off meeting, with representatives from both the Contracting Authority and the Company, to confirm our understanding of the engagement and ensure alignment of the purpose, timeline and our final deliverables;
 - Obtained the relevant documents and information to aid our understanding and analysis. Data request included (1) the emphyteutical agreement and any annexes and amendments proposed thereto; (2) the decision notices and approved permit issued by the PA relative to the Project; (3) the revised development plans and ground-rent payable workings; (4) the details of the Settlement Claim including the relevant invoices, supporting documents, and proofs of payment.
 - Verification of ground-rent payable entailed reviewing the terms of the emphyteutical deed and its annexes to gain an understanding of the methodology used for computing the ground-rent as originally agreed by the Parties, as well as outlining the rights and responsibilities of each party to the contract. The decision notices and the final permit as issued by the PA were also evaluated with the objective of comparing the developments in the approved permit against the developments stated in the emphyteutical deed, noting the changes and amendments. Using mathematical computation aligned with the original computation, we verified the derived ground-rent payable for the approved development.
 - In verifying the Settlement Claim, we examined in detail the list of expenses submitted by the Company and the related supporting documents. This involved a confirmation of the nature and timing of the expenses and an assessment of their eligibility based on established criteria.

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Introduction (cont.)

Assumptions and limitations

- In verifying the ground-rent payable:
 - i. We have only performed the re-computation of the ground-rent allocated to the Residential Units as the other Components of the development remain unchanged. Consequently, when computing the total annual ground rent for the entire property, we retained the previous amounts determined for the other components and aggregated them to the recomputed residential ground-rent without further alteration.
 - ii. We referred to Net Floorspace Area (Internal Area) in the provided Residential Tower Plans to align with the basis used in the original emphyteutical deed.
 - iii. We have relied on the Residential Rates outlined in the original emphyteutical deed under Clause 7.1 and Clause 8.2.2, as the deed states that, *“the ground-rent is being so provided, as the realizable value for the residential units in terms of the formula determining the calculation of the contribution is not only diverse in terms of a monetary expected return but also subject to further prospective return on the option to convert the title of such unit from a temporary to a perpetual one”*. It was confirmed with the Parties that providing an opinion on the applicability of the rate used in the deed is outside of our scope.
 - iv. In computing for the premium payable by a Transferee to convert the ground-rent from temporary to a perpetual freehold title, we utilised the premium rates indicated in Clause 8.5.1 of the emphyteutical deed. Furthermore, in computing for the amount payable to redeem the ground-rent for each apartment, we utilised the capitalisation rate of 5.0% as stated under Clause 8.8 of the emphyteutical deed.
- In verifying the settlement claim:
 - i. We were engaged to verify and validate costs and expenses up to €5,000,000 – the breakdown of which was provided to us in the list of costs and expenses forwarded by the Company.
 - ii. Our verification procedures primarily focused on examining the nature of each expense such that they pertain to the City Centre Project and ensuring that adequate supporting documents for declared expenses are in place.

Assumptions and limitations (cont.)

- iii. Furthermore, in terms of the Second Claim, we have identified expenses specifically incurred between the periods of 03 April 2017 (*the Company's submission date for permit application to the PA*) and 01 October 2018 (*the publication date of the PA's first decision notice*) and subsequently verified whether or not such costs were incurred twice or if their related contracts were extended as a result of the alleged delay of the PA in the processing of the development permit.

Professional standards

Our engagement was conducted in accordance with the International Standard on Related Services (ISRS) 4400, Agreed-Upon Procedures Engagements. In performing the agreed-upon procedures engagement, we have complied with the Code of Ethics for Professional Accountants issued by IESBA, which does not require us to be independent.

An agreed-upon procedures engagement performed under ISRS 4400 (Revised) involves our performing the procedures agreed with you and communicating the findings in the agreed-upon procedures report. Findings are the factual results of the agreed-upon procedures performed. The Contracting Authority acknowledges the procedures are appropriate for the engagement. We make no representation regarding the appropriateness of the procedures. This agreed-upon procedures engagement will be conducted on the basis that the Company and the Contracting Authority are responsible for the subject matter on which the agreed-upon procedures are performed.

Furthermore, this agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

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Key dates and events

 13 Nov 2015 The Government issued a Request for Tender Proposals for the Design, Build and Operation of an upmarket tourism and leisure development in St. George's Bay, St. Julian's on the site formerly occupied by the Institute for Tourism Studies.	 15 Jan 2016 A joint venture of companies ("the JV") affiliated to the db Group, was successfully identified as the Preferred Proponent following a short-listing exercise based on proposals submitted in response to the Request for Tender Proposal issued by the Government.	 22 Sep 2016 DB San Gorg Property Limited was registered as a limited liability company, with registration no. C 77344. The Company was formed by the JV to undertake and oversee the City Centre Development.	 01 Feb 2017 The Emphyteutical Deed between the Company and the Commissioner of Land, appearing for and on behalf of the Government of Malta, was signed.	 03 Apr 2017 Application Requirements for the Project were submitted by the Company to the PA, as outlined in case number PA/03807/17. The application outlined the Expected Development as described in the emphyteutical deed.
 01 Oct 2018 The first Decision Notice was issued by the PA to approve PA/03807/17 on the full development as applied for by the Company.	 15 Mar 2019 Application of Appeal against the PA's approval of PA/03807/17 was filed by residents, NGOs and local councils opposing the Project.	 19 Jun 2019 Court of Appeal Judgment was issued ruling the PA's approval of PA/03807/17 to be null and void, on the grounds of conflict of interest concerning a PA board member who voted on the City Centre Project.	 12 Jul 2019 The Company filed a Judicial Protest on 12 July 2019, 06 July 2021, and 4 July 2023 for undue delays in the process leading to the issue of the full development permit relative to the Project.	 12 Jul 2023 The final Decision Notice on PA/03807/17 was published by the PA, granting full development permission on revised plans.

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03

The Emphyteutical Deed

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Overview of the Emphyteutical Deed

Overview

- On 1 February 2017, DB San Gorg entered into an agreement with the Commissioner of Land, appearing in the name, for and on behalf of the Government, for a temporary emphyteusis on a divided portion of land situated in St. George's Bay, St. Julian's - the site formerly occupied by the Institute for Tourism Studies ("the Site" or "the Property"). The agreement includes all the amenities constructed thereupon and with airspace and subterranean levels having a total measurement of c. 23,975 sqm
- The Site is divided into three separate portions, as illustrated in the adjacent page.

Site A	Area: 5,536 sqm Property No.: E268755
Site B	Area: 18,202 sqm Property No.: G27018
Site C	Area: 237 sqm Property No.: E268756
Total	23,975 sqm

- The temporary emphyteutical grant is being granted by the Government, and accepted by the Company, for a period of 99 years commencing from the date of publication of the deed.
- DB San Gorg and the Government, hereinafter referred to as the Parties, agree that the former will undertake the development of an upmarket mixed tourism and leisure project ("the Project" or "the City Centre Project" or "the City Centre Development"), which includes the construction on the Site, in complete state, the proposed Components as originally outlined in the proposal submitted by the Company in response to the Government's Request for Tender Proposal ("RFP") issued in November 2015.
- The Components of the City Centre Development originally includes a hotel and commercial area, a mall, a car park, towers housing residential and office units, and an area allotted for public spaces (collectively, "the Expected Development").

The Site



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The Expected Development

The Components of the Expected Development

- 1 The Towers (Residential and Office Units)
- 2 The Hotel and Commercial Area
- 3 The Mall
- 4 The Car Park / Garage Spaces
- 5 Public Spaces



- Clause 6 of the Emphyteutical Deed states that the Company shall immediately apply for the Expected Development, this being the foreseen development of the Property in terms of the original proposal presented by the Company in response to the RFP which provided for the development of a Hotel, a number of offices, residential units, a retail mall, parking spaces and open spaces.
- Under Clause 1, Expected Development is described as only representing the Company's intentions and does not imply any guarantees or certainty that such development will be permitted by the relevant regulatory authorities. Neither does it in any way inhibit the Company for applying to its advantage for any additional permit after any future changes to local Planning Policies to further increase the development.
- The Parties further agree that when constructed, *(as extracted from the deed)*:
 - **The Towers** shall provide facilities including apartments and other lodging facilities, as well as offices, business centres, facilities management centres, employee facilities, parking facilities and other similar, ancillary or related facilities;
 - **The Hotel and Commercial Area** shall provide a hotel, restaurants, coffee shops and other catering outlets, retail outlets, entertainment, leisure and gaming facilities, clubs, lido and water sports facilities, health and fitness centres, parking facilities and other similar, ancillary or related activities;
 - **The Mall** shall provide retail, food and beverage facilities, leisure and gaming facilities, food malls, super markets, restaurants, coffee shops, catering outlets, employee facilities and other similar, ancillary or related facilities;
 - **The Car Park** shall provide parking facilities to guests of the Hotel, clients of the Commercial Area and the Mall, occupants of the Towers, employees working at and service providers or suppliers to the City Centre, and the general public, and this at such charge as may be determined by the Company from time to time;
 - **Public Areas** made accessible free of charge to the general public, the control in respect of public order and policing of which will be the responsibility of the Government whereas the management, upkeep, maintenance, repair and cleanliness of the spaces will be the sole and exclusive responsibility of the Company.
- In terms of the deed, Developable Area means the total sum of
 - i. the Gross Floorspace Area allocated to the Hotel and Commercial Area, Mall and Car Park; and
 - ii. the Net Floorspace Area allocated to the Residential Units, Office Units and Garage Spaces in the development permit.

Source: The Emphyteutical Deed dated 1 February 2017 between the Government of Malta and DB San Gorg Property Limited

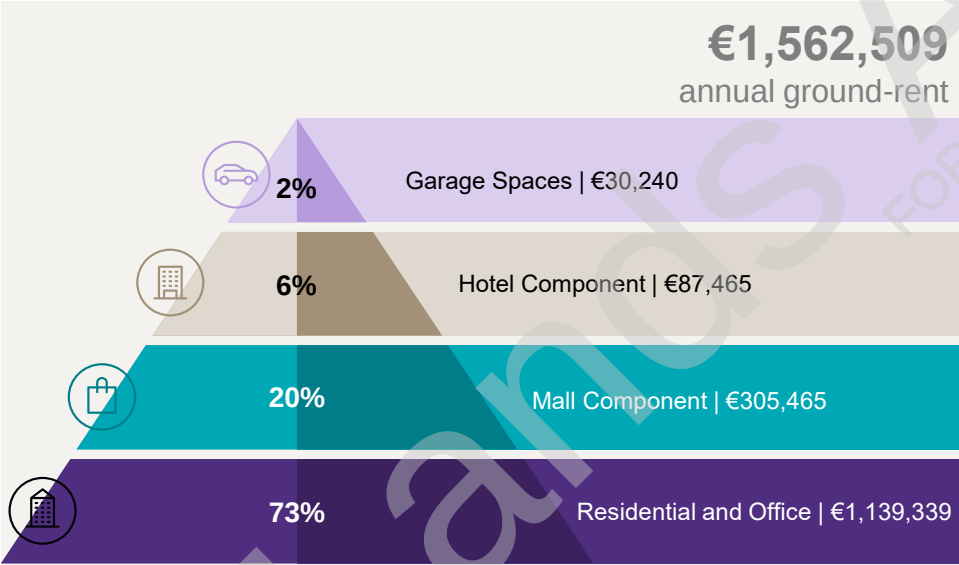
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Ground-rent and Net Floorspace Area

Clause 7.1 and 7.2 of the Emphyteutical Deed

- Clause 7 of the deed provides that the Emphyteutic Grant is being made in consideration of the annual temporary ground rent of €1,562,509, which shall be revised upwards on the lapse of five years reckoned from the date of issuance of the Certificate of Completion by the Architect in respect of the Project or, after the lapse of 60 months from the date of the deed, whichever occurs first.
- The inflation rate to be taken shall be the official rate of inflation published in respect of the year immediately preceding the year when the ground-rent is to be increased and on the lapse of every subsequent five year period.
- The ground-rent is split between the Components of the Expected Development as follows:

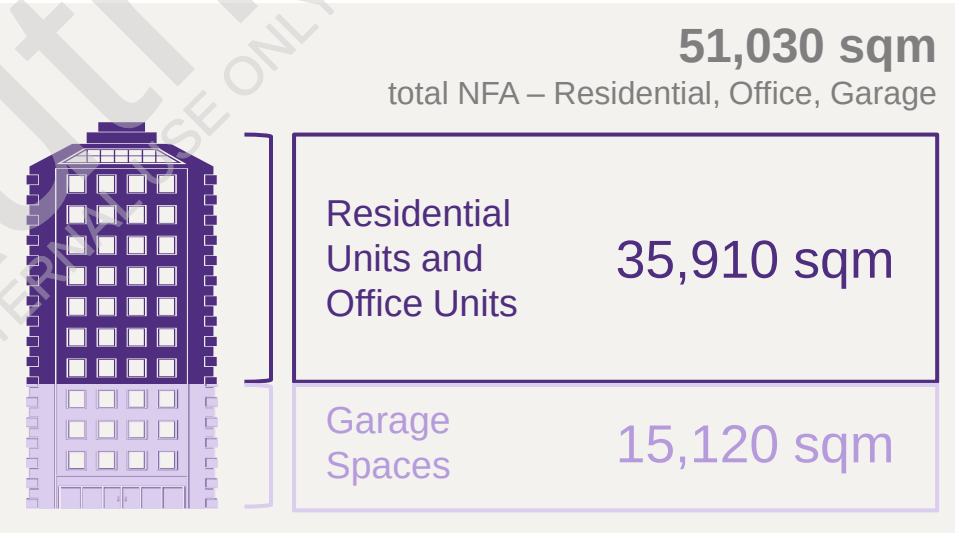
Annual ground-rent composition



Source: The Emphyteutical Deed dated 1 February 2017 between the Government of Malta and DB San Gorg Property Limited

- Out of the total ground-rent, the sum of €1,169,579 is allocated for redemption purposes based on the Net Floorspace Area as identified in the Expected Development for Residential Units, Office Spaces (GR: €1,139,339), and Garage Spaces (GR: €30,240).

Net Floorspace Area - Residential and Office Unit, Garage Spaces



Source: The Emphyteutical Deed dated 1 February 2017 between the Government of Malta and DB San Gorg Property Limited

- The deed provides that in the event the NFA identified in the Expected Development is not permitted in the Development Permit, the ground-rent payable in respect of the component of the development allocated towards Residential Units, Office Units, and Garage Spaces for resale, shall increase or decrease, as the case may be, adjusted in accordance with the rates indicated in Clause 8.2.2 of the deed.
- The ground-rent is irrevocably abated by the Government in favour of the Company to a nominal amount of €1,000 per annum and the same shall remain applicable until the Certificate of Completion is issued by the Architect in respect of the Project or the lapse of five years from the date of the deed, whichever occurs first.

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Transfer Rates and Premiums

Clause 8.1 and 8.2 of the Emphyteutical Deed

- By virtue of Clause 8.1 of the deed, the Company is entitled to freely transfer by any title, the Residential Units, Office Units and Garage Spaces forming part of the Project to any person ("the Transferee") without obtaining the prior consent of the Government. In the event of any transfer, the ground-rent shall be divided and the part so transferred shall be subject to a divided part of the ground-rent. Therefore, the ground-rent payable by the Company shall be reduced by an equivalent amount.
- Clause 8.2.2 of the deed further provides that, "...following the issuing of the Development Permit over the Site and this a clear identification of all prospective units would be available to both the Government and the Company, the same parties herein on the deed bind themselves to enter into a declaratory deed of prospective divisibility of ground-rent payment due on each and every property approved in such Development Permit...".
- The Parties agree that the ground-rent payable in respect of the part so transferred shall be calculated by multiplying the following rates by the NFA of the acquired unit:

Transfer rates

Types	Rate per NFA of acquired unit (€/sqm)
Residential Rate - for residential units	31.72
Leisure Rate - for office units	31.72
Garage Rate - for garage spaces	2.00

Source: The Emphyteutical Deed dated 1 February 2017 between the Government of Malta and DB San Gorg Property Limited

- In the event that the Expected Development is not permitted, the above proposed divisibility of ground-rent payable shall vary to represent the change in the Net Floorspace Area permitted for Residential Units, Office Units, and Garage Space on a pro-rata basis.

Clause 8.5 and 8.8 of the Emphyteutical Deed

- Clause 8.5.1 of the deed provides that the Transferee of any Residential and/or Office Units and/or Garage Spaces forming part of the Project, shall have the right, at any time, to convert his title into a title of perpetual emphyteusis, subject to the additional payment by the Transferee to the Government of a premium equivalent to the following amounts per square metre of Net Floorspace Area:

Premiums

Types	Rate per NFA of converted unit (€/sqm)
Residential Unit	167.00
Office Unit	167.00
Garage Space	33.00

Source: The Emphyteutical Deed dated 1 February 2017 between the Government of Malta and DB San Gorg Property Limited

- Clause 8.8 also provides that any person who converts his title from a temporary emphyteusis to a perpetual revisable emphyteusis, shall be entitled to immediately redeem the ground-rent burdening his property at the capitalisation rate of 5.0% of the *pro-tempore* ground-rent (without abatement).

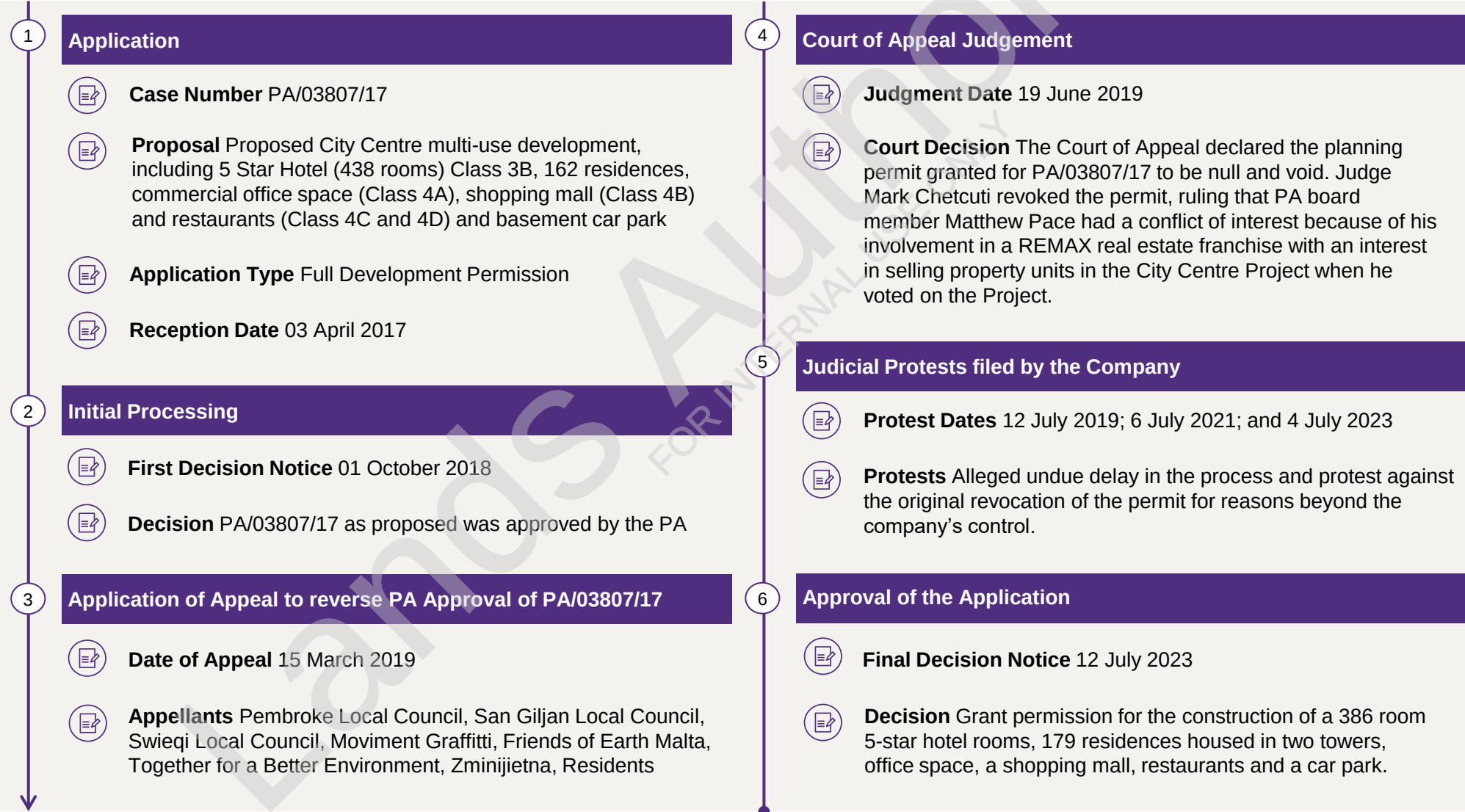
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04

**Approved Development and
Proposed Amendments to the Deed**

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Planning Authority Case Number PA/03807/17



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Overview of proposed amendments to the deed

Excerpts from the Company's Letter and the draft Deed of Amendment

- In a letter addressed to the Lands Authority and dated 3 January 2024, the Company detailed its proposal to modify certain provisions within the original Emphyteutical Deed dated 1 February 2017. This request follows the approval of PA/03807/17 by the PA, which was published on 12 July 2023.
- The following provisions lifted from the Company's Letter and the draft Deed of Amendment are highlighted within this Report, as they bear direct correlation to the verification exercise integral to the scope of this engagement.

Ground-rent and Net Floor Space Area

- The current ground rent prior to any revisions amounts to €1,562,509 as per the original emphyteutical deed, split into €1,139,339 for redemption purposes on the expected residential development, €30,240 for garages spaces, €305,465 for the mall component (retail development), and €87,465 for the hotel or hospitality component.
- In the draft deed of amendment, the Parties agree *“that the said ground-rent (payable for the first 99 years of the emphyteutical concession) shall be €1,112,784 payable per annum, which is to be revised upwards in accordance with the same mechanism set out in Clause 7.1 of the Original Deed...”*.
- The Company's Letter further states that *“as laid down in Clause 7.1 and 8.2.2 of the original deed, the ground rent component referring to the allocation for redemption purposes of the proposed Net Floorspace Area in the Expected development and the area for garage space for resale is now crystalised and certain. This is now to be read and worked out in line with approved development permit number PA/03807/17”*
- The NFA designated as Residential Units is now decreased from 35,910 sqm to 21,732 sqm – office units are no longer part of the approved development - and that, accordingly, the sum of €1,139,339 per annum (being the sum allocated for redemption purposes based on NFA originally of 35,910 sqm) is now changed to the sum of €689,614 per annum. It should be noted that, in the computation sheet provided by DB San Gorg, the residential unit ground-rent of €689,614 includes an additional rounding up figure of €274.
- The Parties also further declare that the NFA of the Garage Spaces and the ground-rent allocation of the garage spaces and other Components in the Expected Development (i.e. the Hotel Component and the Mall Component) remain unchanged.

Below tables present a comparison of the changes between the original emphyteutic and proposed amendments by DB San Gorg to the deed.

Net Floorspace Area – Residential Units and Garage Spaces

Components	as per original emphyteutic deed	as per proposed amendments	Change
Residential Unit ¹	35,910	21,732	(14,178)
Garage spaces	15,120	15,120	-
Total	51,030	36,852	(14,178)

Note ¹ Office Units are no longer part of the Approved Development Permit (PA/03807/17)
Source: Company's Letter dated 3 January 2024 and Draft Deed of Amendment

Ground-rent and ground-rent allocation (€)

Components	as per original emphyteutic deed	as per proposed amendments	Change
Residential Unit ¹	1,139,339	689,614	(449,725)
Mall Component	305,465	305,465	-
Hotel Component	87,465	87,465	-
Garage spaces	30,240	30,240	-
Total	1,562,509	1,112,784	(449,725)

Note ¹ Office Units are no longer part of the Approved Development Permit (PA/03807/17)
Source: Company's Letter dated 3 January 2024 and Draft Deed of Amendment

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05

Verification Procedures

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Verification of Ground-rent Payable

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Methodology, assumptions and limitations

Methodology

- To verify whether the ground-rent as proposed by the Company in its letter to the Lands Authority is fair or otherwise, taking into consideration the approved development permit, we have outlined the below procedures performed.
- Procedures 01 and 02 were discussed in detail in the preceding sections. The succeeding slides will explore Procedure 03 and 04.
- Procedures 03 and 04 focus on establishing the Net Floorspace Area (*Residential Units*) that will serve as the basis of the residential ground-rent and determining the appropriate rate per sqm to be applied.
- The re-computation follows a straightforward mathematical calculation, multiplying the confirmed area of the residential units by the rate per sqm (Clause 8.2.2).

Assumptions and limitations

- We have only performed the re-computation of the ground-rent allocated to the Residential Units as the other Components of the development remain unchanged. Office Units are also no longer part of the Approved Development Permit (PA/03807/17). Consequently, when computing the total annual ground rent for the entire property, we retained the previous amounts determined for the other components and aggregated them to the recomputed residential ground-rent without further alteration.

Assumptions and limitations (cont.)

- We referred to Net Floorspace Area (Internal Area) in the provided Residential Tower Plans to align with the basis used in the original emphyteutical deed.
- We have relied on the Residential Rates outlined in the original emphyteutical deed under Clause 7.1 and Clause 8.2.2, as the deed states that, *“the ground-rent is being so provided, as the realizable value for the residential units in terms of the formula determining the calculation of the contribution is not only diverse in terms of a monetary expected return but also subject to further prospective return on the option to convert the title of such unit from a temporary to a perpetual one”*. It was confirmed with the Parties that providing an opinion on the applicability of the rate used in the deed is outside of our scope.
- In computing for the premium payable by a Transferee to convert the ground-rent from temporary to a perpetual freehold title, we utilised the premium rates indicated in Clause 8.5.1 of the emphyteutical deed. Furthermore, in computing for the amount payable to redeem the ground-rent for each apartment, we utilised the capitalisation rate of 5.0% as stated under Clause 8.8 of the emphyteutical deed.

Procedures performed

01

Reviewed and obtained an understanding of the provisions of the original emphyteutical deed

02

Reviewed the proposed amendments to the deed to ensure that the changes align with the developments as approved by the Planning Authority

03

Compared the Net Floorspace Area as per the residential plans to the Net Floorspace Area as per the computation sheet provided by the Company

04

Re-computed the ground-rent payable based on the Net Floorspace Area of the residential plans for each residential unit under Towers A and B, and using the rates as per the original emphyteutical deed

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Residential Towers

Verification of Net Floorspace Area

- We obtained the ground rent and redemption sheets from the Company, which details the Net Floorspace Area of each residential unit per level for Towers A and B. Additionally, we obtained the plans for each unit per level for both towers and compared the NFA indicated in these documents. The below tables present the results of the comparison.

Tower A - Net Floorspace Area

sqm	as per DB Sheet	as per Residential Plans	Difference
Level 0	564.3	550.2	14.1
Level 0 - Mezzanine	626.5	608.6	17.9
Level 1	626.5	608.6	17.9
Level 2	641.6	622.2	19.4
Level 3	626.5	608.6	17.9
Level 4	641.6	622.2	19.4
Level 5	626.5	608.6	17.9
Level 6	641.6	622.2	19.4
Level 7	626.5	608.6	17.9
Level 8	641.6	622.2	19.4
Level 9	626.5	608.6	17.9
Level 10	641.6	622.2	19.4
Level 11	626.5	608.6	17.9
Level 12	641.6	622.2	19.4
Level 13	626.5	608.6	17.9
Level 14	641.6	622.2	19.4
Level 15 - Penthouse	540.3	526.5	13.8
Level 16 - Penthouse	481.0	463.4	17.6
Level 17 - Penthouse	120.3	115.6	4.7
Total - Tower A	11,209.1	10,879.9	329.2

Source: DB San Gorg Ground-rent and Redemption Sheets; Residential Tower Plans; Grant Thornton Analysis

Tower B - Net Floorspace Area

sqm	as per DB Sheet	as per Residential Plans	Difference
Level 0	610.0	586.0	24.0
Level 0 - Mezzanine	621.0	596.4	24.6
Level 1	621.0	596.4	24.6
Level 2	626.8	609.0	17.8
Level 3	621.0	596.4	24.6
Level 4	626.8	609.0	17.8
Level 5	621.0	596.4	24.6
Level 6	626.8	609.0	17.8
Level 7	621.0	596.4	24.6
Level 8	626.8	609.0	17.8
Level 9	621.0	596.4	24.6
Level 10	626.8	609.0	17.8
Level 11	621.0	596.4	24.6
Level 12	626.8	609.0	17.8
Level 13	621.0	596.4	24.6
Level 14 - Penthouse	564.3	549.3	15.0
Level 15 - Penthouse	520.6	505.8	14.8
Level 16 - Penthouse	99.3	93.6	5.7
Total - Tower B	10,522.9	10,159.9	363.0
Total - Tower A and B	21,732.0	21,039.8	692.2

Results

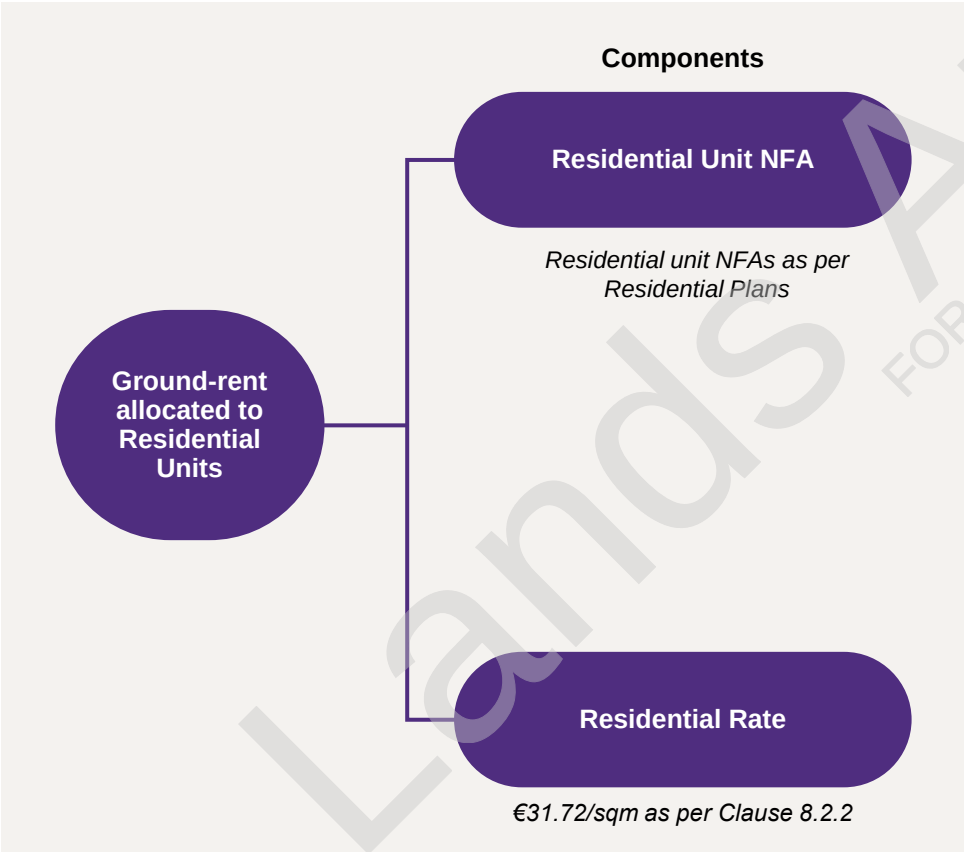
- We noted that the total Net Floorspace Area as indicated in the Residential Tower Plans is lower by 692.2 sqm when compared to the Net Floorspace Area used by the Company in its computation sheet.
- With respect to the re-computation of the ground-rent allocated to the Residential Units, we have made use of the Net Floorspace Area as per the Residential Plans.

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Ground-rent allocated to Residential Units

Re-computation

- As previously discussed, we utilised the transfer rates outlined in the original emphyteutical deed in re-computing for the total ground-rent allocated to each residential unit. Under Clause 8.2.2, the Residential Rate is €31.72/sqm based on a prospective divisibility of the original ground-rent payment due on each unit.
- A more detailed breakdown for each apartment unit is presented in Appendix B of this report.



Grant Thornton re-computation (cont.)

€	Tower A	Tower B	Total
Level 0	17,452	18,588	36,040
Level 0 - Mezzanine	19,305	18,918	38,223
Level 1	19,305	18,918	38,223
Level 2	19,736	19,317	39,054
Level 3	19,305	18,918	38,223
Level 4	19,736	19,317	39,054
Level 5	19,305	18,918	38,223
Level 6	19,736	19,317	39,054
Level 7	19,305	18,918	38,223
Level 8	19,736	19,317	39,054
Level 9	19,305	18,918	38,223
Level 10	19,736	19,317	39,054
Level 11	19,305	18,918	38,223
Level 12	19,736	19,317	39,054
Level 13	19,305	18,918	38,223
Level 14	19,736	17,424	37,160
Level 15 - Penthouse	16,701	16,044	32,745
Level 16 - Penthouse	14,699	2,969	17,668
Level 17 - Penthouse	3,667	-	3,667
Total	345,110	322,272	667,382

€	Amount computed
As per DB San Gorg computation	689,614
As per Grant Thornton computation	667,382
Difference	22,232

Source: Grant Thornton Analysis

Results

- The ground-rent payable allocated to residential units as per our re-computation amounts to €667,382.
- Our resultant figure is lower by €22,232 when compared to the amount proposed by DB San Gorg of €689,614 due to the 692.2 sqm difference in the Net Floorspace Area as explained in the previous page. Furthermore, the computation provided by DB San was rounded up by €274.

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Annual ground-rent payable

Annual ground-rent payable

- On the basis of (i) Net Floorspace Area as obtained from the Residential Tower Plans of Towers A and B and (ii) the Residential Rate of €31.72 per sqm under Clause 8.2.2 of the original emphyteutical deed, we have computed an annual ground-rent payable allocated to Residential Units amounting to €667,382.
- We, therefore, arrive at a revised total annual ground-rent for the amended development of €1,090,552. This amount is obtained by adding the original ground-rent allocated to other components of the development to the re-computed residential ground-rent.

Re-computed annual ground rent and ground-rent allocation

€	Annual ground-rent
Residential Unit ¹	667,382
Mall Component	305,465
Hotel Component	87,465
Garage spaces	30,240
Annual ground-rent	1,090,552

Note: 1. Office Units are no longer part of the Approved Development Permit (PA/03807/17).
Source: 1. Residential Tower Plans; 2. The Original Emphyteutical Deed; 2. Grant Thornton Analysis

Comparison of computed annual ground-rent

€	DB San Gorg	Grant Thornton	Difference
Residential Unit ¹	689,614	667,382	22,232
Mall Component	305,465	305,465	-
Hotel Component	87,465	87,465	-
Garage spaces	30,240	30,240	-
Annual ground-rent	1,112,784	1,090,552	22,232

Note: 1. Office Units are no longer part of the Approved Development Permit (PA/03807/17).
Source: 1. The Original Emphyteutical Deed; 2. DB San Gorg Computation Sheet; 3. Grant Thornton Analysis

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Conversion of ground-rent from temporary to perpetual freehold title

- Clause 8.5.1 of the Emphyteutical Deed states that, a Transferee (*a person to whom the title to any of the Residential Units or Garage Space is transferred by the Company*) shall have the right to convert his title to that of perpetual emphyteusis, subject to the additional payment by the Transferee to the Government of a premium equivalent to €167 per sqm of the related Net Floorspace Area, exclusive of external terraces and other spaces of the Residential Units, and €33 per sqm of Net Floorspace Area of the Garage spaces, held by the Transferee on temporary basis.
- Using the above rates, we have computed a total conversion premium of €3,513,647 for the Residential Units on the basis of the Net Floorspace Area indicated in the respective residential tower plans of Towers A and B. For Garage Spaces, on the other hand, we obtained a total of €498,960 computed by multiplying its approved Net Floorspace Area of 15,120 sqm by the applicable rate of €33 per sqm.
- DB San Gorg has proposed a total conversion premium for Residential Units amounting to €3,629,249. Our resultant figure of €3,513,647 is, therefore, lower by €115,602 as a result of a lower NFA reference (as per Residential Plans). A more detailed breakdown for each apartment unit is presented in Appendix B of this report.

Ground-rent conversion (Residential Units)

Unit	Net Floorspace Area (sqm) ¹	Conversion Premium (€/sqm)	Amount (€)	Unit	Net Floorspace Area (sqm) ¹	Conversion Premium (€/sqm)	Amount (€)
Tower A				Tower B			
Level 0	550.2	167	91,883	Level 0	586.0	167	97,862
Level 0 - Mezzanine	608.6	167	101,636	Level 0 - Mezzanine	596.4	167	99,599
Level 1	608.6	167	101,636	Level 1	596.4	167	99,599
Level 2	622.2	167	103,907	Level 2	609.0	167	101,703
Level 3	608.6	167	101,636	Level 3	596.4	167	99,599
Level 4	622.2	167	103,907	Level 4	609.0	167	101,703
Level 5	608.6	167	101,636	Level 5	596.4	167	99,599
Level 6	622.2	167	103,907	Level 6	609.0	167	101,703
Level 7	608.6	167	101,636	Level 7	596.4	167	99,599
Level 8	622.2	167	103,907	Level 8	609.0	167	101,703
Level 9	608.6	167	101,636	Level 9	596.4	167	99,599
Level 10	622.2	167	103,907	Level 10	609.0	167	101,703
Level 11	608.6	167	101,636	Level 11	596.4	167	99,599
Level 12	622.2	167	103,907	Level 12	609.0	167	101,703
Level 13	608.6	167	101,636	Level 13	596.4	167	99,599
Level 14	622.2	167	103,907	Level 14 - Penthouse	549.3	167	91,733
Level 15 - Penthouse	526.5	167	87,926	Level 15 - Penthouse	505.8	167	84,469
Level 16 - Penthouse	463.4	167	77,388	Level 16 - Penthouse	93.6	167	15,631
Level 17 - Penthouse	115.6	167	19,305	Total - Tower B	10,159.9	167	1,696,703
Total - Tower A	10,879.9	167	1,816,943	Total - Tower A and B	21,039.8	167	3,513,647

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Redemption of ground-rent

- Clause 8.8 of the emphyteutical deed states that, “Any person who converts his title from a temporary emphyteusis to a perpetual revisable emphyteusis, shall be entitled to immediately redeem the ground-rent burdening his property at the capitalisation rate of 5.0% of the pro tempore ground-rent (without abatement).”
- This means that, in re-computing for the redemption of ground-rent, the annual ground-rent is multiplied by 20 (i.e. 1 / 5.0%) – the figure obtained then becomes the amount that needs to be paid by the Transferee to the Government.
- The Company, in its computation sheet, has proposed a total of €13,792,280 computed by multiplying its proposed ground-rent of €689,340 by 20. Consequently, our computed figure €13,347,649, as per below table, is lower than the Company's proposed amount by €444,631.
- A more detailed breakdown for each apartment unit is presented in Appendix B of this report.

Redemption of ground-rent (Residential Units)

€	Groundrent	Multiplier	Redemption	€	Groundrent	Multiplier	Redemption
Tower A				Tower B			
Level 0	17,452	20	349,047	Level 0	18,588	20	371,758
Level 0 - Mezzanine	19,305	20	386,096	Level 0 - Mezzanine	18,918	20	378,356
Level 1	19,305	20	386,096	Level 1	18,918	20	378,356
Level 2	19,736	20	394,724	Level 2	19,317	20	386,350
Level 3	19,305	20	386,096	Level 3	18,918	20	378,356
Level 4	19,736	20	394,724	Level 4	19,317	20	386,350
Level 5	19,305	20	386,096	Level 5	18,918	20	378,356
Level 6	19,736	20	394,724	Level 6	19,317	20	386,350
Level 7	19,305	20	386,096	Level 7	18,918	20	378,356
Level 8	19,736	20	394,724	Level 8	19,317	20	386,350
Level 9	19,305	20	386,096	Level 9	18,918	20	378,356
Level 10	19,736	20	394,724	Level 10	19,317	20	386,350
Level 11	19,305	20	386,096	Level 11	18,918	20	378,356
Level 12	19,736	20	394,724	Level 12	19,317	20	386,350
Level 13	19,305	20	386,096	Level 13	18,918	20	378,356
Level 14	19,736	20	394,724	Level 14 - Penthouse	17,424	20	348,476
Level 15 - Penthouse	16,701	20	334,012	Level 15 - Penthouse	16,044	20	320,880
Level 16 - Penthouse	14,699	20	293,981	Level 16 - Penthouse	2,969	20	59,380
Level 17 - Penthouse	3,667	20	73,337	Total - Tower B	322,272	20	6,445,441
Total - Tower A	345,110	20	6,902,209	Total - Tower A and B	667,382	20	13,347,649

Source: 1. Residential Tower Plans and Original Emphyteutical Deed; 2. Clause 8.5.1 of the Original Emphyteutical Deed; Grant Thornton Analysis

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Verification of Settlement Claims

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Methodology, assumptions and limitations

Summary of Claims submitted by the Company

Claim	Amount ex-VAT (€)	Description
The First Claim	1,202,062	Claim against the Government - construction, finishes, refurbishment and improvements costs incurred directly in relation to the relocation of the Institute of Tourism Studies (ITS) from St. Julian's to an alternative site situated in Luqa
The Second Claim	3,797,938	Claim against the PA - by reason of the alleged undue delay in the process leading to the issue of the full development permit relative to the project (PA/3807/17)
Total	5,000,000	

Source: Company's Letter dated 3 January 2024

Methodology

- We outline the below procedures in verifying the Settlement Claim filed by the Company against the Government for costs incurred amounting to €5.0 million.
- The Settlement Claim is two-fold with the First Claim of €1.2 million pertaining to construction, finishes, refurbishment and improvements costs incurred by the Company in relation to the relocation of the ITS from St. Julian's to an alternative site situated in Luqa. The Second Claim, amounting to €3.8 million, is being filed against the PA by reason of the alleged undue delay in the approval process leading to the issue of the full and final development permit relative to the City Centre Project (PA/03807/17).
- Procedure 01 was discussed in detail in the preceding sections. The succeeding slides highlight Procedures 02 to 04.

Assumptions and limitations

- As previously mentioned, Grant Thornton was engaged to verify and validate costs and expenses up to €5,000,000 – the breakdown of which was provided to us in the list of costs and expenses forwarded by the Company.
- Our verification procedures primarily focused on examining the nature of each expense such that they pertain to the City Centre Project and ensuring that adequate supporting documents for declared expenses are in place.
- Furthermore, in terms of the Second Claim, we have identified expenses specifically incurred between the periods of 03 April 2017 (*the Company's submission date for permit application to the PA*) and 01 October 2018 (*the publication date of the PA's first decision notice*) and subsequently verified whether or not such costs were incurred twice or if their related contracts were extended as a result of the alleged delay of the PA in the processing of the development permit.

Procedures performed

01

Reviewed the provisions of the original emphyteutical deed and obtained an understanding of rights and obligations of each Party as agreed

02

Obtained the list of expenses under each claim as well as the relevant documents supporting such expenses

03

Performed 100.0% vouching on the documents obtained and verified the nature of the expenses to confirm that they pertain to the City Centre Project.

04

Additional verification of expenses incurred twice by the Company.

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The First Claim

Nature of the Claim

- Clause 3.2.2 of the emphyteutical deed states that, “...the Government undertakes and warrants to have the Property vacated by not later than 30 June 2017 and to grant the ITS to the Company with vacant possession free and unencumbered by not later than 30 September 2017.”
- The plan was for the ITS to be re-located from their location within the Site to an alternative site situated in Luqa, in an area accessible from Aviation Avenue, Luqa and which the Government had earmarked as the new location wherefrom the ITS was to operate.
- The vacation of part of the Site took longer than anticipated and in order to expedite the process and logistics of the re-location of the ITS to Luqa, the Company had undertaken and carried out works of construction, finishes, refurbishment and improvements in the site in Luqa, on the direction and instruction of the Government.
- The Company has incurred costs and expenses in its execution of the re-location works in the amount (ex-VAT) of €1,202,062 (“the First Claim”). The Lands Authority has engaged Grant Thornton to verify the eligibility of such costs and expenses such that they truly pertain to, and were incurred for, the re-location of ITS.

Details of procedures performed

1. **Agreed the total invoice amount (ex-VAT) indicated as the First Claim against the expense list provided by the Company.**
 - We obtained the list containing suppliers for each expense and checked that the amount (ex-VAT) for all the suppliers total €1,202,062, as indicated in the claim;
 - We also obtained the supporting documents, such as invoices, purchase orders, and proofs of payment, pertaining to each expense; Noted exceptions, if any.
 - We identified a total of 29 suppliers and 96 invoices for the First Claim
2. **Verified each expense in the list by performing 100.0% vouching of the related supporting documents**
 - Checked that the date of incurrence of the expense aligns with the purported dates upon which the Government has instructed of the Company to undertake the work necessary to expedite the relocation. As per vouching procedures performed, expenses submitted for the First Claim were incurred between November 2017 and January 2020

Details of procedures performed (cont.)

- Checked that such expenses were incurred for the re-location work. In order to perform this, we have scrutinized that the invoices or other supporting documents (i.e. purchase orders and contracts) contain an indication of the ITS alternative site, such as shown in the below snapshots of a sample invoice and purchase order; Noted exceptions, if any.

Sample invoice description and purchase order instruction

Invoice

Invoice details: PO Number: 009, Sales Rep: Matthew Gales, Terms: Contract Terms, Ordered: Fri02/16/2018, F.O.B.: Ship Via, Sales Tax ID: MT2416-2335, Ship Date.

Project: 003545 - C-1801030-ITS Luqa-MFD

Line	Part Number	Description	Unit	Qty	Unit Price	Total Price
1	Claim No 2 PO 000499	FIREDOORS				1,152.00

Purchase order

DELIVERY AT LUQA INCLUDED 15/01/18

Source: Supporting documentation submitted by DB San Gorg

3. **Verified that the expenses were actually paid by the Company within the payment terms specified in the supplier invoice**
 - Checked that the payment documents such as remittance notifications, actual cheques, and ledger posting dates are properly indicated and in place for each transaction. As per vouching procedures performed, transactions were paid between 14 to 20 days on average.

Results

- Based on the procedures performed, we conclude that costs and expenses submitted in terms of the First Claim appropriately pertain to the re-location works and such costs and expenses are properly substantiated.

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The First Claim (cont.)

Summary of substantiated costs and expenses submitted under the First Claim

			Amount ex-VAT (€)		Variance	Ref
Supplier	Nature of expenses	as per Company List	as per GT vouching			
1	Ray Aquilina Inst. Co. Ltd.	Electrical and mechanical works; temporary installations	450,751	450,751	(0)	
2	Stephen Bazzina - C&S Services Limited	Various maintenance, carpentry and intallation works	343,018	343,018	-	
3	Mario Briffa	Workers/Helpers/Builders, Cranes, Screet, Cement Bags	107,203	125,045	(17,842)	A
4	George Grech	Supply and installation of staircase, canopy, bulding extenstion	78,051	78,050	1	
5	Advent Lifts Services Ltd.	Procurement of lifts as per contract ADV-C-10599	50,000	50,000	-	
6	BSE Consultants Ltd (Luqa)	M&E Schematic Designs, M&E Tender Document, site supervision	41,039	41,039	-	
7	Galea Moving & Transport	Transport (ITS Pembroke to Luqa)	21,300	21,300	-	
8	Stylish	PE Frame Marengo	19,011	19,010	1	
9	Keramat Bathroom Centre	Kitchen and bathroom materials	17,829	17,840	(10)	B
10	Ludvig Catania	Membrane works at Luqa Aviation Park	12,566	12,566	-	
11	G.S. Aluminum Works	Electrical works, aluminum frames review; fixing of frames	11,045	11,045	-	
12	LDK Landmark Architects	Consultations on ITS Change of premises	8,000	8,000	-	
13	Green Skip Services Limited	Various construction materials	7,224	7,224	-	
14	Matthew Vassallo	Floor Polishing	7,159	8,448	(1,289)	A
15	Geomatix	Internal Survey of Block C+D consisting of three floors each	6,950	6,950	-	
16	JM Vassallo Vibro Steel Ltd.	Steel works and products	5,290	5,290	-	
17	BF Services	Health & Safety Plan, weekly site inspections	4,040	4,040	-	
18	Citadel Insurance PLC	Contractor and Employers Liability Insurance	3,572	3,572	-	
19	Alberta	Procurement of firedoors, Mezzo first aid kit, fire extinguishers	3,151	3,151	-	
20	Sanitech Premier	Mobile Toilets	1,590	1,590	-	
21	Speedy Lifting Service	Lifting Services	1,529	1,529	-	
22	KHS Megastore	Various construction materials and sanitary supplies	557	557	0	
23	A. Ferriggi Importers & Distributors	Purchase of safety gears (safety shoes, helmets, vests, masks)	424	424	(0)	
24	P Manage	ITS Relocation Technical Assistance	228	228	-	
25	Hal Mann Vella Limited	Delivery charges	226	226	-	
26	Vodafone Malta Ltd.	Monthly Mobile Service	142	286	(144)	A
27	Ecopure	18.9 Litres of San Michel Table Water plus container deposits	63	63	-	
28	Hotel San Antonio	Contractor accommodation - charge adjustment	55	55	-	
29	Adriano Micallef	Site surveying	50	50	-	
Total			1,202,062	1,221,345	(19,283)	

Ref: A. Difference is due to amounts lumped in one invoice and payment where the specific amount for the claim cannot be isolated;
B. Difference is immaterial
Source: Supporting documentation submitted by DB San Gorg; Grant Thornton Analysis

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The Second Claim – Vouching Procedures

Summary of substantiated costs and expenses submitted under the Second Claim

			Amount ex-VAT (€)		Ref
No.	Supplier	Nature of expenses	as per Company List	as per GT vouching	
1	Meinhardt (Singapore) PTE Ltd.	Project Management Services	1,260,122	1,278,367	(18,245) A
2	Commitment Fees	BOV (took over the HSBC loan) and MeDirect Commitment Fees	1,090,263	1,090,233	30 B
3	Seabank Loan (€8.0 million) Interest	Repayment of Main Interest	1,026,324	1,026,324	(0)
4	Hard Rock Ltd	Due Diligence, Technical Services and expense reimbursements	174,145	174,147	(2) B
5	Saliba Stafrace Legal	Legal services provided in relation to the matter involving PA3807/17	116,940	116,940	-
6	Pinsent Masons LLP	Professional services in relation to the db City Centre project	101,779	101,779	-
7	Camilleri Preziosi Advocates	Professional fees and consultancy services	64,360	84,542	(20,182) A
8	Guido de Marco & Associates	Professional fees due for legal services of proposed Hard Rock Hotel	54,167	54,167	(0)
9	Seaport Loan (€1.5 million) Interest	Repayment of Main Interest	34,648	34,648	(0)
10	KPMG	Professional services - letter of engagement dated 25 Nov 2015	15,850	15,850	-
11	Ernst & Young Limited	Real Estate Study, letter of engagement dated 8 Jun 2016	15,000	15,000	-
Total			3,953,596	3,991,995	(38,399)

Ref: A. Difference is due to amounts lumped in one invoice and payment where the specific amount for the claim cannot be isolated;
B. Difference is immaterial

Source: Supporting documentation submitted by DB San Gorg; Grant Thornton Analysis

Results

- Based on the vouching procedures performed, we have noted some differences between the total amount vouched and the total expenses based on the Company's list. The bulk of the difference are due to amounts lumped in one invoice and/or payments where the specific amounts related to the claim cannot be isolated. Nevertheless, the above table shows that amounts vouched are higher than the amount that the Company has forwarded for the proposed reimbursement.
- We conclude that the professional fees and charges submitted in terms of the Second Claim appropriately pertain to the City Centre Project and that such fees and charges are properly substantiated by sufficient documentation, i.e. invoice, proofs of payments, letters of engagements, contracts, etc.

Analysis of the Second Claim based on the timing of incurrence

- ### Summary of the Second Claim based on timing of incurrance

Ref: Please refer to succeeding pages for details
Source: Supporting documentation submitted by DB San Gorg; Grant Thornton Analysis

- ## Verification of additional documents

- We requested additional documents from the Company on the premise that the €1,368,729 incurred prior to the issuance of the first Decision Notice will only be valid, in terms of the Second Claim, once evidence related to the incurrence of similar expenses and/or extension of loan terms and contracts are established.
- The table below presents a summary the additional invoices provided to Grant Thornton in order to further substantiate the Second Claim. These invoices amounted to a total of €1,600,635, of which €1,348,180 pertain to additional project management fees incurred.

Summary of additional invoices verified

Ref: Please refer to succeeding pages for details
Source: Supporting documentation submitted by DB San Gorg; Grant Thornton Analysis

- Verification of Ground-rent Payable and Settlement Claims | May 2024 © 2024 Grant Thornton (Malta) 34

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The Second Claim – Analysis Based on Timing of Incurrence (cont.)

A. Project Management Fees

Meinhardt (Singapore) PTE Ltd. (“Meinhardt”)

- Scope of services rendered is two fold, namely, the overall project management of the City Centre Project together with the certification of works and trades. Meinhardt played a key role in managing all costs attributable to the project (i.e. to provide a Project Management Team to manage the consultant design team, to assist SeaBank in Stakeholder management, to manage the Procurement, and Construction Management and to handover of the development to the operations team).
- The total fees as agreed between the Company and Meinhardt include the total of the tender prices, professional fees, other third party fees and staff expense reimbursements.
- Meinhardt’s work, as per the contract dated 24 June 2017, commenced in October 2017 with a targeted completion in November 2019. Within this timeline, the changes to the development plans occurred (i.e the approval of the original permit was appealed and rendered null and void by a Court of Appeal Judgment). Consequently, Meinhardt’s project management encountered variations to the project design and subsequent delays and extensions to the initially agreed timeline.

Additional Project Management Fees Incurred

- As a result of the amendments to the development plans, the Company has incurred additional project management expenses, including the following:
 - i. Project Management Payroll Costs - payroll costs and head office payroll recharges for consultants brought on board to manage the City Centre Development as from August 2020. As at May 2024, the total payroll cost attributable to the consultants amounts to €1,247,851.
 - ii. Darren Sciberras Architect and Civil Engineer Fees – architect fees for services rendered by Nicholas Antignolo as from March 2021 to December 2021 totalling €74,295 (1,651 hours at €45/hour).
 - iii. P Manage Projects Ltd – retainer fees charged for input by Perit David Muscat and Malcolm Zarb (Commercial Manager), which, to date, amounts to €26,034.

B. Technical Services Fees

Hard Rock Holdings Ltd (“Hard Rock”)

- The original contract between the Company and Hard Rock pertains to the performance of due diligence by Hard Rock (as Licensor) as well as technical services fees to be paid by DB San Gorg (as Licensee) and reimbursements of out-of-pocket expenses.
- Due to the amendments and consequent extension of services, it was agreed that DB San Gorg will pay New Technical Services Fees, instead of the balance of the Technical Services fees from the original contract. As of the date of Second Amendment to the contract, the Project contemplates 385 rooms, therefore, the New Technical Services Agreement will equal USD192.5k - payable as USD50k upon execution of the Second Amendment.

C. Legal, Advisory and Professional Services Fees

Saliba Stafrace Legal

- The Letter of Engagement between DB San Gorg and Saliba Stafrace Legal dated 12 September 2018 outlines the provision of legal and advisory services on the matter involving PA/03807/17 and matters related to the City Centre Project.
- The engagement commenced in June 2018 and was estimated to cover at least 24 months however, it was also stipulated that the services will be ongoing until the settlement of the assignment. From the commencement of work to date, fees to Saliba Stafrace has amounted to €116,940.

Pinsent Masons LLP

- Based on the contract between the Company and Pinsent Masons LLP dated 24 May 2021, the scope of work includes advisory services and the provision of assistance with the negotiation of contract documents for the procurement of the design and construction of the City Centre Project. In addition to the legal fees, out-of-pocket expenses were also agreed to be reimbursed.
- Expenses forwarded to Grant Thornton for verification were all incurred beyond 01 October 2018 and have amounted to €101,779.

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The Second Claim – Analysis Based on Timing of Incurrence (cont.)

C. Legal, Advisory and Professional Services Fees (cont.)

Camilleri Preziosi Advocates

- The letter of engagement between SD Holdings Limited (the parent company of DB San Gorg) and Camilleri Preziosi Advocates dated 20 April 2017 stipulates that an allocation of 15 hours of professional services to be rendered specifically to DB San Gorg.
- In a separate terms of engagement dated 10 June 2024, it was noted that project-specific services rendered by Camilleri Preziosi Advocates to DB San Gorg exceeded the initially agreed 15 hours. The amounts forwarded by the Company for the Claim were related to the excess hours and pertain to the periods between October 2019 July 2023. Such fees amounted to €84,542.

Guido de Marco & Associates, Parent Company payroll costs and recharges

- The first set of invoices forwarded under the Second Claim pertain to legal fees and other ancillary fees due to Guido de Marco & Associates in respect of City Centre Project as from February 2016 to February 2017. As per additional documentation provided, legal services were sought again in 2023 as a result of the subsequent decisions issued on the application.
- Furthermore, legal services by in-house lawyers were recharged by parent company as such services were particularly rendered for the resolution of matters arising from the Project.

D. Consultancy Fees

KPMG

- Invoices amounting to €8k pertain to the preparation and issuance of an Economic Impact Assessment Report related to the application of the development permit for the City Centre Project. Based on an amended letter of engagement dated 09 February 2021, the additional €7,850 was incurred due to the reperformance of the engagement and subsequent updates made to the report.

Ernst and Young Limited

- The first set of invoices forwarded pertains to a fee note in connection with the Real Estate (Market) Study performed for the City Centre Project. Subsequent documentation by the Company provides that two consultants were onboarded by the Company for an extension of the market study. The additional cost as from January 2023 to May 2024 has amounted to c. €121k.

E. Loan Interests and Commitment Fees

Interest payments

- HSBC Bank (Malta) plc loan (€1.5 million) - As per facility letter dated 17 March 2016, the db Group, through Seabank Hotel & Catering Limited, took out a loan facility amounting to €1.5 million to meet the preliminary expenses of the City Centre Project. The letter further stipulates that the loan is to be repaid and is to clear within 12 months from the date of initial drawdown or from the financing package being put in place to finance the Project, whichever occurs earlier. The amounts included in the Second Claim pertain to payment of interest from May 2016 to March 2017, totalling c. €35k. It was further noted that a loan from BOV was taken in October 2017 to take over this facility.
- BOV loan (previous HSBC balance + general corporate loan) - As previously mentioned, a general banking facility was approved by BOV to take over the loan originally held at HSBC Bank (Malta) plc – the balance being €1.1 million (of the €1.5 million loan amount). In addition to the €1.1 million facility, another loan was also taken for general corporate purposes, including the refinancing of the HSBC loan. As per the facility letter dated 20 October 2017, the last date permitted for drawings on the loan facility is 24 months from such date however, the loans have been extended and additional interest and commitment payments were also extended accordingly. Interest payments included in the Second Claim amount to c. €1.0 million covering the periods as from January 2020 to May 2023.

Commitment fees

- MeDirect - the loan facility was taken out by DB San Gorg to partly finance the City Centre Project. As per the facility letter dated 22 August 2017, a one-time processing fee of €85k, being 0.5% of the loan facility totalling €17 million, is immediately payable upon acceptance of the facility letter. The letter further stipulates that a commitment fee of 0.75% per annum is payable on the undrawn loan facility amounts calculated daily. Due to the issues arising from the permit application, the Company was not able to drawdown the amounts as planned and has, therefore, continued to pay the commitment fees on the undrawn balance. Commitment fees included in the Second Claim amounts to a total of c. €272k which pertains to payments made on 31 July 2018, 19 February 2019, 28 June 2019, and 28 November 2019.
- BOV - commitment fees included in the Second Claim related to the aforesaid BOV loan amount to c. €819k, covering the periods as from July 2019 to March 2023.

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The Second Claim – results and conclusion

Summary of proposed eligible expenses under the Second Claim

	Date incurred			Total	Remarks
	Before 03 Apr 2017	03 Apr 2017 to 01 Oct 2018	Beyond 01 Oct 2018		
Meinhardt (Singapore) PTE Ltd.	-	976,719	301,648	1,278,367	Additional fees were incurred by the Company beyond 01 October 2018
Hard Rock Ltd	-	101,118	50,000	151,118	Additional fees were incurred by the Company beyond 01 October 2018
Saliba Stafrace Legal	-	16,800	100,140	116,940	Engagement was extended pending the settlement of issues on the permit
Pinsent Masons LLP	-	-	101,779	101,779	Incurred beyond 01 Oct 2018
Camilleri Preziosi Advocates	-	-	84,542	84,542	Incurred beyond 01 Oct 2018
Guido de Marco & Associates	-	-	62,135	62,135	Legal services were sought again in 2023
KPMG	-	-	27,260	27,260	Engagement in 2016 (€7,850) was reperformed at an additional cost of €19,410
Ernst & Young Limited	-	15,000	-	15,000	Consultants were re-engaged to update the Market Study
Commitment Fees	-	89,250	1,000,983	1,090,233	Additional fees were incurred by the Company beyond 01 October 2018
Seabank Loan (€8.0M) Interest	-	-	1,026,324	1,026,324	Loan was increased and extended beyond original agreed term
Seaport Loan (€1.5M) Interest	-	-	-	-	Ineligible as this pertains to interest on loan taken to meet preliminary expenses
Total	-	1,198,886	2,754,810	3,953,696	

Source: Supporting documentation submitted by DB San Gorg; Grant Thornton Analysis

Results

- Fees incurred before 03 April 2017 are deemed ineligible in terms of the Second Claim based on the premise that these pertain to one-time costs and preliminary fees.
- Based on the additional procedures performed, we verify that expenses amounting to €3,953,696 are eligible as they are properly substantiated with supporting documents and similar additional costs were confirmed to have been incurred again by the Company.

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Appendices

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A. Glossary of terms

General terms

The agreement or the deed	The 99-year emphyteutical agreement that the Company entered with the Commissioner of Land in February 2017.
The Contracting Authority	The Lands Authority
DB San Gorg or the Company or the Emphyteuta	DB San Gorg Property Limited
The Expected Development	The original Components of the City Centre Development as per the Emphyteutical Deed dated 1 February 2024
The First Claim	The costs incurred and expenses in its execution of the re-location woks in the amount (ex-VAT) of €1,202,062 by the Company.
The Government	The Government of Malta
LOE	Letter of Engagement
ITS	Institute of Tourism Studies
The JV	The joint venture of companies affiliated to the DB Group
NFA	Net Floorspace Area
PA	Planning Authority
The Project or the City Centre Project or the City Centre Development	The development of an upmarket mixed tourism and leisure project at the Site situated in St. George's Bay, St. Julian's, formerly occupied by the Institute of Tourism Studies
RFP	The Government's Request for Tender Proposal dated 13 November 2015
The Second Claim	The settlement claim for cost and expenses filed against the Planning Authority amounting to €3,797,938 (ex-VAT).

General terms

The Settlement Claim	The total claim for reimbursement amounting to €5.0 million filed against the Government and the Planning Authority for costs incurred by DB San Gorg
The Site or the Property	The divided portion of land situated in St. George's Bay, St. Julian's, formerly occupied by the ITS
The Transferee	The person to whom the Company transfers by any title, the Residential Units, Office Units and Garage Spaces forming part of the Project

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B. Residential Units Data

Residential Units Data

	Apartment number	Net Floorspace Area (sqm)	Groundrent (€)	Title conversion (€)	Redemption of Groundrent (€)
Tower A					
Level 0	1	98.3	3,118	16,416	62,362
Level 0	2	132.4	4,200	22,111	83,995
Level 0	3	121.9	3,867	20,357	77,333
Level 0	4	110.6	3,508	18,470	70,165
Level 0	5	87.0	2,760	14,529	55,193
Level 0	Core	-	-	-	-
Level 0 - Mezzanine	1	144.3	4,577	24,098	91,544
Level 0 - Mezzanine	2	117.7	3,733	19,656	74,669
Level 0 - Mezzanine	3	95.0	3,013	15,865	60,268
Level 0 - Mezzanine	4	71.1	2,255	11,874	45,106
Level 0 - Mezzanine	5	110.0	3,489	18,370	69,784
Level 0 - Mezzanine	6	70.5	2,236	11,774	44,725
Level 0 - Mezzanine	Core	-	-	-	-
Level 1	1	144.3	4,577	24,098	91,544
Level 1	2	117.7	3,733	19,656	74,669
Level 1	3	95.0	3,013	15,865	60,268
Level 1	4	71.1	2,255	11,874	45,106
Level 1	5	110.0	3,489	18,370	69,784
Level 1	6	70.5	2,236	11,774	44,725
Level 1	Core	-	-	-	-
Level 2	1	144.3	4,577	24,098	91,544
Level 2	2	117.7	3,733	19,656	74,669
Level 2	3	95.0	3,013	15,865	60,268
Level 2	4	118.8	3,768	19,840	75,367
Level 2	5	146.4	4,644	24,449	92,876
Level 2	Core	-	-	-	-

Source: 1. Residential Tower Plans; 2. The Original Emphyteutical Deed; 3. Grant Thornton Analysis

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B. Residential Units Data (cont.)

Residential Units Data

	Apartment number	Net Floorspace Area (sqm)	Groundrent (€)	Title conversion (€)	Redemption of Groundrent (€)
Tower A					
Level 3	1	144.3	4,577	24,098	91,544
Level 3	2	117.7	3,733	19,656	74,669
Level 3	3	95.0	3,013	15,865	60,268
Level 3	4	71.1	2,255	11,874	45,106
Level 3	5	110.0	3,489	18,370	69,784
Level 3	6	70.5	2,236	11,774	44,725
Level 3	Core	-	-	-	-
Level 4	1	144.3	4,577	24,098	91,544
Level 4	2	117.7	3,733	19,656	74,669
Level 4	3	95.0	3,013	15,865	60,268
Level 4	4	118.8	3,768	19,840	75,367
Level 4	5	146.4	4,644	24,449	92,876
Level 4	Core	-	-	-	-
Level 5	1	144.3	4,577	24,098	91,544
Level 5	2	117.7	3,733	19,656	74,669
Level 5	3	95.0	3,013	15,865	60,268
Level 5	4	71.1	2,255	11,874	45,106
Level 5	5	110.0	3,489	18,370	69,784
Level 5	6	70.5	2,236	11,774	44,725
Level 5	Core	-	-	-	-
Level 6	1	144.3	4,577	24,098	91,544
Level 6	2	117.7	3,733	19,656	74,669
Level 6	3	95.0	3,013	15,865	60,268
Level 6	4	118.8	3,768	19,840	75,367
Level 6	5	146.4	4,644	24,449	92,876
Level 6	Core	-	-	-	-

Source: 1. Residential Tower Plans; 2. The Original Emphyteutical Deed; 3. Grant Thornton Analysis

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B. Residential Units Data (cont.)

Residential Units Data

	Apartment number	Net Floorspace Area (sqm)	Groundrent (€)	Title conversion (€)	Redemption of Groundrent (€)
Tower A					
Level 7	1	144.3	4,577	24,098	91,544
Level 7	2	117.7	3,733	19,656	74,669
Level 7	3	95.0	3,013	15,865	60,268
Level 7	4	71.1	2,255	11,874	45,106
Level 7	5	110.0	3,489	18,370	69,784
Level 7	6	70.5	2,236	11,774	44,725
Level 7	Core	-	-	-	-
Level 8	1	144.3	4,577	24,098	91,544
Level 8	2	117.7	3,733	19,656	74,669
Level 8	3	95.0	3,013	15,865	60,268
Level 8	4	118.8	3,768	19,840	75,367
Level 8	5	146.4	4,644	24,449	92,876
Level 8	Core	-	-	-	-
Level 9	1	144.3	4,577	24,098	91,544
Level 9	2	117.7	3,733	19,656	74,669
Level 9	3	95.0	3,013	15,865	60,268
Level 9	4	71.1	2,255	11,874	45,106
Level 9	5	110.0	3,489	18,370	69,784
Level 9	6	70.5	2,236	11,774	44,725
Level 9	Core	-	-	-	-
Level 10	1	144.3	4,577	24,098	91,544
Level 10	2	117.7	3,733	19,656	74,669
Level 10	3	95.0	3,013	15,865	60,268
Level 10	4	118.8	3,768	19,840	75,367
Level 10	5	146.4	4,644	24,449	92,876
Level 10	Core	-	-	-	-

Source: 1. Residential Tower Plans; 2. The Original Emphyteutical Deed; 3. Grant Thornton Analysis

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B. Residential Units Data (cont.)

Residential Units Data

	Apartment number	Net Floorspace Area (sqm)	Groundrent (€)	Title conversion (€)	Redemption of Groundrent (€)
Tower A					
Level 11	1	144.3	4,577	24,098	91,544
Level 11	2	117.7	3,733	19,656	74,669
Level 11	3	95.0	3,013	15,865	60,268
Level 11	4	71.1	2,255	11,874	45,106
Level 11	5	110.0	3,489	18,370	69,784
Level 11	6	70.5	2,236	11,774	44,725
Level 11	Core	-	-	-	-
Level 12	1	144.3	4,577	24,098	91,544
Level 12	2	117.7	3,733	19,656	74,669
Level 12	3	95.0	3,013	15,865	60,268
Level 12	4	118.8	3,768	19,840	75,367
Level 12	5	146.4	4,644	24,449	92,876
Level 12	Core	-	-	-	-
Level 13	1	144.3	4,577	24,098	91,544
Level 13	2	117.7	3,733	19,656	74,669
Level 13	3	95.0	3,013	15,865	60,268
Level 13	4	71.1	2,255	11,874	45,106
Level 13	5	110.0	3,489	18,370	69,784
Level 13	6	70.5	2,236	11,774	44,725
Level 13	Core	-	-	-	-
Level 14	1	144.3	4,577	24,098	91,544
Level 14	2	117.7	3,733	19,656	74,669
Level 14	3	95.0	3,013	15,865	60,268
Level 14	4	118.8	3,768	19,840	75,367
Level 14	5	146.4	4,644	24,449	92,876
Level 14	Core	-	-	-	-

Source: 1. Residential Tower Plans; 2. The Original Emphyteutical Deed; 3. Grant Thornton Analysis

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B. Residential Units Data (cont.)

Residential Units Data

	Apartment number	Net Floorspace Area (sqm)	Groundrent (€)	Title conversion (€)	Redemption of Groundrent (€)
Tower B					
Level 0	1	80.1	2,541	13,377	50,815
Level 0	2	131.5	4,171	21,961	83,424
Level 0	3	146.0	4,631	24,382	92,622
Level 0	4	152.4	4,834	25,451	96,683
Level 0	5	76.0	2,411	12,692	48,214
Level 0	Core	-	-	-	-
Level 0 - Mezzanine	1	96.9	3,074	16,182	61,473
Level 0 - Mezzanine	2	109.7	3,480	18,320	69,594
Level 0 - Mezzanine	3	53.4	1,694	8,918	33,877
Level 0 - Mezzanine	4	105.3	3,340	17,585	66,802
Level 0 - Mezzanine	5	154.3	4,894	25,768	97,888
Level 0 - Mezzanine	6	76.8	2,436	12,826	48,722
Level 0 - Mezzanine	Core	-	-	-	-
Level 1	1	96.9	3,074	16,182	61,473
Level 1	2	109.7	3,480	18,320	69,594
Level 1	3	53.4	1,694	8,918	33,877
Level 1	4	105.3	3,340	17,585	66,802
Level 1	5	154.3	4,894	25,768	97,888
Level 1	6	76.8	2,436	12,826	48,722
Level 1	Core	-	-	-	-
Level 2	1	96.9	3,074	16,182	61,473
Level 2	2	132.5	4,203	22,128	84,058
Level 2	3	149.0	4,726	24,883	94,526
Level 2	4	127.2	4,035	21,242	80,696
Level 2	5	103.4	3,280	17,268	65,597
Level 2	Core	-	-	-	-

Source: 1. Residential Tower Plans; 2. The Original Emphyteutical Deed; 3. Grant Thornton Analysis

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B. Residential Units Data (cont.)

Residential Units Data

	Apartment number	Net Floorspace Area (sqm)	Groundrent (€)	Title conversion (€)	Redemption of Groundrent (€)
Tower B					
Level 3	1	96.9	3,074	16,182	61,473
Level 3	2	109.7	3,480	18,320	69,594
Level 3	3	53.4	1,694	8,918	33,877
Level 3	4	105.3	3,340	17,585	66,802
Level 3	5	154.3	4,894	25,768	97,888
Level 3	6	76.8	2,436	12,826	48,722
Level 3	Core	-	-	-	-
Level 4	1	96.9	3,074	16,182	61,473
Level 4	2	132.5	4,203	22,128	84,058
Level 4	3	149.0	4,726	24,883	94,526
Level 4	4	127.2	4,035	21,242	80,696
Level 4	5	103.4	3,280	17,268	65,597
Level 4	Core	-	-	-	-
Level 5	1	96.9	3,074	16,182	61,473
Level 5	2	109.7	3,480	18,320	69,594
Level 5	3	53.4	1,694	8,918	33,877
Level 5	4	105.3	3,340	17,585	66,802
Level 5	5	154.3	4,894	25,768	97,888
Level 5	6	76.8	2,436	12,826	48,722
Level 5	Core	-	-	-	-
Level 6	1	96.9	3,074	16,182	61,473
Level 6	2	132.5	4,203	22,128	84,058
Level 6	3	149.0	4,726	24,883	94,526
Level 6	4	127.2	4,035	21,242	80,696
Level 6	5	103.4	3,280	17,268	65,597
Level 6	Core	-	-	-	-

Source: 1. Residential Tower Plans; 2. The Original Emphyteutical Deed; 3. Grant Thornton Analysis

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B. Residential Units Data (cont.)

Residential Units Data

	Apartment number	Net Floorspace Area (sqm)	Groundrent (€)	Title conversion (€)	Redemption of Groundrent (€)
Tower B					
Level 7	1	96.9	3,074	16,182	61,473
Level 7	2	109.7	3,480	18,320	69,594
Level 7	3	53.4	1,694	8,918	33,877
Level 7	4	105.3	3,340	17,585	66,802
Level 7	5	154.3	4,894	25,768	97,888
Level 7	6	76.8	2,436	12,826	48,722
Level 7	Core	-	-	-	-
Level 8	1	96.9	3,074	16,182	61,473
Level 8	2	132.5	4,203	22,128	84,058
Level 8	3	149.0	4,726	24,883	94,526
Level 8	4	127.2	4,035	21,242	80,696
Level 8	5	103.4	3,280	17,268	65,597
Level 8	Core	-	-	-	-
Level 9	1	96.9	3,074	16,182	61,473
Level 9	2	109.7	3,480	18,320	69,594
Level 9	3	53.4	1,694	8,918	33,877
Level 9	4	105.3	3,340	17,585	66,802
Level 9	5	154.3	4,894	25,768	97,888
Level 9	6	76.8	2,436	12,826	48,722
Level 9	Core	-	-	-	-
Level 10	1	96.9	3,074	16,182	61,473
Level 10	2	132.5	4,203	22,128	84,058
Level 10	3	149.0	4,726	24,883	94,526
Level 10	4	127.2	4,035	21,242	80,696
Level 10	5	103.4	3,280	17,268	65,597
Level 10	Core	-	-	-	-

Source: 1. Residential Tower Plans; 2. The Original Emphyteutical Deed; 3. Grant Thornton Analysis

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B. Residential Units Data (cont.)

Residential Units Data

	Apartment number	Net Floorspace Area (sqm)	Groundrent (€)	Title conversion (€)	Redemption of Groundrent (€)
Tower B					
Level 11	1	96.9	3,074	16,182	61,473
Level 11	2	109.7	3,480	18,320	69,594
Level 11	3	53.4	1,694	8,918	33,877
Level 11	4	105.3	3,340	17,585	66,802
Level 11	5	154.3	4,894	25,768	97,888
Level 11	6	76.8	2,436	12,826	48,722
Level 11	Core	-	-	-	-
Level 12	1	96.9	3,074	16,182	61,473
Level 12	2	132.5	4,203	22,128	84,058
Level 12	3	149.0	4,726	24,883	94,526
Level 12	4	127.2	4,035	21,242	80,696
Level 12	5	103.4	3,280	17,268	65,597
Level 12	Core	-	-	-	-
Level 13	1	96.9	3,074	16,182	61,473
Level 13	2	109.7	3,480	18,320	69,594
Level 13	3	53.4	1,694	8,918	33,877
Level 13	4	105.3	3,340	17,585	66,802
Level 13	5	154.3	4,894	25,768	97,888
Level 13	6	76.8	2,436	12,826	48,722
Level 13	Core	-	-	-	-
Level 14 - Penthouse	1	142.3	4,514	23,764	90,275
Level 14 - Penthouse	2	144.7	4,590	24,165	91,798
Level 14 - Penthouse	4	117.9	3,740	19,689	74,796
Level 14 - Penthouse	5	144.4	4,580	24,115	91,607
Level 14 - Penthouse	Core	-	-	-	-

Source: 1. Residential Tower Plans; 2. The Original Emphyteutical Deed; 3. Grant Thornton Analysis

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B. Residential Units Data (cont.)

Residential Units Data

	Apartment number	Net Floorspace Area (sqm)	Groundrent (€)	Title conversion (€)	Redemption of Groundrent (€)
Tower B					
Level 15 - Penthouse	1	119.3	3,784	19,923	75,684
Level 15 - Penthouse	2	120.0	3,806	20,040	76,128
Level 15 - Penthouse	3	133.5	4,235	22,295	84,692
Level 15 - Penthouse	4	133.0	4,219	22,211	84,375
Level 15 - Penthouse	Core	-	-	-	-
Level 16 - Penthouse	1	25.6	812	4,275	16,241
Level 16 - Penthouse	2	24.7	783	4,125	15,670
Level 16 - Penthouse	3	22.5	714	3,758	14,274
Level 16 - Penthouse	4	20.8	660	3,474	13,196
Level 16 - Penthouse	Core	-	-	-	-
Total - Tower B		10,159.9	322,272	1,696,703	6,445,441
Total - Tower A and B		21,039.8	667,382	3,513,647	13,347,649

Source: 1. Residential Tower Plans; 2. The Original Emphyteutical Deed; 3. Grant Thornton Analysis

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C. Important notice

Scope of work and limitations

Our work focused on the areas set out in our proposal dated 15 March 2024. The Agreed-upon procedures performed concerning the verification procedures on the ground-rent payable by and the settlement claims filed by DB San Gorg Property Limited does not constitute an assurance engagement conducted in accordance with any generally accepted assurance standards and no verification work has been carried out by us; consequently we do not express an assurance opinion on the figures included in the report.

The scope of our work has been limited both in terms of the areas of the business and operations which we have reviewed and the extent to which we have reviewed them. There may be matters, other than those noted in this report, which might be relevant in the context of the transaction and which a wider scope review might uncover.

Our report will be based upon information relating to the claim prepared by management of DB San Gorg Property Limited, as well as other information obtained during the conduct of our work. Our reliance on and the use of the information contained therein should not be construed as an expression of our opinion on it except as, and to the extent that, we may otherwise indicate in our report. We do not accept any responsibility or liability for the impact on our deliverable of any inaccuracies in such information.

- The views expressed herein are given in terms of our engagement and are limited to the conclusions specifically set forth herein and do not apply, by implication or otherwise, to any other matter. These are based on the completeness and accuracy of the assumptions, facts and representations made to us. If any of the assumptions, facts and/or representations are not entirely correct, complete or accurate, or should any of these facts change or otherwise be altered or should any assumption made prove to be incorrect and/or unreasonable this may affect the accuracy of anything stated herein. As a result, should any material facts have been omitted and/or should any of the facts specified and/or assumptions made not be accurate and/or should any of the facts surrounding the case under review change or be altered or should any assumptions made prove to be incorrect and/or unreasonable we recommend that this fact is brought to our immediate attention for the purpose of us reviewing the contents of this document in the light thereof, as the inaccuracy or incompleteness thereof could have a material effect on our conclusions.
- Grant Thornton shall not accept any liability whatsoever for any loss howsoever arising from any use of this report or the contents thereof or otherwise arising in connection therewith.
- This report is intended solely for the purpose outlined herein, and shall not be published, quoted, disclosed, or otherwise disseminated to, or relied upon by any other party without the prior written consent of Grant Thornton. Grant Thornton accepts no responsibility to any other party.
- The contents of this report have been prepared by Grant Thornton solely for the purpose herein and have not been independently verified in a conclusive manner by any third party, including the competent authority. This report does not purport to be comprehensive and is subject to verification, completion and change without notice. Grant Thornton accepts no responsibility for, or makes no representation or warranty, express or implied, as to the truth, accuracy or completeness of this report. Such information involves risks and uncertainties and is subject to change based on various factors.
- Grant Thornton shall not regard any other person as its respective client and shall not be responsible to anyone other than the management of the company for providing the protections afforded to its respective clients, nor for providing the conclusions in relation to this report referred to herein.

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C. Important notice (cont.)

Sources of information

The information contained in this report is based primarily on the following:

- DB San Gorg Property Limited's submission to the Contracting Authority in its Letter to the Lands Authority dated 3 January 2024
- The Emphyteutical Deed between DB San Gorg and the Government of Malta dated 1 February 2017
- Planning Authority Approved Permit PA/03807/17
- Copies of the Decision Notices issued by the Planning Authority in relation to PA/03807/17
- Court of Appeal Judgement dated 19 June 2019
- Draft Deed of Amendments
- DB San Gorg's Ground-rent Computation Worksheet
- Residential Tower Plans
- DB San Gorg List of cost and expenses for the First Claim and the Second Claim
- Invoices, Proofs of Payments, Contracts, Sanction Letters and other Supporting Documents to the list of cost and expenses
- The Planning Authority website
- Internet research
- Communications with the Lands Authority and with DB San Gorg

We do not accept responsibility for such information which remains the responsibility of the management of the company. We have satisfied ourselves, so far as possible, that the information presented in our report is consistent with other information which was made available to us in the course of our work in accordance with the terms of our Proposal. We have not, however, sought to establish the reliability of the sources by reference to other evidence.

Our report makes reference to 'Grant Thornton Analysis'; this indicates only that we have (where specified) undertaken certain analytical activities on the underlying data to arrive at the information presented; we do not accept responsibility for the underlying data.

Period of our fieldwork

Our work was performed in the period between 01 April 2024 and 04 May 2024, with additional work to address the Land Authority's comments performed in the period between 21 May 2024 to 20 June 2024. Clarifications through email correspondences, scheduled meetings were also conducted from 01 April 2024 and 04 May 2024 and from 21 May 2024 to 19 June 2024.

We have not performed any fieldwork since 20 June 2024 and our report may not take into account matters that have arisen since then. If you have any concerns in this regard, please do not hesitate to let us know.

Location of our work

Our work was performed mainly at the Grant Thornton Malta offices located at Level 2, Fort Business Centre, Triq L-Intornjatur, Zone 1, Central Business District, Birkirkara CBD1050, Malta.

Forms of report

For your convenience, this report may have been made available to you in electronic as well as hard copy format. Multiple copies and versions of this report may therefore exist in different media and in the case of any discrepancy the final signed hard copy should be regarded as definitive.

General

Our report is issued on the understanding that the management of the company have drawn our attention to all matters, financial or otherwise, of which they are aware which may have an impact on our report up to the date of signature of this report.

Events and circumstances occurring after the date of our report will, in due course, render our report out of date and, accordingly, we will not accept a duty of care nor assume a responsibility for decisions and actions which are based upon such an out of date report. Additionally, we have no responsibility to update this report for events and circumstances occurring after its date.

Contacts

If there are any matters upon which you require clarification or further information please contact George Vella or Oriana Abela on +356 2093 1000.

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Report to the Lands Authority

**Review of ground rent payable and
verification of claims for refund**

March 2025



Mr Robert Vella
The Chief Executive Officer
Lands Authority
Auberge de Baviere,
Valletta
Attn: Mr Josef Agius

03 March 2025

Dear Sir,

Agreed-upon Procedures – Review of ground rent payable and verification of claims for refund

In accordance with your instructions set out in our Letter of Engagement dated 12 February 2025, we have pleasure in enclosing a copy of our report in relation to the agreed-upon procedures performed concerning (i) review of the workings related to the annual ground rent payable by DB San Gorg Property Limited (“DB San Gorg”, “the Company”, or “the Emphyteuta”) to the Government of Malta (“the Government”) in view of the differences noted between the Company’s proposal and the amount previously verified by Grant Thornton; (ii) reassessment of the Payable Consideration based on the permitted development; and (iii) verification of refund claim in relation to work that was expected to be carried out by the Government which were undertaken by the Company.

This report contains the results of the procedures performed on the supporting documentations provided by the Company and by the Lands Authority. Hence our Report does not express an opinion or an assurance conclusion.

In preparing our report, our primary source has been the information provided and representations made to us by the Management of DB San Gorg (“the Management”) and by the Lands Authority. We do not accept responsibility for such information, which remains the responsibility of both the Company’s Management and the Lands Authority. Details of our principal information sources are set out throughout the report and we have satisfied ourselves, so far as possible, that the information presented in our report is consistent with other information which was made available to us in the course of our work.

Transaction Advisory Services

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This report is confidential and has been prepared exclusively for the Lands Authority (“the Contracting Authority”). It should not be used, reproduced or circulated for any other purpose, in whole or in part, without our prior written consent.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the addressees hereto for our work, our report and other communications, or for any opinions we have formed. We do not accept any responsibility for any loss or damages arising out of the use of the report by the addressees for any purpose other than in connection with the scope of this report.

Yours faithfully



Grant Thornton

If you have any questions in respect of this report or its contents, please contact:

George Vella
Partner | Head of Advisory
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E george.vella@mt.gt.com

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Executive summary

Executive summary

Verification exercise in relation to the updated requests from DB San Gorg

We have been engaged by the Lands Authority (“the Contracting Authority”) to carry out a verification exercise:

- i. To review the workings related to the annual ground rent payable by DB San Gorg Property Limited (C77344) to the Government of Malta, in view of the differences noted between DB San Gorg’s proposal and the amount previously verified by Grant Thornton;
- ii. To reassess the Payable Consideration in accordance with Clause 7 of the emphyteutical deed, applying the formula outlined in Schedule J of the same deed.
- iii. To review the costs incurred by the Company for works that were expected to be carried out by the Government for which the Company is seeking reimbursement in accordance with Clause 13 of the deed. The verification exercise shall be carried out to confirm that the invoices actually pertain to the ex-ITS site and that each expense is accompanied by the relevant proof of payment, and other such supporting documents.

Summary of procedures performed

- In reviewing the ground rent payable workings, we performed the following procedures:
 - i. Reviewed the proposal and computations of DB San Gorg as outlined in their letter dated 11 February 2025 to ensure that the methodologies used align with the provisions of the deed;
 - ii. Revisited previous assumptions and workings, particularly in identifying the appropriate floorspace area to be used in recomputing the ground rent payable for residential units;
 - iii. Compared the NFA as per the approved residential plans to the NFA as per the Company’s computations. We also consulted with the Company’s Architect for the differences noted; and
 - iv. Re-computed the ground rent payable based on the verified Net Floorspace Area and using the rates in reference to Clauses 7 and 8 of the deed.

Summary of procedures performed (cont.)

- In reassessing the Payable Consideration in terms of Clause 7 and Schedule J, we performed the following procedures:
 - i. Reviewed and obtained an understanding of the provisions of the original emphyteutical deed;
 - ii. Reviewed the calculations as proposed by DB San Gorg to verify whether they align with the formula as defined in Schedule J of the emphyteutical deed;
$$PC = TV - (CoGR + CoTP + RoPG + PPC)$$
 - iii. Recalculated the PC in terms of Schedule J; and
 - iv. Analysed the results and the factors creating the variances between our calculation and the Company’s proposal.
- In verifying the claim for refund in terms of Clause 13 in relation to the provision of adequate utilities to the site, we performed the following procedures:
 - i. Reviewed the provisions of the original emphyteutical deed and obtained an understanding of rights and obligations of each Party as agreed;
 - ii. Obtained the relevant documents supporting the expenses such as invoices, utility bills, contracts, cheques, receipts, remittance reports, and other relevant documents; and
 - iii. Performed 100.0% vouching on the documents obtained and verified the nature of the expenses to confirm that they pertain to the ex-ITS site and that they have been paid accordingly.
- We have supplemented the verification procedures with in-depth discussions with the Company and the Contracting Authority to ensure a consistent interpretation of the deed and to validate our understanding of the required computations.

Executive summary (cont.)

Summary of results

Review of ground rent payable workings

- We were previously engaged by the Contracting Authority to verify the revised ground rent payable as proposed by the Company in its letter to the Lands Authority dated 3 January 2024. This revision was based on a decrease in floorspace area as per the approved development. Using (i) the Net Floorspace Area obtained from the Residential Tower Plans of Towers A and B and (ii) the Residential Rate of €31.72 per sqm under Clause 8.2.2 of the original emphyteutical deed, we initially computed an annual ground rent payable for Residential Units. Our calculations resulted in an amount that was €22k lower than the figure proposed by DB San Gorg
- In view of this difference, we have revisited the workings and assumptions previously utilised in our verification. The key factor contributing to the €22,000 difference was the Net Floorspace Area ("NFA") used in the computation. To better understand how the Net Floorspace Area should be determined, we consulted the Architect of DB San Gorg. We confirmed that the NFA calculations should include half of the party walls in addition to the Internal Area outlined in the residential plans. According to the Company's Architect, this methodology aligns with the Special Designated Area ("SDA") requirements.
- As a result, we referred to DB San Gorg's ground rent and redemption sheets to obtain the appropriate Net Floorspace Area readings for the revised computation. Following this review, we recomputed the annual ground rent payable for Residential Units, arriving at an amount of €689,614. This adjustment brings the revised total annual ground rent payable to €1,112,784, which aligns with the amount proposed by DB San Gorg.

Revised annual ground rent and ground-rent allocation

€	Annual ground-rent
Residential Unit ¹	689,614
Mall Component	305,465
Hotel Component	87,465
Garage spaces	30,240
Annual ground-rent	1,112,784

Note: 1. Office Units are no longer part of the Approved Development Permit (PA/03807/17).
Source: DB San Gorg ground rent and redemption sheets; Approved Residential Tower Plans downloaded through the EApps portal; Discussions with DB San Gorg Architect; Grant Thornton Analysis

Comparison of annual ground rent payable

	As per emphyteutical deed		As per DB/GT recomputation		Reduction in ground rent
	Floor area (sqm)	Ground rent (€)	Floor area (sqm)	Ground rent (€)	
Residential Unit ¹	35,910	1,139,339	21,741	689,614	(449,725)
Mall Component	26,854	305,465	19,283	305,465	-
Hotel Component	49,980	87,465	47,398	87,465	-
Garage Spaces	15,120	30,240	15,120	30,240	-
Total	127,864	1,562,509	103,542	1,112,784	(449,725)

Note: 1. Office Units are no longer part of the Approved Development Permit (PA/03807/17).
Source: DB San Gorg ground rent and redemption sheets; Approved Residential Tower Plans downloaded through the EApps portal; Discussions with DB San Gorg Architect; Grant Thornton Analysis

Re-assessment of the Payable Contribution in in terms of Clause 7 and Schedule J

- Clause 7.5 (ii) of the emphyteutical deed states that *"upon the issuance of a Development permit determining the full extent of the actual developable area within the entirety of the CityCentre Development, a consideration shall further be due to Government or by the Government to the Company as the case may be, such consideration shall be calculated in accordance with the provisions of Schedule J"*.
- We have verified the methodology used to calculate the original payable consideration of €15 million and applied the same approach in recalculating the amount due to or from the Company, reflecting the reduction in developable area.
- Using the methodology as per Schedule J, we have computed a Payable Consideration by the Company unto the Government of €4,505,457.
- While a reduction in developable area could have justified a refund, this has also directly affected the amount of consideration that the Company can defer, mainly in terms of the CoTP and RoPG. Originally, with the larger developable area, DB San Gorg was able to defer up to 53% of the Total Value, significantly reducing the immediate payment obligation. However, following the downward revision, this deferral percentage has dropped to 42%, meaning a greater share is now due upfront. While it is true that the total value TV has decreased, this reduction does not proportionally offset the impact of the lower deferral allowance. Since now less of the total amount can be deferred, a larger portion of the consideration must be paid immediately.
- Furthermore, the confirmed PPC of €10.7 million further reduced the prepayment credit available to the Company, reinforcing the recomputed payable consideration due to the Government of €4.5 million.

Executive summary (cont.)

Payable consideration

€	Original computation	DB San Gorg proposal	Grant Thornton recomputation
TV	56,108,594	46,714,666	46,674,350
Less			
CoGR	(11,226,560)	(13,905,906)	(11,971,961)
RoTP	(6,495,930)	(4,129,652)	(4,129,652)
RoPG	(23,386,104)	(15,939,518)	(15,352,994)
PPC	-	(15,000,000)	(10,714,286)
Payable Consideration	15,000,000	(2,260,410)	4,505,457

Source: Emphyteutical Deed; Schedule J of the Deed; Company's Letter dated 11 February 2025; Grant Thornton Analysis

Claim for refund in terms of Clause 13 relation to the provision of adequate utilities to the site

- As per the Company's Letter to the Lands Authority dated 11 February 2025, the total claim amounts to €469,182.57 (ex-VAT), which relates to work that was expected to be carried out by the Government, for which DB San Gorg is seeking reimbursement, asserting that they completed these tasks instead
- We agreed the said claim to the transaction and expense list provided by the Company and performed 100.0% vouching of the supporting documents, such as invoices and proofs of payments. Based on the verification procedures performed, we conclude that amounts presented were incurred by the Company for the provision of adequate utilities to the ex-ITS site and that all costs and expenses are properly substantiated with proofs of payments.
- Further details of the above claims are presented in the succeeding sections of the Report.

Provision of adequate water and power supply

Description of works	DB San Gorg claim for refund	as per Grant Thornton vouching
Trenching and laying of pipe works	218,439	218,439
Trenching and laying of electrical supply	158,418	158,418
Temporary energisation	45,419	45,419
Electrical cable	39,831	39,831
Borehole surveys	2,960	2,960
Road surveys	2,295	2,295
Water reservoirs surveys	1,820	1,820
Total	469,183	469,183

Source: Company's Letter dated 11 February 2025; Supporting documentation submitted by DB San Gorg; Grant Thornton Analysis

Introduction

Updated requests from DB San Gorg

Introduction

Updated claims from DB San Gorg Property Limited

- In a letter addressed to the Lands Authority dated 11 February 2025, DB San Gorg Property Limited (C77344) (“DB San Gorg”, “the Company” or “the Emphyteuta”) has outlined its updated requests in terms of the Deed of Emphyteusis (“the emphyteutical deed” or the deed”) signed on 1 February 2017, between the Commissioner of Lands on behalf of the Government of Malta (“the Government”) and the Government Property Development and Mr. Silvio Debono on behalf of DB San Gorg. This was sent following the issuance of the permit issued by the Planning Authority (“PA”) bearing permit number PA/03807/17.
- As part of the letter, DB San Gorg provided its revised workings of the annual ground rent payable as well as the total consideration payable to the Government in terms of the mechanism provided for under Section 7, Section 8, and Schedule J of the deed. The Company also submitted claims for reimbursement related to the provision of utilities to the former ITS site.
 1. **Annual ground rent payable** – The Net Floorspace Area (“NFA”) for the Residential Units, as per the approved plan, has been significantly reduced from the original 35,910 sqm stated in the emphyteutical deed to 21,741 sqm under PA/03807/17. Consequently, DB San Gorg is proposing a reduction in the annual ground rent from the original €1,562,509 to €1,112,784.
 2. **Claim for refund under Clause 7 of the deed necessitating a reassessment of the Payable Consideration based on the permitted development** – DB San Gorg is also proposing a revision in the overall consideration payable to the Government, given that both the Net Floorspace Area and the Gross Area have decreased. The payable consideration (currently, a lump sum component of €15 million) is proposed to be reduced by €2,260,410.03, after factoring the formula as per Schedule J to the emphyteutical deed.
 3. **Claim for refund under Clause 13 of the deed in relation to the provision of adequate utilities to the site** – Reference has been made to Clause 13 of the deed in relation to the claim for reimbursement of DB San Gorg. According to the claim, the Company had to undertake works for the provision of upgrading of adequate utility supplies to the former ITS site totalling €469,182.57, which, under the terms of the deed should have been undertaken by the Government.
- In summary, DB San Gorg is proposing to revise the ground rent payable to **€1,112,784** and claiming a total amount for refund of **€2,729,592.60** (€2,260,410.03 claim for refund under Clause 7 and €469,182.57 claim for refund under Clause 13).

Our scope of work - agreed-upon procedures

- Grant Thornton (“GT”) has been engaged by the Lands Authority (“the Contracting Authority”) to carry out a verification exercise to assess the updated requests of DB San Gorg, as outlined in the adjacent page. In line with this, we have performed the following procedures:
 - i. Obtained the relevant documents and information to aid our understanding and analyses. Data provided to us by the Contracting Authority and the Company included (1) the letter sent by DB San Gorg dated 11 February 2025; (2) the emphyteutical deed dated 1 February 2017; Schedule J to the emphyteutical deed; and (4) the relevant documents supporting the claim for refund in relation to the provision of utilities to the site which include invoices, proofs of payment, and other such documents.
 - ii. Reviewed the provisions of the emphyteutical deed and the approved residential plans to verify the appropriate NFAs to be used as basis for recalculating the revised ground rent. Additionally, we have consulted with the Legal Team of the Contracting Authority and the Architect of DB San Gorg, to ensure a clear understanding of the deed and the development plans.
 - iii. Reviewed Schedule J to the emphyteutical deed and assessed the accuracy of DB San Gorg’s calculations based on the definitions outlined in the schedule. We also held discussions with both the Company and the Contracting Authority to align our understanding in cases where deviations of interpretations of the definitions were noted.
 - iv. Examined in detail the list of expenses submitted by DB San Gorg and the related supporting documents in order to confirm that the expenses were incurred on the ex-ITS site for the specific purpose and that all invoices were actually paid by the Company.

Professional standards

Our engagement was conducted in accordance with the International Standard on Related Services (ISRS) 4400, Agreed-Upon Procedures Engagements. In performing the agreed-upon procedures engagement, we have complied with the Code of Ethics for Professional Accountants issued by IESBA, which does not require us to be independent.

An agreed-upon procedures engagement performed under ISRS 4400 (Revised) involves our performing the procedures agreed with you and communicating the findings in the agreed-upon procedures report. Findings are the factual results of the agreed-upon procedures performed. The Contracting Authority acknowledges the procedures are appropriate for the engagement. We make no representation regarding the appropriateness of the procedures. This agreed-upon procedures engagement will be conducted on the basis that the Company and the Contracting Authority are responsible for the subject matter on which the agreed-upon procedures are performed. Furthermore, this agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Verification of the Annual Ground Rent Payable

Methodology, assumptions and limitations

Methodology

- We have previously been engaged by the Contracting Authority to verify the revised ground rent as proposed by the Company in its letter to the Lands Authority dated 3 January 2024. The result was a difference of €22k between the Company's proposal and Grant Thornton's verification.
- In its letter dated 11 February 2025, the Company has resubmitted its proposal of the ground rent payable amounting to €1,112,784. In view of the previously noted difference, we have been tasked by the Contracting Authority to revisit the assumptions and calculations of the ground rent payable, in order to gain a better understanding of the cause(s) of the difference. Taking into consideration the approved development permit and discussions with the Company's Architect, we have outlined the below procedures performed.
- We focused on determining the differences noted in Net Floorspace Area of the Residential Units and establishing the appropriate rate per sqm. This was necessary because, although the approved permit reflects a change in the Gross Floor Area ("GFA") for the other components – Hotel, Mall and Commercial Areas – the ground rents for these components are set as absolute values rather than being calculated on a per sqm basis.
- Our re-computation still follows a straightforward mathematical calculation, multiplying the confirmed area of the residential units by the rate per sqm as per Clause 8.2.2.

Assumptions and limitations

- When computing the total annual ground rent for the entire development, we retained the ground rents established in the deed for the other components and aggregated them to the recomputed residential ground rent without further alteration.
- We obtained the approved plans from the PA via the EApps portal and reviewed these documents, specifically referencing the Net Floorspace Area (Internal Area), to ensure alignment with the basis used in the original emphyteutical deed. To address discrepancies in Net Floorspace Area, we consulted with DB San Gorg's Architect to gain clarity and reconcile any differences
- In terms of rates per sqm, we have relied on the Residential Rates per sqm outlined in the original emphyteutical deed under Clause 7.1 and Clause 8.2.2.
- In the succeeding section, we'll also show that we utilised the premium rates indicated in Clause 8.5.1 of the emphyteutical deed in computing for the premium payable by a Transferee to convert the ground rent from temporary to a perpetual freehold title,. Furthermore, in computing for the amount payable to redeem the ground rent for each apartment, we utilised the capitalisation rate of 5.0% as stated under Clause 8.8 of the emphyteutical deed.

01

Reviewed the proposal and computations of DB San Gorg as outlined in their letter dated 11 February 2025 to ensure that the methodologies used align with the provisions of the deed

02

Revisited previous assumptions and workings, particularly in identifying the appropriate floorspace area to be used in recomputing the ground rent payable for residential units

03

Compared the NFA as per the approved residential plans to the NFA as per the Company's computations; consulted with the Company's Architect for the differences noted

04

Re-computed the ground rent payable based on the verified Net Floorspace Area and using the rates in reference to Clauses 7 and 8 of the deed

Net Floorspace Area of Residential Units

Verification of appropriate Net Floorspace Area

- We have obtained the ground rent and redemption sheets from the Company, which details the Net Floorspace Area of each residential unit per level for Towers A and B. Additionally, we downloaded the approved plans for each unit per level for both towers through the PA EApps portal.
- We compared the Net Floor Areas indicated in the referenced documents and identified discrepancies. Upon consulting the Architect of DB San Gorg, we understand that these differences arise because the appropriate measurement basis should align with Special Designated Area (“SDA”) requirements, which consider half the thickness of internal and shared walls.
- To verify this information, we conducted desktop research and referred to the following sources:
 - The Code of Measuring Practice by the Royal Institution of Chartered Surveyors (RICS):** This code defines Net Internal Area as the usable space within a building, measured to the internal face of the perimeter walls at each floor level. It includes areas occupied by ventilation or heating grilles, skirting, and perimeter trunking, which is typically installed on the walls or at ceiling level.
 - Development Control Design Policy, Guidance, and Standards (2015) by the Malta Environment and Planning Authority (MEPA):** This document defines Gross Floor Area as the total area of a unit measured from the external face of the development’s walls. For party walls, the measurement extends to half their width, meaning the remaining half is considered part of the Internal Area.
- These references support the methodology used in determining the NFAs under SDA requirements. Therefore, Net Floorspace Area or Internal Area shall be computed as the sum of the room and internal wall areas plus half of the shared or party walls.

$$\text{NFA} = \Sigma (\text{Internal or Room Areas}) + \frac{1}{2} \Sigma (\text{Shared or Party Walls})$$
- The table in the adjacent page outlines the Net Floorspace Area per residential unit. Total NFA of Towers A and B is determined to be 21,732 sqm as per residential plans however, the Company explains that 9 sqm have been added in order to reconcile to the total developable area – this being the sum of the GFAs of the Hotel, Mall and Commercial Areas and the NFAs of the Residential Units and Garages.

Net Floorspace Area – Residential Units

sqm	Tower A	Tower B	Total
Level 0	564	610	1,174
Level 0 - Mezzanine	627	621	1,247
Level 1	627	621	1,247
Level 2	642	627	1,268
Level 3	627	621	1,247
Level 4	642	627	1,268
Level 5	627	621	1,247
Level 6	642	627	1,268
Level 7	627	621	1,247
Level 8	642	627	1,268
Level 9	627	621	1,247
Level 10	642	627	1,268
Level 11	627	621	1,247
Level 12	642	627	1,268
Level 13	627	621	1,247
Level 14	642	0	642
Level 14 - Penthouse	0	564	564
Level 15 - Penthouse	540	521	1,061
Level 16 - Penthouse	481	99	580
Level 17 - Penthouse	120	0	120
NFA - unadjusted	11,209	10,523	21,732
Reconciling area to match total developable area			9
NFA - adjusted			21,741

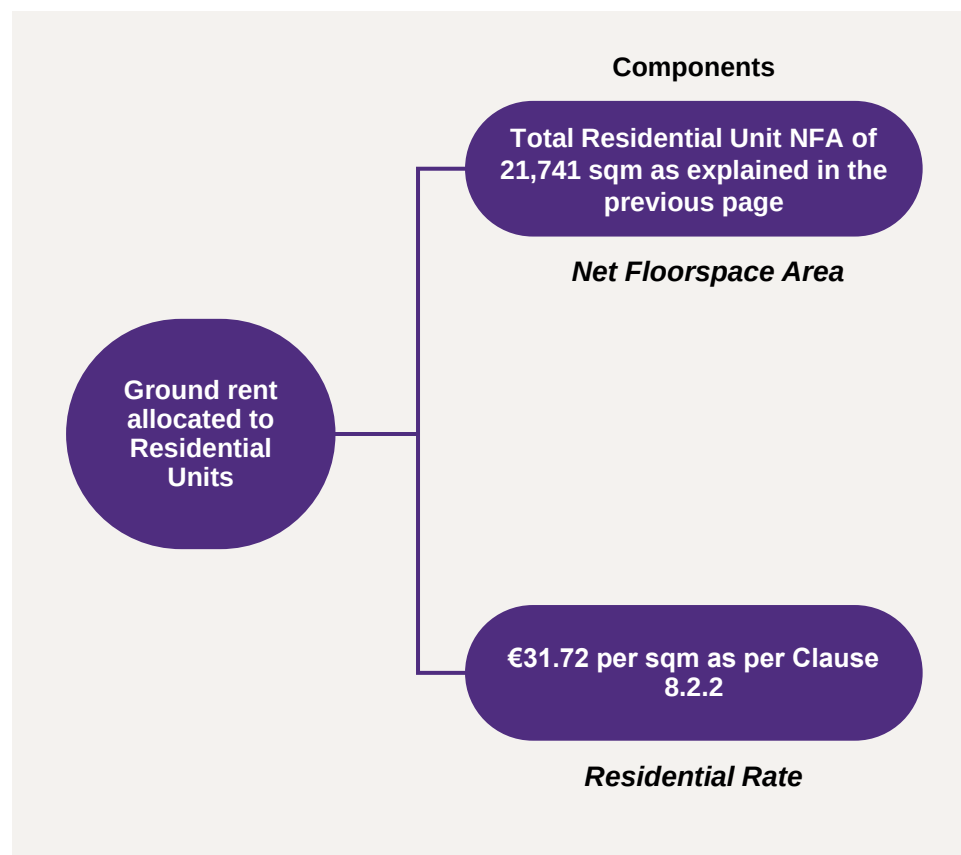
Source: DB San Gorg ground rent and redemption sheets; Approved Residential Tower Plans downloaded through the EApps portal; Discussions with DB San Gorg Architect; Grant Thornton Analysis

- The 9 sqm adjustment brings the total NFA to 21,741 sqm which then becomes the basis for computing the revised residential component ground rent and, in turn, the revised annual ground rent payable.

Re-computation of annual ground rent payable

Re-computation

- We utilised the transfer rates outlined in the original emphyteutical deed in re-computing the total ground rent allocated to the residential component. Under Clause 8.2.2, the Residential Rate is **€31.72 per sqm** based on a prospective divisibility of the original ground rent payment due on each unit.



Results

- On the basis of (i) total Net Floorspace Area of Towers A and B of 21,741 sqm; and (ii) the Residential Rate of €31.72 per sqm under Clause 8.2.2 of the emphyteutical deed, we have recomputed **an annual ground rent payable allocated to Residential Units amounting to €689,614**.
- We, therefore, arrive at a **revised total annual ground rent for the amended development of €1,112,784**. This amount is obtained by adding the original ground rent allocated to other components of the development to the re-computed residential ground rent. We therefore reconciled to the revised ground rent as proposed by DB San Gorg.

Revised annual ground rent and ground rent allocation

€	Annual ground-rent
Residential Unit ¹	689,614
Mall Component	305,465
Hotel Component	87,465
Garage spaces	30,240
Annual ground-rent	1,112,784

Comparison of annual ground rent payable

	As per emphyteutical deed		As per DB/GT recomputation		Reduction in ground rent
	Floor area (sqm)	Ground rent (€)	Floor area (sqm)	Ground rent (€)	
Residential Unit ¹	35,910	1,139,339	21,741	689,614	(449,725)
Mall Component	26,854	305,465	19,283	305,465	-
Hotel Component	49,980	87,465	47,398	87,465	-
Garage Spaces	15,120	30,240	15,120	30,240	-
Total	127,864	1,562,509	103,542	1,112,784	(449,725)

Note: 1. Office Units are no longer part of the Approved Development Permit (PA/03807/17).
 Source: DB San Gorg ground rent and redemption sheets; Approved Residential Tower Plans downloaded through the EApps portal; Discussions with DB San Gorg Architect; Grant Thornton Analysis

- As previously stated, the ground rents of the Hotel, Mall and Commercial Areas are set as absolute values rather than being calculated on a per sqm basis. Consequently, the decreases in floor area for these components do not have an effect on the revised ground rent.

**Claim for refund under Clause 7 of the deed –
Reassessment of the Payable Consideration
based on the permitted development**

Payable Consideration as per Schedule J of the Deed

Overview

- Reference is made to Clause 7.5, (ii) of the deed of emphyteusis which reads as follows: *“upon the issuance of a Development Permit determining the full extent of actual developable area within the entirety of the CityCentre Development, a consideration shall further be due, to Government or by Government to Company as the case may be, which consideration shall be calculated in accordance to the provisions of the attached schedule marked J...”*
- In its Letter dated 11 February 2025, the Company detailed its proposal to revise the calculation of the overall consideration payable to the Government of Malta, given that both the Floorspace areas have decreased. Therefore, in relation to Clause 7.5 (ii), DB San Gorg is asserting that a revision in the overall consideration payable is justified. According to the Company's revised calculations, **the adjustment would result in a refund of €2,260,410.03 by the Government to the Company.**

Formula determining the calculation of the contribution due in terms of Clause 7.5

For the purposes of calculating the consideration due in terms of Clause 7.5 (ii), Schedule J of the deed of emphyteusis outlines the below formula:

$$PC = TV - (CoGR + CoTP + RoPG + PPC)$$

Where:

- PC** = the Payable Consideration due by (due to) the Company
- TV** = the Total Value of the CityCentre Development, which value shall be calculated as follows:
 - i. €1,250 per sqm of developable NFA of Residential Units and Office Units;
 - ii. €325 per sqm of developable GFA of the Mall and other Commercial Areas;
 - iii. €50 per sqm of developable GFA of the Hotel and Commercial Area.
- CoGR** = the value of the Capitalisation of the Ground Rent Payments to the Government pertaining to the Hotel, Mall and Car Park components in terms of Clause 7.1 of the deed, using a capitalisation rate of 3.5%.
- CoTP** = the value of the full potential Conversion of title from the Temporary to Perpetual Emphyteusis in terms of Clause 8 of the deed.

Formula determining the calculation of the contribution due in terms of Clause 7.5 (cont.)

- RoPG** = the full potential value of the Redemption of Perpetual Ground Rent in terms of Clause 8 of the deed.
- PPC** = the total value of the Previously Paid Considerations paid by the Company in terms of Clause 7.5 of the deed which shall reflect the total value of the payable consideration already established and determined in the same clause as being the sum of €15 million.

Methodology

- To verify whether the consideration payable by the Company unto the Government as proposed by the Company in its letter to the Lands Authority is fair or otherwise, we have outlined the below procedures performed.

01 Reviewed and obtained an understanding of the provisions of the original emphyteutical deed

02 Reviewed the calculations as proposed by DB San Gorg to verify whether they align with the formula as defined in Schedule J of the emphyteutical deed

03 Recalculated the PC in terms of Schedule J

04 Analysed the results and the factors creating the variances between our calculation and the Company's proposal

- The succeeding pages provide more detailed discussion for each of the components in the formula.

Payable Consideration – as originally computed in 2017

Payable Consideration as originally computed

€		Basis			Hotel	Mall	Residential	Garage	Total
TV	Total Value of the CityCentre Development	Area (sqm)	A	Deed of Emphyteusis	49,980	26,854	35,910	15,120	
		Rate (€/sqm)	B	Schedule J Formula	50	325	1,250	-	
		Total Value (€)	C = A*B		2,499,000	8,727,550	44,882,044	-	56,108,594
Less:									
CoGR	Capitalisation of Ground Rent (Hotel, Mall)	Ground Rent (€)	D	Deed of Emphyteusis	87,465	305,465			
		Capitalisation Rate	E	Deed of Emphyteusis	3.5%	3.5%			
		Capitalised Value (€)	F = D/E		2,499,000	8,727,560			11,226,560
CoTP	Conversion from Temporary to Perpetual Emphyteusis (Residential, Garage)	NFA (sqm)	G	Deed of Emphyteusis			35,910	15,120	
		Rate (€/sqm)	H	Deed of Emphyteusis			167.00	33.00	
		Conversion Value (€)	I = G*H				5,996,970	498,960	6,495,930
RoPG	Redemption of Perpetual Ground Rent (Residential, Garage)	NFA (sqm)	J	Deed of Emphyteusis			35,910	15,120	
		Rate (€/sqm)	K	Deed of Emphyteusis			31.72	2.00	
		Ground Rent (€)	L = J*K				1,139,065	30,240	
		Capitalisation Rate	M	Deed of Emphyteusis			5.0%	5.0%	
		Redemption Value (€)	N = L/M				22,781,304	604,800	23,386,104
PPC	Previously Paid Consideration	Previously Paid Consideration							-
PC	Payable Consideration								15,000,000

Source: Emphyteutical Deed; Schedule J of the Deed; Grant Thornton Analysis

Payable Consideration

- As discussed, Payable Consideration is computed using the formula: **PC = TV – (CoGR + CoTP + RoPG + PPC)**
- Clause 7.5, (i) of the deed of emphyteusis reads: *“The sum of €15,000,000 (as computed above) shall be paid over a period of seven years with the first payment of €5,000,000 being paid hereon, on signing of the Deed and the balance of €10,000,000 shall be payable in seven equal annual installments, interest free, with the first payment due on 31 January 2018, and subsequent payments on each anniversary thereafter.”*. It has been confirmed by the Contracting Authority that, to date, DB San Gorg has made payments totaling €10,714,285.72 out of the €15 million due.
- The succeeding pages outline our recalculation of any payable consideration owed to or by the Company due to the reduction in developable area as per the approved development permit.

Payable Consideration – Grant Thornton re-computation

A. Total Value of the CityCentre Development (TV)

- The Total Value of the CityCentre Development as per Schedule J is calculated using the following rates:
 - Residential Units** – €1,250 per sqm of developable NFA of residential and office units within the original development plan and any subsequent development plan which may allow for further developable NFA of residential and office units;
 - Mall and other Commercial Areas** – €325 per sqm of developable GFA of the Mall and other Commercial Areas which do not form part or are not ancillary and complementary to the Hotel;
 - Hotel and Commercial Area** – €50 per sqm of developable GFA of Hotel and Commercial Area, provided that the Commercial Area which is deemed to form part of the Hotel and which is ancillary and complimentary thereto shall be such commercial areas which are within the edifice of the Hotel and its immediate and adjacent grounds which do not exceed 9,500 sqm.
- Furthermore, Schedule J stipulates that the above values shall be adjusted according to the Immovable Property Price Index (“PPI”) under Subsidiary Legislation 246.08, using the 2016 base rate of 155.88. Adjustments, if applicable, take effect once the developable NFA is determined in the original permit. Any increase in NFA through subsequent permits will only adjust the additional granted NFA. As the PA issued its decision on 10 June 2021, the adjustment will be based on the PPI for 2021.

Immovable Property Price Index

Year	Index	Annual rate of change (%)
2016	159.88	
2017	168.36	5.3%
2018	177.28	5.3%
2019	188.80	6.5%
2020	199.19	5.5%
2021	208.37	4.6%

Note: Base year for the Index is 2004 = 100

Source: Subsidiary Legislation 246.08, Immovable Property Price Index Notice (L.N246.08)

- A As noted in the table above, the base rate in 2016 as per Subsidiary Legislation 246.08 is 159.88 as opposed to the 155.88 quoted in Schedule J. We have therefore adjusted the base rate to reflect 159.88 in our calculations.

Total Value of the CityCentre Development (TV)

	Hotel	Mall	Residential	Total
Area (sqm)	47,398	19,283	21,741	
Rate per sqm as per Schedule J	50	325	1,250	
Total Value, unadjusted (€)	2,369,900	6,266,975	27,175,838	35,812,713
2016 PPI (SL 246.08)	159.88	159.88	159.88	
2021 PPI (SL 246.08)	208.37	208.37	208.37	
Total Value, revised (€)	3,088,667	8,167,686	35,417,997	46,674,350

Source: Emphyteutical Deed; Approved Development; Schedule J of the Deed; Grant Thornton Analysis

- As shown in the table above, total unadjusted value amounts to €35,812,713 computed on the approved floor areas per development component, multiplied by the respective rates per sqm as stipulated in Schedule J.
- The aforesaid value was then adjusted according to the PPIs for 2016 and 2021 under Subsidiary Legislation 246.08. Consequently, total revised value is computed at €46,674,350.

B. Capitalisation of Ground Rent (CoGR) – Hotel, Mall and Car Park

- Schedule J defines CoGR as the value of the Capitalisation of the Hotel, Mall and Car Park Ground Rent payments unto Government in terms of Clause 7.1 of the Grant which capitalisation has the value of €11,226,560 using a capitalisation rate of 3.5%.
- Clause 7.1 states that the ground rent “...shall be revised upwards on the lapse of five (5) years, and which five years is reckoned from the date of issuance of the Certificate of Completion by the Architect in respect of the Project or, after the lapse of sixty (60) months from the date of this Deed, whichever occurs first, according to the official rate of inflation, which shall be taken to be the official rate of inflation published in respect of the year immediately preceding the year when the ground rent is to be increased, and thereafter, on the lapse of every subsequent five-year period, by said rate of inflation...”.
- Based on discussions with the Contracting Authority and DB San Gorg, we understand that the ground rents for the Hotel and Mall components are to remain unchanged in absolute terms, regardless of any changes in the Gross Floor Area as per the approved permits. This is because the ground rents for these properties are fixed absolute values rather than a rate calculated per square meter.

Payable Consideration – Grant Thornton recomputation (cont.)

B. Capitalisation of Ground Rent (CoGR) – Hotel, Mall and Car Park (cont.)

- Based on the provisions of Clause 7.1, it is our understanding that the upward revision of ground rent took place on 01 February 2022. This date is determined as sixty (60) months after the date of the Deed (01 February 2017), which is the earlier applicable trigger since the Certificate of Completion has not yet been issued. As of the date of this report, one upward revision has taken place, and it is deemed that the current capitalisation of ground rent (CoGR) is recomputed at €11,971,961, as calculated per below table.

Capitalisation of Ground Rent (CoGR) - Hotel, Mall and Car Park

		€
1	Ground Rent - Hotel	A 93,272
	Ground Rent - Mall and Car Park	B 325,746
	Total Ground Rent	C = A+B 419,019
	Capitalisation Rate	D 3.5%
	Capitalised Value (€)	E = C/D 11,971,961

Note: 1. Ground rents in absolute terms have been revised upward after the lapse of sixty months from the date of the deed, using the Retail Price Index ("RPI") of 1.294%, compounded for 5 years

Source: Emphyteutical Deed; Schedule J of the Deed; Grant Thornton Analysis

C. Conversion of title from Temporary to Perpetual (CoTP) – Residential and Garage

- Schedule J defines CoTP as the value of the full potential Conversion of title from Temporary to Perpetual Emphyteusis in terms of Clause 8, specifically but not limited to Clause 8.5.1, of the deed.
- Clause 8.5.1 of the emphyteutical deed states that, a Transferee (a person to whom the title to any of the Residential Units or Garage Space is transferred by the Company) shall have the right to convert his title to that of perpetual emphyteusis, subject to the additional payment by the Transferee to the Government of a premium equivalent to €167 per sqm of the related Net Floorspace Area, exclusive of external terraces and other spaces of the Residential Units, and €33 per sqm of Net Floorspace Area of the Garage spaces, held by the Transferee on temporary basis.
- Using the above rates, we have computed a total conversion premium of €3,630,392 for the Residential Units on the basis of the Net Floorspace Area indicated in the approved development permit. For Garage Spaces, on the other hand, we obtained a total of €498,960 computed by multiplying its approved Net Floorspace Area of 15,120 sqm by the applicable rate of €33 per sqm. This results to a total CoTP of €4,129,652.

Conversion of title from Temporary to Perpetual (CoTP) – Residential and Garage

€		Residential	Garage	Total
	Net Floorspace Area (sqm)	A 21,741	15,120	
	Rate per sqm as per Clause 8.5.1	B 167	33	
	Conversion Value (€)	C = A*B 3,630,692	498,960	4,129,652

Source: Emphyteutical Deed; Approved Development; Schedule J of the Deed; Grant Thornton Analysis

D. Redemption of Ground Rent (RoPG) – Residential and Garage

- Schedule J defines RoPG as the full potential value of the Redemption of Perpetual Ground Rent in terms of Clause 8, specifically but not limited to Clause 8.8.
- Clause 8.8 of the emphyteutical deed states that, "Any person who converts his title from a temporary emphyteusis to a perpetual revisable emphyteusis, shall be entitled to immediately redeem the ground rent burdening his property at the capitalisation rate of 5.0% of the pro tempore ground rent (without abatement)."
- As shown in the table below, our recomputed value totals €15,352,994, derived by capitalizing the ground rents of the Residential (€735,402) and Garage (€32,248) components at a rate of 5.0%. This figure then becomes the amount that needs to be paid by the Transferee to the Government.
- Similar to the Hotel and Mall ground rent in CoGR, there is also no upward revision in the ground rent in the recomputation in line with the provisions of Clause 7.1.

Redemption of Ground Rent (RoPG) – Residential and Garage

€		Residential	Garage	Total
1	Net Floorspace Area (sqm)	A 21,741	15,120	
	Rate per sqm as per Clause 8.2.2	B 33.83	2.13	
	Ground Rent (€)	C = A*B 735,402	32,248	
	Capitalisation Rate as per Clause 8.8	D 5.0%	5.0%	
	Redemption Value (€)	E = C/D 14,708,037	644,956	15,352,994

Note: 1. Rates per sqm have been revised upward after the lapse of sixty months from the date of the deed, using the RPI of 1.294%, compounded for 5 years

Source: Emphyteutical Deed; Approved Development; Schedule J of the Deed; Grant Thornton Analysis

Comparison of computations

Payable Consideration due from / (due to) the Company

€		Original computation	Grant Thornton	DB San Gorg	Original comp. vs Grant Thornton	Grant Thornton vs DB San Gorg
TV	Total Value of the CityCentre Development	56,108,594	46,674,350	46,714,666	(9,434,244) A	40,316 F
Less:						
CoGR	Capitalisation of Ground Rent (Hotel, Mall)	11,226,560	11,971,961	13,905,906	745,401 B	1,933,945 G
CoTP	Conversion from Temporary to Perpetual Emphyteusis (Residential, Garage)	6,495,930	4,129,652	4,129,652	(2,366,278) C	-
RoPG	Redemption of Perpetual Ground Rent (Residential, Garage)	23,386,104	15,352,994	15,939,518	(8,033,110) D	586,524 H
PPC	Previously Paid Consideration	-	10,714,286	15,000,000	10,714,286 E	4,285,714 I
PC	Payable Consideration due from / (due to) the Company	15,000,000	4,505,457	(2,260,410)	(10,494,543)	(6,765,867)

Source: Emphyteutical Deed; Schedule J of the Deed; Company's Letter dated 11 February 2025; Grant Thornton Analysis

Results

- Grant Thornton's revised calculation of the Payable Consideration (PC) reflects changes in the Total Value (TV) of the CityCentre Development, as well as adjustments related to Capitalisation of Ground Rent (CoGR), Conversion from Temporary to Perpetual Emphyteusis (CoTP), Redemption of Perpetual Ground Rent (RoPG), and Previously Paid Consideration (PPC).
- While the total developable area decreased, the amount payable to the Government is calculated at €4.5 million due to proportional reductions in the aforesaid factors, which offset the decrease in TV. Additionally, it has been confirmed that only €10.7 million has been paid by DB San Gorg to date, and not the full €15 million due from the original PC calculation, as reflected in DB San Gorg's proposal.
- Details of the differences in computations are outlined in the succeeding page.

Comparison of computations (cont.)

Revised Payable Consideration Calculation and Impact of Deferred Payments

- A** The original calculation of the Payable Consideration (PC) was based on an estimated developable area in accordance with the deed of emphyteusis. However, following the issuance of the Development Permit, a revised assessment of the total developable area was conducted, leading to a reduction in floorspace across all components (Hotel, Mall and Commercial Areas, Residential Units, and Garage Spaces). Consequently, the Total Value (TV) of the CityCentre Development has decreased from €56.1 million as per original computation to €46.7 million as per Grant Thornton recomputation.

The decrease in TV led to a lower base value of the project, but this alone does not determine whether a payable or refundable amount arises. The key driver is the net effect of all deductions against TV.
- B** The €745k difference in CoGR is due to the upward adjustment of ground rents for the Hotel, Mall, and Commercial areas. As the first revision took effect on February 1, 2022, the base ground rent for these components was increased using the 2021 RPI of 1.294%, compounded annually over five years.
- C** Decrease of €2.4 million in CoTP is tied to the decrease in developable areas for residential units from 35,910 sqm to 21,741 sqm.
- D** RoPG declined significantly from €23.4 million to €15.4 million, primarily due to the reduction in developable residential unit areas. This decrease occurred despite an upward revision in ground rent rates, which increased from €31.72 to €33.83 per sqm for residential units and from €2.00 to €2.13 per sqm for garage spaces. The rent adjustments were based on the 2021 RPI of 1.294%.

Because RoPG was originally used to reduce the upfront payable consideration, this reduction results in less offsetting against TV.
- E** Verification by the Contracting Authority confirmed that only €10.7 million has been paid to date. This resulted in a lower prepayment credit available to offset the PC, further reinforcing the necessity of a remaining payable amount.

Differences in methodology and key assumptions also contributed to the variances observed between Grant Thornton's recalculations and DB San Gorg's proposal.

- F** Difference of €40.3k is primarily due to a difference in 2021 Immovable Property Price Indexes used in adjusting the Total Value. Grant Thornton referenced the official index as per Subsidiary Legislation 246.08, while DB San Gorg confirmed that the 2021 index, cited in their letter, was based on a preliminary issuance that was subject to revision.
- G** Difference of €1.9 million arises due to the methodology applied in capitalizing the ground rent. DB San Gorg calculated the net present value (NPV) of future ground rent payments using a 3.5% discount rate. In contrast, Grant Thornton applied the original methodology, dividing the ground rent by the 3.5% capitalisation rate.
- H** Difference of €587k results from the methodology used to compute the redemption value. DB San Gorg calculated the NPV of future ground rent payments using a 5% discount rate, whereas Grant Thornton followed the original methodology capitalising the ground rent by dividing the same by 5.0%.
- I** Difference of €4.3 million as DB San Gorg have assumed that the originally computed payable consideration has been paid in full, however upon further verification by the Contracting Authority confirms that only €10.7 million has been paid to date.

Overall conclusion

In conclusion, while a reduction in developable area could have justified a refund, this has also directly affected the amount of consideration that the Company can defer, mainly in terms of the CoTP and RoPG. Originally, with the larger developable area, DB San Gorg was able to defer up to 53% of the Total Value, significantly reducing the immediate payment obligation. However, following the downward revision, this deferral percentage has dropped to 42%, meaning a greater share is now due upfront. While it is true that the total value TV has decreased, this reduction does not proportionally offset the impact of the lower deferral allowance. Since now less of the total amount can be deferred, a larger portion of the consideration must be paid immediately.

Furthermore, the confirmed PPC of €10.7 million further reduced the prepayment credit available to the Company, reinforcing the recomputed payable consideration due to the Government of €4.5 million.

Claim for refund under Clause 13 of the deed in relation to the provision of adequate utilities to the site

Claim for refund under Clause 13

Nature of the claim

- Clause 13 of the Deed of Emphyteusis obliges the Government of Malta as follows:
 - a) Clause 13.2: *“The Government undertakes at its sole cost, risk, legal and financial liability to affect the required improvements to the road and utilities infrastructure leading to the Site in respect of the Peninsula.”*
 - b) Clause 13.3: *“The Government undertakes to ensure the provision of adequate water and power supply to the Site.”*
- DB San Gorg asserts that it had to undertake works for the provision and upgrading of adequate utility supplies to the former ITS site totalling €469,182.57.
- A summary of the claim is presented in the adjacent table.

Claim for refund under Clause 13 - provision of adequate water and power supply

Description of works	Amount ex-VAT (€)
Trenching and laying of pipe works	218,439
Trenching and laying of electrical supply	158,418
Temporary energisation	45,419
Electrical cable	39,831
Borehole surveys	2,960
Road surveys	2,295
Water reservoirs surveys	1,820
Total	469,183

Source: Company's Letter dated 11 February 2025

Procedures performed

- Grant Thornton was engaged to verify the amounts claimed for refund by DB San Gorg to confirm that the expenses were incurred on the ex-ITS site for the specific purpose as indicated and that all invoices were actually paid by the Company.
- In line with this, we have performed the following procedures.

Procedures performed

01

Reviewed the provisions of the original emphyteutical deed and obtained an understanding of rights and obligations of each Party as agreed

02

Obtained the relevant documents supporting the expenses such as invoices, utility bills, contracts, cheques, receipts, remittance reports, and other relevant documents

03

Performed 100.0% vouching on the documents obtained and verified the nature of the expenses to confirm that they pertain to the ex-ITS site and that they have been paid accordingly

Details of procedures performed

Details of procedures performed

1. Agreed the total invoice amount (ex-VAT) against the expense list provided by the Company in its letter dated 11 February 2025.

- DB San Gorg has summarised the claim based on the description of works as presented in the previous page.
- We were also provided with the relevant supporting documents (such as invoices, utility bills, contracts, cheques, receipts, and remittance reports) and identified a total of 9 suppliers and 19 transactions comprising the claim.
- A summary of the claim based on the identified suppliers is presented below. The total amount aligns with the total as per the Company's summary in its claim letter.

Summary of claims per supplier

Supplier	Amount ex-VAT (€)
Sier & Sons Ltd	376,857
ESS	46,031
Enemalta plc	36,806
ARMS	3,663
GeoMatix Surveying	2,755
RAICO	1,250
PVB water supplies	800
Solid base	700
Charles Ellul	320
Total	469,183

Source: Supporting documentation submitted by DB San Gorg; Grant Thornton Analysis

2. Verified each expense in the list by performing 100.0% vouching of the related supporting documents

- Checked that the expense incurrence date aligns with the expected period during which the Government, as per the emphyteutical deed, was obligated to fulfill its commitments under Clauses 13.2 and 13.3. Based on the vouching procedures performed, the claimed expenses were incurred between June 2017 and April 2021. In this case, no exceptions were noted.

Details of procedures performed (cont.)

- Checked that the submitted expenses were incurred for the provision of adequate utility supplies to the former ITS site. In order to perform this, we have scrutinized that the invoices or other supporting documents (i.e. bills and contracts) contain an indication of the ITS site, such as shown in the below snapshots of a sample invoice and a sample contract. No exceptions were noted.

Sample invoice descriptions

Sample invoice

TO: DB San Gorg Property Ltd., c/o Seabank Resort & Spa Marla Road, Marsheha VAT No MT 2416-2335		INVOICE NO. 1835 DATE: 30-06-2017 JOB NO. Hard Rock Hotel-ITS-1325		
DATE	DESCRIPTION	HRS	RATE	AMOUNT
30-05-2017	Survey of approaching roads towards the Institute of Tourism Studies (ITS) area as instructed by Paul Gaudi and Arch. Jesmond Magliett		2,295.00	2,295.00T

Sample contract provision

Whereas the Customer has applied to Enemalta for the provision of an electrical supply at ex ITS site in Pembroke with a temporary 1600 KVA supply to temporary replace the existing substation (hereinafter referred to as the 'Project');

Source: Supporting documentation submitted by DB San Gorg

3. Verified that the expenses were actually paid by the Company

- Checked that the payment documents such as receipts, cheques, remittance notifications, and ledger postings are properly indicated and in place for each transaction.
- As per the vouching procedures performed, all of the claimed expenses have been properly substantiated by the respective proof of payment and assert that these expenses have been actually paid for by DB San Gorg.
- A summary of the results of vouching procedures performed is presented in the succeeding page.

Vouching procedures

Summary of expenses vouched

Description of works	Amounts ex-VAT (€)					Remarks
	as per GT vouching	as per DB	Vouching difference	Allowed	Disallowed	
Trenching and laying of pipe works						
Sier & Sons Ltd	153,603	218,439	-	153,603	-	In order
Sier & Sons Ltd	64,836			64,836	-	In order
Trenching and laying of electrical supply						
Sier & Sons Ltd	100,000	158,418	-	100,000	-	In order
Sier & Sons Ltd	43,418			43,418	-	In order
Sier & Sons Ltd	15,000			15,000	-	In order
Temporary energisation, electrical cable, and borehole surveys						
Enemalta plc	36,806	88,210	-	36,806	-	In order
ESS	27,119			27,119	-	In order
ESS	12,712			12,712	-	In order
ESS	6,200			6,200	-	In order
ARMS	2,713			2,713	-	In order
RAICO	1,250			1,250	-	In order
ARMS	750			750	-	In order
GeoMatix Surveying	310			310	-	In order
ARMS	200			200	-	In order
GeoMatix Surveying	150			150	-	In order
Road surveys						
GeoMatix Surveying	2,295	2,295	-	2,295	-	In order
Water reservoirs surveys						
PVB water supplies	800	1,820	-	800	-	In order
Solid base	700			700	-	In order
Charles Ellul	320			320	-	In order
Total	469,183	469,183	-	469,183	-	

Source: Company's Letter dated 11 February 2025; Supporting documentation submitted by DB San Gorg; Grant Thornton Analysis

Results

- The table above summarizes the results of our vouching procedures. We noted that all submitted invoices pertain to the provision of adequate utility to the former ITS site. We also found no discrepancies when comparing the amounts claimed by DB San Gorg and the amounts (ex-VAT) as per respective invoices. Furthermore, all of the claimed expenses are accompanied by the respective proofs of payments as part of the substantiating documents. As a result, all of the expenses claimed by the Company are allowed for compensation.

Summary of results



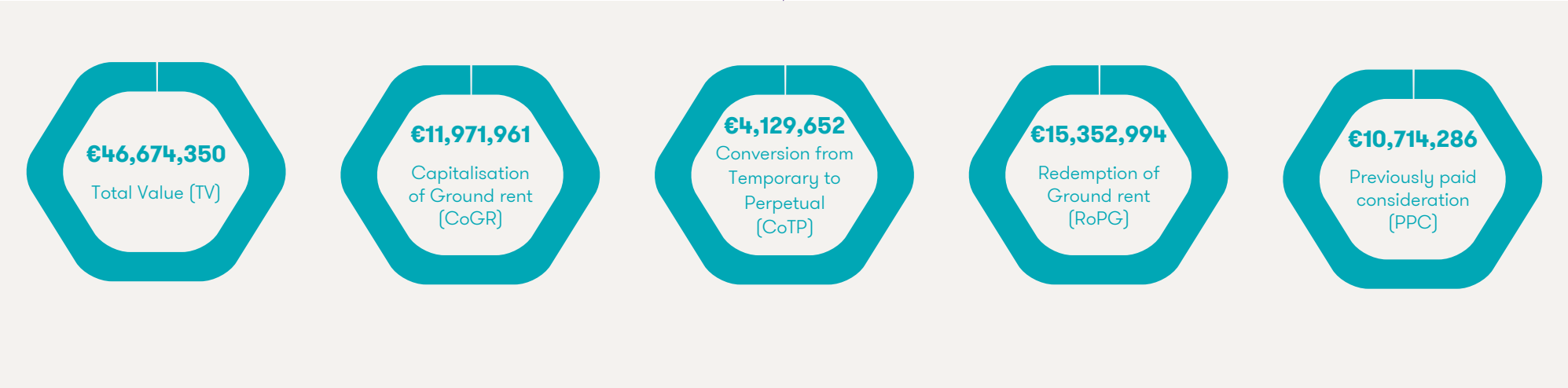
Annual ground rent payable is revised downwards from €1,562,509 to €1,112,784 in accordance with the reduction in total developable area.



The Payable Consideration due by the company unto the Government. This was calculated using the following formula:
 $PV = TV - (CoGR + CoTP + RoPG + PPC)$



Eligible claims for work carried out by the Company that should have been carried out by the Government. All submitted invoices relate to the ex-ITS site and are accompanied by the respective proof of payment.



Appendices

A. Glossary of terms

General terms

The agreement, the deed or the emphyteutical deed	The 99-year emphyteutical agreement that the Company entered with the Commissioner of Land in February 2017.
The Contracting Authority	The Lands Authority
DB San Gorg or the Company or the Emphyteuta	DB San Gorg Property Limited
GFA	Gross Floor Area
The Government	The Government of Malta
The Management	The Management of DB San Gorg
LOE	Letter of Engagement
ITS	Institute of Tourism Studies
NFA	Net Floorspace Area
PA or MEPA	Planning Authority
The Project or the City Centre Project or the City Centre Development	The development of an upmarket mixed tourism and leisure project at the Site situated in St. George's Bay, St. Julian's, formerly occupied by the Institute of Tourism Studies
SDA	Special Designated Area
The Site or the Property	The divided portion of land situated in St. George's Bay, St. Julian's, formerly occupied by the ITS
The Transferee	The person to whom the Company transfers by any title, the Residential Units, Office Units and Garage Spaces forming part of the Project
PC	The Payable Consideration due by (due to) the Company

General terms

TV	The Total Value of the CityCentre Development
CoGR	The value of the Capitalisation of the Ground Rent Payments to the Government pertaining to the Hotel, Mall and Car Park components in terms of Clause 7.1 of the deed, using a capitalisation rate of 3.5%.
CoTP	The value of the full potential Conversion of title from the Temporary to Perpetual Emphyteusis in terms of Clause 8 of the deed.
RoPG	The full potential value of the Redemption of Perpetual Ground Rent in terms of Clause 8 of the deed
RPI	Retail Price Index
PPI	Immovable Property Price Index
PPC	The total value of the Previously Paid Considerations paid by the Company in terms of Clause 7.5 of the deed which shall reflect the total value of the payable consideration already established and determined in the same clause as being the sum of €15 million.

B. Important notice

Scope of work and limitations

Our work focused on the areas set out in the Letter of Engagement dated 12 February 2025. The Agreed-upon procedures performed concerning the verification procedures on the ground rent payable by and the settlement claims filed by DB San Gorg Property Limited does not constitute an assurance engagement conducted in accordance with any generally accepted assurance standards and no verification work has been carried out by us; consequently, we do not express an assurance opinion on the figures included in the report.

The scope of our work has been limited both in terms of the areas of the business and operations which we have reviewed and the extent to which we have reviewed them. There may be matters, other than those noted in this report, which might be relevant in the context of the transaction and which a wider scope review might uncover.

Our report will be based upon information relating to the claim prepared by management of DB San Gorg Property Limited, as well as other information obtained during the conduct of our work. Our reliance on and the use of the information contained therein should not be construed as an expression of our opinion on it except as, and to the extent that, we may otherwise indicate in our report. We do not accept any responsibility or liability for the impact on our deliverable of any inaccuracies in such information.

- The views expressed herein are given in terms of our engagement and are limited to the conclusions specifically set forth herein and do not apply, by implication or otherwise, to any other matter. These are based on the completeness and accuracy of the assumptions, facts and representations made to us. If any of the assumptions, facts and/or representations are not entirely correct, complete or accurate, or should any of these facts change or otherwise be altered or should any assumption made prove to be incorrect and/or unreasonable this may affect the accuracy of anything stated herein. As a result, should any material facts have been omitted and/or should any of the facts specified and/or assumptions made not be accurate and/or should any of the facts surrounding the case under review change or be altered or should any assumptions made prove to be incorrect and/or unreasonable we recommend that this fact is brought to our immediate attention for the purpose of us reviewing the contents of this document in the light thereof, as the inaccuracy or incompleteness thereof could have a material effect on our conclusions.
- Grant Thornton shall not accept any liability whatsoever for any loss howsoever arising from any use of this report or the contents thereof or otherwise arising in connection therewith.
- This report is intended solely for the purpose outlined herein, and shall not be published, quoted, disclosed, or otherwise disseminated to, or relied upon by any other party without the prior written consent of Grant Thornton. Grant Thornton accepts no responsibility to any other party.
- The contents of this report have been prepared by Grant Thornton solely for the purpose herein and have not been independently verified in a conclusive manner by any third party, including the competent authority. This report does not purport to be comprehensive and is subject to verification, completion and change without notice. Grant Thornton accepts no responsibility for, or makes no representation or warranty, express or implied, as to the truth, accuracy or completeness of this report. Such information involves risks and uncertainties and is subject to change based on various factors.
- Grant Thornton shall not regard any other person as its respective client and shall not be responsible to anyone other than the management of the company for providing the protections afforded to its respective clients, nor for providing the conclusions in relation to this report referred to herein.

B. Important notice (cont.)

Sources of information

The information contained in this report is based primarily on the following:

- DB San Gorg Property Limited's submission to the Contracting Authority in its Letter to the Lands Authority dated 11 February 2025
- The Emphyteutical Deed between DB San Gorg and the Government of Malta dated 1 February 2017
- Planning Authority Approved Permit PA/03807/17
- Copies of the Decision Notices issued by the Planning Authority in relation to PA/03807/17
- DB San Gorg's ground rent Computation Worksheet
- Residential Tower Plans
- DB San Gorg List of cost and expenses for claim for the refund under clause 13 of the deed
- Invoices, Proofs of Payments, Contracts and other Supporting Documents to the list of cost and expenses
- The Planning Authority website
- Internet research
- Communications with the Lands Authority and with DB San Gorg, including consultations with architects and legal team

We do not accept responsibility for such information which remains the responsibility of the management of the company. We have satisfied ourselves, so far as possible, that the information presented in our report is consistent with other information which was made available to us in the course of our work in accordance with the terms of our Proposal. We have not, however, sought to establish the reliability of the sources by reference to other evidence.

Our report makes reference to 'Grant Thornton Analysis'; this indicates only that we have (where specified) undertaken certain analytical activities on the underlying data to arrive at the information presented; we do not accept responsibility for the underlying data.

Period of our fieldwork

Our work was performed in the period between 12 February 2025 and 26 February 2025. Clarifications through email correspondences, scheduled meetings were also conducted from 12 February 2025 and 26 February 2025.

We have not performed any fieldwork since 26 February 2025 and our report may not take into account matters that have arisen since then. If you have any concerns in this regard, please do not hesitate to let us know.

Location of our work

Our work was performed mainly at the Grant Thornton Malta offices located at Level 2, Fort Business Centre, Triq L-Intornjatur, Zone 1, Central Business District, Birkirkara CBD1050, Malta.

Forms of report

For your convenience, this report may have been made available to you in electronic as well as hard copy format. Multiple copies and versions of this report may therefore exist in different media and in the case of any discrepancy the final signed hard copy should be regarded as definitive.

General

Our report is issued on the understanding that the management of the company have drawn our attention to all matters, financial or otherwise, of which they are aware which may have an impact on our report up to the date of signature of this report.

Events and circumstances occurring after the date of our report will, in due course, render our report out of date and, accordingly, we will not accept a duty of care nor assume a responsibility for decisions and actions which are based upon such an out of date report. Additionally, we have no responsibility to update this report for events and circumstances occurring after its date.

Contacts

If there are any matters upon which you require clarification or further information please contact George Vella or Oriana Abela on +356 2093 1000.

