SUMMARY

DATED 6 December 2021

AX REAL ESTATE P.L.C.

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

THIS SUMMARY IS VALID FOR A PERIOD OF 12 MONTHS FROM THE DATE HEREOF. FOLLOWING THE LAPSE OF THIS VALIDITY PERIOD, THE COMPANY IS NOT OBLIGED TO UPDATE THIS SUMMARY IN THE EVENT OF SIGNIFICANT NEW FACTORS, MATERIAL MISTAKES OR MATERIAL INACCURACIES.

APPROVED BY THE BOARD OF DIRECTORS

ANGELO XUEREB MICHAEL WARRINGTON

signing in their own capacity as directors of the Company and on behalf each of
Christian Farrugia, Joseph Lupi, Denise Micallef Xuereb, Christopher Paris and Stephen Paris.

1. INTRODUCTION AND WARNINGS

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

This Summary contains key information on the Company and the Offer Securities, summarised details of which are set out below:

Full legal and commercial name of the Company:	AX Real Estate p.l.c.
Registered address:	AX Group, AX Business Centre, Triq id-Difiza Civili, Mosta MST 1741, Malta
Registration number:	C 92104
LEI number:	485100D7B8FYJ8Q4CR24
Telephone number:	+356 2331 2345
Company website:	https://axrealestate.mt
Nature of the Offer Securities:	Collectively: i. an offer for sale of 33,333,333 ordinary 'A' shares of a nominal value of €0.125 each at an offer price of €0.60 per share, or in the case of the exercise of the Over-allotment Option, up to 50,000,000 ordinary 'A' shares of a nominal value of €0.125 each at an offer price of €0.60 per share ("**Offer Shares**"); and ii. an issue of up to €40,000,000 3.5% unsecured bonds 2032 of a nominal value of €100 per bond issued and redeemable at par by (the "**Bonds**").
ISIN of the ordinary 'A' shares:	MT0002570100
ISIN of the Bonds:	MT0002571215
Competent authority approving the Prospectus:	The Malta Financial Services Authority (MFSA), established in terms of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta), being the competent authority to approve prospectuses of any offer of securities to the public in Malta in terms of the Financial Markets Act (Cap. 345 of the laws of Malta).
Address of the MFSA:	Malta Financial Services Authority, Triq l-Imdina, Zone 1, Central Business District, Birkirkara, Malta, CBD 1010.
Telephone number of the MFSA:	+356 2144 1155

Official website of the MFSA: http://www.mfsa.mt/

Prospectus approval date: 6 December 2021

Prospective investors are hereby warned that:

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

2. KEY INFORMATION ON THE COMPANY

2.1. WHO IS THE ISSUER OF THE SECURITIES?

2.1.1. DOMICILE AND LEGAL FORM, ITS LEI AND COUNTY OF INCORPORATION

The Company is AX Real Estate p.l.c., a public limited liability company registered in terms of the Companies Act (Cap. 386 of the laws of Malta), having company registration number C 92104. The Company was incorporated and is domiciled in Malta. Its LEI number is 485100D7B8FYJ8Q4CR24.

2.1.2. PRINCIPAL ACTIVITIES OF THE COMPANY

The Company acts as the holding company of the Estates Group within the AX Group. The Estates Group is involved in the letting of a diverse portfolio of real estate to Subsidiaries and to independent third parties. The Company itself owns nine warehouses, an office block at Hardrocks Business Park, and an office block at Falcon House
, Sliema, which properties are partly leased to related parties, and partly to third parties. The portfolio of properties owned by the Subsidiaries is comprised of the following:

i. **Suncrest Hotels p.l.c. (C 8643)** owns the AX Seashells Resort at Suncrest, the AX Sunny Coast Resort and Spa and the Luzzu Complex in Qawra;
ii. **Central Leisure Developments Limited (C 25774)** owns the AX The Victoria Hotel and AX The Palace Hotel in Sliema;
iii. **St. John's Boutique Hotel Limited (C 76079)** owns the Saint John – boutique accommodation in Valletta;
iv. **Palazzo Merkanti Leisure Limited (C 76080)** holds the AX Rosselli Hotel in Valletta under title of temporary emphyteusis;
v. **Simblija Developments Limited (C 39400)** owns the Hilltop Gardens Retirement Village, Simblija Care Home and the Blackstead Garage in Naxxar;
vi. **Royal Hotels Limited (C 16694)** owns the land over which the Verdala Hotel will be developed;
vii. **Heritage Developments Limited (C 14217)** is in the process of acquiring all 19 Virtu Heights residential apartments to be developed into the Verdala Hotel Annex; and
viii. **Skyline Developments Ltd (C 34281)** owns the Targa Gap Complex in Mosta.

Revenue generated by the Company primarily relates to the rental income derived from the Estate Group's property investment activities. As the holding company, the Company is largely economically dependent on the operations and performance of the Subsidiaries.

2.1.3. MAJOR SHAREHOLDERS

As at the date of this Summary, AX Group p.l.c. holds, in aggregate, 99.99% of the issued share capital of the Company, and 99.98% of the ordinary 'A' shares. Following completion of the Share Offer: (a) if the Share Offer is fully subscribed but the Company elects not to exercise the Over-allotment Option, AX Group p.l.c. will hold 88.23% of the issued share capital of the Company, and 75% of the ordinary 'A' shares; (b) if the Share Offer is over-subscribed and the Company elects to exercise the Over-allotment Option, following the application of a conversion mechanism which will result in unlisted ordinary 'B' shares currently held by AX Group p.l.c. being converted into listed ordinary 'A' Shares, AX Group p.l.c. will hold between 83.33% and 88.23% of the issued share capital of the Company, and 75% of the ordinary 'A' shares; and (c) if the Share Offer is under-subscribed, subject to the Issuer receiving a minimum of €12,000,000 in subscriptions for ordinary 'A' shares and following the application of a conversion mechanism which will result in listed ordinary 'A' shares currently held by AX Group p.l.c. being converted into unlisted ordinary 'B' Shares, AX Group p.l.c. will hold between 88.23% and 92.59% of the issued share capital of the Company, and 75% of the ordinary 'A' Shares. In all of the scenarios set out above, AX Group p.l.c. would therefore continue to exercise control over the Company. In line with sound governance procedures and relevant regulatory requirements, measures have been instituted to ensure that the control exercised by AX Group p.l.c., as major shareholder, is not abused. In so far as is known to the Company, no person other than AX Group p.l.c., and its direct or indirect shareholders, that is Angelo Xuereb (holding a 55% stake in AX Group p.l.c.), and each of Mr Richard Xuereb, Ms Claire Zammit Xuereb (through her shareholding in Lotus Company Ltd (C 81360)) and Ms Denise Micallef Xuereb (through her shareholding in DX Holdings Limited (C 81361), each holding a 15% stake in AX Group p.l.c., has an interest, whether directly or indirectly, in the Company's capital or voting rights.

2.1.4. KEY MANAGING DIRECTORS

As at the date of the Prospectus, the Board of Directors of the Company is composed of the following persons: Christian Farrugia (Independent Non-Executive Director), Joseph Lupi (Independent Non-Executive Director), Denise Micallef Xuereb (Executive Director and Chief Executive Officer), Christopher Paris (Non-Executive Director), Stephen Paris (Independent Non-Executive Director), Michael Warrington (Non-Executive Director) and Angelo Xuereb (Non-Executive Chairman).

2.1.5. STATUTORY AUDITORS
Ernst & Young Malta Limited of Regional Business Centre, Achille Ferris Street, Msida MSD 1751, Malta, have audited the annual statutory financial statements of the Company for the financial year ended 31 October 2020. The annual statutory financial statements of the Company for the year ended 31 October 2019 have been audited by Nexia BT.

2.2. WHAT IS THE KEY FINANCIAL INFORMATION REGARDING THE COMPANY?

The Company's historical audited financial statements for years ended 31 October 2019 and 31 October 2020 are available on the Company's website and the registered office of the Company. The audit reports of these two financial periods do not contain any qualification, modification of opinion, disclaimers, or emphasis of matter. The Company's unaudited interim financial information covering periods between 1 November 2019 and 30 April 2020 and between 1 November 2020 and 30 April 2021 are also available on the Company's website and at the registered office of the Company.

Key figures extracted from the said financial reports are being presented below:

Income Statement

Currency: € 000	Financial year ended 31 October 2020 (audited)	Financial year ended 31 October 2019 (5 months) (audited)	Six months ended 30 April 2021 (unaudited)	Six months ended 30 April 2020 (unaudited)
Revenue	243.7	19.4	145.9	125.3
EBITDA*	226.0	18.1	118.0	114.2
Total comprehensive income	157.8	14.1	76.3	83.7

**EBITDA is derived by deducting administrative expenses from revenue for the period.*

Statement of financial position

Currency: € 000	Company 31 October 2020 (audited)	Company 31 October 2019 (audited)	Group 30 April 2021 (pro forma)	Company 30 April 2021 (unaudited)
Total Assets	6,464	5,244	234,539	6,788
Total Equity	3,673	15	126,132	3,749
Total Liabilities	2,791	5,229	108,407	3,039

Statement of cash flows

Currency: € 000	Financial year ended 31 October 2020 (audited)	Financial year ended 31 October 2019 (5 months) (audited)	Six months ended 30 April 2021 (unaudited)	Six months ended 30 April 2020 (unaudited)
Net cash from operating activities	-	67.0	206.3	2.0
Net cash used in financing activities	-	(67.0)	-	(2.0)
Net cash used in investing activities	-	-	(206.3)	-

2.3. WHAT ARE THE KEY RISKS THAT ARE SPECIFIC TO THE COMPANY?

The most material risk factors specific to the Company and the Estates Group which may negatively impact the business, results of operations, financial position, growth and, or prospects (as applicable) of the Company and the Estates Group should the circumstances mentioned therein materialise, are set out below:

2.3.1. Risks associated with rental income of the Estates Group's property portfolio
The revenue generated from the Estates Group's property investment activities is dependent in the main part on tenants fulfilling their obligations under their lease agreements. There can be no assurance that the tenants will be in a position, at all times, to perform their obligations. Moreover, the Estates Group is susceptible to the risk that tenants may terminate, or elect not to renew, their respective lease agreements.

2.3.2 Risks relating to title over immovable property
To the extent that the Estates Group, or its third-party advisers, fail to identify defects in title or erroneously assess the materiality or implication of the findings of the due diligence exercise typically carried out in respect of the good title over land or immovable property being acquired and, or developed, the Estates Group may, notwithstanding that it proceeds with the intended acquisition or development, subsequently be exposed to claims and, or liabilities relating to such issues.

2.3.3 Risks associated with ability to obtain necessary planning and development permits and maintaining ongoing compliance therewith

Securing planning approvals by the competent authorities in a timely manner is of key importance to the Estates Group's property development activities. There can be no certainty that any given planning application will result in planning approvals being granted, or that if granted, will not be on unduly onerous or restrictive terms. Additionally, opposition to the Estates Group's proposed developments may also cause the Estates Group to adjust development plans on any pending or future projects, which adjustments may expose the Estates Group to additional unrecoverable expenses and render the development plan unfeasible.

2.3.4 The Estates Group may not realise the benefits it expects from property investments

The Estates Group has made and expects to continue making significant investments in the acquisition, development and improvement of its existing and new properties as deemed appropriate. The Estates Group is susceptible to experiencing cost over-runs relating to unanticipated delays in, and liabilities associated with, development of property.

2.3.5 Risks relating to the Estates Group's financing and investment strategies

The Estates Group may not be able to obtain the financing it requires for the continued operation of its business and investments, including for the acquisition, development, expansion or improvement of existing or new properties, on commercially reasonable terms, or at all, and, or on time.

2.3.6 Risks relating to the economic repercussions of COVID-19

The continued or renewed imposition of preventative and containment measures as a result of the COVID-19 pandemic has had, and is expected to continue to have, a negative impact on the expectations relating to the operations run or to be run from the Group Hospitality Properties, which may, in turn, impact the operators' ability to service rental payment obligations in full and on time, create pressures for reductions in rent and, or may result in lower variable rental income in the case of lease agreements featuring a combination of fixed and variable rent components. Moreover, the Estates Group's business, operations, and financial performance, particularly to the extent that these may impact the ability of the Subsidiaries' tenants to service their rental payment obligations in full and on time, remain susceptible to the risk represented by the uncertainty resulting from the pandemic. Even after the COVID-19 outbreak has subsided, the Estates Group may still be susceptible to experience material adverse impacts on its businesses and operations as a result of the impeded market and economic conditions precipitated by the COVID-19 pandemic.

2.3.7 Risks relating to property development activities

Property development projects are subject to a number of specific risks, including but not limited to: the risk of insufficiency of resources to complete development projects in the manner or within the timeframe envisaged; the risk of cost overruns and unexpected increases in project execution costs; the risk of rental or sales transactions not being effected at the prices and within the timeframes envisaged, and risks relating to general industry trends and the local property development market.

2.3.8 Risks associated with the hospitality industry

The Estates Group's property portfolio is linked to a significant extent to the hospitality sector, which is subject to a number of external factors that could adversely affect the Estates Group's business. Many of such factors are common to the hospitality industry and beyond the Group's control, and may impact owners and operators alike. The impact of any of these factors may adversely affect room rates and occupancy levels, and, in turn, tenants' ability to meet their rental payment obligations on time and in full, and, or may result in lower variable rental income in the case of lease agreements featuring a combination of fixed and variable rent mechanisms.

2.3.9 Risks associated with the healthcare industry

The Estates Group is subject to general risks inherent in the provision of accommodation for elderly persons, including risks relating to changes in consumer preferences and in occupancy levels, risks relating to the recruitment of adequate medical staff, risks relating to breaches of licence conditions, and risks relating to medical claims. Additionally, the Estates Group's care homes are susceptible to the outbreak of pandemics which could present major operational difficulties.

3. KEY INFORMATION ON THE SECURITIES

3.1. WHAT ARE THE MAIN FEATURES OF THE SECURITIES?

The key features of the Offer Shares are set out below:

ISIN:	MT0002570100;
Description, Amount and Class:	33,333,333 ordinary 'A' shares (or up to 50,000,000 ordinary 'A' shares in the event of exercise of the Over-allotment Option) of a nominal value of €0.125 per share are being offered pursuant to the Share Offer at the Offer Price of €0.60 per Offer Share;
Offer Price	€0.60 per Offer Share save in the case of Applications submitted pursuant to the Share Offer equal to or exceeding 200,000 Offer Shares, where a 10% discount on the Offer Price (equivalent to a €0.06 discount per Offer Share) shall apply, resulting in a price of €0.54 per Offer Share);
Minimum amount per subscription:	minimum of 5,000 Offer Shares (and in multiples of 100 Offer Shares thereafter), save that in the case of applications for Bonds equal to or in excess of €250,000, the minimum subscription for Offer Shares would not apply;
Currency:	Euro (€);

Form:	The Offer Shares in the Company will be issued in registered form and, until they are admitted to the Official List of the MSE, they will be in fully certificated form. Following their admission to the Official List of the MSE the ordinary 'A' shares will be in registered dematerialised form and be held in book-entry form at the CSD;
Rights attaching to the Offer Shares:	The Offer Shares shall carry the right for the holders thereof to participate in any distribution of dividend declared by the Company and any distribution of capital made whether in the context of a winding up or otherwise, *pari passu* with all other Shares of the Company; Each Offer Share shall entitle the holder thereof to one vote at meetings of Shareholders;
Transferability:	Save for the restrictions on free transferability applicable to the Locked-In Shareholder in terms of the Lock-In Agreement, the Offer Shares are freely transferable;
Dividend policy:	It is the Directors' intention to implement a stable dividend policy, paying out the majority of the Company's distributable profits earned during the year, provided that a minimum balance of €1 million in cash is retained within the Group at any given time. The Directors may recommend that such dividend be distributed by way of a cash dividend or a bonus issue, or a combination of the two. It is forecasted that an interim dividend (50% of annual dividend) is paid in July and the final dividend (remaining 50% of annual dividend) is paid in January.

The key features of the Bonds are set out below:

ISIN:	MT0002571215
Description, Amount:	Up to €40,000,000 unsecured bonds of a nominal value of €100 per bond are being issued at par pursuant to the Bond Issue;
Bond Issue Price:	At par (€100 per bond);
Interest:	3.5% per annum;
Redemption Date:	28 January 2032;
Status of the Bonds:	The Bonds, as and when issued and allotted, shall constitute the general, direct, unconditional and unsecured obligations of the Company and shall at all times rank *pari passu*, without any priority or preference among themselves, and save for such exceptions as may be provided by applicable law, without priority or preference to all present and future unsecured obligations of the Company;
Minimum amount per subscription:	Minimum of €2,000 in Bonds;
Denomination:	Euro (€);
Form:	The Bonds will be issued in fully registered and dematerialized form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Company at the CSD;
Rights attaching to the Bonds:	A Bondholder shall have such rights as are attached to the Bonds, including the repayment of capital; the payment of interest; the right to attend, participate in and vote at meetings of Bondholders in accordance with the Terms and Conditions of the Bonds; and the enjoyment of all such other rights attached to the Bonds emanating from the Prospectus;
Transferability:	The Bonds are freely transferable.

3.2. WHERE WILL THE SECURITIES BE TRADED?

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

3.3. WHAT ARE THE KEY RISKS THAT ARE SPECIFIC TO THE SECURITIES?

The most material risk factors specific to the Offer Securities are set out below:

3.3.1. Suitability

An investment in the Offer Securities may not be suitable for all recipients of the Prospectus and prospective investors are urged to consult a licensed stockbroker or an independent investment advisor licensed under the Investment Services Act (Cap. 370 of the laws of Malta) as to the suitability or otherwise of an investment in the Offer Securities before making an investment decision.

3.3.2. No prior market for the Securities

Due to the absence of any prior market for the Securities, there can be no assurance that the price of the Securities will correspond to the price at which the Securities will trade in the market subsequent to the Combined Offer.

3.3.3. Orderly and liquid market

The existence of an orderly and liquid market for the Securities depends on a number of factors, including but not limited to the presence of willing buyers and sellers of the Securities at any given time and the general economic conditions in the market in which the Securities are traded. Should there not be a liquid market in the Securities, there can be no assurance that an investor will be able to trade in Securities.

The most material risk factors specific to the Offer Shares are set out below:

3.3.4. Dividends

Save for a guaranteed minimum net dividend yield of 4% in the first two financial years post-subscription, there is no guarantee that dividends will be paid by the Company. Any dividend on the Shares will be limited by the performance of the Company and, in turn, on the performance of its Subsidiaries, on which it is dependent.

3.3.5. Lock-in arrangement

The Company is unable to predict whether, following the termination of the lock-in restrictions put in place in connection with the Share Offer, a substantial amount of Listed Shares will be sold in the open market by the Locked-in Shareholder. Any sales of substantial amounts of Listed Shares in the public market by the Locked-In Shareholder, or the perception that such sales might occur, could result in a material effect on the market price of the Offer Shares.

The most material risk factor specific to the Bonds is set out below:

3.3.6. Ranking of the Bonds

Any secured or privileged debts of the Company shall rank at all times ahead of the obligations of the Company under the Bonds, as a result of which the Bondholders may not be able to recover their investment in the Bonds in the case of insolvency or an equivalent situation. Furthermore, third party security interests may be registered which will rank in priority to the Bonds against the assets of the Company, as the case may be, for so long as such security interests remain in effect.

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

4.1. UNDER WHICH CONDITIONS AND TIMETABLE CAN I INVEST IN THIS SECURITY?

4.1.1. APPLICATION FOR THE SECURITIES

Application Forms for the Offer Securities are available during the Offer Period through a customised IT system available from any of the Authorised Financial Intermediaries. Preferred Applicants will be receiving a personalised letter from the Company, which will grant them preference to subscribe for the Securities.

4.1.2. PLAN OF DISTRIBUTION AND ALLOTMENT, AND ALLOCATION POLICY

The Company shall allocate the Offer Securities issued pursuant to the Combined Offer to Preferred Applicants and the general public. The Company, through the allocation policy adopted, shall give preference to Preferred Applicants.

a. Bonds Allocation

Applicants (including Preferred Applicants) are required to apply for a combination of Offer Shares and Bonds in order to be considered for any allocation of Bonds, unless an Application solely for Bonds is submitted for a minimum of €250,000 in Bonds.

Accordingly, the Company shall allocate Bonds to Applicants based on the following priority:

i. applicants applying for a combination of Offer Shares and Bonds shall be guaranteed an allocation of Bonds of up to a maximum of €6,000 such that Applications for Bonds shall receive full allocation up to the amount of €6,000; and
ii. following the allocation of Bonds in terms of (i) above, the Company shall allocate remaining Bonds to: a) Applicants with respect to such amount of Bonds applied for as may be in excess of the €6,000 threshold referred to above remaining unallocated following the allocation as specified in (i) above; and b) Applicants applying solely for Bonds subject to a minimum application of €250,000. In either case, the Company, through the allocation policy adopted, shall give preference to the Preferred Applicants.

b. Offer Shares Allocation

Applications for Offer Shares by Preferred Applicants and the general public shall be subject to an allocation policy as determined by the Company. In determining such allocation policy, the Company shall give preference to Preferred Applicants.

4.1.3. EXPECTED TIMETABLE

	EVENT	DATE
1	Opening of Offer Period	10 January 2022
2	Closing of Offer Period	21 January 2022
3	Commencement of interest on the Bonds	28 January 2022
4	Announcement of basis of acceptance	28 January 2022
5	Dispatch of allotment advices and refund of unallocated monies (if any)	4 February 2022
6	Expected date of admission of the Securities to listing	4 February 2022
6	Expected date of commencement of trading of the Securities	7 February 2022

The Company reserves the right to close the Offer Period prior to 21 January 2022, in which case, while the events set out in 4 to 7 above will be brought forward, they will keep the same chronological order as set out above.

4.1.4. DILUTION FOLLOWING SHARE OFFER

If the Share Offer is fully subscribed, but the Company elects not to exercise the Over-allotment Option, the Existing Shareholders' shareholding in the Company will be reduced from 100% to 88.23% of the entire issued share capital of the Company, and from 100% to 75% of the class of ordinary 'A' shares. If the Share Offer is over-subscribed and the Company elects to exercise the Over-allotment

Option, the Company shall convert such number of ordinary 'B' shares of a nominal value of €0.125 each into ordinary 'A' shares of a nominal value of €0.125 as is necessary to ensure that for every one ordinary 'A' share of a nominal value of €0.125 subscribed for as part of the over-allotment, three ordinary 'B' shares of a nominal value of €0.125 held by AX Group p.l.c. shall be converted to three ordinary 'A' shares of a nominal value of €0.125 for allocation to AX Group p.l.c. (the "**Converted Shares**"). In the event of exercise in full of the Over-allotment Option, 50,000,001 Converted Shares of a nominal value of €0.125 would be issued in favour of AX Group p.l.c.; and the Existing Shareholders' shareholding in the Company will be reduced from 100% to between 88.23% and 83.33% of the entire issued share capital of the Company, and from 100% to 75% of the class of ordinary 'A' shares. If the Share Offer is under-subscribed, subject to the Issuer receiving a minimum of €12,000,000 in subscriptions for ordinary 'A' shares (equivalent to applications for 20,000,000 ordinary 'A' shares of a nominal value of €0.125 at the Offer Price of €0.60), the Company shall convert (on a 1:1 basis) such number of ordinary 'A' shares of a nominal value of €0.125 each currently held by AX Group p.l.c. into ordinary 'B' shares of a nominal value of €0.125 each, as may be necessary for the holding of Listed Shares by AX Group p.l.c. to be diluted to such amount of shares as is equivalent to 75% of the Listed Shares. In the case of under-subscription equivalent to the abovementioned minimum threshold of 20,000,000 ordinary 'A' shares of a nominal value of €0.125, the Existing Shareholders' shareholding in the Company will be reduced from 100% to between 92.59% and 88.23% of the entire issued share capital of the Company, and from 100% to 75% of the class of ordinary 'A' shares.

4.1.5. TOTAL ESTIMATED EXPENSES

The expenses payable in respect of the Combined Offer, including professional, publicity, printing, the fees payable to the advisers, listing and other miscellaneous expenses or fees, expected to amount to *circa* €1.3 million (or *circa* €1.5 million in the case of the exercise of the Over-allotment Option), shall be borne exclusively by the Company and accordingly shall be deducted from the proceeds of the Combined Offer.

4.2. WHY IS THIS PROSPECTUS BEING PRODUCED?

4.2.1. THE USE AND ESTIMATED NET AMOUNT OF PROCEEDS

The proceeds of the Combined Offer, which net of estimated bond and equity issue costs of circa €1.3 million would amount to €58.7 million, or up to circa €68.5 million in the case of the exercise by the Company of the Over-allotment Option (net of estimated bond and equity issue costs of circa €1.5 million excluding any discounts applicable on the Offer Shares), will be applied towards the following uses, in the order of priority listed hereunder:

a. *circa* €25.6 million will be applied to the part-financing of the 'Phase 1' of the Qawra Project, specifically the extension of the Seashells Resort at Suncrest by way of four additional floors. The full development and refurbishment cost of the Qawra Phase 1 Project is expected to reach circa €52 million. The remaining balance of *circa* €26.4 million will be funded in part from internal cash resources, and in part by AX Hotel Operations Limited (C 40905);

b. *circa* €14.4 million will be utilised for the general corporate funding purposes of the Estates Group, which may or may not include the part-funding of the lido at the Seashells Resort at Suncrest referred to in item (a)(ii) above following issuance of the necessary full development permit;

c. *circa* €10 million will be applied to the part-financing of the development of the Verdala Project. The full development cost of the Verdala Project is expected to amount to €11.5 million. The remaining balance of €1.5 million will be funded from internal cash generation; and

d. *circa* €8.7 million, or up to circa €18.5 million in the case of the exercise by the Company of the Over-allotment Option, or between *circa* €2.0 million and *circa* €8.7 million in the event of under-subscription of the Share Offer (subject to a minimum threshold of €12,000,000), will go towards the repayment in part of an existing intragroup loan entered into by and between the Company (in its capacity as borrower) and AX Group p.l.c. (in its capacity as lender), in connection with, *inter alia*, the settlement of consideration due for the purpose of the Group Reorganisation.

Insofar as the Share Offer is concerned, in the event that following the Offer Period, total subscriptions for Offer Shares do not equate to at least €12 million in subscriptions for ordinary 'A' shares (equivalent to applications for 20,000,000 ordinary 'A' shares of a nominal value of €0.125 at the Offer Price of €0.60): (i) no allotment of Offer Shares will be made; (ii) for the purposes of the Share Offer, the subscription for the Offer Shares shall be deemed not to have been accepted by the Company; and (iii) all proceeds received from Applicants specific to the Share Offer shall be refunded accordingly.

If the Share Offer is under-subscribed and the abovementioned minimum threshold is not met, to the effect that no allotment of Offer Shares is made and all proceeds from the Share Offer are refunded to Applicants, proceeds from the Combined Offer (in effect, limited to the Bond Issue) will be applied exclusively to part-finance the Qawra Phase 1 Project to the extent specified in para (a) above and for general corporate funding purposes as specified in para (b) above. Accordingly, in such case, the Verdala Project will not be part-financed through the proceeds of the Combined Offer, and the cost for its completion will be financed through alternative means. If on the other hand the Share Offer is under-subscribed however the abovementioned minimum threshold is met, the proceeds from the Share Offer will be applied to part-finance the Verdala Project to the extent specified in para (c) above and any remaining balance of proceeds shall be applied to the repayment in part of intragroup loan to the extent specified in para (d) above, with the outstanding balance on such loan to be financed through alternative means.

4.2.2. UNDERWRITING AGREEMENT

The Combined Offer is not subject to any underwriting agreement on a firm commitment basis.

4.2.3. CONFLICTS OF INTEREST

Following the admission of the Securities to listing and trading on the Official List, and assuming the Share Offer is fully subscribed, the Existing Shareholders will, in aggregate amongst themselves, retain an 88.23% interest in the entire issued share capital of the Company, and a 75% interest in the Listed Shares. Of these, the following members of the Board of Directors are expected to retain, in aggregate amongst themselves, 62% of the entire issued share capital of the Company and around 53% of the Listed Shares: Mr Angelo Xuereb and Ms Denise Micallef Xuereb, indirectly through their holding in AX Group p.l.c. Save for the above and save for the subscription for Offer Securities by Authorised Financial Intermediaries (which includes the Sponsors, the Manager and the Registrar) and any fees payable to the Company's advisers in connection with the Combined Offer, insofar as the Company is aware, no other person involved in the Combined Offer has an interest, conflicting or otherwise, material to the Combined Offer.