

SUMMARY

Dated 28 November 2022

This Summary is issued in accordance with the provisions of Chapter 4 of the Capital Markets Rules issued by the Malta Financial Services Authority and in accordance with the Prospectus Regulation.

In respect of an issue of up to
€30,000,000 5% Secured Bonds 2028-2033
of a nominal value of €100 per Bond issued at par and redeemable at the Redemption Value
ISIN: MT0002701200



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CF ESTATES FINANCE P.L.C.

with the joint and several Guarantee of CF Estates Ltd.

Sponsor & Co-Manager



Registrar and Co-Manager



Security Trustee



Legal Counsel



THIS SUMMARY HAS BEEN APPROVED BY THE MALTA FINANCIAL SERVICES AUTHORITY, AS COMPETENT AUTHORITY UNDER THE PROSPECTUS REGULATION. THE MALTA FINANCIAL SERVICES AUTHORITY ONLY APPROVED THIS SUMMARY AS MEETING THE STANDARDS OF COMPLETENESS, COMPREHENSIBILITY AND CONSISTENCY IMPOSED BY THE PROSPECTUS REGULATION. SUCH APPROVAL SHOULD NOT BE CONSIDERED AS AN ENDORSEMENT OF THE ISSUER AND THE SECURITIES THAT ARE THE SUBJECT OF THIS SUMMARY.

THIS SUMMARY IS VALID FOR A PERIOD OF TWELVE (12) MONTHS FROM THE DATE THEREOF. FOLLOWING THE LAPSE OF THIS VALIDITY PERIOD, THE ISSUER IS NOT OBLIGED TO SUPPLEMENT THIS SUMMARY IN THE EVENT OF SIGNIFICANT NEW FACTORS, MATERIAL MISTAKES OR MATERIAL INACCURACIES.

APPROVED BY THE DIRECTORS

Francis Agius

in his capacity as director of the Issuer and for and on behalf of
Stephen Muscat, Joseph Portelli, Peter Portelli and Mario Vella

This Summary is prepared in accordance with the requirements of the Prospectus Regulation and the delegated acts issued thereunder. This Summary contains key information which investors require in order to understand the nature and the risks of the Issuer and the Bonds. Except where the context otherwise requires, the capitalised words and expressions used in this Summary shall bear the meanings assigned to them in the Registration Document and the Securities Note, as the case may be.

You are about to purchase a product that is not simple and may be difficult to understand.

1. INTRODUCTION AND WARNINGS

This Summary contains key information on the Issuer, the Guarantor and the Bonds, summarised details of which are set out below:

Issuer	CF Estates Finance p.l.c., a public limited liability company registered in Malta, with company registration number C 102839 and legal entity identifier (LEI) number 391200TP055LTCBL9P32.
Address	CF Business Centre, Level 1, Triq Gort, Paceville, San Giljan, STJ 9023, Malta.
Telephone number	+356 21411000
Issuer Website	www.cf.com.mt
Competent authority approving the Prospectus	The MFSA, established in terms of the Financial Markets Act (Cap. 345 of the laws of Malta)
Address	Malta Financial Services Authority, Triq l-Imdina, Zone 1, Central Business District, Birkirkara, Malta, CBD 1010.
Telephone number	+ 356 2144 1155
MFSA Website	https://www.mfsa.mt/
Name of the securities	5% Secured Bonds 2027-2032
ISIN number of Bonds	MT0002701200
Prospectus approval date	28 November 2022

Prospective investors are hereby warned that:

- (i) this Summary should be read as an introduction to the Prospectus. It is being provided to convey the key characteristics and risks associated with the Issuer and the Bonds being offered pursuant to the Prospectus. It is not and does not purport to be exhaustive and investors are warned that they should not rely on the information contained in this Summary in making a decision as to whether to invest in the securities described in this document;
- (ii) any decision of the investor to invest in the Bonds should be based on a consideration of the Prospectus as a whole by the investor;
- (iii) an investor may lose all or part of the capital invested in subscribing for Bonds;
- (iv) where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of Malta, have to bear the costs of translating the Prospectus before the legal proceedings are initiated; and
- (v) civil liability attaches only to those persons who have tabled the Summary, including any translation thereof, but only if the Summary, when read together with the other parts of the Prospectus, is misleading, inaccurate, or inconsistent or does not provide key information in order to aid investors when considering whether to invest in the Bonds.

2. KEY INFORMATION ON THE ISSUER

2.1 *Who is the Issuer of the Bonds?*

Domicile and legal form, its LEI and country of incorporation

The Issuer is CF Estates Finance p.l.c., a public limited liability company registered in Malta in terms of the Companies Act (Cap. 386 of the laws of Malta). The Issuer was incorporated and is domiciled in Malta and with legal entity identifier (LEI) number 391200TP055LTCBL9P32.

Principal activities of the Issuer

The Issuer does not undertake any trading activities itself and its sole purpose is that of acting as the finance arm of the Group, principally by raising finance and advancing same to members of the Group. The assets of the Issuer therefore principally consist of loans granted to companies forming part of the CF Group.

Organisational structure of the Group

The Issuer is fully owned by CF Estates Ltd. (C 102632), which is the Guarantor of the Bond Issue, except for one (1) share which is held by Joseph Portelli, being one of the ultimate beneficial owners of the Group. Apart from the Issuer, the Guarantor has other subsidiaries, each of which is involved in one or more business sectors of the Group. Such subsidiaries, which are all fully owned by the Guarantor, include Haven Centre Ltd (C 95327), Mistral Hotel Ltd (C 88387), Ratcon Ltd (C 91834), Finish Furnish Limited (C 76264), CF Contracting Ltd. (C 96370), CF Developers Ltd. (C 96073) and CF Hotels Ltd. (C 97986).

Major shareholders of the Issuer

The Issuer's majority shareholder is the Guarantor which holds all of the issued shares except for one (1) share (namely 249,999 ordinary A shares of a nominal value of €1 each), whereas the 1 remaining share (namely 1 ordinary B share of €1

which as no voting rights nor rights to participate in dividend distributions and distribution of assets upon winding up) is held by Joseph Portelli. The Guarantor is in turn owned, and the Group is ultimately beneficially owned, as to 30% by the said Joseph Portelli and 17.5% each by Francis Agius, Clifton Cassar, Duncan Micallef and Stephen Falzon.

Key managing directors

The board of directors of the Issuer is composed of the following persons: Joseph Portelli (Chairman and Executive Director), Francis Agius (Executive Director), Stephen Muscat (Independent Non-Executive Director), Mario Vella (Independent Non-Executive Director) and Peter Portelli (Independent Non-Executive Director).

Statutory Auditors

The auditors of the Issuer as of the date of this Summary are Grant Thornton (Malta) of Fort Business Centre, Level 2, Mriehel Bypass, Birkirkara BKR 3000, Malta. The Accountancy Board registration number of Grant Thornton (Malta) is AB/26/84/22.

2.2 What is the key financial information regarding the Issuer?

The Issuer was incorporated 26 July 2022 and hence, has not published its first set of audited financial statements. The key financial information regarding the Group, of which the Issuer forms part, is found in the relevant section hereunder.

2.3 What are the key risks that are specific to the Issuer?

The most material risk factor specific to the Issuer is the following:

Dependence of the Issuer on the Group

The Issuer does not undertake any trading activities itself and its sole purpose is that of acting as the finance arm of the Group, principally by raising finance and advancing same to members of the Group. Its assets therefore consist primarily of loans issued to Group companies, and the only revenue generating activities of the Issuer is the receipt of principal and interest income received on the said loans. The Issuer is therefore economically dependent on the operational results, financial condition and performance of its borrower Group companies, principally the Guarantor, which will in turn economically depend on the results and performance of its Subsidiaries, which may in turn be negatively affected by various risks affecting them and their business and operations. Therefore, the risks intrinsic in the business and operations of Group companies, and underperformance of these Group companies, may have an adverse effect on the ability of the Issuer to meet its obligations in connection with the payment of interest and principal under the Bonds.

3. KEY INFORMATION ON THE SECURITIES

3.1 What are the main features of the securities?

The Bonds are being issued in an aggregate amount of up to €30,000,000 with a nominal value of €100 per Bond issued at par and redeemable at the Redemption Value on 6 January 2033, this being the Full Term Redemption Date, or at the sole option of the Issuer, earlier, on any date falling between 6 January 2028 and 6 January 2033, this being a Designated Early Redemption Date. The Redemption Value shall be €102.50 per Bond if the Redemption Date occurs at any time between, and including, 6 January 2028 and 5 January 2029, €101.25 per Bond if the Redemption Date occurs at any time between, and including, 6 January 2029 and 5 January 2030 and €100 per Bond if the Redemption Date occurs at any time after 6 January 2030. The Bonds bear interest at the rate of 5% per annum on the nominal value of the Bonds, payable on 6 January of each year, with the first interest payment being due on 6 January 2024 and the last interest payment being due on Redemption Date.

The Bonds shall be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD. On admission to trading the Bonds shall have the following ISIN: MT0002701200. The Bonds shall be freely transferable.

The Bonds constitute the general, direct and unconditional obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves and shall rank *pari passu* with all other unsecured and unsubordinated obligations of the Issuer. The Bonds shall be jointly and severally guaranteed in respect of both the interest due and the principal amount by the Guarantor in terms of the Guarantee and they shall also be secured by a first ranking Special Hypothec to be constituted by Ratcon Ltd, Mistral Hotel Ltd and Haven Centre Ltd on the Security Property respectively owned by them (essentially the Levante Hotel, the Scirocco Hotel, the Mistral Hotel and the CF Business Centre) in favour of the Security Trustee for the benefit of the Bondholders. In respect of the said Ratcon Ltd, Mistral Hotel Ltd and Haven Centre Ltd, save for such exceptions as may be provided by applicable law, the Bonds shall rank with priority or preference to all present and future unsecured obligations of the said Ratcon Ltd, Mistral Hotel Ltd and Haven Centre Ltd, by virtue and to the extent of the said first ranking Special Hypothec.

There are no special rights attached to the Bonds other than the right of the Bondholders to (i) repayment of capital and payment of interest on the due dates; (ii) the benefit of the Collateral (namely the Guarantee and the first ranking Special Hypothec over the Security Property) through the Security Trustee; (iii) attend, participate in and vote at meetings of Bondholders in accordance with the Terms and Conditions of the Bond Issue; and (iv) such other rights attached to the Bonds emanating from the Prospectus.

3.2 *Where will the securities be traded?*

Application has been made to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List.

3.3 *Is there a guarantee attached to the securities?*

The Guarantee

Apart from the above-mentioned first ranking Special Hypothec on the Security Property to be granted by Ratcon Ltd, Mistral Hotel Ltd and Haven Centre Ltd, the Bonds will also be secured through the joint and several guarantee of the Guarantor in terms of the Guarantee dated 28 November 2022. Accordingly, the Security Trustee, for the benefit of itself and the Bondholders, shall be entitled to request the Guarantor to pay both the interest due and the principal amount under said Bonds if the Issuer fails to meet any amount, when due. The Guarantee also entitles the Security Trustee to take action against the Guarantor without having to first take action against the Issuer. The Guarantee constitutes a direct and unconditional obligation of the Guarantor, and the Guarantor's obligations under the Guarantee shall rank *pari passu* with all its other unsecured and unsubordinated obligations.

The Guarantor

The Guarantor is CF Estates Ltd., a private limited liability company registered in Malta in terms of the Companies Act (Cap. 386 of the laws of Malta) having company registration number C 102632. The legal entity identifier (LEI) number of the Guarantor is 3912000P4VJJ2FYN8497. The Guarantor is the parent company of the Group and acts mainly as a holding company, holding the shares in its Subsidiaries (including the Issuer).

Key financial information regarding the Guarantor

The Guarantor was incorporated on 30 June 2022 and hence, has not published its first set of audited financial statements. The financial information set out below represents key pro forma consolidated financial information of the Guarantor, of which the Issuer forms part. This pro forma information presents what the Group's financial statements would have looked like had the Group existed in its current form, comprising all its current constituent components, as at 31 December 2021.

<u>CF Estates Ltd.</u>	<u>FY2021</u>
Pro Forma Statement of Comprehensive Income	
Revenue (€000)	3,420
Operating loss (€000)	(1,227)
Net loss (€000)	(1,310)
Pro Forma Statement of Financial Position	
Total assets (€000)	29,409
Total liabilities (€000)	23,099
Total equity (€000)	6,308

3.4 *Key risks relating to the Guarantor and the Collateral*

Economic and financial risks

Risks arising from war and/or conflict

Wars and conflicts which may from time to time occur in various parts of the world, including the current Russia – Ukraine armed conflict, may present new risks or exacerbate certain risks to which the operations of the Group are subject, including shortage of and/or increase in prices and delay in importation and delivery of supplies needed for the business operations, apart from the negative effects these may have on the economy as a whole, including hospitality and real estate sectors.

Risks relating to COVID-19

The COVID-19 pandemic has affected the economy as a whole, resulting in a shrinking of the GDP and economic decline around the globe. The virus has resulted in various governmental movement, travel and work-related measures and

restrictions, all of which have added challenges, given the rapid pace of change and significant operational demands. The ongoing COVID-19 pandemic and possible future outbreaks, and the macroeconomic effects thereof, may have direct and indirect adverse effects on the current and/or future business and financial performance of the Group, including but not limited to disruption of the business operations of the Group and its contractors and suppliers, through delays in importation and delivery of materials, or a potential spread of disease among the employees of the Group or of its contractors and suppliers and resulting quarantine measures, further increase in costs or materials and shipping costs, as well as potential imposed movement restrictions, all of which may negatively affect the project development, tourism, office leasing and trading sectors in which the Group is involved, and thus the anticipated future operations and revenues of the Group.

Risks relating to financing of the Group

As at the date of this Prospectus, various Group companies have bank debt. Whilst some of these bank facilities will be repaid through the proceeds of issue of the Bonds, the Group's overall financial gearing levels will further increase pursuant to the Bond Issue, and may also increase as a result of further future indebtedness. The increase in the level of financial gearing gives rise to all risks typically associated with higher leverage, including lower asset cover and lower debt service cover levels. This may have an adverse effect on the profitability of the Guarantor or its Subsidiaries. Furthermore, there can be no assurance that the Group will have access to such further debt financing as may be required from time to time at reasonable terms.

Business and operational risks

The Group depends on third parties in connection with its business, giving rise to counter-party risks

The Group relies upon third party or related service providers for the construction and completion and, where applicable, subsequent operation of its property developments. This gives rise to counter-party risks where such third parties default on their contractual obligations, including the resulting development cost overruns or delays in completion or loss of revenue, with the resultant negative impact on the Group's business, financial condition, results of operations and prospects, and may also expose the respective Group company to complaints, claims or litigation by property buyers, owners of neighboring tenements and other third parties for contractual default or for damages. Furthermore, prospective purchasers and tenants of properties may default on their payment and other obligations towards the relevant Group companies, thus causing potential liquidity shortages for the Group and forcing same into potential litigation.

Material risks relating to real estate acquisition, development and sale

There are a number of factors that commonly affect the real estate development industry, many of which are beyond the Group's control, and which could adversely affect the economic performance of the Group and the value of the real estate properties under development within the portfolio of the Group. Such factors include planning permit delays and costs, changes in local market conditions (such as oversupply or reduction in demand for real estate), increased market competition, shortages and/or price increases in raw materials and services leading to cost overruns, insufficiency of resources to complete the projects, penalties or litigation resulting from delays in completion, possible structural and environmental problems, acts of God and other force majeure events, health and safety risks and litigation associated with. Furthermore, real estate investments are generally illiquid.

Risks relating to the hospitality industry

The Group's future hospitality operations and the results thereof are subject to external factors that could adversely affect its business, many of which are common to the hotel industry and beyond the Group's control, including changes in travel patterns and customer trends, the seasonality and cyclical nature of the tourism industry, the impact of outbreaks of contagious diseases and other unexpected calamities on patterns and/or volume of travel, the introduction of legal requirements or restrictions related to the hospitality industry, increases in operating costs and taxes and increasing competition.

Risks relating to the rental business of the Group

The Group is involved in rental of offices and other outlets and properties to third parties. This business sector may be affected by a number of factors, including national economy, political developments, changes in relevant laws, interest rate fluctuations, inflation and other economic, political and social factors. An increase in the supply of offices and commercial premises could impact negatively upon capital values and income streams of the Group's properties, and the Group's ability to source new lessees upon termination or non-renewal of the then current leases. The business, revenue and projected profits of the Group would also be negatively impacted if lessees fail to honour their respective lease obligations.

Risks relating to the Collateral

Risks relating to the Guarantee

The strength of the undertakings on the part of the Guarantor under the Guarantee and therefore, the level of recoverability by the Security Trustee from the Guarantor of any amounts due under any of the Bonds, is dependent upon and directly linked to the financial position and solvency of the Guarantor, which will be affected by the level of indebtedness and liabilities incurred by such Guarantor.

Risks relating to the Collateral and the value of the Collateral

In its existing state, the Security Property has been valued for a total amount which is less than, and which is not sufficient to cover, the full Redemption Value of the Bonds and interest thereon. Accordingly, it is the intention that the proceeds of the Bond Issue intended to be used for the completion and finishing of the hotels comprised within the Security Property as referred to in paragraph (iv) of Section 4.2 of this Summary, although they will constitute a loan by the Issuer to the Guarantor under the Issuer-Guarantor Loan from inception, they will not be transferred to such Guarantor but will be retained in cash by the Security Trustee under trust, who will be irrevocably authorised by the Guarantor to retain the same in cash, and to release and pay the same only to the relevant contractors against invoices for works on the said hotels comprised within the Security Property. The estimated value of such Security Property after completion of works will increase, and should be sufficient to cover payment obligations under the Bonds. There is however no guarantee that factors will not arise which will negatively affect such completion and/or the actual value of the completed works.

Furthermore, whilst the Special Hypothec in respect of the Bonds grants the Security Trustee a right of preference and priority for repayment of the Bonds over the creditors of Ratcon Ltd, Mistral Hotel Ltd and Haven Centre Ltd in respect of the Security Property respectively owned by them, there can be no guarantee that the value of the said Security Property over the term of the Bonds will be and/or remain sufficient to cover the full amount of interest and Redemption Value outstanding under the said Bonds. This may be the result of various factors, including general economic factors that could have an adverse impact on the value of the Security Property. There is also no guarantee that the value of Security Property determined in the independent valuation is necessarily correct or would actually be achieved on the market. The valuation of property is inherently subjective.

Risks relating to ranking of special hypothecs forming part of the Collateral

The first ranking Special Hypothec to be constituted by Ratcon Ltd, Mistral Hotel Ltd and Haven Centre Ltd over the Security Property respectively owned by them in favour of the Security Trustee shall rank after the claims of privileged creditors should a note of inscription of a special privilege be registered with the Public Registry securing the privileged creditor's claim.

3.5 What are the key risks that are specific to the securities?

Suitability of the Bonds

Debt instruments which, like the Bonds, may be redeemed by an issuer prior to their maturity date are considered as having an embedded call option, and the price of the bonds will take this factor into account. In view of their early redemption component, the Bonds are deemed as complex financial instruments for the purposes of MIFID II. An investment in the Bonds may not be suitable for all recipients of the Prospectus and prospective investors are urged to read and understand the Prospectus in full and to consult an investment advisor before making an investment decision with a view to ascertain that s/he has sufficient knowledge and understanding of the Bonds and the merits and risks of investing in the Bonds, and that s/he has sufficient financial resources and liquidity to bear all the risks of an investment in the Bonds. Otherwise there is a risk that such investor may acquire an investment which is not suitable for his/her risk profile.

Trading and liquidity risks

There can be no assurance that an active secondary market for the Bonds will develop or, if it develops, that it will continue. Nor can there be any assurance that an investor will be able to re-sell his/her Bonds at or above the Bond Issue Price or at all. A trading market having the desired characteristics of depth, liquidity and orderliness depends on a number of factors, which are dependent upon the individual decisions of investors and the general economic conditions of the market, over which the Issuer has no control. The outbreak of the COVID-19 pandemic in 2020, has resulted in a highly volatile economy. This volatility may also increase as a result of wars or conflicts between countries, including the current Russia – Ukraine conflict. Continued or increased volatility and disruption in the capital markets may impair the saleability of the Bonds.

Interest rate risk

Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. In particular, if interest rates rise, the prices that market participants will generally be willing to pay for the Bonds can be expected to decline. Moreover, price risks for longer maturity bonds tend to be higher than for shorter maturity bonds.

Risks relating to inflation

Inflation, namely the rising level of prices for goods and services, is currently on the rise. This can have two negative impacts on those who invest in bonds. Inflation typically leads to a rise in short-term interest rates, and intermediate and longer-term rates also tend to go up as a consequence. This rise in interest rates will lead to a fall in the prices of bonds. Furthermore, inflation can wipe away the yields generated by a bond, in view of the loss of purchasing power brought about by inflation.

4. KEY INFORMATION ON THE OFFER OF SECURITIES TO THE PUBLIC AND THE ADMISSION TO TRADING ON A REGULATED MARKET

4.1 Under which conditions and timetable can I invest in this security?

Application for the Bonds

Application for the Bonds, including applications for Bonds to be issued pursuant to an Existing Secured Notes Conversion, must be lodged with any of the Authorised Financial Intermediaries. All Applications are subject to a minimum subscription amount of €5,000 in nominal value of Bonds and in multiples of €100 thereafter.

Existing Noteholders may elect to convert all or any of the Existing Secured Notes held by them respectively as of the Cut-Off Date into Bonds pursuant to an Existing Secured Notes Conversion, at their discretion, subject to the minimum subscription amount of Bonds per investor of €5,000. Such conversion shall take place on the Issue Date by the redemption of the relevant Existing Secured Notes held (which shall consequently be cancelled by the Issuer) in consideration for the simultaneous issue by the Issuer of a number of Bonds having an aggregate nominal value equal to the total redemption value of such Existing Secured Notes being converted, on the basis of €103 per Existing Secured Note. Any Existing Noteholder whose holding of Existing Secured Bonds has a total redemption value, based on €103 per Existing Secured Note, of less than the minimum subscription amount of Bonds per investor of €5,000, shall be required to pay the difference in cash ("Cash Top-Up").

Expected timetable

1	Opening of Offer Period:	30 November 2022
2	Placement Date:	28 December 2022
3	Commencement of interest:	6 January 2023
4	Announcement of basis of acceptance:	6 January 2023
5	Dispatch of allotment letters:	9 January 2023
6	Latest date of constitution of special hypothecs on Security Property:	13 January 2023
7	Latest date of admission of Bonds to listing:	13 January 2023
8	Latest date of commencement of trading in the Bonds:	16 January 2023

The dates specified in steps 6 onwards are latest dates for the occurrence of the events mentioned therein, which events may in actual fact take place earlier than such latest dates.

Plan of distribution and allotment and allocation policy

The Issuer has entered or, as the case may be, shall enter into a Placement Agreement with each of the Authorised Financial Intermediaries listed in Annex I of the Securities Note, for the subscription of the total amount of €30 million in nominal value of Bonds being issued, to be subscribed by each such Authorised Financial Intermediary either in its own name or in the name of its underlying clients.

The Bonds will be available for subscription by all categories of investors including the general public. A preference in allocation shall however be given to Existing Noteholders in subscribing for Bonds pursuant to an Existing Secured Notes Conversion, which preferred allocation shall be limited up to the relevant Existing Noteholder's holding in the Existing Secured Bonds subject to Cash Top-Ups where applicable.

The issue and final allotment of the Bonds is conditional upon the following events, in the chronological order set out below: (1) the Collateral being constituted in favour of the Security Trustee, in accordance with the provisions of the Security Trust Deed, within 12 Business Days of the close of the Offer Period; and (2) the Bonds being admitted to the Official List. In the event that any of the aforesaid Conditions Precedent is not satisfied, any Application monies received by the Issuer will be returned without interest by direct credit into the Applicant's bank account.

Total estimated expenses

The total estimated expenses of the Bond Issue are €600,000.

4.2 Why is this Prospectus being issued?

Use and estimated net amount of proceeds

The proceeds from the Bond Issue, will be used by the Issuer to provide a loan facility to the Guarantor, namely the Issuer-Guarantor Loan, to be used as provided below. The Issuer-Guarantor Loan will bear interest at 6% per annum payable on 2 January of each year, and the principal amount thereof shall be repayable by not later than 2 January 2033 or earlier, upon the request in writing made by the Issuer to the Guarantor by giving not less than 20 days' notice to the said Guarantor in case the Bonds are redeemed on a Designated Early Redemption Date.

In turn, the Issuer-Guarantor Loan will be used by the Guarantor for the following purposes, in the amounts and order of priority set out below:

- (i) **Conversion of Existing Secured Notes into Bonds:** an amount of up to €3,605,000 will be used to finance the conversion of Existing Secured Notes into Bonds, whereby Existing Noteholders who exercise their right to have any of their Existing Secured Notes converted into Bonds pursuant to the Existing Secured Notes Conversion shall have such Existing Secured Notes redeemed as of the Issue Date in consideration for the simultaneous issue by the Issuer of a number of Bonds having an aggregate nominal value equal to the total redemption value of the relevant Existing Secured Notes being converted, based on a redemption value of €103 per Existing Secured Note;
- (ii) **Re-financing of Relevant Bank Loans:** an amount of *approximately* €11,300,000 will be used to re-finance the outstanding Relevant Bank Loans due by Ratcon Ltd to BNF Bank plc and by Mistral Hotel Ltd and Haven Centre Ltd respectively to MeDirect Bank (Malta) plc, which bank loans were originally principally utilised to finance part of the development costs, including site acquisition costs, relating to the hotels within the Group, namely the Levante Hotel, the Scirocco Hotel and the Mistral Hotel, and to the CF Business Centre, and which Relevant Bank Loans are secured *inter alia* by the Bank Security Interests over the Security Property or parts thereof;
- (iii) **Re-financing of outstanding indebtedness under the loan agreement between the Issuer and the Guarantor dated 31 August 2022:** an amount equivalent to the difference between €3,605,000 and the amount used to finance the conversion of Existing Secured Notes into Bonds as referred to in paragraph (i) above (where not all Existing Noteholders choose to have all their Existing Secured Notes converted into Bonds), shall be used to re-finance the outstanding indebtedness remaining after such conversion under the loan agreement between the Issuer and the Guarantor dated 31 August 2022 by virtue of which the Issuer made the proceeds of the Existing Secured Notes available by way of loan to the Guarantor. The amount so used to re-finance such outstanding indebtedness under the said loan agreement will be held by the Issuer and used by the Issuer to finance the redemption, on the due date of redemption, of the Existing Secured Notes which were not subject to an Existing Secured Notes Conversion;
- (iv) **Development costs of the Hotels:** an amount of *approximately* €2,800,000 will be used to finance the remaining development (completion and finishing) costs of the hotels within the Group, namely the Levante Hotel, the Scirocco Hotel and the Mistral Hotel;
- (v) **Development costs of certain residential projects:** an amount of *approximately* €4,200,000 will be used to finance part of the development costs, including part of acquisition costs paid or payable in respect of the respective sites, of the following residential projects being undertaken by CF Developers Ltd., namely: (a) the Mayfair residences in Attard, (b) the Macael Apartments in Paola, (c) the Sunrise Corner in Swatar, and (d) the Vermont Court in Pieta'; and
- (vi) **General corporate funding:** the amount of *approximately* €8,095,000 together with any residual amounts not utilised for the purposes identified in paragraphs (i) to (v) above, shall be utilised for general corporate funding purposes of the Group.

The expenses of the Bond Issue (expected to amount to €600,000), have been agreed to be borne by the Guarantor, and will thus still form part of the loan made thereto under the Issuer-Guarantor Loan and shall be included under (vi) above.

Underwriting

The Bond Issue is not subject to an underwriting agreement on a firm commitment basis.

Conflicts of interest

Save for the subscription for Bonds by the Authorised Financial Intermediaries (which include the Sponsor and the Registrar), and any fees payable in connection with the Bond Issue to the Sponsor and the Registrar, so far as the Issuer is aware no person involved in the Bond Issue has any material conflicts of interest pertaining to the offer of Bonds or their admission to trading.

REGISTRATION DOCUMENT

Dated 28 November 2022

This Registration Document is issued in accordance with the provisions of Chapter 4 of the Capital Markets Rules issued by the Malta Financial Services Authority and in accordance with the Prospectus Regulation.



DEVELOPMENT | HOTELS | OFFICES | RETAIL

CF ESTATES FINANCE P.L.C.

a public limited liability company duly incorporated under the Laws of Malta
with company registration number C 102839

Sponsor & Co-Manager



Registrar and Co-Manager



Security Trustee



Legal Counsel



THIS REGISTRATION DOCUMENT HAS BEEN APPROVED BY THE MALTA FINANCIAL SERVICES AUTHORITY AS THE COMPETENT AUTHORITY UNDER THE PROSPECTUS REGULATION. THE MALTA FINANCIAL SERVICES AUTHORITY ONLY APPROVES THIS REGISTRATION DOCUMENT AS MEETING THE STANDARDS OF COMPLETENESS, COMPREHENSIBILITY AND CONSISTENCY IMPOSED BY THE PROSPECTUS REGULATION. SUCH APPROVAL SHOULD NOT HOWEVER BE CONSIDERED AS AN ENDORSEMENT OF THE ISSUER THAT IS THE SUBJECT OF THIS REGISTRATION DOCUMENT. IN PROVIDING THIS AUTHORISATION, THE MALTA FINANCIAL SERVICES AUTHORITY DOES NOT GIVE ANY CERTIFICATION REGARDING THE POTENTIAL RISKS IN INVESTING IN ANY INSTRUMENT ISSUED BY THE ISSUER AND SUCH AUTHORISATION SHOULD NOT BE DEEMED OR BE CONSTRUED AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN SUCH INSTRUMENTS.

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APPROVED BY THE DIRECTORS

A blue ink signature of Francis Agius, written in a cursive style.

Francis Agius

in his capacity as director of the Issuer and for and on behalf of
Stephen Muscat, Joseph Portelli, Peter Portelli and Mario Vella

IMPORTANT INFORMATION

THIS REGISTRATION DOCUMENT CONTAINS INFORMATION ON CF ESTATES FINANCE P.L.C. IN ITS CAPACITY AS ISSUER AND CF ESTATES LTD. AS GUARANTOR, IN ACCORDANCE WITH THE REQUIREMENTS OF THE CAPITAL MARKETS RULES, THE COMPANIES ACT (CAP. 386 OF THE LAWS OF MALTA) AND THE PROSPECTUS REGULATION.

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SAVE FOR THE OFFERING IN THE REPUBLIC OF MALTA, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE ISSUER THAT WOULD PERMIT A PUBLIC OFFERING OF THE SECURITIES DESCRIBED IN THE SECURITIES NOTE OR THE DISTRIBUTION OF THE PROSPECTUS OR ANY PART THEREOF OR ANY OFFERING MATERIAL IN ANY COUNTRY OR JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. ACCORDINGLY, NO SECURITIES MAY BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, AND NEITHER THE PROSPECTUS NOR ANY ADVERTISEMENT OR OTHER OFFERING MATERIAL

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STATEMENTS MADE IN THIS REGISTRATION DOCUMENT ARE, EXCEPT WHERE OTHERWISE STATED, BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THEREIN.

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

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

THE VALUE OF INVESTMENTS CAN FALL AS WELL AS RISE, AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER ALL THE INFORMATION CONTAINED IN THE PROSPECTUS AS A WHOLE AND SHOULD CONSULT THEIR OWN FINANCIAL AND OTHER PROFESSIONAL ADVISORS.

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1. DEFINITIONS

In this Registration Document the following words and expressions shall bear the following meanings except where otherwise expressly stated or where the context otherwise requires:

7 Dwarfs Ltd	7 Dwarfs Ltd, a limited liability company registered under the laws of Malta, with company registration number C 94667, having its registered office at White Rose, Hompesch Road, Zurrieq ZRQ2503, Malta;
Act	The Companies Act, 1995, Cap. 386, Laws of Malta;
Bank Security Interests	The security interests, consisting of first special hypothecs and special privileges currently encumbering the Security Property or parts thereof registered in favour of and to secure the Relevant Bank Loans due respectively by Ratcon Ltd to BNF Bank plc (C 41030) and by Mistral Hotel Ltd and Haven Centre Ltd to MeDirect Bank (Malta) plc (C 34125), as referred to in paragraphs (i) to (iii) under the sub-heading 'Bank loans' under the heading 'Financing through bank and other loans' under Section 6.2 of this Registration Document;
Bondholders	The holders of the Bonds, each a " Bondholder ";
Bond Issue	The issue of Bonds;
Bonds or Secured Bonds	The €30,000,000 secured bonds due 2027-2032 of a nominal value of €100 per bond payable in full upon subscription and redeemable at their Redemption Value on the Redemption Date, bearing interest at the rate of 5% <i>per annum</i> , as set out in the Securities Note;
Business Day	Any day between Monday and Friday, both days included, on which commercial banks in Malta settle payments and are open for normal banking business;
CF Business Centre	The building named "CF Business Centre", having its main entrance abutting onto Triq Sant'Andrija – Triq Gort c/w Triq Gdida fi Trejjet San Gorg, Paceville, St. Julians, Malta, consisting of commercial offices and catering outlets;
CF Contracting Ltd.	CF Contracting Ltd., a limited liability company registered under the laws of Malta, with company registration number C 96370, having its registered office at CF Business Centre, Level 1, Triq Gort, Paceville, San Giljan STJ 9023, Malta;
CF Developers Ltd.	CF Developers Ltd., a limited liability company registered under the laws of Malta, with company registration number C 96073, having its registered office at CF Business Centre, Level 1, Triq Gort, Paceville, San Giljan STJ 9023, Malta;
CF Hotels Ltd.	CF Hotels Ltd., a limited liability company registered under the laws of Malta, with company registration number C 97986, having its registered office at CF Business Centre, Level 1, Triq Gort, Paceville, San Giljan STJ 9023, Malta;
Capital Markets Rules	The capital markets rules issued by the Malta Financial Services Authority in terms of the Financial Markets Act (Cap. 345 of the Laws of Malta);
Collateral	The following security to be granted in favour of the Security Trustee for the benefit of Bondholders: <ol style="list-style-type: none">the Special Hypothec over the Security Property to be granted by Ratcon Ltd, Mistral Hotel Ltd and Haven Centre Ltd respectively; andthe Guarantee;

Conditions Precedent	The conditions set out under paragraph (a) of Section 8.2 of the Securities Note, to which the issue and final allotment of the Bonds is subject, namely the following events, in the chronological order set out below: (1) the Collateral being constituted in favour of the Security Trustee, in accordance with the provisions of the Security Trust Deed, within 12 Business Days of the close of the Offer Period; and (2) the Bonds being admitted to the Official List;
Conversion Amount Adjustment Cash Payment	Where the aggregate redemption value of Existing Secured Notes subject to an Existing Secured Notes Conversion, based on a redemption value of €103 per Existing Secured Note, is not an integral multiple of €100, the amount representing the difference between such aggregate redemption value and such part of such aggregate redemption value which constitutes the greatest possible integral multiple of €100, which amount representing such difference shall be paid in cash by the Issuer to the relevant Existing Noteholder exercising the Existing Secured Notes Conversion and is herein referred to as the Conversion Amount Adjustment Cash Payment, unless the said Existing Noteholder elects to top up the conversion amount to an integral multiple of €100 by a payment in cash made by such Existing Noteholder, as provided in Section 8.2 of the Securities Note;
Cut-Off Date	The day immediately preceding the date of commencement of the Offer Period;
Deed of Hypothec	A notarial deed to be entered into by and between the Issuer, the Guarantor, Ratcon Ltd, Mistral Hotel Ltd, Haven Centre Ltd, the Security Trustee, BNF Bank plc and MeDirect Bank (Malta) plc whereby <i>inter alia</i> Ratcon Ltd, Mistral Hotel Ltd, Haven Centre Ltd shall constitute in favour of the Security Trustee that part of the Collateral over the Security Property respectively owned by them which according to law requires the execution of a notarial deed;
Designated Early Redemption Date	Any date falling between 6 January 2028 and 6 January 2033, at the sole option of the Issuer, on which the Issuer shall be entitled to redeem all or part of the Bonds and prepay the Redemption Value thereof and all interests accrued up to the date of prepayment, by giving not less than 30 days' notice to the Bondholders and the term " Early Redemption " shall be construed accordingly;
Directors or Board	The directors of the Issuer whose names are set out under the heading "Identity of the Directors, Advisors and Auditors" in Section 3 of this Registration Document;
Euro or €	The official currency of the member States of the European Union that form part of the Euro-zone, including Malta;
Existing Noteholders	The holders of Existing Secured Notes registered on the register of debentures of the Issuer as at the Cut-Off Date;
Existing Secured Notes	The zero-coupon secured unlisted notes of a face value of €100 per note, amounting in aggregate as at the date of the Prospectus to €3,500,000, currently issued by the Issuer in terms of the Offering Memorandum, which are to be redeemed and finally repaid at a redemption value of €103 per secured note on 23 March 2023, subject to early redemption by and at the discretion of the Issuer at any time from 23 October 2022, which notes shall however be convertible, at the choice of the relevant holders of the notes, into Bonds to be issued pursuant to the Prospectus, as provided and in accordance with the Offering Memorandum and the Prospectus;
Existing Secured Notes Conversion	The conversion of any Existing Secured Notes held by any Existing Noteholder into Bonds, at the discretion and choice of the relevant Existing Noteholder, which conversion shall take place as of the Issue Date by the redemption of the relevant Existing Secured Notes

held (which shall consequently be cancelled by the Issuer) in consideration for the simultaneous issue by the Issuer of a number of Bonds having an aggregate nominal value equal to the total redemption value of Existing Secured Notes (i.e. €103 per Existing Secured Note) held by the relevant Existing Noteholder and being converted as aforesaid, as and subject to what is provided in Sections 5 and 8.2 of the Securities Note;

Finish Furnish Limited	Finish Furnish Limited, a limited liability company registered under the laws of Malta, with company registration number C 76264, having its registered office at CF Business Centre, Level 1, Triq Gort, Paceville, San Giljan STJ 9023, Malta;
Full Term Redemption Date	6 January 2033;
Group or CF Group	The Guarantor and its direct or indirect Subsidiaries, including the Issuer, and the term “ Group Company ” shall mean any one of the companies forming part of the Group;
Guarantee	The joint and several guarantee dated 28 November 2022 granted by the Guarantor as security for the punctual performance of the Issuer’s payment obligations under the Bond Issue, subject to the terms and conditions contained in the Security Trust Deed and as the same is held on trust for the benefit of the Bondholders by the Security Trustee. A copy of the Guarantee, which contains a description of the nature and scope and the terms of the Guarantee, is appended to the Securities Note as Annex II thereto;
Guarantor	CF Estates Ltd., a limited liability company registered under the laws of Malta with company registration number C 102632 and having its registered office at CF Business Centre, Level 1, Triq Gort, Paceville, San Giljan, STJ 9023, Malta;
Haven Centre Ltd.	Haven Centre Ltd, a limited liability company registered under the laws of Malta, with company registration number C 95327, having its registered office at CF Business Centre, Level 1, Triq Gort, Paceville, San Giljan STJ 9023, Malta;
Issuer or Company	CF Estates Finance p.l.c., a limited liability company registered under the laws of Malta with company registration number C 102839 and having its registered office at CF Business Centre, Level 1, Triq Gort, Paceville, San Giljan, STJ 9023, Malta;
Issuer-Guarantor Loan	The loan facility between the Issuer, as lender, and the Guarantor, as borrower, referred to in Section 4.2 of the Securities Note, by virtue of which the proceeds of the Bond Issue will be made available by the Issuer to the Guarantor;
JDC Contracting Limited	JDC Contracting Limited, a limited liability company registered under the laws of Malta, with company registration number C 92792, having its registered office at Office 6, Bohemia Crt., Vjal Indipendenza, Mosta MST 9024, Malta;
JDC Projects Limited	JDC Projects Limited, a limited liability company registered under the laws of Malta, with company registration number C 88087, having its registered office at Office 6, Bohemia Crt., Vjal Indipendenza, Mosta MST 9024, Malta;
Levante Hotel	The hotel being developed by Ratcon Ltd on a site measuring approximately 95 sq.m. in Triq Gort, Paceville, St. Julians, which will consist of 19 rooms and will be organized on 11 floors, including recessed floor, above the lower street level and a basement, which hotel and respective facilities are intended to be subsequently operated by Ratcon Ltd under the name ‘Levante Hotel, Affiliated by Melia’ through the hotel operation and management services to be provided by Meliá Hotels International S.A. and Prodigios Interactivos S.A. pursuant to a hotel management agreement with them;

Malta Financial Services Authority or MFSA	The Malta Financial Services Authority, established in terms of Article 3 of the Malta Financial Services Authority Act (Cap. 330 of the Laws of Malta), and which has been appointed by the Financial Markets Act (Cap. 345 of the Laws of Malta) as the competent authority to approve prospectuses of any offer of securities to the public in Malta;
Malta Stock Exchange or MSE	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the Laws of Malta) with company registration number C 42525 and having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
Memorandum and Articles of Association or Articles	The memorandum and articles of association of the Issuer in force at the time of publication of this Registration Document;
Mistral Hotel	The hotel being developed by Mistral Hotel Ltd on a site measuring approximately 178 sq.m. in Triq Luigi Apap, Paceville, St. Julians, which will consist of 51 rooms and will be organized on 11 floors, including recessed floor, above the lower street level and a lower intermediate level/basement, which hotel and respective facilities are intended to be subsequently operated by Mistral Hotel Ltd under the name 'Mistral Hotel, Affiliated by Melia' through the hotel operation and management services to be provided by Meliá Hotels International S.A. and Prodigios Interactivos S.A. pursuant to a hotel management agreement with them;
Mistral Hotel Ltd	Mistral Hotel Ltd, a limited liability company registered under the laws of Malta, with company registration number C 88387, having its registered office at CF Business Centre, Level 1, Triq Gort, Paceville, San Giljan STJ 9023, Malta;
Offer Period	The period commencing at 08:00 hours on 30 November 2022 and ending at 12:00 hours on 28 December 2022, both days included, during which the Bonds are on offer;
Offering Memorandum	The offering memorandum dated the 22 August 2022, issued by the Issuer in connection with the issue of the Existing Secured Notes, as approved by the Board by resolutions taken on 17 August 2022;
Official List	The list prepared and published by the Malta Stock Exchange as its official list in accordance with the Malta Stock Exchange Bye-Laws;
Other Subsidiaries	The Subsidiaries within the Group, namely the Subsidiaries of the Guarantor, other than the Issuer;
Prospectus	Collectively, this Registration Document, the Securities Note and the Summary;
Prospectus Regulation	Regulation (EU) 2017/1129 of 14 June 2017 of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, as may be amended and/or supplemented from time to time;
Ratcon Ltd	Ratcon Ltd, a limited liability company registered under the laws of Malta, with company registration number C 91834, having its registered office at CF Business Centre, Level 1, Triq Gort, Paceville, San Giljan STJ 9023, Malta;
Redemption Date	The Full Term Redemption Date or a Designated Early Redemption Date, whichever is the earlier;
Redemption Value	The redemption amount to be paid to a Bondholder in respect of the redemption of a Bond on the Redemption Date, apart from any interests accrued up to such date, which shall be:

- (i) If the Redemption Date occurs at any time between, and including, 6 January 2028 and 5 January 2029, the amount of €102.50 per Bond, being the nominal value of such Bond, namely €100 per Bond, plus a premium of 2.5%;
- (ii) If the Redemption Date occurs at any time between, and including, 6 January 2029 and 5 January 2030, the amount of €101.25 per Bond, being the nominal value of such Bond, namely €100 per Bond, plus a premium of 1.25%; and
- (iii) If the Redemption Date occurs at any time after 6 January 2030, the amount of €100 per Bond, being the nominal value of such Bond;

Registrar or Registrar and Co-Manager

Bank of Valletta p.l.c., a public limited liability company registered under the laws of Malta, with company registration number C 2833, having its registered office at 58, Zachary Street, Valletta VLT 1130, Malta;

Relevant Bank Loans

The existing bank loans due by Ratcon Ltd to BNF Bank plc and by each of Mistral Hotels Ltd. and Haven Centre Ltd to MeDirect Bank (Malta) plc, as referred to in the rows marked 'Hotels' and 'CF Business Centre' in Table A under the sub-heading 'Bank loans' under the heading 'Financing through bank and other loans' under Section 6.2 of this Registration Document, which at the date of this Registration Document are secured *inter alia* by the Bank Security Interests, and which are intended to be re-financed using part of the proceeds of the Bond Issue as explained in Section 4.2 of the Securities Note;

Registration Document Scirocco Hotel

This document in its entirety, forming part of the Prospectus;

The hotel being developed by Ratcon Ltd on a site measuring approximately 145 sq.m. in Triq Ross, Paceville, St. Julians, which will consist of 37 rooms and will be organized on 11 floors, including recessed floor, above the lower street level and a basement, which hotel and respective facilities are intended to be subsequently operated by Ratcon Ltd under the name 'Scirocco Hotel, Affiliated by Melia' through the hotel operation and management services to be provided by Meliá Hotels International S.A. and Prodigios Interactivos S.A. pursuant to a hotel management agreement with them;

SDF Limited

SDF Limited, a limited liability company registered under the laws of Malta, with company registration number C 59236, having its registered office at White Rose, Triq Hompesch, Zurrieq, Malta;

Securities Note

The securities note issued by the Issuer dated 28 November 2022, forming part of the Prospectus;

Security Property

The following immovable property:

- i. The Levante Hotel, including any further completion works, finishing and improvements thereto as may be made from time to time and including also the airspace thereof, currently owned by Ratcon Ltd;
- ii. The Scirocco Hotel, including any further completion works, finishing and improvements thereto as may be made from time to time and including also the airspace thereof, currently owned by Ratcon Ltd;
- iii. The Mistral Hotel, including any further completion works, finishing and improvements thereto as may be made from time to time and including also the airspace thereof, currently owned by Mistral Hotel Ltd; and
- iv. The CF Business Centre, including also the airspace thereof, currently owned by Haven Centre Ltd;

Security Trust Deed or Trust Deed	The security trust deed entered into in respect of the Bond Issue between the Security Trustee, the Issuer, the Guarantor, Ratcon Ltd, Mistral Hotel Ltd and Haven Centre Ltd dated 28 November 2022;
Security Trustee	CSB Trustees & Fiduciaries Limited, a private limited liability company duly registered and validly existing under the laws of Malta, with company registration number C 40390 and having its registered office at Level 3, Tower Business Centre, Tower Street, Swatar, Birkirkara 4013, Malta, duly authorized to act as a trustee or co-trustee in terms of Article 43(3) of the Trusts and Trustees Act (Cap. 331 of the Laws of Malta);
Shareholders	The shareholders of the Guarantor and ultimate beneficial owners of the Group, namely Joseph Portelli, Duncan Micallef, Clifton Cassar, Francis Agius and Stephen Falzon;
Special Hypothec	The first ranking special hypothec over the Security Property to be granted by Ratcon Ltd, Mistral Hotel Ltd and Haven Centre Ltd in respect of such of the Security Property owned by them respectively in favour of the Security Trustee, for the benefit of Bondholders, to secure the claim of the Security Trustee, for the benefit and in the interest of Bondholders, for the repayment of the Redemption Value and interest under the Bonds by the Issuer, as set out in Section 6.2 of this Registration Document;
Sponsor or Sponsor & Co-Manager	Calamatta Cuschieri Investment Services Limited, a private limited liability company registered under the laws of Malta having its registered office at Ewropa Business Centre, Triq Dun Karm, Birkirkara BKR 9034, Malta and bearing company registration number C 13729. Calamatta Cuschieri Investment Services Limited is authorised to conduct investment services by the Malta Financial Services Authority in terms of the Investment Services Act (Cap. 370 of the laws of Malta) and is a member of the MSE;
Subsidiary	When such term used in respect of an undertaking, namely a parent undertaking, it means an undertaking which is such parent undertaking's direct or indirect "subsidiary undertaking", as such latter term is defined in Article 2(2)(c) of the Act, and for such purpose the term "parent undertaking" shall have the meaning assigned to it in Article 2(2)(a) of the Act, and "Subsidiaries" shall be construed accordingly; and
Summary	The summary issued by the Issuer dated 28 November 2022, forming part of the Prospectus.

All references in the Prospectus to "Malta" are to the "Republic of Malta".

Unless it appears otherwise from the context:

- (a) words importing the singular shall include the plural and *vice-versa*;
- (b) words importing the masculine gender shall include also the feminine gender and *vice-versa*;
- (c) the word "may" shall be construed as permissive and the word "shall" shall be construed as imperative;
- (d) any references to a person includes natural persons, firms, partnerships, companies, corporations, associations, organizations, governments, states, foundations or trusts;
- (e) any phrase introduced by the term "including", "include", "in particular" or any similar expression is illustrative only and does not limit the sense of the words preceding the term; and
- (f) any references to a law, legislative act and/or other legislation shall mean that particular law, legislative act and/or legislation as in force at the time of issue of this Registration Document.

2. RISK FACTORS

PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER WITH THEIR OWN FINANCIAL AND OTHER PROFESSIONAL ADVISORS THE FOLLOWING RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS, AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THE PROSPECTUS, BEFORE MAKING ANY INVESTMENT DECISION WITH RESPECT TO THE ISSUER OR ITS SECURITIES.

SOME OF THESE RISKS ARE SUBJECT TO CONTINGENCIES WHICH MAY OR MAY NOT OCCUR AND THE ISSUER IS NOT IN A POSITION TO EXPRESS ANY VIEWS ON THE LIKELIHOOD OF ANY SUCH CONTINGENCIES OCCURRING.

THE RISK FACTORS BELOW HAVE BEEN CATEGORISED UNDER TWO MAIN CATEGORIES, ACCORDING TO WHETHER THE RISK FACTORS RELATE TO: (I) THE ISSUER; OR (II) THE GUARANTOR AND THE GROUP, WITH THE LATTER CATEGORY BEING DIVIDED INTO FURTHER SUB-CATEGORIES. THE RISK FACTOR FIRST APPEARING UNDER EACH SUB-CATEGORY CONSTITUTES THAT RISK FACTOR WHICH THE DIRECTORS HAVE ASSESSED TO BE THE MOST MATERIAL RISK FACTOR UNDER SUCH SUB-CATEGORY AS AT THE DATE OF THIS REGISTRATION DOCUMENT. IN MAKING THIS ASSESSMENT OF MATERIALITY, THE DIRECTORS HAVE EVALUATED THE COMBINATION OF: (I) THE PROBABILITY THAT THE RISK FACTOR OCCURS; AND (II) THE EXPECTED MAGNITUDE OF THE ADVERSE EFFECT ON THE FINANCIAL CONDITION AND PERFORMANCE OF THE ISSUER, THE GUARANTOR OR THE GROUP, IF THE RISK FACTOR WERE TO MATERIALISE.

IF ANY OF THE RISKS DESCRIBED BELOW WERE TO MATERIALISE, THEY COULD HAVE A SERIOUS EFFECT ON THE ISSUER'S AND/OR GUARANTOR'S FINANCIAL RESULTS, FINANCIAL CONDITION, OPERATIONAL PERFORMANCE, BUSINESS AND/OR TRADING PROSPECTS, AND ON THE ABILITY OF THE ISSUER TO FULFIL ITS OBLIGATIONS UNDER THE SECURITIES TO BE ISSUED BY IT FROM TIME TO TIME AND OF THE GUARANTOR TO HONOUR ITS OBLIGATIONS UNDER THE GUARANTEE. THE RISKS AND UNCERTAINTIES DISCUSSED BELOW ARE THOSE IDENTIFIED AND BELIEVED TO BE MATERIAL AS AT THE DATE HEREOF BY THE DIRECTORS OF THE ISSUER, BUT THESE RISKS AND UNCERTAINTIES MAY NOT BE THE ONLY ONES THAT THE ISSUER AND THE GUARANTOR MAY FACE. ADDITIONAL RISKS AND UNCERTAINTIES, INCLUDING THOSE WHICH THE ISSUER'S DIRECTORS ARE NOT CURRENTLY AWARE OF, MAY WELL RESULT IN A MATERIAL ADVERSE IMPACT ON THE FINANCIAL RESULTS, FINANCIAL CONDITION, OPERATIONAL PERFORMANCE, BUSINESS AND/OR TRADING PROSPECTS.

NEITHER THE PROSPECTUS NOR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH SECURITIES ISSUED BY THE ISSUER: (I) IS INTENDED TO PROVIDE THE BASIS OF ANY CREDIT OR OTHER EVALUATION OR (II) IS OR SHOULD BE CONSIDERED AS A RECOMMENDATION BY THE ISSUER, THE DIRECTORS, ANY OF THE ADVISORS LISTED IN SECTION 3 BELOW, THE SPONSOR OR ANY OF THE AUTHORISED FINANCIAL INTERMEDIARIES THAT ANY RECIPIENT OF THE PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION THEREWITH, SHOULD PURCHASE ANY SECURITIES ISSUED BY THE ISSUER. PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS, AND SHOULD CONSIDER ALL OTHER SECTIONS IN THIS DOCUMENT AND IN OTHER DOCUMENTS COMPRISED IN THE PROSPECTUS.

Forward-looking Statements

The Prospectus and the documents incorporated therein by reference or annexed thereto contain statements that are, or may be deemed to be, forward-looking statements. Forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believe”, “estimate”, “forecast”, “project”, “plan”, “anticipate”, “expects”, “envisage”, “intend”, “may”, “will”, or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements relate to matters that are not historical facts. They appear in a number of places within the Prospectus and include statements regarding the intentions, beliefs or current expectations of the Issuer and, or the Directors concerning, amongst other things, the Issuer’s or the Guarantor’s strategy and business plans, financial condition and performance, results of operations, liquidity, prospects, investments, and the markets in which it operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may, or may not occur, in the future. Forward-looking statements are not guarantees of future performance and should therefore not be construed as such. The Issuer’s and/or the Guarantor’s actual operational results, financial condition and performance, and trading prospects may differ materially from the impression created by the forward-looking statements contained in the Prospectus. In addition, even if the operational results, financial condition and performance, and trading prospects of the Issuer or the Guarantor are consistent with the forward-looking statements contained in the Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that may cause these differences include, but are not limited to, those factors identified under this section and elsewhere in the Prospectus.

All forward-looking statements contained in the Prospectus are made only as at the date hereof. Subject to applicable legal and regulatory obligations, the Issuer and its Directors expressly disclaim any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

2.1 Risks relating to the Issuer

Risks relating to the Issuer’s Business and its reliance on the Group

The Issuer was incorporated on 26 July 2022 and, accordingly, has no trading record or history of operations. Furthermore, as stated in Section 5.1, the Issuer does not undertake any trading activities itself and its sole purpose is that of acting as the finance arm of the Group, principally by raising finance and advancing same to members of the Group. The Issuer itself therefore does not have any substantial assets and is essentially a special purpose vehicle set up to act as a financing company solely for the needs of the Group and, as such, its assets are intended to consist primarily of loans issued to Group companies, including the proposed Issuer-Guarantor Loan.

The Issuer is economically dependent principally on the operational results, financial condition and performance of its borrower Group companies, principally the Guarantor, which will in turn economically depend on the results and performance of its Subsidiaries from which it expects to receive dividends and/or payments of shareholders’ loans, as applicable.

Therefore, the risks intrinsic in the business and operations of Group companies have an effect on the ability of the Issuer and the Guarantor to meet their respective obligations in connection with the payment of interest on the Bonds and repayment of the Redemption Value when due including, in the case of the Guarantor, any payments that it may be required to make under the Guarantee. Accordingly, the risks of the Issuer are indirectly those of the Group, in particular the Guarantor and, in turn, all risks relating to the Group are the risks relevant to the Guarantor.

2.2 Risks relating to the Guarantor and the Group

As noted in Sections 2.1, 4.3 and 6.2, the Guarantor, being the holding company of the Group, is ultimately dependent financially on the results and performance of its Subsidiaries from which it expects to receive payments of and under any shareholders’ loans made to them to finance their respective projects and/or operations and from which it expects

to receive dividends from time to time, which loan payments and dividends will be used *inter alia* to finance payments under the Issuer-Guarantor Loan by the Guarantor to the Issuer. The various Subsidiaries in turn depend on the viability, profitability and success of their respective projects, business and operations, for their continued liquidity, financial soundness and growth and their ability to make payments to the Guarantor as aforesaid and also to banks and other third parties providing them with finance. The respective business and operations of the Subsidiaries and therefore the financial performance of the Group as a whole will be subject to certain risks.

Economic and financial risks

Risks arising from war and/or conflict

Wars and conflicts which may from time to time occur in various parts of the world, including the Russia – Ukraine armed conflict as at the date of this Registration Document, may present new risks or exacerbate certain risks to which the operations of the Group are subject, including shortage of and/or increase in prices and delay in importation and delivery of building material and supplies needed for the development projects, apart from the negative effects these conflicts may have on the economy as a whole and on particular economic drivers, such as tourism and possibly also sale of property.

Risks relating to COVID-19

The global COVID-19 pandemic, which broke out since 2020, has affected the economy as a whole, resulting in a shrinking of the GDP and economic decline around the globe. This has changed the business environment for many undertakings in various parts of the world, including Malta. It has led *inter alia* to disruptions in supply chains, rising costs, less mobility and decreased spending, all of which have strained the economies of various countries. The virus has resulted in government authorities in many countries taking various measures, including extreme measures and restrictions, to arrest or delay the spread of the virus including the declaration of states of emergency, restrictions on movement, border controls, travel bans and the closure of offices, schools and other public amenities, all of which measures and restrictions have added challenges, given the rapid pace of change and significant operational demands. These events have had and are expected to continue to have over a period of time, the duration whereof cannot be accurately predicted as at the date hereof, a material adverse effect on general global economic conditions and market liquidity. A health crisis could also affect the global economy in ways that cannot necessarily be foreseen at the present time, and may also exacerbate other pre-existing political, social and economic risks. The economic strains that the pandemic has caused are expected to be felt even more at a micro level now that the various economic incentives and schemes and other measures taken by governments, including the Government of Malta, to mitigate the implications of the pandemic have been or are being phased out.

The COVID-19 pandemic and possible future outbreaks, and the macroeconomic effects thereof, may have direct and indirect adverse effects on the current and/or future business and financial performance of the Group, including but not limited to disruption of the business operations of the Group's contractors and suppliers, through delays in importation and delivery of materials, or a potential spread of disease among the employees of the Group or of its contractors and suppliers and resulting quarantine measures, further increase in costs or materials and shipping costs, as well as potential imposed restrictions on or natural aversion to travelling, or the natural aversion towards unnecessary spending, or long-term changes to working processes, environments and logistics leading to a decrease in demand for office spaces, all of which may negatively affect the project development, tourism, office leasing and trading sectors in which the Group is involved, and thus the anticipated future operations and revenues of the Group.

Risks relating to financing of the Group

The Group's indebtedness could adversely affect its financial position.

As at the date of this Registration Document, various companies within the Group have bank debt. Whilst some of these bank facilities will be repaid through the proceeds of issue of the Bonds, the Group's overall financial gearing levels will further increase pursuant to the Bond Issue. This may also increase as a result of further indebtedness which may from time to time in future be obtained by the Group to fund the Subsidiaries' respective existing and

new projects from time to time, or for the maintenance or to refinance existing indebtedness or otherwise for their respective business purposes. The increase in the level of financial gearing gives rise to all risks typically associated with higher leverage, including lower asset cover and lower debt service cover levels.

As a result of such indebtedness as aforesaid a substantial portion of the Group's generated cash flows may need to be used to service the same. Should the Guarantor or its Subsidiaries significantly increase their debt obligations, this may have an adverse effect on the profitability of the Guarantor or its Subsidiaries.

There can be no assurance that the Group will have access to such further debt financing as may be required from time to time at reasonable interest rates and at reasonable terms. Furthermore, any borrowings under bank credit facilities will likely be at variable interest rates, which could cause the Group to be vulnerable to increases in interest rates.

Risks relating to liquidity strains

Some business sectors in which the Group is involved, particularly that relating to real estate development, is of such nature that it goes through different liquidity cycles, from the moment of acquisition and planning of the projects through the construction, completion and sale thereof, depending on the size and other characteristics of the project but also on the payment structures adopted under the respective sales contracts, apart from factors which may affect the development and/or the sales. The above may subject the Group and/or the relevant Group company/ies to periods of liquidity strains. If such liquidity risks are not adequately catered for at Group level, also through a proper maturity management exercise and the appropriate planning of the timing of the different projects and their respective various phases of development and relative expenditure, the expected dates of receipt of sales proceeds thereunder, and the due dates for payments under the various financings in place, including bank loans and the Bonds, they may lead the Group into liquidity shortage and have an adverse effect on the ability of the Group to honour its payment obligations in a timely manner. The Group will adopt certain control procedures to ensure the adequate management of such liquidity risks, and the Guarantor will also undertake to the Issuer, under the Deed of Hypothec pursuant to which the Issuer-Guarantor Loan will be made, to ensure that real estate development projects undertaken by the Group satisfy certain parameters and conditions intended *inter alia* to avoid a situation of inability to make payments when due. There is however no assurance that such control procedures will always be effective.

Risks relating to inflation

As at the date of this Registration Document, inflation is on the rise. Inflation may negatively affect the future financial performance of the Group, including through the consequent increase in the prices of goods and services and the cost of new opportunities, higher borrowing costs, and the overall decrease in purchasing power.

Business and operational risks

The Group depends on third parties in connection with its business, giving rise to counter-party risks

The Group is subject to various counter-party risks.

The Group relies upon third party or related service providers such as architects, project managers, building contractors, subcontractors, suppliers, hotel operators and others, as well as on certain key officers and members of staff, for the construction and completion and, where applicable, subsequent operation of its property developments. This gives rise to counter-party risks in those instances where such third parties do not perform in line with the Group's expectations and in accordance with their contractual obligations.

Furthermore, the Group also relies on permits and other action being taken by the relevant competent authorities in connection with its proposed developments and any delays or inaction by such authorities in this respect will affect the timely completion of such developments.

If the above-mentioned risks were to materialise, the resulting development cost overruns or delays in completion or loss of revenue could have an adverse impact on the Group's business, and its financial condition, results of

operations and prospects, and may also expose the respective Group company to complaints, claims or litigation by property buyers, owners of neighboring tenements and other third parties for contractual default or for damages.

Prospective purchasers of properties may default on their obligations under preliminary agreements of sale with CF Developers Ltd., in particular by failing to appear on the final deed of sale and/or pay the outstanding amounts of the price when due, and tenants of the offices and commercial outlets may default on their rental payment obligations towards Haven Centre Ltd or other Group companies as applicable, thus causing potential liquidity shortages for the Group, including, indirectly, the Issuer.

Material risks relating to real estate acquisition, development and sale

A number of factors commonly affect the real estate development industry, which could adversely affect the financial performance of the Group and the value of the immovable properties under development within the portfolio of the Group. Such factors, which are typically outside the Group's control, include:

- inability to secure the necessary planning permits in a timely manner or at all, and costs of addressing oppositions to applications for such permits;
- changes in local market conditions, such as an oversupply of similar properties, a reduction in demand for real estate or change of local preferences and tastes;
- increased competition in the market segment in which the Group operates which may lead to an oversupply of residential or commercial properties in such markets, resulting in a lowering of prices and rental rates and a corresponding reduction in revenue for the Group;
- shortages and/or price increases in raw materials, services or other construction inputs, such as, among others, cement, steel, energy and other utilities, leading to cost overruns;
- insufficiency or unavailability of resources to complete the projects, as a result of sudden and unexpected events, such as outbreaks of contagious diseases, wars or civil conflicts;
- sales or rental of properties not being made at the prices and/or at the timings envisaged resulting in a liquidity strain or even potential penalties or litigation;
- possible structural problems;
- potential environmental related issues, restrictions and litigation;
- acts of God and other force majeure events, such as earthquakes and floods and other natural disasters, that may damage any of the properties or delay development thereof; and
- the health and safety risks inherent to property development, including the risk of serious injury or even fatality, and the claims and litigations that may arise therefrom.

Any of the factors described above could have a material adverse effect on the Group's business and financial condition.

Real estate investments are illiquid

The potential lack of liquidity and alternative uses of real estate investments could significantly limit the Group's ability to vary its portfolio or dispose of or liquidate part of its portfolio in a timely manner and at satisfactory prices to respond to adverse changes in the performance of its properties or in economic, real estate, market and other conditions, thereby potentially harming its financial condition.

The real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond the Guarantor's and the Group's control.

Risks relating to the hospitality industry

The hotel operations and the hospitality industry in general are exposed to a number of external factors and risks, including, without limitation:

- changes in travel patterns and customer trends;
- the seasonality and cyclical nature of the tourism industry
- the impact of outbreaks of contagious diseases, wars and possibly of other unexpected calamities on patterns and/or volume of travel;

- the introduction of new laws or more restrictive laws and requirements related to the hospitality industry;
- increases in operating costs and increased taxes;
- the strong and increasing local and global competition in the tourism sector;
- the increased availability and popularity of alternative hospitality solutions and alternative accommodation which represent a competitive threat to hotels.

Any of these factors or a combination thereof may adversely impact room rates and occupancy levels at the hotels operated by the Group, or otherwise cause a reduction in the Group's revenue from hospitality services, which could have a material adverse effect on the Group's business, financial condition and operational results.

Risks relating to the rental business of the Group

Haven Centre Ltd and possibly other Group companies will or may lease the CF Business Centre and possibly other properties owned or to be owned and retained by them to third parties as offices or, as the case may be, for commercial operation, including food and beverage outlets. The health of the office and commercial rental market may be affected by a number of factors, including national economy, political developments, government regulations, changes in planning or tax laws, interest rate fluctuations, inflation and other economic, political and social factors. An increase in the supply of offices, commercial retail and catering space could impact negatively upon capital values and income streams of the Group's properties, and the Group's ability to source new lessees upon termination or non-renewal of the then current leases.

Moreover, the business, revenue and projected profits of the Group would be negatively impacted if lessees fail to honour their respective lease obligations, which failure may be due to several reasons which are beyond the Group's control, including the insolvency and lack of liquidity of the lessees.

The Group is also subject to the risk that lessees may terminate or elect not to renew their respective lease, either due to the expiration of the lease term or due to an early termination of the lease. In cases of early termination by lessees prior to the expiration of the lease term, there is a risk of loss of rental income if the lessee is not replaced in a timely manner.

Furthermore, the Group may be subject to increases in operating and other expenses with respect to the said properties, which expenses may not necessarily be recoverable from the third party tenants.

Risks relating to tiling, furnishings and furniture trading business

The business of trading in tiling, sanitaryware, furnishings and furniture is also subject to various risks, including the increasing competition in the market, the continuously changing appetites and trends of interior designers and customers, increasing warehousing rent, shipping and other costs, delays in shipping and potential loss of sole agency, distributorship or franchise arrangements. These risks may have a material adverse impact on the revenues of the Group.

Risks inherent in property valuations

The valuation of property is inherently subjective, due to, among other things, the individual nature of each property and the assumptions at a given point in time upon which the valuation is carried out. Accordingly, there can be no assurance that the valuation of properties, including of Security Property, referred to in the Prospectus reflects actual values that could be achieved on a sale, even where any such sale were to occur shortly after the valuation date. Actual values may be materially different from any future values that may be expressed or implied by forward-looking statements set out in the valuation or anticipated on the basis of historical trends, as reality may not match the assumptions made. Moreover, property valuations are largely dependent on current and, or expected market conditions which may fluctuate from time to time. There can be no assurance that such valuation of property will reflect actual market values.

The Group's key senior personnel and management have been and remain material to its growth

The Group believes that its growth is largely attributable to the efforts and abilities of the directors and members of its executive management team and other key personnel. If the services of one or more of the members of this team were to become unavailable, the Group might not be able to replace them within the short term, which could have a material adverse effect on the Group's business and operations.

Legal and regulatory risks

Risks relative to changes in laws and new industry standards and practices

The Group companies and their respective current and future operations are subject to laws and regulatory requirements applicable to property development, hospitality and other respective business sectors within which they operate. These include laws and regulations relating to planning, construction and development, health and safety, environment, accommodation, bribery and corruption, data privacy and information protection, financial matters, accounting and tax. Furthermore, the regulatory environment in which the Group operates is constantly evolving, with the introduction of new rules, regulations and policies, or the amendment of existing ones, including new initiatives at European or other regional and/or local level which may result in the imposition of new requirements for the Group in terms of sustainability factors and other matters. As with any business, the Group is at risk in relation to changes in laws and regulations to which it is subject and the timing and effects thereof, including changes in the interpretation thereof, and in administrative practices, which cannot be predicted and which can negatively affect the business and operations of Group companies, apart from the additional costs of compliance which these may entail. The Guarantor or one of its Subsidiaries may be unable to anticipate the implications of legal and regulatory changes in a given sector, which necessitate a re-evaluation of processes from both a fiscal and operational perspective. This may result in a loss of revenue for the respective sector and the profitability of the Group.

Risks relating to health and safety

As owners of various properties which are still under construction, the Guarantor and its Subsidiaries must comply and ensure compliance with, and can be exposed to claims relating to, health and safety at work, and may also be exposed to claims for injury or even death at the workplace, all of which could have a detrimental effect on their operations and profits. As regards completed and operational properties retained by the Group, the respective Group companies owning or operating the same will be required to ensure compliance with applicable health and safety standards and practices in the relevant sectors in which they will operate, including the hospitality, food and beverage, office administration business, and failure to comply with such standards or practices could expose such Group companies to third party claims which could in turn have a material adverse effect on their business, profitability and reputation.

Litigation risk

The real estate development industry as well as the other business sectors in which the Group is involved and/or operating, are subject to legal claims, with or without merit. Defense and settlement costs can be substantial. Due to the inherent uncertainty of the litigation and dispute resolution process, there can be no assurance that the resolution of any particular legal proceeding or dispute will not have a material adverse effect on the Group's results of operations, financial condition or reputation.

Risks relating to failure to incorporate expected sustainability standards in business model

Expectations for undertakings to incorporate environmental, social and governance ("ESG") sustainability factors into their business strategies are growing across the globe and throughout various business sectors, including those relating to property development, tourism, office rentals and trading in which the Group is involved. The implementation of such factors in the Group's business model is likely to become under increased scrutiny by investors, regulators, and the public at large. The Group's businesses may face an increased demand to increase consciousness and address ESG considerations relating to *inter alia* energy and resource efficiency and use, energy performance, use of renewables, waste management, health and safety at work or at the work place and other social and employment considerations. Failure by the Group to achieve such ESG sustainability expectations may have a negative impact on its reputation in the various business sectors in which it is involved, and consequently an adverse impact on the Group's business activities, revenues, financial condition, and operations.

3. IDENTITY OF THE DIRECTORS, ADVISORS AND AUDITORS

3.1 Directors of the Issuer and the Guarantor

Directors of the Issuer

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

<u>Name and Identity Card number</u>	<u>Office Designation</u>
Joseph Portelli (497193M)	Chairman and executive Director
Francis Agius (225774M)	Executive Director
Stephen Muscat (460561M)	Independent non-executive Director
Mario Vella (672753M)	Independent non-executive Director
Peter Portelli (364666M)	Independent non-executive Director

Joseph Portelli and Francis Agius are executive Directors and occupy senior executive positions within the Group. The other three Directors, Stephen Muscat, Mario Vella and Peter Portelli serve on the Board of the Issuer in a non-executive capacity. They are considered as independent Directors since they are free of any significant business, family or other relationship with the Issuer, its controlling shareholders or the management of either, that could create a conflict of interest such as to impair their judgement. In assessing the said directors' independence due notice has been taken of Rule 5.119 of the Capital Markets Rules.

The business address of the Directors is at the registered office of the Issuer.

Reference is made to Section 9 titled "Administrative, Management and Supervisory Bodies" for a short *curriculum vitae* of the Directors, description of principal activities, if any, performed by them outside the Issuer, their potential conflicts of interest and other information relevant to such Directors.

Directors of the Guarantor

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

<u>Name and Identity Card number</u>	<u>Office Designation</u>
Joseph Portelli (497193M)	Executive Director
Clifton Cassar (145483M)	Executive Director
Duncan Micallef (52477M)	Executive Director
Francis Agius (225774M)	Executive Director
Stephen Falzon (117782M)	Executive Director

3.2 Company Secretaries of the Issuer and the Guarantor

Dr Joseph Saliba whose business address is at 9/4, Britannia House, Old Bakery Street Valletta VLT 1450, Malta, holder of Identity Card number 49574M is the company secretary of the Issuer.

Dr Nicole' Ann Demicoli whose business address is at 9/4, Britannia House, Old Bakery Street Valletta VLT 1450, Malta, holder of Identity Card number 497485M is the company secretary of the Guarantor.

3.3 Responsibility and Authorisation Statement

The Directors of the Issuer are the persons responsible for the information contained in this Registration Document. To the best of the knowledge and belief of the Directors, who have all taken reasonable care to ensure such is the case, the information contained in this Registration Document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

This Registration Document has been approved by the Malta Financial Services Authority as the competent authority in Malta for the purposes of the Prospectus Regulation. The Malta Financial Services Authority has only approved this Registration Document as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and such approval should not be considered as an endorsement of the Issuer.

3.4 Advisors

The persons listed hereunder have advised and assisted the Directors in the drafting and compilation of the Prospectus

Sponsor & Co-Manager

Name: Calamatta Cuschieri Investment Services Limited
Address: Ewropa Business Centre, Triq Dun Karm, Birkirkara BKR 9034, Malta
Company Registration number: C 13729

Registrar & Co-Manager

Name: Bank of Valletta p.l.c.
Address: 58, Zachary Street, Valletta VLT 1130, Malta
Company Registration number: C 2833

Financial Advisors

Name: Grant Thornton (Malta)
Address: Fort Business Centre, Level 2, Triq L-Intornjatur, Zone 1, Central Business District, Birkirkara CBD 1050, Malta

Legal Counsel

Name: Saliba Stafrace Legal
Address: 9/4, Britannia House, Old Bakery Street, Valletta VLT1450, Malta

3.5 Auditors of the Issuer and the Guarantor

As at the date of the Prospectus, the statutory auditors of the Issuer are:

Name: Grant Thornton (Malta)
Address: Fort Business Centre, Level 2, Mriehel Bypass, Birkirkara BKR 3000

Grant Thornton (Malta) is a firm of certified public accountants holding a warrant to practice the profession of accountant in terms of the Accountancy Profession Act (Cap. 281 of the Laws of Malta). The Accountancy Board registration number of Grant Thornton (Malta) is AB/26/84/22.

As at the date of the Prospectus, the statutory auditors of the Guarantor are also Grant Thornton (Malta).

No audited financial statements of the Issuer and of the Guarantor have been prepared since their respective incorporation to the date of this Registration Document.

3.6 *Security Trustee*

Name: CSB Trustees & Fiduciaries Limited
Registered Office: Level 3, Tower Business Centre, Tower Street, Swatar, Birkirkara 4013, Malta
Company Registration number: C 40390

4. INFORMATION ABOUT THE ISSUER AND THE GROUP

4.1 *History and Development of the Issuer*

Full legal and commercial name of the Issuer: **CF Estates Finance p.l.c.**
Registered address: **CF Business Centre, Level 1, Triq Gort, Paceville, San Giljan, STJ 9023, Malta**
Place of registration and domicile: **Malta**
Registration number: **C 102839**
Legal Entity Identifier ('LEI'): **391200TP055LTCBL9P32**
Date of registration: **26 July 2022**
Legal Form: **A public limited liability company duly registered in terms of the Act**
Telephone number: **+356 21411000**
Email: **info@cf.com.mt**
Website: **www.cf.com.mt***

**The information on the Issuer's website does not form part of the Prospectus unless that information is incorporated by reference into the Prospectus.*

4.2 *History and Development of the Guarantor*

Full legal and commercial name of the Guarantor: **CF Estates Ltd.**
Registered address: **CF Business Centre, Level 1, Triq Gort, Paceville, San Giljan, STJ 9023, Malta**
Place of registration and domicile: **Malta**
Registration number: **C 102632**
Legal Entity Identifier ('LEI'): **3912000P4VJJ2FYN8497**
Date of registration: **30 June 2022**
Legal Form: **A private limited liability company duly registered in terms of the Act**
Telephone number: **+356 21411000**
Email: **info@cf.com.mt**
Website: **www.cf.com.mt***

**The information on the Guarantor's website does not form part of the Prospectus unless that information is incorporated by reference into the Prospectus*

4.3 *Organisational Structure of the Group*

The Issuer has been very recently incorporated and is, except for one (1) share which is held by Mr Joseph Portelli, a fully-owned subsidiary of the Guarantor, which latter entity is the parent company of the Group.

The Group currently consists of the following entities:

- i. The Guarantor, being the parent company, which has been recently set up, is essentially a holding company and holds the totality of the issued share capital in each of its Subsidiaries mentioned below, save for one (1)

share in the Issuer which is held by Mr Joseph Portelli, and such Guarantor is owned by the shareholders and beneficial owners referred to in Section 11 titled “Major Shareholders”;

- ii. Haven Centre Ltd, a private limited liability company, incorporated under the laws of Malta on 2 April 2020 with registration number C 95327 and with its registered office situated at CF Business Centre, Level 1, Triq Gort, Paceville, San Giljan STJ 9023, Malta, which owns the CF Business Centre;
- iii. Mistral Hotel Ltd, a private limited liability company, incorporated under the laws of Malta on 19 September 2018 with registration number C 88387 and with its registered office situated at CF Business Centre, Level 1, Triq Gort, Paceville, San Giljan STJ 9023, Malta, which owns the existing constructions of, and is intended to continue to develop and finish and thereafter operate, the Mistral Hotel;
- iv. Ratcon Ltd, a private limited liability company, incorporated under the laws of Malta on 16 May 2019 with registration number C 91834 and with its registered office situated at CF Business Centre, Level 1, Triq Gort, Paceville, San Giljan STJ 9023, Malta, which owns the existing constructions of, and is intended to continue to develop and finish and thereafter operate, the Levante Hotel and the Scirocco Hotel;
- v. Finish Furnish Limited, a private limited liability company, incorporated under the laws of Malta on 4 July 2016 with registration number C 76264 and with its registered office situated at CF Business Centre, Level 1, Triq Gort, Paceville, San Giljan STJ 9023, Malta, which carries on the business of importation, supply, wholesale, retail sales, installation, fixing, assembly and otherwise dealing in and providing services in respect of tiles, sanitaryware, furnishings, fittings and furniture for residential and commercial buildings;
- vi. CF Contracting Ltd., a private limited liability company, incorporated under the laws of Malta on 13 August 2020 with registration number C 96370 and with its registered office situated at CF Business Centre, Level 1, Triq Gort, Paceville, San Giljan STJ 9023, Malta, which carries on the business of property contractors;
- vii. CF Developers Ltd., a private limited liability company, incorporated under the laws of Malta on 8 July 2020 with registration number C 96073 and with its registered office situated at CF Business Centre, Level 1, Triq Gort, Paceville, San Giljan STJ 9023, Malta, which carries on the business of property developers of various residential, commercial and other projects, including the property developments specifically mentioned in Section 5.2 under the heading ‘Sale of real estate projects’, some of which are intended to be partly financed out of the use of proceeds of the Bonds;
- viii. CF Hotels Ltd., a private limited liability company, incorporated under the laws of Malta on 26 January 2021 with registration number C 97986 and with its registered office situated at CF Business Centre, Level 1, Triq Gort, Paceville, San Giljan STJ 9023, Malta, which on the date hereof is not an actively operating company; and
- ix. The Issuer, which does not have any substantial assets and is essentially a special purpose vehicle set up to act as a financing company for the Group, and intended to serve as a vehicle through which the Group will continue to finance its existing and future projects, including the projects referred to in Section 4.2 of the Securities Note, and potentially other projects that may be undertaken from time to time in future by the Group and/or enabling the Group to seize new opportunities arising in the market.

The Group, in its existing form, has been constituted recently following the incorporation of the Guarantor, as parent, and a corporate restructuring process involving a series of share transfers and share exchanges and other corporate transactions leading to the other companies becoming Subsidiaries of the Guarantor, apart from the incorporation of the Issuer as a Subsidiary itself of the said Guarantor.

Historically, the shareholders of the Guarantor and beneficial owners of the Group (the Shareholders), namely Joseph Portelli, Duncan Micallef, Clifton Cassar, Francis Agius and Stephen Falzon, operated in their own name or under separate companies, whereby:

- (i) Stephen Falzon, Duncan Micallef, and Francis Agius developed real estate projects through a company named SDF Limited, which was incorporated in 2013;

- (ii) Stephen Falzon, Duncan Micallef, Francis Agius and Joseph Portelli developed real estate projects through a company named 7 Dwarfs Ltd, which was incorporated in 2020;
- (iii) Stephen Falzon, Duncan Micallef, and Francis Agius jointly through FMG Global Holdings Ltd (C 57894), together with Joseph Portelli, set up Finish Furnish Limited in 2016, which operates the 'Casafini' showroom in Balzan;
- (iv) Joseph Portelli, Duncan Micallef, and Clifton Cassar developed real estate projects through JDC Projects Limited and JDC Contracting Limited, which were incorporated in 2018 and 2019 respectively. Together Joseph Portelli, Duncan Micallef and Clifton Cassar also acquired and developed the Scirocco Hotel and Levante Hotel through Ratcon Ltd, Mistral Hotel through Mistral Hotel Ltd, and the CF Business Centre initially in their personal names and later through, and by transferring the same to, Haven Centre Ltd.

In 2020, the Shareholders commenced discussions to merge their business so as to consolidate the business to create synergies in order to expand their future operations. The companies involved in such merger of operations were Haven Centre Ltd, Mistral Hotel Ltd, Ratcon Ltd and Finish Furnish Limited. The Shareholders agreed that any developments being developed by SDF Limited and JDC Projects Limited and 7 Dwarfs Ltd, being currently in progress, would be completed by these entities. They agreed however that going forward all new developments would be developed through CF Developers Ltd and CF Contracting Ltd., two new companies set up by the shareholders in 2020, and owned directly by them. Furthermore, another new company, CF Hotels Ltd. was incorporated at the beginning of 2021 and also owned directly by the same Shareholders.

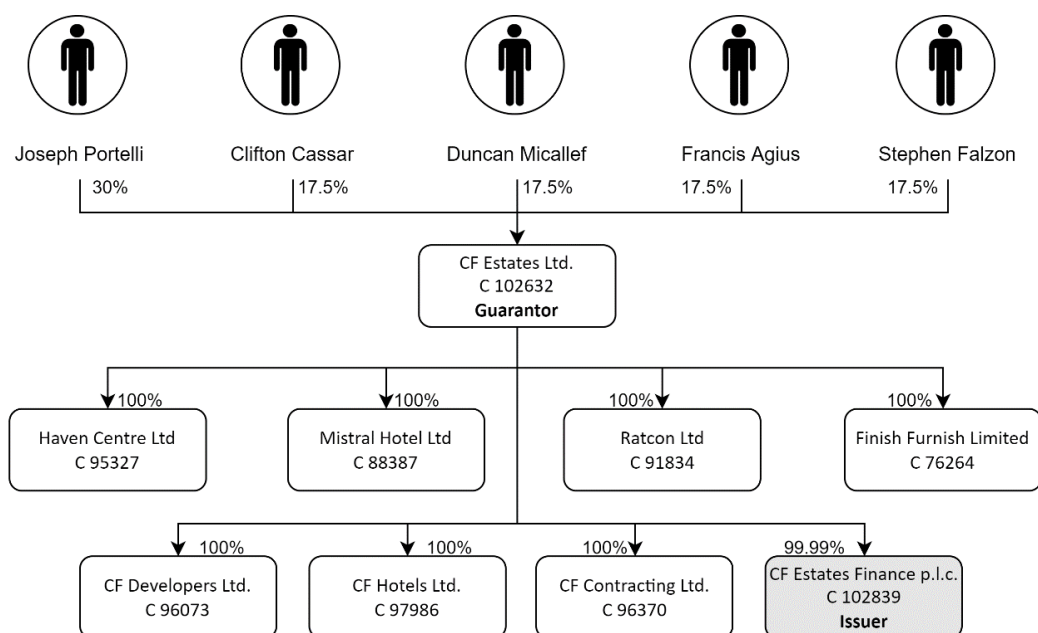
The merger of operations then followed in 2022, through a restructuring involving a series of share transfers and share exchanges and other corporate transactions. Such merger of operations was intended to result in all Shareholders retaining substantially the same value of their existing shareholdings at the time in the merged entity/ies, after some adjustments through compensation by some Shareholders to others.

Prior to such restructuring:

- (i) each of Haven Centre Ltd, Mistral Hotel Ltd and Ratcon Ltd were owned directly by Joseph Portelli, Clifton Cassar and Duncan Micallef in the proportions of 40%, 30% and 30% respectively;
- (ii) Finish Furnish Limited was owned as to 40% by Joseph Portelli and as to the remaining 60% by FMG Global Holdings Ltd (C 57894) which was in turn owned by Duncan Micallef, Francis Agius and Stephen Falzon in equal proportions between them (33.3% each); and
- (iii) CF Contracting Ltd., CF Developers Ltd. and CF Hotels Ltd. were incorporated by and directly owned by Joseph Portelli, Duncan Micallef, Clifton Cassar, Francis Agius and Stephen Falzon in the proportions of 30%, 22%, 16%, 16% and 16% respectively.

Following such restructuring and constitution of the Group as aforesaid, the Guarantor is now directly owned by, and each of the above-mentioned Subsidiaries is indirectly beneficially owned by, Joseph Portelli, Duncan Micallef, Clifton Cassar, Francis Agius and Stephen Falzon in the proportions of 30%, 17.5%, 17.5%, 17.5% and 17.5% respectively.

The organisational structure of the Group, as at the date of this Registration Document, is illustrated in the following diagram:



Dependence of Issuer and Guarantor on the Group

As previously stated, the Issuer is, essentially, a special purpose vehicle set up to act as a financing company for the needs of the Group and, as such, it is dependent on the business prospects and operating results of the Group, particularly the Guarantor. More specifically, the Issuer is principally dependent, including for the purpose of servicing interest payments on the Bonds and the repayment of the Redemption Value on redemption, on the receipt of interest payments and loan repayment from the Guarantor to which the proceeds of the Bond Issue will be advanced by way of loan under the Issuer-Guarantor Loan.

As the holding company of the Group, the Guarantor is ultimately dependent on the results and performance of its Subsidiaries from which it expects to receive payments under any shareholders' loans made to them to finance their respective projects and/or operations and from which it expects to receive dividends from time to time, which loan payments and dividends will be used to finance payments under the Issuer-Guarantor Loan by the Guarantor to the Issuer.

5. BUSINESS OVERVIEW OF THE GROUP AND INVESTMENTS

5.1 *Principal Activities and Markets*

The Issuer does not undertake any trading activities itself and its sole purpose is that of acting as the finance arm of the Group, principally by raising finance and advancing same to members of the Group. Accordingly, the Issuer is economically dependent principally on the operational results, financial condition and performance of its borrower Group companies.

Subject to the successful issue and allocation of the Bonds, the Issuer will grant the Issuer-Guarantor Loan to the Guarantor, by virtue of which the proceeds of the Bond Issue will be made available to such Guarantor as set out in more detail in Section 4 of the Securities Note.

The Group, through the various Subsidiaries comprised therein, is involved in a mixed range of business activities and sectors, including in particular:

- (i) hospitality and tourism – principally the acquisition and/or development and operation of hotels;
- (ii) office rentals – principally the acquisition and/or development of office spaces and their rental to third parties;
- (iii) tiles, furnishings and furniture trading – principally the importation, supply, wholesale, retail sales, installation, fixing, assembly and dealing in tiles and sanitaryware, furnishings, fittings and furniture; and
- (iv) real estate – principally the identification, acquisition, design, development and resale of residential and commercial real estate developments of various sizes.

A more detailed explanation of these main lines of business of the Group is provided below in Section 5.2.

Whilst the Group and most of the companies comprising the same have a limited operational history and are of relatively recent origin in varying degrees between the different Group companies, the ultimate beneficial owners of the Group have been respectively involved in various combinations of the business activities described above for a substantial number of years and have a long trading history in the said respective business sectors.

5.2 Business overview of the Group

As noted under Section 5.1 above, the main business activities of the Group are expected to be the resale of residential and commercial immovable projects, the development and retention of other immovables particularly hotels and office spaces and facilities for long-term investment to generate rental and operational income therefrom, as well as trading in tiling, furnishings and furniture.

Retention and operation of hotels

The Group, principally through Ratcon Ltd and Mistral Hotel Ltd, currently owns three hotels in St. Julian's, Malta, which are in the course of being completed, namely:

A. Levante Hotel – Paceville, St. Julians

This is the smallest of the said 3 hotels. It is being developed by Ratcon Ltd on a site owned by it, measuring approximately 95 sq.m. in Triq Gort, Paceville, St. Julians, which was acquired by Ratcon Ltd on 31 July, 2019.

It will consist of 19 rooms, a reception area, a pool deck area, a restaurant and kitchen, all organized on 11 floors, including recessed floor, above the lower street level and a basement and the roof.

The development has been approved on 24 June 2019 by virtue of planning permit PA/05714/18.

As set out in Section 6.2 of this Registration Document, the total development costs, including site acquisition costs, of this hotel were partly financed through bank financing and partly through shareholder loans as well as inter-company loans from CF Developers Ltd. These costs are proposed to be partly financed or refinanced, including by way of refinancing of such bank loans, through the use of proceeds of the Bond Issue, as set out in Section 4 of the Securities Note.

B. Scirocco Hotel – Paceville, St. Julians

This is another hotel being developed by Ratcon Ltd on a site measuring approximately 145 sq.m. in Triq Ross, Paceville, St. Julians, which was acquired by Ratcon Ltd on 1 July 2019.

It will consist of 37 rooms, a lobby area, piano area, office, gym, breakfast room, and a pool deck area with bar, all organized on 11 floors, including recessed floor, above the lower street level and a basement and the roof.

The development has been approved on 21 February 2019 by virtue of planning permit PA/03756/18.

As mentioned in Section 6.2 of this Registration Document, the total development costs, including site acquisition costs, of this hotel were also partly financed through bank financing and partly through shareholder loans as well as inter-company loans from CF Developers Ltd. These costs are proposed to be partly financed or refinanced, including by way of refinancing of such bank loans, through the use of proceeds of the Bond Issue, as set out in Section 4 of the Securities Note.

C. Mistral Hotel – Paceville, St. Julians

This hotel is being developed by Mistral Hotel Ltd on a site measuring approximately 178 sq.m. in Triq Luigi Apap, Paceville, St. Julians, which was acquired by the said Mistral Hotel Ltd on 30 October, 2018.

It will consist of 51 rooms, a lobby area, restaurants and a pool deck area, all organized on 11 floors, including recessed floor, above the lower street level and a lower intermediate level/basement and the roof.

The development has been approved on 9 January, 2018 by virtue of planning permit PA/05335/17.

Even in this case, and as shown in Section 6.2 of this Registration Document, the total development costs, including site acquisition costs, of this hotel were partly financed through bank financing and partly through shareholder loans as well as inter-company loans from CF Developers Ltd. These costs are proposed to be partly financed or refinanced, including by way of refinancing of such bank loans, through the use of proceeds of the Bond Issue, as set out in Section 4 of the Securities Note.

Operation of hotels

The above-mentioned three hotels are all fully completed in shell form and are currently undergoing finishing works which are expected to be completed by end of March 2023, and operations are expected to commence in April 2023. As at 30 June 2022, the total remaining (not yet paid) costs for completion of these three hotels amounted to approximately €2,854,000.

The said three hotels are to be operated as 3-star hotels.

Initially it was the intention that the said three hotels were to be operated by CF Hotels Ltd. through the hotel operation and management services of Meliá Hotels International S.A. (www.meliahotelsinternational.com/en) and Prodigios Interactivos S.A., and that CF Hotels Ltd. would accordingly enter into lease agreements with each of Ratcon Ltd and Mistral Hotel Ltd whereby the latter would grant the hotel/s respectively owned by them on lease to the said CF Hotels Ltd.

On the basis of such original intentions, CF Hotels Ltd. had entered into a hotel management agreement with Meliá Hotels International S.A., as manager, and Prodigios Interactivos S.A., as provider, dated 23 March 2021 as amended from time to time, for the provision of hotel operation and management services by the said Meliá Hotels International S.A. and Prodigios Interactivos S.A. in respect of the hotels and respective facilities.

In terms of such hotel management agreement the said Meliá Hotels International S.A. and Prodigios Interactivos S.A. have agreed to manage and operate the hotels under the affiliation brand name of 'Meliá', in accordance with the parameters and under the conditions agreed to between the parties. The parties have agreed on a management consideration payable to Meliá Hotels International S.A. and Prodigios Interactivos S.A. calculated in accordance with a formula essentially based on a percentage of operating revenue and gross operating profit, with the remaining operational revenue being retained by CF Hotels Ltd. The term of the agreement is expected to be of 15 years with effect from the date when the handover requirements as set out in the agreement are met and a protocol to this effect is executed between the parties, as the same may be extended by agreement between the parties.

More recently, however, the Group decided that it was more commercially sensible and financially feasible to have the hotels operated by the Group companies respectively owning the same, namely Levante Hotel and Scirocco Hotel being operated by Ratcon Ltd and Mistral Hotel being operated by Mistral Hotel Ltd. Accordingly, as at the date of this Registration Document, the Group is in the process of updating its contractual relationships with Meliá Hotels International S.A. and Prodigios Interactivos S.A. such that a hotel management agreement is entered into directly with each of Ratcon Ltd and Mistral Hotel Ltd in respect of the hotel/s respectively owned by them, and this in substitution of, but essentially on the same terms and conditions of, the existing agreement with CF Hotels Ltd.

All the hotels are in walking distance from the Mercury Project and Hotel owned by the Mercury Group which is beneficially owned by Mr Joseph Portelli. As at the date of this Registration Document, discussions are taking place between the Group and the said Mercury Group such that the above-mentioned hotels of the Group and the Mercury Hotel will be inter-linked in terms of shared facilities. Consequently, the tourists staying at these hotels will be able to use the Mercury Hotel's facilities, throughout the year or at particular periods during the year. Furthermore, it is the intention that any weddings or meetings, incentives, conferences and exhibitions (MICE) events taking place at Mercury Hotel will offer accommodation either at the Mercury Hotel or in one of these 3-star hotels of the Group. As at the date of this Registration Document, however, discussions and negotiations are still ongoing and no definitive agreement has yet been reached on the terms and conditions for the said inter-linking of operations and facilities. In concluding any such agreement, the Group will ensure to take the necessary measures to control any conflicts of interest which may arise from the involvement of Mr Joseph Portelli in the Mercury Project and Hotel and the need to achieve an arm's length arrangement.

Other possible products and services in the hospitality sector

The Group is also considering to offer in future other products and services in the hospitality sector apart from the operation of hotels, including the development and/or operation of short-let apartments, and is on the date of this Registration Document in the process of identifying and assessing some potential projects in this respect.

Retention and letting of offices

The Group, through Haven Centre Ltd, currently owns the CF Business Centre, a luxurious and spacious work environment which boasts of high-quality facilities and modern design. It is a completed and finished complex of offices, having its main entrance abutting onto Triq Sant'Andrija – Triq Gort c/w Triq Gdida fi Trejjet San Gorg, Paceville, St. Julian's, Malta. It is built on a site measuring approximately 351 sq.m.

It was acquired in shell form by the Haven Centre Ltd on 18 January 2021.

The complex consists of eight floors of commercial offices, from levels 1 to level 8. Within the same building there are also ancillary storage facilities at basement level -1 and commercial outlets/catering outlets situated and reception/lobby area at the ground floor (level 0).

The development has been approved on 12 March 2018 by virtue of planning permit PA/04056/17.

Haven Centre Ltd's main business model is to let the office space as well as the commercial/catering outlets to third parties, including other members of the Group and/or related parties, thus generating rental income for the company. As at the date of this Registration Document, a substantial part of the office space and catering outlet space available for rent within the CF Business Centre, which totals approximately 3,241 sq.m. including 278 sq.m of storage at level -1, is subject to lease contracts, except for the office space in level 7 and one of the outlets at ground floor, which are currently unreserved.

All existing rental agreements have a duration of ten years, six di fermo and four di rispetto, except for two, whereby the contracted term is of 5 years and 7 years, starting mid-2022.

As set out in Section 6.2 of this Registration Document, the total development costs, including site acquisition costs, of the CF Business Centre were partly financed through bank financing and partly through shareholder loans as well as inter-company loans from CF Developers Ltd. These costs are proposed to be partly financed or refinanced, including by way of refinancing of such bank loans, through the use of proceeds of the Bond Issue, as set out in Section 4 of the Securities Note.

Tile, furnishings and furniture trading

The Group, through Finish Furnish Limited, carries out an important and growing tiles, furniture and furnishings trading business, under the trade name of 'Casafini'. Finish Furnish Limited operates a modern state-of-the-art showroom at 146, Balzan Valley, Balzan BZN 1403, Malta.

The business has over the initial years evolved into a business of importation, supply, wholesale, retail sales, installation, fixing, assembly and otherwise dealing in and providing services in respect of furniture and furnishings for kitchens, living rooms, bedrooms and other living spaces, floor and bathroom tiles, sanitaryware fittings, mixers and accessories, and other furnishings, fittings and movable items within residential and commercial buildings. The company holds sole agency of a number of brands. New brands and products are added to the list of offerings from time to time.

The Group has supplied and continues to supply important real estate projects, both within the Group and outside of the Group.

Sale of real estate projects

The Group, principally through CF Developers Ltd., currently owns or is in the process of concluding the acquisition of various sites of various sizes and in various localities which it is in the process of developing into residential and/or residential and commercial complexes or buildings for eventual resale. Some of these projects have already secured a planning permit whilst others are in the process of obtaining the relative permit. In most cases the processing of the relevant planning permit application is in its final stages and the relative permit is expected to be issued shortly.

These on-going projects include the following:

A. Projects covered by planning permission and to be partly financed through the use of proceeds of the Bond Issue

The Group is involved in developing the following on-going real estate projects, which are already covered by planning permission as at the date of this Registration Document, and the development costs, including acquisition costs, of which are proposed to be partly financed through the use of proceeds of the Bond Issue, as set out in Section 4 of the Securities Note:

1. Mayfair Residences - Attard

This major development will be located in Attard, in close vicinity to San Anton Gardens, and with a view over beautiful landscaped gardens. It will span over a site of a superficial area of approximately 1678 sq.m., situated on land known as "Ta' Dardu" in Triq Lorenzo Manche, Attard, which was acquired by CF Developers Ltd. from various sellers on 17 May 2022.

The development will consist of 34 two to three-bedroom apartments, including 4 penthouses, and 9 maisonettes and 44 garages being constructed over 5 floors and 2 basement levels, and arranged into 5 residential blocks. Some of the penthouses and maisonettes feature private terraces and private lift entry.

The development was approved on 16 November 2021 by virtue of planning permit PA/03873/21.

CF Developers Ltd. is currently in the process of constructing the shell structure and the development is anticipated to be completed in shell form by the year 2023.

The total development costs of this project are proposed to be partly financed through the use of proceeds of the Bond Issue, as set out in Section 4 of the Securities Note. As set out in Section 6.2 of this Registration Document, CF Developers Ltd. also has a bank sanction letter for a loan of €6,500,000 to develop this property.

2. Macael Apartments

This development will be located in Paola, over a site of a superficial area of approximately 1,155 sq.m.. The said site consisted of House numbered 147 named 'El Prado', Triq il-Foss Paola; House numbered 149 named 'Werribee', Triq il-Foss Paola; House numbered 151, with garage at Triq il-Foss, Paola; House numbered 155 named 'Nid d'Amour', at Triq il-Foss, Paola and House number 2, named 'Massabielle' with garage in Triq Athlone, Paola. Such site was acquired by CF Developers Ltd. from various sellers on 4 August 2022.

The development will consist of 45 apartments including penthouses, including jacuzzi/pool, and 18 garages, to be constructed over 5 floors and a basement level.

The development was approved on 15 December 2021 by virtue of planning permit PA/01895/21.

Works on the development are expected to commence soon. The development is anticipated to be completed in shell form by the year 2023.

The total development costs of this project are proposed to be partly financed through the use of proceeds of the Bond Issue, as set out in Section 4 of the Securities Note. As set out in Section 6.2 of this Registration Document, CF Developers Ltd. also has a bank sanction letter for a loan of €2,750,000 to develop this property.

3. Sunrise Corner

This development will be located in Swatar, over a site of a superficial area of approximately 167 sq.m. and with a developable area of approximately 105 sq.m. situated at Triq Olaf Gollcher, corner with Triq it-Torri, Swatar, limits of Birkirkara, which was acquired by CF Developers Ltd. from various sellers on 3 June 2022.

The development will consist of 8 apartments, including two duplexes with pool, 1 office and 1 garage, to be constructed over 5 floors, including elevated ground floor, and a semi-basement level.

The development was approved on 20 December 2021 by virtue of planning permit PA/7062/21.

Works on the development have recently commenced and the development is anticipated to be completed in shell form by the year 2022.

The total development costs of this project are proposed to be partly financed through the use of proceeds of the Bond Issue, as set out in Section 4 of the Securities Note. As set out in Section 6.2 of this Registration Document, CF Developers Ltd. also has a bank sanction letter for a loan of €557,800 to develop this property.

4. Vermont Court

This development will be located in Pieta', over a site of a superficial area of approximately 435 sq.m. The said site was acquired from various sellers on 27 July 2022 and consisted of the house at 89 named "Villino Muscat", Triq Qrejten, Pieta; block of apartment at 33 in Triq John Borg, Gwardamangia, Pieta and showroom at 31 in Triq John Borg, Gwardamangia, Pieta.

The development will consist of 38 apartments, 4 maisonettes, 1 retail shop / office and 9 garages, to be constructed over 7 floors, including recessed level along with proposed pools at recessed level, and a basement level.

The development was approved on 25 March 2022 by virtue of planning permit PA/08738/21.

Works on the development have recently commenced and the development is anticipated to be completed in shell form by the year 2024.

The total development costs of this project are proposed to be partly financed through the use of proceeds of the Bond Issue, as set out in Section 4 of the Securities Note. As set out in Section 6.2 of this Registration Document, CF Developers Ltd. also has a bank sanction letter for a loan of €2,730,000 to develop this property.

B. Other ongoing projects

The Group, through CF Developers Ltd., is also involved in other on-going real estate projects, which are fully implemented or quite advanced in terms of the process of acquisition of the relevant site and the relevant design and planning permits and, in some cases, also in terms of development thereof. The largest of such projects currently are the Park Lane residences in Balzan and Artemis and Hestia in Qrendi:

1. Park Lane residences - Balzan

This is a major residential real estate property development to be situated in Balzan. This project will attempt to create a safe living haven epitomising contemporary living within a community. The development will span over a site of a superficial area of approximately 3,997 sq.m. The said site is the subject of a preliminary agreement entered into by CF Developers Ltd. with the relevant vendors on 3 August 2020, as subsequently amended by various addenda, to acquire the building named "Dolphin Centre" in Triq Wied Hal Balzan corner with Triq il-Kbira, limits of Hal Balzan.

The development is proposed to consist of approximately 88 two to three-bedroom residences, some of which offer private pools, sauna and/or steam rooms, and approximately 150 garages / parking spaces. The development will be constructed over 5 floors and 2 basement levels. Apart from the residences, Park Lane project will also offer retail outlets, a swimming pool, gym and an array of amenities in the same vicinity.

The development was approved on 6 September 2022 by virtue of planning permit PA/08693/20. This permit was appealed by some individuals and entities through a joint appeal dated 18 October 2022. CF Developers Ltd. believes that the permit is fully compliant with the relevant policies regulating the site in question and will challenge such appeal on that basis.

Works on the development are expected to commence in 2022 and the development is anticipated to be completed in shell form by the year 2024. CF Developers Ltd. has a bank sanction letter for a loan of €17,300,000 to develop this property.

2. Artemis and Hestia - Qrendi

This is another major development. It consists of Artemis, a development which was approved by the planning authorities pursuant to application PA/08753/21 and Hestia, a development which was approved by the planning authorities pursuant to application PA/08754/21. These two developments will be constructed over two sites, namely a site of a superficial area of approximately 1,670 sq.m. which was acquired by CF Developers Ltd. from various sellers on 3 October 2022, and another site of a superficial area of approximately 490 sq.m. which was acquired by CF Developers Ltd. from various sellers on 3 October 2022. Artemis development will consist of approximately 56 residential units including penthouses, including jacuzzi and pools, and 51 garages/car spaces; and Hestia development will consist of approximately 11 residential units including penthouses, including pools, and 8 garages/car spaces. Artemis and Hestia will be connected to each other and will in practice be developed and sold as one composite development.

Furthermore, there are two other on-going development projects undertaken by CF Developers Ltd. which, together with Artemis and Hestia in Qrendi, Mayfair Residences in Balzan, Sunrise Corner in Swatar, Vermont Court in Pietà' and Macael Apartments in Paola, were partly financed by the proceeds of issue of the Existing Secured Notes as set out in Section 6.2 below, namely Gardenia Apartments in Birkirkara and Greenwood Court in Marsaxlokk:

i. Gardenia Apartments – Birkirkara

This development has been approved by the planning authorities by virtue of planning permit PA/08899/20. It is being constructed over a site of a superficial area of approximately 300 sq.m. acquired by CF Developers Ltd. on 6 December 2021. The development will consist of approximately 17 residential and/or commercial units.

ii. Greenwood Court – Marsaxlokk

This development has been approved by the planning authorities by virtue of planning permit PA/07532/21. It is being constructed over a site of a superficial area of approximately 325 sq.m. acquired by CF Developers Ltd. on 9 May 2022. The development will consist of approximately 10 residential units and 3 garages/car spaces.

There are other such but smaller projects, situated in various localities around Malta and Gozo.

C. Future projects

As at the date of this Registration Document there are other real estate projects which are being considered, negotiated and/or planned by CF Developers Ltd., and in some cases the said company has already entered into conditional preliminary agreements for the acquisition of the respective site. Furthermore, the Group is always seeking new opportunities for profitable residential or residential and commercial developments.

Resale of real estate projects

As mentioned earlier, these real estate development projects undertaken by the Group as mentioned above are typically intended for resale to third parties. CF Developers Ltd. typically purchases the respective sites for development and then contracts various contractors for the various works involved in developing the same.

In the normal course, CF Developers Ltd. transfers the residential units in shell form but with apertures installed and with the obligation to finish the common parts, in which case the relevant promise of sale agreement is typically between CF Developers Ltd. and the relevant buyer/s, whilst CF Developers Ltd. may then separately contract CF Contracting Ltd. and/or other contractors for the finishing works to the common parts and for the apertures. In some cases, however, the buyers may choose to buy the units as internally finished as well, in which case CF Contracting Ltd. typically enters into a contract of works with the relevant buyer/s and undertakes the said internal finishing works.

Having said the above, there are also cases where CF Developers Ltd. enters into the relevant promise of sale agreement with the respective buyer/s for the sale of the airspace where the respective unit will be constructed, and a contract of works agreement is simultaneously entered into between CF Contracting Ltd. and the buyer/s for the construction of the unit in shell form or in a finished state, as requested by the buyer/s, in which case CF Developers Ltd. is not liable towards the buyer for defects in construction or otherwise for the works.

As at 30 June 2022, the expected total sales value of all the ongoing residential developments referred to in Sub-section A above and of the largest ongoing developments referred to in Sub-section B above, namely, Park Lane, Artemis and Hestia, was of approximately €81 million, out of which a total of approximately €40.5 million in sales value of property had already been allocated to, and formed the subject of binding preliminary agreements with, third parties.

6. FINANCING AND SOLVENCY

6.1 *Solvency and credit ratings*

There are no recent events particular to the Issuer or the Guarantor which are to a material extent relevant to an evaluation of their respective solvency.

No credit ratings have been assigned to the Issuer or the Guarantor at the request or cooperation of the said Issuer or, as the case may be, the Guarantor in the rating process.

6.2 *Financing and funding structure of the Issuer and the Group*

Since incorporation, the Issuer has raised finance through the issue of the Existing Secured Notes, as explained in more detail under the heading 'Issue of Existing Secured Notes' below in this Section 6.2. Save as aforesaid, there are no material changes in the Issuer's borrowing and funding structure since the last financial year, also in view of the fact that the Issuer has been recently incorporated and registered.

The Directors expect the Issuer's and the Group's working capital and funding requirements to be met by a combination of the following sources of finance: (i) on a short-term basis, and to the extent these are not converted into Bonds, the financing raised by the issue of Existing Secured Notes; (ii) cash flow from profits generated by the Group's operations; (iii) external bank credit and loan facilities; and (iv) the proceeds from the Bonds.

Issue of Existing Secured Notes

As noted earlier, the Issuer does not undertake any trading activities itself and its sole purpose is that of raising finance and advancing same to members of the Group. Its sole finance raising activity since the date of its incorporation to date has been the issue of the Existing Secured Notes, namely the issue of an aggregate of €3,500,000 zero-coupon secured unlisted notes of a face value of €100 per note, in terms of the Offering Memorandum dated 22 August 2022. These Existing Secured Notes are not listed and were placed through the Sponsor, acting as a placement agent to such issue.

The said Existing Secured Notes do not pay interest but are repayable at a redemption value of €103 per Existing Secured Note. These have been issued as short-term finance for the Group, and are in fact redeemable on 23 March 2023, subject to early redemption by and at the discretion of the Issuer at any time from 23 October 2022. The Existing Secured Notes are however convertible into Bonds at the choice of the relevant holders pursuant to the Existing Secured Notes Conversion, as and subject to what is provided in Sections 5 and 8.2 of the Securities Note.

The Issuer's payment obligations in respect of the Existing Secured Notes are secured by a joint and several guarantee by the Guarantor dated 22 August 2022, as well as by a first ranking pledge by the Shareholders over the totality of their shares in the Guarantor through a pledge agreement dated 31 August 2022. Such guarantee and pledge have been granted to, and the respective guarantee agreement and pledge agreement have been entered into with, the Security Trustee, who has been appointed and acts as security trustee in respect of the security created in respect of such Existing Secured Notes, for the benefits of the holders of such Existing Secured Notes.

The proceeds from the Existing Secured Notes were made available by the Issuer to the Guarantor through a loan, pursuant to a loan agreement dated 31 August 2022, for the purposes of, and were used, as to the amount of €2,000,000, to finance part of the development costs in respect of certain real estate developments undertaken by CF Developers Ltd., namely Artemis and Hestia in Qrendi, Mayfair in Balzan, Gardenia in Birkirkara, Sunrise Corner in Swatar, Greenwood Court in Marsaxlokk, Vermont Court in Pieta' and Macael Apartments in Paola, and as to the remaining €1,500,000, for general corporate funding purposes of the Group.

Such loan between the Issuer and the Guarantor bears interest at the rate of 6.5% per annum payable on the repayment date of the loan. The loan is repayable on 15 March 2023, but is subject to earlier repayment in case the Existing Secured Notes are redeemed earlier than their full maturity date, or in case of an event of default under the loan agreement or in case of an event as a result of which the repayment of the Existing Secured Notes otherwise becomes due and payable: provided that in such case interest shall still be paid at the rate of 6.5% per annum calculated over the whole period until 15 March 2023, as if the loan were only repaid on 15 March 2023.

The said loan agreement also provides that where any Existing Noteholders exercise their right to convert any of their Existing Secured Notes into Bonds as provided in the Offering Memorandum and in the Prospectus, then an amount equivalent to the conversion amount of the converted Existing Secured Notes shall automatically be deemed to be repaid under the indebtedness outstanding under the said loan agreement and by virtue of the issue of the relevant Bonds, and the nominal value of the relevant Bonds issued pursuant to such conversion shall for all intents and purposes be and be treated as part of the proceeds of the Bonds and shall form part of the Issuer-Guarantor Loan to be made by the Issuer to the Guarantor out of the proceeds of issue of the Bonds.

Any Existing Secured Notes which are not converted into Bonds as aforesaid shall be redeemed upon the redemption date or early redemption date of such Existing Secured Notes in terms of the Offering Memorandum and shall thereafter be cancelled.

To the extent that any Existing Noteholders choose not to convert any of their Existing Secured Notes into Bonds as provided in the Offering Memorandum and in the Prospectus, such remaining Existing Secured Notes shall continue to be secured by (i) the pledge over the Shareholders' shares in the Guarantor which pledge shall remain first ranking according to law and (ii) the joint and several guarantee by the Guarantor which, by its very nature, will continue to rank *pari passu* with all the other unsecured and unsubordinated obligations of the Guarantor.

Financing of operations and of payment obligations under bank borrowings and the Bonds through the Group's operations

The various business lines within the Group are expected to generate operational profits for the respective Group companies, principally, but not limitedly, in the form of revenues generated from the sale of residential and commercial immovable properties by CF Developers Ltd., the hotel operational revenues to be generated by Ratcon Ltd and Mistral Hotel Ltd in respect of the hotels owned by the Group, the office and commercial rental income to be generated by Haven Centre Ltd and the trading profits to be made by Finish Furnish Limited, as well as other operational revenues to be generated from any other business activities from time to time by the Group and the companies forming part thereof.

The above-mentioned operational revenues will be used to finance investments, acquisitions and expenses involved in the business operations and growth of the various Group companies. They are also expected to finance payments under bank borrowings obtained by the various Group companies as well as payments of dividends and/or payments of shareholders' loans or other payments to the Guarantor by the various Group companies, including those to which the proceeds of the Bond Issue would be made available by the Guarantor, thus financing the payments due under the Bonds.

Financing through bank and other loans

Bank loans

As at 30 June 2022, the Group had bank loan facilities available and total bank borrowings, comprising bank loans and overdrafts, based on sanction letters in place as at such date, as shown in the following Table A:

Table A

Borrower Group company	Development/Purpose of borrowing	Bank	Total Facility Amount	Balance as at 30/06/2022	Interest per annum as at 30/06/2022	Repayment
Hotels						
Ratcon Ltd	Levante Hotel and Scirocco Hotel	BNF Bank plc	Loans 1 to 3: Total of €2,046,000 in relation to Scirocco Hotel; Loans 4 to 6: Total of €1,425,000 in relation to Levante Hotel	€1,911,000	5.25%	Loan 1, 2, 4 and 5: 15 years from first drawdown including 3 years moratorium; Loan 3 and 6: 8 years from first drawdown
Mistral Hotel Ltd	Mistral Hotel	MeDirect Bank (Malta) plc	Loan of €2,825,000	€1,341,073	4.75%	12 years from first drawdown including 2 years moratorium
CF Business Centre						
Haven Centre Ltd	CF Business Centre	MeDirect Bank (Malta) plc	Loans 1 to 3: Total of €8,300,000	€7,763,634	4.75%	12 years including 1 year Moratorium
Real Estate Developments						
CF Developers Ltd.	Mayfair Residence	FCM Bank Limited	Loans 1 and 2: Total of €6,500,000	€4,725,000	4.25%	Loans to be settled within 48 months from first drawdown
CF Developers Ltd.	Macael, Sunrise Corner and Le Soleil development	MeDirect Bank (Malta) plc	Loans 3 and 4: Total of €2,750,000 in relation to Macael; Loans 5 and 6: Total of €557,800 in relation to Sunrise Corner; Loans 7 and 8: Total of €756,400 in relation to Le Soleil	€455,094	4.25%	Loans 3 and 4: 3 years from the date of first drawdown; Loans 5 to 8: 4 years from date of first drawdown
CF Developers Ltd.	Regent	Lombard Bank Malta plc	€1,700,000	€1,695,687	4.00%	Full repayment of capital to be effected by not later than 30 April 2024
CF Developers Ltd.	Vermont, Artemis and Hestia	MeDirect Bank (Malta) plc	Loans 9 and 10: Total of €2,730,000 in relation to Vermont; Loans 11 and 12: Total of €6,380,000 in relation to Artemis and Hestia	€1,954,000	4.25%	4 years from first drawdown
Casafini						
Finish Furnish Limited	Casafini showroom	Bank of Valletta plc	Overdraft facility of €50,000, currently temporarily increased to €400,000; Loan of €200,000	Overdraft: €314,769; Loan: €50,916	5.65%	Overdraft repayable on demand; Bank loan repayable by March 2023

The bank loans and facilities set out under the rows marked 'Hotels' and 'CF Business Centre' are herein referred to as "**Relevant Bank Loans**".

The bank borrowings and facilities mentioned above are secured through various security interests granted over assets of the Group or otherwise granted by the Group, including in some cases over assets of third parties or entities outside the Group. Such security interests typically include, without limitation, a general hypothec by the relevant borrowing Group company over all its present and future assets, a first special hypothec and/or privilege over the property owned by the relevant borrowing Group company the development whereof constitutes the purpose or one of the purposes of the relevant loan or facility (where applicable), a pledge on insurance proceeds under various insurance policies of the relevant borrowing Group company and/or the shareholders/beneficial owners of the Group, as applicable, personal guarantees by the shareholders/beneficial owners, as well as a series of covenants and undertakings by the relevant borrowing Group company and/or the shareholders/beneficial owners, including undertakings that no declaration and payment of dividends, repayments of shareholders' or related party loans, and no change in the shareholding structure are to be made by or in respect of the relevant borrowing Group company without the relevant bank's prior consent.

Without prejudice to the generality of the foregoing, the Relevant Bank Loans are *inter alia* secured by the following security interests encumbering the Security Property or parts thereof (herein referred to as the "**Bank Security Interests**"):

- (i) the first special hypothec for €3,471,000 and special privilege for the maximum allowed by law over the house and its airspace bearing the name Ratton, Ross Street, St. Julian's, Malta, which is now being developed into the Scirocco Hotel, and over the property and its airspace bearing the name Constance, St. Andrew's Street, St. Julian's, Malta, which is now being developed into the Levante Hotel, granted by Ratcon Ltd to BNF Bank plc, which have been inscribed and registered with the Public Registry under Notes numbers: I. 15491/19, I.19246/19, I.19247/19 and I.19481/21;
- (ii) the first special hypothec for €2,825,000 over the property named Mistral situated at Triq L. Apap, St. Julian's and the property as eventually developed over the site, and a first special privilege for the maximum allowed by law over the immovable property constructed or reconstructed, whether completed or not, which shall be built over the property described above, which is now being developed into the Mistral Hotel, granted by Mistral Hotel Ltd to MeDirect Bank (Malta) plc which have been inscribed and registered with the Public Registry under Notes number: I.23195/2018;
- (iii) the first special hypothec for €8,300,000 over the Property defined therein, namely the property known as 'Haven Lodge' situated in Triq Gort c/w Triq Gdida in Trejjet San Gorg in St. Julians, being the CF Business Centre, and a first special privilege for the maximum allowed by law over the immovable property constructed or reconstructed, whether completed or not, as described above, granted by Haven Centre Ltd to MeDirect Bank (Malta) plc which have been inscribed and registered with the Public Registry under Notes number: I. 3634/21.

The above-mentioned Relevant Bank Loans are intended to be refinanced through part of the proceeds of the Bond Issue, as set out in Section 4.2 of the Securities Note, whereupon the Bank Security Interests over the Security Property or parts thereof securing the said Relevant Bank Loans shall be cancelled as provided below under the heading 'Closing dynamics' in this Section 6.2 of this Registration Document.

The Group may from time to time seek further financing from banks as well as from other sources for various projects or operations.

Inter-company loans

Various developments and operations within the Group are currently partly financed by inter-company loans between companies within the Group, including the following unsecured interest-free loans made by CF Developers Ltd. to the Group companies mentioned below *inter alia* to partially finance the development costs of the hotels within the Group, namely the Levante Hotel, the Scirocco Hotel and the Mistral Hotel, and the CF Business Centre:

- (a) a loan made by CF Developers Ltd. to Ratcon Ltd which as of 30 June, 2022 had an outstanding of a principal amount of €950,512;
- (b) a loan made by CF Developers Ltd. to Mistral Hotel Ltd which as of 30 June, 2022 had an outstanding of a principal amount of €615,644;
- (c) a loan made by CF Developers Ltd. to Haven Centre Ltd which as of 30 June, 2022 had an outstanding of a principal amount of €2,249,093; and
- (d) a loan made by CF Developers Ltd. to CF Contracting Ltd. which as of 30 June, 2022 had an outstanding of a principal amount of €308,785.

Further financing through the Bonds

The Group intends to obtain further financing for certain projects and operations through the issue of the Bonds, by virtue of which the Issuer intends to raise €30,000,000 and to make the proceeds from the Bond Issue available to the Group.

The Bonds will be due in ten (10) years, namely in 2033 subject to the Issuer being entitled to redeem the Bonds on any date falling between 6 January 2028 and 6 January 2033, and will pay a coupon of 5% per annum. The Bonds will be listed on the Official List of the MSE and admitted to trading on such regulated market.

The proceeds of the Bonds will be made available by the Issuer to the Guarantor by way of loan under the Issuer-Guarantor Loan, a substantial part of which will be used to finance part of the development costs and/or bank borrowings obtained in respect of the various hotels, the CF Business Centre and various residential projects and other corporate funding requirements, all as set out in Section 4.2 of the Securities Note.

Collateral for Bonds

The Issuer's obligations under the Bonds will be secured by the Collateral to be granted or provided by the Guarantor, Ratcon Ltd, Mistral Hotel Ltd and Haven Centre Ltd, as applicable, in favour of the Security Trustee for the benefit of Bondholders, as provided below.

Pursuant to the Security Trust Deed, the Guarantor agrees to jointly and severally guarantee the punctual performance by the Issuer of its payment obligations under the Bonds by entering into the Guarantee, as part of the Collateral.

Security will also be given, *inter alia*, by way of Collateral in the form of a first ranking special hypothec over the Security Property (the Special Hypothec), as described in the following table:

Security Property	Valuation based on open market value of property in its existing state as at 22 November 2022, as per the Architect's Valuation Report* - (€)	Estimated capital value at current prices and on the basis of current market conditions, after development has been completed, where applicable, as per the Architect's Valuation Report* - (€)	Estimated capital value at current prices and on the basis of current market conditions, after development has been completed and the property let, where applicable, as per the Architect's Valuation Report* - (€)
i. the Levante Hotel, including any further completion works, finishing and improvements thereto as may be made from time to time and including also the airspace thereof, currently owned by Ratcon Ltd;	€2,550,000	€3,500,000	€3,500,000
ii. the Scirocco Hotel, including any further completion works, finishing and improvements thereto as may be made from time to time and including also the airspace thereof, currently owned by Ratcon Ltd;	€4,280,000	€5,700,000	€5,700,000
iii. the Mistral Hotel, including any further completion works, finishing and improvements thereto as may be made from time to time and including also the airspace thereof, currently owned by Mistral Hotel Ltd;	€6,115,000	€7,700,000	€7,700,000
iv. the CF Business Centre, including also the airspace thereof, currently owned by Haven Centre Ltd.	€15,400,000	€15,400,000	€15,400,000
Totals	€28,345,000	€32,300,000	€32,300,000

*These valuations are based on the Architect's Valuation Report dated 22 November 2022, which is accessible on the Issuer's website at the following hyperlink: <https://cf.com.mt/investor-relations> and is deemed to be incorporated by reference in the Prospectus.

It is intended to utilise part of the Bond Issue proceeds to re-finance the Relevant Bank Loans due by Ratcon Ltd to BNF Bank plc and those due by Mistral Hotel Ltd and Haven Centre Ltd respectively to MeDirect Bank (Malta) plc.

As stated above, the said Relevant Bank Loans are secured *inter alia* by the Bank Security Interests over the Security Property or parts thereof. These will be released once the outstanding amounts under the said Relevant Bank Loans are settled, to be replaced, as applicable, by the Special Hypothec thereon forming part of the Collateral being created in favour of the Security Trustee for the benefit of Bondholders.

In relation to the Security Property as encumbered by the Bank Security Interests in terms of the abovementioned Relevant Bank Loans, the Issuer, the Guarantor, Ratcon Ltd, Mistral Hotel Ltd, Haven Centre Ltd, the Security Trustee, BNF Bank plc and MeDirect Bank (Malta) plc shall appear on a notarial deed (the Deed of Hypothec) to effect payment to the said banks which provided the original finance. Pursuant to such Deed of Hypothec, the

Security Trustee shall obtain the first ranking Special Hypothec over the Security Property forming part of the Collateral, and the Issuer shall agree to make the Issuer-Guarantor Loan to the Guarantor.

The said Special Hypothec will secure the claim of the Security Trustee, for the benefit and in the interest of Bondholders, for the repayment of the Redemption Value and interest under the Bonds by a preferred claim over the Security Property. Accordingly, upon the issue of the Bonds and application of the Bond Issue proceeds in accordance with the terms of the Securities Note, the Security Trustee will have the benefit of a first ranking special hypothec over the Security Property for the full Redemption Value of the Bonds issued and interests thereon.

In its existing state, the Security Property has been valued for a total amount which is less than, and which is not sufficient to cover, the full Redemption Value of the Bonds and interest thereon, as shown in the table above. However, as mentioned under the heading 'Closing dynamics' below and under Section 4.2 of the Securities Note, the proceeds of the Bond Issue intended to be used for the completion and finishing of the hotels comprised in the Security Property as referred to in paragraph (iv) of Section 4.2 of the Securities Note, although they will constitute a loan by the Issuer to the Guarantor under the Issuer-Guarantor Loan from inception, they will not be transferred to such Guarantor but will be retained in cash by the Security Trustee under trust, who will be irrevocably authorised by the Guarantor (by way of security for the benefit of the Security Trustee and the Bondholders) to retain the same in cash, and to release and pay the same only to the relevant contractors against invoices for works on the said hotels comprised within the Security Property. As noted in the table above, the estimated value of such Security Property after completion of works will increase, and should be sufficient to cover payment obligations under the Bonds. With respect to the other portions of the proceeds of the Bond Issue to be used for the purposes set out in Section 4.2 of the Securities Note, these will be forwarded to the banks, the Guarantor and the Issuer, as provided under the heading 'Closing Dynamics' below and under Section 4.2 of the Securities Note, but the value of the Security Property in its existing state, as professionally valued, adequately covers such portions of the proceeds of the Bond Issue.

Closing dynamics

The issue and final allotment of the Bonds is conditional upon the following events, in the chronological order set out below: (1) the Collateral being constituted in favour of the Security Trustee in accordance with the provisions of the Security Trust Deed within 12 Business Days from the closing of the Offer Period; and (2) the Bonds being admitted to the Official List. In the event that any of the aforesaid Conditions Precedent is not satisfied, the Bond Issue proceeds shall be returned to the investors, as provided in Sections 4.2 and 8.2 of the Securities Note.

Accordingly, following the Bond Issue, proceeds from the Bond Issue net of bond issue expenses, which are expected to amount to approximately €600,000, and net of the proceeds of the Bond Issue representing the conversion amount of converted Existing Secured Notes, shall be forwarded by the Registrar to and shall be held by the Security Trustee who shall, save for the payment of the Relevant Bank Loans to BNF Bank plc and MeDirect Bank (Malta) plc on the Deed of Hypothec, as provided in the immediately following paragraph, retain all remaining net Bond Issue proceeds until (i) it receives appropriate assurance that publication and registration of the Deed of Hypothec and the Special Hypothec constituted thereunder will be effected and (ii) confirmation that the Bonds will be admitted to the Official List of the Malta Stock Exchange by no later than 16 January 2023 is communicated to the Security Trustee. Indeed, the Bonds shall not be admitted to the Official List of the Malta Stock Exchange unless all security has been duly perfected, in accordance with the provisions of the Security Trust Deed.

It is expected that within 12 Business Days from the closing of the Offer Period, the Issuer, the Guarantor, Ratcon Ltd, Mistral Hotel Ltd, Haven Centre Ltd, the Security Trustee, BNF Bank plc and MeDirect Bank (Malta) plc shall appear on the Deed of Hypothec to repay the Relevant Bank Loans to BNF Bank plc and MeDirect Bank (Malta) plc and consequently obtain the cancellation of the Bank Security Interests over the Security Property or parts thereof securing the said Relevant Bank Loans. Pursuant to such Deed of Hypothec, the Security Trustee will concurrently obtain from Ratcon Ltd, Mistral Hotel Ltd and Haven Centre Ltd the Special Hypothec over the Security Property respectively owned by them, and the Issuer will agree to make the Issuer-Guarantor Loan to the Guarantor, namely to make available a loan facility in the total amount equal to the proceeds from the Bond Issue. The said loan facility shall be drawn down as follows:

- (a) the amount used to repay the Relevant Bank Loans to BNF Bank plc and MeDirect Bank (Malta) plc will be deemed immediately drawn down upon execution of the said Deed of Hypothec creating the Issuer-Guarantor Loan;
- (b) an amount equivalent to the conversion amount of the Existing Secured Notes subject to an Existing Secured Notes Conversion, namely the redemption value of €103 per converted Existing Secured Note less any Conversion Amount Adjustment Cash Payment, shall automatically, by virtue of the issue of the relevant Bonds (at their nominal value) pursuant to such conversion, be deemed and treated as part of the proceeds of the Bonds and be deemed and treated to form part of the Issuer-Guarantor Loan and to have been drawn down upon such issue of the relevant Bonds, and a corresponding amount shall automatically be deemed and be treated to be repaid under the indebtedness outstanding under the loan agreement between the Issuer and the Guarantor dated 31 August 2022 by virtue of which the Issuer made the proceeds of the Existing Secured Notes available by way of loan to the Guarantor;
- (c) an amount equivalent to the difference between €3,605,000 and the amount referred to in paragraph (b) above shall be advanced by the Security Trustee to the Issuer upon request, and shall be held by the Issuer as security for the eventual repayment by the Guarantor of any outstanding indebtedness under the loan agreement between the Issuer and the Guarantor dated 31 August 2022 by virtue of which the Issuer made the proceeds of the Existing Secured Notes available by way of loan to the Guarantor, so as to enable the Issuer to eventually finance the redemption, on the due date of redemption, of the Existing Secured Notes which were not subject to an Existing Secured Notes Conversion;
- (d) the amount of such loan facility which is intended to be used to finance the completion and finishing of the hotels comprised within the Security Property as referred to in paragraph (iv) of Section 4.2 of the Securities Note, which will be held by the Security Trustee, will be drawn down in one or more subsequent drawdowns following a request by the Guarantor, in order to pay invoices for completion and finishing works on the said hotels owned by the respective Group companies, as such invoices are received from the relevant contractors of such works and against presentation of such invoices, provided that the Guarantor shall have the right to make an initial drawdown request, at any time after the execution of the Deed of Hypothec creating the Issuer-Guarantor Loan, for the full or any part of the amounts for works on the hotels within the Security Property already invoiced by but not yet paid to the relevant contractors at any time up to the execution of the said Deed of Hypothec. The said drawdowns will not be paid by the Security Trustee to the Guarantor, but will be paid by the Security Trustee directly to the respective contractors in satisfaction of the relevant invoices. The drawdown requests and payments so made to satisfy invoices for works on the hotels comprised within the Security Property as aforesaid will for all intents and purposes constitute and be deemed to constitute, as between the Issuer and the Guarantor, loans made by the Issuer to the Guarantor under the Issuer-Guarantor Loan, and the payment of the relevant invoices to the contractors will be considered as payments made by the Guarantor in the name and for the discharge of the relevant Group company which incurred the costs and expenses under the relevant invoice;
- (e) the balance, less those funds required to fund the expenses of the Bond Issue, will be advanced in one or more subsequent drawdowns following a request by the Guarantor to the Issuer, whereupon the Security Trustee shall be requested and directed to release the respective amount/s to or to the order of the Guarantor;
- (f) such part of the loan facility which is required by the Guarantor to fund the expenses of the Bond Issue, which the Guarantor has agreed to bear itself, which are expected to amount to approximately €600,000 and which will be retained by the Registrar and will not be forwarded to the Security Trustee, shall be forwarded by the Registrar to or to the order of the Issuer upon request.

The Issuer-Guarantor Loan will bear interest at 6% per annum payable on 2 January of each year, and the principal amount thereof shall be repayable by not later than 2 January 2033: provided that where the Issuer exercises its discretion to redeem the Bonds earlier than the Full Term Redemption Date, on a Designated Early Redemption Date at any time from or after 6 January 2028, by giving at least thirty (30) days' notice to the Bondholders as provided in Section 6.7 of the Securities Note, then the Issuer-Guarantor Loan shall become repayable in full upon request in writing

made by the Issuer to the Guarantor at the relevant time by giving not less than twenty (20) days' notice to the said Guarantor. Interest shall be payable as aforesaid on the full amount of the loan from inception, notwithstanding the date/s when this is drawn down. The payments becoming due under such Issuer-Guarantor Loan and the timings thereof are such as to enable the payments due under the Bonds, including interest and repayment of capital due on maturity, to be financed through such payments to be received by the Issuer from the Guarantor under such Issuer-Guarantor Loan, leaving also a residual amount for the Issuer to finance its corporate funding requirements.

The Issuer-Guarantor Loan will be made *inter alia* on the condition, as contained in the Deed of Hypothec, that the Guarantor, in its capacity as parent company of the Group, must ensure that no new real estate development projects shall be undertaken by the Group and by any single Group company from time to time whilst the Issuer-Guarantor Loan is outstanding if in the reasonable opinion of the Guarantor the execution thereof and the projected revenue flow therefrom and the timing thereof are likely to jeopardise the timely payments under the Bonds; and also the condition that the Guarantor ensures, and the Guarantor shall undertake to ensure, that any such new real estate development projects so undertaken from time to time whilst the Issuer-Guarantor Loan is outstanding shall satisfy certain parameters and conditions mainly intended to ensure the necessary liquidity within the Group to be able to satisfy its payment obligations arising from time to time, including payment obligations under the Bonds, and the Guarantor shall be required to seek and obtain the prior approval of the Issuer in respect of, and before the Group unconditionally commits to, any proposed new project which is expected not to meet the said parameters and conditions.

7. TREND INFORMATION

*Economic Update*¹

The Central Bank of Malta's Business Conditions Index ("BCI") indicates that annual growth in business activity is very close to its long-term average estimated since January 2000. The European Commission survey shows that in August, economic sentiment in Malta edged down from a month earlier, standing below its long-term average, which is estimated since November 2002.

When compared with July, sentiment deteriorated strongly in the retail sector and, to a lesser extent, in industry and among consumers. By contrast, it improved in the services and construction sectors. Additional survey information shows that price expectations declined in industry and construction but rose in the remaining sectors. The largest increase was recorded in the services sector. In August, the European Commission's Economic Uncertainty Indicator ("EUI") for Malta increased when compared with July.

Higher uncertainty was notably driven by developments in the services sector. In July, industrial production increased in annual terms, following a contraction in the previous month. The volume of retail trade increased in year-on-year terms. The unemployment rate stood at 2.9% in July, unchanged from a month earlier, and the lowest rate on record. Commercial permits fell in July relative to their year-ago level, as did residential permits.

In August, both the number of promise-of-sale agreements and final deeds of sale increased on a year-on year basis but stood lower than in July. The annual inflation rate based on the Harmonised Index of Consumer Prices ("HICP") stood at 7.0% in August, up from 6.8% in the previous month. Inflation based on the Retail Price Index ("RPI") also rose, reaching 7.0% in August from 6.8% a month earlier.

Maltese residents' deposits expanded at an annual rate of 7.8% in July, following an increase of 9.5% in the previous month, while annual growth in credit to Maltese residents stood at 7.2%, marginally above the rate of 7.0% recorded a month earlier. In July 2022, the deficit on the Consolidated Fund narrowed slightly when compared with a year earlier as government revenue rose marginally while government expenditure declined.

*Economic Outlook*²

¹ Central Bank of Malta – Economic Update: Issue 09/2022

² Central Bank of Malta – Economic Projections 2022-2024

The Central Bank of Malta expects Malta's Gross Domestic Product ("GDP") to grow by 5.2% in 2022, 4.5% in 2023 and 3.7% in 2024. Compared to the previous projections, the Bank's latest forecast represents downward revisions of 0.2% in 2022, 0.4% in 2023, and of 0.1% in 2024. The downward revisions reflect the strong pick-up in inflationary pressures as well as a further deterioration in the international economic environment due to the recent cuts in gas supplies to European countries.

Net exports are expected to be the main driver of growth in 2022, reflecting the correction in import-intensive investment outlays from the exceptionally high levels reached in 2021. The contribution of domestic demand is expected to be positive but significantly lower compared to that of 2021, as growth in activity normalises following the strong rebound last year. In the following years, domestic demand is expected to lead the expansion in economic activity, especially from private consumption. The contribution of net exports is projected to ease over the projection horizon, reflecting the gradual normalisation of tourism exports and decelerating growth in foreign demand more generally.

Employment growth in 2022 is expected to reach 3.5% from 2.8% in 2021. It is set to moderate to just above 2% by 2024. The unemployment rate is projected to decline to 3.1% this year, from 3.5% last year and it is expected to hover within this range over the outlook period. In view of the expected increase in inflation this year, wage growth is projected to be relatively strong. Nevertheless, nominal wage growth is projected to remain below that of inflation due to some lag in the transmission from prices to wages. In the following years, wage pressures are expected to moderate as the labour market becomes less tight.

Annual inflation based on the Harmonised Index of Consumer Prices is projected to pick-up sharply in 2022 and remain high in 2023. Indeed, it is envisaged to accelerate to 5.9% in 2022, from 0.7% in 2021. The sharp pick-up in inflation reflects a broad-based increase across all sub-components of HICP except for energy inflation. Import price pressures are expected to moderate somewhat by the beginning of next year, although these are envisaged to remain high by historical standards. Hence, HICP inflation is expected to moderate to 3.8% by 2023, driven by lower contributions from all subcomponents except for energy inflation. Inflation is set to ease further in 2024 to 2.1%.

The general government deficit is projected to recede to 5.6% of GDP in 2022, from 7.9% in 2021. It is expected to narrow further to 4.0% in 2023, and to 3.2% in 2024. This profile is driven by the unwinding of COVID-19 support measures in 2022, which offset outlays on price mitigation measures. The latter are set to remain in place but assumed to diminish over the projection horizon. The general government debt-to-GDP ratio is projected to stand at 58.8% of GDP in 2024.

On balance, risks to economic activity are tilted to the downside, especially for 2023 though uncertainty even during 2022 remains high. The main downside risks relate to the evolution of energy supply from Russia to Europe. This could lead to severe shortages of energy supplies going into the winter, which could in turn adversely affect production abroad and amplify supply bottlenecks. Foreign demand could also be weaker than expected if monetary policy in advanced economies continues to tighten more forcibly than assumed in this projection round. These downside risks are mitigated somewhat by domestic fiscal policy which is cushioning partly the impact of imported inflation. In addition, the savings ratio could fall faster than is being assumed in this projection, while upward surprises in tourism could further boost net exports and GDP growth.

Risks to inflation are on the upside during the entire projection horizon. Indeed, further escalation in cuts in gas supplies could trigger a stronger than envisaged rise in commodity prices, which would put further upward pressures on the prices of imported goods and freight costs. In addition, the EU policy to sharply reduce dependence on Russian fossil fuels could also lead to stronger than expected increases in import costs, particularly in the short-run. The risk of second-round effects from wages and mark-ups grows if high inflation persists for longer.

On the fiscal side, risks mainly relate to a larger deficit in 2022 and 2023. These mostly reflect the likelihood of additional Government support to mitigate rising commodity prices and the likelihood of state aid to the national airline.

Residential Property Development³

The property market in Malta has experienced steady periods of growth. Whilst significant growth has resulted over the past decade, the property market in Malta has steadily increased over the past forty years at a compound annual growth rate (“CAGR”) of c. 6%. Recently however, the property market exceeded the CAGR of 6%, because the demand for residential property is increasing at higher rate than the supply of houses being built on the Maltese Islands.

The increase in house prices is driven by the demand for housing which has been steadily increasing year-on-year, but turned negative for the first time in 2020 as there was a drop from foreign residents. In 2021, incremental demand turned positive driven by first time buyers and a partial recovery in tourism. Of this incremental demand, it is noted that 2,000 units are requested by Maltese citizens annually, which mainly comprise first time buyers who request residential units in the rural villages of Malta. For this reason, the majority of the Guarantor’s property developments are situated in rural villages, and in fact, the three key property developments are situated in Balzan, Attard and Qrendi.

Pre-pandemic, the number of final deeds of sale involving individual buyers steadily increased from 12,108 transactions in 2018, to 12,870 transactions in 2019. However, following the onset of the pandemic, the number of final deeds of sale decreased to 10,158 only to increase by 30% in 2021, exceeding pre-pandemic levels.

Furthermore, in terms of promise of sale agreements involving individual buyers, in 2018, promise of sale agreements amounted to 13,676 and decreased by around 3,000 in the following years. However, promise of sale agreements reached an all-time high in 2021 at 14,225, partly reflecting the sales brought forward due to the anticipated expiry of the stamp duty exemption that the Government had introduced during the year. This is also evidenced by the Guarantor, and in fact *circa* 50% of the sales value of Park Lane, Artemis and Hestia was sold by 30 June 2022.

To meet the increase in house prices, the housing stock in Malta has been increasing year on year. Such supply is initially granted through permits issued by the Planning Authority (“PA”). In 2021, PA approved 7,578 permits for new housing units. These are expected to add 6,400 units to the housing stock over the next 5 years. The additional housing stock in 2021 amounted to 9,487 units, reflecting the large number of permits approved by the PA in 2018 and 2020 that typically come onto the market with a three-year time lag.

The outlook based on a pre-COVID-19 scenario foresaw supply catching up with the continued growth in demand. This was expected to ease upward pressure on house prices. In 2020 and 2021, additional housing supply by far outstripped additional demand (which slowed down because of COVID-19), thereby putting downward pressure on prices. A slowdown in additional housing supply and recovering demand for housing in the period 2022-2024 is expected to ease but not eliminate the downward pressure on prices especially because of the accumulated housing stock. Furthermore, Eurozone interest rate rises in response to high rates of inflation may put additional downward pressure on house prices as it translates into higher borrowing rates for both first-time buyers and investors, which implies lack of housing affordability on consumers. Whilst this effect is not expected to be immediate, should house prices decrease, corroborated by increasing construction costs and/or increasing interest rates, this may have an adverse effect on the profitability of the Group.

Hospitality⁴

The tourism sector in Malta has been on a consistent upward trend since 2010, rising especially in the later years from 2017. The Maltese tourism industry has, in recent years, been renowned for its unabated growth, with each

³ National Statistics Office – News Release – 163/2021

⁴ National Statistics Office – News Release – 019/2022

passing year yielding new record highs of inbound tourists visiting the island. Indeed, the tourism industry is considered to be a crucial pillar of the economy as it is estimated to account for 15.8% of Malta's GDP and 52,800 jobs, or 21.1% of total employment⁵.

The consistent performance in the tourism sector observed over the past few years has persisted year-on-year in terms of inbound tourists. NSO data for 2019, revealed that the influx for the year stood at 2.7m tourists – representing an increase of 5.2% over the previous year. Between 2013 and 2019 there has been an average increase of 11.3% per annum. According to the NSO, this improvement was mostly driven by an increase in the number of leisure tourists. The below diagram illustrates the development of the Maltese tourism industry over the past years, showing both percentage growth as well as growth in absolute terms.

Naturally, 2020 experienced a significant drop in inbound tourists due to the COVID19 pandemic, whereby the Government of Malta introduced travel restrictions and border closure during the period April to June 2020. Consequently, the number of tourists visiting Malta decreased significantly to 0.7 million, but increased to 1 million in 2021, following easing of restrictions. This trend can also be seen when one examines the total number of tourist nights. Likewise, a corresponding decrease in number of tourist nights resulted in 2020 but started to increase again in 2021. Nonetheless, the future presents a better outlook for the tourism industry. The Central Bank of Malta estimates that tourism expenditure should increase to 75% of 2019 levels in 2022 and 90% of 2019 levels in 2023. In view of this, HVS⁶ report predicts that the European hotel sector is expected to re-establish its RevPAR 2019 performance by 2024.

The number of tourists visiting Malta peaks between April and September (two thirds of inbound tourists arrive during this period), due to the fact that Malta is principally perceived by tourists as a 'sun and culture' destination. Furthermore, repeat tourism also flourished between January and December 2019, with 25% of inbound tourists being repeat tourists. Moreover, the peak months of July and August attracted a lower percentage of repeat tourists than the average for the period, indicating that a higher percentage of inbound tourists returned to Malta during the shoulder months to spend more time exploring what the Maltese islands have to offer.

Along with the substantial increase in tourist head count over recent years came a complimentary increase in the aggregate level of tourist expenditure in each year. According to NSO statistics, total expenditure in Malta in 2019 reached €2.2 billion, representing an increase of 5.3% over the total expenditure in 2018. However, the expenditure per capita (which consists of air/sea fares, accommodation and other expenditure) has gradually decreased over time. This is mainly attributable to a number of factors including decreases in the average length of stays, reductions in air/sea fares as well as the increasing number of tourists opting to visit Malta for shorter stays.

8. FINANCIAL INFORMATION

CF Estates Finance p.l.c. was registered as a public limited liability company in terms of the Act on 26 July 2022. The Company is a finance company and does not intend to conduct any trading activities itself. Accordingly, it is

⁵ WTTC 2020 Economic Impact report for Malta

⁶ HVS: The Impact of COVID-19 on the European Hotel Sector

economically dependent on the financial and operating performance of the Group, composed of CF Estates Ltd. (the Guarantor) as the holding company and its Subsidiaries.

The tables and narrative included in this sub-section contain certain alternative performance measures (as defined by the European Securities and Markets Authority (ESMA)), including earnings before interest, tax, depreciation and amortization (EBITDA), that the Group's management and other competitors in the industry use. These non-International Financial Reporting Standards financial measures are presented as supplemental information as: (i) they represent measures that the Directors believe may be relevant for certain investors, securities analysts and other parties in assessing the Group's operating and financial performance and may contribute to a fuller understanding of the Group's cash generation capacity and the growth of the combined business; and (ii) they may be used by the Group's management as a basis for strategic planning and forecasting.

8.1 Financial information for the financial year ended 31 December 2021

Until June 2022, the Other Subsidiaries were owned directly by the Shareholders. However, following a restructuring exercise, upon incorporation, CF Estates Ltd. (or the Guarantor) acquired all the share capital of the Other Subsidiaries, which excludes the Issuer given that the Issuer was incorporated at a later date, in exchange for the issue of 6.3 million ordinary shares having a nominal value of €1.00 each in favour of CF Estates Ltd. (the "**Restructuring**"). Further detail is set out in Section 4.3 titled "Organisational Structure of the Group". Given that CF Estates Ltd. was set up as the holding company of the Group, it does not intend to conduct any trading activities itself.

The financial statements set out in this section include the pro forma consolidated financial statements of the Group for the year ended 31 December 2021. The pro forma information described in this Section, and as more fully set out in Annex I of this Registration Document, presents what the consolidated financial statements of the Group would have been had the Other Subsidiaries been owned by the Guarantor with the shareholding and with all its current constituent components, for the entire period covered by the said pro forma information. An Accountant's Report on the pro forma financial information included in this document has been prepared by Grant Thornton (Malta) in compliance with the requirements of the Capital Markets Rules. The Accountant's Report is attached as Annex II to this Registration Document.

The pro forma financial information for the year ending 31 December 2021 included in the Prospectus is therefore the Directors' best estimate of what the consolidated statutory financial statements would have represented had they been prepared and issued by the Guarantor for FY2021, and therefore constitute a hypothetical scenario.

The financial year end of the Guarantor and its Subsidiaries is 31 December. The historical financial information set out in the Prospectus of the Guarantor and the Subsidiaries as a whole, a summary of which is reproduced below, represents the pro forma consolidated data based on the audited financial statements of the Other Subsidiaries for the year ended 31 December 2021.

No adjustments to the results and financial position of the Other Subsidiaries were necessary for the purposes of arriving at the pro forma consolidated financial statements except solely to reflect the entries necessary in any process of accounting consolidation; and to reflect what the consolidated equity of the Guarantor would have amounted to had the transactions that led to the formation of the Guarantor and its Other Subsidiaries been executed on 1 January 2021.

The report on the pro forma financial information prepared independently by the auditors of the Group, including a statement of the adjustments to equity made in arriving at the pro forma consolidated statement of financial position, is appended to this Registration Document as Annex I.

The financial information of Haven Centre Ltd, Mistral Hotel Ltd, Ratcon Ltd, Finish Furnish Limited, CF Developers Ltd., CF Hotels Ltd. and CF Contracting Ltd., which financial information was used in the preparation of the pro forma financial information is available for inspection as set out in section 17 of this Registration Document, is incorporated by reference, and may be accessed on the Issuer's website www.cf.com.mt/investor-relations.

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	Independent Auditors' Report	Statement of Financial Position	Statement of Comprehensive Income	Statement of Cash Flows	Notes to Financial Statements
<i>Haven Centre Ltd</i>	4-7	8	9	11	12-23
<i>Mistral Hotel Ltd</i>	4-7	8	9	11	12-23
<i>Ratcon Ltd</i>	4-7	8	9	11	12-23
<i>Finish Furnish Limited</i>	4-7	8-9	10	12	13-31
<i>CF Developers Ltd.</i>	4-7	8	9	11	12-25
<i>CF Hotels Ltd.</i>	4-7	8	9	11	12-21
<i>CF Contracting Ltd.</i>	4-7	8	9	11	12-22

As at the date of the Prospectus, there has been no material adverse change in the prospects of the Issuer since the date of incorporation of the Issuer, nor has there been a significant change in the financial or trading position of the Group since 31 December 2021 except for the completion of the CF Business Centre and operation thereof, as well as acquisition and development of real estate projects and subsequent sale of residential units.

The following is a description of the pro forma adjustment made to the consolidated results and financial position of the Other Subsidiaries for the financial year ended 31 December 2021 being the entries required to reflect the effect of the Restructuring implemented on 30 June 2022 as at 1 January 2022 (the "**Reference Date**"). The consolidated statement of financial position of the Other Subsidiaries includes the following adjustments:

- (a) the incorporation of the Guarantor, which newly formed entity has acquired the Subsidiaries from its shareholders for a consideration of €6.3 million which value was derived as the higher of (i) Other Subsidiaries' share capital and (ii) net asset value of the Other Subsidiaries' including shareholder loans. The consideration was settled through an issue of 6.3 million ordinary shares having a nominal value of €1.00 each in favour of CF Estates Ltd.;
- (b) adjustments required to reflect the entries necessary in any process of accounting consolidation, these being the elimination of the investment in Subsidiaries, and accounting for goodwill arising on the acquisition of the Other Subsidiaries; and
- (c) adjustments relating to the inter-company loans.

The entries relating to the Restructuring do not impact the consolidated income statement or consolidated cash flows as at the Reference Date.

The following is a summary of the pro forma financial information of the Guarantor and its Other Subsidiaries covering FY2021 which ended 31 December 2021.

CF Estates Ltd.

Summary consolidated pro-forma statement of comprehensive income for the year ended 31 December 2021

€000	Combined	Pro forma adjustments	Pro forma
Revenue	3,420	-	3,420

Cost of sales	(2,352)	-	(2,352)
Gross profit	1,067	-	1,067
Other income	158	-	158
Administrative expenses	(2,171)	-	(2,171)
EBITDA	(945)	-	(945)
Depreciation	(281)	-	(281)
Operating profit	(1,227)	-	(1,227)
Finance costs	(72)	-	(72)
Loss before tax	(1,299)	-	(1,299)
Tax expense	(11)	-	(11)
Loss for the year	(1,310)	-	(1,310)

CF Estates Ltd.

Summary consolidated pro forma statement of financial position as at 31 December 2021

€000	Aggregation net of cons adjustments	Step 1: NAV 2021	Step 2: Shareholders' loans	Step 3: Issue of shares	Pro-forma consolidation as at 31 Dec 2021
Assets					
Non-current assets					
Property, plant and equipment	18,500	-	-	-	18,500
Goodwill	-	-	-	1,072	1,072
Right of use asset	157	-	-	-	157
Deferred tax assets	341	-	-	-	341
Total non-current assets	18,998	-	-	1,072	20,070
Current assets					
Inventories	5,243	-	-	-	5,243
Trade and other receivables	2,583	-	(16)	-	2,567
Cash and cash equivalents	1,529	-	-	-	1,529
Total current assets	9,355	-	(16)	-	9,339
Total assets	28,353	-	(16)	1,072	29,409
Equity and liabilities					
Equity					
Share capital	504	(504)	-	6,308	6,308
Retained earnings/(losses)	(2,735)	2,735	-	-	-
Total equity	(2,231)	2,231	-	6,308	6,308
Non-current liabilities					
Borrowings	12,758	-	-	-	12,758
Minimum lease payments	35	-	-	-	35
Total non-current liabilities	12,793	-	-	-	12,793
Current liabilities					
Borrowings	1,306	-	-	-	1,306
Minimum lease payments	104	-	-	-	104
Trade and other payables	16,380	-	(7,483)	-	8,897
Total current liabilities	17,790	-	(7,483)	-	10,307
Total liabilities	30,582	-	(7,483)	-	23,099
Total equity and liabilities	28,352	2,231	(7,483)	6,308	29,408

During FY2021, the main revenue contributor was Finish Furnish Limited, through the sale of tiles, bathrooms and furniture since Ratcon Ltd, Mistral Hotel Ltd, Haven Centre Ltd and CF Hotels Ltd. were non-operational as the assets were still under development. Revenue of Finish Furnish Limited has increased significantly over the past three years, from €0.6 million in FY2019 to €3.2 million in FY2021, which revenue is derived principally from sales to related parties and to a lesser extent, walk-ins.

Although as at 31 December 2021, CF Developers Ltd. had concluded promise of sales agreements with a sales value of €31.3 million, it could only recognise revenue of €0.2 million from the sale of an apartment and a garage within Azalea Apartments located in St. Julian's, given that in line with IFRS15, revenue is recognised in the income statement once the contract of sale is signed.

Cost of sales consist of direct costs relating to finished product sold by Finish Furnish Limited and the development costs in relation to the Azalea sale of apartment and garage which includes the cost of land, including stamp duty and professional fees, to acquire the site, excavation and construction costs to develop the apartment. In FY2021, gross profit margin stood at 33.3%.

Administration expenses primarily consist of wages and salaries, rent, marketing costs, professional fees, insurance, bank charges and water and electricity.

Finance costs consist of the interest on bank borrowings primarily in relation to Haven Centre Ltd and Finish Furnish Limited, as well as the interest expense as a result of IFRS 16 accounting, given that all other interest incurred by the Group is capitalised.

Non-current assets in the pro forma statement of financial position as at 31 December 2021 amounted to €20.1 million, which principally consists of property, plant and equipment of €18.5 million, being made up of the book value of Scirocco Hotel, Levante Hotel, Mistral Hotel and the CF Business Centre being developed by Haven Centre Ltd.

Current assets as per the pro forma statement of financial position as at 31 December 2021 amounted to €9.3 million and primarily include inventory, trade receivables and cash balances. Current liabilities amounted to €10.3 million, made up of borrowings as to €1.3 million and trade and other payables of €8.9 million, as at the same date.

Non-current liabilities as per the pro forma statement of financial position at 31 December 2021 amounted to €12.8 million primarily consisting of bank borrowings.

The pro forma equity value of CF Estates Ltd. as at 31 December 2021 totaled €6.3 million.

Specific matters relating to accounts of certain Subsidiaries

The audit report in the financial statements of each of Ratcon Ltd, Mistral Hotel Ltd and Haven Centre Ltd for the financial year ended 31 December 2021 contain an emphasis of matter by the respective auditor as follows:

“Without qualifying my opinion, I draw attention to point 1.1 in the financial statements which indicates that the company's accumulated losses exceeded the paid-up share capital. As at the same date, current liabilities exceeded current assets. This condition, along with other matters as set forth in Note 1.1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern”.

Whilst a material uncertainty may have applied during the year ending 31 December 2021, the properties owned by the said 3 companies, namely the CF Business Centre, Mistral Hotel, Scirocco Hotel and Levante Hotel were not operational during the year 2021 and were still under construction. As a result, these assets were still in the process of being developed and hence did not generate any income or profits. Hence, the respective losses of each of these Subsidiaries exceeded its share capital, and its current liabilities exceeded the current assets. On 30 June 2022, the Group has undergone a restructuring exercise, whereby 6 million shares have been issued to the Shareholders, in return for the shares in Haven Centre Ltd, Mistral Hotel Ltd and Ratcon Ltd, amongst other companies, which became Subsidiaries of the Guarantor as a result of such restructuring. Following the restructuring exercise, where the capital base of the Group has increased to €6.3 million, and on the basis of expected rental and operational revenue from the above-mentioned assets (the CF Business Centre and the hotels), it is expected that the reasons for the emphasis of matter mentioned in the audit report of these 3 Subsidiaries will no longer be applicable.

The audit report in the financial statements of Finish Furnish Limited for the financial years ended 31 December 2020 and 31 December 2021 contain a qualification referring to the inability of the auditor to perform audit procedures on inventory due to his appointment post financial year end. This states:

“The auditors did not observe the counting of the physical inventory at the beginning and at the end of the audited year and were unable to obtain sufficient appropriate audit evidence regarding the opening balances and the balances of inventory at year-end. The possible effects of the inability to obtain sufficient appropriate audit evidence regarding the opening balances and the balances of inventory at year-end are deemed to be material but not pervasive to the company’s financial performance and cash flows. We were unable to determine whether any adjustments to these amounts were necessary.”

The auditors were appointed during the year 2022 so they could not attend the physical stock take performed at year end for financial years 2020 and 2021. Furthermore, it was deemed impractical to perform alternative testing on year-end inventories.

8.2 Financial information for the interim period ended 30 June 2022

On 30 June 2022, the Guarantor was incorporated, and at the same date, it acquired all the share capital of the Other Subsidiaries, which excludes the Issuer given that the Issuer was incorporated at a later date, in exchange for the issue of 6.3 million ordinary shares having a nominal value of €1.00 each in favour of CF Estates Ltd. Hence on this date, CF Estates Ltd. accounted for the acquisition of the Other Subsidiaries through Acquisition Accounting as required under International Financial Reporting Standards IFRS 3, Business Combinations. Given that the acquisition took place on 30 June 2022, the consolidated Statement of Comprehensive Income is nil, whilst the Statement of Financial Position presented below reflects the Restructuring as extracted from the consolidated management accounts of the Guarantor.

CF Estates Ltd.

Summary consolidated statement of financial position as at 30 June 2022

€000	
Assets	
Non-current assets	
Property, plant and equipment	19,306
Goodwill	2,338
Deferred tax assets	341
Total non-current assets	21,985
Current assets	
Inventories	12,381
Trade and other receivables	2,396
Cash and cash equivalents	871
Total current assets	15,648
Total assets	37,633
Equity and liabilities	
Equity	
Share capital	6,308
Total equity/(deficiency)	6,308
Non-current liabilities	
Borrowings	17,884
Total non-current liabilities	17,884
Current liabilities	
Borrowings	320
Trade and other payables	13,121
Total current liabilities	13,441
Total liabilities	31,325
Total equity and liabilities	37,633

Non-current assets as at 30 June 2022 amounted to €22.0 million, which principally consists of property, plant and equipment of €19.3 million, being made up of the book value of Scirocco Hotel, Levante Hotel, Mistral Hotel and the CF Business Centre being developed by Haven Centre Ltd. Given that the Other Subsidiaries had further losses between 1 January 2022 and 30 June 2022, goodwill increased to €2.4 million upon acquisition.

Current assets as at 30 June 2022 amounted to €15.6 million. The increase in current assets from 31 December 2022 reflects the construction works carried out in this six-month period on the property developments, given that such residential units have not yet been sold.

Non-current liabilities as at 30 June 2022 amounted to €17.9 million consisting of bank borrowings. Further draw downs were made in the six-month period ending 30 June 2022, to finance the increase in inventory.

The equity value of CF Estates Ltd. as at 30 June 2022 totaled €6.3 million.

Combined statement of comprehensive income

Given that CF Estates Ltd. accounted for the acquisition of the Other Subsidiaries through Acquisition Accounting, the consolidated Statement of Comprehensive Income is nil as at 30 June 2022. For completeness, presented below is a summary combined statement of comprehensive income of the Other Subsidiaries for the six months ended 30 June 2022.

CF Estates Ltd.

Summary combined statement of comprehensive income for the period ended 30 June 2022

€000	
Revenue	2,179
Cost of sales	(1,472)
Gross profit	706
Other income	9
Administrative expenses	(1,288)
EBITDA	(573)
Depreciation	(230)
Operating profit	(803)
Finance costs	(195)
Loss before tax	(999)
Tax expense	(41)
Loss for the period	(1,040)

The Other Subsidiaries generated €2.2 million revenue during the six-month period ending 30 June 2022. This consisted of €1.2 million revenue generated from Finish Furnish Limited and €0.8 million generated from CF Developers Ltd following the completion of Azalea development and sale of the residential units.

Cost of sales consist of direct costs relating to finished product sold by Finish Furnish Limited and the development costs in relation to the Azalea sale of residential units.

Administration expenses primarily consist of wages and salaries, rent, marketing costs, professional fees, insurance, bank charges and water and electricity.

Finance costs consist of the interest on bank borrowings.

9. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

9.1 Board of Directors of the Issuer

The Issuer is currently managed by a Board consisting of five Directors entrusted with its overall direction and management. As at the date of this Registration Document, the Board of the Issuer is composed of the individuals listed in Section 3.1 of this Registration Document.

The Board of Directors of the Issuer currently consists of two executive Directors and three non-executive Directors.

Mr Joseph Portelli, executive director, is also an executive director on the board of the Guarantor. Mr Francis Agius is the other executive director of the Issuer and is also an executive director on the board of the Guarantor and of all other existing Group companies. Together with the Group's executive team, including the other executive directors on the Guarantor as are mentioned in Section 9.2 below, the executive Directors of the Issuer are responsible for acquisitions, development, sales and operations and are entrusted with the Group's day-to-day management.

The non-executive Directors' main functions are to monitor the operations of the executive Director/s and their performance, as well as to review any proposals tabled by the executive Director/s, bringing to the Board the added value of independent judgment, and also to provide specialist support to the executive Director/s. In line with generally accepted principles of sound corporate governance, a majority of the non-executive Directors, who should constitute at least a third of the Board, shall be a person/s independent of the Group. Currently, the Issuer has 3 non-executive Directors, namely Mr Stephen Muscat, Mr Mario Vella and Mr Peter Portelli. These are all deemed independent, as set out in Section 3.1 of this Registration Document, in that they are free from business, family or other relationships with the Issuer, its controlling shareholder or the management of either that create a conflict of interest such as to jeopardize exercise of their free judgment.

The *curriculum vitae* of the directors of the Issuer are set out in Section 9.3 below.

9.2 Board of directors of the Guarantor

As at the date of this Registration Document, the board of directors of the Guarantor is composed of five directors, being Mr Joseph Portelli, Mr Clifton Cassar, Mr Duncan Micallef, Mr Francis Agius and Mr Stephen Falzon.

The *curriculum vitae* of the directors of the Guarantor are set out in Section 9.3 below.

9.3 Curriculum vitae of directors of the Issuer and the Guarantor

Stephen Muscat (Non-executive Director of the Issuer)

Stephen Muscat is a Certified Public Accountant and a graduate of the University of Malta with a BA (Honours) Accountancy degree, a fellow of the Malta Institute of Accountants, the Malta Institute of Taxation and the Institute of Directors (UK). He is the former CEO and Director of Maltacom p.l.c., today GO p.l.c. (C 22334).

Stephen is an authorised Company Service Provider serving as a Non-executive Director of holding and trading companies. He is also a Director of locally licensed financial institutions and a bank. Currently he is a member of the Board of Directors and chairs the Audit Committee of public bond issuers trading on the Malta Stock Exchange namely Mercury Projects Finance p.l.c. (C 89117), SD Finance p.l.c. (C 79193), JD Capital plc (C 82098) and Agriholdings plc (C 57008).

Apart from being a Director, Stephen is also a member and Chairman of the Audit Committee of the Issuer.

Mario Vella (Non-executive Director of the Issuer)

Mario Vella joined Barclays Bank in Malta in 1969 and has occupied several positions within the bank concluding his career with HSBC in 2013 in the role of Head of Corporate Banking in which position he was responsible for the major share of the Bank's lending portfolio and its largest corporate customers. He has been involved in driving through major changes in banking strategies especially on Mid-Med Bank's take-over by HSBC. Over the years Mario has arranged finance for a significant number of high-profile projects including via a mix of bank / syndicated lending and capital markets.

In 2013, after 43 years in banking, Mario moved to KPMG as Director, Deal Advisory. In this role he has served as consultant to several companies. He helped clients restructure and refinance their trading activities and raise financing for new ventures. He has participated in putting together high-profile mergers and other significant business deals.

Mario retired from KPMG in August 2017 but continues to provide consultancy services to various businesses. He presently also sits as Non-executive Director on Boards of companies with securities listed on the Malta Stock Exchange.

Apart from being a Director, Mario is also a member of the Audit Committee of the Issuer.

Peter Portelli (Non-executive Director of the Issuer)

Peter Portelli obtained a degree of BA (Hons) Public Administration from the University of Malta in 1990 and a Masters in Business Administration from Henley Management College (UK) in 1997.

Between 1990 and 1998, he held various middle management and senior positions within the Ministry of Tourism and the Office of the Prime Minister, Malta. From 1998 to 2004 he was Private Secretary to the Prime Minister, and later Private Secretary to His Excellency, the President of Malta for a short period between April to December 2004. From January 2005 to June 2013, Peter acted as Permanent Secretary within the Maltese Public Service, heading the Ministry responsible for Tourism, with a portfolio that also included Culture and the Environment. Since July 2013 he is an Officer in Grade 2, Malta Public Service. Since 2015, he has held the position of Executive Secretary of The Strickland Foundation.

Peter presently sits as Non-executive Director on a number of corporate Boards, including the Board of Mercury Projects Finance p.l.c. (C 89117) which has securities listed on the Malta Stock Exchange.

Apart from being a Director, Peter is also a member of the Audit Committee of the Issuer.

Joseph Portelli (Executive Director and Chairman of the Issuer and director of the Guarantor)

Joseph Portelli is a self-made businessman. Starting his business in the year 1996, Joseph Portelli has been involved in a number of successful property development projects within the real estate market in Malta and Gozo, which include the acquisition, development and sale or operation of all types of residential and commercial properties, including Mercury Towers Project in St. Julians, Villagg San Guzepp in Gozo, Forum Residences in St. Andrews, Hal Saghtrija Complex in Zebbug, Gozo as well as a foray into the hospitality sector with Quaint Boutique Hotels in Gozo.

Joseph is also a shareholder and/or beneficial owner and/or director of various other companies involved in property development and real estate / hospitality projects. Amongst others he is the sole shareholder and beneficial owner of Mercury Group which is developing the Mercury Project in St. Julian's.

In 2022, he joined forces with Francis Agius, Duncan Micallef, Stephen Falzon and Clifton Cassar and had various companies in which he was involved merging operations into the CF Group through a restructuring exercise. Apart from overseeing the day-to-day operations of the Group, his current main responsibilities today are main administration and business development.

Francis Agius (Executive Director of the Issuer, director of the Guarantor and of CF Developers Ltd., CF Hotels Ltd., CF Contracting Ltd., Ratcon Ltd, Mistral Hotel Ltd, Haven Centre Ltd and Finish Furnish Limited)

After completing his education at St. Edwards College, Malta in 1990, Francis Agius joined his father to help run a shopping outlet, whilst furthering his studies. His willingness to adapt and aptitude for hard work helped Francis gain the knowledge and experience needed to enable him to manage an outlet.

As a result, in 1995 Francis opened his first retail outlet focusing on clothing, shoes and cosmetics. He then expanded the business by opening two outlets whereby he rented videos and DVDs and sold mobile phones, electronics and white goods. In 1999, Francis joined Melita as a reseller for 13 outlets, while also supplying mobile phones and repairs for their customers.

In 2011 Francis ventured into property development through a partnership with Duncan Micallef and Stephen Falzon, and has since been involved in various property developments around Malta and Gozo.

In 2016, Francis, Duncan and Stephen, together with Joseph Portelli took over Finish Furnish Limited, which led to the inauguration of the Casafini showroom in Balzan. They were then involved in the restructuring of the different companies owned by the separate Shareholders into the CF Group in 2022.

Francis' main responsibilities within the Group are those of account keeping, co-ordination and reconciliation of payments and main administration.

Clifton Cassar (Director of the Guarantor and of CF Developers Ltd. and CF Contracting Ltd.)

Clifton commenced his career in 2005 by opening an outlet in Mosta selling mobile services, as a GO authorised reseller, devices and accessories. The business expanded throughout the years, and now he owns and manages three outlets across Malta.

Clifton inherited his passion for property development and design from his father and today Clifton is recognised as one of the top property developers locally. As a result, he began venturing into property development whereby his leadership skills and eye for detail enable him to ensure that all projects are completed in a timely manner and in line with budget and quality standards. Nowadays Clifton has a vast experience in property construction and property finishings, including the development and finishing of three hotels, a business centre and over 30 residential projects.

Clifton's current main responsibilities within the Group consist of management and oversight of property development.

Duncan Micallef (Director of the Guarantor and of CF Hotels Ltd., Haven Centre Ltd, Ratcon Ltd, Mistral Hotel Ltd and Finish Furnish Limited)

Duncan commenced his career in 1993 as a freight clerk with Wings Cargo Floriana. In 1999 he started working with Gollcher Co. Ltd. as an Alitalia Cargo Coordinator, whereby he held this post until 2005.

During this period he began venturing into property development, mostly by acquiring and reselling various residential units, whilst also operating a mobile phone business despite a turbulent entry to the market by leveraging on trusted suppliers from Hong Kong. The business expanded over time, and by 2005, he commenced working on these ventures on a full time basis whilst also supplying around 50% of the mobile phone retail shops in Malta. In 2007, Duncan opened his first property company, DD Properties Ltd, whilst in 2010, Duncan opened Totalnet which traded overseas successfully, however in 2015, he opted to close this latter outlet in order to focus on the property business.

In 2013, Duncan, together with Stephen Falzon and Francis Agius, incorporated SDF Ltd which was aimed at acquiring and developing residential properties throughout Malta.

Following an acquisition of a project to build a hotel in Rabat with Joseph Portelli and Clifton Cassar in 2016, these three shareholders opened JDC Projects Ltd which then continued to acquire and develop more projects, including CF Business Centre and three hotels, Scirocco Hotel, Levante Hotel, and Mistral Hotel.

In 2016, Francis, Duncan, and Stephen, together with Joseph Portelli took over Finish Furnish Limited, which led to the inauguration of the Casafini showroom.

The different companies owned by the separate Shareholders were restructured into the CF Group in 2022.

Duncan's current main responsibilities within the Group are business development and hotel operations overview.

Stephen Falzon (Director of the Guarantor)

Stephen commenced his career in 2003 whereby he sold electronic components to retailers.

He then ventured into property development with Duncan Micallef and Francis Agius through a company called SDF Limited. One of their initial projects was the acquisition and reselling of the Forum Residences in Swieqi, and since they have been involved in various property development focusing primarily on apartments around Malta and Gozo.

In 2016, Francis, Duncan and Stephen, together with Joseph Portelli took over Finish Furnish Limited, which led to the inauguration of the Casafini showroom. In 2020, Stephen, Duncan, Francis and Joseph formed 7 Dwarfs Limited and together acquired and developed property around Malta.

The different companies owned by the separate Shareholders were restructured into the CF Group in 2022.

Stephen's current main responsibilities within the Group relate to sales.

9.4 Management structure and management team

The Issuer is the finance arm of the Group. Its business is managed by its Board of Directors and it does not separately employ any senior management. The Directors believe that the current organisational structures are adequate for the current activities of the Issuer, and that the Issuer does not require an elaborate management structure. The Directors will maintain these existing structures under continuous review to ensure that they meet the changing demands of the business and to strengthen the checks and balances necessary for better corporate governance.

The key members of the Group's management team are the executive directors of the Issuer and the directors of the Guarantor, each of whom also serves as director with executive functions on various Subsidiaries within the Group, as indicated in Section 9.3 above. The said directors are also supported by a number of executive staff, the most senior of which are the following:

- i. Daniel Galea, who is Head of Operations; and
- ii. Fabien Vella, a veteran in the local hospitality sector, who acts as General Manager responsible for the operation of the hotels within the Group.

9.5 Conflicts of interest

As at the date of the Prospectus, the executive Directors of the Issuer, namely Mr Joseph Portelli and Mr Francis Agius, are directors and shareholders of the parent company, namely the Guarantor, and also beneficial owners and/or director/s of various other Group companies, as mentioned in Section 9.3 above. The other directors of the Guarantor are also themselves beneficial owners and/or directors of various Subsidiaries within the Group. This makes the said Directors of the Issuer and directors of the Guarantor susceptible to potential conflicts between the potentially diverging interests of the different members of the Group, including the Issuer-Guarantor Loan to be advanced by the Issuer to the Guarantor out of the proceeds of the Bond Issue.

The said executive Directors of the Issuer and directors of the Guarantor, or any of them, are or may in future be involved, as shareholders, beneficial owners, directors, officers or otherwise in business or in entities outside the Group carrying out business which may be similar to or even competing with the business of the Group, including property development, or in entities supplying works, goods or services to or otherwise carrying out transactions with any Group company. Such involvements of such Directors of the Issuer and directors of the Guarantor may create conflicts between the potentially diverging interests of the Guarantor and/or any of its Subsidiaries on the one hand and the private interests of the said directors and/or the interests of the entities outside the Group in which such directors are or may be involved as aforesaid.

A situation of such conflict may arise in the context of the eventual conclusion and operation of any inter-linking arrangement between the hotels of the Group and the Mercury Hotel in St. Julians, as mentioned under the heading "Operation of hotels" under Section 5.2 of this Registration Document, and this in view of the involvement of Mr Joseph Portelli, director and shareholder of the Issuer and of the Guarantor and one of the beneficial owners of the Group, in Mercury Project and Hotel, as director and beneficial owner thereof.

In situations of conflict of interests involving the Issuer, the Directors shall act in accordance with the majority decision of the Directors and in line with the advice of outside legal counsel.

The Audit Committee of the Issuer has the task of ensuring that any potential conflicts of interest that may arise at any moment pursuant to the different involvements of the Directors are handled according to law. The fact that the Audit Committee is constituted solely by independent, non-executive Directors provides an effective measure to ensure that transactions vetted by the Audit Committee are determined on an arms-length basis and in the interests of the Issuer. Additionally, the Audit Committee has, pursuant to the relative terms of reference, been granted express powers to be given access to the financial position of the Issuer, the Guarantor and other Group companies on a quarterly basis. To this effect, the Issuer and other Group companies are to submit to the Audit Committee quarterly accounts.

The presence of independent non-executive directors on the Board of the Issuer also aims to minimise the possibility of any abuse of control by its major shareholders and/or beneficial owners.

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

10. BOARD PRACTICES

10.1 Audit Committee

The terms of reference of the Audit Committee of the Issuer consist of *inter alia* its support to the Board in its responsibilities in dealing with issues of risk, control and governance. The terms of reference of the Audit Committee, as adopted by the Board, establish its composition, role and functions, the parameters of its remit, as well as the basis for the processes that it is required to comply with. The Audit Committee, which meets at least once every quarter, is a committee of the Board and is directly responsible and accountable to the Board. The Board reserved the right to change the Committee's terms of reference from time to time.

Briefly, the Audit Committee is expected to deal with and advise the Board on its monitoring responsibility over the financial reporting processes, financial policies and internal control structures; maintaining communications on such matters between the Board, management and the independent auditors; facilitating the independence of the external audit process and addressing issues arising from the audit process; and preserving the Issuer's assets by understanding the Issuer's risk environment and determining how to deal with those risks.

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

The Audit Committee has, pursuant to the relative terms of reference, been granted express powers to be given access to the financial position of the Issuer, the Guarantor and all other entities comprising the Group on a quarterly basis.

All of the Directors sitting on the Audit Committee are non-executives and also independent. The Audit Committee is presently composed of Stephen Muscat, Mario Vella and Peter Portelli, all three members being non-executive Directors and all of them also being independent of the Issuer. The Audit Committee is chaired by Stephen Muscat. In compliance with the Capital Markets Rules, Mr Stephen Muscat and Mr Mario Vella are the independent, non-executive Directors who are competent in accounting and/or auditing matters. The Audit Committee or its Chairman holds meetings with the executive Directors as necessary to review the Issuer's accounts and operations. The Issuer

considers that the members of the Audit Committee have the necessary experience, independence and standing to hold office as members thereof. The CVs of the said Directors may be found in Section 9.3 above.

The Guarantor is not bound by the Capital Markets Rules to set up an Audit Committee.

10.2 Compliance with corporate governance requirements

As a consequence of the Bond Issue and the forthcoming admission of the Bonds to the Official List and in accordance with the terms of the Capital Markets Rules, the Issuer is required to endeavour to adopt and comply with the provisions of the Code of Principles of Good Corporate Governance forming part of the Capital Markets Rules (the "Code"). The Issuer declares its full support of the Code and undertakes to comply with the Code to the extent that this is considered complementary to the size, nature and operations of the Issuer.

The Issuer supports the Code and its adoption and believes that its application results in positive effects accruing to the Issuer.

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

A. Principle 7 "Evaluation of the Board's Performance"

The Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the Board's performance is evaluated on an ongoing basis by, and is subject to the constant scrutiny of, the Board itself, the majority of which is composed by independent non-executive Directors, the Audit Committee in so far as conflicting situations are concerned, the Company's shareholders, the market and the rules by which the Issuer is regulated as a listed company.

B. Principle 8 "Committees"

The Issuer does not have a Remuneration Committee nor a Nomination Committee, as recommended in Principle 8.

The Board considers that the size and operations of the Issuer do not warrant the setting up of such committees. In particular:

- (i) the Issuer does not believe it necessary to establish a remuneration committee, given that the remuneration of the directors is required by the Memorandum and Articles of Association of the Issuer to be determined by the company in general meeting. Furthermore, the executive Directors of the Issuer, Mr. Joseph Portelli and Mr Francis Agius, who are directors of the shareholder of the Issuer, namely the Guarantor, and ultimate beneficial owners of the Group, and can in such capacity influence the general meeting's decision on remuneration of Directors (although there are other directors of the Guarantor and ultimate beneficial owners of the Group, apart from them), have waived and do not receive Directors' fees;
- (ii) the Issuer does not believe it is necessary to establish a nomination committee as appointments to the Board of Directors are determined by the shareholders of the Company, with the possibility of prior nomination by the shareholders or by the directors or a committee appointed by them, in accordance with the Memorandum and Articles of Association of the Issuer. The Issuer considers that the current members of the Board provide the required level of skill, knowledge and experience expected in terms of the Code.

C. Principle 9 "Relations with Shareholders and with the Market"

There is currently no established mechanism disclosed in the Memorandum and Articles of Association of the Issuer to trigger arbitration in the case of conflict between the minority shareholders and the controlling shareholders. The Issuer's shares are all held by the Guarantor, except for one share which is held by Mr Joseph Portelli. The Issuer is thus of the view that there is currently no need to establish such mechanism.

Going forward, the Issuer shall, on an annual basis in its annual report, explain the level of the Issuer's compliance with the principles of the Code, explaining the reasons for non-compliance, if any, in line with the Capital Markets Rules' requirements.

11. MAJOR SHAREHOLDERS

11.1 *The Issuer*

The Issuer has an authorised and issued share capital of €250,000 divided into 249,999 ordinary A shares of a nominal value of €1.00 each and 1 ordinary B share of a nominal value of €1.00, which are subscribed to and allotted as fully paid up shares as follows:

Name of shareholder	Number of shares held
CF Estates Ltd. CF Business Centre, Level 1, Triq Gort, Paceville, San Giljan, STJ 9023, Malta Company Registration number C 102632	249,000 ordinary A shares of a nominal value of €1.00 each, fully paid up.
Joseph Portelli Eagle, Triq ta' Grunju, Nadur, Gozo Identity Card number 497193M	1 ordinary B share of a nominal value of €1.00, fully paid up.

Whilst ordinary A shares entitle their holders to voting rights at general meetings, with 1 vote for every share held, and the right to participate in and receive dividend distributions and distribution of assets upon winding up, ordinary B shares only have the right to receive notice of general meetings of the Company but do not have voting rights or rights to participate in dividend distributions and distribution of assets upon winding up. The legal and judicial representation of the Guarantor is vested in Mr Joseph Portelli and Mr Francis Agius, acting jointly, without prejudice to the authority of the Board of Directors, by resolution, to delegate such representation to any person or persons in a particular case or cases or classes of cases.

Mr Joseph Portelli, Mr Duncan Micallef, Mr Clifton Cassar, Mr Francis Agius and Mr Stephen Falzon in turn own and collectively control CF Estates Ltd., as set out in Section 11.2 below, and indirectly therefore also the Issuer.

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

The Issuer adopts measures in line with the Code of Principles of Good Corporate Governance forming part of the Capital Markets Rules with a view to ensuring that the relationship with its major shareholders is retained at arm's length, including adherence to rules on related party transactions set out in Chapter 5 of the Capital Markets Rules requiring the vetting and approval of any related party transaction by the Audit Committee, which is constituted by independent, non-executive Directors. The Audit Committee has the task of ensuring that any potential abuse is managed, controlled and resolved in the best interests of the Issuer. The composition of the Board, including the presence of three independent, non-executive Directors, effectively minimises the possibility of any abuse of control by any major shareholder.

11.2 *The Guarantor*

The Guarantor has an authorised share capital of €7,000,000 divided into 2,100,000 ordinary Class A shares, 1,225,000 ordinary Class B shares, 1,225,000 ordinary Class C shares, 1,225,000 ordinary Class D shares, and 1,225,000 ordinary Class E shares, having a nominal value of €1 each.

The issued share capital of the Guarantor as at the date of this Registration Document is €6,308,200, divided into 1,892,460 ordinary Class A shares, 1,103,935 ordinary Class B shares, 1,103,935 ordinary Class C shares, 1,103,935 ordinary Class D shares, and 1,103,935 ordinary Class E shares, having a nominal value of €1 each, which are subscribed to and allotted as fully paid up shares as follows:

Name of shareholder	Number of shares held
Joseph Portelli Eagle, Triq ta' Grunju, Nadur, Gozo Identity Card Number 497193M	1,892,460 ordinary Class A shares of a nominal value of €1 each, fully paid up.
Francis Agius Pearl, Triq Manwel Bonnici, Burmarrad, St Paul's Bay, Malta Identity Card Number 225774M	1,103,935 ordinary Class B shares of a nominal value of €1 each, fully paid up.
Clifton Cassar 52, Anfield, Triq Salvu Dimech, Mosta, Malta Identity Card Number 145483M	1,103,935 ordinary Class C shares of a nominal value of €1 each, fully paid up.
Duncan Micallef Mimosa, Triq Wied Ghollieqa, Kappara, San Gwann, Malta Identity Card Number 52477M	1,103,935 ordinary Class D shares of a nominal value of €1 each, fully paid up.
Stephen Falzon White Rose, Triq Hompesch, Bubaqra, Zurrieq, Malta Identity Card Number 117782M	1,103,935 ordinary Class E shares of a nominal value of €1 each, fully paid up.

The Guarantor is therefore directly owned by, and each of the Group's Subsidiaries, including the Issuer, is indirectly beneficially owned by, Joseph Portelli, Francis Agius, Clifton Cassar, Duncan Micallef and Stephen Falzon in the proportions of 30%, 17.5%, 17.5%, 17.5% and 17.5% respectively. No individual Shareholder on his own controls the Guarantor.

Save as otherwise expressly provided in the Memorandum and Articles of Association of the Guarantor, the different classes of ordinary shares in the Guarantor essentially have equal rights and rank *pari passu* in all respects. The holders of each of these classes are entitled to nominate and appoint one (1) director each to the Board of Directors of the Guarantor. The legal and judicial representation of the Guarantor is vested in Mr Clifton Cassar and Mr Francis Agius, acting jointly, without prejudice to the authority of the Board of Directors, by resolution, to delegate such representation to any person or persons in a particular case or cases or classes of cases.

Any shares before they are issued are to be offered to the existing holders of all classes of ordinary shares in the Company in proportion as nearly as may be to the number of ordinary shares held by each such holder of classes of ordinary shares at a price and upon terms determined by the Board of Directors of the Guarantor. Upon the transfer of shares by a shareholder, pre-emption rights apply in favour of the remaining shareholders in proportion as nearly as may be to the number of ordinary shares held by each, except in specified cases set out in the Memorandum and Articles of Association of the Guarantor. The said provisions are intended to maintain as much as possible the existing shareholding proportion between the Shareholders of the Guarantor and to safeguard same in case of new issues or transfers of shares.

Extraordinary resolutions at general meetings of the Guarantor require the votes of members representing at least 4 out of the 5 classes of Ordinary shares in the Guarantor. Furthermore, any decision of the Board of Directors of the Guarantor shall be deemed as valid if 4 of the 5 directors making up the Board of Directors, vote and agree to such a decision.

The existing shareholding proportions between the Shareholders of the Guarantor, which reflect the beneficial ownership proportions of the Group, as well as various provisions included in the Memorandum and Articles of Association of the Guarantor, including those referred to above, ensure as much as possible that no single

Shareholder of the Guarantor and no single beneficial owner of the Group is able on his own to control the Guarantor or the Group, which is itself an important measure to safeguard against potential abuse of such control.

12. LITIGATION

There have been no governmental, legal or arbitration proceedings, including any such proceedings which are pending or threatened of which the Issuer is aware, during the period covering twelve months prior to the date of this Registration Document which may have, or have had in the recent past significant effects on the financial position or profitability of the Issuer, the Guarantor and/or the Group, taken as a whole.

13. ADDITIONAL INFORMATION

13.1 Share Capital of the Issuer

The authorised and issued share capital of the Issuer is €250,000 divided into 249,999 ordinary A shares of a nominal value of €1.00 each, fully paid up and subscribed by the Guarantor and 1 ordinary B share of a nominal value of €1.00, fully paid up and subscribed by Mr Joseph Portelli.

The different classes of shares in the capital of the Issuer have the rights and restrictions and characteristics set out in the Memorandum and Articles of Association of the Issuer, as briefly described in Section 11.1 above. The shares of the Issuer are not listed on the Malta Stock Exchange and no application for such listing has been made to date.

There is no capital of the Issuer which is currently under option, nor is there any agreement by virtue of which any part of the capital of the Issuer is to be put under option.

13.2 Memorandum and Articles of Association of the Issuer

The Memorandum and Articles of Association of the Issuer are registered with the Registrar of Companies at the Malta Business Registry.

The principal objects of the Issuer are set out in clause 3 of the Issuer's Memorandum and Articles of Association. These include, but are not limited to, the carrying on the business of a finance and investment company and in particular but without prejudice to the generality of the foregoing the financing or re-financing of the funding requirements of the business of the group of companies of which the Issuer forms part, to borrow and raise money for the purpose of its business and to secure the repayment of the money borrowed by hypothecation or other charge upon the whole or part of the movable and immovable assets or property of the company present and future, and to issue bonds, commercial paper or other instruments creating or acknowledging indebtedness and the sale or offer thereof to the public.

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

13.3 Share Capital of the Guarantor

The Guarantor has an authorised share capital of €7,000,000 divided into 2,100,000 ordinary Class A shares, 1,225,000 ordinary Class B shares, 1,225,000 ordinary Class C shares, 1,225,000 ordinary Class D shares, and 1,225,000 ordinary Class E shares, having a nominal value of €1 each.

The issued share capital of the Guarantor as at the date of this Registration Document is €6,308,200, divided into:

- (i) 1,892,460 ordinary Class A shares of a nominal value of €1 each, fully paid up and subscribed by Mr Joseph Portelli;

- (ii) 1,103,935 ordinary Class B shares of a nominal value of €1 each, fully paid up and subscribed by Mr Francis Agius;
- (iii) 1,103,935 ordinary Class C shares of a nominal value of €1 each, fully paid up and subscribed by Mr Clifton Cassar;
- (iv) 1,103,935 ordinary Class D shares of a nominal value of €1 each, fully paid up and subscribed by Mr Duncan Micallef; and
- (v) 1,103,935 ordinary Class E shares of a nominal value of €1 each, fully paid up and subscribed by Mr Stephen Falzon.

The different classes of shares in the capital of the Guarantor have the rights and restrictions and characteristics set out in the Memorandum and Articles of Association of the Guarantor, as briefly described in Section 11.2 above. The shares of the Guarantor are not listed on the Malta Stock Exchange and no application for such listing has been made to date.

There is no capital of the Guarantor which is currently under option, nor is there any agreement by virtue of which any part of the capital of the Guarantor is to be put under option.

13.4 Memorandum and Articles of Association of the Guarantor

The Memorandum and Articles of Association of the Guarantor are registered with the Registrar of Companies at the Malta Business Registry.

The principal objects of the Guarantor are set out in clause 3 of the Guarantor's Memorandum and Articles of Association. These include that of acting as a holding company, namely to subscribe for, acquire, hold, manage, administer, dispose of or otherwise deal with, directly or indirectly, any shares, stock, debentures, debenture stock, bonds notes, options, interests in or securities of all kinds of any company, corporation, entity, partnership or other body of persons, only in the name of and on behalf of the Guarantor. The Guarantor's objects additionally include *inter alia*:

- (i) to guarantee the performance of obligations on the payment of money by any person and to mortgage or charge the Guarantor's assets for that purpose;
- (ii) to borrow, or in any manner raise money, without any limit, for the purpose of or in connection with the Guarantor's business; to secure the repayment of any monies borrowed or any other obligations by giving hypothecary or other security upon the whole or part of the movable and immovable property of the Guarantor; and
- (iii) to lend or advance money, with or without security, to corporate bodies engaged in activities similar or ancillary to those performed by the Guarantor or to corporate entities in which the Guarantor shall acquire participations or similar holdings, only where necessary and in relation to the business of the Guarantor.

A copy of the Memorandum and Articles of Association of the Guarantor may be inspected during the lifetime of this Registration Document at the registered office of the Issuer and as set out in Section 17 of this Registration Document and at the Malta Business Registry during the lifetime of the Guarantor.

14. MATERIAL CONTRACTS

Each of the Issuer and the Guarantor has not entered into any material contracts which are not in the ordinary course of their respective business which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's or the Guarantor's ability to meet its respective obligations to security holders in respect of the Bonds being issued pursuant to, and described in, the Securities Note.

15. PROPERTY VALUATION REPORT

The Issuer commissioned Architect Edwin Mintoff to issue a property valuation report in relation to the Security Property. The business address of Architect Mintoff is 119, Sliema Road, Gzira, Malta, GZR1635, Malta.

Capital Markets Rule 7.4.3 provides that property valuations to be included in a prospectus must not be dated or be effective from more than 60 days prior to the date of publication of the prospectus. The valuation report is dated 22 November 2022.

A copy of the report compiled by Architect Edwin Mintoff, is accessible on the Issuer's website at the following hyperlink: <https://cf.com.mt/investor-relations> and is deemed to be incorporated by reference in the Prospectus. A copy thereof shall also be available for inspection at the registered address of the Issuer for the duration period of this Registration Document.

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

Save for the Property Valuation Report prepared in relation to the Group properties and the financial analysis summary which are incorporated by reference in the Prospectus and the Accountant's Report to the pro forma financial statements of the Group as at 31 December 2021 which is attached as Annex II to this Registration Document, the Prospectus does not contain any statement or report attributed to any person as an expert.

The valuation report, the financial analysis summary and the Accountant's Report in the pro forma statement have been included in the form and context in which they appear with the authorisation of, respectively, Architect Edwin Mintoff, with qualifications: B.E.&A. (Hons). Ph.D. (Newcastle) A.& C.E., of 119, Sliema Road, Gzira, Malta, GZR1635, Malta operating under warrant number 0163, Calamatta Cuschieri Investment Services Limited of Ewropa Business Centre, Triq Dun Karm, Birkirkara BKR 9034, Malta (C 13729), and Grant Thornton (Malta) of Fort Business Centre, Level 2, Triq L-Intornjatur, Zone 1, Central Business District, Birkirkara CBD 1050, Malta (Accountancy Board registration number AB/26/84/22) respectively, that have given and have not withdrawn their consent to the inclusion of their respective reports herein.

Architect Edwin Mintoff, Calamatta Cuschieri Investment Services Limited and Grant Thornton (Malta) do not have any material interest in the Issuer, save for their respective appointments and engagements as property valuer, Sponsor and Co-Manager of the Bond Issue and financial advisors and Auditors. The Issuer confirms that the valuation report, the financial analysis summary and the Accountant's Report have been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from the information contained therein, no facts have been omitted which render the reproduced information inaccurate or misleading.

The sourced information contained in Section 7 of this Registration Document has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from the published information, no facts have been omitted which would render the reproduced information inaccurate or misleading.

17. DOCUMENTS AVAILABLE FOR INSPECTION

For the duration period of this Registration Document the following documents shall be available for inspection at the registered address of the Issuer and also on the Issuer's website, on the following hyperlink <https://cf.com.mt>, and are incorporated by reference in the Prospectus:

- (a) Memorandum and Articles of Association of the Issuer and of the Guarantor;

- (b) The pro forma statement of financial position of the Issuer as at 31 December 2021;
- (c) Audited financial statements of the Other Subsidiaries for the year ended 31 December 2021, together with the Auditor's Report thereon;
- (c) Property Valuation Report dated 22 November 2022 and prepared at the Issuer's request in respect of the Security Property;
- (d) Financial Analysis Summary dated 28 November 2022 and prepared by Calamatta Cuschieri Investment Services Limited;
- (e) The original Guarantee; and
- (f) The Security Trust Deed.

ANNEX I - PRO-FORMA FINANCIAL INFORMATION

CF Estates Ltd. was incorporated on 30 June 2022. Simultaneously with its incorporation, the Guarantor acquired all the share capital of the Other Subsidiaries, excluding the Issuer which was not yet incorporated, in exchange for the issue of 6.3 million ordinary shares having a nominal value of €1.00 each in favour of CF Estates Ltd.

The pro forma financial information has been prepared for illustrative purposes only, to show how the consolidated financial statements of the Other Subsidiaries including the Guarantor, would have been impacted should the Restructuring implemented as of 30 June 2022, have been hypothetically carried out as at 1 January 2022. The pro forma financial statements for the year ended 31 December 2021 are based on the audited financial statements of the Other Subsidiaries for the year ended 31 December 2021 and reflect the consolidated unaudited position of the Guarantor, together with its Other Subsidiaries, for the year ended 31 December 2021 as if the Guarantor and its Other Subsidiaries had been constituted as at 1 January 2022. The hypothetical financial position or results included in the pro forma financial information may differ from the entity's actual financial position or results.

The pro forma financial information comprises a pro forma consolidated income statement and statement of financial position for the financial year ended 31 December 2021. The pro forma financial information has been prepared by reference to the consolidated financial statements of the Other Subsidiaries as at the Reference Date, and superimposing the entries necessary to reflect the Restructuring that was implemented as at 31 December 2021. Because of its nature, the pro forma financial information does not represent the Company's actual financial position. The pro forma financial information is not intended to, and does not, provide all the information and disclosures necessary to give a true and fair view of the results of the operations and the financial position of the Company in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The pro forma financial information has been compiled on the basis of the accounting policies adopted by the Company taking into account the requirements of building block 3 of Annex 20 of the Prospectus Regulation.

CF Estates Ltd.

Consolidated statement of comprehensive income for the year ended 31 December 2021

€000	Pro forma FY2021
Revenue	3,420
Cost of sales	(2,352)
Gross profit	1,067
Other income	158
Administrative expenses	(2,171)
Fair value gains	-
EBITDA	(945)
Depreciation	(281)
Operating profit	(1,227)
Finance costs	(72)
Loss before tax	(1,299)
Tax expense	(11)
Loss for the year	(1,310)

CF Estates Ltd.**Consolidated statement of financial position as at 31 December 2021**

€000	Pro forma 31 Dec 2021
Assets	
Non-current assets	
Property, plant and equipment	18,500
Goodwill	1,072
Investment property	-
Right of use asset	157
Deferred tax assets	341
Total non-current assets	20,070
Current assets	
Inventories	5,242
Trade and other receivables	2,567
Cash and cash equivalents	1,529
Total current assets	9,338
Total assets	29,408
Equity and liabilities	
Equity	
Share capital	6,308
Revaluation reserve	-
Retained earnings/(losses)	-
Total equity	6,308
Non-current liabilities	
Borrowings	12,758
Minimum lease payments	35
Total non-current liabilities	12,793
Current liabilities	
Borrowings	1,306
Minimum lease payments	104
Trade and other payables	8,897
Taxation payable	-
Total current liabilities	10,307
Total liabilities	23,099
Total equity and liabilities	29,408



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Paceville,
San Giljan, STJ 9023,
Malta CF Estates Ltd

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7 November 2022

Independent accountant's assurance report on the compilation of pro forma financial information

Dear Members of the Board,

Report on the compilation of pro forma financial information included in a prospectus

We have completed our assurance engagement to report on the compilation of pro forma financial information of CF Estates Ltd. (the 'Guarantor' and together with its fellow subsidiaries the 'CF Group') as prepared by the directors of the Issuer (the 'Directors'). The pro forma financial information consists of the CF Group's pro forma Consolidated Income Statement and the Consolidated Statement of Financial Position as at 31 December 2021 as set out in Annex I of the Issuer's prospectus (the 'Prospectus'). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are specified in Annex 20 of EC Regulation 2019/980 (the 'Regulation') and described in the 'Basis of Preparation' section included in Annex I of the Prospectus (the 'Applicable Criteria').

The Guarantor was incorporated on 30 June 2022 and on this date acquired full ownership of the Subsidiaries (as defined in the Registration Document), except for the Issuer which was set up on 26 July 2022 and CF Developers Ltd which was acquired on 10 August 2022. This acquisition was implemented through the intra group corporate restructuring (the 'Restructuring') outlined in Section 4.3 of the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate how the consolidated financial position and consolidated income statements of the Other Subsidiaries would have been impacted should the Restructuring implemented as of 30 June 2022, have been hypothetically carried out as at 1 January 2021.

The pro forma financial information comprises a pro forma consolidated income statement, and statement of financial position for the financial year ended 31 December 2021. In preparing the pro forma financial information, the Directors have extracted information about the CF Group's results and financial position from the consolidated financial statements of the Other Subsidiaries that have been prepared for the financial year ended 31 December 2021.

Directors' responsibility for the pro forma financial information

The Directors are responsible for compiling the pro forma financial information on the basis of the Applicable Criteria.

Our responsibilities

Our responsibility is to express an opinion, as required by Annex 20 of the EC Regulation 2019/980, about whether the pro forma financial information has been compiled, in all material respects, by the Directors on the basis of the Group's accounting policies as described in the consolidated financial statements of the Other Subsidiaries for the year ended 31 December 2021 and the basis of preparation set out in Annex I of the Prospectus, and accordingly on the basis of the Applicable Criteria.

Basis of opinion

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, Assurance engagements to report on the compilation of pro forma financial information included in a prospectus, issued by the International Auditing and Assurance Standards Board. This standard requires that the practitioner complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the pro forma financial information on the basis of the Applicable Criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as at 31 December 2021, would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the accountant's judgment, having regard to the accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- the pro forma financial information has been properly compiled on the basis stated;
and
- such basis is consistent with the accounting policies of the Other Subsidiaries.

Yours faithfully



Oriana Abela

Partner

SECURITIES NOTE

Dated 28 November 2022

This Securities Note is issued in accordance with the provisions of Chapter 4 of the Capital Markets Rules issued by the Malta Financial Services Authority and in accordance with the Prospectus Regulation. This Securities Note should be read in conjunction with the most updated Registration Document issued from time to time containing information about the Issuer.

In respect of an issue of up to:
€30,000,000 5% Secured Bonds 2028-2033
of a nominal value of €100 per Bond issued at par and redeemable at the Redemption Value
ISIN: MT0002701200
(the "Bonds") by



DEVELOPMENT | HOTELS | OFFICES | RETAIL

CF ESTATES FINANCE P.L.C.

a public limited liability company duly incorporated under the Laws of Malta with company registration number C 102839
with the joint and several Guarantee* of CF Estates Ltd.
a private limited company registered in Malta with company registration number C 102632

*Prospective investors are to refer to the Guarantee contained in Annex II of this Securities Note and Section 6.2 of the Registration Document for a description of the Guarantee and the Collateral in general.

Sponsor & Co-Manager



Registrar and Co-Manager



Security Trustee



Legal Counsel



THIS SECURITIES NOTE HAS BEEN APPROVED BY THE MALTA FINANCIAL SERVICES AUTHORITY, AS COMPETENT AUTHORITY UNDER THE PROSPECTUS REGULATION. THE MALTA FINANCIAL SERVICES AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THE SECURITIES AS LISTED FINANCIAL INSTRUMENTS. THIS MEANS THAT THE MALTA FINANCIAL SERVICES AUTHORITY HAS ONLY APPROVED THIS SECURITIES NOTE AS MEETING THE STANDARDS OF COMPLETENESS, COMPREHENSIBILITY AND CONSISTENCY AS PRESCRIBED BY THE PROSPECTUS REGULATION. SUCH APPROVAL SHOULD NOT HOWEVER BE CONSIDERED AS AN ENDORSEMENT OF THE SECURITIES THAT ARE THE SUBJECT OF THIS SECURITIES NOTE. IN PROVIDING THIS AUTHORISATION, THE MALTA FINANCIAL SERVICES AUTHORITY DOES NOT GIVE ANY CERTIFICATION REGARDING THE POTENTIAL RISKS IN INVESTING IN THE SAID INSTRUMENTS AND SUCH AUTHORISATION SHOULD NOT BE DEEMED OR BE CONSTRUED AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN SUCH INSTRUMENTS.

THE MALTA FINANCIAL SERVICES AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER, FOR ANY LOSS HOWSOEVER ARISING FROM, OR IN RELIANCE UPON, THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS INCLUDING ANY LOSSES INCURRED BY INVESTING IN THE SECURITIES. APPLICATION HAS BEEN MADE TO THE MALTA STOCK EXCHANGE FOR THE SECURITIES TO BE ADMITTED TO THE OFFICIAL LIST.

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

A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY LISTED FINANCIAL INSTRUMENT. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN THE SECURITIES OF AN ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN FINANCIAL ADVISOR. A PROSPECTIVE INVESTOR SHOULD MAKE HIS OR HER OWN ASSESSMENT AS TO THE SUITABILITY OF INVESTING IN THE SECURITIES SUBJECT OF THIS SECURITIES NOTE.

APPROVED BY THE DIRECTORS

A blue ink signature of Francis Agius, written in a cursive style.

Francis Agius

in his capacity as director of the Issuer and for and on behalf of Stephen Muscat, Joseph Portelli, Peter Portelli and Mario Vella

IMPORTANT INFORMATION

THIS SECURITIES NOTE CONTAINS INFORMATION ON AN ISSUE BY CF ESTATES FINANCE P.L.C. (THE "ISSUER") OF UP TO €30,000,000 SECURED BONDS OF A NOMINAL VALUE OF €100 PER BOND ISSUED AT PAR AND BEARING INTEREST AT THE RATE OF 5% PER ANNUM, PAYABLE ON 6 JANUARY OF EACH YEAR UNTIL THE REDEMPTION DATE (THE "BONDS"). THE ISSUER SHALL REDEEM THE BONDS AND PAY THE REDEMPTION VALUE THEREOF ON THE FULL-TERM REDEMPTION DATE OR A DESIGNATED EARLY REDEMPTION DATE UNLESS OTHERWISE PREVIOUSLY REPURCHASED FOR CANCELLATION BY THE ISSUER.

THIS SECURITIES NOTE SETS OUT THE CONTRACTUAL TERMS UNDER WHICH THE BONDS ARE ISSUED BY THE ISSUER AND ACQUIRED BY A BONDHOLDER WHICH TERMS SHALL REMAIN BINDING UNTIL THE REDEMPTION DATE OF THE BONDS UNLESS THEY ARE OTHERWISE CHANGED IN ACCORDANCE WITH THE TERMS OF THIS SECURITIES NOTE.

THIS SECURITIES NOTE SHOULD BE READ IN CONJUNCTION WITH THE REGISTRATION DOCUMENT ISSUED BY THE ISSUER DATED 28 NOVEMBER 2022.

NO BROKER, DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORISED BY THE ISSUER, THE GUARANTOR OR THEIR RESPECTIVE DIRECTORS, TO PUBLISH OR ISSUE ANY ADVERTISEMENT OR TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE ISSUER, THE GUARANTOR AND/OR THE SECURITIES OF THE ISSUER OTHER THAN THOSE CONTAINED IN THE PROSPECTUS AND IN THE DOCUMENTS REFERRED TO THEREIN, AND IF PUBLISHED, ISSUED, GIVEN OR MADE, SUCH ADVERTISEMENT, INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER, THE GUARANTOR OR THEIR RESPECTIVE DIRECTORS OR ADVISORS.

ALL THE ADVISORS TO THE ISSUER NAMED UNDER THE HEADING "ADVISORS" IN SECTION 3.4 OF THE REGISTRATION DOCUMENT HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER IN RELATION TO THE PROSPECTUS AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION TOWARDS ANY OTHER PERSON AND WILL ACCORDINGLY NOT BE RESPONSIBLE TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE TRANSACTIONS PROPOSED IN THE PROSPECTUS.

AUTHORISED FINANCIAL INTERMEDIARIES MUST UNDERTAKE AN APPROPRIATENESS TEST WHERE THE BONDS ARE SOLD ON A NON-ADVISORY BASIS AND, WHEN PROVIDING ADVICE IN RESPECT OF A PURCHASE OF THE BONDS OR PURSUANT TO THE PROVISION OF PORTFOLIO MANAGEMENT SERVICES, A SUITABILITY TEST, ON PROSPECTIVE BONDHOLDERS IN ORDER TO BE SATISFIED THAT THE BONDS ARE A SUITABLE INVESTMENT FOR THE RESPECTIVE CLIENT, PRIOR TO EXECUTING A PURCHASE OF THE BONDS. THE ISSUER DISCLAIMS ANY AND ALL RESPONSIBILITY FOR ANY DEALINGS MADE, REPRESENTATIONS GIVEN OR PROCESSES ADOPTED BY AUTHORISED FINANCIAL INTERMEDIARIES IN THEIR EFFORT TO SELL OR PLACE BONDS OR TO RE-SELL BONDS SUBSCRIBED BY THEM.

THE MALTA FINANCIAL SERVICES AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THIS SECURITIES NOTE, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS SECURITIES NOTE.

THE PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR SECURITIES ISSUED BY THE ISSUER BY ANY PERSON IN ANY JURISDICTION: (I) IN WHICH SUCH OFFER OR INVITATION IS NOT AUTHORISED; OR (II) IN WHICH THE PERSON MAKING SUCH OFFER OR INVITATION IS NOT QUALIFIED TO DO SO; OR (III) TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION.

THE DISTRIBUTION OF THE PROSPECTUS IN CERTAIN JURISDICTIONS MAY BE RESTRICTED AND ACCORDINGLY, PERSONS INTO WHOSE POSSESSION IT IS RECEIVED ARE REQUIRED TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, SUCH RESTRICTIONS.

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

SAVE FOR THE OFFERING IN THE REPUBLIC OF MALTA, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE ISSUER THAT WOULD PERMIT A PUBLIC OFFERING OF THE BONDS OR THE DISTRIBUTION OF THE PROSPECTUS, OR ANY PART THEREOF, OR ANY OFFERING MATERIAL IN ANY COUNTRY OR JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. ACCORDINGLY, NO SECURITIES MAY BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, AND NEITHER THE PROSPECTUS NOR ANY ADVERTISEMENT OR OTHER OFFERING MATERIAL MAY BE DISTRIBUTED OR PUBLISHED IN ANY JURISDICTION, EXCEPT UNDER CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH ANY APPLICABLE LAWS AND REGULATIONS. PERSONS INTO WHOSE POSSESSION THE PROSPECTUS OR ANY SECURITIES MAY COME MUST INFORM THEMSELVES ABOUT, AND OBSERVE, ANY SUCH RESTRICTIONS ON THE DISTRIBUTION OF THE PROSPECTUS AND THE OFFERING AND SALE OF SECURITIES.

THE BONDS HAVE NOT BEEN NOR WILL THEY BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT, 1933 AS AMENDED, OR UNDER ANY FEDERAL OR STATE SECURITIES LAW AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES OF AMERICA, ITS TERRITORIES OR POSSESSIONS, OR ANY AREA SUBJECT TO ITS JURISDICTION (THE "U.S.") OR TO OR FOR THE BENEFIT OF, DIRECTLY OR INDIRECTLY, ANY U.S. PERSON, AS DEFINED IN REGULATION "S" OF THE SAID ACT. FURTHERMORE, THE ISSUER WILL NOT BE REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT, 1940 AS AMENDED AND INVESTORS WILL NOT BE ENTITLED TO THE BENEFITS SET OUT THEREIN.

A COPY OF THIS DOCUMENT HAS BEEN SUBMITTED TO THE MALTA FINANCIAL SERVICES AUTHORITY IN SATISFACTION OF THE CAPITAL MARKETS RULES, THE MALTA STOCK EXCHANGE IN SATISFACTION OF THE MALTA STOCK EXCHANGE BYE-LAWS AND HAS BEEN DULY FILED WITH THE REGISTRAR OF COMPANIES, IN ACCORDANCE WITH THE ACT.

STATEMENTS MADE IN THIS SECURITIES NOTE ARE, EXCEPT WHERE OTHERWISE STATED, BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THEREIN.

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

THIS SECURITIES NOTE IS VALID FOR A PERIOD OF TWELVE MONTHS FROM THE DATE HEREOF. FOLLOWING THE LAPSE OF THIS VALIDITY PERIOD, THE ISSUER IS NOT OBLIGED TO UPDATE OR SUPPLEMENT THE PROSPECTUS IN THE EVENT OF SIGNIFICANT NEW FACTORS, MATERIAL MISTAKES OR MATERIAL INACCURACIES.

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

THE VALUE OF INVESTMENTS CAN FALL AS WELL AS RISE, AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER ALL THE INFORMATION CONTAINED IN THE PROSPECTUS AS A WHOLE AND SHOULD CONSULT THEIR OWN FINANCIAL AND OTHER PROFESSIONAL ADVISORS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE BONDS.

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1. DEFINITIONS

Capitalised words and expressions used in this Securities Note and which are defined in the Registration Document forming part of the Prospectus shall, except where the context otherwise requires and except where otherwise defined herein, bear the same meaning as the meaning given to such words and expressions in the Registration Document. Furthermore, in this Securities Note the following words and expressions shall bear the following meanings except where otherwise expressly stated or where the context otherwise requires:

Applicant/s	A person or persons, in the case of joint applicants, who subscribe(s) for the Bonds;
Application	The application to subscribe for Bonds made by an Applicant/s through any of the Authorised Financial Intermediaries pursuant to Placement Agreements;
Appropriateness Test	Shall have the meaning set out in Section 8.2 of this Securities Note;
Authorised Financial Intermediaries	The financial intermediary/ies whose details appear in Annex I to this document;
Bond Issue Price	The nominal value of each Bond, namely €100 per Bond;
CSD or Central Securities Depository	The Central Securities Depository of and operated by the Malta Stock Exchange set up and authorized in terms of the Financial Markets Act, 1990 (Cap. 345 of the Laws of Malta), or any other central securities depository appointed by the Issuer from time to time;
Interest Payment Date	6 January of each year between and including each of the years 2024 and 2033 or, in the event of Early Redemption at the option of the Issuer, 6 January of each year between and including each of the years 2024 and the relevant Designated Early Redemption Date itself, provided that if any such day is not a Business Day such Interest Payment Date will be carried over to the next following day that is a Business Day;
Issue Date	Expected on 13 January 2023;
MIFID II	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast);
Placement Agreements	The conditional placement agreements entered into or to be entered into, as the case may be, between the Issuer and the Authorised Financial Intermediaries, as further described in Section 8.4 of this Securities Note;
Suitability Test	Shall have the meaning set out in Section 8.2 of this Securities Note; and
Terms and Conditions	The terms and conditions of issue of the Bonds, set out in Sections 5, 6 and 8 of this Securities Note.

All references in the Prospectus to "Malta" are to the "Republic of Malta".

Unless it appears otherwise from the context:

- a) words importing the singular shall include the plural and *vice-versa*;
- b) words importing the masculine gender shall include also the feminine gender and *vice-versa*;
- c) the word "may" shall be construed as permissive and the word "shall" shall be construed as imperative;
- d) any references to a person includes natural persons, firms, partnerships, companies, corporations, associations, organizations, governments, states, foundations or trusts;
- e) any phrase introduced by the term "including", "include", "in particular" or any similar expression is illustrative only and does not limit the sense of the words preceding the term; and
- f) any references to a law, legislative act and/or other legislation shall mean that particular law, legislative act and/or legislation as in force at the time of issue of this Securities Note.

2. RISK FACTORS

THE VALUE OF INVESTMENTS FALL AS WELL AS RISE AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE.

AN INVESTMENT IN THE BONDS INVOLVES CERTAIN RISKS INCLUDING BUT NOT LIMITED TO THOSE DESCRIBED BELOW. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER WITH THEIR OWN FINANCIAL AND OTHER PROFESSIONAL ADVISORS THE FOLLOWING RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS, AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THE PROSPECTUS, BEFORE MAKING ANY INVESTMENT DECISION WITH RESPECT TO THE ISSUER OR THE BONDS.

SOME OF THESE RISKS ARE SUBJECT TO CONTINGENCIES WHICH MAY OR MAY NOT OCCUR AND THE ISSUER IS NOT IN A POSITION TO EXPRESS ANY VIEWS ON THE LIKELIHOOD OF ANY SUCH CONTINGENCIES OCCURRING.

THE RISK FACTORS BELOW HAVE BEEN CATEGORISED UNDER TWO MAIN CATEGORIES. THE RISK FACTOR FIRST APPEARING UNDER EACH CATEGORY CONSTITUTES THAT RISK FACTOR THAT THE DIRECTORS OF THE ISSUER HAVE ASSESSED TO BE THE MOST MATERIAL RISK FACTOR UNDER SUCH CATEGORY AS AT THE DATE OF THIS SECURITIES NOTE. IN MAKING THIS ASSESSMENT OF MATERIALITY, THE DIRECTORS OF THE ISSUER HAVE EVALUATED THE COMBINATION OF: (I) THE PROBABILITY THAT THE RISK FACTOR OCCURS; AND (II) THE EXPECTED MAGNITUDE OF THE ADVERSE EFFECT ON THE FINANCIAL CONDITION AND PERFORMANCE OF THE ISSUER AND ITS SECURITIES IF SUCH RISK FACTOR WERE TO MATERIALISE.

IF ANY OF THE RISKS DESCRIBED BELOW WERE TO MATERIALISE, THEY COULD HAVE A SERIOUS EFFECT ON THE VALUE, YIELD, REPAYMENT ABILITY OF THE ISSUER AND OTHER CHARACTERISTICS OF THE BONDS. THE RISKS DESCRIBED BELOW ARE THOSE THAT THE DIRECTORS BELIEVE TO BE MATERIAL AS AT THE DATE HEREOF, BUT THESE RISKS MAY NOT BE THE ONLY ONES AFFECTING THE BONDS. ADDITIONAL RISKS, INCLUDING THOSE WHICH THE DIRECTORS ARE NOT CURRENTLY AWARE OF, MAY WELL RESULT IN A MATERIAL IMPACT ON THE BONDS AND/OR THE BONDHOLDERS' RIGHTS THEREUNDER.

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

Forward-looking Statements

This Securities Note contains statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, such as the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. Forward-looking statements relate to matters that are not historical facts. They appear in a number of places throughout the Prospectus, and documents incorporated therein by reference, and include statements regarding the intentions, beliefs or current expectations of the Issuer and, or the Directors concerning, amongst other things, the Issuer's and, or the Guarantor's strategy and business plans, capital requirements, results of operations, financial condition, liquidity, prospects, the markets in which it operates and general market conditions.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and should therefore not be construed as such. The Issuer's and, or the Guarantor's actual results of operations, financial condition and performance, and trading prospects may differ materially from the impression created by the forward-looking statements contained in the Prospectus. In addition, even if the results of operations, financial condition and performance, and trading results, of the Issuer and, or the Guarantor are consistent with the forward-looking statements contained in the Prospectus, those results or developments may not be indicative of results or developments in subsequent periods.

Potential investors are advised to read the Prospectus in its entirety and, in particular, all the risks set out in this section and in the section entitled "Risk Factors" in the Registration Document, for a review of the factors that could affect the Issuer's performance and an investment in the Bonds. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may not occur.

All forward-looking statements contained in this document are made only as at the date hereof. Subject to applicable legal and regulatory obligations, the Issuer and its Directors expressly disclaim any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

2.1 Risks relating to the Bonds

Suitability of the Bonds as a complex financial instrument

Debt instruments which may be redeemed by an issuer prior to their maturity date are considered as having an embedded call option, and the price of the bonds will take this factor into account. The Bonds may be redeemed at the option of the Issuer on a Designated Early Redemption Date. In view of this early redemption component, the Bonds are deemed as complex financial instruments for the purposes of MIFID II. Accordingly, the Bonds are only suitable for investors who have the knowledge and experience to understand the risks related to the Bonds. Investors are urged to consult an investment advisor before investing in the Bonds.

In particular, such advice should be sought with a view to ascertaining that each prospective investor:

- a) has sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits, and risks of investing in the Bonds and the information contained or incorporated by reference in the Prospectus or any applicable supplement;
- b) is able to assess whether the Bonds meet its investment objectives;
- c) has sufficient financial resources and liquidity to bear all the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the prospective investor's currency;
- d) understands thoroughly the terms of the Bonds; and
- e) is able to evaluate, either alone or with the help of a financial advisor, possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

An informed investment decision can only be made by investors after they have read and fully understood the risk factors associated with an investment in the Bonds, and the inherent risks associated with the Group's business. In the event that an investor does not seek professional advice and, or does not read and fully understand the provisions of the Prospectus, there is a risk that such investor may acquire an investment which is not suitable for his or her risk profile.

Early redemption of the Bonds

Any or all of the Bonds may be redeemed by the Issuer on a Designated Early Redemption Date on at least thirty (30) days' prior written notice to the relevant Bondholders. Once the Bonds are redeemed the relevant Bondholders will no longer be entitled to any interest or other rights in relation to those Bonds. If Bonds are redeemed prior to the Full Term Redemption Date (6 January 2033) a Bondholder would not receive the same return on investment that it would have expected and received if they were held till full maturity, although if the Bonds are redeemed at any time between, and including, 6 January 2028 and 6 January 2030, a premium is payable on redemption thereof as set out in Section 6.7 of this Securities Note. In addition, Bondholders may not be able to re-invest the proceeds from an early redemption at yields that would have been received had they not been redeemed. This optional redemption feature may also have a negative impact on the market value of the Bonds.

Trading and liquidity risks

There can be no assurance that an active secondary market for the Bonds will develop or, if it develops, that it will continue. Nor can there be any assurance that an investor will be able to sell his or her Bonds on the secondary market at or above the Bond Issue Price or at all. A trading market having the desired characteristics of depth, liquidity and orderliness depends on a number of factors including supply and demand factors in respect of the Bonds at any given time. These factors are in turn dependent upon the individual decisions of investors as well as market conditions over which the Issuer has no control. Many other factors outside the control of the Issuer may affect the trading market and value of the Bonds, including the time remaining to the maturity of the Bonds and the level, direction and volatility of market interest rates generally. No prediction can be made about the effect which any future public offerings of the Issuer's securities or any takeover or merger activity involving the Issuer or a company within the Group will have on the market price of the Bonds prevailing from time to time.

Furthermore, the outbreak of the COVID-19 pandemic in 2020, has resulted in a highly volatile economy. Other pandemics or infectious diseases which may arise in future may have similar consequences on the market. The exact nature of the risks of such pandemics and infectious diseases for, and their negative impact on, national economies and on individual businesses, including the Group's business, is difficult to forecast and to guard against and plan for, particularly in view of the uncertainty as to their respective

duration and reach. This volatility may also increase as a result of wars or conflicts between countries, including the current Russia – Ukraine armed conflict. There can be no assurance that continued or increased volatility and disruption in the capital markets will not impair the saleability of the Bonds.

Interest rate risk

Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. Fixed income debt securities are influenced predominantly by interest rate developments in the capital markets, which in turn are influenced by macro-economic factors. The price of bonds tends to move in a way that is inversely proportional to changes in interest rates. Accordingly, when prevailing market interest rates are rising, the prices that market participants will generally be willing to pay for the Bonds can be expected to decline. Conversely, if market interest rates are declining, secondary market prices for the Bonds will tend to rise, save for other factors which may affect price. Moreover, the price changes also depend on the term or residual time to maturity of the Bonds. In general, bonds with shorter terms have less price risks than bonds with longer terms.

Currency risk

Any investor whose currency of reference is not the Euro shall bear the risk of any fluctuations in exchange rates between the currency of denomination of the Bonds (€) and the Bondholder's currency of reference.

Risks relating to inflation

Inflation is currently on the rise. Inflation is the rising level of prices for goods and services. It can have two negative impacts on those who invest in bonds. Inflation typically leads to a rise in short-term interest rates, and intermediate and longer-term rates also tend to go up as a consequence. This rise in interest rates will lead to a fall in the prices of bonds. Furthermore, inflation can wipe away the yields generated by a bond, in view of the loss of purchasing power brought about by inflation.

Continuing compliance obligations

Once the Bonds are listed, the Issuer is required to comply with certain ongoing requirements relating, *inter alia*, to the free transferability, clearance and settlement of the Bonds in order to remain a listed company in good standing. Moreover, the Malta Financial Services Authority has the authority to suspend trading or listing of the Bonds if, *inter alia*, it comes to believe that such a suspension is required for the protection of investors or the integrity or reputation of the market. The Malta Financial Services Authority may discontinue the listing of the Bonds on the MSE. Any such trading suspension or listing revocations / discontinuations could have a material adverse effect on the liquidity and value of the Bonds.

Changes in laws and regulations

The Terms and Conditions of the Bond Issue are based on the requirements of the Act and other laws, the Prospectus Regulation and the Capital Markets Rules in effect as at the date of the Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in Maltese law or administrative practice after the date of the Prospectus.

Amendments to Terms and Conditions

The Issuer may call a meeting of Bondholders in accordance with the provisions of this Securities Note in the event that it wishes to amend any of the Terms and Conditions of this Bond Issue. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

Additional indebtedness and security

Both the Issuer and the Guarantor may incur further borrowings or indebtedness, including through the issue of other debt securities, and may create or permit to subsist security interests upon the whole or any part of their respective present or future undertakings, assets or revenues, including uncalled capital, save only that no issue may be made that would rank senior to the Bonds in respect of the Collateral.

Ratings

The Issuer has not sought, nor does it intend to seek, the credit rating of an independent agency and there has been no assessment by any independent rating agency of the Bonds.

2.2 Risks relating to the Guarantor and the Group and the Collateral

Risks relating to the business of the Guarantor and the Group

The risk factors contained in Section 2.2 of the Registration Document, entitled "Risks relating to the Guarantor and the Group", apply to the business of the Guarantor and the Group. If any of the risks mentioned in Section 2.2 of the Registration Document were to materialise, they may have a material adverse effect on the ability of the Guarantor to satisfy its obligations under the Issuer-Guarantor Loan due to the Issuer and under the Guarantee.

Risks relating to the Guarantee

The Bonds, as and when issued and allotted, shall constitute the general, direct, and unconditional obligations of the Issuer and shall be guaranteed in respect of both the interest and the Redemption Value due under the said Bonds by the Guarantor and the Special Hypothec.

The Bonds are being guaranteed by the Guarantor on a joint and several basis, and accordingly the Security Trustee, for the benefit of itself and the Bondholders, shall be entitled to request the Guarantor to pay both the interest due and the Redemption Value of the said Bonds if the Issuer fails to meet any amount, when due in terms of the Prospectus. The joint and several Guarantee also entitles the Security Trustee to take action against the Guarantor without having to first take action against the Issuer.

The strength of the undertakings on the part of the Guarantor under the Guarantee and therefore, the level of recoverability by the Security Trustee from the Guarantor of any amounts due under any of the Bonds, is dependent upon and directly linked to the financial position and solvency of the Guarantor, which will be affected by the level of indebtedness and liabilities incurred by such Guarantor, as well as by the amount of payments received by the Guarantor from other Group companies, in the form of payments under shareholders' loans or other advances made to them or in the form of dividends or otherwise.

Risks relating to the Collateral constituted by the Special Hypothec over the Security Property and the value thereof

The Bonds shall at all times rank *pari passu* without any priority or preference among themselves and *pari passu* with all other unsecured and unsubordinated obligations of the Issuer but, in respect of Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd., and save for such exceptions as may be provided by applicable law, they shall rank with priority or preference over all unsecured indebtedness, if any, by virtue and to the extent of the first ranking Special Hypothec which the said Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd. will constitute over the Security Property respectively owned by them in favour of the Security Trustee for the benefit of the Bondholders.

As noted in Section 6.2 of the Registration Document, in its existing state, the Security Property has been valued for a total amount which is less than, and which is not sufficient to cover, the full Redemption Value of the Bonds and interest thereon. Accordingly, it is the intention that the proceeds of the Bond Issue intended to be used for the completion and finishing of the hotels comprised within the Security Property as referred to in paragraph (iv) of Section 4.2 of this Securities Note, although they will constitute a loan by the Issuer to the Guarantor under the Issuer-Guarantor Loan from inception, they will not be transferred to such Guarantor but will be retained in cash by the Security Trustee under trust, who will be irrevocably authorised by the Guarantor (by way of security for the benefit of the Security Trustee and the Bondholders) to retain the same in cash, and to release and pay the same only to the relevant contractors against invoices for works on the said hotels comprised within the Security Property. As noted in the mentioned Section 6.2 of the Registration Document, the estimated value of such Security Property after completion of works will increase, and should be sufficient to cover payment obligations under the Bonds. There is however no guarantee that factors will not arise which will negatively affect such completion and/or the actual value of the completed works.

Moreover and without prejudice to what is stated in the immediately preceding paragraph, whilst this Special Hypothec in respect of the Bonds grants the Security Trustee a right of preference and priority for repayment of the Bonds over the creditors of Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd. in respect of the Security Property respectively owned by them, there can be no guarantee that the value of the said Security Property over the term of the Bonds will be and/or remain sufficient to cover the full amount of interest and Redemption Value outstanding under the said Bonds. This may be the result of various factors, including general economic factors that could have an adverse impact on the value of the Security Property. If such circumstances were to arise or subsist at the time that the Collateral is to be enforced by the Security Trustee, it could have a material adverse effect on the recoverability of all the amounts that may be outstanding under the Bonds.

Furthermore, there is no guarantee that the value of Security Property determined in the independent valuation is necessary correct or would actually be achieved on the market. The valuation of property is inherently subjective, due to, among other things, the individual nature of each property and the assumptions upon which the valuation is carried out. Accordingly, there can be no assurance that the valuation of properties, including that of the Security Property, as referred to in the Prospectus, reflects actual values that would be achieved on a sale, even where any such sale were to occur shortly after the valuation date. Actual values may be materially different from any future values that may be expressed or implied by forward-looking statements set out in the valuation or anticipated on the basis of historical trends, as reality may not match the assumptions made. There can be no assurance that such valuation of property will reflect actual market values at the time of enforcement of the hypothecs on the Security Property.

Risks relating to ranking of special hypothecs forming part of the Collateral

The first ranking special hypothecs to be constituted by Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd. over the Security Property respectively owned by them in favour of the Security Trustee shall rank after the claims of privileged creditors should a note of inscription of a special privilege be registered with the Public Registry securing the privileged creditor's claim. Privileged creditors include, but are not limited to, architects, contractors, masons and other workmen, over an immovable constructed, reconstructed or repaired for the debts due to them in respect of the expenses and the price of their work. In the Deed of Hypothec

by virtue of which *inter alia* Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd. will constitute the Special Hypothec, the said Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd. will undertake to use their best endeavours to ensure that any of the contractors to be engaged by them in the completion of the Security Property respectively owned by them will waive their right to a special privilege. However, the said Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd. may not necessarily manage to obtain such waiver from the contractors and, furthermore, they may contract debts with other privileged creditors. Moreover, there may be contractors already engaged for works on such properties or any of them which already enjoy such special privilege over the respective property/ies according to law, although not yet registered in the Public Registry. In any such cases, privileged creditors will rank with preference to the Security Trustee in whose favour the Special Hypothec under the Collateral shall be constituted. As stated above, however, the proceeds of the Bond Issue intended to be used for the completion and finishing of the hotels comprised within the Security Property as referred to in paragraph (iv) of Section 4.2 of this Securities Note, will be retained in cash by the Security Trustee under trust, and will be paid to the relevant contractors against presentation of invoices, to ensure that such contractors are duly paid for their works, and thus avoid the need of registering and/or enforcing their privileged rights.

3. PERSONS RESPONSIBLE AND CONSENT FOR USE

3.1 *Persons responsible*

This document includes information given in compliance with the Capital Markets Rules and the Prospectus Regulation for the purpose of providing prospective investors with information with regard to the Bonds. All of the Directors of the Issuer, whose names appear under the heading "Directors of the Issuer" in Section 3.1 of the Registration Document, accept responsibility for the information contained in this Securities Note.

To the best of the knowledge and belief of the Directors of the Issuer, who have taken all reasonable care to ensure that such is the case, the information contained in this Securities Note is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors of the Issuer accept responsibility accordingly.

3.2 *Consent for use of the Prospectus*

Consent required in connection with the use of the Prospectus by the Authorised Financial Intermediaries:

For the purposes of any subscription for Bonds through any of the Authorised Financial Intermediaries in terms of this Securities Note and any subsequent resale, placement or other offering of Bonds by such Authorised Financial Intermediaries in circumstances where there is no exemption from the requirement to publish a prospectus under the Prospectus Regulation, the Issuer consents to the use of the Prospectus, and accepts responsibility for the information contained therein, with respect to any such subsequent resale, placement or other offering of Bonds, provided this is limited only:

- i. in respect of Bonds subscribed for through Authorised Financial Intermediaries during the Offer Period;
- ii. to any resale or placement of Bonds subscribed as aforesaid taking place in Malta; and
- iii. to any resale or placement of Bonds subscribed as aforesaid taking place within the period of 60 days from the date of the Prospectus.

None of the Issuer, the Sponsor & Co-Manager, the Registrar & Co-Manager or any of their respective advisors take any responsibility for any of the actions of any Authorised Financial Intermediary, including their compliance with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to a resale or placement of Bonds.

Other than as set out above, neither the Issuer nor any of the advisors of the Issuer has authorised, nor do they authorise or consent to the use of the Prospectus in connection with, the making of any public offer of the Bonds by any person in any circumstances. Any such unauthorised offers are not made on behalf of the Issuer and neither the Issuer nor any of the Issuer's advisors has any responsibility or liability for the actions of any person making such offers.

No person has been authorised to give any information or to make any representation not contained in or inconsistent with the Prospectus. If given or made, it must not be relied upon as having been authorised by the Issuer or any of its advisors. The Issuer does not accept responsibility for any information not contained in the Prospectus.

Investors should enquire whether an intermediary is considered to be an Authorised Financial Intermediary in terms of the Prospectus. If the investor is in doubt as to whether it can rely on the Prospectus and/or who is responsible for its contents, it should obtain legal advice.

In the event of a resale, placement or other offering of Bonds by an Authorised Financial Intermediary, the Authorised Financial Intermediary shall provide information to investors on the terms and conditions of the resale, placement or other offering at the time such is made.

Any resale, placement or other offering of Bonds to an investor by an Authorised Financial Intermediary shall be made in accordance with any terms and other arrangements in place between such Authorised Financial Intermediary and such investor including as to price, allocations and settlement arrangements. Where such information is not contained in the Prospectus, it will be the responsibility of the applicable Authorised Financial Intermediary at the time of such resale, placement or other offering to provide the investor with that information and neither the Issuer nor any of its advisors has any responsibility or liability for such information.

Any Authorised Financial Intermediary using the Prospectus in connection with a resale, placement or other offering of Bonds subsequent to the Bond Issue shall, limitedly for the period of 60 days from the date of the Prospectus, publish on its website a notice to the effect that it is using the Prospectus for such resale, placement or other offering in accordance with the consent of the Issuer and the conditions attached thereto. The consent provided herein shall no longer apply following the lapse of such period.

Any new information with respect to Authorised Financial Intermediaries unknown at the time of approval of this Securities Note will be made available through a company announcement which will also be made available on the Issuer's website: www.cf.com.mt.

4. ESSENTIAL INFORMATION

4.1 Interest of natural and legal persons involved in the Bond Issue

Without prejudice to the potential conflicts of interest of Directors disclosed in Section 9.5 of the Registration Document, and save for the subscription for Bonds by the Authorised Financial Intermediaries, which include the Sponsor and the Registrar, and any fees payable in connection with the Bond Issue to the Sponsor and the Registrar, so far as the Issuer is aware no person involved in the Bond Issue has an interest material to the Bond Issue.

4.2 Reasons for the offer and use of proceeds

The proceeds from the Bond Issue will be used by the Issuer to provide a loan facility to the Guarantor, to be used as provided below (the "**Issuer-Guarantor Loan**"). The Issuer-Guarantor Loan will bear interest at 6% *per annum* payable on 2 January of each year, and the outstanding loan amount thereof shall be repayable by not later than 2 January 2033: provided that where the Issuer exercises its discretion to redeem the Bonds earlier than the Full Term Redemption Date, on a Designated Early Redemption Date at any time from and including 6 January 2028 at the Redemption Value, by giving at least thirty (30) days' notice to the Bondholders as provided in Section 6.7 of this Securities Note, then the Issuer-Guarantor Loan shall become repayable in full upon request in writing made by the Issuer to the Guarantor at the relevant time by giving not less than twenty (20) days' notice to the said Guarantor.

In turn, the Issuer-Guarantor Loan will be used by the Guarantor for the following purposes, in the amounts and order of priority set out below:

- i. **Conversion of Existing Secured Notes into Bonds:** an amount of up to €3,605,000 will be used to finance the conversion of Existing Secured Notes into Bonds as provided in Section 8.2 of this Securities Note, whereby Existing Noteholders who exercise their right to have any of their Existing Secured Notes converted into Bonds pursuant to the Existing Secured Notes Conversion shall have such Existing Secured Notes redeemed as of the Issue Date in consideration for the simultaneous issue by the Issuer of a number of Bonds having an aggregate nominal value equal to the total redemption value of the relevant Existing Secured Notes being converted, based on a redemption value of €103 per Existing Secured Note;
- ii. **Re-financing of Relevant Bank Loans:** an amount of *approximately* €11,300,000 will be used to re-finance the outstanding Relevant Bank Loans due by Ratcon Ltd. to BNF Bank plc and by Mistral Hotel Ltd. and Haven Centre Ltd. respectively to MeDirect Bank (Malta) plc, which bank loans were originally principally utilised to finance part of the development costs, including site acquisition costs, relating to the hotels within the Group, namely the Levante Hotel, the Scirocco Hotel and the Mistral Hotel, and to the CF Business Centre, and which Relevant Bank Loans are secured *inter alia* by the Bank Security Interests over the Security Property or parts thereof;
- iii. **Re-financing of outstanding indebtedness under the loan agreement between the Issuer and the Guarantor dated 31 August 2022:** an amount equivalent to the difference between €3,605,000 and the amount used to finance the conversion of Existing Secured Notes into Bonds as referred to in paragraph (i) above (where not all Existing Noteholders choose to have all their Existing Secured Notes converted into Bonds), shall be used to re-finance the outstanding indebtedness remaining after such conversion under the loan agreement between the Issuer and the Guarantor dated 31 August 2022 by virtue of which the Issuer made the proceeds of the Existing Secured Notes available by way of loan to the Guarantor. The amount so used to re-finance such outstanding indebtedness under the said loan agreement will be held by the Issuer and used by the Issuer to finance the redemption, on the due date of redemption, of the Existing Secured Notes which were not subject to an Existing Secured Notes Conversion;

- iv. **Development costs of the Hotels:** an amount of approximately €2,800,000 will be used to finance the remaining development (completion and finishing) costs of the hotels within the Group, namely the Levante Hotel, the Scirocco Hotel and the Mistral Hotel;
- v. **Development costs of certain residential projects:** an amount of *approximately* €4,200,000 will be used to finance part of the development costs, including part of acquisition costs paid or payable in respect of the respective sites, of the following residential projects described in Section 5.2 of the Registration Document, namely: (a) the Mayfair residences in Attard, (b) the Macael Apartments in Paola, (c) the Sunrise Corner in Swatar, and (d) the Vermont Court in Pieta'; and
- vi. **General corporate funding:** the amount of *approximately* €8,095,000 together with any residual amounts not utilised for the purposes identified in paragraphs (i) to (v) above, shall be utilised for general corporate funding purposes of the Group.

As set out in Section 6.2 of the Registration Document, the Issuer-Guarantor Loan shall be drawn down as follows:

- a) the amount to be used to repay the Relevant Bank Loans to BNF Bank plc and MeDirect Bank (Malta) plc will be deemed immediately drawn down upon execution of the said Deed of Hypothec creating the Issuer-Guarantor Loan;
- b) an amount equivalent to the conversion amount of the Existing Secured Notes subject to an Existing Secured Notes Conversion, namely the redemption value of €103 per converted Existing Secured Note less any Conversion Amount Adjustment Cash Payment, shall automatically, by virtue of the issue of the relevant Bonds (at their nominal value) pursuant to such conversion, be deemed and treated as part of the proceeds of the Bonds and be deemed and treated to form part of the Issuer-Guarantor Loan and to have been drawn down upon such issue of the relevant Bonds, and a corresponding amount shall automatically be deemed and be treated to be repaid under the indebtedness outstanding under the loan agreement between the Issuer and the Guarantor dated 31 August 2022 by virtue of which the Issuer made the proceeds of the Existing Secured Notes available by way of loan to the Guarantor;
- c) an amount equivalent to the difference between €3,605,000 and the amount referred to in paragraph (b) above shall be advanced by the Security Trustee to the Issuer upon request, and shall be held by the Issuer as security for the eventual repayment by the Guarantor of any remaining outstanding indebtedness under the loan agreement between the Issuer and the Guarantor dated 31 August 2022 by virtue of which the Issuer made the proceeds of the Existing Secured Notes available by way of loan to the Guarantor, so as to enable the Issuer to eventually finance the redemption, on the due date of redemption, of the Existing Secured Notes which were not subject to an Existing Secured Notes Conversion;
- d) the amount of such loan facility which is intended to be used to finance the completion and finishing of the hotels comprised within the Security Property as referred to in paragraph (iv) above, which will be held by the Security Trustee, will be drawn down in one or more subsequent drawdowns following a request by the Guarantor, in order to pay invoices for completion and finishing works on the said hotels owned by the respective Group companies, as such invoices are received from the relevant contractors of such works and against presentation of such invoices, provided that the Guarantor shall have the right to make an initial drawdown request, at any time after the execution of the Deed of Hypothec creating the Issuer-Guarantor Loan, for the full or any part of the amounts for works on the hotels within the Security Property already invoiced by but not yet paid to the relevant contractors at any time up to the execution of the said Deed of Hypothec. The said drawdowns will not be paid by the Security Trustee to the Guarantor, but will be paid by the Security Trustee directly to the respective contractors in satisfaction of the relevant invoices. The drawdown requests and payments so made to satisfy invoices for works on the hotels comprised within the Security Property as aforesaid will for all intents and purposes constitute and be deemed to constitute, as between the Issuer and the Guarantor, loans made by the Issuer to the Guarantor under the Issuer-Guarantor Loan, and the payment of the relevant invoices to the contractors will be considered as payments made by the Guarantor in the name and for the discharge of the relevant Group company which incurred the costs and expenses under the relevant invoice;
- e) the balance, less those funds required to fund the expenses of the Bond Issue, will be advanced in one or more subsequent drawdowns following a request by the Guarantor to the Issuer, whereupon the Security Trustee shall be requested and directed to release the respective amount/s to or to the order of the Guarantor;
- f) such part of the loan facility which is required by the Guarantor to fund the expenses of the Bond Issue, which the Guarantor has agreed to bear itself, which are expected to amount to approximately €600,000, shall be forwarded by the Registrar to or to the order of the Issuer upon request.

For the avoidance of doubt, the Issuer shall be entitled and obliged, and will be irrevocably authorized and directed by the Guarantor under the Deed of Hypothec, to apply the amount of the Issuer-Guarantor Loan held as security by the Issuer as referred to in paragraph (c) above in satisfaction and settlement of the outstanding indebtedness under the loan agreement between the Issuer and the Guarantor dated 31 August 2022 remaining after the conversion of Existing Secured Notes into Bonds under an Existing Secured Notes Conversion,

upon such remaining outstanding indebtedness becoming due in terms of such loan agreement dated 31 August 2022, whereupon the said outstanding indebtedness so settled shall cease to exist and the Guarantor shall be discharged from its obligations under the loan agreement dated 31 August 2022 in respect of such settled outstanding indebtedness.

It is expected that within 12 Business Days from the closing of the Offer Period, the Issuer, the Guarantor, Ratcon Ltd., Mistral Hotel Ltd., Haven Centre Ltd., the Security Trustee, BNF Bank plc and MeDirect Bank (Malta) plc shall appear on the Deed of Hypothec to repay the Relevant Bank Loans to BNF Bank plc and MeDirect Bank (Malta) plc and consequently obtain the cancellation of the Bank Security Interests over the Security Property or parts thereof securing the said Relevant Bank Loans. Pursuant to such Deed of Hypothec, the Security Trustee will concurrently obtain from Ratcon Ltd., Mistral Hotel Ltd. and the Haven Centre Ltd. the Special Hypothec over the Security Property respectively owned by them, and the Issuer will agree to make the Issuer-Guarantor Loan to the Guarantor, namely to make available a loan facility in the total amount equal to the proceeds from the Bond Issue.

The sale or other realization proceeds of any real estate projects of the Group, including projects which are to any extent financed by the proceeds of the Bond Issue, may upon the future completion and realization of such projects, be employed by the Group for the acquisition of sites and for the development of new projects as deemed commercially appropriate and feasible by the Group. The Guarantor will however undertake towards the Issuer in the Deed of Hypothec, as a condition of the Issuer-Guarantor Loan, that the Guarantor will ensure, in its capacity as parent company of the Group, that no such new real estate development projects will be entered into at any time whilst the Issuer-Guarantor Loan is outstanding if in the reasonable opinion of the Guarantor the execution thereof and the projected revenue flow therefrom and the timing thereof are likely to jeopardise the timely payments under the Bonds. Furthermore, the Issuer-Guarantor Loan will also be made on the condition, as contained in the Deed of Hypothec, that the Guarantor must ensure that any new real estate development projects to be so undertaken by the Group and by any single Group company from time to time whilst the Issuer-Guarantor Loan is outstanding shall satisfy certain parameters and conditions agreed to between the parties mainly intended to ensure the necessary liquidity within the Group to be able to satisfy its payment obligations arising from time to time, including payment obligations under the Bonds, and the Guarantor shall be required to seek and obtain the prior approval of the Issuer in respect of, and before the Group unconditionally commits to, any proposed new project which is expected not to meet the said parameters and conditions.

The issue and final allotment of the Bonds is conditional upon the following events, in the chronological order set out below: (1) the Collateral being constituted in favour of the Security Trustee in accordance with the provisions of the Security Trust Deed within 12 Business Days of the close of the Offer Period; and (2) the Bonds being admitted to the Official List. In the event that any of the aforesaid Conditions Precedent is not satisfied, the Bond Issue proceeds shall be returned to the investors, as provided below. Indeed, the Bonds shall not be admitted to the Official List of the Malta Stock Exchange unless all security has been duly perfected, in accordance with the provisions of the Security Trust Deed.

Accordingly, following the Bond Issue, all proceeds of the Bond Issue, less the funds required to fund the expenses of the Bond Issue which are expected to amount to approximately €600,000, and less such portion of the proceeds of the Bond Issue representing the conversion amount of converted Existing Secured Notes, shall be forwarded by the Registrar to and shall be held by the Security Trustee who shall, save for the payment of the Relevant Bank Loans to BNF Bank plc and MeDirect Bank (Malta) plc on the Deed of Hypothec, retain all remaining Bond Issue proceeds until (i) it receives appropriate assurance that publication and registration of the Deed of Hypothec and the Special Hypothec constituted thereunder will be effected and (ii) confirmation that the Bonds will be admitted to the Official List of the Malta Stock Exchange by no later than 13 January 2023 is communicated to the Security Trustee.

Once the aforesaid conditions are satisfied, the Security Trustee shall release the Bond Issue proceeds in its possession remaining after payment of the Relevant Bank Loans on the Deed of Hypothec as aforesaid, as follows:

- the portion of proceeds representing the amount set out in paragraph (c) above (namely an amount equivalent to the difference between €3,605,000 and the amount referred to in paragraph (b) above) shall be advanced by the Security Trustee to the Issuer upon request;
- the portion of proceeds which is intended to be used to finance the completion and finishing of the hotels comprised within the Security Property as referred to in paragraph (iv) above, will be retained by the Security Trustee, and will be paid by the Security Trustee, upon drawdown request/s by the Guarantor, to the relevant contractors in settlement of and against presentation of invoices for completion and finishing works on the hotels within the Security Property owned by the respective Group companies, provided that the Guarantor shall have the right to make an initial drawdown request, at any time after the execution of the Deed of Hypothec creating the Issuer-Guarantor Loan, for the full or any part of the amounts for works on the hotels comprised within the Security Property already invoiced by but not yet paid to the relevant contractors at any time up to the execution of the said Deed of Hypothec, all as provided in paragraph (d) above;
- the balance will be advanced by the Security Trustee to or to the order of the Guarantor as instructed by the Issuer, following a request by the Guarantor to the Issuer.

The funds required to fund the expenses of the Bond Issue, which the Guarantor has agreed to bear itself and will form part of the Issuer-Guarantor Loan, which are expected to amount to approximately €600,000, shall remain with the Registrar and will not be forwarded to the Security Trustee, but shall instead be forwarded by the Registrar to or to the order of the Issuer upon request at any time following the satisfaction of the conditions referred to above.

4.3 Funding of developments from other sources

Assuming that the Bond Issue is fully subscribed, it is anticipated that:

- a) the net proceeds of such Bond Issue will be sufficient to fund the completion and finishing of the hotels within the Group and will also be sufficient to settle other financing outstanding in respect of the CF Business Centre;
- b) the full development and completion of the residential development projects mentioned in paragraph (v) of Section 4.2 above are anticipated not to be fully covered by the net proceeds of the Bond Issue and it is anticipated that a total amount of approximately €12,538,000 will need to come from other sources. Such sources are anticipated to be mainly the existing bank loans taken out to finance the same.

4.4 Expenses

Professional fees, and costs related to publicity, advertising, printing, listing, registration, sponsor, manager and registrar fees, selling commission, and other miscellaneous expenses in connection with this Bond Issue are estimated not to exceed €600,000. There is no particular order of priority with respect to such expenses.

The expenses pertaining to the Bond Issue shall be borne by the Guarantor and shall form part of the Issuer-Guarantor Loan, provided that these shall, following the satisfaction of the Conditions Precedent, be released and paid by the Registrar to or to the order of the Issuer upon request.

4.5 Security

The Bonds are secured and Bondholders shall have the benefit of the following security:

- a) a first ranking special hypothec over the Security Property; and
- b) the Guarantee in respect of all Bonds and holders thereof.

The security shall be constituted in favour of the Security Trustee for the benefit of the relevant Bondholders, as applicable, from time to time registered by the CSD.

The Issuer, the Guarantor, Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd. have entered into a Trust Deed with the Security Trustee for the benefit of the Bondholders and having as trust property security which consists of the covenants of the Issuer and the Guarantor to pay the applicable Redemption Value of the Bonds on the Redemption Date and interest thereon on the Interest Payment Dates, the hypothecary rights under the Deed of Hypothec, the undertakings of the Guarantor under the Guarantee and all the rights and benefits under the Security Trust Deed. The Collateral will be vested in the Security Trustee for the benefit of the Bondholders in proportion to their respective holding of Bonds.

The Security Trustee's role includes holding of the Collateral for the benefit of the Bondholders and the enforcement of the said Collateral upon the happening of certain events. The Security Trustee shall have no payment obligations to Bondholders under the Bonds which remain exclusively the obligations of the Issuer, or, in the case of default by the Issuer, of the Guarantor.

The terms and conditions of the Trust Deed, which is available for inspection as set out in Section 17 of the Registration Document, shall be binding on each registered Bondholder as if it had been a party thereto and as if the Trust Deed contained covenants on the part of each registered Bondholder to observe and be bound by all the provisions thereof applicable thereto, and the Security Trustee is authorised and required to do the things required of it by the Trust Deed. The Security Trustee is also authorised to deal or allow the Group to deal with the Security Property and to allow or give effect to a reduction, cancellation and creation or otherwise redefinition of the special hypothec/s burdening any elements of the Security Property or a substitution of any part of the Security Property with another immovable property owned by the Group, always with due regard to the interests of all the Bondholders and with due protection to their interests, as further explained in Section 6.3 of this Securities Note.

5. OFFER STATISTICS

Issue:	€30,000,000 5% Secured Bonds 2028-2033.
Amount:	€30,000,000.
Form:	The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD.
Denomination (currency):	Euro (€).
ISIN:	MT0002701200.
Bond Issue Price:	At par, namely €100 per Bond.
Minimum amount per subscription:	Minimum of €5,000 and integral multiples of €100 thereafter.
Offer Period:	The period commencing at 08:00 hours on 30 November 2022 and ending at 12:00 hours on 28 December 2022, both days included.
Plan of Distribution:	The Bonds are open for subscription by all categories of investors, subject always to the allocation preference which shall be given to Existing Noteholders in subscribing for Bonds pursuant to an Existing Secured Notes Conversion as set out in Sections 8.2, 8.3 and 8.6 below.

<p>Allocation Policy:</p>	<p>i. The Existing Noteholders may elect to convert all or any of the Existing Secured Notes held by them respectively into Bonds pursuant to an Existing Secured Notes Conversion, at their discretion, subject to the minimum subscription amount of Bonds per investor of €5,000.</p> <p>Such election shall be made by written Application by the relevant Existing Noteholder through an Authorised Financial Intermediary, within the Offer Period for the Existing Secured Notes Conversion.</p> <p>Where such election is made, the conversion shall take place on the Issue Date by the redemption of the relevant Existing Secured Notes held (which shall consequently be cancelled by the Issuer) in consideration for the simultaneous issue by the Issuer of a number of Bonds having an aggregate nominal value equal to the total redemption value of Existing Secured Notes, on the basis of €103 per Existing Secured Note, held by the relevant Existing Noteholder and being converted as aforesaid.</p> <p>Any Existing Noteholder whose holding of Existing Secured Bonds has a total redemption value, based on €103 per Existing Secured Note, of less than the minimum subscription amount of Bonds per investor of €5,000, shall be required to pay the difference in cash (“Cash Top-Up”).</p> <p>Furthermore, where the aggregate redemption value of Existing Secured Notes subject to an Existing Secured Notes Conversion, based on a redemption value of €103 per Existing Secured Note, is not an integral multiple of €100, the amount representing the difference between such aggregate redemption value and such part of such aggregate redemption value which constitutes the greatest possible integral multiple of €100, shall be paid in cash by the Issuer to the relevant Existing Noteholder by way of Conversion Amount Adjustment Cash Payment within ten (10) Business Days from the Issue Date, unless the said Existing Noteholder elects to top up the conversion amount to an integral multiple of €100 by a payment in cash made by such Existing Noteholder (also referred to as a “Cash Top-Up”).</p> <p>Bonds applied for by Existing Noteholders by way of, and which will be issued pursuant to, an Existing Secured Notes Conversion (including such part thereof to be issued in consideration of a Cash Top-Up as aforesaid) shall be allocated prior to any other allocation of Bonds. Such allocation shall be made out of the placement amount attributed under the respective Placement Agreement to the relevant Authorised Financial Intermediary through which the relevant Application for Bonds pursuant to and the actual election for the Existing Secured Notes Conversion is made.</p> <p>ii. Following the allocation in terms of (i) above, the Issuer will be allocating the remaining amount of Bonds to Authorised Financial Intermediaries indicated in Annex I of this Securities Note pursuant to the Placement Agreements entered into or to be entered into by them with the Issuer, whereby such Authorised Financial Intermediaries may subscribe for Bonds for their own account (where applicable) or for the account of underlying customers, including retail customers.</p>
<p>Redemption Date:</p>	<p>6 January 2033, being the Full Term Redemption Date, or a Designated Early Redemption Date, whichever is the earlier.</p>
<p>Designated Early Redemption Date</p>	<p>The Issuer shall be entitled, at its sole option, to redeem all or part of the Bonds and prepay the Redemption Value thereof on any date falling between 6 January 2028 and 6 January 2033, together with all interests accrued thereon up to such date, by giving not less than 30 days’ notice to the Bondholders.</p>

Redemption Value:	<p>If the Redemption Date occurs:</p> <ol style="list-style-type: none"> i. at any time between, and including, 6 January 2028 and 5 January 2029, the amount of €102.50 per Bond, being the nominal value of such Bond, namely €100 per Bond, plus a premium of 2.5%; ii. at any time between, and including, 6 January 2029 and 5 January 2030, the amount of €101.25 per Bond, being the nominal value of such Bond, namely €100 per Bond, plus a premium of 1.25%; and iii. at any time after 6 January 2030, the amount of €100 per Bond, being the nominal value of such Bond.
Status of the Bonds:	<p>The Bonds, as and when issued and allotted, shall constitute the general, direct and unconditional obligations of the Issuer and shall at all times rank <i>pari passu</i>, without any priority or preference among themselves, and shall rank <i>pari passu</i> with all other unsecured and unsubordinated obligations of the Issuer. The Bonds shall be guaranteed in respect of both the interest and the Redemption Value due under said</p> <p>Bonds by the Guarantor in terms of the Guarantee and secured by the Special Hypothec to be constituted by Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd. on the Security Property respectively owned by them. In respect of the said Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd., save for such exceptions as may be provided by applicable law, the Bonds shall rank with priority or preference to all present and future unsecured obligations of the said Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd., by virtue and to the extent of the first ranking special hypothec over the respective Security Property which they will respectively constitute in favour of the Security Trustee for the benefit of the Bondholders.</p>
Guarantee	The joint and several guarantee dated 28 November 2022 granted by the Guarantor as security for the punctual performance of the Issuer's payment obligations under the Bond Issue.
Status of the Guarantee	The Guarantee shall constitute a direct, and unconditional obligation of the Guarantor, and the Guarantor's obligations under the Guarantee shall rank <i>pari passu</i> with all its other unsecured and unsubordinated obligations.
Listing:	The Malta Financial Services Authority has approved the Bonds for admissibility to listing and subsequent trading on the Official List of the Malta Stock Exchange. Application has been made to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List.
Placement Agreements:	The Issuer has entered or shall enter (as the case may be) into conditional placement agreement/s with the Authorised Financial Intermediaries listed in Annex I of this Securities Note whereby an aggregate amount of €30,000,000 in nominal value of the Bonds (inclusive of those to be issued pursuant to an Existing Secured Notes Conversion) shall be made available for subscription to such Authorised Financial Intermediaries, for their own account or on behalf of their clients.
Interest:	5% per annum, on the nominal value of each Bond.
Interest Payment Date(s):	Annually on 6 January as from 6 January 2024, being the first Interest Payment Date, with the last Interest Payment Date being effected on the Redemption Date.
Governing Law:	The Bonds are governed by and shall be construed in accordance with Maltese law.

Jurisdiction:

The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds and accordingly any legal action or proceedings arising out of or in connection with the Bonds shall be brought exclusively before the Maltese Courts.

6. INFORMATION CONCERNING THE SECURITIES TO BE ISSUED AND ADMITTED TO TRADING

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

6.1 General

Each Bond forms part of a duly authorised issue of 5% Secured Bonds 2028-2033 of a nominal value of €100 per Bond issued by the Issuer at par up to the principal amount of €30,000,000, except as otherwise provided under Section 6.12 of this Securities Note "Further Issues".

The Issue Date of the Bonds is expected to be 13 January 2023. The Bond Issue is guaranteed by the Guarantor and secured with the Collateral. The Bonds are created under Maltese law.

- a) The currency of the Bonds is Euro (€).
- b) The Bonds are expected to be listed on the Official List on or before 13 January 2023 and dealing can be expected to commence thereafter.
- c) Subject to admission to listing of the Bonds to the Official List of the MSE, the Bonds are expected to be assigned ISIN: MT0002701200.
- d) Unless previously purchased and cancelled, the Bonds shall be redeemable at the applicable Redemption Value on the Redemption Date, whether a Full Term Redemption Date or a Designated Early Redemption Date, whichever is the earlier.
- e) The issue of the Bonds is made in accordance with the requirements of the Capital Markets Rules, the Act, and the Prospectus Regulation.
- f) The minimum subscription amount of Bonds that can be subscribed for by an Applicant is €5,000 and in multiples of €100 thereafter.
- g) The Bond Issue is not underwritten.
- h) In view of the early redemption component, the Bonds are complex financial instruments for the purposes of MIFID II. Accordingly, the Bonds may only be suitable for investors who have the knowledge and experience to understand the risk related to this type of financial instrument.
- i) There are no special rights attached to the Bonds other than the right of the Bondholders to the payment of the Redemption Value and interest and in accordance with the ranking specified in Section 6.3 hereunder.
- j) All Applications shall be subject to the terms and conditions of the Bond Issue as set out in Section 8 hereunder, the terms of which shall form an integral part hereof.

6.2 Registration, form, denomination and title

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

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

When subscribing for Bonds, Bondholders who do not have an online e-portfolio account shall be registered by the CSD for the online e-portfolio facility and shall receive by mail at their registered address a handle code to activate the new e-portfolio login. The Bondholder's statement of holdings evidencing entitlement to Bonds held in the register kept by the CSD and registration advices

evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Further detail on the e-portfolio is found on <https://eportfolio.borzamalta.com.mt/Help>.

The Bonds will be issued in fully registered form, without interest coupons, in denominations of any integral multiples of €100, provided that on subscription the Bonds will be issued for a minimum of €5,000 per individual Bondholder. Authorised Financial Intermediaries subscribing to the Bonds through nominee accounts for and on behalf of clients shall apply the minimum subscription amount of €5,000 to each underlying client.

Any person in whose name a Bond is registered may, to the fullest extent permitted by applicable law, be deemed and treated at all times, by all persons, including the Issuer, and for all purposes, including the making of any payments, as the absolute owner of such Bond. Title to the Bonds may be transferred as provided below under the heading "Transferability of the Bonds" in Section 6.11 of this Securities Note.

6.3 Ranking of the Bonds and the Collateral

Status of the Bonds

The Bonds, as and when issued and allotted, shall constitute the general, direct and unconditional obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves and shall rank *pari passu* with all other unsecured and unsubordinated obligations of the Issuer.

Guarantee

The Bonds shall be guaranteed in respect of both the interest due and the Redemption Value by the Guarantor on a joint and several basis in terms of the Guarantee. Accordingly, the Security Trustee, for the benefit of itself and the Bondholders, shall be entitled to request the Guarantor to pay both the interest due and the Redemption Value under said Bonds if the Issuer fails to meet any amount, when due in terms of the Prospectus. The joint and several Guarantee also entitles the Security Trustee to take action against the Guarantor without having to first take action against the Issuer.

The Guarantee shall constitute a direct, and unconditional obligation of the Guarantor, and the Guarantor's obligations under the Guarantee shall rank *pari passu* with all its other unsecured and unsubordinated obligations.

A copy of the Guarantee is included in Annex II to this Securities Note.

First ranking special hypothec over Security Property

In respect of Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd., save for such exceptions as may be provided by applicable law, the Bonds shall rank with priority or preference to all present and future unsecured obligations of the said Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd., by virtue and to the extent of the first ranking special hypothec over the Security Property respectively owned by them which they will constitute in favour of the Security Trustee for the benefit of the Bondholders.

Pursuant to the Trust Deed, the said Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd., have agreed to constitute in favour of the Security Trustee for the benefit of Bondholders as beneficiaries, a special hypothec over the Security Property respectively owned by them.

The special hypothec in respect of the Security Property, which will be constituted by virtue of the Deed of Hypothec, will secure the claim of the Security Trustee, for the benefit and in the interest of Bondholders as beneficiaries, for the repayment of the Redemption Value and interest under the Bonds by a preferred claim over the said Security Property.

Accordingly, following the issue of the Bonds and application of the proceeds as set out above, the Security Trustee will have the benefit of a special hypothec over the Security Property for the full Redemption Value of the Bonds issued, for the benefit of Bondholders.

In the event of the enforcement of the Collateral, Bondholders shall be paid out of the said Security Property in priority to other creditors, except for privileged creditors. During the course of development and/or completion of the Security Property or any of them, situations may arise whereby the architects, contractors or suppliers may become entitled by law to register a special privilege over the Security Property, thereby obtaining a priority in ranking over the Security Trustee. In this respect, in the Deed of Hypothec, Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd. will undertake to use their best endeavours to ensure that any of the contractors to be engaged by them in the completion of the Security Property respectively owned by them will waive their right to a special privilege. However, the said Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd. may not necessarily manage to obtain such waiver from the contractors and, furthermore, they may contract debts with other privileged creditors. Moreover, there may be contractors already engaged for works on such properties or any of them which already enjoy such special privilege over the respective

property/ies according to law, although not yet registered in the Public Registry. In any such cases, privileged creditors will rank with preference to the Security Trustee in whose favour the Special Hypothec under the Collateral shall be constituted. The proceeds of the Bond Issue intended to be used for the completion and finishing of the hotels comprised within the Security Property as referred to in paragraph (iv) of Section 4.2 of this Securities Note, will however be retained in cash by the Security Trustee under trust, and will be paid to the relevant contractors against presentation of invoices, to ensure that such contractors are duly paid for their works, and thus avoid the need of registering and/or enforcing their privileged rights.

In terms of the Security Trust Deed, the parties thereto have agreed that (a) at any time before the Collateral shall have become enforceable and the Security Trustee shall have determined or become bound to enforce the same, the Security Trustee may at the cost and request of Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd. or any of them and with due regard to the interests of all the Bondholders do or concur with any of the said Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd. in doing certain transactions in respect of the Security Property or part thereof, including without limitation, the sale, letting, exchange, surrender, development, dealing with or exercise any rights in respect of all or any part of the Security Property upon such terms or for such consideration or in any such manner as the Security Trustee may think fit, always having due regard to the interests of the Bondholders; and (b) the Security Trustee retained the discretion and/or right, upon a request of the Issuer or any of Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd., to reduce, cancel and create or otherwise redefine the special hypothec/s burdening any elements of the Security Property or to substitute any part of the Security Property with another immovable property owned by the Group or some affiliated company, subject to a property valuation report by an independent architect to be appointed by the Issuer or by the Guarantor or by any of the said Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd. with the consent of the Security Trustee, confirming that the value of the elements of the Security Property as redefined, reconfigured or relocated (including through substitution of any part thereof with another immovable property as aforesaid) is at least equal to the Redemption Value of the outstanding Bonds in issue at the relevant time. Under the Security Trust Deed the Security Trustee also reserves the right to demand further immovable property owned by the Group as Security Property should at any given time the value of the Security Property, which shall be determined pursuant to an architect's independent valuation report, by an independent architect to be appointed by the Issuer or the Group with the consent of the Security Trustee, together with the value of any bond proceeds still held by the Security Trustee at the relevant time, be lower than the Redemption Value of outstanding Bonds in issue at the relevant time.

6.4 *Rights attaching to the Bonds*

This Securities Note in its entirety contains the Terms and Conditions of issue of the Bonds, which constitute the terms and conditions of the contract between the Issuer and a Bondholder. A Bondholder shall have such rights as are, pursuant to this Securities Note, attached to the Bonds, including:

- a) the repayment of capital;
- b) the payment of interest;
- c) the benefit of the Collateral through the Security Trustee;
- d) the right to attend, participate in and vote at meetings of Bondholders in accordance with the Terms and Conditions of the Bond Issue; and
- e) enjoy all such other rights attached to the Bonds emanating from the Prospectus.

6.5 *Interest*

The Bonds shall bear interest from and including 6 January 2023 at the rate of 5% *per annum* on the nominal value thereof, payable annually in arrears on each Interest Payment Date.

The first interest payment will be effected on 6 January 2024, covering the period 6 January 2023 to 5 January 2024, and then annually thereafter on 6 January of each calendar year, with the last interest payment being effected on the Redemption Date, whether the Full Term Redemption Date or, as the case may be, in case of an Early Redemption, a Designated Early Redemption Date, covering the period from the day next succeeding the immediately preceding Interest Payment Date to the applicable Redemption Date.

Any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day.

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

6.6 Yield

The gross yield is calculated on the basis of the interest on the Bonds, the Bond Issue Price and the Redemption Value of the Bonds. The table below illustrates the gross yield at different Redemption Dates:

Year	Redemption Price	Yield
2028	102.50%	4.432%
2029	101.25%	4.756%
2030 and thereafter	100.00%	5.000%

6.7 Redemption and purchase

Unless previously purchased and cancelled the Bonds will be redeemed at the applicable Redemption Value together with interest accrued to the respective date fixed for redemption) on the Redemption Date, whether the Full Term Redemption Date or, as the case may be, in case of an Early Redemption, a Designated Early Redemption Date.

The Issuer shall be entitled, at its sole option, to redeem all or part of the Bonds and prepay the Redemption Value thereof on any date falling between 6 January 2028 and 6 January 2033, a Designated Early Redemption Date, together with all interests accrued thereon up to such date, by giving not less than 30 days' notice to the Bondholders.

Subject to the provisions of this Section, the Issuer may at any time purchase Bonds in the open market or otherwise at any price. Any purchase by tender shall be made available to all Bondholders alike.

All Bonds repurchased by the Issuer shall be cancelled forthwith and may not be re-issued or re-sold.

On or after 2028, the Issuer may on and any time redeem all of the Bonds as follows:

Year	Redemption Price
2028	102.50%
2029	101.25%
2030 and thereafter	100.00%

6.8 Payments

Payment of the Redemption Value of Bonds will be made in Euro (€) by the Issuer to the person in whose name such Bonds are registered, with interest accrued up to the Redemption Date, by means of direct credit transfer into such bank account as the Bondholder designates from time to time, provided such bank account is denominated in Euro. Such payment shall be effected within seven (7) days of the Redemption Date. The Issuer shall not be responsible for any loss or delay in transmission. Upon payment of the Redemption Value the Bonds shall be redeemed and the appropriate entry made in the electronic register of the Bonds at the CSD.

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

Payment of interest on a Bond will be made to the person in whose name such Bond is registered at the close of business fifteen (15) days prior to the Interest Payment Date, by means of a direct credit transfer into such bank account as the Bondholder may designate, from time to time, which is denominated in Euro. Such payment shall be effected within seven (7) days of the Interest Payment Date. The Issuer shall not be responsible for any loss or delay in transmission.

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

No commissions or expenses shall be charged by the Issuer to Bondholders in respect of such payments.

6.9 *Limits of the validity of claims*

In terms of article 2156 of the Civil Code (Cap. 16 of the Laws of Malta), the right of Bondholders to bring claims for payment of interest and repayment of the Redemption Value on the Bonds is barred by the lapse of five years.

6.10 *Events of Default*

Pursuant to the Trust Deed, the Security Trustee may in its absolute discretion, and shall upon the request in writing of not less than 75% in value of the registered Bondholders, by notice in writing to the Issuer, the Guarantor, Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd. declare the Bonds to have become immediately due and repayable at their applicable Redemption Value together with accrued interest, upon the happening of any of the following events ("**Events of Default**"):

- a) the Issuer fails to pay any interest under the Bonds when due and such failure continues for a period of sixty (60) days after written notice thereof by the Security Trustee to the Issuer;
- b) the Issuer fails to pay the Redemption Value of a Bond when due and such failure continues for a period of sixty (60) days after written notice thereof by the Security Trustee to the Issuer;
- c) the Issuer fails duly to perform or shall otherwise be in breach of any other material obligation contained in the Terms and Conditions of the Bonds and such failure shall continue for sixty (60) days after written notice thereof shall have been given to the Issuer by the Security Trustee;
- d) there shall have been entered against the Issuer or the Guarantor a final judgment by a court of competent jurisdiction from which no appeal may be made or is taken for the payment of money in excess of €5,000,000 or its equivalent and ninety (90) days shall have passed since the date of entry of such judgment without its having been satisfied or stayed;
- e) the Issuer or the Guarantor is unable, or admits in writing its inability, to pay its debts as they fall due or otherwise becomes insolvent, within the meaning of Article 214(5) of the Act;
- f) an order is made or an effective resolution passed for the dissolution, termination of existence, liquidation or winding-up of the Issuer or the Guarantor, except for the purpose of a reconstruction, amalgamation or division;
- g) a judicial or provisional administrator is appointed upon the whole or any part of the property of the Issuer or the Guarantor;
- h) the Issuer ceases or threatens to cease to carry on its business or a substantial part thereof;
- i) the Issuer, the Guarantor, Ratcon Ltd., Mistral Hotel Ltd. or Haven Centre Ltd. commits a breach of any covenants or provisions contained in the Trust Deed and on its part to be observed and performed and the said breach still subsists for sixty (60) days after having been notified by the Security Trustee, other than any covenant for the payment of interests or Redemption Value owing in respect of the Bonds;
- j) it becomes unlawful at any time for the Issuer, the Guarantor, Ratcon Ltd., Mistral Hotel Ltd. or Haven Centre Ltd. to perform all or any of its obligations hereunder, where applicable, or under the Trust Deed;
- k) the Collateral or any part thereof becomes unenforceable against the Issuer, the Guarantor, Ratcon Ltd., Mistral Hotel Ltd. and/or Haven Centre Ltd., as applicable;
- l) the Issuer, the Guarantor, Ratcon Ltd., Mistral Hotel Ltd. or Haven Centre Ltd., as applicable, repudiates, or does or causes or permits to be done any act or thing evidencing an intention to repudiate the Bonds and/or the Trust Deed;
- m) all, or in the sole opinion of the Security Trustee, a material part, of the undertakings, assets, rights, or revenues of or shares or other ownership interests in the Issuer or the Guarantor are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any government,

provided that in the case of paragraphs (c), (d) and (g) to (m) the Security Trustee shall have certified that in its opinion such event is materially prejudicial to the interests of the Bondholders.

Upon any such declaration being made as aforesaid the said applicable Redemption Value and interest accrued under the Bonds shall be deemed to have become immediately payable at the time of the Event of Default which shall have happened as aforesaid.

Provided that in the event of any breach by the Issuer, the Guarantor, Ratcon Ltd., Mistral Hotel Ltd. or Haven Centre Ltd. of any of the covenants, obligations or provisions contained herein or in the Trust Deed, as applicable, due to any fortuitous event of a calamitous nature beyond the control of the Issuer, the Guarantor, Ratcon Ltd., Mistral Hotel Ltd. or Haven Centre Ltd., as the case may be, then the Security Trustee may, but shall be under no obligation so to do, give the Issuer, the Guarantor, Ratcon Ltd., Mistral Hotel Ltd. or Haven Centre Ltd., as the case may be, such period of time to remedy the breach as in its sole opinion may be justified in the circumstances and if in its sole opinion the breach is remediable within the short term and without any adverse impact on the Bondholders. Provided further that in the circumstances contemplated by this proviso, the Security Trustee shall at all times, to the extent deemed to be in the best interests of Bondholders, act on and in accordance with any directions it may receive in a meeting of Bondholders satisfying the conditions set out in the Trust Deed. The Security Trustee shall not be bound to take any steps to ascertain whether any Event of Default or other condition, event or circumstance has occurred or may occur, and, until it shall have actual knowledge or express notice to the contrary, the Security Trustee shall be entitled to assume that no such Event of Default or condition, event or other circumstance has happened and that the Issuer, the Guarantor, Ratcon Ltd., Mistral Hotel Ltd. and Haven Centre Ltd. are each observing and performing all the obligations, conditions and provisions on their respective parts contained in the Bonds and the Trust Deed, as applicable.

6.11 *Transferability of the Bonds*

The Bonds are freely transferable and, once admitted to the Official List of the MSE, shall be transferable only in whole, namely in multiples of €100, in accordance with the rules and regulations of the MSE applicable from time to time. The minimum subscription amount of €5,000 shall only apply during the Offer Period. No minimum holding requirement shall be applicable once the Bonds are admitted to listing on the Official List of the MSE and commence trading thereafter, subject to trading in multiples of €100.

Any person becoming entitled to a Bond in consequence of the death or bankruptcy or winding up of a Bondholder may, upon such evidence being produced as may from time to time properly be required by the Issuer or the CSD, elect either to be registered himself as holder of the Bond or to have some person nominated by him registered as the transferee thereof. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the CSD a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered he shall testify his election by transferring the Bond, or procuring the transfer of the Bond, in favour of that person.

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

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

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

6.12 *Further issues*

The Issuer may, from time to time, without the consent of the Bondholders, create and issue further debentures, debenture stock, bonds, loan notes, or any other debt securities, either having the same terms and conditions as any outstanding debt securities of any series, including the Bonds, and so that such further issue shall be consolidated and form a single series with the outstanding debt securities of the relevant series, including the Bonds, or upon such terms as the Issuer may determine at the time of their issue, provided that no issue may be made that would rank senior to the Bonds in respect of the Collateral.

6.13 *Resolutions and meetings of Bondholders*

The Bondholders' meeting represents the supreme authority of the Bondholders in all matters relating to the Bonds and has the power to make all decisions altering the terms and conditions of the Bonds.

Where the approval of the Bondholders is required for a particular matter, such resolution shall be passed at a Bondholders' meeting. Resolutions passed at Bondholders' meetings shall be binding upon all Bondholders and prevail for all the Bonds.

The Issuer may from time to time call meetings of Bondholders for the purpose of consultation with Bondholders or for the purpose of obtaining the consent of Bondholders on matters which in terms of the Prospectus require the approval of a Bondholders' meeting and to effect any change to the applicable Terms and Conditions of the Bonds. The meeting may be called by the Issuer at its own initiative, but shall also be called by the Issuer upon a request made at any time by one or more Bondholders holding at least fifty per cent (50%) of the outstanding value of the Bonds.

The Security Trust Deed also provides for the power of the Security Trustee, at the cost of the Issuer and at its own initiative to call meetings of Bondholders prior to exercising any power or discretion under such Deed or to write to all Bondholders requesting their directions. Furthermore, the Security Trust Deed provides for an obligation of the Security Trustee to call a meeting of Bondholders upon a request made at any time by one or more Bondholders holding at least fifty per cent (50%) of the outstanding value of the Bonds. The Security Trust Deed provides that the Security Trustee shall not be bound to act on behalf of the Bondholders under such Deed unless it receives duly authorised directions as stipulated in the said Deed, and in such case only to the extent deemed to be in the best interests of Bondholders.

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

by the Bondholders in accordance with the provisions of this Section 6.13 at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Issuer.

The amendment or waiver of any of the provisions of and/or conditions contained in this Securities Note, or in any other part of the Prospectus, may only be made with the approval of Bondholders at a meeting called and held for that purpose in accordance with the terms hereof.

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

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

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

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

Unless otherwise expressly stated and required in respect of a specific issue/s herein and/or in the Security Trust Deed, the proposal placed before a meeting of Bondholders shall only be considered approved if at least 60% in nominal value of the Bondholders present at the meeting at the time when the vote is being taken, in person or by proxy, shall have voted in favour of the proposal.

The Issuer may provide for virtual or remote meetings of Bondholders, including meetings by telephone or by other audio or audio and visual telecommunication means, provided that any such meetings allow Bondholders to ask questions and to exercise their right to vote at such meetings.

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

6.14 Bonds held jointly

In respect of a Bond held jointly by several persons, including husband and wife, the joint holders shall nominate one of their number as their representative and his/her name will be entered in the register with such designation. The first person, as designated in the respective MSE account number quoted by the Applicant, or first named in the register of Bondholders shall for all intents and purposes be deemed to be such nominated person by all the joint holders of the relevant Bond/s. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond/s so held.

6.15 Bonds held subject to usufruct

In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register. Without prejudice to what is provided in Section 6.8 of this Securities Note regarding payment of the Redemption Value, the usufructuary shall, for all intents and purposes, be deemed *vis-a-vis* the Issuer to be the holder of the Bond so held and shall have the right to receive interest on the Bond and to vote at meetings of the Bondholders but shall not, during the continuance of the Bond, have the right to dispose of the Bond so held without the consent of the bare owner.

6.16 Authorisations and approvals

The Board of Directors of the Issuer authorised the Bond Issue pursuant to a Board of Directors' resolution passed on 4 November 2022. The Guarantee being given by the Guarantor in respect of the Bonds has been authorised by a resolution of the board of directors of the Guarantor dated 4 November 2022.

The Malta Financial Services Authority approved the Bonds as eligible to listing on the Official List of the MSE pursuant to the Capital Markets Rules by virtue of a letter dated 28 November 2022.

6.17 Representations and warranties

The Issuer represents and warrants to the Bondholders and to the Security Trustee for the benefit of the Bondholders, who shall be entitled to rely on such representations and warranties, that:

- a) it is duly incorporated and validly existing under the laws of Malta and has the power to carry on its business as it is now being conducted and to hold its property and other assets under legal title; and
- b) it has the power to execute, deliver and perform its obligations under the Prospectus and that all necessary corporate, shareholder and other actions have been duly taken to authorise the execution, delivery and performance of the same, and further that no limitation on its power to borrow or guarantee shall be exceeded as a result of the Bond Issue.

6.18 Notices

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

6.19 Governing law and jurisdiction

The Bonds, all the rights and obligations of the Issuer and the Bondholder, and any non-contractual matters arising out of or in connection therewith, shall be governed by and construed in accordance with Maltese law.

Any dispute, legal action, suit or proceedings against the Issuer, the Guarantor, Ratcon Ltd., Mistral Hotel Ltd. and/or Haven Centre Ltd. arising out of or in connection with the Bonds and/or the Prospectus and/or any non-contractual matters arising out of or in connection therewith shall be brought exclusively before the Maltese courts. The Issuer and each Bondholder irrevocably submits to the exclusive jurisdiction of the Courts of Malta to hear and determine any dispute, action, suit or proceedings as aforesaid.

7. TAXATION

Investors and prospective investors are urged to seek professional advice as regards both Maltese and any foreign tax legislation which may be applicable to them in respect of the Bonds, including their acquisition, holding and transfer as well as on any income derived therefrom or on any gains derived on the transfer of such Bonds. The tax legislation of the investor's country of nationality, residence or domicile and of the Issuer's country of incorporation (Malta) may have an impact on the income received from the Bonds.

The following is a summary of the anticipated tax treatment applicable to Bondholders in so far as taxation in Malta is concerned. This information does not constitute legal or tax advice and does not purport to be exhaustive.

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

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

7.1 Malta tax on interest

Since interest is payable in respect of a Bond which is the subject of a public issue, unless the Issuer is instructed by a Bondholder to receive the interest gross of any withholding tax, or if the Bondholder does not fall within the definition of "recipient" in terms of Article 41(c) of the Income Tax Act (Cap. 123 of the Laws of Malta), interest shall be paid to such Bondholder net of a final withholding tax, currently at the rate of 15%, or 10% in the case of certain types of collective investment schemes, of the gross amount of the interest, pursuant to Article 33 of the Income Tax Act (Cap. 123 of the Laws of Malta). Bondholders who do not fall within the definition of a "recipient" do not qualify for the said rate and should seek advice on the taxation of such income as special rules may apply.

This withholding tax is considered as a final tax and a Maltese resident individual Bondholder is not obliged to declare the interest so received in his income tax return, to the extent that the interest is paid net of tax. No person shall be charged to further tax in respect of such income. Furthermore, such tax should not be available as a credit against the recipient's tax liability or for a refund, as the case may be, for the relevant year of assessment in Malta. The Issuer is required to submit to the Maltese Commissioner for Revenue the tax withheld by the fourteenth day following the end of the month in which the payment is made. The Issuer shall also render an account to the Maltese Commissioner for Revenue of all amounts so deducted, including the identity of the recipient.

In the case of a valid election made by an eligible Bondholder resident in Malta to receive the interest due without the deduction of final tax, interest will be paid gross and such person will be obliged to declare the interest so received in his income tax return and be subject to tax at the standard rates applicable to such Bondholder at that time. Additionally, in this latter case the Issuer will advise the Maltese Commissioner for Revenue on an annual basis in respect of all interest paid gross and of the identity of all such recipients. Any such election made by a resident Bondholder at the time of subscription may be subsequently changed by giving notice in writing to the Issuer. Such election or revocation will be effective within the time limit set out in the Income Tax Act.

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

7.2 Exchange of information

In terms of applicable Maltese legislation, the Issuer and/or its agent are required to collect and forward certain information, including but not limited to information regarding payments made to certain Bondholders, to the Commissioner for Revenue. The Commissioner for Revenue will or may, in turn, automatically or on request, forward the information to other relevant tax authorities subject to certain conditions.

Relevant legislation includes, but is not limited to:

- i. the Agreement between the Government of the United States of America and the Government of the Republic of Malta to Improve International Tax Compliance and to Implement FATCA ("Foreign Account Tax Compliant Act") – incorporated into Maltese law through Legal Notice 78 of 2014 ("FATCA Legislation"); and
- ii. the implementation of Directive 2011/16/EU on Administrative Cooperation in the field of Taxation, as amended, which provides for the implementation of the regime known as the Common Reporting Standard ("CRS") – incorporated into Maltese law through Legal Notice 384 of 2015 entitled the Cooperation with Other Jurisdiction on Tax Matters (Amendment) Regulations, 2015.

Under FATCA Legislation, Financial Institutions ("FIs") in Malta, defined as such for the purposes of FATCA, are obliged to identify and report financial accounts held by Specified U.S. Persons, as defined under FATCA Legislation, and certain non-U.S. entities which are controlled by U.S. Controlling Persons, as defined under FATCA Legislation, to the Commissioner for Revenue. The latter is in turn required to exchange such information to the US Internal Revenue Service. Financial account information in respect of holders of the Bonds could fall within the scope of FATCA and they may therefore be subject to reporting obligations.

Pursuant to obligations under FATCA Legislation, FIs reserve the right to store, use, process, disclose and report any required information, including all current and historical data related to the past and/or present account(s) held by Reportable Persons, including, but not limited to, the name, address, date of birth, place of birth and US TIN, the details of any account transactions, the nature, balances and compositions of the assets held in the account, to the Commissioner for Revenue.

The CRS requires Malta based financial institutions ("FIs"), defined as such for the purposes of CRS, to identify and report to the Commissioner for Revenue financial accounts held by Reportable Persons, as defined under the CRS Legislation, and certain entities with one or more Controlling Persons which are classified as Reportable Persons in terms of the CRS. Financial information relating to Bonds and the holders of the Bonds may fall within the purview of CRS and may be subject to reporting and information exchange provisions.

In particular with respect to CRS, the following information may be reported by FIs to the Commissioner for Revenue in respect of each reportable account maintained by the FIs, (a) the name, address, jurisdiction of tax residence, tax identification number (TIN) and date and place of birth; (b) the account number, or functional equivalent in the absence of an account number; (c) the account balance or value as of the end of the relevant calendar year or other appropriate reporting period or, if the account was closed during such year or period, the closure of the account; (d) the total gross amount paid or credited to the account holder with respect to the account during the calendar year or other appropriate reporting period with respect to which the FI is the obligor or debtor, including the aggregate amount of any redemption payments made to the account holder during the calendar year or other appropriate reporting period.

The Commissioner for Revenue shall by automatic exchange framework for reciprocal information exchange, communicate to the other competent authority, any relevant information that may fall to be classified as reportable, and *vice-versa*.

FIs reserve the right to request any information and/or documentation required, in respect of any financial account, in order to comply with the obligations imposed under FATCA and CRS and any referring legislation. In the case of failure to provide satisfactory documentation and/or information, an FI may take such action as it thinks fit, including without limitation, the closure of the financial account.

7.3 Maltese tax on capital gains on transfer of the Bonds

On the assumption that the Bonds would not fall within the definition of “securities” in terms of article 5(1)(b) of the Income Tax Act, that is, “shares and stocks and such like instrument that participate in any way in the profits of the company and whose return is not limited to a fixed rate of return”, to the extent that the Bonds are held as capital assets by the Bondholder, no income tax on capital gains is chargeable in respect of transfer of the Bonds.

7.4 Duty on documents and transfers

In terms of the Duty on Documents and Transfers Act (Cap. 364 of the Laws of Malta), duty is chargeable *inter alia* on the transfer or transmission causa mortis of marketable securities. A marketable security is defined in the said legislation as “a holding of share capital in any company and any document representing the same”. Consequently, the Bonds should not be treated as constituting marketable securities within the meaning of the legislation and therefore, the transfer/transmission thereof should not be chargeable to duty.

Furthermore, even if the Bonds are considered marketable securities for the purposes of the Duty on Documents and Transfers Act, in terms of article 50 of the Financial Markets Act (Cap. 345 of the Laws of Malta) since the Bonds constitute financial instruments of a quoted company, as defined in such Act, redemptions and transfers of the Bonds should, in any case, be exempt from duty.

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

8. TERMS AND CONDITIONS OF THE BOND ISSUE

8.1 Expected timetable

1	Opening of Offer Period for Placements:	30 November 2022
2	Placement Date:	28 December 2022
3	Commencement of interest:	6 January 2023
4	Announcement of basis of acceptance:	6 January 2023
5	Dispatch of allotment letters:	9 January 2023
6	Latest date of constitution of special hypothecs on Security Property:	13 January 2023
7	Latest date of admission of Bonds to listing:	13 January 2023
8	Latest date of commencement of trading in the Bonds:	16 January 2023

The dates specified in steps 6 onwards are latest dates for the occurrence of the events mentioned therein, which events may in actual fact take place earlier than such latest dates.

8.2 Terms and conditions of Application

The following terms and conditions shall be read in conjunction with all the other terms and conditions relative to and regulating the contractual relationship created between the Issuer and the Applicant.

- a) The issue and final allotment of the Bonds is conditional upon the following events, in the chronological order set out below: (1) the Collateral being constituted in favour of the Security Trustee, in accordance with the provisions of the Security Trust Deed, within 12 Business Days of the close of the Offer Period; and (2) the Bonds being admitted to the Official List. In the event that any of the aforesaid Conditions Precedent is not satisfied, any Application monies received by the Issuer will be returned without interest by direct credit into the Applicant's bank account.
- b) The Bonds may be applied for by all categories of investors, but Existing Noteholders shall have a preference in the allocation of Bonds pursuant to an Existing Secured Notes Conversion.

The Existing Noteholders may elect to convert all or any of the Existing Secured Notes held by them respectively as of the Cut-Off Date into Bonds pursuant to an Existing Secured Notes Conversion, at their discretion, subject to the minimum subscription amount of Bonds per investor of €5,000.

Such election shall be made by written Application for Bonds to be issued pursuant to such conversion made by the relevant Existing Noteholder through an Authorised Financial Intermediary, within the Offer Period for the Existing Secured Notes Conversion as set out in Section 8.1 above.

Where such election is made, the conversion shall take place on the Issue Date by the redemption of the relevant Existing Secured Notes held (which shall consequently be cancelled by the Issuer) in consideration for the simultaneous issue by the Issuer of a number of Bonds having an aggregate nominal value equal to the total redemption value of Existing Secured Notes, on the basis of €103 per Existing Secured Note, held by the relevant Existing Noteholder and being converted as aforesaid.

Any Existing Noteholder whose holding of Existing Secured Bonds has a total redemption value, based on €103 per Existing Secured Note, of less than the minimum subscription amount of Bonds per investor of €5,000, shall be required to pay the difference in cash ("**Cash Top-Up**").

Furthermore, where the aggregate redemption value of Existing Secured Notes subject to an Existing Secured Notes Conversion, based on a redemption value of €103 per Existing Secured Note, is not an integral multiple of €100, the amount representing the difference between such aggregate redemption value and such part of such aggregate redemption value which constitutes the greatest possible integral multiple of €100, shall be paid in cash by the Issuer to the relevant Existing Noteholder by way of Conversion Amount Adjustment Cash Payment within ten (10) Business Days from the Issue Date, unless the said Existing Noteholder elects to top up the conversion amount to an integral multiple of €100 by a payment in cash made by such Existing Noteholder (also referred to as a "**Cash Top-Up**").

Bonds applied for by Existing Noteholders by way of, and which will be issued pursuant to, an Existing Secured Notes Conversion, including such part thereof to be issued in consideration of a Cash Top-Up as aforesaid, shall be allocated prior to any other allocation of Bonds. Such allocation shall be made out of the placement amount attributed under the respective Placement Agreement to the relevant Authorised Financial Intermediary through which the relevant Application for Bonds pursuant to and the actual election for the Existing Secured Notes Conversion is made.

Subject to any Conversion Amount Adjustment Cash Payment payable to the relevant Existing Noteholders, upon such issue of Bonds to and simultaneous redemption of Existing Secured Notes held by an Existing Noteholder pursuant to an Existing Secured Notes Conversion as aforesaid, the redeemed Existing Secured Notes shall be cancelled and the appropriate entry made in the Issuer's register of debentures, and the Issuer shall be fully discharged from its obligations towards the Existing Noteholders under the Offering Memorandum or otherwise in respect of the redeemed Existing Secured Notes which obligations will be extinguished, and the issue of such Bonds pursuant to such Existing Secured Notes Conversion shall give rise to obligations on the part of the Issuer under the Bonds in terms of the Prospectus. By submitting the relevant Application for the subscription of Bonds pursuant to and the actual election for the Existing Secured Notes Conversion, the relevant Existing Noteholder confirms the above, apart from other confirmations, declarations, warranties, covenants or undertakings provided, given or made or deemed to be provided, given or made by him/her within or together or pursuant to or by submitting an Application.

Any Existing Secured Notes which are not converted into Bonds as aforesaid shall be redeemed upon the redemption date or early redemption date of such Existing Secured Notes in terms of the Offering Memorandum.

An Application for Bonds other than through an Existing Secured Notes Conversion as aforesaid shall be made through an Authorised Financial Intermediary, within the Offer Period for other Applications as set out in Section 8.1 above. Such Applications may be accepted

at the discretion of the respective Authorised Financial Intermediary and will form part of placement amount attributed under the respective Placement Agreement to the relevant Authorised Financial Intermediary.

- c) By submitting an Application, the Applicant is thereby confirming to the Issuer, the Registrar and the Authorised Financial Intermediary through whom the Application is made, that the Applicant's remittance will be honoured on first presentation and agrees that, if such remittance is not so honoured on its first presentation, the Issuer, the Registrar and the Authorised Financial Intermediary reserve the right to invalidate the relative Application. Furthermore the Applicant will not be entitled to receive a registration advice or to be registered in the register of Bondholders, unless the Applicant makes payment in cleared funds and such consideration is accepted by the respective Authorised Financial Intermediary, which acceptance shall be made in the Authorised Financial Intermediary's absolute discretion and may be on the basis that the Applicant indemnifies the Authorised Financial Intermediary against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of the Applicant's remittance to be honoured on first presentation.
- d) The contract created by the Issuer's acceptance of an Application filed by a prospective Bondholder through an Authorised Financial Intermediary shall be subject to all the Terms and Conditions set out in this Securities Note and the Memorandum and Articles of Association of the Issuer. By signing and submitting the Application, the Applicant, and in the case of joint applications, each individual joint Applicant, will be entering into a legally binding contract with the Issuer, which shall become binding on the Issuer if and when such Application is accepted by the Issuer, until which time the Application shall be irrevocable by the Applicant, except where otherwise expressly provided by law:
- i. whereby the Applicant acknowledges, declares and agrees, and will automatically be deemed to be acknowledging, declaring and agreeing, that he/she/it has made the Application solely on the basis of, and that he/she/it shall at all times be bound by and comply with, and shall be subscribing, acquiring and/or holding the relevant Bonds on the basis of, such Terms and Conditions;
 - ii. whereby he/she/it makes and gives, and will automatically be deemed to be making and giving, to the Issuer the declarations, confirmations, representations, warranties and undertakings contained in paragraph (q) below in this Section 8.2 and all other applicable declarations, confirmations, representations, warranties and undertakings contained in the Prospectus and/or in the Application;
 - iii. which contract, and any non-contractual matter arising out of or in connection with it, shall be governed and construed in all respects in accordance with the laws of Malta, and any disputes arising out of or in connection with such contract or any non-contractual matter arising out of or in connection therewith shall be subject to the exclusive jurisdiction of the courts of Malta, as provided in Section 6.19 ("Governing law and jurisdiction") of this Securities Note.
- e) If an Application is submitted on behalf of another person, whether legal or natural, the person submitting such Application shall be deemed to have duly bound such other person, whether legal or natural, on whose behalf the Application has been submitted. The person submitting such Application shall be deemed also to have given the declarations, confirmations, representations, warranties and undertakings contained in these terms and conditions, in the Prospectus and/or in the Application on their behalf. Such representative may be requested to submit the relative power of attorney, or resolution or a copy thereof duly certified by a lawyer or notary public if so required by the Issuer and the Registrar, but it shall not be the duty or responsibility of the Registrar or Issuer to ascertain that such representative is duly authorised to submit an Application. In the case of corporate Applicants or Applicants having separate legal personality, Applications have to include a valid legal entity identifier (LEI) which must be unexpired; and Applications without such information or without a valid LEI will not be accepted. Furthermore, in cases where the decision to invest is taken by a third party authorised to transact on behalf of the Applicant (a "decision maker") such as an individual that holds a power of attorney to trade on the Applicant's account or applications under a discretionary account, details of the decision maker need to be made available.
- f) In the case of joint Applications, reference to the Applicant in these Terms and Conditions is a reference to each of the joint Applicants, and liability therefor is joint and several as further detailed in Section 6.14 ("Bonds held jointly") of this Securities Note.
- g) In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register as further detailed in Section 6.8 ("Payments") and Section 6.15 ("Bonds held subject to usufruct") of this Securities Note. The usufructuary shall, for all intents and purposes, be deemed vis-à-vis the Issuer to be the holder of the Bond/s so held and shall have the right to receive interest on the Bond/s and to vote at meetings of the Bondholders but shall not, during the continuance of the Bond/s, have the right to dispose of the Bond/s so held without the consent of the bare owner, and shall not be entitled to the payment of the Redemption Value on the Bond, which shall be due to the bare owner or as otherwise indicated in the joint instructions of all bare owners and usufructuaries.
- h) Applications in the name and for the benefit of minors shall be allowed provided that the Applicant already holds an account with the MSE. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption monies payable to the parents / legal guardian/s until such time as the minor attains legal age, following which all interest and redemption monies shall be paid directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained legal age.

- i) The Bonds have not been nor will they be registered under the United States Securities Act, 1933 as amended, or under any federal or state securities law and may not be offered, sold or otherwise transferred, directly or indirectly, in the United States of America, its territories or its possessions, or any area subject to its jurisdiction (the "United States") or to or for the benefit of, directly or indirectly, any U.S. Person, as defined in Regulation "S" of the said Act. Furthermore, the Issuer will not be registered under the United States Investment Company Act, 1940.
- j) No person receiving a copy of the Prospectus or an Application in any territory other than Malta may treat the same as constituting an invitation or offer to such person nor should such person in any event use the Prospectus or make an Application, unless, in the relevant territory, such an invitation or offer could lawfully be made to such person or the Prospectus could lawfully be used and the Application could lawfully be made without contravention of any registration or other legal requirements.
- k) Subscription for Bonds by persons resident in, or who are citizens of, or who are domiciled in, or who have a registered address in, a jurisdiction other than Malta, may be affected by the law of the relevant jurisdiction. Those persons should consult their professional advisors, including tax and legal advisors, as to whether they require any governmental or other consents, or need to observe any other formalities, to enable them to subscribe for the Bonds. It is the responsibility of any person, including without limitation nominees, custodians, depositaries and trustees, outside Malta wishing to participate in the Bond Issue, to satisfy himself/herself/itself as to full observance of the applicable laws of any relevant jurisdiction, including, but not limited to, obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any transfer or other taxes of any nature whatsoever due in such territories. The Issuer shall not accept any responsibility for the non-compliance by any person of any applicable laws or regulations of foreign jurisdictions.
- l) Subject to all other terms and conditions set out in the Prospectus, the Issuer, the Registrar and the relevant Authorised Financial Intermediary reserve the right to reject, in whole or in part, or to scale down, any Application, and to present any cheques and/or drafts for payment upon receipt. The right is also reserved to refuse any Application which in the opinion of the Issuer, the Registrar or Authorised Financial Intermediary is not accompanied by the required documents.
- m) The Bonds will be issued in multiples of €100. The minimum subscription amount of Bonds that can be subscribed for by Applicants is €5,000. Submission of Application must be accompanied by the full price of the Bonds applied for, in Euro, except where and to the extent that the Application relates to the subscription of Bonds in consideration for redemption of Existing Secured Notes pursuant to an Existing Secured Notes Conversion. Payment may be made either by cheque, by bank transfer or any other method of payment as may be accepted by the respective Authorised Financial Intermediary. In the event that any cheque accompanying an Application is not honoured on its first presentation, the Authorised Financial Intermediary and/or the Issuer acting through the Registrar reserves the right to invalidate the relative Application.
- n) For the purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations (Legal Notice 372 of 2017, as subsequently amended), all Authorised Financial Intermediaries are under a duty to communicate, upon request, all information about clients as is mentioned in Articles 1.2(d) and 2.4 of the "Members' Code of Conduct" appended as Appendix 3.6 of the MSE Bye-Laws, irrespective of whether the Authorised Financial Intermediaries are Exchange Members or not. Such information shall be held and controlled by the Malta Stock Exchange in terms of applicable data protection legislation, in particular the Data Protection Act (Cap. 586 of the laws of Malta) and the General Data Protection Regulation (GDPR)(EU) 2016/679, as amended from time to time, as applicable, for the purposes, and within the terms, of the MSE's Data Protection Policy as published from time to time.
- o) It shall be incumbent on the respective Authorised Financial Intermediary to ascertain that all other applicable regulatory requirements relating to subscription of Bonds by an Applicant are complied with, including without limitation the obligation to comply with all applicable requirements set out in Regulation (EU) No. 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No. 648/2012 ("MiFIR"), as well as applicable MFSA Rules for investment services providers.
- p) By not later than 6 January 2023, the Issuer shall, through an announcement to be uploaded on the Issuer's website, namely www.cf.com.mt, announce the result of the Bond Issue and shall determine the basis of acceptance of applications and allocation policy to be adopted.
- q) By completing, signing and delivering and/or otherwise by making an Application, the Applicant:
 - i. irrevocably offers to purchase the number of Bonds specified in his/her/its Application, or any smaller number for which the Application is accepted, at the Bond Issue Price subject to the Prospectus, the Terms and Conditions and the Memorandum and Articles of Association;

- ii. agrees and acknowledges to have had the opportunity to read the Prospectus and to be deemed to have had notice of all information and representations concerning the Issuer and the Guarantor and the issue of the Bonds contained therein;
- iii. authorises the Issuer, the Authorised Financial Intermediary and/or the Registrar and the MSE, as applicable, to process the personal data that the Applicant provides, for all purposes necessary and subsequent to the Bond Issue applied for, in accordance with the Data Protection Act (Cap. 586 of the laws of Malta) and the General Data Protection Regulation (GDPR) (EU) 2016/679, as may be amended from time to time. The Applicant has the right to request access to and rectification of the personal data relating to him/her as processed in relation to the Bond Issue, in terms of applicable law. Any such request must be made in writing and sent, as applicable, to the Issuer and the relevant Authorised Financial Intermediary and to the MSE. The request must further be signed by the Applicant to whom the personal data relates;
- iv. warrants that the information submitted by the Applicant in or together with the Application is true and correct in all respects and in the case where an MSE account number is indicated in the Application, such MSE account number is the correct account of the Applicant. In the event of a discrepancy between the personal details, including the Applicant's name and surname and address, appearing on the Application and those held by the MSE in relation to the MSE account number indicated on the Application, the details held by the MSE shall be deemed to be the correct details of the Applicant;
- v. confirms that in making such Application no reliance was placed on any information or representation in relation to the Issuer, the Guarantor or the issue of the Bonds other than what is contained in the Prospectus and accordingly agree/s that no person responsible solely or jointly for the Prospectus or any part thereof will have any liability for any such other information or representation;
- vi. authorises the CSD, the Registrar and the Issuer to include his/her/its name or in the case of joint Applications, the first named Applicant, in the register of Bondholders in respect of the Bonds allocated to the Applicant;
- vii. warrants that the remittance will be honoured on first presentation and agrees that, if such remittance is not so honoured: (a) the Applicant will not be entitled to receive a registration advice or to be registered in respect of such Bonds, unless and until a payment is made in cleared funds for such Bonds and such payment is accepted by the respective Authorised Financial Intermediary or by the Issuer acting through the Registrar, which acceptance shall be made in its absolute discretion and may be on the basis that the Authorised Financial Intermediary or the Issuer acting through the Registrar is indemnified for all costs, damages, losses, expenses and liabilities arising out of, or in connection with, the failure of the Applicant's remittance to be honoured on first presentation at any time prior to unconditional acceptance by the Issuer acting through the Registrar of such late payment in respect of the Bonds; or (b) the Issuer may, without prejudice to other rights, treat the agreement to allocate such Bonds as void and may allocate such Bonds to another person, in which case the Applicant will not be entitled to a refund or payment in respect of such Bonds, other than return of such late payment, if any;
- viii. agrees that the registration advice and other documents and any monies returnable to the Applicant may be retained pending clearance of his/her remittance and any verification of identity as required by the Prevention of Money Laundering Act (Cap. 373 of the Laws of Malta) and regulations made thereunder, and that such monies will not bear interest;
- ix. agrees to provide the Registrar and/or the Issuer and/or the Authorised Financial Intermediary, as the case may be, with any information which it/they may request in connection with the Application;
- x. warrants, in connection with the Application, to have observed all applicable laws, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with his/her Application in any relevant territory, and that the Applicant has not taken any action which will or may result in the Issuer or the Registrar acting in breach of the regulatory or legal requirements of any territory in connection with the issue of the Bond or his/her Application;
- xi. warrants that all applicable exchange control or other such regulations, including those relating to external transactions, have been duly and fully complied with;
- xii. represents that the Applicant is not a U.S. person, as such term is defined in Regulation S under the Securities Act of 1933 of the United States of America, as amended, as well as not to be accepting the invitation set out in the Prospectus from within the United States of America, its territories or its possessions, or any area subject to its jurisdiction (the "United States") or on behalf or for the account of anyone within the United States or anyone who is a U.S. person;
- xiii. warrants that, where an Applicant makes an Application on behalf of another person or on behalf of a corporation or corporate entity or association of persons, the Applicant is duly authorised to do so and such person, corporation, corporate entity, or association of persons will also be bound accordingly and accordingly will be deemed also to have given the declarations, confirmations, representations, warranties and undertakings contained in these Terms and Conditions, in the Prospectus

and/or in the Application, and undertakes to submit the Applicant's power of attorney or a copy thereto duly certified by a lawyer or notary public if so required by the Issuer or the Registrar;

- xiv. warrants that where the Application is being lodged in the name and for the benefit of a minor, the Application is made by the parent/s or legal guardian/s of the minor;
 - xv. agrees that all documents in connection with the issue of the Bonds will be sent at the Applicant's own risk and may be sent by post at the address, or, in the case of joint Applications, the address of the first named Applicant, as set out in the Application;
 - xvi. agrees that any returned monies will be returned without interest at the Applicant's risk and will be returned by direct credit into the bank account as specified in the Application, and the relevant Authorised Financial Intermediary and the Issuer shall not be responsible for any charges, loss or delay arising in connection therewith;
 - xvii. renounces to any rights the Applicant may have to set off any amounts the Applicant may at any time owe the Issuer against any amount due under the terms of these Bonds;
 - xviii. agrees that the advisors to the Bond Issue listed in Section 3.4 of the Registration Document, in their capacity as such, will owe the Applicant no duties or responsibilities concerning the Bonds or the suitability of the Applicant;
 - xix. agrees that the Application, the acceptance of the Application and the contract resulting therefrom, all the rights and obligations of the Applicant and the Issuer, and any non-contractual matters arising out of or in connection therewith, shall be governed by and construed in accordance with Maltese law and, and that he/she/it submits to the jurisdiction of the Maltese Courts which shall have, and the Applicant agrees that such Courts will have, exclusive jurisdiction to hear and determine any dispute, action, suit or proceeding arising out of or in connection with any such Application, acceptance of Application and contract resulting therefrom, rights and obligations and non-contractual matters as aforesaid;
 - xx. agrees that the terms and conditions of the Trust Deed, which is available for inspection as set out in Section 17 of the Registration Document, shall be binding on it once it becomes a registered Bondholder as if it had been a party thereto and as if the Trust Deed contained covenants on its part as a registered Bondholder to observe and be bound by all the provisions thereof applicable thereto, and agrees that the Security Trustee is authorised and required to do the things required of it by the Trust Deed.
- r) Applications are to be made with or through Authorised Financial Intermediaries. Authorised Financial Intermediaries shall, prior to accepting an Application, conduct an Appropriateness Test in respect of the Applicant and, based on the results of such test, be satisfied that an investment in the Bonds may be considered appropriate for the Applicant. To the extent that an Authorised Financial Intermediary is providing advice or portfolio management in respect of a purchase of the Bonds by an Applicant, such Authorised Financial Intermediary shall also be required to conduct a Suitability Test in respect of the Applicant and based on the results of such test, be satisfied that an investment in the Bonds may be considered suitable for the Applicant.

For the purpose of this Securities Note, the term "**Appropriateness Test**" means the test conducted by any licensed financial intermediary, when providing an investment service, other than investment advice or portfolio management, in relation to the subscription for and the trading of Bonds, with the aim that such licensed financial intermediary determines, after collecting the necessary information, whether the investment service or the Bonds are appropriate for the prospective Applicant or prospective transferee. In carrying out this assessment, the licensed financial intermediary shall ask the Applicant or the prospective transferee to provide information regarding the Applicant or transferee's knowledge and experience so as to determine that the Applicant or transferee has the necessary experience and knowledge in order to understand the risks involved in relation to the Bonds or investment service offered or demanded, in accordance with the Conduct of Business Rulebook issued by the MFSA (the "CBR"). In the event that the licensed financial intermediary considers, on the basis of the test conducted, that the subscription or transfer of Bonds is not appropriate for the Applicant or prospective transferee, the licensed financial intermediary shall warn the Applicant or transferee that an investment in the Bonds is not appropriate for the Applicant or transferee.

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

meets the investment objectives of the Applicant or prospective transferee in question; b) it is such that the Applicant or prospective transferee is able financially to bear any related investment risks consistent with investment objectives of such Applicant or prospective transferee; and c) it is such that the Applicant or prospective transferee has the necessary experience and knowledge in the investment field relevant to the specific type of product or service in order to understand the risks involved in the transaction or in the management of his/her portfolio.

8.3 Plan of distribution and allotment

The Issuer has entered or shall enter, as the case may be, into Placement Agreements with each of the Authorised Financial Intermediaries listed in Annex I of this Securities Note, for the subscription of the total amount of €30 million in nominal value of Bonds being issued, to be subscribed to by each such Authorised Financial Intermediary either in its own name or in the name of its underlying clients.

The Bonds will be available for subscription by all categories of investors including the general public, subject always to the allocation preference which shall be given to Existing Noteholders in subscribing for Bonds pursuant to an Existing Secured Notes Conversion as set out in Sections 5, 8.2 and 8.6 of this Securities Note. The preferred allocation to Existing Noteholders, shall be limited up to the holding in the Existing Secured Bonds subject to Cash Top-Ups where applicable. Such allocation to Existing Noteholders pursuant to an Existing Secured Notes Conversion shall be made out of the placement amount attributed under the respective Placement Agreement to the relevant Authorised Financial Intermediary through which the relevant Application for Bonds pursuant to and the actual election for the Existing Secured Notes Conversion is made.

All Applications are subject to a minimum subscription amount of €5,000 in nominal value of Bonds and in multiples of €100 thereafter. Authorised Financial Intermediaries subscribing to the Bonds through nominee accounts for and on behalf of clients shall apply the minimum subscription amount of €5,000 to each underlying client.

In the event that an Authorised Financial Intermediary considers, on the basis of the results of the Appropriateness Test conducted, that the subscription of Bonds is not appropriate for the Applicant, it shall warn the Applicant that an investment in the Bonds is not appropriate for the Applicant. To the extent that an Authorised Financial Intermediary is providing advice in respect of a purchase of the Bonds by an Applicant, such Authorised Financial Intermediary shall also be required to conduct a Suitability Test in respect of the Applicant and, based on the results of such test, be satisfied that an investment in the Bonds may be considered suitable for the Applicant.

It is expected that Applicants will be notified of the amount of Bonds allocated to them respectively by means of an allotment letter to be sent within five (5) Business Days of the announcement of the result of the Bond Issue.

Dealings in the Bonds shall not commence prior to: (i) the Collateral being constituted in favour of the Security Trustee; (ii) notification of the amount allotted being issued to Applicants; and (iii) the Bonds being admitted to the Official List.

8.4 Placement agreements

The Issuer has entered or shall enter, as the case may be, into a Placement Agreement with each of the Authorised Financial Intermediaries listed in Annex I of this Securities Note, for the placement of a maximum aggregate amount of €30 million in nominal value of Bonds.

In terms of each Placement Agreement, the Issuer is conditionally bound to issue, and the relevant Authorised Financial Intermediary is conditionally bound to subscribe to, the number of Bonds indicated therein, subject to the Collateral being constituted in favour of the Security Trustee in accordance with the provisions of the Security Trust Deed and the Bonds being admitted to listing on the Official List of the Malta Stock Exchange, and subject to other terms and conditions set out in the Placement Agreements. The subscription obligations of the Authorised Financial Intermediaries under the Placement Agreements will become unconditional on the Authorised Financial Intermediaries upon such conditions being fulfilled, and the Issuer's obligations thereunder shall be subject to the Issuer having received all subscription proceeds in cleared funds, except where and to the extent that the Applications being received through the relevant Authorised Financial Intermediary relate to the subscription of Bonds in consideration for redemption of Existing Secured Notes pursuant to an Existing Secured Notes Conversion, in which case no cash payments will be received and forwarded by the relevant Authorised Financial Intermediary.

In terms of each of the said Placement Agreements, the relevant Authorised Financial Intermediary may subscribe for Bonds for its own account (where applicable) or for the account of underlying customers, including retail customers, and shall in addition be entitled to either: (i) distribute to the underlying customers any portion of the Bonds subscribed for upon commencement of trading, or (ii) complete a data file representing the amount being allocated in terms of the respective Placement Agreement as provided by the Registrar by latest 28 December 2022 at 12:00 hours, being the Placement Date. In any case, each underlying Application is subject to a minimum of €5,000 in Bonds and in multiples of €100 thereafter.

Authorised Financial Intermediaries which enter into Placement Agreements with the Issuer will be required to effect payment to the Issuer for the Bonds subscribed to, except such part thereof being subscribed in consideration for redemption of Existing Secured Notes pursuant to an Existing Secured Notes Conversion, by not later than the Placement Date.

8.5 Pricing

The Bonds are being issued at par, that is, at €100 per Bond with the full amount payable upon subscription, save where and to the extent that the Application is for the subscription of Bonds in consideration for redemption of Existing Secured Notes pursuant to an Existing Secured Notes Conversion.

8.6 Allocation policy

The Issuer shall allocate the Bonds to Authorised Financial Intermediaries indicated in Annex I of this Securities Note pursuant to the Placement Agreements entered into by them with the Issuer for the total amount of €30 million in nominal value of Bonds being issued, details of which can be found in Section 8.4 above.

Out of the amounts attributed respectively to the Authorised Financial Intermediaries pursuant to such Placement Agreements, preference of allocation shall be given to Existing Noteholders who apply, and to the extent that they are applying, for subscription of Bonds by way of, and in consideration for redemption of Existing Secured Notes pursuant to, an Existing Secured Notes Conversion, including such part thereof to be issued in consideration of a Cash Top-Up as provided in Sections 5 and 8.2. The preferred allocation to Existing Noteholders, shall be limited up to the holding in the Existing Secured Bonds subject to Cash Top-Ups where applicable.

The Issuer shall announce the result of the Bond Issue through a company announcement by not later than 6 January 2023.

The allocations aforesaid shall at all times be subject to the minimum investment amount for the subscription of Bonds, set at €5,000 per Applicant or underlying Applicant, as applicable, and in multiples of €100 thereafter.

8.7 Admission to trading

The Malta Financial Services Authority has authorised the Bonds as admissible to listing pursuant to the Capital Markets Rules by virtue of a letter dated 28 November 2022.

Application has been made to the Malta Stock Exchange for the Bonds being issued pursuant to the Prospectus to be listed and traded on the Official List of the Malta Stock Exchange.

The Bonds are expected to be admitted to the Malta Stock Exchange with effect from 13 January 2023 and trading is expected to commence on 16 January 2023.

8.8 Additional Information

Except for the financial analysis summary set out as Annex III, this Securities Note does not contain any statement or report attributed to any person as an expert.

The financial analysis summary has been included in the form and context in which it appears with the authorisation of Calamatta Cuschieri Investment Services Limited of Ewropa Business Centre, Triq Dun Karm, Birkirkara BKR 9034, Malta, which has given and has not withdrawn its consent to the inclusion of such report herein.

Calamatta Cuschieri Investment Services Limited does not have any material interest in the Issuer or Guarantor. The Issuer confirms that the financial analysis summary has been accurately reproduced in this Securities Note and that there are no facts of which the Issuer is aware that have been omitted and which would render the reproduced information inaccurate or misleading.

No credit ratings have been assigned to the Bonds at the request or cooperation of the Issuer in the rating process.

ANNEX I - LIST OF AUTHORISED FINANCIAL INTERMEDIARIES

Bank of Valletta p.l.c.

Premium Banking Centre
475, Triq il-Kbira San Guzepp
Sta Venera SVR 1011, Malta
(C 2833)
Tel: 22751732

Calamatta Cuschieri Investment Services Limited

Ewropa Business Centre,
Triq Dun Karm,
Birkirkara BKR 9034, Malta
(C 13729)
Tel: 25688688

MeDirect Bank (Malta) p.l.c.

The Centre,
Tigne` Point
Sliema TPO 0001
(C 34125)
Tel: 25574400

Michael Grech Financial Investment Services Limited

The Brokerage,
St Marta Street,
Victoria VCT 2550, Gozo
(C 28229)
Tel: 22587000

ANNEX II - GUARANTEE

THIS GUARANTEE and INDEMNITY AGREEMENT is dated 28 November 2022 and made between:

- i. **CF Estates Ltd.**, a company incorporated under the laws of Malta with registration number C 102632 and whose registered office is at CF Business Centre, Level 1, Triq Gort, Paceville, San Giljan, STJ 9023, Malta, (the "**Guarantor**") represented by _____ as duly authorized;
- ii. **CSB Trustees & Fiduciaries Limited**, a company incorporated under the laws of Malta with registration number C 40390 and whose registered office is at Level 3, Tower Business Centre, Tower Street, Swatar, Birkirkara BKR4013, Malta (the "**Security Trustee**") represented by _____ as duly authorized.

WHEREAS:

- A. CF Estates Finance p.l.c. (the "**Issuer**") shall issue up to €30,000,000 Secured Bonds at an annual interest rate of 5% to be redeemed and finally repaid on 6 January 2033 or, at the discretion of the Issuer, earlier, at any time after 6 January 2028 (the "**Secured Bonds**") by virtue of, and subject to the terms and conditions of, a prospectus dated 28 November 2022 issued by the Issuer in connection with the issue of such Secured Bonds (such prospectus, as the same may be amended, varied or supplemented from time to time, hereinafter referred to as the "**Prospectus**");
- B. the majority of the Issuer's shares are owned by the Guarantor;
- C. the Prospectus provides that, and it is a condition precedent for the issuance of the Secured Bonds that, *inter alia*, the Guarantor executes and grants this Guarantee and Indemnity Agreement (hereinafter referred to as "**Guarantee**") whereby it jointly and severally guarantees the punctual performance of the Issuer's payment obligations under the Bond Issue in favour of the Security Trustee for the benefit of the Bondholders; and
- D. the Guarantor has agreed to the conclusion and execution of this Guarantee in favour of the Security Trustee.

NOW, THEREFORE, IT IS BEING HEREBY AGREED AND COVENANTED AS FOLLOWS:

1. INTERPRETATION

In this Guarantee, unless the context otherwise requires:

"**Indebtedness**" means all moneys, obligations and liabilities now or at any time hereafter due, owing or incurred by the Issuer under the Secured Bonds to the Bondholders (whether alone and/or with others) in terms of the Prospectus and in any and all cases whether for principal, interests, capitalised interests, charges, disbursements, or otherwise and whether for actual or contingent liability;

"**writing**" or "**in writing**" shall mean any method of visual representation and shall include facsimile transmissions, telexes and other such electronic methods.

Capitalised terms used herein which are defined in the Prospectus shall, unless otherwise defined herein or unless the context otherwise requires, have the same meanings herein as in the Prospectus.

The Guarantor hereby acknowledges and declares that it has received a copy of the Prospectus as approved and issued by the Issuer.

2. GUARANTEE

2.1 COVENANT TO PAY

In satisfaction of the conditions precedent for the issuance of the Secured Bonds, and in consideration of the Bondholders acquiring the Secured Bonds, the Guarantor, as duly authorised, as primary obligor, hereby jointly and severally with the Issuer, unconditionally and irrevocably guarantees to the Security Trustee, for the benefit of Bondholders the payment of, and undertakes on first demand in writing made by the Security Trustee on the Guarantor, to pay the Indebtedness to the Security Trustee or any balance thereof at any time due or owing under the Secured Bonds.

2.2 LIABILITY AMOUNT

This is a continuing Guarantee for the whole amount of Indebtedness due or owing by the Issuer under the Secured Bonds but, notwithstanding anything contained in this Agreement, the amount due by the Guarantor to the Security Trustee under this Guarantee shall be up to and shall not be in excess of the Redemption Value of Secured Bonds subscribed for and issued pursuant to the Bond Issue, apart from interests due up to the date of payment and costs and expenses relating to the protection, preservation, collection or enforcement of the Security Trustee's rights against the Issuer and/or the Guarantor and/or other provider/s of Collateral which shall be additional to the maximum amount herein referred to.

2.3 INDEMNITY

As a separate and independent stipulation, the Guarantor agrees, as a principal obligation, to indemnify the Security Trustee on demand for all costs, charges and expenses incurred by it relating to the protection, preservation, collection or enforcement of the Security Trustee's rights against the Issuer and/or the Guarantor and/or other provider/s of Collateral as well as for any damages, losses (excluding loss of profit), costs and expenses arising from any failure on the part of the Issuer to perform any obligation to the Security Trustee.

3. CONTINUING AND UNCONDITIONAL LIABILITY

3.1 The liability of the Guarantor under this Guarantee shall be continuing until such time as the Indebtedness is fully repaid or until such time as the maximum amounts referred to in clause 2.2 above are paid by the Guarantor hereunder, and will not be prejudiced or affected by, nor shall it in any way be discharged or reduced by reason of:

- a) the bankruptcy, insolvency or winding up of the Issuer; or
- b) the incapacity or disability of the Issuer or any other person liable for any reason whatsoever; or
- c) any change in the name, style, constitution, any amalgamation or reconstruction of either the Issuer, or the Guarantor; or
- d) the Security Trustee conceding any time or indulgence, or compounding with, discharging, releasing or varying the liability of the Issuer or any other person liable or renewing, determining, reducing, varying or increasing any accommodation or transaction or otherwise dealing with the same in any manner whatsoever or concurring in, accepting or in any way varying any compromise, composition, arrangement or settlement or omitting to claim or enforce or exact payment from the Issuer or any other person liable; or
- e) the release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, the Issuer or any other person liable; or
- f) any event, act or omission that might operate to exonerate the Guarantor without settlement in full of the Indebtedness towards the Security Trustee.

3.2 This Guarantee provides the Security Trustee with the right of immediate recourse against the Guarantor, and the Security Trustee shall not be obliged before taking steps to enforce any of its rights and remedies under this Guarantee:

- a) to make or file any claim in a bankruptcy, liquidation, administration or insolvency of the Issuer or any other person; or
- b) to make, demand, enforce or seek to enforce any claim, right or remedy against the Issuer or any other person.

4. WAIVER OF GUARANTOR'S RIGHTS AND GUARANTOR'S WARRANTIES

4.1 Without prejudice to clause 2.2 above, this Guarantee shall be for the full amount of the Indebtedness due from time to time. The liability of the Guarantor under this Guarantee shall be decreased from time to time to the extent, if any, that the Issuer or the Guarantor or any other person shall have made any irrevocable payment of the Indebtedness.

4.2 Until the Indebtedness has been paid in full the Guarantor agrees that it will not, without the prior written consent of the Security Trustee:

- a) exercise any rights of subrogation, reimbursement and indemnity against the Issuer;
- b) demand or accept repayment, in whole or in part, of any Indebtedness now or hereafter due to the Guarantor from the Issuer or for repayment of same or demand any collateral in respect of same or dispose of same;
- c) take any step to enforce any right against the Issuer arising pursuant to the Guarantee or any payment made by the Guarantor thereunder;
- d) claim any set-off or counter-claim against the Issuer nor shall the Guarantor claim or prove in competition with the Security Trustee in the liquidation of the Issuer or benefit or share any payment from or in composition with the Issuer.

4.3 Subject to the overriding provisions of the Prospectus until the Indebtedness has been paid in full the Guarantor further agrees that:

- a) if an Event of Default under the Prospectus occurs, any sums which may thereafter be received by it from the Issuer or any person liable for the Indebtedness shall be held by it on trust exclusively for the Security Trustee and shall be paid to the Security Trustee immediately upon demand in writing;
- b) all rights of relief and subrogation arising in favour of the Guarantor upon a partial payment to the Security Trustee against the Issuer shall be suspended.

5. ADDITIONAL GUARANTEE

This Guarantee is to be construed as being in addition to and in no way prejudicing any other securities or guarantees which the Security Trustee may now or hereafter hold from or on account of the Issuer and is to be binding on the Guarantor as a continuing Guarantee until full and final settlement of all the Issuer's Indebtedness. Moreover, the remedies provided in this Guarantee are cumulative and are not exclusive of any remedies provided by law.

6. BENEFIT OF THIS GUARANTEE AND NO ASSIGNMENT

6.1 This Guarantee is to be immediately binding upon the Guarantor for the benefit of the Security Trustee and the liability hereunder is not subject to any conditions as to additional security being received by the Security Trustee or otherwise.

6.2 The Guarantor shall not be entitled to assign or transfer (by novation or otherwise) any of its rights or obligations under this Guarantee.

7. REPRESENTATIONS AND WARRANTIES

7.1 The Guarantor represents and warrants:-

- a) that it is duly incorporated and validly existing under the laws of Malta and has the power to carry on its business;
- b) that it has power to grant this Guarantee and that this Guarantee is duly authorised and all corporate action has been taken by the Guarantor in accordance with its constitutional document and the laws of its incorporation;
- c) that this Guarantee constitutes and contains valid and legally binding obligations of the Guarantor enforceable in accordance with its terms;

- d) that this Guarantee does not and will not constitute default with respect to or violate any law, rule, regulation, judgment, decree or permit to which the Guarantor is or may be subject; or the Guarantor's constitutional document; or any agreement or other instrument to which the Guarantor is a party or is subject or by which it or any of its property is bound;
- e) that it is in no way engaged in any litigation, arbitration or administrative proceeding of a material nature;
- f) that the obligations binding it under this Guarantee rank at least *pari passu* with all other present and future unsecured indebtedness of the Guarantor with the exception of any obligations which are mandatorily preferred by law;
- g) that it is not in breach of or in default under any agreement relating to indebtedness to which it is a party or by which it may be bound nor has any default occurred in its regard;
- h) that all the information, verbal or otherwise, tendered in connection with the negotiation and preparation of this Guarantee is accurate and true and there has been no omission of any material facts;
- i) that the granting of this Guarantee is in the commercial interest of the Guarantor and that the Guarantor acknowledges that it is deriving commercial benefit therefrom.

7.2 As from the date of this Guarantee, until such time as the Indebtedness is paid in full to the Security Trustee, and for as long as this Guarantee shall remain in force, the Guarantor shall hold true, good and valid all the representations and warranties given under this clause.

8. DEMANDS AND PAYMENTS

8.1 Without prejudice to clause 2.2 above, all the Indebtedness shall be due by the Guarantor under this Guarantee as a debt, certain, liquidated and due on the seventh (7th) day following the Security Trustee's first written demand to the Guarantor to pay. All demands shall be sent to the address or facsimile number or email address as are stated below as the same may be changed by notice in writing by one party to the other.

8.2 All sums payable by the Guarantor under this Guarantee shall be paid in full to the Security Trustee in the currency in which the Indebtedness is payable:

- a) without any set-off, condition or counterclaim whatsoever; and
- b) free and clear of any deductions or withholdings whatsoever except as may be required by law or regulation which is binding on the Guarantor.

8.3 If any deduction or withholding is required by any law or regulation to be made by the Guarantor, the amount of the payment due from the Guarantor shall be increased to an amount which (after making any deduction or withholding) leaves an amount equal to the payment which would have been due if no deduction or withholding had been required.

8.4 The Guarantor shall promptly deliver or procure delivery to the Security Trustee of all receipts issued to it evidencing each deduction or withholding which it has made.

9. NOTICES

Every notice, request, demand, letter or other communication hereunder shall be in writing, in the English language, and shall be delivered by hand or by pre-paid post, fax or email at the address, fax number or email address of the addressee set out below or as otherwise notified to the sender. Any such notice sent by prepaid post shall be deemed to have been received five (5) days after dispatch and evidence that the notice was properly addressed stamped and put into the post shall be conclusive evidence of posting. Any such notice sent by email or fax, or delivered by hand shall be deemed to have been received on the date on which it is sent or delivered, and failure to receive any confirmation shall not invalidate such notice.

If to the Guarantor:

Address: CF Business Centre, Level 1, Triq Gort, Paceville, San Giljan, STJ 9023, Malta

E-mail address: info@cf.com.mt

To the attention:

If to the Security Trustee:

Address: Level 3, Tower Business Centre, Tower Street, Swatar, Birkirkara BKR4013, Malta

Fax number:

E-mail address:

To the attention:

10. APPLICABLE LAW AND JURISDICTION

This Guarantee and any non-contractual matters in relation thereto shall be governed by and construed in accordance with the laws of Malta.

The parties agree that the Courts of Malta have exclusive jurisdiction to settle any disputes in connection herewith and in connection with any non-contractual matters in relation hereto, and accordingly submit to the jurisdiction of such Courts.

The parties waive any objection to the Maltese Courts on grounds of inconvenient forum or otherwise as regards proceedings in connection herewith and agree that a judgement or order of such a Court shall be conclusive and binding on them and may be enforced against them in the Courts of any other jurisdiction.

duly authorised, on behalf of **CF Estates Ltd. (Guarantor)**

duly authorised, on behalf of **CSB Trustees & Fiduciaries Limited (Security Trustee)**

The Directors
CF Estates Finance p.l.c.
CF Business Centre,
Level 1, Triq Gort, Paceville,
San Giljan, STJ 9023,
Malta

28 November 2022

Re: Financial Analysis Summary – 2022

Dear Sirs,

In accordance with your instructions, and in line with the requirements of the MFSA Listing Policies, we have compiled the Financial Analysis Summary (the “**Analysis**”) set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the financial analysis is that of summarising key financial data appertaining to CF Estates Finance p.l.c. (the “**Issuer**”) as explained in part 1 of the Analysis. The data is derived from various sources or is based on our own computations as follows:

- (a) Historical financial data for the year ended 31 December 2021 has been extracted from the Issuer’s pro-forma consolidated financial statements.
- (b) The forecast data for the financial years ending 2022 and 2023 has been provided by management.
- (c) Our commentary on the Issuer’s results and financial position is based on the explanations set out by the Issuer in the Prospectus and on the MFSA Listing Policies.
- (d) The ratios quoted have been computed by us applying the definitions set out in Part 4 of the Analysis.
- (e) The principal relevant market players listed in Part 3 of the document have been identified by management. Relevant financial data in respect of competitors has been extracted from public sources such as the web sites of the companies concerned or financial statements filed with the Registrar of Companies or websites providing financial data.

The Analysis is meant to assist potential investors by summarising the more important financial data set out in the Prospectus. The Analysis does not contain all data that is relevant to potential investors and is meant to complement, and not replace, the contents of the full Prospectus. The Analysis does not constitute an endorsement by our firm of the proposed bond issue and should not be interpreted as a recommendation to invest in the Issuer’s securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis and no representation or warranty is provided in respect of the reliability of the information contained in the Prospectus. Potential investors are encouraged to seek professional advice before investing in the Issuer’s securities.

Yours sincerely,



Patrick Mangion
Head of Capital Markets

FINANCIAL ANALYSIS SUMMARY 2022



DEVELOPMENT | HOTELS | OFFICES | RETAIL

28 November 2022

**Prepared by Calamatta Cuschieri
Investment Services Ltd**

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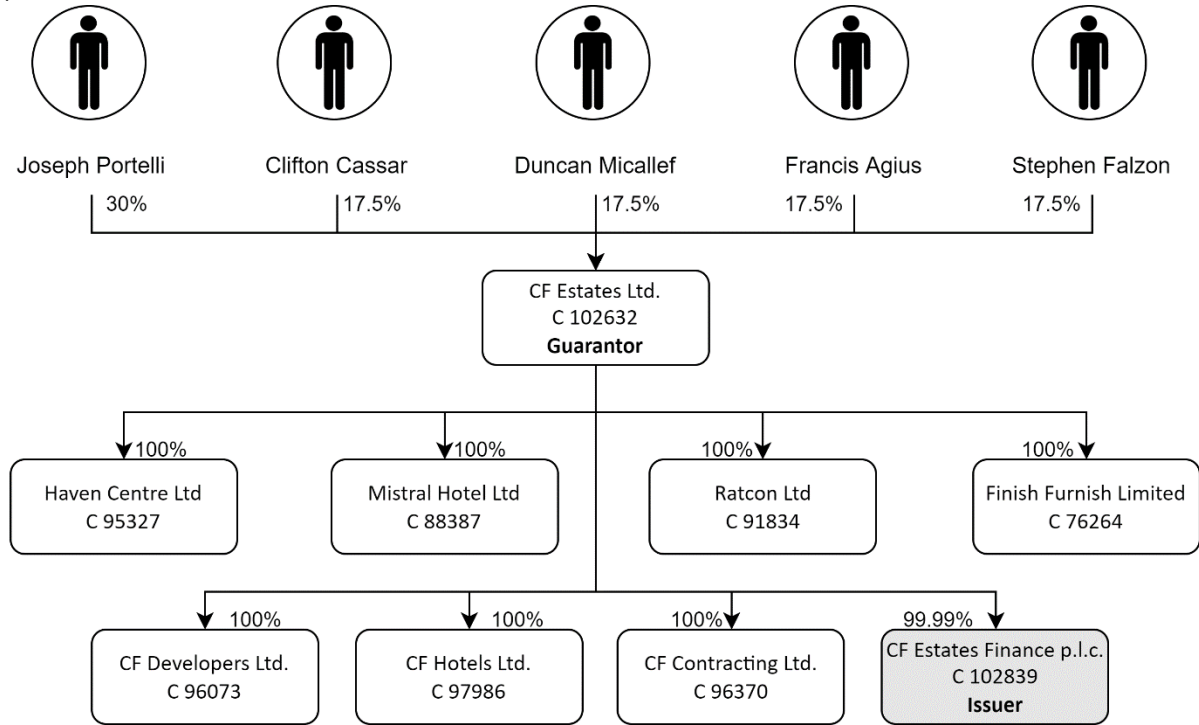
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Part 1 - Information about the Group

CF Estates Finance p.l.c. is issuing €30m 5% Secured Bonds 2023 - 2033 pursuant to a prospectus dated 28 November 2022. This Financial Analysis Summary has been prepared in line with the MFSA Listing Policies

1.1. Issuer's Key Activities and Structure

The Group structure is as follows:



CF Estates Finance p.l.c. ("the **Issuer**") was incorporated on 26 July 2022 and has at the date of this Analysis an authorised share capital of €250,000 divided into 250,000 Ordinary Shares of €1 each and has an issued share capital of €250,000 divided into 250,000 Ordinary Shares of €1 each, all fully paid up. The Issuer is, except for one ordinary B share that is held by Mr Joseph Portelli, a fully owned subsidiary company of CF Estates Ltd. ("the **Guarantor**").

CF Estates Ltd. was incorporated on 30 June 2022 to act as both holding company and the parent of the CF Group ("the **Group**"). The Group is owned directly by Joseph Portelli, Francis Agius, Stephen Falzon, Duncan Micallef and Clifton Cassar ("the **Shareholders**"). The Group operates, through its subsidiaries, a range of businesses including hotels, a business centre, residential developments and a leading tile, bathroom and furniture outlet.

Prior to a group restructuring exercise, the Shareholders operated through different companies. Stephen Falzon, Duncan Micallef and Francis Agius developed residential projects through "**SDF Limited**" which was incorporated in 2013. These three along with Joseph Portelli also developed residential projects through "**7 Dwarfs Limited**" which was

incorporated in 2020. "**Finish Furnish Ltd**" which operates the Casafini showroom in Balzan was set up in 2016 by Stephen Falzon, Duncan Micallef and Francis Agius through "**FMG Global Holdings Ltd**" along with Joseph Portelli.

Joseph Portelli, Duncan Micallef and Clifton Cassar also developed residential projects through "**JDC Projects Limited**" and "**JDC Contracting Limited**" which were incorporated in 2018 and 2019 respectively. These three also acquired and developed three hotels and a business centre ("**CF Business Centre**"). The three hotels being "**Sciocco Hotel**" and "**Levante Hotel**" through Ratcon Limited and "**Mistral Hotel**" through Mistral Hotel Ltd. The CF Business centre on the other hand is owned through "**Haven Centre Ltd**".

In 2020, the Shareholders began discussions on merging their aforementioned businesses to create synergies which would facilitate further growth in their future operations. The companies involved in the merger were Haven Centre Ltd, Mistral Hotel Ltd, Ratcon Ltd and Finish Furniture Ltd. The shareholders agreed that any developments which were still in progress would be completed by the corresponding entities. Going forward however, all new developments

would be done through “CF Developers Ltd” and “CF Contracting Ltd” which were both set up in 2020 and directly owned by the Shareholders. The Shareholders proposed incorporating a new holding company which will be owned 30% by Joseph Portelli and 17.5% each by Francis Agius, Duncan Micallef, Stephen Falzon and Clifton Cassar.

Management explained that in most cases the acquisition of the land and construction of the development up to shell form is carried out by CF Developers whilst CF Constructing is appointed to finishing the common areas and apertures. CF Contracting may also be appointed to finish and furnish the apartments if requested by the client. Furthermore, “CF Hotels Ltd” was incorporated in 2021 and is directly owned by the Shareholders.

1.2. Directors and Key Employees

Board of Directors - Issuer

As of the date of this Analysis, the board of directors of the Issuer is constituted by the following persons:

Name	Office Designation
Mr Joseph Portelli	Chairman and Executive Director
Mr Francis Agius	Executive Director
Mr Stephen Muscat	Independent Non-executive Director
Mr Mario Vella	Independent Non-executive Director
Mr Peter Portelli	Independent Non-executive Director

The business address of all of the directors is the registered office of the Issuer.

Dr Joseph Saliba is the company secretary of the Issuer. The board of the Issuer is composed of five directors who are entrusted with its overall direction and management. The executive directors are entrusted with the decision-making and the day-to-day management of the Issuer, whereas the non-executive directors, all of whom are independent of the Issuer, monitor the executive activity of the Issuer and contribute to the development of its corporate strategy, by providing objective and impartial scrutiny.

Board of Directors - Guarantor

As of the date of this Analysis, the board of directors of the Guarantor is constituted by the following persons:

Name	Office Designation
Mr Joseph Portelli	Chairman and Executive Director
Mr Francis Agius	Executive Director
Mr Clifton Cassar	Executive Director
Mr Stephen Falzon	Executive Director
Mr Duncan Micallef	Executive Director

The business address of all of the directors is the registered office of the Issuer.

Dr Nicole Ann Demicoli is the company secretary of the Guarantor.

The board of the Guarantor is composed of five directors who are entrusted with its overall direction and management of the day-to-day management.

1.3. Major Assets owned by the Group

1.3.1. Hotels

The hotels owned by the Group include the Scirocco Hotel, Levante Hotel and Mistral Hotel, which are situated in St. Julian's. The hotels are in the final stages of development and are expected to operate from April 2023 as three-star hotels. Since the hotels will be operated by the Group and managed by Meliã, they are classified as property, plant and equipment. Following completion, the hotels are expected to be revalued upwards to €17.5m, in line with the valuation received from Perit Edwin Mintoff.

1.3.2. CF Business Centre

The CF Business Centre has a value of €11.8m as at 31 December 2021. The business centre was completed during the first half of 2022. CF Developers' head offices are now situated in Level 1 of the business centre, with the intention of occupying Level 8 in the future. As at 31 December 2021, the property has been classified as part of property, plant and equipment but, going forward, will be part accounted for as property, plant and equipment and part as investment property given that the Group will be using two floors of the building as its head office. It is expected that during FY22, the business centre will be revalued upwards to €15.9m, in line with the valuation received from Perit Edwin Mintoff.

1.3.3. Casafini Showroom

Casafini, operated through Finish Furnish Ltd, is a tile, bathroom and furniture outlet that offers a wide range of products to related and third parties, through its showroom located in Balzan. As the showroom is leased from third parties, the building improvements, furniture and fixtures, office and IT equipment, and motor vehicles owned by Finish Furnish for the Casafini showroom are classified as property, plant and equipment, whilst the stock of retail goods in hand as at year end is accounted for as inventory.

1.3.4. Residential Units

The inventory of the Group as at year-end also consists of work-in-progress in relation to the development of residential units, undertaken by CF Developers and CF Contracting. As at 31 December 2021, inventory relating to property development totalled €3.6m and principally included cost of land, permits, professional fees and construction costs in relation to Regent development (€1.7m), Gardenia development (€0.5m) and Azalea development (€0.5m). In addition, property purchase deposits and stamp duty of €1.1m on sites held on promise of sale as at 31 December 2021 are accounted for as part of trade and other receivables.

1.4. Operational Developments

1.4.1. Hotels

As mentioned previously, all three hotels are currently under development. The Scirocco Hotel permit will allow for a store, laundry room, changing room, gym, piano area, pool deck area and hotel accommodation from level 1 to 10. The Levante Hotel will include a kitchen at basement level, a restaurant at ground floor level, reception on the first floor and hotel accommodation from level 1 to 10 with a pool deck area on the 10th floor. Lastly, the Mistral hotel development will consist of a store and restaurant at lower intermediate level, a lobby area at ground floor level, hotel accommodation from level 0 to 9 and a rooftop pool deck area with restaurant.

1.4.2. CF Business Centre

Initially, the building should have been complete by February 2022 but management noted that due to delays encountered, the opening date was shifted and revenues shall commence from 1 January 2023. The business centre is in the final stages of finishing and in May 2022, CF Developers relocated its head office to this building. The idea is to turn this property into a luxurious and spacious work environment and will include a restaurant, games room, offices, a store and also a gym. As at the date of this Analysis 7 out of the 8 levels have been rented out to related or third parties with contracts in hand.

1.4.3. Residential Units

As at the date of this Analysis, CF developers has permits to develop 11 projects. A description of some of the most material project follows.

1.4.3.1. Mayfair

On 17 May 2022, CF Developers acquired the land known as “Ta Dardu” in Triq Lorenzo Manche Attard overlooking Villa Bologna gardens for a consideration of €5.3m. On 16 November 2021, a full development permit was approved to excavate 44 basement garages and construct 43 residential units from the ground floor upwards including penthouses. Works for this property are expected to be completed by FY23 and cost in the region of €10.1m.

1.4.3.2. Park Lane

On 3 August 2022, CF Developers entered into a promise of sale agreement to acquire “Dolphin centre” in Triq Wied Hal Balzan corner with Triq il-Kbira with an approximate floor area of 3,997m². The property was acquired for a consideration of €9.5m, of which €2.1m would be delivered through a barter of units from this project in shell form. The development will include 8 1-bed apartments, 24 2-bed apartments and 56 3-bed apartments. The permit also allows for offices, a bank and a restaurant. Works are expected to be completed by FY2024.

1.4.3.3. Artemis and Hestia

These two developments are made up of a site of approximately 1,670m² under preliminary agreement for a consideration of €5.0m plus a barter of 4 garages, an apartment and a penthouse within the site. The second site consists of approximately 400m² under preliminary agreement for a consideration of €0.9m of which part will be paid in cash and part through an exchange in property from Excel Investments Limited. These two properties will be connected to each other and will in practice be developed and sold as one composite development and are expected to be completed by FY24.

1.4.3.4. Macael

CF Developers entered into a promise of sale agreement with various vendors to acquire 5 houses in Poala for a consideration of €1.5m plus a barter for 6 units and 5 garages from the said development. On 15 December 2021, the planning authority granted CF developers a permit to demolish the existing property, construct 18 garages and 45 apartments including penthouses with a Jacuzzi/pool. The development is over a site of approximately 1,155m² and will include 2 1-bed apartments, 17 2-bed apartments and 26 3-bed apartments. All units are expected to be complete by FY23 and is expected to cost in the region of €4.4m.

1.4.3.5. Vermont Court

CF Developers acquired several properties in Pieta for a total of €2.4m. A permit was granted by the planning authority for the excavation of basement garages a retail shop and maisonettes at ground floor plus 6 overlying floors of apartments. The development will include 42 2-bedroom units, 9 garages and one outlet over a site with a superficial area of around 435m². Works are expected to be completed in FY24 and the total development cost is expected to be around €3.9m.

1.4.3.6. Sunrise Corner

CF Developers acquired a house on Triq Olaf Gollcher corner with Triq it-Torri, Birkirkara from various vendors for €0.6m with a developable area of 105m². The permit granted on this development allowed for the excavation of the plot and construction of a garage, office and 8 apartments including 2 duplexes and a pool. The apartments will be split 1 1-bed apartment and 7 2-bed apartments. Works are expected to be completed by end of FY22 and cost in the region of €0.8m.

1.4.4. Use of proceeds

The net proceeds of the bond issue, which are expected to amount within the region of €29.4m, are earmarked by the Issuer for the following purposes:

- *Circa* €11.3m for the refinancing of Scirocco Hotel, Levante Hotel, Mistral Hotel and CF Business Centre;
- *Circa* €2.8m for the development and finishing of Scirocco Hotel, Levante Hotel and Mistral Hotel;
- *Circa* €4.2m to acquire, construct and/or develop the following sites: Macael; Mayfair; Sunrise Corner and Vermont Court;
- *Circa* €3.6m to finance the conversion of existing secured notes into bonds; and
- *Circa* €7.5m to be kept for general corporate funding purposes.

Bond issue costs are estimated at €600k and consist of broker, sponsor, legal, and financial advisory fees.

Part 2 - Historical Performance and Forecasts

As set out on page 1.1, a restructuring exercise was completed by the shareholders during FY2022, whereby ultimately CF Estates Ltd. was set up as the holding company of the CF Group with a share capital of €6.6m. As the Issuer and the Guarantor have not conducted any business and have no trading record as at the date of this Analysis, this section includes Pro-forma consolidated statement of comprehensive income of the Group for the year ended 31 December 2021, being the aggregation of all subsidiaries for FY21, net of consolidation adjustments. This is based on the draft audited financial statements of the following: – Finish Furnish, Haven Centre, Ratcon, Mistral, CF Contracting, CF Developers and CF Hotels

The projected financial information for the year ending 31 December 2022 and 2023 has been provided by the Group's management. This financial information relates to events in the future and are based on assumptions which the Group believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

2.1. Group's Statement of Comprehensive Income

Group's Statement of Comprehensive Income for the year ended 31 December	2021A	2022F	2023P
	€'000s	€'000s	€'000s
Revenue	3,419	16,307	26,816
Cost of sales	(2,352)	(10,620)	(17,467)
Gross profit	1,067	5,687	9,349
Administrative expenditure	(2,171)	(2,071)	(3,259)
Fair value gains	-	2,076	-
Other income	158	-	-
EBITDA	(946)	5,692	6,090
Depreciation and amortisation	(281)	(96)	(231)
EBIT	(1,227)	5,596	5,859
Finance cost	(72)	(237)	(773)
Profit / (loss) before income tax	(1,299)	5,359	5,086
Current tax charge	(11)	(1,233)	(1,527)
Profit / (loss) for the year	(1,310)	4,126	3,559

Ratio Analysis	2021A	2022F	2023P
Profitability			
Growth in Revenue (YoY Revenue Growth)	N/A	377.0%	64.4%
Gross Profit Margin (Gross Profit/ Revenue)	31.2%	34.9%	34.9%
EBITDA Margin (EBITDA / Revenue)	-27.7%	34.9%	22.7%
Operating (EBIT) Margin (EBIT / Revenue)	-35.9%	34.3%	21.9%
Net Margin (Profit for the year / Revenue)	-38.3%	25.3%	13.3%
Return on Common Equity (Net Income / Average Equity ¹)	-20.8%	32.3%	17.0%
Return on Assets (Net Income / Average Assets ²)	-4.5%	6.4%	3.4%
Return on capital employed (EBITDA/ Total Assets - Current Liabilities)	-5.0%	8.1%	10.6%
EBITDA Growth	N/A	501.7%	7.0%

The Group currently has 2 main revenue streams which are sale of bathrooms, furniture and tiles from their Finish Furnish showroom and the sale of developed property from CF Developers and CF Contracting. As at 31 December 2021

CF Developers had concluded promise of sales agreements on most of the development projects currently under construction. These promise of sale agreements extend up till FY24, in line with the respective completion dates and

¹ Average equity for FY21 only includes FY21 total equity

² Average assets for FY21 only includes FY21 total assets

had a sales value of €31.3m. However, due to IFRS15, which states that revenue can only be recognised in the income statement once the contract of sale is signed. In FY21, the Group could only recognise revenue of €0.2m from the sale of an apartment and a garage within Azalea Apartments located in St. Julian's.

The remaining €3.2m worth of sales were generated through Finish Furnish and resulted in a total sales value of €3.4m in FY21. The Group expects to generate revenue of €16.3m in FY22 and €26.8m in FY23. The increase in revenue for FY23 includes an additional two revenue streams. These being the commencement of the hotel operations (all 3 hotels are expected to be inaugurated in April 2023) and the leasing of office and commercial space situated in the CF Business Centre (initially planned for FY22 but delays pushed revenue into FY23). The biggest portion of revenue is expected to come from CF Developers and CF Contracting, which will make up around 65% of sales in both projected years. The Group is therefore forecasting strong revenue growth in both FY22 and FY23 of 377.0% and 64.4% respectively.

Cost of sales ("COS") in FY21 primarily consist of direct costs relating to finished products sold by Finish Furnish. COS in FY21 also include €0.1m related to development costs with respect to the Azalea sale of apartment and garage including the cost of land (net of stamp duty and professional fees) to acquire the site, excavation and construction costs to develop the apartment. COS are expected to jump significantly in FY22 and FY23 to €10.6m and €17.5m respectively. COS in the projected years also include, apart from development costs related to property, direct costs related to operating the hotel, operational expenses associated with running and maintaining the building and direct costs to operate the Casafini showroom, namely purchases of store supplies such as tiles, bathrooms and furniture. Gross profit margins are expected to remain consistent in the forecasted years at around 34.9%.

Administrative expenses mainly consist of administrative wages and salaries but also include rent, marketing costs, professional fees, insurance, bank charges and water and electricity. Administrative costs amounted to €2.2m in FY21 and are projected to be €2.1m in FY22 and €3.3m in FY23.

The business centre is expected to be revalued upwards to €15.9m in FY2022 resulting in an uplift of €2.8m. Given that two floors of the business centre will be occupied by the Group, a pro-rata increase of €2.1m, being the six floors leased to third parties, is accounted for as a fair value gain movement in the income statement in line with IAS 40.

EBITDA for FY21 came in at (€0.9m) whilst in FY22 and FY23 this is expected to increase substantially to €5.7m and €6.1m respectively due mainly to the higher revenue. The high administrative costs in FY21 led to a negative EBITDA margin of 27.7%. The expected revaluation in FY22 will help the Group achieve an EBITDA margin of 35.0% in FY22 whilst EBITDA margin is projected to be around 22.7% in FY23. The depreciation charge in FY21 amounted to €0.3m and led to an operating loss of €1.2m. Depreciation and amortisation in FY22 and FY23 are expected to amount to €0.1m and €0.2m respectively, which will result in EBIT figures of €5.6m and €5.9m.

Finance costs consist of the interest on bank borrowings primarily in relation to Haven Centre and Finish Furnish and will also include the interest payments on the proposed bond. Furthermore, the Group is currently in discussions with the bank to assist on the acquisition and development of Park Lane. In FY21, finance costs totalled €0.1m leading to a loss before tax of €1.3m.

Finance costs for FY22 and FY23 are expected to be €0.2m and €0.7m respectively leading to a profit before tax of €5.4m in FY22 and €5.1m in FY23. Interest during development is capitalised as per IAS 23, whilst all other interest is projected to be expensed in the income statement as incurred. The tax charge for FY2021 was negligible and led to a loss for the year of €1.3m. Tax expenses are expected to be €1.2m in FY22 and €1.5m in FY23, which would mean profit for the year figures of €4.1m and €3.6m respectively.

The loss for the year in FY21 resulted in negative return on equity and negative return on assets of 20.8% and 4.5% respectively. The stronger results, which are expected in FY22 and FY23, however, will result in return on equity figures of 32.3% and 17.0% and return on assets of 6.4% and 3.4% in FY22 and FY23 respectively.

2.2. Group's Statement of Financial Position

Group's Statement of Financial Position as at 31 December	2021A	2022F	2023P
	€'000s	€'000s	€'000s
Assets			
Non-current assets			
Property, plant and equipment	18,500	22,174	22,102
Goodwill	1,071	2,338	2,338
Right-of-use asset	157	46	-
Deferred tax assets	341	685	649
Investment property	-	11,925	15,562
Total non-current assets	20,069	37,168	40,651
Current assets			
Inventory	5,243	44,792	47,976
Trade and other receivables	2,567	2,214	2,710
Cash and cash equivalents	1,529	15,271	18,400
Total current assets	9,339	62,277	69,086
Total assets	29,408	99,445	109,737
Equity			
Share capital	6,308	6,308	6,308
Revaluation reserve	-	7,554	7,534
Retained earnings	-	5,392	8,952
Total equity	6,308	19,254	22,794
Liabilities			
Non-current liabilities			
Borrowings	12,758	50,557	33,601
Deferred tax liability	-	818	818
Minimum lease payment	35	-	-
Total non-current liabilities	12,793	51,375	34,419
Current liabilities			
Borrowings	1,306	4,114	21,151
Minimum lease payment	104	64	-
Taxation payable	-	(5)	(11)
Trade and other payable	8,897	24,643	31,384
Total current liabilities	10,307	28,816	52,524
Total liabilities	23,100	80,191	86,943
Total equity and liabilities	29,408	99,445	109,737

Ratio Analysis	2021A	2022F	2023P
Financial Strength			
Gearing 1 (Net Debt / Net Debt and Total Equity)	66.8%	67.2%	61.5%
Gearing 2 (Total Liabilities / Total Assets)	78.6%	80.6%	79.2%
Gearing 3 (Net Debt / Total Equity)	200.9%	205.0%	159.5%
Net Debt / EBITDA	-1,339.8%	693.3%	596.9%
Current Ratio (Current Assets / Current Liabilities)	0.9x	2.2x	1.3x
Quick Ratio (Current Assets - Inventory / Current Liabilities)	0.4x	0.6x	0.4x
Interest Coverage 1 (EBITDA / Cash interest paid)	N/A	7.9	6.4
Interest Coverage 1 (EBITDA / Finance Costs)	-13.1x	24.0x	7.9x

In FY21, property, plant and equipment (“PPE”) made up 92.2% of the Groups non-current assets coming in at €18.5m. The remaining €1.6m was made up of goodwill (€1m), right-of-use assets (€0.2m) and deferred tax assets (€0.3m). The deferred tax asset was recognized by Finish Furnish in relation to losses arising from prior periods. This meant that total non-current assets for FY21 amounted to €20.1m. In FY22, the Group’s PPE is expected to be revalued upwards and this is the main reason for the increase in PPE to €22.2m. PPE, goodwill, right-of-use assets and deferred tax assets are expected to remain stable in FY23.

In FY22, the Group expects to recognise investment property as part of its non-current assets and this will relate to the six floors of office space and commercial outlet situated within the CF Business centre, which is expected to be revalued to €11.9m in FY22. The realisation of investment property will increase the Group’s non-current assets to €37.2m in FY22 and will increase further to €40.7m in FY23. Inventories in FY21 stood at €5.2m and consisted mainly of inventory relating to property development which totalled €3.6m and principally included cost of land, permits, professional fees and construction costs in relation to Regent development (€1.7m), Gardenia development (€0.5m) and Azalea development (€0.5m).

Inventory in FY21 also included the stock of retail goods in hand as at year in relation to Finish Furnish (€1.6m). As at 31 December 2021, The Group’s inventory level is projected to increase in FY22 (€44.8m) and FY23 (€48m) due to construction on the development projects, which will be complete and sold by FY24.

Trade and other receivables relate mainly to receivables from the operations of the hotels and Finish Furnish. The trade receivable balances for the hotel operations and Finish Furnish were estimated based on trade receivable days of 60 days and 6 days respectively over the forecast period. Trade and other receivables were €2.6m in FY21 and are expected to be €2.2m in FY22 and €2.7m in FY23. Cash and cash equivalents in FY21 amounted to €1.5m. In FY22, cash is expected to increase significantly to €15.3m since the Group

expects to draw most of its bank facilities and also due to the Bond issue. In FY23, the Group’s cash position is expected to increase mainly due to positive movements in trade payables.

Current assets amounted to €9.3m in FY21 and are expected to increase to €62.3m in FY22 and €69.1m in FY23 due to increased inventory and a stronger cash position which is reflected in the stronger forecasted current ratios of 2.2x and 1.3x in FY22 and FY23 respectively. This means that total assets for FY21 came in at €29.4m whilst total assets for FY22 and FY23 are expected to amount to €99.5m and €109.7m respectively. When it comes to equity, the Group’s share capital stood at €6.3m during FY21 and is expected to remain at this level in FY22 and FY23. In FY22, the Group expects its revaluation reserve to increase to €7.6m due to the uplift of the hotels and business centre and will remain at this level in FY23.

Retained earnings are expected to increase to €5.4m in FY22 and will increase further to €9m in FY23 due to accumulated profits from the business operations. Total equity in FY21 was equal to the share capital amount of €6.3m. In FY22 and FY23, on the other hand, total equity is expected to amount to €19.3m and €22.8m. The projections exclude any payment of dividends to the shareholders of CF Estates.

The Group’s borrowings in FY21 mainly consisted of bank borrowings and a loan with a third party. The bank borrowings were made up of €1.9m for Ratcon, €1.2m for Mistral, €7.7m for Haven Centre, €0.3m overdraft and €0.1m loan for Finish Furniture, €1.9m for CF Developers and €1.0m third party loan which has been fully repaid as at the time of this Analysis. The bank loans on Ratcon, Mistral and Haven Centre will be refinanced through the proposed bond and therefore going forward, the Group’s bank loans will consist of the bank loan and overdraft of Finish Furnish and bank loans of CF Developers.

Borrowings in FY22 are expected to increase substantially due to the Bond issue. The Groups interest coverage ratios in FY22 and FY23 are projected to be healthy from both a

finance cost as well as actual interest paid point of view. Trade and other payables of €9m principally include customer deposits (€3.8m), trade and other payables (€3.6m) and shareholder balances to SDF Limited and the shareholders which are not part of the restructuring (€0.6m). Management noted that the deposits of €3.8m were generated by CF Developers who had entered into 146 promises of sale agreements for residential units valued at €31.3m and 96 promises of sale agreements for garages valued at €1.4m as at 31 December 2021. Gearing in FY21

came in at 66.8% and is forecasted to remain relatively stable at 67.2% and 61.5% in FY22 and FY23 respectively. In FY22 and FY23 trade and other payables are expected to increase substantially to €24.6m and €31.4m mainly due to increased customer deposits in line with higher revenue and increased amounts due to contractors with respect to the development for the residential units. In FY21 total liabilities amounted to €23.1m, whilst in FY22 and FY23 they are expected to amount to €80.2m and €86.9m respectively.

2.3. Group's Statement of Cash Flows

Group's Statement of Cash Flows for the year ended 31 December		2022F	2023P
		€'000s	€'000s
Cash flows from operating activities			
EBITDA		5,692	6,090
Adjustments for:			
Fair value gain		(2,076)	-
IFRS 16		29	(19)
<i>Movement in working capital</i>			
Movement in inventories		(39,550)	(3,184)
Movement in trade and other receivables		351	(496)
Movement in trade and other payables		15,746	6,741
Cash flow from operations		(19,808)	9,132
Taxation paid		(1,359)	(1,497)
Net cash flows generated from / (used in) operating activities		(21,167)	7,635
Cash flows from investing activities			
Acquisition of property, plant and equipment and Investment Property		(4,957)	(3,571)
Net cash flows generated from / (used in) investing activities		(4,957)	(3,571)
Cash flows from financing activities			
Movement in borrowings		40,588	21
Interest paid		(722)	(956)
Net cash flows generated from / (used in) financing activities		39,866	(935)
Movement in cash and cash equivalents		13,742	3,129
Cash and cash equivalents at start of year		1,529	15,271
Cash and cash equivalents at end of year		15,271	18,400

Ratio Analysis	2022F	2023P
Cash Flow		
Free Cash Flow (Net cash from operations + Interest - Capex)	€(26,124)	€4,064

The Group's cash flows from operation are driven by sale of residential units and operations of hotels, CF Business Centre and Casafini showroom. In FY22 and FY23, the Group expects to generate €5.7m and €6.1m respectively in EBITDA. In FY22, the Group expects to realise €2.1m in fair value gains, which is a non-cash item and therefore needs to be removed from EBITDA. Minimal non-cash adjustments are expected in FY23. In FY22, the Group expects a large negative movement in inventory related to the construction of residential units, which are recognised as movements in inventory until their completion and eventual transfer to cost of sales.

In FY22, the Group also expects to recognise positive movements in both trade receivables and trade payables of €0.4m and €15.7m respectively. In FY23 the Group is forecasting negative movements in both inventory and trade receivables of €3.2m and €0.5m respectively along with positive movements in trade payables of €6.7m. After accounting for tax payments of €1.4m in FY22 and €1.5m in FY23 the Group expects net cash used in operating activities of €21.2m in FY22 and net cash from operating activities of €7.6m in FY23.

The only cash flows used in investment activities relate to the construction and finishing works of Scirocco Hotel, Levante Hotel, Mistral Hotel and CF Business Centre and the Group forecasts these to be €5.0m in FY22. As for FY23, cash flows used in investing activities are expected to amount to €3.6m.

When it comes to financing activities the Group expects the largest movements to come from borrowings. In FY22, the Group forecasts borrowings to increase the Groups cash position by €40.6m mainly due to the bond issue, whilst in FY23 the Group expects borrowings to have a minimal

impact on cash. Interest payments in FY22 are expected to amount to around €0.7m whilst in FY23 they are expected to be around €1m. Net cash movements are expected to be positive in both FY22 and FY23 and result in cash and cash equivalents of €15.3m in FY22 and €18.4m in FY23. As finance costs have been classified with financing activities rather than operating activities, the aggregation of cash flows generated from operations and cash flows used in investing activities represents the free cash flows to the firm. Furthermore, as no dividends have been assumed in the projections, the net cash movements represent the free cash flows to equity.

Part 3 - Key Market and Competitor Data

3.1. General Market Conditions

At the time of publication of this Analysis, management considers that generally, it shall be subject to the normal business risks associated with the industries in which the companies are involved and operate and, barring unforeseen circumstances, does not anticipate any trends, uncertainties, demands, commitments or events outside the ordinary course of business that could be deemed likely to have a material effect on the upcoming prospects of the companies and their respective businesses, at least with respect to the financial year 2021. However, investors are strongly advised to carefully read the risk factors disclosed in the Prospectus.

3.2. Economic Update³

The Bank's Business Conditions Index (BCI) indicates that annual growth in business activity has returned to its long-term average estimated since January 2000. The European Commission survey shows that in September, economic sentiment in Malta edged down from a month earlier, falling further below its long-term average, which is estimated since November 2002. When compared with August, sentiment deteriorated strongly in the services sector, and to a lesser extent, in the construction sector.

By contrast, it improved in the retail sector, in industry and to a lesser degree among consumers. Additional survey information shows that price expectations increased significantly in industry, but fell in all the other sectors compared to August. In September, the European Commission's Economic Uncertainty Indicator (EUI) for Malta decreased when compared with August. Uncertainty fell most in the services sector, with a smaller decrease recorded among consumers. In August, industrial production increased at a faster pace in annual terms, following a smaller increase in the previous month.

The volume of retail trade rose at a slower rate in year-on-year terms compared with July. The unemployment rate stood at 2.9% in August, unchanged from a month earlier, and the lowest rate on record. Commercial permits increased in August relative to their year-ago level, as did residential permits. In September, both the number of promise-of-sale agreements and final deeds of sale declined on a year-on-year basis. The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) stood at 7.4% in September, up from 7.0% in the previous month.

Inflation based on the Retail Price Index (RPI) also rose, reaching 7.5% in September from 7.0% a month earlier. Maltese residents' deposits expanded at an annual rate of 7.2% in August, following an increase of 7.8% in the previous month, while annual growth in credit to Maltese residents stood at 8.2%, above the rate of 7.2% recorded a month earlier. In August 2022, the surplus on the Consolidated Fund widened slightly when compared with a year earlier reflecting a decline in government expenditure.

3.3. Economic Outlook⁴

The Central Bank of Malta expects Malta's gross domestic product (GDP) to grow by 5.2% in 2022, 4.5% in 2023 and 3.7% in 2024. Compared to the previous projections, the Bank's latest forecast represents downward revisions of 0.2% in 2022, 0.4% in 2023, and of 0.1% in 2024. The downward revisions reflect the strong pick-up in inflationary pressures as well as a further deterioration in the international economic environment due to the recent cuts in gas supplies to European countries.

Net exports are expected to be the main driver of growth in 2022, reflecting the correction in import-intensive investment outlays from the exceptionally high levels reached in 2021. The contribution of domestic demand is expected to be positive but significantly lower compared to that of 2021, as growth in activity normalises following the strong rebound last year. In the following years, domestic demand is expected to lead the expansion in economic activity, especially from private consumption. The contribution of net exports is projected to ease over the projection horizon, reflecting the gradual normalisation of tourism exports and decelerating growth in foreign demand more generally.

Employment growth in 2022 is expected to reach 3.5% from 2.8% in 2021. It is set to moderate to just above 2% by 2024. The unemployment rate is projected to decline to 3.1% this year, from 3.5% last year and it is expected to hover within this range over the outlook period. In view of the expected increase in inflation this year, wage growth is projected to be relatively strong. Nevertheless, nominal wage growth is projected to remain below that of inflation due to some lag in the transmission from prices to wages. In the following years, wage pressures are expected to moderate as the labour market becomes less tight.

Annual inflation based on the Harmonised Index of Consumer Prices is projected to pick-up sharply in 2022 and remain high in 2023. Indeed, it is envisaged to accelerate to

³ Central Bank of Malta – Economic update – 10/2022

⁴ Central Bank of Malta – August 2022 projections

5.9% in 2022, from 0.7% in 2021. The sharp pick-up in inflation reflects a broad-based increase across all sub-components of HICP except for energy inflation. Import price pressures are expected to moderate somewhat by the beginning of next year, although these are envisaged to remain high by historical standards. Hence, HICP inflation is expected to moderate to 3.8% by 2023, driven by lower contributions from all subcomponents except for energy inflation. Inflation is set to ease further in 2024 to 2.1%.

The general government deficit is projected to recede to 5.6% of GDP in 2022, from 7.9% in 2021. It is expected to narrow further to 4.0% in 2023, and to 3.2% in 2024. This profile is driven by the unwinding of COVID-19 support measures in 2022, which offset outlays on price mitigation measures. The latter are set to remain in place but assumed to diminish over the projection horizon. The general government debt-to-GDP ratio is projected to stand at 58.8% of GDP in 2024.

On balance, risks to economic activity are tilted to the downside, especially for 2023 though uncertainty even during 2022 remains high. The main downside risks relate to the evolution of energy supply from Russia to Europe. This could lead to severe shortages of energy supplies going into the winter, which could in turn adversely affect production abroad and amplify supply bottlenecks. Foreign demand could also be weaker than expected if monetary policy in advanced economies continues to tighten more forcibly than assumed in this projection round. These downside risks are mitigated somewhat by domestic fiscal policy which is cushioning partly the impact of imported inflation. In addition, the savings ratio could fall faster than is being assumed in this projection, while upward surprises in tourism could further boost net exports and GDP growth.

Risks to inflation are on the upside during the entire projection horizon. Indeed, further escalation in cuts in gas supplies could trigger a stronger than envisaged rise in commodity prices, which would put further upward pressures on the prices of imported goods and freight costs. In addition, the EU policy to sharply reduce dependence on Russian fossil fuels could also lead to stronger than expected increases in import costs, particularly in the short-run. The risk of second-round effects from wages and mark-ups grows if high inflation persists for longer.

On the fiscal side, risks mainly relate to a larger deficit in 2022 and 2023. These mostly reflect the likelihood of additional Government support to mitigate rising

commodity prices and the likelihood of state aid to the national airline.

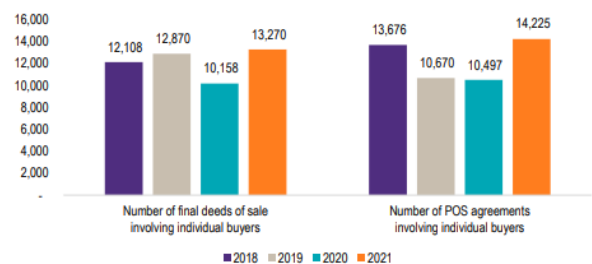
3.4. Residential Property Development⁵

The property market in Malta has experienced steady periods of growth. Whilst significant growth has resulted over the past decade, the property market in Malta has steadily increased over the past forty years at a compound annual growth rate ('CAGR') of c. 6%. Recently however, the property market exceeded the CAGR of 6%, because the demand for residential property is increasing at higher rate than the supply of houses being built on the Maltese Islands.

The below chart, highlights that pre-pandemic, the number of final deeds of sale involving individual buyers steadily increased from 12,108 transactions in 2018, to 12,870 transactions in 2019. However, following the onset of the pandemic, the number of final deeds of sale decreased to 10,158 only to increase by 30% in 2021, exceeding pre-pandemic levels. This is also true for companies active in the residential property market. POS agreements entered into by companies had been following a downward trend, but this was reversed in 2021 as they almost doubled from 2020.

Furthermore, in terms of PoSA involving individual buyers, in 2018, PoSA amounted to 13,676 and decreased by around 3,000 in the following years. However, PoSA reached an all-time high in 2021 at 14,225, partly reflecting the sales brought forward due to the anticipated expiry of the stamp duty exemption that the Government had introduced during the year.

Final deeds of sale and POS agreements involving individual buyers (2018 – 2021)



Following fast growth in the five years leading to 2019, house prices remained relatively stable during 2020 and 2021. In 2020, rental prices had already declined by 16% compared to 2019 and declined a further 1.5% in 2021. Relatively stable house prices and declining rental rates suggest that property investors believe the dip in rental prices to be temporary.

In 2021, the Planning Authority ("PA") approved 7,578 permits for new housing units. These are expected to add 6,400 units to the housing stock over the next 5 years. The

⁵ National Statistics Office – News Release – 163/2021

additional housing stock in 2021 amounted to 9,487, reflecting the large number of permits approved by the PA in 2018 and 2020 that typically come onto the market with a time lag

The outlook based on a pre-COVID-19 scenario foresaw supply catching up with the continued growth in demand by foreign workers. This was expected to ease upward pressure on house prices (as had already been happening in the second half of 2019). In 2020 and 2021, additional housing supply by far outstripped additional demand (which slowed down because of COVID-19), thereby putting downward pressure on prices. A slowdown in additional housing supply and recovering demand for housing in the period 2022-2024 is expected to ease but not eliminate the downward pressure on prices especially because of the accumulated housing stock and the possibility of rising interest rates.

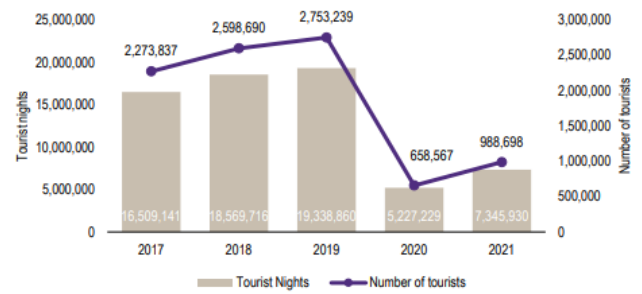
The forecasted recovery in additional demand (reflecting growth in the number of foreign workers and a gradual recovery in tourism) will not suffice to fully meet the housing supply accumulated up to 2024. Eurozone interest rate rises in response to high rates of inflation may put additional downward pressure on house prices as it translates into higher borrowing rates for both first-time buyers and investors. This effect is not expected to be immediate.

3.5. Hospitality⁶

The tourism sector in Malta has been on a consistent upward trend since 2010, rising especially in the later years from 2017. The Maltese tourism industry has, in recent years, been renowned for its unabated growth, with each passing year yielding new record highs of inbound tourists visiting the island. Indeed, the tourism industry is considered to be a crucial pillar of the economy as it is estimated to account for 15.8% of Malta’s GDP and 52,800 jobs, or 21.1% of total employment (WTTC 2020 Economic Impact report for Malta).

The consistent performance in the tourism sector observed over the past few years has persisted year-on-year in terms of inbound tourists. NSO data for 2019, revealed that the influx for the year stood at 2.7m tourists – representing an increase of 5.2% over the previous year. Between 2013 and 2019 there has been an average increase of 11.3% per annum. According to the NSO, this improvement was mostly driven by an increase in the number of leisure tourists. The below diagram illustrates the development of the Maltese tourism industry over the past years, showing both percentage growth as well as growth in absolute terms.

Tourist nights and number of tourists (2017 – 2021)



Naturally, 2020 experienced a significant drop in inbound tourists due to the COVID19 pandemic, whereby the Government of Malta introduced travel restrictions and border closure during the period April to June 2020. Consequently, the number of tourists visiting Malta decreased significantly to 0.7m, but increased to 1m in 2021, following easing of restrictions. This trend can also be seen when one examines the total number of tourist nights. Likewise, a corresponding decrease in number of tourist nights resulted in 2020 but started to increase again in 2021. Nonetheless, the future presents a better outlook for the tourism industry. The Central Bank of Malta estimates that tourism expenditure should increase to 75% of 2019 levels in 2022 and 90% of 2019 levels in 2023.

The number of tourists visiting Malta peaks between April and September (two thirds of inbound tourists arrive during this period), due to the fact that Malta is principally perceived by tourists as a ‘sun and culture’ destination. Furthermore, repeat tourism also flourished between January and December 2019, with 25% of inbound tourists being repeat tourists. Moreover, the peak months of July and August attracted a lower percentage of repeat tourists than the average for the period, indicating that a higher percentage of inbound tourists returned to Malta during the shoulder months to spend more time exploring what the Maltese islands have to offer.

Along with the substantial increase in tourist head count over recent years came a complimentary increase in the aggregate level of tourist expenditure in each year. According to NSO statistics, total expenditure in Malta in 2019 reached €2.2 billion, representing an increase of 5.3% over the total expenditure in 2018. However, the expenditure per capita (which consists of air/sea fares, accommodation and other expenditure) has gradually decreased over time mainly attributable to decreases in the average length of stays and reductions in air/sea fares.

⁶ National Statistics Office – News Release – 019/2022

3.6. Comparative Analysis

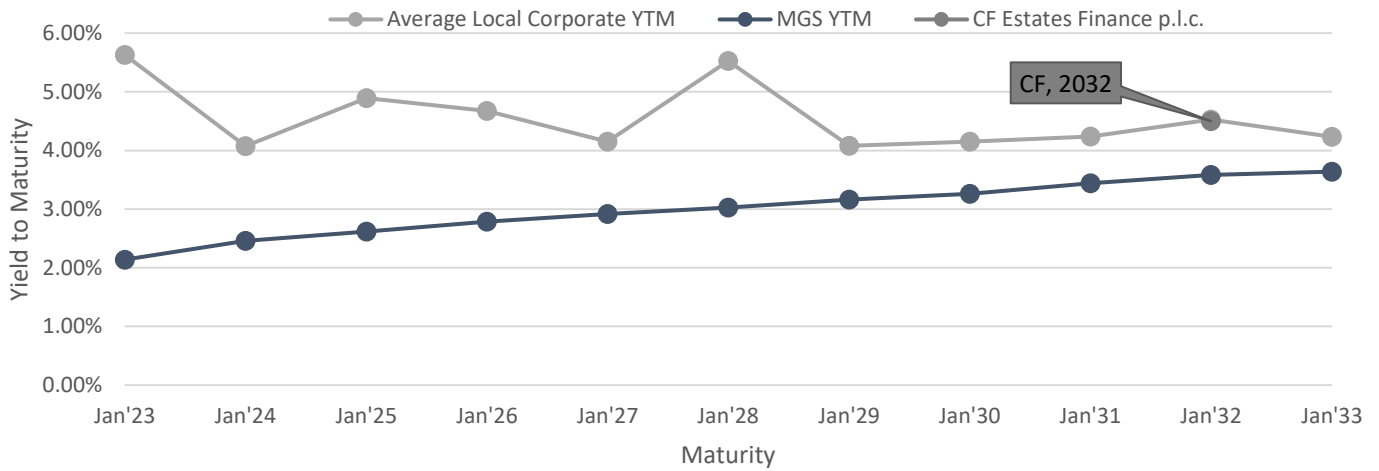
The purpose of the table below compares the proposed debt issuance of the Issuer to other debt instruments. Additionally, we believe that there is no direct comparable company related to the Issuer and as such, we included a variety of Issuers with different maturities. More importantly, we have included different issuers with a similar maturity to the Issuer. One must note that given the material differences in profiles and industries, the risks associated with the business and that of other issuers are therefore different.

Security	Nom Value	Yield to Maturity	Interest coverage (EBITDA)	Total Assets	Total Equity	Total Liabilities / Total Assets	Net Debt / Net Debt and Total Equity	Net Debt / EBITDA	Current Ratio	Return on Common Equity	Net Margin	Revenue Growth (YoY)
	€000's	(%)	(times)	(€'millions)	(€'millions)	(%)	(%)	(times)	(times)	(%)	(%)	(%)
5.8% International Hotel Investments plc 2023 (xd)	10,000	4.29%	1.0x	1,695.2	838.2	50.6%	41.2%	23.6x	1.5x	-3.8%	-23.5%	40.6%
6% AX Investments Plc € 2024	40,000	3.29%	3.0x	369.8	237.1	37.0%	25.1%	6.8x	0.9x	0.8%	5.4%	23.3%
4.4% Von der Heyden Group Finance plc Unsecured € 2024	25,000	4.38%	0.7x	133.5	40.9	69.4%	61.3%	59.9x	2.0x	-5.4%	-19.3%	-51.0%
6% International Hotel Investments plc € 2024	35,000	5.28%	1.0x	1,695.2	838.2	50.6%	41.2%	23.6x	1.5x	-3.8%	-23.5%	40.6%
5.75% International Hotel Investments plc Unsecured € 2025	45,000	5.30%	1.0x	1,695.2	838.2	50.6%	41.2%	23.6x	1.5x	-3.8%	-23.5%	40.6%
4% International Hotel Investments plc Unsecured € 2026	60,000	4.13%	1.0x	1,695.2	838.2	50.6%	41.2%	23.6x	1.5x	-3.8%	-23.5%	40.6%
3.25% AX Group plc Unsec Bds 2026 Series I	15,000	3.25%	3.0x	369.8	237.1	37.0%	25.1%	6.8x	0.9x	0.8%	5.4%	23.3%
3.75% Mercury Projects Finance plc Secured € 2027	11,500	4.51%	0.3x	113.0	34.6	69.4%	47.4%	99.5x	1.8x	-19.6%	-117.0%	-75.1%
4.35% SD Finance plc Unsecured € 2027	65,000	4.34%	0.3x	328.5	131.5	60.0%	30.3%	43.7x	1.2x	-1.6%	-12.2%	-70.9%
4% Eden Finance plc Unsecured € 2027	40,000	4.12%	3.7x	193.5	109.3	43.5%	28.6%	5.9x	1.1x	0.9%	4.3%	86.6%
4% Stivala Group Finance plc Secured € 2027	45,000	4.46%	0.5x	363.0	235.4	35.1%	26.7%	33.8x	0.9x	5.3%	82.2%	28.2%
4% SP Finance plc € Secured 2029	12,000	4.17%	0.5x	40.0	16.0	60.0%	55.6%	48.8x	0.4x	-8.0%	-62.8%	71.5%
3.65% Stivala Group Finance plc Secured € 2029	15,000	3.36%	0.5x	363.0	235.4	35.1%	26.7%	33.8x	0.9x	5.3%	82.2%	28.2%
3.75% AX Group plc Unsec Bds 2029 Series II	10,000	3.75%	3.0x	369.8	237.1	37.0%	25.1%	6.8x	0.9x	0.8%	5.4%	23.3%
4.25% Mercury Projects Finance plc Secured € 2031	11,000	4.24%	0.3x	113.0	34.6	69.4%	47.4%	99.5x	1.8x	-19.6%	-117.0%	-75.1%
4.3% Mercury Project Finance plc Secured € 2032	50,000	4.30%	0.3x	113.0	34.6	69.4%	47.4%	99.5x	1.8x	-19.6%	-117.0%	-75.1%
5% CF Estates p.l.c.Secured 2027 - 2032		5.00%	(14.6)x	28.6	6.3	77.9%	66.7%	(13.4)x	0.9x	-14.4%	-26.5%	41.7%
	Average*	4.20%										

Source: Latest available audited financial statements

*Average figures do not capture the financial analysis of the Issuer

Yield Curve Analysis



The above graph illustrates the average yearly yield of all local issuers as well as the corresponding yield of MGSs (Y-axis) vs the maturity of both Issuers and MGSs (X-axis), in their respective maturity bucket, to which the spread premiums can be noted. The graph illustrates on a stand-alone basis, the yield on the Issuer’s proposed bonds.

As at 27 October 2022, the average spread over the Malta Government Stocks (MGS) for comparable issuers with a

maturity range of 5-11 years was 101 basis points. The proposed CF Estates Finance p.l.c bond is being priced with a 5% coupon issued at par, meaning a spread of 142 basis points over the equivalent MGS, and therefore at a premium to the average on the market of 41 basis points. It is pertinent to note that the above analysis is based on a maturity-matching basis and that the Issuer’s industry is significantly different to the corporates identified and as such its risks differ to that of other issuers.

Part 4 - Glossary and Definitions

Income Statement	
Revenue	Total revenue generated by the Group/Company from its principal business activities during the financial year.
Costs	Costs are expenses incurred by the Group/Company in the production of its revenue.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. It reflects the Group's/Company's earnings purely from operations.
Operating Profit (EBIT)	EBIT is an abbreviation for earnings before interest and tax.
Depreciation and Amortisation	An accounting charge to compensate for the decrease in the monetary value of an asset over time and the eventual cost to replace the asset once fully depreciated.
Net Finance Costs	The interest accrued on debt obligations less any interest earned on cash bank balances and from intra-group companies on any loan advances.
Net Income	The profit made by the Group/Company during the financial year net of any income taxes incurred.
Profitability Ratios	
Growth in Revenue (YoY)	This represents the growth in revenue when compared with previous financial year.
Gross Profit Margin	Gross profit as a percentage of total revenue.
EBITDA Margin	EBITDA as a percentage of total revenue.
Operating (EBIT) Margin	Operating margin is the EBIT as a percentage of total revenue.
Net Margin	Net income expressed as a percentage of total revenue.
Return on Common Equity	Return on common equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing the net income by the average common equity (average equity of two years financial performance).
Return on Assets	Return on assets (ROA) is computed by dividing net income by average total assets (average assets of two years financial performance).
Cash Flow Statement	
Cash Flow from Operating Activities (CFO)	Cash generated from the principal revenue producing activities of the Group/Company less any interest incurred on debt.
Cash Flow from Investing Activities	Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Group/Company.
Cash Flow from Financing Activities	Cash generated from the activities that result in change in share capital and borrowings of the Group/Company.
Capex	Represents the capital expenditure incurred by the Group/Company in a financial year.
Free Cash Flows (FCF)	The amount of cash the Group/Company has after it has met its financial obligations. It is calculated by taking Cash Flow from Operating Activities less the Capex of the same financial year.
Balance Sheet	
Total Assets	What the Group/Company owns which can be further classified into Non-Current Assets and Current Assets.
Non-Current Assets	Assets, full value of which will not be realised within the forthcoming accounting year
Current Assets	Assets which are realisable within one year from the statement of financial position date.
Inventory	Inventory is the term for the goods available for sale and raw materials used to produce goods available for sale.
Cash and Cash Equivalents	Cash and cash equivalents are Group/Company assets that are either cash or can be converted into cash immediately.
Total Equity	Total Equity is calculated as total assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.
Total Liabilities	What the Group/Company owes which can be further classified into Non-Current Liabilities and Current Liabilities.

Non-Current Liabilities	Obligations which are due after more than one financial year.
Total Debt	All interest-bearing debt obligations inclusive of long and short-term debt.
Net Debt	Total debt of a Group/Company less any cash and cash equivalents.
Current Liabilities	Obligations which are due within one financial year.

Financial Strength Ratios

Current Ratio	The Current ratio (also known as the Liquidity Ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares current assets to current liabilities.
Quick Ratio (Acid Test Ratio)	The quick ratio measures a Group's/Company's ability to meet its short-term obligations with its most liquid assets. It compares current assets (less inventory) to current liabilities.
Interest Coverage Ratio	The interest coverage ratio is calculated by dividing EBITDA of one period by cash interest paid of the same period.
Gearing Ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance total assets.
Gearing Ratio Level 1	Is calculated by dividing Net Debt by Net Debt and Total Equity.
Gearing Ratio Level 2	Is calculated by dividing Total Liabilities by Total Assets.
Gearing Ratio Level 3	Is calculated by dividing Net Debt by Total Equity.
Net Debt / EBITDA	The Net Debt / EBITDA ratio measures the ability of the Group/Company to refinance its debt by looking at the EBITDA.

Other Definitions

Yield to Maturity (YTM)	YTM is the rate of return expected on a bond which is held till maturity. It is essentially the internal rate of return on a bond and it equates the present value of bond future cash flows to its current market price.
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Calamatta Cuschieri

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