



JD Capital plc
HHF 303/304,
Hal Far Industrial Estate,
Birzebbuga BBG 3000
Malta

COMPANY ANNOUNCEMENT

Business Update

Date of Announcement	29 November, 2024
Reference	JDC 86/2024

The following is a Company Announcement issued by JD Capital p.l.c. (the “**Company**”) pursuant to the Capital Markets Rules.

QUOTE

The Board of Directors of the Company refers to the plan explained in the base prospectus issued by the Company dated 3rd October 2022 (the “**Base Prospectus**”) to increase the usable area of the manufacturing plant situated on the site measuring *circa* 16,245m² (at the time divided into a built-up area of *circa* 5,308m² and a surrounding un-built area of *circa* 10,937m²), at the Hal Far Industrial Estate, Birzebbuga (the “**Hal Far Site**”) to *circa* 27,011m² (of which *circa* 21,534m² was due to be built up area) (the “**Hal Far Factory**”). As shall be explained in further detail hereunder, the Board of Directors of the Company is pleased to announce that the proposed development of the Hal Far Factory has been optimised such that it may be operated for a purpose other than leasing, specifically third-party logistics (“**3PL**”).

Position set out in the Base Prospectus

As was set out in the Base Prospectus, modifications were to be made on the Hal Far Site on the basis of a development permit (application number DN/00886/21) obtained by JD Operations Limited (C 82100) (“**JD Operations**”), a wholly owned subsidiary of the Company, on 29th September 2021. Such modifications were due to require a capital expenditure investment programme of €12.0 million, which amount was to be funded through part of the proceeds raised from the secured bonds issuance programme of up to €25,000,000 made by the Company pursuant to the Base Prospectus and the applicable final terms (the “**Secured Bond Issuance Programme**”). Once completed, the works described in the Base Prospectus would have resulted in the Hal Far Factory comprising:

- an office block suspended over a three-storey-high steel truss, covering a footprint of *circa* 1,722m²;
- an industrial area of *circa* 19,812m²;
- loading yards and storage areas of *circa* 3,427m²; and



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- roads comprising area of *circa* 2,050m².

It was additionally set out that the development project was to be split over two phases: a phase 1 consisting of the construction of the Hal Far Factory extension and offices, and a phase 2 consisting of the construction of the rentable areas.

Expansion into 3PL

In the ensuing period since the publication of the Base Prospectus, the Board of Directors of the Company and senior management explored the prospect of operating the Hal Far Site for a purpose other than leasing, specifically 3PL. To this end, JD Operations submitted a request to Malta Enterprise to operate the Hal Far Site in the logistics sector. This transition from a lease-based model to the provision of 3PL services is the result of a diversification initiative explored by management and the board intent on adding logistics as a new strategic business line to the legacy manufacturing core business and property rental business of the JD Capital Group (the “**Group**”). The increased demand for industrial and commercial storage facilities in Malta’s supply chain, coupled with the capacity created by the unique investment afforded by JD Operations, provide the right dynamics for this new business line.

Whereas permission had originally been granted for JD Operations to use the industrial space limitedly for the production of stainless steel products, wrought iron, steel fabrication, aluminium and glass products, spray painting and related products, and for rentable storage facilities, on 1st September 2023 Malta Enterprise granted JD Operations permission to use the Hal Far Site for the following additional purposes: provision of supply chain management services, order fulfilment, and ancillary operations through the temporary storage and warehousing of third-party goods, materials, commodities, equipment, plant or machinery and to carry out related operations such as break-bulk, unbundling, mixing, packaging and repackaging. Following receipt of the aforementioned permission, the Board of Directors of the Company authorised management to further assess the implications of adopting this new business plan. Satisfied with the result of the market research and the feasibility studies undertaken by management, it was decided that JD Operations shall diversify the previously intended business line of renting the storage facility, to the provision of 3PL managed warehousing services, with the eventual possibility of expanding and diversifying further its service offerings in supply chain management services.

The above modifications to the business plan would entail the conversion of the Hal Far Site to cater for both the Group’s legacy business (manufacturing) and the proposed new managed warehousing services to be provided. New development permits DN/00298/23 and DN/00935/23 were obtained, pursuant to which the Hal Far Site is to be developed into an optimised total built area of 19,495m² (with a lesser footprint over the previous plans but with an increase in volume capacity of 40%) and with an additional external area of 4,512m² (the “**Hal Far Industrial Facility**”). These areas shall be



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comprised of:

- an industrial facility measuring *circa* 8,939m²;
- an external industrial storage area of *circa* 2,314m²;
- a warehouse area of *circa* 7,124m², having a clear height of 17m;
- a storage area of *circa* 1,837m² and having a clear height of 6.5m;
- an external storage and circulation area of *circa* 2,198m²; and
- an office area of *circa* 1,595m².

Compared to the original Hal Far Factory (prior to previous development plans), the above represents an increase in built up area from 5,308m² to 19,495m². Additionally, contrary to said original plan for the development of the Hal Far Factory, the development of the Hal Far Industrial Facility is not split into any phases.

Investment in the Hal Far Industrial Facility and works undertaken to date

With a view to bring its pay-as-you-use managed warehousing service offering to fruition, JD Operations has employed personnel having in aggregate over 50 years of accumulated experience in logistics management. JD Operations has also identified and will be investing in industry-leading very narrow aisle (“VNA”) lifters and shelving equipment as well as implement automation in the Hal Far Warehouse through a top-rated warehousing management system. The expected customer benefits of a pay-as-you-use warehouse service which have been identified by JD Operations include, however are not limited to: the elimination of fixed or sunk costs; a specifically designed accessible and strategically located facility between the airport and the freeport; storage ancillary services including loading, unloading, break-bulking, and kitting services; real-time reporting on stock levels, movements, obsolescence, and reordering; security, data protection and digital and operational resilience; and auditable internal controls and traceable perpetual stocktaking procedures.

Significant time and effort have been put in the optimisation of the conceptual design of the Hal Far Industrial Facility, with the architectural design having been completed and over 80% of the structure having been designed and working drawings issued. In addition to these design works, the works carried out on the Hal Far Industrial Facility to date include:

- the 100% completion of the:
 - o construction of the administration block;
 - o general excavation in the factory area;
 - o construction of a basement for the new factory; and
 - o delivery of all steel sections for the factory;
- the 90% completion of the foundations in the factory area;
- the 75% completion of the manufacturing of the steel for the factory;
- the 50% completion of the:
 - o demolition works in the factory;
 - o excavation and casting of the foundations for the warehouse;
 - o demolition works in the warehouse area;



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- casting of precast columns, delivery to the site, and installation; and
- installation of columns, beams, and slabs;
- the 60% completion of construction of a new reservoir in the factory area and adjoining pump room; and
- the 20% completion of the erection of steel structures.

The warehousing area of the Hal Far Industrial Facility is expected to be 50% complete and functional by Q2 2025, and fully completed in Q4 2026.

Changes in envisioned construction costs

The modified plans have resulted in an increase to the envisioned total cost, from €12.0 million as originally projected in the lease-based model (and as already raised pursuant to the Secured Bond Issuance Programme), to €19.0 million. Costs have increased as a result of the addition of the 3PL service offering. Additional capital expenditure includes: material handling equipment (VNA reaching up to 17m height); racking for 28,000 pallet spaces with fire safety in-rack sprinklers; water reservoirs; and new best-of-breed IT infrastructure. The Board of Directors of the Company is currently considering various financing options for the purpose of funding the said additional costs, and further announcements in this regard will be issued in due course.

UNQUOTE

By order of the Board of Directors of the Company

Dr. Malcolm Falzon
Company Secretary