

# REGISTRATION DOCUMENT

Dated 25 July 2024

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.



**MERCURY FINANCE**

**MERCURY PROJECTS FINANCE P.L.C.**  
a public limited liability company duly incorporated under the Laws of Malta,  
with Company registration number C 89117

Sponsor  
& Co-Manager

**Calamatta Cuschieri**

Registrar  
& Co-Manager

**BOV**  
Bank of Valletta

Security  
Trustee

**CSB** | trustees &  
fiduciaries ltd

Legal  
Counsel

**salibastafrece**  
LEGAL

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**APPROVED BY THE BOARD OF DIRECTORS**

**Joseph Portelli**  
Director

signing in his own capacity as director of the Issuer and on behalf of each of Stephen Muscat,  
Mario Vella and Peter Portelli.

## IMPORTANT INFORMATION

THIS REGISTRATION DOCUMENT CONTAINS INFORMATION ON MERCURY PROJECTS FINANCE P.L.C. IN ITS CAPACITY AS ISSUER AND MERCURY TOWERS 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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# 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:

<b>2019 Bond Issue</b>	The issue of the 2027 Existing Bonds and of the 2031 Existing Bonds by the Issuer pursuant to the 2019 Prospectus;
<b>2019 Prospectus</b>	The prospectus dated 4 March 2019 issued by the Company in relation to the 2019 Bond Issue;
<b>2022 Bond Issue</b>	The issue of the 2032 Existing Bonds by the Issuer pursuant to the 2022 Prospectus;
<b>2022 Prospectus</b>	The prospectus dated 22 March 2022 issued by the Company in relation to the 2022 Bond Issue;
<b>2027 Existing Bonds</b>	The 3.75% secured bonds due 2027 issued by the Issuer pursuant to the 2019 Prospectus, of a nominal value of €100 per bond and of an aggregate nominal value of €11,500,000, and carrying ISIN MT0002191204;
<b>2027 &amp; 2031 Existing Bonds Security Restructuring Deed</b>	The public deeds in the records of Notary Kristen Dimech of 12 July 2024 and 16 July 2024, by virtue of which the components of immovable property over which the security interest (first ranking special hypothec) securing the 2027 Existing Bonds and the 2031 Existing Bonds has last been redefined and restructured before the date of this Registration Document;
<b>2031 Existing Bonds</b>	The 4.25% secured bonds due 2031 issued by the Issuer pursuant to the 2019 Prospectus, of a nominal value of €100 per bond and of an aggregate nominal value of €11,000,000, and carrying ISIN MT0002191212;
<b>2032 Existing Bonds</b>	The 4.30% secured bonds due 2032 issued by the Issuer pursuant to the 2022 Prospectus, of a nominal value of €100 per bond and of an aggregate nominal value of €50,000,000, and carrying ISIN MT0002191220;

<b>Act</b>	The Companies Act, 1995, Cap. 386, Laws of Malta;
<b>Bersella Holdings Limited</b>	Bersella Holdings Limited, a limited liability company registered under the laws of Malta, with company registration number C 79829, having its registered office at Mangion Building, N/S Off Valletta Road, Luqa LQA 6000, Malta;
<b>Bondholders</b>	The holders of the Bonds, each a "Bondholder";
<b>Bond Issue</b>	The issue of Bonds;
<b>Bonds or Secured Bonds</b>	The €20,000,000 secured bonds due in 2034 of a nominal value of €100 per bond payable in full upon subscription and redeemable at their nominal value on the Redemption Date, bearing interest at the rate of 5.3% per annum, as set out in the Securities Note;
<b>BOV Loans</b>	The existing bank financing due by the Group to Bank of Valletta p.l.c. as set out under the heading 'Existing financing of the Guarantor's and other Group companies' activities' in section 6.2 of this Registration Document;
<b>Business Day</b>	Any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
<b>Capital Markets Rules</b>	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), as may be amended from time to time;
<b>Car Park Site</b>	Those areas within the underground levels minus seven to minus three (B07 to B03) underlying parts of the Site where the Parking Complex is situated, and connected to the road network via ramps and driveways situated at levels minus two and minus one (B02 and B01) and an opening at level zero (LO) abutting Triq Sant'Andrija, St. Julian's;

<b>CF Leisure Ltd.</b>	CF Leisure Ltd., is a limited liability company registered under the laws of Malta, with company registration number C 104594, having its registered office at CF Business Centre, Level 1, Triq Gort, Paceville, San Giljan STJ 9023, Malta;
<b>Collateral</b>	<p>The following security granted by the Guarantor in favour of the Security Trustee for the benefit of Bondholders:</p> <p>(a) the Special Hypothec; and (b) the Guarantee;</p>
<b>Commercial Mall or Shopping Mall</b>	The retail and commercial outlets developed by Mercury Commercial Mall Ltd. on the Site, consisting of a number of retail and catering establishments and commercial units within the Project, which are leased by Mercury Commercial Mall Ltd. to various third parties, as provided in section 5.2 of this Registration Document;
<b>Conditions Precedent</b>	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; and (2) the Bonds being admitted to the Official List;
<b>Deed of Hypothec</b>	A notarial deed to be entered into by and between the Issuer, the Guarantor and the Security Trustee whereby inter alia the Issuer will make the Issuer-Guarantor Loan 2024 to the Guarantor and the Guarantor constitutes in favour of the Security Trustee the Special Hypothec as part of the Collateral;
<b>Directors or Board</b>	The directors of the Issuer whose names are set out under the heading 'Directors of the Issuer and the Guarantor' under section 3 of this Registration Document;
<b>Euro or €</b>	The official currency of the member States of the European Union that form part of the Euro-zone, including Malta;



<b>Exchange Site</b>	The immovable property adjacent to the Mercury Site, consisting of a divided portion of land at St. Julian's, measuring circa one thousand nine hundred and sixty four square metres (1,964m <sup>2</sup> ), on which Saint George's Exchange, without official number in Triq San Gorg, Saint Julian's was built before its demolition for the purposes of the Project, inclusive of its subsoil and airspace, which was acquired by the Guarantor from SGE Property Company Limited by means of the Exchange Site Public Deed, following an assignment of the promise of sale agreement dated 2 August 2018 that took place on the same Exchange Site Public Deed between Mercury Exchange Ltd and the Guarantor, as more fully and accurately described in the Exchange Site Public Deed and the plans and drawings attached thereto;
<b>Exchange Site Public Deed</b>	The public deed in the records of Notary Kristen Dimech of the twelfth day of August of the year two thousand and twenty-one (12/08/2021), by virtue of which the Guarantor acquired the Exchange Site;
<b>Existing Bondholders</b>	The holders of the Existing Bonds, each an " <b>Existing Bondholder</b> ";
<b>Existing Bonds</b>	Collectively, the 2027 Existing Bonds, the 2031 Existing Bonds and the 2032 Existing Bonds;
<b>Existing Issuer-Guarantor Loans</b>	Collectively, the Issuer-Guarantor Loan 2019 and the Issuer-Guarantor Loan 2022;
<b>Group or Mercury Group</b>	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;
<b>Guarantee</b>	The joint and several guarantees dated 25 July 2024 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;
<b>Guarantor</b>	Mercury Towers Ltd, a limited liability company registered under the laws of Malta with company registration number C 77402 and having its registered office at Mercury Towers, J Portelli Offices, St George Street, St Julian's, STJ3202, Malta

<b>Hotel</b>	The Hotel developed on the Site, which is on the date hereof is fully constructed and being finished and handed over, consisting of a 140-room 20-storey hotel within the Project, together with several additional recreational functions and other facilities forming part of or ancillary to such hotel, which Hotel is intended to be operated by the said Mercury Hotel Ltd. under a hotel management agreement with Meliá Hotels International S.A. and Prodigios Interactivos S.A. to manage and operate such Hotel;
<b>Issuer or Company</b>	Mercury Projects Finance p.l.c., a limited liability company registered under the laws of Malta with company registration number C 89117 and having its registered office at 1400, Block 14, Portomaso, St. Julian's, Malta;
<b>Issuer-Guarantor Loan 2019</b>	The loan facility between the Issuer (as lender) and the Guarantor (as borrower) by virtue of which the proceeds of the 2019 Bond Issue were made available by the Issuer to the Guarantor and regulated by the public deed in the records of Notary Kristen Dimech of the twenty fifth day of March of the year two thousand and nineteen (25/03/2019);
<b>Issuer-Guarantor Loan 2022</b>	The loan facility between the Issuer (as lender) and the Guarantor (as borrower) by virtue of which the proceeds of the 2022 Bond Issue were made available by the Issuer to the Guarantor and regulated by the public deed in the records of Notary Kristen Dimech of the fourteenth day of April of the year two thousand and twenty-two (14/04/2022);
<b>Issuer-Guarantor Loan 2024</b>	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;
<b>Malta Financial Services Authority or MFSA</b>	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;
<b>Malta Stock Exchange or Exchange or MSE</b>	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;
<b>Memorandum and Articles of Association or Articles</b>	The memorandum and articles of association of the Issuer in force at the time of publication of this Registration Document;

**Mercury Car Park Limited**

Mercury Car Park Limited, is a limited liability company registered under the laws of Malta, with company registration number C 81172, having its registered office at Mangion Building, New Street off Valletta Road, Luqa LQA 6000, Malta;

**Mercury Car Park II Ltd**

Mercury Car Park II Ltd, is a limited liability company registered under the laws of Malta, with company registration number C 100736, having its registered office at Mercury House, Triq San Gorg, San Giljan, Malta;

**Mercury Commercial Mall Ltd.**

Mercury Commercial Mall Ltd., is a limited liability company registered under the laws of Malta, with company registration number C 100729, having its registered office at 1400, Block 14, Portomaso, St. Julian's, Malta;

**Mercury Contracting Projects Limited or MCPL**

Mercury Contracting Projects Limited, is a limited liability company registered under the laws of Malta, with company registration number C 77531 and having its registered office at J. Portelli Projects, 1400, Block 14, Portomaso, St. Julian's, Malta;

**Mercury Exchange Ltd**

Mercury Exchange Ltd, is a limited liability company registered under the laws of Malta, with company registration number C 87640 and having its registered office at J. Portelli Projects, 1400, Block 14, Portomaso, St. Julian's, Malta;

**Mercury Hotel Ltd.**

Mercury Hotel Ltd., is a limited liability company registered under the laws of Malta, with company registration number C 100730, having its registered office at Mercury House, Triq San Gorg, St. Julian's, Malta;

**Mercury Site**

The "Site" as defined in the Mercury Site Public Deeds, consisting of a divided portion of land at St. Julian's, measuring circa seven thousand seven hundred and one point eight square metres (7,701.8m<sup>2</sup>), consisting of various portions of land and levels above and below sea level (airspace and subterranean portions and levels) which was acquired by the Guarantor from Pender Ville Limited in two stages by means of the Mercury Site Public Deeds, subject to all the terms and conditions and exclusions set out in such Mercury Site Public Deeds, as more fully and accurately described in the Mercury Site Public Deeds and the plans and drawings attached thereto;

**Mercury Site Public Deeds**

The public deed in the records of Notary Doctor Kristen Dimech of the fifth day of December of the year two thousand and sixteen (05/12/2016), and the subsequent public deed in the records of Notary Doctor Kristen Dimech of the twenty seventh day of June of the year two thousand and seventeen (27/06/2017), by virtue of which the Guarantor acquired the Mercury Site in two stages;

<b>Mistral Hotel Ltd</b>	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;
<b>Offer Period</b>	The period between 8:00 hours on 2 August 2024 and 12:00 hours on 30 August 2024 during which the Bonds are on offer;
<b>Official List</b>	The list prepared and published by the Malta Stock Exchange as its official list in accordance with the Malta Stock Exchange Bye-Laws;
<b>Parking Complex</b>	The aggregate parking facilities developed for the benefit and as part of the Project in the Car Park Site;
<b>Pender Ville Limited</b>	Pender Ville Limited, a limited liability company registered under the laws of Malta, with company registration number C 36675, having its registered office at Pendergardens Business Centre, 14, Level 1, Pendergardens, St. Andrews Road, St. Julian's, Malta;
<b>Peripheral Block</b>	The peripheral block of serviced apartments developed by the Guarantor, which consists of 170 serviced apartments, adjacent to the Hotel podium, which serviced apartments within the Peripheral Block have been sold or will be sold to third parties;
<b>Project or Mercury House Project</b>	The Group's project comprising the development of the Site into a mixed use development comprising of inter alia serviced apartments, a commercial mall, a hotel, other catering, leisure, entertainment, health and beauty, retail and commercial activity and underlying car parking facilities, all as described in more detail in section 5 of this Registration Document;
<b>Prospectus</b>	Collectively, this Registration Document, the Securities Note and the Summary;
<b>Prospectus Regulation</b>	Regulation (EU) 2017/1129 of 14 June 2017 of the European Parliament and of the Council of 14 June 2017 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;

<b>Ratcon Ltd</b>	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;
<b>Redemption Date</b>	10 September 2034;
<b>Registrar or Registrar and Co-Manager</b>	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;
<b>Registration Document</b>	This document in its entirety;
<b>Relevant BOV Loan</b>	The BOV Loan mentioned in row 10 of the table included under the heading 'Existing financing of the Guarantor's and other Group companies' activities' in section 6.2 of this Registration Document;
<b>Retained Property</b>	The Hotel, the Shopping Mall and other property within the Project are to be retained in ownership by the Group;
<b>Seam Limited</b>	Seam Limited, is a limited liability company registered under the laws of Malta, with company registration number C 103466, having its registered office at Mercury House, Triq San Gorg, St. Julian's, Malta;
<b>Securities Note</b>	The securities note issued by the Issuer dated 25 July 2024, forming part of the Prospectus;
<b>Security Property for Bonds</b>	<p>The following immovable property is owned by the Guarantor:</p> <p>'Mercury House' being the scheduled Grade Two heritage building, situated on Levels B02, B01, L00, L01 and L02 of the Mercury Site, and measuring in total approximately 2,845m<sup>2</sup> (from levels B02 to L02);</p>

**Security Property for Existing Bonds**

In respect of the 2027 Existing Bonds, the following immovable property is owned by the Guarantor:

'Commercial Space L01' meaning a space situated on Level L01 of the Tower constituting the entry rooms to the flying theatre, as further defined and described in the 2027 & 2031 Existing Bonds Security Restructuring Deed;

'Commercial Space L02' meaning a space situated on Level L02 of the Tower currently being used as offices, as further defined and described in the 2027 & 2031 Existing Bonds Security Restructuring Deed ;

the apartment internally numbered 3103, situated within the thirty-first level (L31) of the Tower, as further defined and described in the 2027 & 2031 Existing Bonds Security Restructuring Deed.

In respect of the 2031 Existing Bonds, the following immovable property is owned by the Guarantor:

the apartment internally numbered 3101, situated within the thirty-first level (L31) of the Tower, as further defined and described in the 2027 & 2031 Existing Bonds Security Restructuring Deed;

the apartment internally numbered 3102, situated within the thirty-first level (L31) of the Tower, as further defined and described in the 2027 & 2031 Existing Bonds Security Restructuring Deed; and

the apartment internally numbered 3104, situated within the thirty-first level (L31) of the Tower, as further defined and described in the 2027 & 2031 Existing Bonds Security Restructuring Deed.

In respect of the 2032 Existing Bonds, the following immovable property owned by Mercury Hotel Ltd.:

The following components of the Hotel (as covered by planning permit REF. Planning Authority PA 01892/19), namely:

- (i) The airspace commencing from the floor level L02 up to the uppermost level L20 (as such uppermost level L20 was approved in addition to the previous uppermost level L19 by virtue of the full development permit REF. Planning Authority PA 05530/22) which were constructed and being finished within the Hotel building, having an internal floor area measuring approximately 13,133 m<sup>2</sup> and external room balconies measuring any and all constructions and improvements thereon from time to time;
- (ii) the airspace commencing from the roof of floor level L08 upwards without limitation within the Peripheral Block, having a superficial area of approximately 992m<sup>2</sup>, and any and all constructions and improvements thereon from time to time; and
- (iii) the part of the fourth basement level (B04) which has been developed as a SPA, having an internal floor area measuring approximately 1,093m<sup>2</sup>, which will form part of the amenities of the Hotel, and any and all constructions and improvements therein from time to time.

<b>Security Trust Deed or Trust Deed</b>	The security trust deed entered into in respect of the Bond Issue between the Security Trustee, the Issuer and the Guarantor dated 25 July 2024;
<b>Security Trustee</b>	CSB Trustees and Fiduciaries Limited, is 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 authorised 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);
<b>SGE Property Company Limited</b>	SGE Property Company Limited, is a limited liability company registered under the laws of Malta, with company registration number C 51494, having its registered office at The Bastions, Triq Emvin Cremona, Floriana FRN 1281, Malta;
<b>Site</b>	Collectively, the Mercury Site and the Exchange Site, including the Car Park Site underlying parts thereof;
<b>Special Hypothec</b>	The first ranking special hypothec over the Security Property for Bonds to be granted by the Guarantor 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 principal and interest under the Bonds by the Issuer, as set out in section 6.2 of this Registration Document;
<b>Sponsor or Sponsor &amp; Co-Manager</b>	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;
<b>Subsidiary</b>	When such term is used in respect of an undertaking (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;
<b>Summary</b>	The summary issued by the Issuer dated 25 July 2024, forming part of the Prospectus; and

**Tower**

The twisted shaped high-rise building developed on the Site which is on the date hereof fully constructed, completed and finished externally and being finished internally in respect of some last remaining units, consisting of a 34-storey tower, including an overlying viewing gallery and airspace, as well as 2 underground storeys (but excluding the car park levels) overlying the car park facility, in total from levels B02 to L33, and wherein there have been developed the equivalent of 291 standard size serviced apartments, some of which have been conjoined into bigger apartments, as well as commercial areas (particularly in levels B02 to L02, L10 to L12 and L32 and L33).

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, organisations, 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

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 existing Issuer-Guarantor Loan 2019 and Issuer-Guarantor Loan 2022 and the proposed Issuer-Guarantor Loan 2024).

The Issuer is therefore 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 in part on its own operational results and financial performance and in part 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 principal 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 of this Registration Document, the Guarantor, being the holding company of the Group apart from being itself an important revenue-generating company within the Group, is ultimately dependent on the results of its own operations and its own performance, as well as the future 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 Guarantor and the various Subsidiaries depend on the viability, profitability and success of their respective business and operations, for their continued liquidity, financial soundness and growth and their ability to make payments to the Guarantor as aforesaid or, in the case of the Guarantor, payments to the Issuer, and also payments to banks and other third parties providing such Group companies with finance. The respective business and operations of the Guarantor and its 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 conflict and the Middle Eastern 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 in particular but without limitation, shortage of and/or increase in prices and delay in importation and delivery of material and supplies needed for the finishing of the Project, apart from the negative effects these conflicts may have on the economy as a whole and on particular economic drivers, such as tourism.

### RISKS RELATING TO INFLATION

As at the date of this Registration Document, inflation is relatively high and in various regions or countries 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.

### 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, the Group, principally the Guarantor has bank debt, as well as the Issuer-Guarantor Loan 2019 and the Issuer-Guarantor Loan 2022 due to the Issuer, representing the proceeds of the 2019 Bond Issue and the proceeds of the 2022 Bond Issue respectively which were made available to the Guarantor for the purposes of the Project.

Whilst some of the current bank financing will be repaid through the proceeds of issue of the Bonds, the Guarantor's, and consequently 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, for the purposes of completion of certain elements of the Project, or for its maintenance or to refinance existing indebtedness or otherwise for its 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.

Such indebtedness as aforesaid requires and will continue for a number of years in future to require a substantial portion of the Group's generated cash flows 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.

## **BUSINESS AND OPERATIONAL RISKS**

### **CONCENTRATION RISKS**

The Group's business model remains primarily reliant on the Project within the Site and the successful letting to third parties and/or operation of various elements thereof, as a hotel and for retail, leisure and other commercial activities. In addition, the Group's assets and operations are concentrated in Malta, in a specific region thereof, St. Julian's, and are accordingly intimately dependent on the tourism industry and property market in Malta and more specifically in such region.

The Group is therefore subject to concentration risk in view of the restriction of its activities and operations to the Project, and this lack of diversification may exacerbate the hospitality, accommodation, retail market and real estate development related risks to which the Project is or may become exposed, as mentioned below.

### **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 designers, architects, project managers, contractors, subcontractors, suppliers, hotel operators and others for the completion and finishing (where applicable) and 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. Whilst the Project is as at the date hereof almost fully completed and finished, these risks are still relevant, particularly with respect to dependence of third parties for subsequent operation but also, to a limited extent, with respect to remaining finishing works. If these 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.

Whilst there are currently very few serviced apartments remaining unsold, there is the risk in respect of such unsold property that prospective purchasers thereof may default on their obligations under preliminary agreements of sale with the Guarantor, in particular by failing to appear on the final deed of sale and/or pay the outstanding amounts of the price when due. Tenants of the commercial units may default on their rental payment obligations towards Mercury Commercial Mall Ltd. or other relevant Group company. These instances may cause potential liquidity shortages for the Group (including, indirectly, the Issuer) and may also force the Group into potential litigation.

### **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 Hotel operated by Mercury Hotel Ltd., 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 COMMERCIAL RENTAL BUSINESS OF THE GROUP**

The Group, principally Mercury Commercial Mall Ltd., have leased and/or may from time to time lease various Retained Property to third parties for commercial operation, including retail outlets, food and beverage outlets and other commercial units. The health of the 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 commercial 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 OPERATION OF LEISURE BUSINESS**

The Guarantor and Mercury Commercial Mall Ltd. are operating and/or intend to operate, either themselves or through third parties, various entertainment facilities and attractions, including the entertainment arena, the flying theatre and the museum of illusions. These leisure operations and the profits which may be generated by the Group therefrom may be adversely affected by various factors and risks, beyond the Group's control, including changes in leisure trends and appetites of consumers, increased competition from similar and also alternative forms of entertainment attractions, the high costs involved in maintenance and updating of relevant technological equipment and health and safety risks arising from operation and use of certain entertainment attractions.

#### **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 for Bonds, 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 one or more of the members of this team were unable or unwilling to continue in their present position, 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.

#### **THE GROUP'S INSURANCE POLICIES**

As at the date of this Registration Document, the Group companies are mentioned as insured and/or covered under Contractors' All Risks and Third Party Liability insurance covers, at levels determined by the Group to be appropriate in light of the cost of cover and the risks of activities and risk profiles of the business in which the Group operates. With respect to losses for which the Group is covered by such policies, it may be difficult and may take time to recover such losses from insurers. In addition, the Group may not be able to recover the full amount from the insurer. No assurance can be given that the Group's current insurance coverage would be sufficient to cover all potential losses, regardless of the cause, nor can any assurance be given that an appropriate coverage would always be available at acceptable commercial rates.

## LEGAL AND REGULATORY RISKS

### RISKS RELATIVE TO CHANGES IN LAWS AND NEW INDUSTRY STANDARDS AND PRACTICES

The Group and its current and future operations are subject to laws and regulatory requirements applicable to hospitality, real estate letting, entertainment facilities operation, property development and any other business sectors within which they operate, including laws and regulations relating to 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 and regulations, or the amendment of existing ones, including new initiatives at 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 and the timing and effects of changes in the laws and regulations to which it is subject, 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. The Guarantor or any 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 Guarantor directly or pursuant to the operations of a Subsidiary.

### RISKS RELATING TO HEALTH AND SAFETY

As owners of those Retained Properties which are still being completed and finished, the relevant Group companies 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 Retained Properties, the respective Group companies owning or operating the same will be required to ensure compliance, by themselves and their employees and agents and/or by the respective tenants (as the case may be), with applicable health and safety standards and practices in the relevant sectors in which they will operate, including the hospitality, food and beverage and leisure 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

All industries, including the various business sectors in which the Group companies are involved, are subject to legal claims, with or without merit. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation and dispute resolution process, there can be no assurance that the resolution of any particular legal proceeding or dispute will not have a material adverse effect on the Group's future cash flow, results of operations or financial condition.

### 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, commercial rentals and leisure facility operations 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, circular economy, waste management, health and safety at work or at the work place, proper management and governance structures and other environmental, social, employment and governance 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 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:

Name and Identity Card number	Office Designation
Joseph Portelli (497193M)	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 is an executive Director and occupies 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' which contains a short curriculum vitae of the Directors, a description of the respective 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:

Name and Identity Card number	Office Designation
Joseph Portelli (497193M)	Executive Director
Chloe Portelli (34696G)	Executive Director
Tristen Portelli (13201H)	Executive Director

Reference is made to section 9 titled 'Administrative, Management and Supervisory Bodies' which contains a short curriculum vitae of the directors of the Guarantor.

### 3.2 COMPANY SECRETARIES OF THE ISSUER AND THE GUARANTOR

Dr. Joseph Saliba of 9/4, Britannia House, Old Bakery Street Valletta VLT1450, Malta, holder of Identity Card number 49574M is the company secretary of the Issuer.

Dr. Ian Stafrace of 9/4, Britannia House, Old Bakery Street Valletta VLT1450, Malta, holder of Identity Card number 106173M 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

#### REGISTRAR & CO-MANAGER

**Name:** Bank of Valletta p.l.c.  
**Address:** 58, Zachary Street, Valletta VLT 1130, Malta

#### FINANCIAL ADVISORS

**Name:** Grant Thornton Malta  
**Address:** Fort Business Centre, Level 2, Triq L-Intornjatur, Zone 1, Central Business District, Birkirkara CBD1050, 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:** Baker Tilly Malta  
**Address:** Level 5, Rosa Marina Building, 216, Marina Seafront, Pieta' PTA 9041, Malta.

The annual statutory financial statements of the Issuer for the financial years ended 31 December 2021, 31 December 2022 and 31 December 2023 have been audited by Baker Tilly Malta. Baker Tilly 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 Baker Tilly Malta is AB26/84/28.

As at the date of the Prospectus, the statutory auditors of the Guarantor are also Baker Tilly Malta.

The annual statutory financial statements of the Guarantor for the financial years ended 31 December 2021, 31 December 2022 and 31 December 2023 have been audited by the said Baker Tilly Malta.

### 3.6 SECURITY TRUSTEE

**Name:** CSB Trustees & Fiduciaries Limited  
**Registered Office:** Level 3, Tower Business Centre, Tower Street, Swatar, Birkirkara 4013, Malta

## 4 INFORMATION ABOUT THE ISSUER AND THE GROUP

### 4.1 HISTORY AND DEVELOPMENT OF THE ISSUER

<b>Full legal and commercial name of the Issuer</b>	Mercury Projects Finance p.l.c.
<b>Registered address</b>	1400, Block 14, Portomaso, St Julian's, Malta
<b>Place of registration and domicile</b>	Malta
<b>Registration number</b>	C 89117
<b>Legal Entity Identifier ('LEI')</b>	391200HPXPO29NMJCF40
<b>Date of registration</b>	16 January 2019
<b>Legal Form</b>	A public limited liability company duly registered in terms of the Act
<b>Telephone number</b>	+356 2131 3029
<b>Email</b>	info@mercury.com.mt
<b>Website</b>	www.mercury.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.*



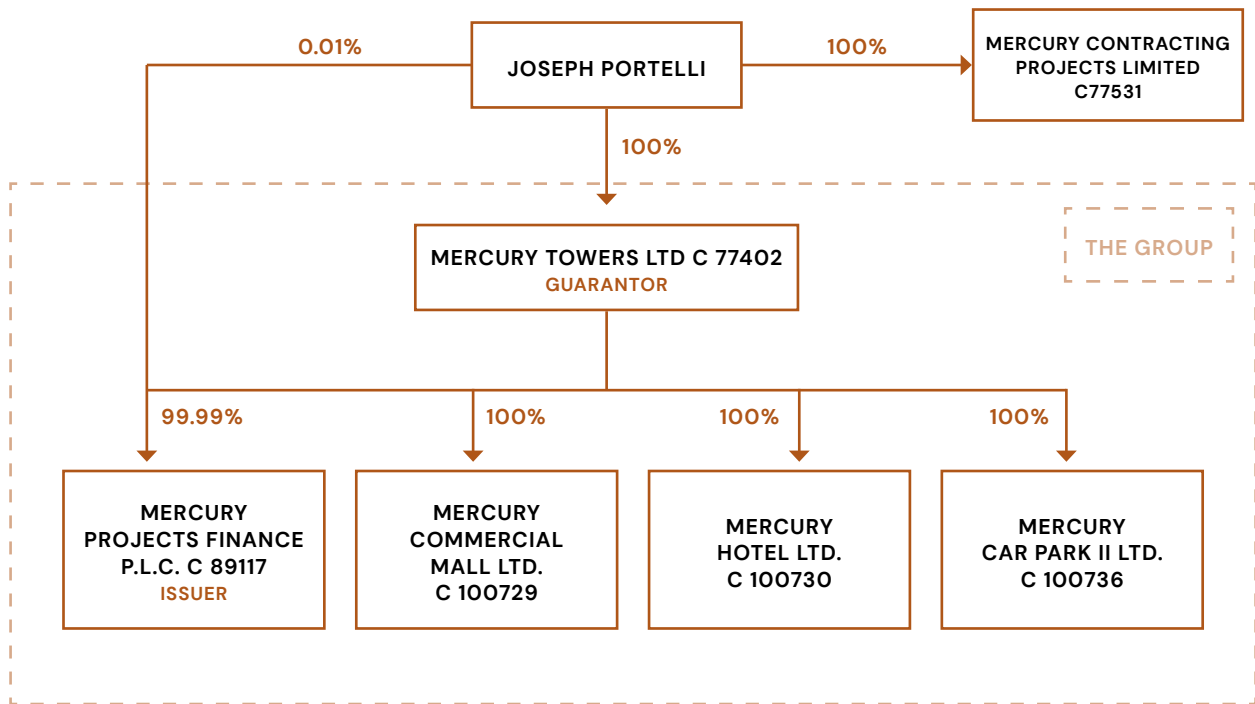
## 4.2 HISTORY AND DEVELOPMENT OF THE GUARANTOR

<b>Full legal and commercial name of the Guarantor</b>	Mercury Towers Ltd
<b>Registered address</b>	J Portelli Offices, St George Street, St Julian's, STJ3202, Malta
<b>Place of registration and domicile</b>	Malta
<b>Registration number</b>	C 77402
<b>Legal Entity Identifier ('LEI')</b>	3912008XQEJHUJ4GAI82
<b>Date of registration</b>	28 September 2016
<b>Legal Form</b>	A private limited liability company duly registered in terms of the Act
<b>Telephone number</b>	+356 2131 3029
<b>Email</b>	info@mercury.com.mt
<b>Website</b>	www.mercury.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.*

### 4.3 ORGANISATIONAL STRUCTURE OF THE GROUP

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



The Issuer 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**

- The Guarantor, being the parent company, which is itself actively involved in the property development business and which owns and is intended to continue to own, finish (where applicable) and operate certain essential elements of Retained Property within the Project;
- Mercury Hotel Ltd., a single-member private limited liability company, incorporated under the laws of Malta on 7 December 2021 with registration number C 100730 and with its registered office situated at Mercury House, Triq San Gorg, St. Julian's, Malta, which owns the existing constructions and airspaces of, and is intended to continue to own, finish (where applicable) and operate the Hotel;
- Mercury Commercial Mall Ltd., a single-member private limited liability company, incorporated under the laws of Malta on 15 December 2021 with registration number C 100729 and with the same registered office as the Issuer, which owns parts of, and leases other parts of, the Commercial Mall and certain other commercial elements within the Project, and is intended to continue to own or lease (as applicable) and operate the same;
- Mercury Car Park II Ltd, a single-member private limited liability company, incorporated under the laws of Malta on 15 December 2021 with registration number C 100736 and with its registered office situated at Mercury House, Triq San Gorg, San Giljan, Malta, which owns and operates the Parking Complex within the Project; and
- the Issuer, which does not have any substantial assets and is essentially a special purpose vehicle set up to act as a financing vehicle of the Mercury Group, and intended to serve as a vehicle through which the Group will continue to finance its future projects, principally and in the immediate future the Project as set out in detail in section 6.2 of this Registration Document, 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.

As of the date hereof, the Guarantor owns 1,500 Class 'B' ordinary shares in, and constituting 25% of the share capital of, Mercury Car Park Limited, a private limited liability company registered under the laws of Malta on 1 June 2017, having its registered office at Mangion Building, New Street Off Valletta Road, Luqa LQA 6000, Malta. Mercury Car Park Limited used to own part of the Parking Complex within the Car Park Site until it transferred the same to its shareholders in March 2023. Mercury Car Park Limited currently has no active operations.

**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 principal amount 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 2024.

As the holding company and as an important operating company of the Group, the Guarantor is ultimately dependent on the results of its own operations and its own performance (particularly the operational revenues and the rental payments, as applicable, deriving from its Retained Property mainly within the Tower, Mercury House and the pavilion next to it, as described in section 5.3 of this Registration Document), as well as the future results and performance of its Subsidiaries from which it expects to receive payments of any loans advanced to them and eventually also dividends.

## 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 2024 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 principal activity of the Group is the acquisition and disposal and/or development and operation of the various immovable properties within and constituting the Project situated at the Site at Paceville, St. Julian's. The Group was in fact specifically set up in view of and for the purposes of, the Project, and such Group principally operates by reference to such Project, and its activities are accordingly focused thereon.

The Project itself consists of mixed-use developments, including accommodation serviced apartment units, commercial, retail and entertainment outlets, as well as a 5-star Hotel, and is complemented by an extensive car parking facility underlying the Site and servicing the owners and users of the various Project elements. A more detailed description of the concept, characteristics and other matters relating to the Project are found in section 5.2 below.

The Group's main business therefore consists of:

- (a) the sale of immovable property within the Site, mainly the disposal of the constructed accommodation serviced apartment units in the Tower and the Peripheral Block or of the relative airspaces within which apartments comprised in the Peripheral Block have been constructed, a business activity which as at the date of this Registration Document has been almost fully completed through the sale of almost all the property made available for resale;
- (b) the development and retention of parts of the Site for long-term investment, through the operation and/or letting thereof to third parties and the generation of revenues therefrom, mainly the operation of the Hotel, certain leisure and entertainment elements as well as the Parking Complex, and the rental to third parties of the Commercial Mall and other commercial, leisure and entertainment elements within the Project.

A more detailed overview of these two main lines of business of the Group is given below in section 5.3.

### 5.2 THE PROJECT AND THE SITE

The 'Mercury House Project' is a commercial, accommodation and leisure (mixed use) development of approximately 119,990m<sup>2</sup> of gross floor area located in the heart of Malta's most popular entertainment district, Paceville, in St. Julian's, which has been developed and is being completed on the Site.

#### ACQUISITION OF THE SITE AND TRANSFER OF PARTS THEREOF TO GROUP COMPANIES

##### Acquisition of Mercury Site

The Guarantor acquired the Mercury Site in two stages, by virtue of the two Mercury Site Public Deeds in December 2016 and June 2017.

Such acquisition was made for a total price of €24,255,000, which was split into a price of €17,425,000 paid for the first portion of the site sold by virtue of the first Mercury Site Public Deed and the balance of €6,830,000 paid for the remaining portion of the site sold by virtue of the second Mercury Site Public Deed, together with €305,385 paid by way of interest accrued on such second portion of the price from the date of the first deed to the date of the second deed (as agreed to between the parties).

##### Acquisition of Exchange Site

The Guarantor acquired the Exchange Site, adjacent to the Mercury Site, by virtue of the Exchange Site Public Deed in August 2021, pursuant to an assignment of the promise of sale agreement dated 2 August 2018 that took place on the same Exchange Site Public Deed between Mercury Exchange Ltd and the Guarantor.

Such acquisition was made for a total price of €14,000,000.

**TRANSFERS TO GROUP COMPANIES****Mercury Hotel Ltd.**

On 12 March 2022, by virtue of a public deed in the records of Notary Anna Theuma, the Guarantor transferred to Mercury Hotel Ltd., the airspaces and existing constructions of the Site within which the Hotel has been developed and is being finished, consisting essentially of (i) the second floor to fourth floor (LO2 to LO4) which forms part of the Hotel podium, and the overlying fifth floor up to the twentieth floor (LO5 to L20), including the airspaces above them, (ii) the roof at the ninth level (LO9) of part of the Peripheral Block, intended for development into the pool and pool amenities to service the Hotel, and (iii) the part of the fourth basement level (BO4) which has been converted into a SPA, which will form part and be operated as part of the amenities of the Hotel.

Such transfer was made for a total price of €14,600,000, which remains outstanding and has by virtue of the above-mentioned deeds of sale been made available by the Guarantor to Mercury Hotel Ltd. as an interest-free shareholders' loan.

On 18 December 2023, by virtue of a public deed in the records of Notary Kristen Dimech, the Guarantor also transferred to Mercury Hotel Ltd., the existing constructions of the Site within the Hotel building consisting essentially of the ground floor and first floor (LO0 and LO1) which will form part of the Hotel podium, but will not comprise any accommodation rooms or suites of the Hotel. Such transfer was made for a total price of €2,238,784.

The Guarantor retained ownership of the whole second basement level (BO2) underlying and spanning across the whole Project within the Site which is intended to serve as back of house space and facilities for the various elements of the Project, except for that portion thereof forming part of the entertainment arena which was transferred to Mercury Commercial Mall Ltd. The Guarantor has granted a part of such level on lease to Mercury Hotel Ltd. Furthermore, Mercury Car Park II Ltd has granted on lease to Mercury Hotel Ltd. 16 car parking spaces within the parking Complex for exclusive use by guests of the Hotel.

Whilst the ground floor (LO0) within the Hotel podium is owned by Mercury Hotel Ltd. as mentioned above, some areas within this floor (excluding entrance, hallway, lift lobby, staircase, stair landings and other amenities within such floor intended for use by the Hotel staff and/or patrons) is rented to Mercury Commercial Mall Ltd. to be operated as retail commercial outlets.

Mercury Hotel Ltd. has also granted on lease to Mercury Commercial Mall Ltd. the SPA situated within the vaults at the fourth basement level (BO4).

**Mercury Commercial Mall Ltd.**

On 18 December 2023, by virtue of a public deed in the records of Notary Kristen Dimech, the Guarantor transferred to Mercury Commercial Mall Ltd., the following constructions and underground spaces of the Site which form part or (as applicable) are intended to form part of the Commercial Mall and other commercial outlets operated by Mercury Commercial Mall Ltd. and the indoor go-karting entertainment arena, namely:

- (i) the underground spaces within which the first basement level up to the first floor (BO1 to LO1) of the Peripheral Block (the Commercial Mall) has been developed, for a total price of €7,832,963; and
- (ii) an underground space within the second and third basement levels (BO2 and BO3), within which the entertainment arena has been developed, for a total price of €1,837,357.

The Guarantor has granted on lease to Mercury Commercial Mall Ltd. parts of the first basement level (BO1) underlying the Tower building, parts of the ground, second and eleventh floors (LO0, LO2 and L11) of the Tower, the roof top bar at the thirty third floor (L33) of the said Tower and its overlying viewing gallery, the pavilion which is a single-standing building set next to Mercury House, as well as part of Mercury House, which have remained in the ownership of the Guarantor, and Mercury Commercial Mall Ltd. has in turn sub-let these to third parties to be operated by them as catering establishments, retail outlets and/or other commercial elements of the Project.

Furthermore, Mercury Hotel Ltd. has granted on lease to Mercury Commercial Mall Ltd. parts of level zero (LO) of the Hotel podium which are currently sub-let by the latter to third parties as retail outlets, as well as the SPA at fourth basement level (BO4) which are also currently sub-let by Mercury Commercial Mall Ltd. to third parties.

The Guarantor has granted on lease to Mercury Commercial Mall Ltd. the Wellness Centre next to the SPA situated at the fourth basement level (BO4) and Mercury Commercial Mall Ltd. currently sub-lets the same to third parties.

Mercury Commercial Mall Ltd. has also taken on lease from Mercury Car Park II Ltd the parts of the third basement level (BO3) housing the gym and the car wash facility, and Mercury Commercial Mall Ltd. has in turn sub-let these to third parties.

### Mercury Car Park II Ltd

Pursuant to two public deeds in the records of Notary Kristen Dimech dated 28 March 2023, Mercury Car Park II Ltd is currently the owner of the totality of the Parking Complex within the Car Park Site, excluding 28 car parking spaces which are owned by Seam Limited, and excluding also other areas within the underground levels minus three to minus seven (B03 to B07) which are retained in ownership by the Guarantor and/or other Group companies to better manage the Project, including the cores, the entertainment area, the garbage disposal plant, the plant and pump rooms, the SPA and Wellness Centre and the storage rooms, as better described in the said public deeds. As of the date of this Registration Document, therefore, Mercury Car Park II Ltd is the owner of 610, out of a total of 638, car spaces comprised in the Parking Complex.

Prior to such public deeds:

- (i) the portion of the Car Park Site which underlies parts of the Mercury Site, namely an approximate space of *circa* 4,533m<sup>2</sup> on each of underground levels minus three to minus six (B03 to B06) which were approved for the construction therein of a car parking complex by virtue of the Full Development Permit issued by the Malta Planning Authority on 7 February 2018 (REF. Planning Authority Permit PA 06955/17) and confirmed on appeal on the 7 March 2019, was owned by Mercury Car Park Limited, a company owned as to 68% by Bersella Holdings Limited, as to 25% by the Guarantor and as to the remaining 7% by Mr Marcel Bonnici, current Chief Executive Officer of the Group; and
- (ii) the remaining portion of the Car Park Site underlying parts of the Site, namely an approximate space of *circa* 1964m<sup>2</sup> on each of underground levels minus three to minus seven (B03 to B07) which were approved for the construction therein of car parking facilities by virtue of the Full Development Permit issued by the Malta Planning Authority on 17 December 2020 (REF. Planning Authority Permit PA 1892/19) as an extension to the previously approved car parking facilities within the portion referred to in (i) above, was owned by the Guarantor.

By virtue of the above-mentioned public deeds, (a) the portion of the Car Park Site mentioned in (i) above was first transferred by Mercury Car Park Limited to its shareholders (and in the case of Mr Marcel Bonnici, to his company Seam Limited) in undivided shares reflecting their respective shareholding of Mercury Car Park Limited, (b) Bersella Holdings Limited then transferred its 68% undivided share to the Guarantor such that the Guarantor's undivided share in the portion of the Car Park Site mentioned in (i) above became 93%, (c) the Guarantor and Seam Limited agreed to partition their respective 93% and 7% undivided shares into 372 car parking spaces and 28 car parking spaces respectively, such that the Guarantor ended up being the owner of 372 car parking spaces in the portion of the Car Park Site mentioned in (i) above and all of the car parking spaces in the portion of the Car Park Site mentioned in (ii) above, and (d) the Guarantor transferred the Car Park Site to Mercury Car Park II Ltd except for the 28 car parking spaces therein belonging to Seam Limited and other excluded areas within the underground levels minus three to minus seven (B03 to B07) which were retained in ownership by the Guarantor as mentioned above.

As mentioned above, 16 car parking spaces within the Parking Complex have been granted on lease by Mercury Car Park II Ltd to Mercury Hotel Ltd. to be used by guests of the Hotel.

Furthermore, as seen above, Mercury Car Park II Ltd has also granted on lease to Mercury Commercial Mall Ltd. the gym and the car wash facility within the Car Park Site, which gym and car wash facility are currently sub-let by Mercury Commercial Mall Ltd. to third party tenants for respective operation by the latter.

### DESCRIPTION OF THE PROJECT

The Project was initially awarded a full development permit by the Malta Planning Authority on 25 January 2018 – REF. Planning Authority Permit PA 06955/17, which at the time covered only the development on Mercury Site. On 17 December 2020, the Malta Planning Authority issued a permit REF. Planning Authority PA 01892/19 through which it awarded full development permit for the rest of the Project, mainly that part thereof developed on the Exchange Site and also to approve three additional floors on the previously approved main Tower as well as change of use for some spaces within the said Tower and other parts of the previously approved Project, including the redesign of the podium to include a 19-storey hotel (Class 3B) as an extension to the approved hotel. On 31 August 2013, another full development permit REF. Planning Authority PA 05530/22 was issued by the Malta Planning Authority to approve an additional floor (20th floor) on the hotel building, as well as change of use for some spaces within the Project.

The complex, which is currently close to being finished, includes a mix of historical and ultra-modern edifices on the Site. At its heart is a 19th century heritage building, also known as Mercury House, which is flanked by a 34-storey Tower, next to which lies a 20-storey Hotel which is in turn flanked by a V-shaped Peripheral Block, with all these buildings abutting onto a piazza, and with underground storeys underlying such entire development. The Project consists of a mixed-use development comprising serviced apartments, a hotel, a commercial mall, other leisure, retail and commercial activity and an underlying car park.

The following are the primary components and main features of the Project:

### **SERVICED APARTMENTS – TOWER AND PERIPHERAL BLOCK**

A featural highlight of the Project is the 34-storey Tower. The Tower is designed by internationally renowned architectural firm Zaha Hadid Architects ([www.zaha-hadid.com](http://www.zaha-hadid.com)) and is one of the final projects signed off by Zaha Hadid herself, only a few days before her untimely passing.

Apart from certain floors and/or parts thereof intended to be used for commercial and entertainment purposes, the major part of the floorspace within the Tower consists of the equivalent of 291 standard size serviced apartments, which following the conjoining of certain units within certain floors now amount to 252 apartments, spread over the third floor up to the thirty first floor (L03 to L31) of such Tower, excluding the tenth to the twelfth floors (L10 to L12). As at the date of this Registration Document, all the serviced apartments have been sold by the Guarantor to third parties, although some of these have been retained by the Guarantor, particularly the equivalent of 12 apartments, which have now been conjoined to form 4 bigger apartments, at the uppermost level (L31), 3 of which have been rented as part of the hotel accommodation pooling arrangement explained below. The Guarantor will also retain ownership of the Tower cores and common areas.

In addition to the serviced apartments within the Tower, the Peripheral Block has been developed and is being finished into and comprises a further 170 serviced apartments / suites, which are all intended for sale by the Guarantor to third parties, and a substantial number of these have already been sold through a final deed whilst most of the remaining ones are already the subject of preliminary agreements concluded with third parties.

The owners of the apartments and suites had the choice to either keep such apartments for their personal purposes (including rental in their personal capacity), or else to pool these as part of an extended 5-star serviced accommodation for the Hotel users and to be operated as part of the Hotel. The owners of a number of such apartments, namely 34 apartments owned by third parties plus 3 conjoined apartments owned by the Guarantor, have effectively opted for the latter arrangement. They have therefore let or are in the process of letting these to Mercury Hotel Ltd. for pre-agreed periods under a pre-agreed rental consideration arrangement. The period of lease is typically of 15 years and the rent is based on a percentage return from total yearly apartment / suite revenue.

### **HOTEL**

Another major element of the Project will be the 5-star branded hotel, consisting of a 140-room 20 storey building, situated within the second to the fourth floor (L02 to L04) of the Hotel building, namely within the podium of such building, and the overlying fifth floor up to the twentieth floor (L05 to L20) of such building, which consists of the tower of the Hotel building. The Hotel also extends to the roof of the eighth level (L08) of part of the Peripheral Block, which has been developed and is intended to be used as the pool area of such a Hotel. The Hotel also extends to part of the fourth basement level (B04), which has been converted and will be used as a state-of-the-art SPA located in the limestone vaults used to house the post-World War 2 telecommunications hub and the adjacent Wellness Centre. The Hotel will also have the right of its guests to use the gym at the third basement level (B03).

The accommodation capacity of the Hotel will extend by virtue of the serviced apartments within the Tower and the Peripheral Block whose owners signed up or are in the process of signing up to the hotel accommodation pooling arrangement mentioned above.

The Hotel will be owned and operated by Mercury Hotel Ltd. through a hotel management agreement with the internationally renowned hotel chain Meliá, in particular with Meliá Hotels International S.A. ([www.meliahotelsinternational.com/en](http://www.meliahotelsinternational.com/en)) (as manager) and Prodigios Interactivos S.A. (as provider), in respect of the Hotel and its facilities, for the management and operation of the Hotel under the brand name of 'ME'.

### **COMMERCIAL MALL AND OTHER RETAIL AND CATERING OUTLETS**

The Project will also include a Commercial Mall, situated within the first basement level up to the first floor (B01 to L01) of the Peripheral Block and abutting onto the piazza, consisting of a variety of clothing and other retail outlets as well as some catering establishments situated within such mall. Such Commercial Mall has a total gross floor area of approximately 7,900m<sup>2</sup>, and is owned by Mercury Commercial Mall Ltd. and leased by it to various retailers and other third parties.

The Project also includes some other retail outlets, mainly at level zero (L0) of the Hotel podium and the third basement level (B03) within the pavilion adjacent to Mercury House. These are held by Mercury Commercial Mall Ltd. under title of lease from Mercury Hotel Ltd. and from the Guarantor respectively, and are in turn sub-let by Mercury Commercial Mall Ltd. to third parties.

Furthermore, the Project comprises various restaurants and other catering establishments, apart from those within the Commercial Mall and the Hotel, which will be situated at various levels and areas, including restaurants at the ground, second and eleventh floors (L00, L02 and L11) of the Tower, a uniquely positioned roof top bar spanning across the thirty third floor (L33) of the said Tower and its overlying viewing gallery, together with other catering establishments within parts of the first basement level (B01) underlying the Tower building, as well as catering establishment/s within Mercury House. These are owned by the Guarantor which has leased the same to Mercury Commercial Mall Ltd. which in turn sub-lets the same to third party operators.

## LEISURE / ENTERTAINMENT FACILITIES

The Project will also feature and comprise various other ancillary components, facilities and amenities, including the following leisure and entertainment features:

### Museum of Illusions

The 19th century villa at the core of the Project, Mercury House, which is owned by the Guarantor, will comprise, apart from a catering establishment and part of the flying theatre as mentioned below, a unique attraction namely the planned museum of illusions. The said Museum of Illusions will offer a variety of 3D illusions inspired by cartoons, art, current events, movies and more as well as various optical illusion experiences. The Museum of Illusions is currently intended to be operated by the Guarantor.

### Flying Theatre

This will consist of an attraction walkthrough various spaces within Level O1 of the Tower and Mercury House, with audio-visual presentations of various historical eras and/or points of interest in Malta, and ending in the admission to the flying theatre, which will be a type of entertainment-themed simulator ride, consisting of rigged-seats, and virtual reality or virtual projection combination to create the illusion of flight. The flying theatre is owned and is currently intended to be operated by the Guarantor.

### Entertainment Arena

The Project includes, in levels B02 and B03 underlying the Commercial Mall, an indoor go-karting entertainment arena consisting of go-karts, VR simulators, an ice-rink, a suspended obstacle rope course and a dedicated area for children, apart from a catering establishment serving the said arena. The arena was opened in February 2024. It is owned by Mercury Commercial Mall Ltd. and is leased and operated by CF Leisure Ltd., a company in which Joseph Portelli, the beneficial owner of the Group, has a 30% beneficial ownership.

## PARKING COMPLEX

The Project will also comprise a five-storey sub-structure Parking Complex, situated within the Car Park Site, which spans across underground levels minus seven to minus three (B07 to B03), and includes approximately 638 car spaces, apart from some lock-up garages which have been sold to some purchasers of serviced apartments. The said Parking Complex is being operated by Mercury Car Park II Ltd under third party management, and is open for use to the general public.

## PROJECT PHASING AND EXPECTED TOTAL COSTS OF THE PROJECT

The table below shows, in respect of the various elements of the Project:

- (i) the finished status or, as applicable, the approximate stage of development as at the date of this Registration Document; and
- (ii) the expected date of completion, where applicable.

Property elements	Current stage of development / Finished status	Expected Completion
Commercial Mall, including piazza and entertainment arena	Finished and operational	Not applicable
Parking Complex	Finished and operational	Not applicable
Tower (excluding commercial outlets within same)	Finished externally and mostly finished internally with some last remaining units being finished	Second half 2024
Peripheral Block (excluding Commercial Mall and other commercial elements)	Finished externally and mostly finished internally with some remaining elements being finished	Second half 2024



Hotel	Fully constructed and in the last stages of finishing	Second half 2024
Other commercial elements outside the Commercial Mall	Fully constructed and in the last stages of finishing, although some outlets in levels B01 and L00 are already finished and operational	Second half 2024
Flying theatre	Fully constructed and in the last stages of finishing	Second half 2024
Museum of Illusions	Fully constructed and being finished	Second half 2024

It is envisaged that the Project will become fully operational by the end of the year 2024.

Originally, it was expected that the Hotel would be completed in 2023 and that earnings from the operations of the Hotel would start in the first quarter of 2024. However, some delays resulted which pushed forward these estimated dates, principally in view of the addition of, and permission to construct, an extra floor to the Hotel building. It was thus agreed with the manager of the Hotel, Meliá Hotels International S.A., to postpone the opening of the hotel to the peak summer period of 2024.

As at the date of this Registration Document, the total capital expenditure, construction and development costs of the Project for the Group (including the cost of acquisition of relative land/airspace, excavation and construction costs, mechanical and electrical costs, finishing costs, professional fees, interest and other pre-operational costs, but excluding such costs incurred by the purchasers of the serviced apartment units directly towards the relevant contractors and/or suppliers) are estimated and budgeted at approximately €280 million, although the actual final amount of costs incurred may vary over time up to completion due to a variety of factors.

### 5.3 BUSINESS OVERVIEW OF THE GROUP

As noted under section 5.1 above, the main business activities of the Group consist of the sale of certain immovables within the Project as well as the development and retention of other immovables within the Project for long-term investment to generate rental and operational income therefrom.

#### SALE OF SERVICED APARTMENT UNITS

As mentioned earlier, all the apartments available for sale within the Tower (excluding those retained by the Guarantor at the thirty first level (L31)), have been sold to third parties. Some payments out of the price of such apartments, representing final handover payments, remain payable to the Guarantor. As at 31 December 2023, the total amount so receivable by the Guarantor amounted to approximately €3.1 million.

Most of the apartments within the Peripheral Block have already been sold to third parties, with final handover amounts representing part of the price remaining payable. As at 31 December 2023, the number of apartments, out of a total of 170, which were still not sold amounted to 22, 19 of which were at such date the subject of binding preliminary agreements with the relevant proposed buyers, who had by then paid prescribed deposits on account of the price to the Guarantor. As at 31 December 2023, the total amount yet to be received or projected by the Guarantor in respect of apartments within the Peripheral Block, including those which have been definitively sold, those being subject to preliminary agreements and those being not so subject to preliminary agreements, amounts to approximately €3.8 million.

With respect to the majority of units within the Tower and some units within the Peripheral Block, the Guarantor only sold the relative airspace within which the relevant apartment unit has been developed. Where only the airspace is sold as aforesaid, the buyer, concurrently with the relevant preliminary agreement for the sale of the airspace, entered into a direct agreement with Mercury Contracting Projects Limited, a limited liability company registered in Malta on 7 October 2016 whose main business is to act as immovable property contractor, to carry out the construction and finishing works for the buyer. In such cases, the preliminary agreement for an apartment unit therefore consisted of a tripartite agreement between the Guarantor, Mercury Contracting Projects Limited and the buyer, whereby the Guarantor directly agreed on the terms and conditions, including

the price, of the relative airspace with the buyer, and concurrently but separately Mercury Contracting Projects Limited was engaged by the buyer and agreed with the buyer the terms and conditions, including price and fees, for carrying out the works. In other cases, however, the Guarantor agreed to sell the relevant apartment unit in the shell form of finished state, and in such cases, the Guarantor itself engaged the above-mentioned Mercury Contracting Projects Limited to carry out the relevant construction and/or finishing works as required.

## RETENTION AND LETTING AND/OR OPERATION OF IMMOVABLES

The Guarantor, Mercury Hotel Ltd., Mercury Commercial Mall Ltd. and Mercury Car Park II Ltd will be retaining the ownership of various elements of the Project, for long-term investment, and in some cases will be taking certain elements of the Project on lease from each other, in all cases for the generation of rental and other operational revenues therefrom by such companies respectively and the Group in general. These include principally certain areas and/or floors within the Tower, the Hotel, the Commercial Mall and other commercial areas, the pavilion, Mercury House and the Parking Complex, as described in more detail below.

### Serviced Apartments within the Tower

The Guarantor has retained the ownership of *inter alia* the accommodation serviced apartments on the thirty-first floor (L31) of the Tower, apart from some other floors and parts of the Tower and the Tower cores and common areas, and other elements of the Project.

As regards the serviced apartments at level L31 of the Tower, the Guarantor has as at the date of this Registration Document agreed to lease the majority of these (three out of 4 conjoined apartments) to Mercury Hotel Ltd. under the hotel accommodation pooling arrangement described under the heading 'Serviced Apartments - Tower and Peripheral Block' under section 5.2 above and is thus entitled to receive the consideration for such pooling along the lines of the formula being used by the hotel operator to calculate the consideration to other apartment owners participating in such pooling arrangement which, as seen under the said heading 'Serviced Apartments - Tower and Peripheral Block' is a formula essentially based on a percentage of revenue. The Guarantor may also rent the remaining serviced apartment at such Level 31 in its personal capacity, thus generating rental income therefrom.

### Hotel

Mercury Hotel Ltd. will own and operate the Hotel (as described under section 5.2 above).

The Guarantor had entered into a hotel management agreement dated 15 August 2018 with Meliá Hotels International S.A. and Prodigios Interactivos S.A., in respect of the hotel and its facilities, whereby the said Meliá Hotels International S.A. and Prodigios Interactivos S.A. had agreed to manage and operate the hotel within the project under the brand name of 'ME', in accordance with the parameters and under the conditions agreed to between the parties. The parties had 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 revenue and gross operating profit, with the remaining operational revenue being retained by the Guarantor. Following the incorporation of Mercury Hotel Ltd. in 2021 and in view of the transfer by the Guarantor and the said Mercury Hotel Ltd. of the immovables within which the Hotel has been developed, the parties are in the process of updating their contractual relationships such that the hotel management agreement with Meliá Hotels International S.A. and Prodigios Interactivos S.A. is executed with Mercury Hotel Ltd. as party thereto.

The term of the agreement is expected to be of 15 years with effect from the Opening Date, which is anticipated to occur in the second half of 2024, renewable for a further period of 5 years.

Mercury Hotel Ltd. is also concluding agreements with some of the purchasers of the accommodation serviced apartments within the Tower who have agreed to participate in the hotel accommodation pooling arrangement for a revenue-percentage based consideration, as referred to earlier, under the heading 'Serviced Apartments - Tower and Peripheral Block' under section 5.2 above. In this way, Mercury Hotel Ltd. has secured the opportunity to extend the accommodation offered by the Hotel, thereby enhancing the potential operational revenues for itself.

Mercury Commercial Mall Ltd. has also taken on lease the following three components which will be operated by third parties as part of the Hotel amenities:

- (i) the gym situated at the third basement level (B03), which is being leased from Mercury Car Park II Ltd against rent payable by Mercury Commercial Mall Ltd., and the latter is in turn sub-letting the same to third parties operating the same; and
- (ii) the SPA situated at the fourth basement level (B04), which is being leased from Mercury Hotel Ltd. against rent payable by Mercury Commercial Mall Ltd. which is in turn sub-letting the same to third parties which are operating the same; and
- (iii) the Wellness Centre situated at the fourth basement level (B04), which is being leased from the Guarantor against rent payable by Mercury Commercial Mall Ltd., and the latter is sub-letting the same to third parties for operation.

Mercury Hotel Ltd. has entered into an arrangement with Mistral Hotel Ltd and Ratcon Ltd, being two companies in which the beneficial owner of the Group, Joseph Portelli, has a 30% beneficial ownership, which companies own and operate a total of three small to medium sized hotels in St. Julian's, for the sharing of certain human resources between them in the operation of the respective hotels, so as to reduce expenditure through economies of scale and thus enhance profitability. In terms of such arrangement, the said Mistral Hotel Ltd and Ratcon Ltd pay a charge to Mercury Hotel Ltd. as compensation for the time spent by certain employees of the latter in the operation of their respective hotels, which charge is calculated at cost.

#### **Commercial Mall and other retail and catering outlets**

Mercury Commercial Mall Ltd. owns the Commercial Mall. As at the date of this Registration Document, all of the retail and food and beverage outlets within the Commercial Mall have been leased by Mercury Commercial Mall Ltd. to third party tenants, for a number of years at a rent which is higher than the base rent agreed with the relevant lessee and a top-up rent based on the respective turnover generated by the relevant outlet. As at the date of this Registration Document, the total contractually agreed base rent for all retail and food and beverage outlets within the Commercial Mall amounts to approximately €3.0 million per annum.

The Project will also generate rental income from various other commercial elements situated in various parts thereof including:

- (i) the various restaurants at the ground, second and eleventh floors (L00, L02 and L11) of the Tower, the roof top bar at the thirty third floor (L33) of the said Tower and its overlying viewing gallery, as well as other catering establishments within parts of the first basement level (B01) underlying the Tower building, and also the catering establishment/s within Mercury House, which are leased by the Guarantor to Mercury Commercial Mall Ltd. thus generating rental income for the Guarantor, and are in turn sub-let by Mercury Commercial Mall Ltd. to third party tenants;
- (ii) the retail outlet situated within the pavilion adjacent to Mercury House, which is owned by the Guarantor and from which it generates rental income by leasing it to Mercury Commercial Malla Ltd, whilst the latter generates rental income by sub-letting the same to third party tenants; and
- (iii) the retail outlets at level zero (L0) of the Hotel podium which are owned by Mercury Hotel Ltd. and leased by it to Mercury Commercial Mall Ltd., which in turn sub-lets the same to third party tenants.

Mercury Commercial Mall Ltd. has contractually agreed to sub-let the outlets and establishments mentioned in (i) to (iii) above to third party lessees for a number of years, at a rent which is the higher of the base rent agreed with the relevant lessee and a top-up rent based on the respective turnover of the outlet. As at the date of this Registration Document, the total agreed base rent for all catering and retail outlets mentioned in (i) to (iii) above amounts to approximately € 2.1 million per annum.

#### **Leisure / entertainment facilities**

As stated in section 5.2, the Guarantor owns and is intended to operate the Flying Theatre situated partly within Mercury House and partly within the Tower as well as the Museum of Illusions situated within Mercury House, both of which are in the process of being finished and completed and are expected to be open before end of the current year 2024. The Guarantor is thus expected to generate operational income through entrance fees and other revenue generated from the operation of these facilities.

Furthermore, Mercury Commercial Mall Ltd., as the owner of the entertainment arena at the second and third basement levels, is generating rental income from the leasing of such arena to CF Leisure Ltd., a company in which Joseph Portelli has a 30% beneficial interest. The rent is calculated at the higher of the agreed base rent and a top-up rent based on the turnover generated by the arena. The lease contract and its terms and conditions have been agreed on an arm's length basis and are based on standard rental terms and conditions.

The Guarantor, or any other Group company to which these operations may be transferred from time to time, is also expected to generate rental and/or operational income from the organisation and/or operation of leisure activities, functions and events within the upper and lower piazza and other open spaces within the Project, as well as income from the leasing of advertising space within such open spaces and other designated areas within the Project.

#### **Parking Complex**

Mercury Car Park II Ltd is expected to generate an ongoing income stream from the operation of the Parking Complex within the Car Park Site. The car parking fares payable by the general public using the facility are reflective of market rates for car parks in similar localities. The Parking Complex is being operated by Mercury Car Park II Ltd under third party management, under a management agreement for 2 years entered into with a local car park management company which charges a fixed management fee to Mercury Car Park II Ltd.

Furthermore, Mercury Car Park II Ltd is receiving rental income from the lease of the car wash facility within the Car Park Site to Mercury Commercial Mall Ltd., which in turn is generating rental income from the sub-letting of such facility to third parties.

**Other elements**

The Guarantor has retained ownership of level B02 of the Project structure, which is being finished into a back of house for the whole operation of the Project and will thus partly be used for the Guarantor's own operations, whereas some parts thereof will be granted on lease by the Guarantor to Mercury Hotel Ltd. and possibly other Group companies, thus generating rental income for the Guarantor.

The owners and tenants of various elements within the Project, including owners and/or tenants of the serviced apartments, the Hotel and the commercial outlets, are required to pay a waste management charge to the Guarantor for using the waste disposal unit situated within level B04. The Guarantor's revenue from such waste management operation may also increase as a result of the use of the facility by persons external to the Project, to whom the facility is made available.

**Dividends from Subsidiaries**

Being the parent company of the Group, the Guarantor is also expected to benefit indirectly from the various letting and/or operational revenues generated by its Subsidiaries through dividends which may be distributed by them from time to time.

**CONTRACT OF WORKS WITH MERCURY CONTRACTING PROJECTS LIMITED AND EXPECTED COSTS OF THE RETAINED PROPERTY**

Each of the Guarantor, Mercury Hotel Ltd. and Mercury Commercial Mall Ltd. have entered into a general contract of works with Mercury Contracting Projects Limited whereby they have respectively engaged the latter company for the construction (including supply of material), development and finishing of the Retained Property respectively owned by them. Mercury Contracting Projects Limited is the principal contractor engaged for the whole Project (the Retained Property as well as other elements of the Project sold or yet to be sold to third parties). It is fully owned by Mr Joseph Portelli, Director of the Issuer and of the Guarantor and the other Group companies and is a 100% shareholder of the Guarantor and 100% beneficial owner of the Group. Each of the Guarantor and the other Group companies mentioned above and such contractor have however entered into a contract of works on an arm's length basis, which is essentially based on an industry standard FIDIC contract of works.

The approximate costs, paid or payable to Mercury Contracting Projects Limited, in respect of the various Retained Property, part of which (particularly those relating to finishing works) will be financed by the proceeds of the Bond Issue (as set out in section 4.2 of the Securities Note), are estimated to amount to a total of approximately €209 million.

Mercury Contracting Projects Limited has contractually agreed with the Guarantor and each of the Group companies with which it has entered into a contract of works as aforesaid, to renounce to and that it will not seek to inscribe and/or register the special privilege for the price of works accorded to it by law over the Retained Property. In this way, the special hypothecs over the Security Property for Existing Bonds granted by the Guarantor to the Security Trustee for the benefit of the Bondholders under the Existing Bonds and the Special Hypothec over the Security Property for Bonds to be granted by the Guarantor to the Security Trustee for the benefit of the Bondholders under the Bonds, may be first ranking at law.

The construction, development and finishing costs payable by the Group to Mercury Contracting Projects Limited, as well as the cost of acquisition of the Site, professional fees and other pre-operational costs incurred or to be incurred by the Group, have been and will be financed as set out in section 6.

## 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

#### 2019 BOND ISSUE AND 2022 BOND ISSUE

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 finance raising activities since the date of its incorporation to date have been essentially the 2019 Bond Issue by virtue of the 2019 Prospectus and the 2022 Bond Issue by virtue of the 2022 Prospectus.

#### 2019 BOND ISSUE UNDER THE 2019 PROSPECTUS

Pursuant to the 2019 Bond Issue, the Issuer raised the sum of €22,500,000 through the issue of two series of bonds, as follows:

- the €11,500,000 secured bonds due in 2027 of a nominal value of €100 per Bond having a coupon of 3.75% per annum issued in March 2019 (ISIN: MT0002191204) (2027 Existing Bonds); and
- the €11,000,000 secured bonds due in 2031 of a nominal value of €100 per Bond having a coupon of 4.25% per annum issued in March 2019 (ISIN: MT0002191212) (2031 Existing Bonds).

The said 2027 Existing Bonds and 2031 Existing Bonds are listed on the Official List of the MSE and have been admitted to trading on the said regulated market in Malta.

These bonds are secured as follows:

- both the 2027 Existing Bonds and the 2031 Existing Bonds are secured by a joint and several guarantee dated 4 March 2019 granted by the Guarantor as security for the Issuer's payment obligations under the 2019 Bond Issue, held on trust for the benefit of the Existing Bondholders by the Security Trustee;
- the 2027 Existing Bonds and the 2031 Existing Bonds are further secured by a first ranking special hypothec over the respective Security Property for Existing Bonds securing such series of bonds respectively.

The net proceeds of the 2027 Existing Bonds and the 2031 Existing Bonds were made available by the Issuer to the Guarantor through the Issuer-Guarantor Loan 2019 as a loan facility for the purpose of, and were used, as to the amount of €5,650,000 to re-finance and repay in full the then existing loan facility of the Guarantor from Lombard Bank Malta p.l.c., and as to the remaining €16,400,000 to finance part of the construction and finishing works on various Retained Property which belonged to the Guarantor at the time.

The Issuer-Guarantor Loan 2019, which is still outstanding as at the date of the Prospectus, was created and is regulated by public deed in the records of Notary Doctor Kristen Dimech of the 25th March 2019, which provides as follows: (i) the firstly drawn portion thereof up to the amount of €11,500,000 will bear interest at 4.75% per annum and payable on 13 March of each year, and the principal amount thereof shall be repayable by not later than 13 March 2027; and (ii) the balance thereof will bear interest at 5.25% per annum and payable on 13 March of each year, and the principal amount thereof shall be repayable by not later than 13 March 2031. Such interest payment and repayment terms were designed to ensure that the Issuer would timely receive sufficient funds to finance payments due under the 2027 Existing Bonds and the 2031 Existing Bonds, with a residual amount to finance its corporate funding requirements.

By virtue of a public deed in the records of Notary Anna Theuma of the 14th February 2022, there was a restructuring of the components of immovable property over which the first ranking special hypothec securing the 2027 Existing Bonds and the 2031 Existing Bonds was originally constituted by virtue of the above-mentioned notarial deed dated 25th March 2019. Furthermore, as a result of two public deeds in the records of Notary Kristen Dimech of the 12 July 2024 and 16 July 2024 (the "**2027 & 2031 Existing Bonds Security Restructuring Deed**"), there was another restructuring and redefinition of the components of the immovable property comprising such security, following a professional revaluation of such immovable property. As a result of

such restructuring of security, the said 2027 Existing Bonds and the 2031 Existing Bonds are now respectively secured by a first ranking special hypothec over the respective Security Property for Existing Bonds securing such series of bonds respectively.

## 2022 BOND ISSUE UNDER THE 2022 PROSPECTUS

Pursuant to the 2022 Bond Issue, the Issuer raised the sum of €50,000,000 through the issue of €50,000,000 secured bonds due in 2032 of a nominal value of €100 per Bond having a coupon of 4.30% per annum issued in March 2022 (ISIN: MT0002191220) (2032 Existing Bonds).

The said 2032 Existing Bonds are listed on the Official List of the MSE and have been admitted to trading on the said regulated market in Malta.

These bonds are secured as follows:

- by a joint and several guarantee dated 22 March 2022 granted by the Guarantor as security for the Issuer's payment obligations under the 2022 Bond Issue, held on trust for the benefit of the Existing Bondholders by the Security Trustee;
- by a first ranking special hypothec over the respective Security Property for Existing Bonds securing 2032 Existing Bonds respectively.

The proceeds of the 2032 Existing Bonds were made available by the Issuer to the Guarantor through the Issuer-Guarantor Loan 2022 as a loan facility for the purpose of, and were used, as to the amount of €35,000,000 to finance the construction and finishing of the Hotel, and as to the remaining €15,000,000 for general corporate funding purposes.

The Issuer-Guarantor Loan 2022, which is still outstanding as at the date of the Prospectus, was created and is regulated by public deed in the records of Notary Doctor Kristen Dimech of the 14th April 2022, which provides that the loan will bear interest at 4.5% per annum and payable on 15 April of each year, and the principal amount thereof shall be repayable by not later than 15 April 2032. Such interest payment and repayment terms were designed to ensure that the Issuer would timely receive sufficient funds to finance payments due under the 2032 Existing Bonds, with a residual amount to finance its corporate funding requirements.

## EXISTING FINANCING OF THE GUARANTOR'S AND OTHER GROUP COMPANIES' ACTIVITIES

Apart from the outstanding Issuer-Guarantor Loan 2019 financed by the proceeds of the 2019 Bond Issue and the Issuer-Guarantor Loan 2022 financed by the proceeds of the 2022 Bond Issue, the Group, principally the Guarantor, currently also has various outstanding bank financing with or facilities available from Bank of Valletta p.l.c. as shown in the table below (the "BOV Loans"):

Loan	Borrower	Limit	Amount drawn down as at 31.12.2023 (save where otherwise stated)	Purpose of financing	Repayment terms
1. Loan I	Guarantor	€16,700,000	€16,700,000	Development costs of Commercial Mall	Monthly instalments of €159,000 including interest
2. Loan II	Guarantor	€13,300,000	€13,300,000	Acquisition of Exchange Site	Monthly instalments of €127,000 including interest
3. Loan III	Guarantor	€5,000,000	€5,000,000	Development costs of the Project	To be repaid in full by end of December 2024
4. Loan V	Guarantor	€8,550,000	€8,550,000	Acquisition of part of Car Park Site originally belonging to Mercury Car Park Limited	To be repaid over a period of 14 years including 2 years moratorium on capital, following which monthly payments of €82,000 starting from 30 April 2025

Loan	Borrower	Limit	Amount drawn down as at 31.12.2023 (save where otherwise stated)	Purpose of financing	Repayment terms
5. Loan VI	Guarantor	€8,000,000	€6,819,688	Development costs of flying theatre within the Project	To be repaid over a period of 8 years including 1 year moratorium on capital, following which monthly payments of €120,000 starting from 31 January 2024
6. Loan VII	Guarantor	€14,000,000	€14,000,000	Development costs of the Project	Monthly instalments of €120,000 starting from 30 September 2024, after 1 year moratorium on capital
7. Loan VIII	Guarantor	€9,000,000	€8,100,000	Development costs of the Project	To be repaid in full by end of December 2025
8. Loan IX	Guarantor	€10,000,000	€5,980,047	Development costs of the Project	To be repaid over a period of 12 years including 1 year moratorium on capital, following which monthly payments of €90,418 starting from 30 November 2024
9. Loan X	Guarantor	€3,000,000	€3,000,000 – drawn down in March and April 2024	Interest payments due by Guarantor to the Issuer	To be repaid in full within 2 years from first drawdown
10. Loan XI	Guarantor	€5,000,000	€5,000,000 – drawn down in May 2024	To finance project expenses	To be repaid in full in 6 months from drawdown out of the proceeds of the Bond Issue
11. General banking facility	Guarantor	€1,000,000	Various drawdowns – operated as an overdraft	Overdraft for working capital requirements of Guarantor	Repayable on demand
12. General banking facility	Mercury Hotel Ltd.	€1,000,000	Various drawdowns – operated as an overdraft	Overdraft for working capital requirements of Mercury Hotel Limited in connection with Hotel operations	Repayable on demand

Interest on the above-mentioned BOV Loans except that under row 10 is payable at the rate of 3.25% per annum over Bank of Valletta p.l.c.'s Business Lending Bank Base Rate which is currently at 2.15%. Interest on the BOV Loan mentioned under row 10 is payable at the rate of 3.6% per annum over the said Bank of Valletta p.l.c.'s Business Lending Bank Base Rate.

The current interest ratchet is to be based on the debt-service coverage ratio (DSCR) calculated as follows: the Mercury Group consolidated cash flow from operations, over total recurrent financial obligations (being loan interest and capital repayments together with bond interest). When the DSCR reaches 1.2x the interest rate margin will be reduced to 2.25% over Bank of Valletta p.l.c.'s Base Rate. The calculations will be based on annual audited accounts and will become effective within one month from presentation of the audited accounts.

The BOV Loans mentioned above are secured through various security interests granted over assets of the Guarantor and other companies within the Group or otherwise granted by the said Group, and also in some cases over assets of third parties or entities outside the Group, including the beneficial owner of the Group and related companies. Such security interests include first special hypothecs over various parts of the Project, principally various Retained Property and other properties not yet sold to third parties, but excluding in all cases the Security Property for Existing Bonds and the Security Property for Bonds. Such security interests also include general hypothecs and/or various guarantees given by various Group companies, the beneficial owner of the Group and related companies, as well as a series of covenants and undertakings by the relevant borrowing Group company and/or the beneficial owner, including undertakings that no distribution of dividends, repayments to shareholders, and no transfer, letting, sub-letting or sale of hypothecated property will be made without the consent of Bank of Valletta p.l.c., and not to give any further charges over the hypothecated property even if these rank after the charges registered in favour of such bank.

The BOV Loan mentioned in row 10 of the table above (the “**Relevant BOV Loan**”) is intended to be refinanced through part of the proceeds of the Bond Issue, as set out in section 4.2 of the Securities Note.

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

#### FURTHER FINANCING THROUGH THE BONDS

The Group intends to obtain further financing for the Project through the issue of the Bonds, by virtue of which the Issuer intends to raise €20,000,000 and to make the proceeds from the Bond Issue available to the Group, to finance mainly the completion and finishing works of the Project and the refinancing of part of the BOV Loans which were taken out for such completion and finishing works, as well as other corporate funding requirements, all as set out further below and in section 4.2 of the Securities Note.

The Bonds will be due in ten (10) years, namely in 2034, and will pay a coupon of 5.3% 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 2024, a substantial part of which will be used to finance construction and finishing works and refinancing of part of the BOV Loans as aforesaid.

#### COLLATERAL FOR BONDS

The Bonds will be secured by the Collateral as provided below.

Security for the fulfilment of the Issuer’s obligations under the Bonds is to be granted by the Guarantor in favour of the Security Trustee for the benefit of Bondholders, by way, *inter alia*, of Collateral in the form of a first ranking special hypothec over the Security Property for Bonds (the Special Hypothec), as described hereunder.

Security Property for Bonds	Valuation based on open market value of property in its existing state as at 13.06.2024, 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, 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*
‘Mercury House’ being the scheduled Grade Two heritage building, situated on Levels BO2, BO1, LO0, LO1 and LO2 of the Mercury Site, and measuring in total approximately 2,845m <sup>2</sup> (from levels BO2 to LO2);	€21,407,645	€22,600,000	€22,600,000
<b>TOTAL</b>	<b>€21,407,645</b>	<b>€22,600,000</b>	<b>€22,600,000</b>

\*These valuations are based on the Architect’s Valuation Report dated 15 July 2024, which is accessible on the Issuer’s website at the following hyperlink: <https://mercury.com.mt/investor-relations/>.



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, a copy of which is attached as Annex II of the Securities Note. In addition to the Guarantee and as part of the Collateral the Guarantor has also agreed to grant the above-mentioned first ranking special hypothec over the Security Property for Bonds owned by it for the full amount of the Bond Issue, namely €20,000,000 and interests thereon.

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 principal and interest under the Bonds by a preferred claim over the Security Property for Bonds. 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 Bonds for the full amount of €20,000,000 and interests thereon.

## CLOSING DYNAMICS

All proceeds from the Bond Issue shall be received by the Registrar which shall apply and forward the same as provided herein.

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; and (2) the Bonds being admitted to the Official List. In the event that any of the aforesaid Conditions Precedent is not satisfied, the Registrar shall return Bond Issue proceeds to the investors, as provided in section 4.2 of the Securities Note.

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 15 Business Days from the close of the Offer Period, the Issuer, the Guarantor and the Security Trustee shall appear on a notarial deed (the "**Deed of Hypothec**"), pursuant to which the Guarantor will constitute and grant to the Security Trustee, and the Security Trustee will obtain, the Special Hypothec over the Security Property for Bonds.

By virtue of such Deed of Hypothec, the Issuer will agree to make the Issuer-Guarantor Loan 2024 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 of such loan facility which is intended to be used to refinance the Relevant BOV Loan, which will be held by the Security Trustee, will be drawn down in one drawdown following a request by the Guarantor to the Issuer to be made as soon as possible following the listing of the Bonds on the Official List of the Malta Stock Exchange, in order to pay the Relevant BOV Loan to Bank of Valletta p.l.c., which payment will be made to the said Bank of Valletta p.l.c. by the Security Trustee itself on behalf of and by delegation from the Guarantor;
- (b) the remaining amount of such loan facility, including those which are intended to be used for completion and finishing costs and for general corporate funding purposes, as set out in section 4.2 of the Securities Note, which will be held by the Registrar, excluding those required to fund the expenses of the Bond Issue which are expected to amount to approximately €750,000, shall be drawn down in full in one drawdown following a request by the Guarantor to the Issuer made after the listing of the Bonds on the Official List of the Malta Stock Exchange, whereupon the Issuer shall promptly instruct the Registrar to transfer the relevant amount to the Guarantor: provided that 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) shall be forwarded by the Registrar to or to the order of the Issuer upon request.

The Issuer-Guarantor Loan 2024 will bear interest at 5.5% per annum payable on 25 August of each year, and the principal amount thereof shall be repayable by not later than 25 August 2034. 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 2024 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 2024, leaving also a residual amount for the Issuer to finance its corporate funding requirements.

If the aforesaid Conditions Precedent are satisfied, the Registrar shall:

- forward the amount of €5,000,000 (which is intended to be used to refinance the Relevant BOV Loan) to the Security Trustee, which shall hold the same in accordance with the provisions of the Security Trust Deed;
- forward the remaining proceeds of the Bond Issue, less the amount equivalent to the expenses of such Bond Issue (as indicated by the Issuer), to the Guarantor, upon instruction of the Issuer; and
- forward the remaining amount equivalent to the expenses of the Bond Issue (expected to be in the region of €750,000) to or to the order of the Issuer, upon request.

**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 generating or, as the case may be, are expected to generate operational profits for the respective Group companies, principally, but not limitedly, in the form of sales proceeds receivable by the Guarantor from the sale of remaining services apartments, the hotel operational revenues to be generated by Mercury Hotel Ltd. from the operation of the Hotel, the commercial rental income generated or to be generated by Mercury Commercial Mall Ltd. from the letting of the various retail, catering and other commercial outlets within the Commercial Mall, the entertainment arena and other parts of the Project which are owned or held by it under title of lease from the respective Group company owning the same, the operational revenues to be generated by the Guarantor from leisure, entertainment or other facilities within the Project to be operated by it, the revenues generated or to be generated by Mercury Car Park II Ltd from the operation of the Parking Complex, as well as other operational revenues generated or 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 and expenses involved in the business operations and growth of the various Group companies, including payments of rent due by certain Group companies to other Group companies for intra-group rentals of portions of the Project. They are also expected to finance payments under bank borrowings obtained by the Guarantor and other Group companies, payments due by the Guarantor to the Issuer under the Issuer-Guarantor Loan 2024 and the earlier Issuer-Guarantor Loan 2019 and Issuer-Guarantor Loan 2022 which will be necessary to finance payments due by the Issuer to the bondholders under the respective bond issues, 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 and other bond issues before it would be or have been made available by the Guarantor, thus indirectly financing the payments due under the various bond issues.

It is also not excluded that the Group may seek further debt or other financing from alternative sources in respect of its working capital requirements from time to time.

## 7 TREND INFORMATION

### 7.1 ECONOMIC UPDATE<sup>1</sup>

The Bank's Business Conditions Index (BCI) indicates that in April 2024, annual growth in business activity declined marginally, and remained slightly below its historical average, estimated since January 2000.

The European Commission confidence surveys show that sentiment in Malta decreased in April, and remained below its long-term average, estimated since November 2002. The latest deterioration was mostly driven by developments in industry, construction and among consumers.

Additional data show that in month-on-month terms, price expectations increased among consumers, and to a lesser extent in the retail and services sectors, but decreased significantly in the construction sector and, to a lesser extent in industry.

In April, the European Commission's Economic Uncertainty Indicator (EUI) for Malta decreased compared with March, indicating lower uncertainty. Uncertainty declined in all sectors except construction. In March, both industrial production and retail trade contracted on a year-on-year basis. The unemployment rate remained unchanged at 3.2% in March but stood below that of 3.4% in March 2023.

Commercial and residential building permits in March were lower than a month earlier. Commercial permits were also lower when compared with a year ago, but residential permits were higher. In April, the number of residential promise-of-sale agreements rose on a year earlier, as did the number of final deeds of sale.

The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) stood at 2.4% in April, down from 2.7% in the previous month. Following this decline, HICP inflation in Malta was in line with the euro area average. HICP excluding energy and food in Malta, remained below the euro area average. Inflation based on the Retail Price Index (RPI) decreased to 1.6%, down from 1.9% in March.

During the 12 months to March, Maltese residents' deposits increased, mostly due to higher balances belonging to households and non-financial corporations (NFCs). By contrast, deposits held by financial intermediaries decreased. The annual rate of change moderated compared to February. By contrast, growth in credit to Maltese residents increased at a slightly faster rate compared with a month ago.

In March, the Consolidated Fund recorded a lower deficit compared to a year earlier. This reflects a decline in expenditure coupled with an increase in revenue.

### 7.2 ECONOMIC OUTLOOK<sup>2</sup>

Incoming information suggests that economic activity in Malta remained rather resilient during the first quarter of this year, due to strong domestic demand. On the other hand, export activity reflects the still persistently weak international environment. While services exports continue to be supported by buoyant activity in both tourism and non-tourism sectors, goods exports are envisaged to decelerate further this year before picking up in 2025.

Economic growth is expected to moderate from the very high growth experienced in the last three years, which partly reflected the economy's recovery from the pandemic. Real GDP (gross domestic product) growth is envisaged to broadly converge to potential output growth by the end of the projection horizon.

At the same time, the disinflationary process has gathered pace, with inflation expected to ease further over the projection horizon. The moderation in inflation is set to lead to a recovery in real disposable income this year, supporting private consumption.

### 7.3 HOSPITALITY

The Maltese tourism industry has, in recent pre-pandemic 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 around 15% of Malta's GDP and 52,500 jobs<sup>3</sup>.

<sup>1</sup> Central Bank of Malta – Economic Update 5/2024

<sup>2</sup> Central Bank of Malta – Economic Projections 2024 – 2026 (2024:2)

<sup>3</sup> Statistica, 2022

Tourism has been on a gradual return to normality following the disruption of the COVID-19 pandemic, which essentially put the whole sector at a halt for two years. This trend is summarised in the below table.

Category	2019	2022	2023	Change 2023/2022
Inbound tourists	2,753,239	2,286,597	2,975,670	30.10%
Tourist guest nights	19,338,860	16,608,131	20,241,803	21.88%
Average length of stay	7.0	7.3	6.8	-0.07%
Tourist expenditure (€'000s)	2,220,627	2,012,540	2,671,431	32.74%
Tourist expenditure per capita (€)	807	880	898	2.05%

Malta's tourism sector managed to oversee a faster-than-expected recovery, reaching pre-pandemic levels of arrivals in 2023 instead of the previously forecast 2025. Data from the National Statistics Office ('NSO') for 2023, revealed that the influx for the year was over 2.9 million tourists – representing an increase of 30% over the previous year (2.2 million tourists). This figure also reveals that it surpassed the pre-pandemic inbound visits in 2019 with an 8% increase. This improvement was mostly driven by an increase in the number of leisure tourists.

According to the European Travel Commission Q4 2023 report, the high travel demand seen in 2023 positively supported European economies, but it also resulted in the return of issues such as overcrowding within some destinations. This was evident in Malta as well. Therefore, managing this is imperative, as tourism is expected to grow in the years ahead.

Inflation has been one of the main influences on travel behaviour throughout 2023, as the prices of travel products and services have been especially high. However, these pressures have started to ease in late 2023, which is noteworthy going into 2024. Long-haul travel to Europe, where pricing is more important due to the expensive nature of these trips, is expected to start making a more significant recovery in 2024, especially from markets in the Asia-Pacific region such as China.

Nonetheless, the outlook for 2024 is uncertain, mainly due to the continued struggle against inflation, the war in Ukraine and weaker-than expected growth in the euro zone despite falling energy prices and healthy labour markets. The European Travel Commission also states that climate-related challenges such as heatwaves, wildfires, and floods hit tourism hotspots during summer of 2023, stressing the need for transformation in the industry to battle climate change.

Yet, an HVS report dated March 2021 states that the hospitality industry is extraordinarily resilient. Past "shock" events and downturns have caused business to plummet; however, the industry performance has always recovered. In fact, the pandemic highlighted the resilience of Malta's tourism sector.

Despite challenges, the industry adapted swiftly, implementing health protocols, promoting domestic tourism, and exploring new markets. In fact, as evidenced by the Malta Hotels and Restaurants Association (MHRA) survey, the Revenue per Available Room ("REVPAR"), for 5 star hotels, was lower in 2022 when compared to 2019 due to the lingering effect of the pandemic. However, in 2023, the REVPAR rebounded to €197.8, which is close to the 2019 REVPAR of €201.1, indicating a full recovery from the pandemic.

## 8 HISTORICAL FINANCIAL INFORMATION

The table below provides a cross-reference list to key sections of the financial statements of: Mercury Projects Finance p.l.c. and Mercury Towers Ltd for the financial years ended 31 December 2021 to 31 December 2023.

	2021 Annual Audited	2022 Annual Audited	2023 Annual Audited
<b>Mercury Projects Finance p.l.c.</b>			
Independent auditor's report	29 – 32	30 – 35	28 – 33
Statement of comprehensive income	9	9	9
Statement of financial position	10	10	10
Statement of changes in equity	11	11	11
Statement of cash flows	12	12	12
Notes to the financial statements	13 – 27	13 – 28	13 – 27
<b>Mercury Towers Ltd</b>			
Independent auditor's report	44 – 46	43 – 46	45 – 48
Statement of comprehensive income	7	7	7
Statement of financial position	8	8 – 9	8 – 9
Statement of changes in equity	9 – 10	10 – 11	10 – 11
Statement of cash flows	11	12	12
Notes to the financial statements	12 – 43	13 – 42	13 – 44

### 8.1 THE ISSUER

#### SELECTED FINANCIAL INFORMATION: THE ISSUER

The Issuer was registered and incorporated on 16 January 2019 as a special purpose vehicle to act as the financing arm of the Group. The financial information included below is extracted from the audited financial statements of the Issuer for the financial years ended 31 December 2021, 2022 and 2023. There were no significant changes to the financial or trading position of the Issuer since 31 December 2023.

As at the date of this Registration Document, there has been no material adverse change in the prospects of the Issuer since the date of the Issuer's last published audited financial statements, nor has there been a significant change in the financial position or performance of the Issuer (or of the Group) since 31 December 2023 (being the end of the last financial period for which the Issuer has published audited financial statements).

The said financial statements have been published and are available on the Issuer's website ([www.mercury.com.mt](http://www.mercury.com.mt)) and are available for inspection at its registered office as set out in section 17 of this Registration Document.

## STATEMENT OF COMPREHENSIVE INCOME

€000	FY2021 12 months	FY2022 12 months	FY2023 12 months
Finance income	1,121	2,730	3,371
Finance costs	(899)	(2,377)	(3,049)
<b>Net interest income</b>	<b>222</b>	<b>352</b>	<b>322</b>
Administrative overheads	(79)	(160)	(195)
Operating profit	143	192	127
Tax expense	(74)	(120)	(45)
<b>Profit for the year</b>	<b>69</b>	<b>73</b>	<b>83</b>

## STATEMENT OF FINANCIAL POSITION

€000	31 Dec 2021	31 Dec 2022	31 Dec 2023
<b>ASSETS</b>			
<b>Non-current assets</b>			
Interest bearing receivables	22,444	72,444	72,444
Total non-current assets	22,444	72,444	72,444
<b>Current assets</b>			
Other receivables	1,211	2,522	2,594
Cash and cash equivalents	33	366	235
Total current assets	1,244	2,888	2,830
<b>Total assets</b>	<b>23,688</b>	<b>75,332</b>	<b>75,274</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	250	250	250
Retained earnings	170	243	325
Total equity	420	493	575
<b>Non-current liabilities</b>			
Interest bearing borrowings	22,500	72,500	72,500
Total non-current liabilities	22,500	72,500	72,500
<b>Current liabilities</b>			
Other payables	704	2,294	2,198
Taxation payable	65	45	-
Total current liabilities	768	2,339	2,198
Total liabilities	23,268	74,839	74,698
<b>Total equity and liabilities</b>	<b>23,688</b>	<b>75,332</b>	<b>75,274</b>

**STATEMENT OF CASHFLOWS**

€000	FY2021 12 months	FY2022 12 months	FY2023 12 months
Net cash generated from / (used in) operating activities	55	(73)	10
Net cash used in investing activities	-	(50,000)	-
Net cash (used in) / generated from financing activities	(164)	50,406	(141)
Net (decrease) / increase in cash and cash equivalents	(109)	333	(131)
Cash and cash equivalents at the beginning of the year	142	33	366
<b>Cash and cash equivalents at the end of the year</b>	<b>33</b>	<b>366</b>	<b>235</b>

Since inception, the Issuer successfully raised €72.5 million as follows:

- €22.5 million in March 2019:
  - €11.5 million secured bonds due in 2027 of a nominal value of €100 per bond having a coupon of 3.75% per annum;
  - €11.0 million secured bonds due in 2031 of a nominal value of €100 per bond having a coupon of 4.25% per annum.
- €50 million in March 2022. These bonds were issued as secured, are due in 2032 of a nominal value of €100 per bond, and have a coupon of 4.30% per annum.

The proceeds of both bonds were on-lent to the Guarantor at an agreed rate of interest.

Finance income represents the interest generated on the loans granted to the Guarantor, which totalled €7.2 million between 1 January 2021 and 31 December 2023. Finance income increased in FY2022 following the issue of the €50 million bonds in March 2022. Accordingly, FY2023 represents a stabilised year.

Finance costs comprise interest incurred by the Issuer on its debt securities in issue, which totalled €6.3 million during the same period. After accounting for administrative expenses and taxation, total comprehensive income generated by the Issuer between 1 January 2021 and 31 December 2023 totalled €224k.

**8.2 THE GUARANTOR****SELECTED FINANCIAL INFORMATION: THE GUARANTOR**

The financial information included hereinafter is extracted from the audited consolidated financial statements of the Guarantor for the financial years ended 31 December 2021, 2022 and 2023. The said financial statements have been published and are available on the Issuer's website ([www.mercury.com.mt](http://www.mercury.com.mt)) and are available for inspection at its registered office as set out in Section 17 of this Registration Document. There has not been any significant change in the prospects or in the financial or trading position of Mercury Towers Ltd since 31 December 2023.

As at the date of this Prospectus there has been no material adverse change in the prospects of the Guarantor since the date of the Guarantor's last published audited financial statements, nor has there been a significant change in the financial position of the Guarantor (or of the Group) since 31 December 2023 (being the end of the last financial period for which the Guarantor has published audited financial statements). During FY2024, further components of the Project will become operational whilst property in inventory will materialise, the performance of the Guarantor will change accordingly.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€000	FY2021 12 months	FY2022 12 months	FY2023 12 months
Revenue	4,934	37,804	24,807
Cost of sales	(3,913)	(29,041)	(18,696)
<b>Gross profit</b>	<b>1,021</b>	<b>8,764</b>	<b>6,111</b>
Administrative and selling expenses	(737)	(2,516)	(3,617)
Provision for expected credit losses	25	-	-
Other income/ (expenditure)	5	27	(478)
Operating profit	314	6,275	2,016
Gain on transfer of asset under construction	-	6,657	-
Revaluation of investment property	(4,797)	-	13,140
Finance costs	(899)	(2,386)	(3,462)
(Loss)/profit before tax	(5,382)	10,546	11,694
Tax expense	(393)	(1,871)	(5,957)
<b>(Loss)/profit for the year</b>	<b>(5,775)</b>	<b>8,674</b>	<b>5,737</b>
<b>Other comprehensive income/(expense)</b>			
Revaluation gain on PP&E	6,657	(6,657)	43,306
Movement in deferred tax liabilities	(533)	533	(7,468)
<b>Total comprehensive income/(expense)</b>	<b>6,124</b>	<b>(6,124)</b>	<b>35,838</b>
<b>Total comprehensive income</b>	<b>350</b>	<b>2,550</b>	<b>41,575</b>

Between 1 January 2021 and 31 December 2023, the Guarantor generated revenue of €67.5 million, of which €67.2 million related to the sale of property situated in Mercury Tower and €359k related to operations generated from the car park and commercial areas, following the soft launch of these components in November 2023.

In accordance with IFRS 15, revenue from residential units is recognised once the Guarantor signs the final deed of sale with a potential purchaser. As at 31 December 2023, 427 serviced apartments were sold and recognised as revenue by the Guarantor, whilst 22 serviced apartments are on promise of sale and 12 serviced apartments (which have been conjoined into 4 bigger apartments) were retained by the Group. Of the units sold, 398 serviced apartments were received in full as at 31 December 2023, whilst the 10% due upon final delivery of key is still pending on 29 serviced apartments but will be received during FY2024 following the handover of the apartment. Consequently, as at 31 December 2023, the Guarantor recognized €2.2 million as a contract liability on the 29 serviced apartments awaiting the final delivery of key.

The cost of sales on these residential units totalled €51.6 million during the same period, comprising the cost of land, stamp duty, architect, design and professional fees, and construction costs in the case of residential units sold in shell form. As from FY2023, cost of sales also includes the direct costs to operate the car park and commercial areas.

Administration expenses primarily consist of wages and salaries, marketing costs, commissions, professional fees, insurance, bank charges and depreciation and amortisation. These totalled €7.8 million between FY2021 and FY2023. Increases in FY2023 was attributed to higher administrative salaries in preparation for the nearing completion of the Project as well as depreciation on property, plant and equipment as depreciation on the commercial areas and car park commenced given that these assets were operational as at 31 December 2023.



During FY2023, the Group also recognised a gain of €43.3 million on its property, plant and equipment based on a valuation of EM Architects carried out in June 2024, which includes a revaluation gain of €12.8 million on the Entertainment Arena (Level B02 and B03) and €28.9 million on the Commercial Mall (Levels B01, L00 and L01 of the Peripheral Block).

Finance costs during FY2021 and FY2023 totalled €6.7 million and represent bond interest and bank loans which are not capitalised.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€000	31 Dec 2021	31 Dec 2022	31 Dec 2023
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13,660	27,567	143,187
Investment property	58,415	68,066	80,595
Intangible asset	-	-	270
Investment in subsidiaries	4	-	-
Investment in associate	2	2	2
Financial assets	-	-	252
Restricted cash	20	20	20
<b>Total non-current assets</b>	<b>72,100</b>	<b>95,655</b>	<b>224,326</b>
<b>Current assets</b>			
Inventories	23,975	15,157	2,081
Trade and other receivables	16,156	47,624	39,444
Cash and cash equivalents	814	21,001	3,702
<b>Total current assets</b>	<b>40,945</b>	<b>83,783</b>	<b>45,227</b>
<b>Total assets</b>	<b>113,045</b>	<b>179,438</b>	<b>269,552</b>

€000	31 Dec 2021	31 Dec 2022	31 Dec 2023
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	10,500	10,500	15,000
Revaluation reserve	6,124	-	35,838
Investment property reserve	18,182	16,985	26,106
Retained earnings	(160)	9,712	1,828
<b>Total equity</b>	<b>34,647</b>	<b>37,197</b>	<b>78,772</b>
<b>Non-current liabilities</b>			
Bank borrowings	28,908	38,889	73,450
Bonds payable	22,500	72,500	72,500
Deferred tax liability	3,806	2,638	14,120
<b>Total non-current liabilities</b>	<b>55,214</b>	<b>114,027</b>	<b>160,069</b>
<b>Current liabilities</b>			
Bank borrowings	9,589	4,394	13,223
Trade and other payables	13,595	23,820	17,488
<b>Total current liabilities</b>	<b>23,184</b>	<b>28,214</b>	<b>30,711</b>
<b>Total liabilities</b>	<b>78,398</b>	<b>142,241</b>	<b>190,780</b>
<b>Total equity and liabilities</b>	<b>113,045</b>	<b>179,438</b>	<b>269,552</b>

As at 31 December 2023, the Group's major assets consist of property, plant and equipment (€143.2 million), investment property (€80.6 million), and trade and other receivables (€39.4 million):

- **Property, plant and equipment:** Property, plant and equipment includes the cost of airspace, construction and development and capitalized interest on Commercial Mall (€76.2 million), ME Hotel (€50.1 million), and Car Park (€16.9 million).
- **Investment property:** Investment property includes the cost of airspace, construction and development and capitalized interest of commercial components within Mercury Tower (€53.2 million), serviced apartments within Level L31 (€17.0 million), Museum of Illusions (€4.7 million), Flying Theatre (€4.7 million), some components of the hotel (€0.5 million) and waste management (€0.5 million).
- **Trade and other receivables:** these principally include trade receivables of €4.3 million due from customers relating to sale of serviced apartments and rental income from the Commercial Mall and €29.3 million of advance payments made to Mercury Contracting Projects Limited, in relation to the construction and development of the Project.
- **Inventory:** the remaining inventory of €2.1 million as at 31 December 2023 represents the cost of land, professional fees, construction and development on the 22 serviced apartments under PoSA.

Total equity amounted to €78.8 million as at 31 December 2023, comprising of share capital of €15 million, revaluation reserve of €35.8 million, investment property reserve of €26.1 million and retained earnings of €1.8 million. During FY2023, Joseph Portelli injected €4.5 million through a capitalisation of dividends, thus increasing the share capital of the Guarantor from €10.5 million to €15 million.

Total liabilities as at 31 December 2023 amounted to €190.8 million and principally consist of:

- Debt securities of €72.5 million, being the current bonds in issue (the March 2019 Bonds and March 2022 Bonds);
- Trade and other payables of €17.5 million of which €5.9 million are due to MCPL, €3.3 million are deposits received in advance and €4.4 million are accrued interest; and
- Deferred tax liability of €14.1 million, being the deferred taxation element recognized on revaluations calculated as 8% of the uplift in value.

#### CONSOLIDATED STATEMENT OF CASHFLOWS

€000	FY2021 12 months	FY2022 12 months	FY2023 12 months
Net cash (used in) /generated from operating activities	(19,285)	(8,644)	16,235
Net cash used in investing activities	(17,671)	(23,569)	(73,211)
Net cash generated from financing activities	37,913	52,400	35,366
Net increase /(decrease) in cash and cash equivalents	236	20,187	(21,609)
Cash and cash equivalents at the start of the year	578	814	21,001
<b>Cash and cash equivalents at the end of the year</b>	<b>814</b>	<b>21,001</b>	<b>(607)</b>

Cash flows from financing activities include the drawdown of bank loans and bonds issued in FY2021 and FY2022 as well as repayment of existing loans and finance costs. These funds were used to finance the development of the Mercury Project to date, together with cash generated from operations following the sale of residential units. Cash and cash equivalents net of bank overdraft as at 31 December 2023 amounted to (€607k), but cash and cash equivalents gross of bank overdraft (€4,309k) amounts to €3,702k as at 31 December 2023.

## 9 ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

### 9.1 BOARD OF DIRECTORS OF THE ISSUER

The Issuer is currently managed by a Board consisting of four 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 one executive Director and three non-executive Directors.

The executive Director, Mr Joseph Portelli, who is also an executive director on the board of the Guarantor and the other Group companies, as well as and together with the other executive directors of the Guarantor and such other Group companies and the Group's executive team, 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 person/s independent of the Group. Currently, the Issuer has 3 non-executive Directors who are all deemed independent, as set out in section 3.1 of this Registration Document. The non-executive Directors of the Issuer are Mr Stephen Muscat, Mr Mario Vella and Mr Peter Portelli.

**The following are the *curriculum vitae* of the non-executive Directors:**

#### **Stephen Muscat**

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).

Mr Muscat 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/or chairs the audit committee of public bond issuers trading on the Malta Stock Exchange main market and bond issuers on the Prospects MTF.

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

#### **Mario Vella**

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 Mr Vella 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, Mr Vella 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.

Mr Vella retired from KPMG in August 2017 but continues to provide consultancy services to various businesses. He presently also sits as non-executive director or chairman on a number of corporate boards, including boards of companies with securities listed on the Malta Stock Exchange, apart from the Issuer.

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

#### **Peter Portelli**

Peter Portelli obtained a degree of BA (Hons) Public Administration from the University of Malta in 1990 and a Master's 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, Mr Portelli 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.

Mr Portelli presently sits as non-executive director on a number of corporate boards, including the board of another company the securities of which are listed on the Malta Stock Exchange.

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

**The following is the *curriculum vitae* of the executive Director:**

#### **Joseph Portelli**

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 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.

Mr Portelli 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 a shareholder and beneficial owner and director of the various companies involved in the CF Group which is developing various immovable projects on the Maltese islands.

Apart from overseeing the day-to-day operations of the Group, Mr Portelli's main responsibilities today are business development and general overview of the operations.

Mr Portelli is also the sole shareholder and director of Mercury Contracting Projects Limited, which has been engaged by the Guarantor and the other Group companies as a contractor in respect of the construction and finishing of the respective Retained Property.

## **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 three directors, namely the individuals mentioned in section 3.1 of this Registration Document.

**The following is the *curriculum vitae* of the directors of the Guarantor:**

#### **Joseph Portelli**

The curriculum vitae of Joseph Portelli is mentioned in section 9.1 above.

#### **Chloe Portelli**

Chloe Portelli is currently reading a Masters in Business Administration at the University of Malta. Simultaneously, she forms part of the Marketing and Communications team at Mercury as Marketing and Events Manager. In this role, Chloe is responsible for all events and activities that relate to Mercury Projects. In addition, she assists in creating marketing strategies that align with the overarching goals of the Group. Before Mercury Project was operational, she dedicated part of her work to the project management team as a procurer, where she was responsible for negotiating, buying, and ensuring timely delivery of furniture from international suppliers before heading full time into marketing. For several years, she managed several small hotels belonging to Mr Joseph Portelli, also known as Quaint Boutique Hotels. Recently, she has been appointed director of Mercury Towers Ltd, the Guarantor, as well as of Mercury Commercial Mall Ltd, Mercury Hotel Ltd. and Mercury Car Park II Ltd.

#### **Tristen Portelli**

Tristen Portelli has been involved in heading the project management of the Mercury Project for the past years. He was entrusted with overseeing the construction and finishing of the Project and, together with his team, he was responsible for bringing the Project to a close. He has recently been appointed director of Mercury Towers Ltd, the Guarantor, as well as of Mercury Commercial Mall Ltd, Mercury Hotel Ltd. and Mercury Car Park II Ltd, and will be involved in the overall management of the Mercury Project.

### 9.3 MANAGEMENT STRUCTURE AND MANAGEMENT TEAM

The Issuer is the finance arm of the Group and as such does not require an elaborate management structure. Its business is managed by its Board of Directors and does not separately employ any senior management. The Directors believe that the current organisational structures are adequate for the current activities of the Issuer. The Directors will maintain these 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, apart from the executive director/s of the Issuer and the Guarantor mentioned above, are the following:

- Marcel Bonnici, who is a full time employee of the Guarantor and acts as the Guarantor's and the Group's Chief Executive Officer;
- Keith Fabri, who is a full time employee of the Guarantor and acts as the Guarantor's and the Group's Chief Finance Officer;
- Neal Debono, who is a full time employee of the Guarantor and acts as the Guarantor's and the Group's Chief Operations Officer.

#### THE FOLLOWING ARE THE CURRICULUM VITAE OF THESE EXECUTIVES:

##### **Marcel Bonnici**

As CEO, Marcel Bonnici assumed the helm in 2019 and has been instrumental in developing a strong and adaptable management structure to foster long-term success for Mercury Towers. His unwavering commitment to excellence has played a pivotal role in shaping Mercury Towers as "Malta's premier destination for retail, food and beverage, wellness, accommodation and entertainment". With a Degree in Economics from the University of Malta and an MBA from the Maastricht School of Management, he supplements his extensive professional experience with a solid academic background. Prior to Mercury Towers, Mr Bonnici held several senior leadership roles, where he honed his expertise in people management, organisational structure and operational excellence.

##### **Keith Fabri**

Keith Fabri brings years of experience leading companies to financial success, particularly within the hotel sector. He has collaborated with various international hotel brands, bringing invaluable expertise to his role of CFO at Mercury Towers, as one of Malta's "newest and largest hospitality operations". He most recently held the position of Area Director of Finance for a luxury hotel brand, spearheading the financial operations for a portfolio of five properties. Mr Fabri's role on the Mercury Towers senior leadership team also encompasses acquisitions, an area in which he is deeply knowledgeable. As a seasoned hospitality professional, he is passionate about disruptive business, and setting new service-driven operations up for success.

##### **Neal Debono**

Neal Debono obtained a Higher National Diploma in Hospitality Management from the Institute of Tourism Studies (Malta) in 2010 and went on to further his studies with a Degree in Business Administration from Leicester University (UK) in 2014. Subsequently, he obtained a Master's in Business Administration from Henley Management College (UK) in 2018.

Mr Debono started his career in hospitality seventeen years ago and has gradually occupied middle to senior roles within both local and international Hotel Brands including the Grand Hotel Excelsior, The Malta Marriott and the Intercontinental Malta amongst others. Prior to joining the Mercury Group, Mr Debono occupied the position of CEO within the Xara Collection. Mr Debono commenced his engagement with Mercury Group in the position of Chief Commercial Officer and transitioned to become the Chief Operations Officer once all of the rental opportunities were concluded. Reporting to the CEO, his role is to ensure the smooth running of all operational aspects and the ongoing strengthening of commercial ties with current and potential tenants.

As at the date hereof, the Group companies other than the Guarantor and the Issuer, are effectively managed by their executive Directors, Mr Joseph Portelli, Ms Chloe Portelli and Mr Tristen Portelli, with the assistance of the above-mentioned key employees of the Guarantor, who render key management services to the Group as a whole.

## 9.4 CONFLICTS OF INTEREST

As at the date of the Prospectus, the executive Director of the Issuer, namely Mr Joseph Portelli, is a director and shareholder of the parent company, namely the Guarantor, and also a Director and beneficial owner of all the other Group companies, whereas the other two directors of the Guarantor, namely Ms Chloe Portelli and Mr Tristen Portelli, who are the daughter and son respectively of the said Mr Joseph Portelli, are also directors of Mercury Hotel Ltd., Mercury Commercial Mall Ltd. and Mercury Car Park II Ltd. This makes them susceptible to conflicts between the potentially diverging interests of the different members of the Group, including the Issuer-Guarantor Loan 2024 to be advanced by the Issuer to the Guarantor out of the proceeds of the Bond Issue.

The said executive Director 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 hotel operation or property development, or in entities supplying works, goods or services to or otherwise carrying out transactions with any Group company. Such involvements of such Director of the Issuer and/or 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.

As mentioned in section 5.3 of this Registration Document, a situation of such potential conflict exists by virtue of the fact that the executive Director and owner, Mr Joseph Portelli, is the 100% shareholder and director of Mercury Contracting Projects Limited, with which the Guarantor and other Group companies have each entered into a contract of works for the construction (including supply of material), development and finishing of their respective Retained Property within the Project. This made logistical and business sense considering that the said Mercury Contracting Projects Limited is appointed as the principal contractor in respect of the whole Project (including those elements thereof sold or to be sold to third parties). Such involvement of Mr Portelli in all these companies may create conflicts between the potentially diverging interests of each of the Guarantor and its Subsidiaries on the one hand and the said Mercury Contracting Projects Limited on the other with respect to the said employer-contractor relationship, throughout its 'iter', although as mentioned in such section 5.3 the said companies have entered into a contract of works on an arm's length basis based on industry standard terms and conditions.

As further mentioned in sections 5.2 and 5.3, two other situations of such conflict may arise:

- (i) from the fact that the entertainment arena, which is owned by Mercury Commercial Mall Ltd., has been leased and is operated by CF Leisure Ltd., a company in which the said Mr Joseph Portelli, the beneficial owner of the Group, has a 30% beneficial ownership, although as mentioned in such sections, the relevant lease contract has been concluded on an arm's length basis; and
- (ii) in the context of the human resources sharing arrangement between Mercury Hotel Ltd. and Mistral Hotel Ltd and Ratcon Ltd, being two companies in which the beneficial owner of the Group, Joseph Portelli, has a 30% beneficial ownership, which companies own and operate a total of three small to medium sized hotels in St. Julian's, whereby these two companies pay a charge to Mercury Hotel Ltd. as compensation for the time spent by certain employees of the latter in the operation of their respective hotels, which charge is calculated at cost, as mentioned under the sub-heading 'Hotel' under the heading 'Retention and letting and/or operation of immovables' under section 5.3 hereto.

In situations of conflict the Directors of the Issuer shall act in accordance with the majority decision of those Directors who would not have a conflict in the situation and in line with the advice of outside legal counsel, where necessary.

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 shareholder and/or beneficial owner. Furthermore, in terms of the Memorandum and Articles of Association of the Issuer, in the event that a Director has a material interest in any contract, arrangement or proposal, such Director is not entitled to vote at a meeting of Directors in respect thereof.

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 directors of the Guarantor, as the case may be, and their respective private interests and/or their other duties, which require disclosure in terms of the 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, and associated assurance. The Board has set formal terms of establishment and the terms of reference of the Audit Committee that establish its composition, role and function, the parameters of its remit, as well as the basis for the processes that it is required to comply with. The Audit Committee, which meets at least once every three months, 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:

- (a) its monitoring responsibility over the financial reporting processes, financial policies and internal control structures;
- (b) maintaining communications on such matters between the Board, management and the independent auditors;
- (c) facilitating the independence of the external audit process and addressing issues arising from the audit process; and
- (d) 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 or the Guarantor 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.

For this purpose, 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 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 9.1 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 2019 Bond Issue and the 2022 Bond Issue and the forthcoming Bond Issue 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 continue 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 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 4 "THE RESPONSIBILITIES OF THE BOARD"

Since the Directors are appointed directly by the shareholders of the Issuer, the Board did not develop a succession policy for the future composition of the Board of Directors, whether the executive or the non-executive component thereof.



**B. PRINCIPLE 7 "EVALUATION OF THE BOARD'S PERFORMANCE"**

Under the present circumstances, the Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the Board's performance is evaluated on an ongoing basis by, and is subject to the constant scrutiny of, the Board itself (the 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.

**C. PRINCIPLE 8 "COMMITTEES"**

- The Issuer does not have a Remuneration Committee as recommended in Principle 8; and
- The Issuer does not have 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 remuneration and nomination 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 Director of the Issuer, Mr Joseph Portelli, who is a director of the shareholder of the Issuer (namely the Guarantor) and the ultimate beneficial owner of the Group, and therefore can influence the general meeting's decision on remuneration of Directors, has waived and does not receive Director's 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 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.

**D. PRINCIPLE 9 "RELATIONS WITH SHAREHOLDERS AND WITH THE MARKET"**

Currently there is 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, who in turn is the sole shareholder and director of the said Guarantor and is thus a controlling shareholder of the whole Group, including the Issuer. The Issuer is thus of the view that there is currently no need to establish such mechanism.

On an annual basis, the Issuer explains, in its annual report, 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 share capital of €500,000 divided into 500,000 ordinary shares of a nominal value of €1.00 each and an issued share capital of €250,000 divided into 250,000 ordinary shares of a nominal value of €1.00 each, which are subscribed to and allotted as fully paid up shares as follows:

Name of shareholder	Number of shares held
Mercury Towers Ltd J Portelli Offices, St George Street, St Julian's, STJ3202, Malta Company Registration number C 77402	249,999 ordinary 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 share of a nominal value of €1.00, fully paid up.

Mr Joseph Portelli in turns owns and controls Mercury Towers Ltd 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 (the "Code") 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 €20,500,000 divided into 20,500,000 ordinary shares of a nominal value of €1.00 each and an issued share capital of €15,000,000 divided into 15,000,000 ordinary shares of a nominal value of €1.00 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	15,000,000 ordinary shares of a nominal value of €1 each, fully paid up.

The Issuer adopts measures in line with the Code with a view to ensuring that the relationship with its major shareholder, namely the Guarantor, is retained at arm's length, including adherence to rules on related party transactions requiring the evaluation of the Issuer's Audit Committee, which has the task of ensuring that any potential abuse is managed, controlled and resolved in the best interests of the Issuer.

The Guarantor has entered and is expected to enter from time to time into trading transactions with related companies to the Group in its normal course of business. These transactions will be subject to regular scrutiny of the Audit Committee of the Issuer, which will be provided with all relative material contracts for their review, to ensure that they are made on an arm's length basis and that there is no abuse of control by or in respect of the Issuer or the Guarantor in the context of related party transactions. In this regard, the Audit Committee of the Issuer will meet as and when necessary for the purpose of discussing any transactions or circumstances which may potentially give rise to such conflict or abuse. The Audit Committee will thus have the power of vetting and making recommendations (directed towards securing arm's length parameters) to the board of directors of the Guarantor with respect to material related party transactions of such Guarantor prior to the Guarantor proceeding with the transaction.

## 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 share capital of the Issuer is €500,000 divided into 500,000 ordinary shares of a nominal value of €1.00 each. The issued share capital of the Issuer is €250,000 divided into 250,000 ordinary shares of a nominal value of €1.00 each, each share being 100 per cent paid up and subscribed for, allotted and taken up by the Guarantor, except for 1 share which is subscribed for, allotted and taken up one each by Mr Joseph Portelli.

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

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

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

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 4 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 in connection with the ownership, development, operation and financing of the business activities of group companies or associated companies, and for such purpose to lend or advance money or otherwise give credit to any such group or associated company, with or without security, and to borrow or raise finance for the above mentioned purpose, on such terms as the Directors may deem expedient, and also to invest and deal with the moneys of the Issuer and any group or associated company in or upon such investments and in such manner as the Directors may, from time to time, deem expedient. The issue of bonds and other debt securities falls within the objects of the Issuer.

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 €20,500,000 divided into 20,500,000 ordinary shares of a nominal value of €1.00 each and an issued share capital of €15,000,000 divided into 15,000,000 ordinary shares of a nominal value of €1.00 each, each share being 100 per cent paid up and subscribed for, allotted and taken up in full by Mr Joseph Portelli.

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

The transfer of shares in the Guarantor by any shareholder is subject to pre-emption right in favour of the other shareholder/s (where applicable).

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

The shares of the 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 object and main trading activity of the Guarantor is set out in clause 4 of the Guarantor's memorandum and articles of association, namely to purchase, take by title of emphyteusis, lease or exchange or otherwise acquire under any title and to dispose of or give on lease or exchange, and to charge or hypothecate, in whole or in part, or to otherwise turn to the advantage of the Company, and to develop, any immovable or movable property, and any rights or licences which the company may deem necessary or convenient for the purposes of its business, and to carry on the business of operating or managing hotels, guest houses or other accommodation and leisure facilities, or shops, offices or other commercial complexes or outlets, whether belonging to the Company or otherwise, and to construct, reconstruct, renovate, alter, improve, decorate, enlarge, pull down and remove or replace, fix up, furnish and maintain any property or properties for the purposes mentioned above, and to

enter into management or franchise agreements with international hotel brands to assist it in the running of the accommodation and catering properties under its charge.

The Guarantor is also empowered in terms of its memorandum and articles of association:

- (a) to borrow, or in any manner raise money, without any limit, for the purpose of or in connection with the Guarantor's business and 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
- (b) to guarantee, support or secure, either with or without the company receiving any consideration or any benefit whatever, and whether by direct obligation, or by assigning or charging, mortgaging, hypothecating or charging all or any part of the undertaking, property, assets (present and future) and uncalled capital of the Guarantor, or by issuing any security of the Guarantor, or by any one or more of all such methods or by any other method, the performance of any obligations or commitments of any person, firm, company or corporation, including (without prejudice to the generality of the foregoing) any company which is for the time being a subsidiary company or holding company or which is otherwise directly or indirectly associated with the Guarantor in business or through shareholdings.

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 properties owned by the Group. The business address of Architect Mintoff is at EM Architects, 119, Sliema Road, Gzira, GZR 1635, 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 15 July 2024.

A copy of the report compiled by Architect Mintoff, is accessible on the Issuer's website at the following hyperlink: <https://mercury.com.mt/investor-relations/>. 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 Architect Valuation Report prepared in relation to the Group properties, this Registration Document does not contain any statement or report attributed to any person as an expert.

The valuation report has been included in the form and context in which they appear with the authorisation of 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 O163, that has given and has not withdrawn his consent to the inclusion of his report herein.

Architect Edwin Mintoff does not have any material interest in the Issuer save for his appointment and engagement as a property valuer. The Issuer confirms that the valuation report has 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 that 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://mercury.com.mt/investor-relations/>:

- a. Memorandum and Articles of Association of the Issuer;
- b. Memorandum and articles of association of the Guarantor;
- c. Audited financial statements of the Issuer for the three financial years ended 31 December 2021, 31 December 2022 and 31 December 2023 and the audited consolidated financial statements of the Guarantor for the three financial years ended 31 December 2021, 31 December 2022 and 31 December 2023;
- d. Architect Valuation Report dated 15 July 2024 and prepared at the Issuer's request in respect of the Group's properties;
- e. Financial Analysis Summary dated 25 July 2024 and prepared by Calamatta Cuschieri Investment Services Limited;
- f. The original Guarantee; and
- g. The Security Trust Deed.