



PPHE HOTEL GROUP LIMITED

(Incorporated and registered in Guernsey with company registration number 47131)

Proposed Related Party Transaction and Notice of Extraordinary General Meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under FSMA, if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

If you sell or otherwise transfer, or have sold or otherwise transferred, all of your Ordinary Shares, please forward this document as soon as possible to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or the transferee, unless doing so might constitute a violation of local securities law or regulations. If you sell or have sold or otherwise transferred only part of your holding of Ordinary Shares, you should retain these documents and consult the bank, stockbroker or other agent through whom the sale or transfer was effected. If you receive this document from another Shareholder, as a purchaser or transferee, please contact the Registrar in respect of your proxy appointment.

This document should be read as a whole. Your attention is drawn to the letter from the Deputy Chairman in Part 1 of this document and which recommends that you vote in favour of the Resolution to be proposed at the Extraordinary General Meeting. Your attention is drawn to the section entitled "Action to be taken" on page 5 of this document.

The Related Party Transaction described in this document will only be entered into upon approval from Independent Shareholders which is being sought at an Extraordinary General Meeting to be held at 1st floor, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey GY1 1EW at 12 noon (London time) on 17 March 2020. Notice of the Extraordinary General Meeting is set out at the end of this document.

This document is not a prospectus but a circular relating to the Related Party Transaction which has been prepared in accordance with the Listing Rules and approved by the FCA. This document is being sent to Shareholders solely for the purpose of considering the Resolution to be voted on at the Extraordinary General Meeting.

Independent Shareholders are requested to submit a proxy appointment as soon as possible. No hard copy form of proxy for use at the Extraordinary General Meeting is enclosed with this document and Independent Shareholders will not receive a Form of Proxy in the post unless specifically requested from the Registrar. Instead, Independent Shareholders will be able to appoint a proxy electronically.

Independent Shareholders may appoint a proxy electronically by logging in at shares.pphe.com/welcome and following the on-screen instructions so that it is received by the Registrar by no later than 12 noon on 15 March 2020. Independent Shareholders holding Ordinary Shares in uncertificated form (that is, in CREST) may appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so that it is received by the Registrar by no later than 12 noon on 15 March 2020. If a Form of Proxy is received from the Registrar following a specific request by the Independent Shareholder, in order to be valid, the Form of Proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified or office copy of such power or authority, must be deposited with the Registrar, so as to be received by the Registrar, Link Asset Services at 34 Beckenham Road, Beckenham, BR3 4TU by no later than 12 noon on 15 March 2020.

J.P. Morgan Securities plc, which conducts its UK investment banking business as J.P. Morgan Cazenove ("J.P. Morgan Cazenove"), and which is authorised in the United Kingdom by the Prudential Regulation Authority (the "PRA") and regulated by the PRA and the FCA, is acting as sponsor exclusively for PPHE Hotel Group Limited and no one else in connection with the Related Party Transaction and will not regard any other person as its client in relation to the Related Party Transaction and will not be responsible to anyone other than PPHE Hotel Group Limited for providing the protections afforded to clients of J.P. Morgan Cazenove or its affiliates, nor for providing advice in relation to the Related Party Transaction or any other matter or arrangement referred to herein.

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EXPECTED TIMETABLE

Announcement of the Related Party Transaction

27 February 2020

Date of this Circular

27 February 2020

Latest time and date for receipt of electronic proxy appointments or CREST Proxy Instructions (as applicable) or, if specifically requested from the Registrar, Forms of Proxy

12 noon on 15 March 2020

Record date for voting

5.00 p.m. on 15 March 2020

Extraordinary General Meeting to approve the Related Party Transaction

12 noon on 17 March 2020

Announcement of the results of the Extraordinary General Meeting

17 March 2020

Note:

Each of the times and dates in the expected timetable may (where permitted by law) be extended or brought forward without further notice. All references to times in this document are to London times.

Part 1

LETTER FROM THE DEPUTY CHAIRMAN PPHE HOTEL GROUP LIMITED

(Incorporated and registered in Guernsey with company registration number 47131)

Directors:

Eli Papouchado
(Non-Executive Chairman)
Boris Ivesha
(President and Chief
Executive Officer)
Daniel Kos
(Chief Financial Officer)
Kevin McAuliffe
(Non-Executive
Deputy Chairman)
Nigel Jones
(Non-Executive Director)
Dawn Morgan
(Non-Executive Director)
Kenneth Bradley
(Non-Executive Director)
Nigel Keen
(Non-Executive Director)

Registered office:

1st and 2nd Floors
Elizabeth House
Les Ruettes Brayes
St Peter Port
Guernsey
GY1 1EW
Channel Islands

Dear Shareholder

Recommended proposal for a Related Party Transaction and Notice of Extraordinary General Meeting

1. Introduction

This document is being sent to Shareholders in order to convene the Extraordinary General Meeting of the Company to be held at 1st floor, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey GY1 1EW at 12 noon on 17 March 2020.

The Notice of the Extraordinary General Meeting is set out at the end of this document and contains the Resolution to be proposed at the meeting. The Resolution seeks approval for the Related Party Transaction, which is the proposed provision to the Group by Gear, a related party of the Company, of the main works for the design and build of a new hotel to be known as art'otel london hoxton by way of a lump sum contract. Construction is to be carried out pursuant to the Construction Agreement. Further information on the Related Party Transaction is set out in this letter.

The Related Party Transaction will constitute a related party transaction for the purposes of the Listing Rules and accordingly the Construction Agreement will only be entered into, *inter alia*, following the approval of Independent Shareholders.

The purpose of this Circular is to provide details of the Related Party Transaction, to explain why the Board believes that the Related Party Transaction is in the best interests of the Company, the Independent Shareholders and the Shareholders as a whole and to seek the consent of Independent Shareholders, pursuant to the requirements of the Listing Rules, for the Related Party Transaction.

THE RESOLUTION IS IMPORTANT TO THE COMPANY AND THE BOARD RECOMMENDS THAT YOU VOTE IN FAVOUR OF IT.

2. Background to and reasons for the Related Party Transaction

Group strategy

The Group's business model is focussed on its expertise in both real estate development and hospitality operations, established over the last 30 years. This dual approach gives the Company the flexibility and control to invest in its hospitality operation and manage its assets to create maximum value for all its stakeholders; investors, team members, customers, suppliers and communities.

In the Group's property portfolio, the Group takes a disciplined and yield-focused approach to asset management and identifies opportunities to deploy capital to optimise the value in its existing portfolio, acquire further assets to drive growth and, where appropriate, extract value to fund longer-term sustainable growth.

The Group's collaboration with the Red Sea Group

Many of the hotels within the Group's portfolio have been developed by the Group either as new-build or conversion projects. The Group has a long and successful history of collaborating with the Red Sea Group in relation to such development projects. The Red Sea Group's construction arm, Gear, has been involved in construction projects where it has been engaged by the Group for the design and construction on a "turn-key" basis of Park Plaza Westminster Bridge London, Park Plaza London Riverbank, Park Plaza London Park Royal and Park Plaza London Waterloo as well as the extension to Park Plaza London Riverbank.

In addition to the construction services provided through the Red Sea Group, Gear has provided project management services to the Group over the years in connection with a number of hotel projects pursuant to historic agreements. Gear has been key to the recent successful refurbishment of almost all of the Group's hotels in the UK and the Netherlands. During the year ended 31 December 2019, the Group paid a total of c.£2.98 million to Gear pursuant to such agreements. Gear has provided services in respect of the art'otel london hoxton project since 2008.

Gear also provides pre-construction and maintenance services to the Group pursuant to a pre-construction and maintenance contract (the "**Pre-Construction and Maintenance Contract**"). Pursuant to the Pre-Construction and Maintenance Contract:

- if the Group wishes to embark on a new construction, development or refurbishment project it can choose (but is under no obligation) to instruct Gear to provide preliminary assessment services in connection with such project;
- Gear shall, in relation to each of the Group's sites, provide advice on an ad-hoc consultancy basis as required by the Group in relation to maintenance issues in respect of its existing hotels; and
- all services provided by Gear to the Group under the Pre-Construction and Maintenance Contract are provided on a project by project basis and with a fixed annual retainer of £60,000 (paid in equal monthly instalments).

In addition, the Group expects to agree to sub-lease a small area of office space to a member or affiliate of the Red Sea Group at its County Hall corporate office in the near future. Such sub-lease is expected to expire on 20 July 2021 and the rent payable by the Red Sea Group to the Group will be based on the cost at which the landlord is leasing such space to the Group.

Background to the art'otel london hoxton site and project

In 2008, the Group acquired a 50 per cent. interest in a site in Hoxton, London EC1 with a view to jointly developing with its then partner a new hotel to be operated by the Group under its art'otel brand. art'otel is a lifestyle collection of hotels that fuse exceptional architectural style with art-inspired interiors, located in cosmopolitan centres across Europe. At the brand's core is the art itself. Each hotel displays a collection of original works designed or acquired specifically for each art'otel, rendering each location a unique art gallery in its own right. art'otel has created a niche for itself in the hotel world, differentiating it from traditional hotels. The Hoxton area of London, which has undergone considerable regeneration in recent years is now recognised as a creative area to the north of the City, London's financial district and has long been identified as an ideal location for the art'otel brand.

In the first quarter of 2018, the Group acquired the remaining 50 per cent. interest to take full control of this site. This acquisition has allowed the Company to drive the planning process and maximise its control of the timetable for construction of art'otel london hoxton.

On 1 April 2019, the Group achieved planning consent from Hackney Council for an improved and final development scheme of art'otel london hoxton. The development will consist of the design and build of a new 27 storey building to accommodate 343 hotel rooms and suites, five floors (comprising 4,688 sqm) of office space, a gym, swimming pool and wellness facilities and an art gallery space. The total gross internal area of the scheme is 32,296 sqm to include three levels of basement. Pre-construction work on the site has already commenced and art'otel london hoxton is expected to open in 2023.

The Company believes the art'otel london hoxton project has the potential to deliver attractive risk-adjusted returns for Shareholders whilst providing a positive statement for the expansion of the art'otel brand.

Tender process and selection of Gear

The Company conducted a tender process for the main works to be carried out in relation to the design and build of art'otel london hoxton with a view to appointing a contractor on a turn-key basis. The Independent Directors appointed AECOM, a highly regarded publicly traded premier infrastructure firm delivering design, planning, engineering, consulting and construction management solutions, to assist in this process, supported by Gear, as project manager under the Hoxton Project Management Agreement. AECOM had not performed any other role for the Company in relation to this project and the Independent Directors consider AECOM to be independent in respect of its role in the tender process.

The initial part of this process required AECOM to approach a large number of independent contractors to respond to a pre-qualification questionnaire relating to the project with a view to inviting them to tender for the works. Despite the large number of independent contractors approached, only three independent contractors were prepared to tender for the works, on the basis of a single stage design and build project based on RIBA Stage 3 design information prepared by the Group's design team supported by Gear.

Tenders were received from each of these independent contractors and were reviewed by AECOM. AECOM assisted the Independent Directors with a detailed assessment of these tenders. All three tenders were assessed to be in excess of the Company's expectations and none were in compliance with the technical and commercial requirements set out by the Group. Of the three tenders received only one of the independent contractors provided a lump sum price for the specified works. Of the other two contractors, one provided a lump sum price only for elements of the works and the other was not willing to offer a lump sum price at all, and would only give an indication of likely costs.

Following the initial review of the first round of tenders from the three contractors and in light of the above, Gear was asked to submit a bid in accordance with the tender documents for the design and build of art'otel london hoxton for a lump sum price, which it did.

As a result, there was a further review of all four tenders submitted, to include Gear's tender, by AECOM who reported to the Independent Directors on the merits of all of the tenders received. The three original tenders were deemed not to be at an acceptable level or compliant with the tender requirements and would not have provided an acceptable return for this development on their terms for the Group. The tender received from Gear was the most competitively priced, and was below the estimated costs originally indicated by AECOM and was deemed fully compliant by AECOM. As a result of this process, the Independent Directors decided to contract with Gear to design and build art'otel london hoxton for a lump sum price contract pursuant to the Construction Agreement for the following reasons:

- Gear offered a lump sum price including a design and build risk contingency for the specified works and its price was in line with the Group's expectations and significantly lower than the next lowest like-for-like price offered by the three independent contractors.
- The Company has a successful track record of working with the Red Sea Group on the construction of a number of its London hotels.

The principal terms of the Construction Agreement are summarised in section 3 of this letter and section 5.1 of Part 2 of this document.

Gear UK, the contracting party to the Construction Agreement, is controlled by the Company's Chairman, Eli Papouchado together with his sons. Eli Papouchado is also the founder of the Red Sea Group which controls Euro Plaza, the Company's largest Shareholder. Under the Relationship Agreement entered into between Euro Plaza, Eli Papouchado and the Company, transactions between the Company and Euro Plaza or any of its associates are required to be on arm's length terms.

Given his interests in Gear UK, Eli Papouchado, the Company's Chairman is considered to have a conflict of interest in relation to the Related Party Transaction. Furthermore, given his long-standing relationship with Eli Papouchado, Boris Ivesha, the Company's President and Chief Executive Officer is also considered to have a conflict of interest in relation to the Related Party Transaction. Neither Eli Papouchado nor Boris Ivesha has participated in the Board's decision to enter into the Related Party Transaction.

Accordingly, the Independent Directors, having taken professional advice from independent advisers, AECOM, concluded that the negotiations and conclusion of the Construction Agreement should be progressed on the basis of the tender submitted by Gear. As such, the Independent Directors, with the support of internal and external legal counsel, negotiated the terms of the contract on behalf of the Company on this basis. The Independent Directors have concluded that the Construction Agreement is on arm's length terms and is in the best interests of the Company and its Shareholders as a whole.

Gear is classed as a related party of the Company in accordance with the Listing Rules and the Related Party Transaction will therefore require the approval of the Independent Shareholders. Accordingly, the Construction Agreement will only be entered into following, *inter alia*, the passing of the Resolution at the Extraordinary General Meeting by Independent Shareholders holding, in aggregate, a simple majority of the votes cast on the Independent Shares. The Construction Agreement will also only be entered into following the Group having arranged financing on terms that are satisfactory to it.

Principal risks and uncertainties

The principal risks and uncertainties which Shareholders should take into account when considering whether to vote in favour of the Resolution include the following:

- **Funding risks:** in addition to the approval of Independent Shareholders, the Construction Agreement will only be entered subject to the Group having arranged financing on terms that are satisfactory to it. As with any financing arrangements that the Group enters into, the Group will be obliged to comply with certain financial and other covenants in respect of such financing and it is possible that it may breach such covenants leading to cash restrictions, loss of stakeholder confidence and, in the worst case, a potential going concern threat. Whilst the Construction Agreement presents funding risks, the Board does not believe there to be any imminent risk to the Company. The Company has a strong financing position with significant capital resources available to it.
- **Development risks:** as with any major development project, the Group may experience delays, unforeseen increases in costs, disputes with the contractor, failure of the contractor or inconsistent quality in the works to be performed in relation to art'otel london hoxton. This could reduce cash flow, profitability and stakeholder confidence.
- **General economic and market risks:** a downturn in the economic cycle, market changes or an inaccurate assessment of the opportunity afforded by the Related Party Transaction may produce a less favourable or unexpected result and may impact the Group's ability to drive growth and long-term value.

Shareholders should note that these risks are not a complete and comprehensive statement of all potential risks and uncertainties.

Additional risks and uncertainties not presently known to the Board or that the Board considers immaterial may also adversely affect the Group's business, results of operations or financial condition. Independent Shareholders should carefully consider the risks and uncertainties described above, together with all other information contained in this Circular before deciding whether to vote in favour of the Resolution.

3. Principal Terms of the Construction Agreement

The Construction Agreement, which will only be entered into following Shareholder approval and on the Group having arranged financing on terms that are satisfactory to it, will be between Gear UK as Contractor and a wholly-owned subsidiary of the Company as Employer.

Under the Construction Agreement Gear UK assumes the responsibility for the design and construction of the main works for the design and build of art'otel london hoxton for a lump sum of £159,522,748 (exclusive of VAT) (the "**Contract Sum**"). Of this amount, c.£24.6 million is based on provisional sums, primarily in respect of FF&E and fit out of the hotel which are detailed and set out as provisional sums in the Construction Agreement. This might cause the total amount payable to Gear UK under the Construction Agreement to be greater or less than the Contract Sum, however the Group does not expect the total amount to be materially different.

In addition to the Contract Sum, the Group is entitled to novate existing contracts for this project for ongoing contracted works and services to Gear at cost. The extent of the future costs to be assumed by Gear in respect of such works and services will depend on the timing of such novations, but are provisionally estimated to be up to £6,062,625 (exclusive of VAT) in total. Such future costs will be payable to Gear by the Group in addition to the Contract Sum.

Gear UK will make monthly applications for payments under the Construction Agreement in line with the contract and following construction industry contractual norms. The applications will be valued by AECOM acting as the Employer's agent and providing cost management services, who is appointed by the Employer but has a duty to act fairly in accordance with the terms of the contract. The Employer's Agent will also be responsible for assessing any applications by Gear for extensions of time or additional loss and/or expense under the Construction Agreement.

The principal terms of the Construction Agreement are described in more detail in section 5.1 of Part 2 below.

Upon the Construction Agreement becoming effective, the Hoxton Project Management Agreement dated 21 June 2018 will be terminated.

4. The Related Party Transaction

Gear UK is controlled by Eli Papouchado together with his sons. Eli Papouchado is interested in 13,760,260 Ordinary Shares (representing approximately 32.4 per cent. of the issued share capital of the Company (excluding treasury shares)). Gear UK is therefore classed as a related party of the Company in accordance with the Listing Rules and entry into the Construction Agreement with Gear UK constitutes a related party transaction for the purposes of the Listing Rules.

Boris Ivesha, the Company's President and Chief Executive Officer, is deemed to be interested in 4,636,974 Ordinary Shares (representing approximately 10.9 per cent. of the issued share capital of the Company excluding treasury shares) held by Walford.

Euro Plaza, Walford, Eli Papouchado, Boris Ivesha and other parties are a party to a shareholders' agreement dated 14 March 2013 as amended from time to time (the "**Shareholders' Agreement**"). Pursuant to the Shareholders' Agreement, it has been agreed that for so long as, *inter alia*, the combined interests of the Ivesha Parties and the Red Sea Parties in the Company are not less than 30 per cent. and the Red Sea Parties' interest in the Company is at least 20 per cent. of the share capital then in issue (excluding, in both cases, shares held in treasury), on any shareholder resolution,

all Ordinary Shares held by the Ivesha Parties shall be voted in a manner which is consistent with the votes cast by, or on behalf of, the Red Sea Parties in respect of that resolution.

As a result, the Ivesha Parties are all considered to be interested in the Ordinary Shares in which the Red Sea Parties are interested and Walford is treated as an Associate of Euro Plaza for the purposes of the related party transaction rules of Listing Rules.

The Listing Rules require that a related party transaction of a listed company must be approved by its shareholders other than the related party and its Associates, unless certain exemptions apply. Since none of the exemptions are applicable in relation to the Related Party Transaction, the Related Party Transaction is subject to, *inter alia*, the passing of the Resolution, which will be proposed as an ordinary resolution and will require the approval of a simple majority of the votes cast by the Independent Shareholders voting on the Resolution.

Euro Plaza (together with the other companies which hold Ordinary Shares in which Eli Papouchado is interested) and Walford have undertaken not to vote the Ordinary Shares in which they are interested in respect of the Resolution and to take all reasonable steps to ensure that their respective Associates will also abstain from voting on the Resolution.

5. Financing arrangements

It is intended that the construction and other costs associated with the development and opening of art'otel london hoxton will be funded with acceptable construction funding. The Construction Agreement will only be entered into following the Group having arranged such financing on terms that are satisfactory to it.

The Group is in discussions with funders for construction funding and the basis for the funders' in principle approval of the financing is the lump sum agreed for the construction.

The Company expects to enter into the funding arrangements shortly after the approval of the Related Party Transaction by the Independent Shareholders and will make a further announcement in due course confirming that this has occurred and that the Construction Agreement has been entered into.

6. The Extraordinary General Meeting

A notice convening the Extraordinary General Meeting, to be held at 1st floor, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey GY1 1EW at 12 noon on 17 March 2020 at which the Resolution to approve the Related Party Transaction will be proposed is set out at the end of this document.

The Resolution is to be proposed as an ordinary resolution, requiring a simple majority of the Independent Shareholders present in person or by proxy to vote in favour in order for it to be passed.

7. Action to be taken

Independent Shareholders are requested to either submit an electronic proxy filing or a CREST Proxy Instruction or, if a Form of Proxy is received by an Independent Shareholder from the Registrar following a specific request by that Independent Shareholder, return a Form of Proxy, in each case as soon as possible and in any event so as to be received by no later than 12 noon on 15 March 2020.

Independent Shareholders are requested to appoint a proxy whether or not such Independent Shareholders intend to be present at the Extraordinary General Meeting.

Submitting an electronic proxy filing or a CREST Proxy Instruction or returning a Form of Proxy will not preclude an Independent Shareholder from attending the Extraordinary General Meeting and voting in person should they so wish.

Electronic proxy appointment

Independent Shareholders may appoint a proxy electronically by logging in at shares.pphe.com/welcome and following the on-screen instructions.

CREST Electronic Proxy Appointment

Independent Shareholders holding Ordinary Shares in uncertificated form (that is, in CREST) may appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

CREST members wishing to appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system must ensure that, in order for such CREST appointment or instruction to be effective, it is received by the Registrar, Link Asset Services (Participant ID number RA10) by no later than 12 noon on 15 March 2020, together with any power of attorney or other authority under which it is sent. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the Registrar is able to retrieve the message. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Form of Proxy

No Form of Proxy is enclosed with this document and Independent Shareholders will not receive a hard copy form of proxy for use at the Extraordinary General Meeting in the post unless specifically requested from the Registrar.

If a Form of Proxy is received from the Registrar following a specific request by an Independent Shareholder, such Independent Shareholder is requested to complete and return the Form of Proxy so as to be received by the Registrar, Link Asset Services at 34 Beckenham Road, Beckenham, BR3 4TU by no later than 12 noon on 15 March 2020.

8. Recommendation

The Board, having been so advised by J.P. Morgan Cazenove (in its capacity as the Company's Sponsor), considers the terms of the Related Party Transaction to be fair and reasonable insofar as the Shareholders are concerned. In providing advice to the Board, J.P. Morgan Cazenove has taken into account the Board's commercial assessments.

The Board considers the Related Party Transaction to be in the best interests of the Company, the Independent Shareholders and the Shareholders as a whole. Accordingly, the Board unanimously recommends that Independent Shareholders vote in favour of the Resolution to be proposed at the Extraordinary General Meeting.

Eli Papouchado and Boris Ivesha have not taken part in the Board's consideration of the Related Party Transaction and have refrained from voting on any Board decisions with regard to it.

Yours faithfully,

KEVIN McAULIFFE
NON-EXECUTIVE DEPUTY CHAIRMAN

PART 2

ADDITIONAL INFORMATION

1. Incorporation and registration

- 1.1 The Company was incorporated and registered in Guernsey on 14 June 2007 as a non-cellular company limited by shares under the Companies Law with registered number 47131.
- 1.2 The principal legislation under which the Company operates is the Companies Law.
- 1.3 The registered office of the Company is in Guernsey and is located at 1st and 2nd Floors, Elizabeth House, Les Ruettes Brayes, St Peter Port, GY1 1EW. The telephone number of the Company is +44 (0) 1481 700300.
- 1.4 The Company's website is www.pphe.com. Information on the Company's website does not form part of this document.

2. Major shareholdings

As at 26 February 2020 (being the latest practicable date prior to the publication of this document) insofar as is known to the Company, the following parties were known to be interested in five per cent. or more of the Ordinary Shares:

	No. of Ordinary Shares	Percentage of the Company's issued share capital ¹
Eli Papouchado ²	13,760,260	32.41
Boris Ivesha ³	4,636,974	10.92
Aroundtown Property Holdings	2,605,507	6.14
Canaccord Genuity Group Inc	2,149,750	5.06

Notes:

- 1 Excludes shares held in treasury.
- 2 Eli Papouchado is deemed to be interested in the Ordinary Shares held by Euro Plaza, Red Sea Club Limited and A.A. Papo Trust Company Limited. For further details, please see paragraph 4.2 of this Part 2.
- 3 Boris Ivesha (the President and Chief Executive Officer of the Company) is deemed to be interested in 4,636,974 Ordinary Shares held by Walford which is wholly-owned by Clermont, as trustee of certain trusts established for the benefit of Boris Ivesha and his family.

3. Related party transactions in the previous 12 months

In the 12 month period prior to the date of this document no related party transactions have been entered into by the Group.

4. Information on Related Party Director

4.1 Eli Papouchado's letter of appointment

Eli Papouchado entered into an amended and restated letter of appointment on 12 June 2018, pursuant to which Eli Papouchado's appointment as a non-Executive Director and non-Executive Chairman of the Company commenced on 26 June 2007 and is terminable by either party on not less than three months' notice. Eli Papouchado is entitled to an annual fee of £200,000 in respect of his services plus an additional cumulative fee of £5,000 for serving on a committee of the Board. Save in relation to salary and benefits in relation to the notice period, no further sums would be due to Eli Papouchado pursuant to his letter of appointment upon termination.

4.2 Interests in Ordinary Shares of Eli Papouchado

- (a) Eli Papouchado is deemed to be interested in 13,760,260 Ordinary Shares, which constitutes 32.4 per cent. of the issued share capital (excluding treasury shares) of the Company, comprising:

- (i) 12,207,843 Ordinary Shares held by Euro Plaza.
Euro Plaza is an indirect wholly-owned subsidiary of APY and 98 per cent. of the shares in APY are held by Eli Papouchado as trustee of an endowment created under Israeli law which he formed in 1998 (the "**Endowment**"). The primary beneficiaries of the Endowment are Eli Papouchado and his sons, Yoav Papouchado and Avner Papouchado, and the secondary beneficiaries are the children of Yoav and Avner. The remaining 2 per cent. of the shares in APY are held by Yoav and Avner Papouchado respectively (1 per cent. each). APY and its subsidiaries are part of an international constructions, hotel and real estate group (the "**Red Sea Group**") that was founded by Eli Papouchado. Some of the Ordinary Shares held by Euro Plaza have been pledged to secure guarantees given by Euro Plaza of certain banking facilities provided to another company in the Red Sea Group, as previously disclosed by the Company;
 - (ii) 22,417 Ordinary Shares held by Red Sea Club Limited, a subsidiary of APY; and
 - (iii) 1,530,000 Ordinary Shares held by A.A. Papo Trust Company Limited, which is wholly-owned by Eli Papouchado.
- (b) As at 26 February 2020 (being the latest practicable date prior to the publication of this document), Eli Papouchado does not hold options over Ordinary Shares under any of the Company's share option schemes.

5. Material contracts

The following material contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company in the two years immediately preceding the date of this document and are the contracts that the Directors consider Independent Shareholders would reasonably require information on to make a properly informed assessment of how to vote at the Extraordinary General Meeting.

5.1 Construction Agreement

The Construction Agreement will be entered into following Shareholder approval and the Group having arranged financing on terms that are satisfactory to it. The principal terms of the Construction Agreement are described below.

- (a) The Construction Agreement is a 'design and build contract' which is based on the industry standard JCT Design and Build 2016 form with a schedule of project specific amendments. Pursuant to the Construction Agreement, Gear assumes the responsibility for the design and construction of the main works for the design and build of a new hotel to be known as art'otel london hoxton, together with the rectification of any defects that may arise. The Group has utilised design and build contracts in the past for similar development works.
- (b) The Employer is required to pay a lump sum of £159,522,748 (exclusive of VAT) (the "**Contract Sum**") for the services, design and works to be provided under the Construction Agreement. The Group is entitled to novate existing contracts for this project for ongoing contracted works and services to Gear at cost. The extent of such costs to be assumed by Gear will depend on the timing of the novations but are provisionally estimated to be up to £6,062,625 (exclusive of VAT) in total and are payable by the Group to Gear in addition to the Contract Sum.
- (c) The Employer is to pay Gear an advance payment of £2,000,000 within 5 days from the date of the Construction Agreement becoming effective. The advance payment is to

be credited to the Company when settling the final interim application for payment submitted by Gear at the date of practical completion. There is no advance payment bond provided for in relation to such advance payment.

- (d) Gear's obligations and liabilities under the Construction Agreement will be supported by a corporate guarantee from Red Sea Hotels Limited, an Associate of Euro Plaza and therefore a related party of the Company, in the amount of 10% of the Contract Sum. The corporate guarantee will expire on the later of: (i) the expiry of the 2 year defects rectification period which follows practical completion of the works and (ii) the issue of the latent defect insurer's approval or final technical audit report so that the Employer may incept an insurance policy in respect of defects appearing in or affecting the building after practical completion of the works.
- (e) The Construction Agreement will require that Gear carries out and completes the development of art'otel london hoxton to meet certain Employer's requirements set out in the tender documents. Gear will assume full design and construction responsibility for the development (subject to the Employer retaining responsibility for the initial concept design). In order for Gear to take on such responsibility, the professional consultants appointed by the Employer to prepare initial designs for the development and the piling works contract will be novated to Gear. Following these novations, Gear will assume responsibility for making any further payments to the professional consultants and the piling works contractor as they will become Gear's sub-consultants and sub-contractors for the works. In addition to the lump sum payable under the Construction Agreement, the Employer will pay Gear an amount equal to such assumed liabilities (as mentioned in paragraph (b) above).
- (f) The Construction Agreement contains warranties and undertakings by Gear that would be expected for works of this nature including a warranty to the Employer that Gear has the necessary skills, knowledge and experience to undertake the role of principal contractor for the development in accordance with the Construction (Design and Management) Regulations 2015.
- (g) Certain works insurances, including latent defects insurance and public liability insurance, will be procured and maintained by the Employer. The Contract Sum includes a contribution from Gear equal to 50% of the cost of procuring the latent defects insurance policy.
- (h) Gear shall be entitled to extensions of time and additional loss and/or expense under the Construction Agreement if, as a direct consequence of Brexit, the delivery of materials or goods forming part of the works from the European Union to the site of the works is delayed, or if the UK Government imposes import duties or customs tariffs on materials and goods for use in the works which are to be imported from the European Union.
- (i) In addition, Gear is entitled to extension of time and additional loss and/or expense under the Construction Agreement if adverse site conditions result in Gear incurring loss and expense or liability for delay in excess of £200,000 and such adverse conditions could not have been reasonably foreseeable by a prudent contractor and such costs could not be recovered from insurances.
- (j) Gear is required to complete the works to be executed under the Construction Agreement within 40 months of the contract execution date. Gear will also be required to assume the current piling contract under the Construction Agreement. Failure to complete the works before the end of this 40 month period (subject to permitted extensions of time) will result in daily liquidated damages of £20,000 per day payable by Gear to the Employer up to a maximum of £7,000,000.

5.2 Relationship Agreements

In accordance with Listing Rule 6.5, the Company entered into relationship agreements with (1) Euro Plaza and Eli Papouchado and (2) Walford and Clermont, which became effective on 30 July 2018. The Relationship Agreements regulate aspects of the ongoing relationship between the Company, Euro Plaza, Eli Papouchado, Walford, Clermont and their respective associates (as defined by the Listing Rules).

In particular, the Relationship Agreements address the mandatory independence obligations as required under the Listing Rules, including (amongst other things) that transactions and arrangements with a controlling shareholder (and/or any of its associates) will be conducted at arm's length and on normal commercial terms, neither the controlling shareholder nor any of its associates will take any action that would have the effect of preventing the listed company from complying with its obligations under the Listing Rules and neither the controlling shareholder nor any of its associates will propose or procure the proposal of a shareholder resolution, which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

The Relationship Agreements further provide that:

- (a) neither Euro Plaza, Eli Papouchado, Walford, Clermont nor their respective associates (as defined by the Listing Rules) can take any action that would result in the composition of the Board ceasing to comprise of two independent directors or, to the extent that the Company has decided to comply with the relevant requirement in the UK Corporate Governance Code, such number of independent directors as required therein;
- (b) the Company is capable at all times of carrying on its business independently of Euro Plaza, Eli Papouchado, Walford, Clermont and their respective associates (as defined by the Listing Rules);
- (c) neither Euro Plaza, Eli Papouchado, Walford, Clermont nor their respective associates (as defined by the Listing Rules) can take any action to procure any amendment to the Articles which would be inconsistent with, undermine or breach any provision of the Relationship Agreements or the Listing Rules or which would otherwise affect the Company's ability to carry on its business independently of Euro Plaza, Eli Papouchado, Walford, and/or their respective associates (as defined by the Listing Rules);
- (d) Euro Plaza has the right, for so long as it and its Associates controls at least 30 per cent. of the issued share capital of the Company, to appoint two Directors, falling to one Director where their percentage holding is between 10 per cent. and 30 per cent. and Walford has the right to appoint one Director for so long as it controls at least 10 per cent. of the issued share capital of the Company;
- (e) whilst Eli Papouchado and Boris Ivesha are members of the Board they will be deemed the appointees of Euro Plaza and Walford respectively;
- (f) the Group has a right of first refusal, granted by Euro Plaza, to manage all hotels situated within the territory governed by the Territorial Licence Agreement, provided that this right does not apply to any hotels owned by Euro Plaza or any of its associates prior to 30 July 2018 or that were acquired subject to prior agreements in existence as at that date; and
- (g) each of Euro Plaza and Walford shall not solicit senior managers of the Company.

6. Significant change

There has been no significant change in the financial position of the Group since 31 December 2019, being the date to which the latest financial information was published.

7. Consent

7.1 J.P. Morgan Cazenove has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and references to such name in the form and context in which they appear.

7.2 AECOM has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and references to such name in the form and context in which they appear.

8. Availability of documents

Copies of the following documents will be available for inspection in the investor relations section of the Company's website www.pphe.com from the date of this document up to and including the date of the Extraordinary General Meeting:

- (a) the Articles; and
- (b) the written consents referred to in paragraph 7 above.

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise.

APY: A.P.Y. Investments & Real Estate Ltd

Articles: the Articles of Incorporation of the Company

art'otel london hoxton: the proposed hotel and office building on 1-3 Rivington Street, Hoxton to be operated by the Group under its art'otel brand

Associates: has the meaning given in the Listing Rules

Board or the Board: the board of Directors

Clermont: Clermont Corporate Services Limited

Companies Law: the Companies (Guernsey) Law 2008 (as amended)

Company or PPHE Hotel Group: PPHE Hotel Group Limited

Construction Agreement: the contract (including appendices) between the Employer and Gear UK for the provision of design and build services in relation to art'otel london hoxton for a lump sum to be entered into following Shareholder approval and summarised in section 5.1 of Part 2 of this document

CREST: the computerised settlement system operated by Euroclear UK & Ireland Limited, which facilitates the transfer of title to securities in uncertificated form

CREST Manual: the rules governing the operation of CREST as published by Euroclear UK & Ireland Limited

Directors: the directors of the Company

Employer: A wholly owned subsidiary of the Company owning the freehold of the site on which art'otel hoxton is to be built as at the date of entry into the Construction Agreement, being, Aspirations Limited, or Hoxton Hotel Holding BV, or such other wholly-owned subsidiary of the Company to whom the rights and obligations under the Constructions Agreement are novated

Employer's Agent or AECOM: AECOM Limited

Endowment: has the meaning given to that term in paragraph 4.2 of Part 2

Euro Plaza: Euro Plaza Holdings B.V.

Extraordinary General Meeting: the Extraordinary General Meeting of the Company convened for 12 noon on 17 March 2020, notice of which is set out at the end of this document, or any adjournment thereof

FCA: Financial Conduct Authority

FF&E: Furniture, fixtures and other equipment

Form of Proxy: a hard copy form of proxy for use by Independent Shareholders in connection with the Extraordinary General Meeting (only available from the Registrar on request)

FSMA: the Financial Services and Markets Act 2000

GC: GC Project Management Limited

Gear: the construction arm of the Red Sea Group from time to time operated through GC, Gear UK and WW Gear Construction Limited as applicable

Gear UK: Gear Construction UK Limited

Group: the Company and all its subsidiaries from time to time

Hoxton Project Management Agreement: the project management agreement between GC and the Employer pursuant to which GC supplies project management services to the Group in respect of the development of art'otel london hoxton

Independent Directors: the Directors excluding the Non-Independent Directors

Independent Shareholders: the Shareholders excluding Euro Plaza, Walford and their Associates

Independent Shares: the Ordinary Shares held by Independent Shareholders

Ivesha Parties: Boris Ivesha, Walford and other parties related to him

J.P. Morgan Cazenove: J.P. Morgan Securities plc

Listing Rules: the listing rules of the FCA

Non-Independent Directors: Eli Papouchado and Boris Ivesha

Notice of Extraordinary General Meeting: the notice convening the Extraordinary General Meeting set out at the end of this document

ordinary resolution: a resolution that requires a simple majority of those present, in person or by proxy, and voting in favour of the resolution in order to be passed

Ordinary Shares: ordinary shares of no par value each in the capital of the Company

Pre-Construction and Maintenance Contract: the pre-construction and maintenance contract between GC and the Company pursuant to which GC supplies pre-construction and maintenance services to the Group

Red Sea Group: has the meaning given to that term in paragraph 4.2 of Part 2

Red Sea Parties: Eli Papouchado, Euro Plaza, APY and A.A. Papo Trust Company Limited and other parties related to him

Registrar: Link Asset Services of 34 Beckenham Road, Beckenham, BR3 4TU

Related Party Director: Eli Papouchado

Related Party Transaction: the rights and obligations of the parties under the Construction Agreement including performance by Gear of the design and build services to be provided to the Group in relation to art'otel london hoxton and the associated corporate guarantee to be provided by the Red Sea Group

Relationship Agreements: (i) the relationship agreement entered into by the Company, Euro Plaza and Eli Papouchado and (ii) the relationship agreement entered into by the Company, Walford and Clermont, as described in paragraph 5.2 of Part 2 of this document

Resolution: the ordinary resolution to be proposed at the Extraordinary General Meeting as set out in the Notice of Extraordinary General Meeting

Shareholders: holders of Ordinary Shares

Shareholders' Agreement: has the meaning given to that term in paragraph 4 of Part 1 of this document

sqm: square metres

Walford: Walford Investments Holdings Limited

PPHE HOTEL GROUP LIMITED

(Incorporated and registered in Guernsey with company registration number 47131)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at 1st floor, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey GY1 1EW at 12 noon (London time) on 17 March 2020 for the purpose of considering and, if thought fit, passing the resolution set out below, which will be proposed, with or without modification, as an ordinary resolution (as such term is defined in the Articles).

Capitalised terms used in this Notice shall have the same meaning as is given to them in the circular sent to shareholders of the Company dated 27 February 2020 (the **Circular**), of which this Notice forms part.

ORDINARY RESOLUTION

THAT the Related Party Transaction be and is hereby approved and any and all Independent Directors (or any duly authorised committee thereof) be and are hereby authorised to (i) take all such steps as they, in their absolute discretion, consider necessary or desirable, to effect the same; (ii) agree such variations and amendments to the Construction Agreement as they may, in their absolute discretion, consider necessary or desirable, provided that such variations or amendments are not material; and (iii) do all things which they, in their absolute discretion, consider to be necessary or desirable to implement and give effect to, or otherwise in connection with, the Related Party Transaction and any matter incidental to the Related Party Transaction.

By order of the Board

C.L. SECRETARIES LIMITED, COMPANY SECRETARY
27 February 2020

Notes:

1. The above ordinary resolution requires a simple majority of the Independent Shareholders present in person or by proxy to vote in favour in order for it to be passed. Only Independent Shareholders are entitled to appoint a proxy to vote on the ordinary resolution. Any votes by Shareholders who are not Independent Shareholders will not be counted.
2. Only the holders of Ordinary Shares registered on the register of members of the Company at 5.00 p.m. (London time) on 15 March 2020 (or, if the meeting is adjourned, 48 hours prior to the time fixed for the adjourned meeting) shall be entitled to attend and vote or be represented at the meeting in respect of the Ordinary Shares registered in their name at that time. Changes to entries on the register after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
3. Independent Shareholders, or their proxies, intending to attend the meeting in person are requested, if possible, to arrive at the meeting venue at least 20 minutes prior to the commencement of the meeting so that their shareholding may be checked against the Company's register of members and attendances recorded.
4. A member entitled to attend and vote at the meeting may appoint one or more proxies to attend, speak and vote instead of him/her. An Independent Shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different Ordinary Share or Ordinary Shares held by that Independent Shareholder. A proxy need not be a shareholder of the Company.
5. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).
6. To allow effective constitution of the meeting, if it is apparent to the chairman that no Independent Shareholders will be present in person or by proxy, other than by proxy in the chairman's favour, the chairman may appoint a substitute to act as proxy in his stead for any Independent Shareholder, provided that such substitute proxy shall vote on the same basis as the chairman.
7. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy may vote or abstain from voting at his or her discretion. Your proxy may vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.
8. You may appoint a proxy either:
 - by logging on to shares.pphe.com/welcome and following the instructions; or
 - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below; or
 - by returning a Form of Proxy in accordance with the instructions thereon.
9. The submission of an electronic proxy filing or any CREST Proxy Instruction or the return of a completed Form of Proxy will not prevent an Independent Shareholder from attending the meeting and voting in person if he/she wishes to do so.
10. Independent Shareholders may appoint a proxy electronically by visiting the website shares.pphe.com/welcome and logging in (the on-screen instructions will give details on how to complete the proxy appointment process). A Form of Proxy is not enclosed with this document and is only available from the Registrar on request. To be valid, a Form of Proxy for use at the Extraordinary General Meeting and the power of attorney or other authority (if any) under which it is signed, or a notarially certified or office copy of such power or authority, must be deposited with the Registrar, Link Asset Services at 34 Beckenham Road, Beckenham, BR3 4TU, not later than 12 noon (London time) on 15 March 2020.
11. If you return more than one proxy appointment, either by paper or electronic communication, the appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all Independent Shareholders and those who use them will not be disadvantaged.
12. CREST members who wish to vote through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
13. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by not later than 15 March 2020 at 12 noon (London time). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
14. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
15. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
16. Any corporation which is a shareholder may, by resolution of its directors or other governing body, authorise one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder (other than a power to appoint a proxy) provided that no more than one corporate representative exercises powers in relation to the same Ordinary Shares.

