AIRASIA GROUP BERHAD ("AAGB" OR THE "COMPANY")

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF REDEEMABLE CONVERTIBLE UNSECURED ISLAMIC DEBT SECURITIES

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1. INTRODUCTION

On behalf of the Board of Directors of AAGB ("**Board**"), RHB Investment Bank Berhad ("**RHBIB**") wishes to announce that the Company proposes to undertake a renounceable rights issue of up to RM1,024,058,370 in nominal value of 7-year redeemable convertible unsecured Islamic debt securities with a nominal value of RM0.75 each ("**RCUIDS**") on the basis of 2 RCUIDS with 1 free detachable warrant ("**Warrant**") for every 6 ordinary shares in AAGB ("**AAGB Shares**" or "**Shares**") held on an entitlement date to be determined by the Board and announced later by the Company ("**Entitlement Date**") ("**Proposed Rights Issue**").

2. DETAILS OF THE PROPOSED RIGHTS ISSUE

The Proposed Rights Issue entails the issuance of up to RM1,024,058,370 in nominal value of RCUIDS at 100% of its nominal value on the basis of 2 RCUIDS with 1 Warrant for every 6 AAGB Shares held by the shareholders of the Company whose names appear on the Record of Depositors of the Company as at the close of business on the Entitlement Date ("**Entitled Shareholders**") and/or their renouncee(s) or transferee(s) (if applicable). Based on the nominal value of the RCUIDS of RM0.75 each, the Proposed Rights Issue would result in the issuance of up to 1,365,411,160 RCUIDS together with up to 682,705,580 new Warrants.

The actual nominal value of RCUIDS together with new Warrants to be issued pursuant to the Proposed Rights Issue will depend on the total number of issued Shares on the Entitlement Date and the actual subscription rate by the Entitled Shareholders and/or their renouncee(s) or transferee(s) (if applicable) under the Proposed Rights Issue.

Under the maximum scenario, the Proposed Rights Issue would entail an issuance of RM1,024,058,370 in nominal value of RCUIDS, representing the issuance of 1,365,411,160 RCUIDS together with 682,705,580 new Warrants ("**Maximum Scenario**"), which was arrived at after taking into consideration the following:

(i) the nominal value of the RCUIDS of RM0.75 each;

(ii) the Company's total number of issued Shares of 3,898,052,879 AAGB Shares as at 29 June 2021, being the latest practicable date prior to the date of this announcement ("**LPD**");

(iii) the assumption that the remaining 198,180,602 new AAGB Shares pursuant to the private placement ("**Placement Shares**"), which was approved by Bursa Malaysia Securities Berhad ("**Bursa Securities**") on 3 February 2021 ("**Private Placement**"), will be issued prior to the Entitlement Date; and

(iv) the Board's undertaking not to issue any new AAGB Shares pursuant to the proposed long term incentive scheme, which was approved by Bursa Securities on 24 May 2021 and the Company's shareholders on 21 June 2021 ("**LTIS**"), prior to the Entitlement Date.

Under the minimum scenario, the Proposed Rights Issue would entail an issuance of RM974,513,219 in nominal value of RCUIDS, representing the issuance of 1,299,350,959 RCUIDS together with 649,675,479 new Warrants ("**Minimum Scenario**"), which was arrived at after taking into consideration the following:

(i) the nominal value of the RCUIDS of RM0.75 each;

(ii) the Company's total number of issued Shares of 3,898,052,879 AAGB Shares as at the LPD; and

(iii) the assumptions that no further Placement Shares are issued and the Board's undertaking not to issue any new AAGB Shares pursuant to the LTIS prior to the Entitlement Date.

The Proposed Rights Issue is renounceable in full or in part. Accordingly, the Entitled Shareholders may subscribe for their respective entitlements to the RCUIDS in full or in part.

The Warrants will only be issued to the Entitled Shareholders who subscribe for the RCUIDS. The Entitled Shareholders who renounce all or any part of their entitlements to the RCUIDS provisionally allotted to them shall be deemed to have renounced their corresponding entitlements to the Warrants. The RCUIDS and Warrants are not separately renounceable. However, the Warrants shall be immediately detached from the RCUIDS upon issuance and shall be separately traded on the Main Market of Bursa Securities.

The RCUIDS which are not subscribed or validly subscribed shall be made available for excess application by the other Entitled Shareholders and/or their renouncee(s) or transferee(s) (if applicable). It is the intention of the Board to allocate the excess RCUIDS in a fair and equitable manner on a basis to be determined by the Board.

In determining the Entitled Shareholders' entitlements to the Proposed Rights Issue, fractional entitlements, if any, will be disregarded and shall be dealt with in such manner as the Board shall in its sole and absolute discretion deem fit or expedient and in the best interest of the Company.

2.1 Indicative salient terms of the RCUIDS and Warrants

The indicative salient terms of the RCUIDS and Warrants are set out in **Appendix I** and **Appendix II** of this announcement respectively.

The RCUIDS will be constituted by a trust deed to be executed by the Company and a trustee to be appointed acting for the benefit of the holders of the RCUIDS ("**RCUIDS Holders**") ("**Trustee**") ("**Trust Deed**"), which shall be in compliance with the Guidelines on Trust Deeds issued by the Securities Commission Malaysia ("**SC**"). The Warrants will be constituted by a deed poll to be executed by the Company ("**Deed Poll**").

2.2 Basis and justification for the issue price and conversion price of the RCUIDS and the exercise price of the Warrants

(i) Issue price and conversion price of the RCUIDS

The RCUIDS shall be issued at 100% of its nominal value of RM0.75 each ("**Issue Price**"). The conversion price of the RCUIDS is also fixed at RM0.75 for every 1 new AAGB Share ("**Conversion Price**").

The Issue Price and Conversion Price were arrived at after taking into consideration the following:

(a) the 30-day volume-weighted average market price ("**VWAP**") of AAGB Shares up to the LPD of RM0.9055;

(b) the theoretical ex-rights price per AAGB Share of RM0.8666 calculated based on the 30-day VWAP of AAGB Shares up to the LPD ("**TERP**"); and

(c) the funding requirements of AAGB and its subsidiaries ("**AAGB Group**" or "**Group**"), as detailed in Section 3 of this announcement.

The Issue Price and Conversion Price both represent a discount of 17.17% to the 30-day VWAP of AAGB Shares up to the LPD and a discount of 13.45% to the TERP. The Board is of the opinion that the Issue Price and Conversion Price is reasonable after taking into consideration the following:

(i) the aforementioned discounts to the 30-day VWAP and TERP is expected to encourage the Entitled Shareholders to subscribe for their entitlements, and further increase their equity participation in the Company pursuant to the conversion of the RCUIDS;

(ii) the profit rate of the RCUIDS of 8% per annum is reasonably attractive as compared to the prevailing 5-year Malaysian government securities' indicative yield of approximately 2.60% as at May 2021; and

(iii) the Issue Price is sufficient to meet the funding requirements of the Group, as detailed in Section 3 of this announcement.

(ii) Exercise price of the Warrants

The Warrants are attached to the RCUIDS without any cost. The Warrants will be issued to the Entitled Shareholders who subscribe for the RCUIDS, and are exercisable into new AAGB Shares.

The exercise price of the Warrants ("**Exercise Price**") shall be determined and fixed by the Board and announced by the Company at a later date (after all relevant approvals of the Proposed Rights Issue have been obtained). However, the Company intends to fix the Exercise Price to be the lower of:

(a) RM1.00; or

(b) 20% premium to the trailing 30-day VWAP of AAGB Shares prior to the announcement of the Entitlement Date.

The Board is of the opinion that the basis of determining the Exercise Price is reasonable after taking into consideration the following:

(i) that the Warrants will be issued at no cost to the Entitled Shareholders;

(ii) the prospects of the Group, as detailed in Section 6.4 of this announcement; and

(iii) the additional cash proceeds which the Company would be able to raise to fund the general working capital of the Group in the event the warrant holders exercise the Warrants.

2.3 Ranking of the new AAGB Shares to be issued upon conversion of the RCUIDS and exercise of the Warrants

The new AAGB Shares to be issued upon conversion of the RCUIDS and exercise of the Warrants shall, upon allotment and issuance, rank equally in all respects with the then existing AAGB Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the shareholders of the Company, the entitlement date of which is prior to the allotment date of the new AAGB Shares to be issued upon conversion of the RCUIDS and exercise of the Warrants.

2.4 Listing and quotation for the RCUIDS and Warrants as well as the new AAGB Shares to be issued upon conversion of the RCUIDS and exercise of the Warrants

An application will be made to Bursa Securities for the admission of the RCUIDS and Warrants to the Official List of Bursa Securities as well as listing and quotation for the RCUIDS, Warrants and the new AAGB Shares to be issued pursuant to the conversion of the RCUIDS and exercise of the Warrants on the Main Market of Bursa Securities.

2.5 Undertakings and underwriting

The Proposed Rights Issue will be implemented on a minimum subscription basis to raise minimum gross proceeds of approximately RM615.9 million ("**Minimum Subscription Level**"). The Minimum Subscription Level was determined by the Board after taking into consideration, among others, the funding requirements of the Group as set out in Section 3 of this announcement and the Minimum Scenario.

In order to meet the Minimum Subscription Level, the Company intends to:

(i) procure unconditional and irrevocable written undertakings from certain major shareholders of the Company, namely Tune Live Sdn Bhd ("**TLSB**"), Tune Air Sdn Bhd ("**TASB**"), Tan Sri Anthony Francis Fernandes ("**TSTF**") and Datuk Kamarudin bin Meranun ("**DKM**") (collectively referred to as the "**Undertaking Shareholders**"), that they and/or their renouncee(s) or transferee(s) (if applicable) will subscribe in full for their direct entitlements under the Proposed Rights Issue ("**Entitlement Undertakings**"); and

(ii) procure underwriting arrangement(s) to underwrite 50% of the remaining portion of the RCUIDS with Warrants under the Minimum Scenario for which no irrevocable and unconditional undertaking has been obtained ("**Open Portion**") to meet the Minimum Subscription Level ("**Minimum Underwriting**").

For illustrative purposes only, the details of the Entitlement Undertakings and Minimum Underwriting under the Minimum Scenario are as follows:

	Direct shareholdings as at 30 June 2021		Entitlement Undertakings		Minimum Underwriting		Minimum Subscription Level
Undertaking Shareholders/ Underwriter(s)	**No. of Shares ('000)**	**%[(1)]**	**No. of RCUIDS ('000)**	**Amount (RM'000)**	**No. of RCUIDS ('000)**	**Amount (RM'000)**	**Amount (RM'000)**
TLSB	509,000	13.06	169,667	127,250	-	-	127,250
TASB	516,485	13.25	172,161	129,121	-	-	129,121
TSTF	1,600	0.04	533	400	-	-	400
DKM	2,000	0.05	667	500	-	-	500
Underwriter(s)	-	-	-	-	[(2)]478,161	358,621	358,621
	1,029,085	**26.40**	**343,028**	**257,271**	**478,161**	**358,621**	**615,892**

Notes:

(1) *Based on the total number of Shares in issue of 3,898,052,879 Shares as at 30 June 2021.*

(2) *Based on the Open Portion of 956,322,599 RCUIDS available for subscription under the Minimum Scenario.*

For the avoidance of doubt, the Company may procure additional underwriting arrangement(s) to underwrite the remaining 50% of the Open Portion.

3. UTILISATION OF PROCEEDS

The Proposed Rights Issue is expected to raise gross proceeds of approximately RM615.9 million under the Minimum Subscription Level and up to approximately RM1,024.1 million assuming all the Entitled Shareholders subscribe in full for their respective entitlements to the RCUIDS under the Maximum Scenario ("**Full Subscription Level**").

The Company intends to utilise the proceeds arising from the Proposed Rights Issue in the following manner:

Utilisation purposes	Minimum Subscription Level (RM'000)	Full Subscription Level (RM'000)	Estimated timeframe for utilisation of proceeds*
Fuel hedging settlement	96,742	226,742	Within 5 months
Aircraft lease and maintenance payments	121,032	153,609	Within 12 months
AirAsia Digital Sdn Bhd's ("**AirAsia Digital**") business units[(1)]	60,516	122,887	Within 12 months
General working capital[(2)]	325,874	508,488	Within 12 months
Estimated expenses in relation to the Proposed Rights Issue[(3)]	11,728	12,332	Within 3 months
Total	**615,892**	**1,024,058**	

Notes:

* *From the date of completion of the Proposed Rights Issue.*

(1) *The Group has been growing its digital pillar via AirAsia Digital's subsidiaries, in line with the Group's transformation into a digital lifestyle company, anchored on travel. The Company intends to earmark approximately RM60.5 million under the Minimum Subscription Level and up to approximately RM122.9 million under the Full Subscription Level for marketing expenses, product and market expansion costs, as well as technology development costs for initiatives under AirAsia Digital's business units, namely airasia super app, BigPay and Teleport, as follows:*

	Indicative allocation (%)
airasia super app	
- *Marketing expenses*	*15.0*
- *Technology development costs*	*15.0*
BigPay	
- *Product and market expansion costs*	*16.0*
- *Working capital*	*24.0*
Teleport	
- *Product and market expansion costs*	*21.0*
- *Working capital*	*9.0*
Total	***100.0***

Please refer to Section 6.4 of this announcement for further details on the Group's airasia super app, BigPay and Teleport product offerings under AirAsia Digital.

Any variation to the amounts allocated for the marketing expenses, technology development costs, product and market expansion costs and working capital for airasia super app, BigPay and Teleport will result in an adjustment to/from the portion being earmarked for the general working capital of the Company, AirAsia Berhad and/or other subsidiaries of the Company.

(2) *The Company intends to earmark approximately RM325.9 million under the Minimum Subscription Level and up to approximately RM508.5 million under the Full Subscription Level to fund the general working capital of the Company, AirAsia Berhad (other than intercompany loan transactions involving AirAsia Berhad and/or any of its affiliates) and/or other subsidiaries of the Company. The said proceeds will be used to finance the day-to-day operations as and when the need arises, which include staff-related costs, variable costs (i.e., jet fuel, user charges, power-by-the-hour maintenance costs, etc.), information technology ("**IT**") operating expenses and other general working capital requirements, as follows:*

	Indicative allocation
	(%)
Staff-related costs	*50-70*
Variable costs – jet fuel, user charges, power-by-the-hour maintenance costs, etc.	*10-30*
IT operating expenses and other general working capital requirements	*20*

The allocation and breakdown of the proceeds to be utilised for the general working capital of the Company, AirAsia Berhad and/or other subsidiaries of the Company as disclosed above is indicative and subject to change due to the nature of business of the said companies' operations.

(3) *The estimated expenses consist of professional fees, estimated fees payable to the relevant authorities, underwriting commission, expenses to convene the extraordinary general meeting ("**EGM**") and other ancillary expenses incurred in relation to the Proposed Rights Issue. Any variation to the actual amount of expenses for the Proposed Rights Issue will result in an adjustment to/from the portion being earmarked for the general working capital of the Company, AirAsia Berhad and/or other subsidiaries of the Company.*

The actual proceeds to be raised from the Proposed Rights Issue is dependent on the total number of issued Shares on the Entitlement Date and the final subscription level of the Proposed Rights Issue. Any difference in the actual proceeds raised from the Proposed Rights Issue will be adjusted proportionately against the amounts earmarked for fuel hedging settlement, aircraft lease and maintenance payments, AirAsia Digital's business units and general working capital of the Company, AirAsia Berhad and/or other subsidiaries of the Company, based on the proportions as set out under the Full Subscription Level above.

Pending utilisation of the proceeds arising from the Proposed Rights Issue for the abovementioned purposes, the proceeds will be placed in Shariah-compliant deposits or investment accounts or invested in Islamic short-term money market instruments as the Board may deem fit to earn profit. The profit derived from the Shariah-compliant deposits or investment accounts or any profit arising from the Islamic short-term money market instruments, if any, will be utilised for the Group's general working capital at the relevant point in time.

No proceeds will be raised arising from the conversion of the RCUIDS into new AAGB Shares as the conversion will not require any cash payment by the RCUIDS Holders and will be wholly satisfied through the surrender of RCUIDS with an aggregate nominal value equivalent to the Conversion Price for cancellation by the Company.

The exact quantum of proceeds arising from the exercise of the Warrants is dependent upon the Exercise Price, the subscription level of the Proposed Rights Issue and the actual number of Warrants exercised during the tenure of the Warrants. The proceeds to be raised from the exercise of the Warrants, if any, will be utilised for the Group's general working capital at the relevant point in time. Pending utilisation of the proceeds to be raised from the exercise of the Warrants, the proceeds will be placed in Shariah-compliant deposits or investment accounts or invested in Islamic short-term money market instruments as the Board may deem fit to earn profit.

For the avoidance of doubt, the proceeds to be raised from the Proposed Rights Issue and the exercise of the Warrants, if any, will be used for Shariah-compliant purposes only.

4. RATIONALE FOR THE PROPOSED RIGHTS ISSUE

The Proposed Rights Issue will enable the Company to raise funds for the various segments of the Group's businesses as set out in Section 3 of this announcement.

The Proposed Rights Issue is also undertaken in response to a series of unexpected events outside the Group's control, primarily attributed to the outbreak of the global COVID-19 pandemic which has created significant challenges for the airline industry. Travel restrictions imposed by various governments across the globe have led to significantly reduced inbound and outbound passenger traffic for the Group and uncertainty over the Group's future prospects and operations.

The Board has considered the following factors before embarking on the Proposed Rights Issue:

Impact on business operations

The Group's revenue for the financial year ended ("**FYE**") 31 December 2020 plunged by approximately 74% from approximately RM11.9 billion for the FYE 31 December 2019 to approximately RM3.1 billlion due to the COVID-19 pandemic which saw many countries announced lockdowns and borders restrictions. For the 3-month financial period ended ("**FPE**") 31 March 2021, the Group's revenue decreased by 91% from approximately RM2.2 billion for the 3-month FPE 31 March 2020 to approximately RM0.2 billion as the impact of the COVID-19 pandemic continues to affect the Group's operations adversely. The Group had also hibernated its fleet since the end of the first quarter of 2020 to contain its operating expenses and has focused on providing limited domestic operations in the countries it operates. The Group continues with its cost containment measures, including the right sizing of manpower and salary cuts for management, staff and directors, while efforts to preserve cash include negotiations for restructuring of payments with lessors, suppliers and partners as well as restructuring of fuel hedging positions. At the same time, the Group is actively managing capacity to be in line with demand.

The Group reported a net loss attributable to owners of the Company ("**LAT**") of approximately RM5,111.7 million for the FYE 31 December 2020, as compared to the LAT of approximately RM315.8 million for the FYE 31 December 2019. For the FYE 31 December 2020, the number of passengers carried by the Group dropped by 74% against a 71% decrease in capacity and a 77% decrease in revenue passenger kilometres, as compared to the FYE 31 December 2019. Due to the current economic conditions impacting the airlines, the Group has incurred an extraordinary impairment of rights-of-use assets of approximately RM552.3 million, impairment of receivables, amount due from an associate and related parties and investment in an associate totaling RM1,427 million and fuel swap losses of approximately RM972.2 million for the FYE 31 December 2020. The Group recorded lower LAT of approximately RM767.4 million for the 3-month FPE 31 March 2021, compared to the LAT of approximately RM803.8 million for the 3-month FPE 31 March 2020. A major portion of the loss for the period relates to depreciation of right-of-use assets and interest expenses on lease liabilities amounting to approximately RM410.2 million and RM116.8 million, respectively.

Overall, in line with expected timeline of the vaccinations and the gradual ramp-up in demand for air travel, the Group will continue to exercise its active capacity management strategy and is targeting to operate approximately 35-45% of its 2019 pre-COVID-19 capacity by the end of 2021, with thereafter the corresponding ramp-up in its flight schedule to normalcy. It will continue to assess the potential of increasing more flights and adding destinations for its customers in the coming months; however, these plans remain contingent on the further relaxation or tightening of government health measures.

Please refer to **Appendix III** of this announcement for further financial information of the Group.

Impact of the Proposed Rights Issue and value creation of the Proposed Rights Issue to AAGB Group and its shareholders

The Proposed Rights Issue will enable the Company to raise funds to provide the Group with sufficient funding to ride through the current challenging environment and meet the Group's funding requirements, as detailed in Section 3 of this announcement. The Proposed Rights Issue which is expected to raise gross proceeds of between RM615.9 milion and RM1,024.1 million under the Minimum Subscription Level and Full Subscription Level respectively, will also enhance the Group's financial position with an increase in the net assets and improvement in the gearing of the Group as illustrated in Section 7.2 of this announcement.

After due consideration of the various methods of fund-raising available, the Board is of the opinion that the Proposed Rights Issue is the most appropriate avenue of raising funds given the prevailing market conditions, after taking into consideration, among others, the following factors:

(i) the issuance of the RCUIDS would enable the Group to secure funding of up to approximately RM1,024.1 million, at a fixed funding cost for a period of 7 years, thereby reducing the Group's exposure to interest rate fluctuations, which in turn would enable the Group to manage its cash flows more efficiently;

(ii) the issuance of the RCUIDS would minimise the immediate dilution effect on the Company's earnings per Share ("**EPS**"), which would otherwise arise from a pure equity issuance, as the RCUIDS are expected to be converted over a period of time by the Entitled Shareholders to increase their equity participation in the Company;

(iii) the Company would be able to strengthen its eventual capital base upon the conversion of the RCUIDS and exercise of the Warrants and thus, improve its eventual net assets position; and

(iv) the proceeds to be received by the Company from any exercise of the Warrants by the holders of Warrants ("**Warrants Holders**") will provide additional funds to the Group to finance its working capital requirements without incurring any interest costs from bank borrowings.

The RCUIDS provides an opportunity to the Entitled Shareholders to subscribe to unsecured equity-linked debt securities with an attractive profit rate of 8% per annum. Furthermore, the RCUIDS with Warrants are offered to all the Entitled Shareholders on a pro-rata basis which allows equal opportunity for the Entitled Shareholders to further increase their equity participation in the Company through the conversion of the RCUIDS at the Conversion Price and exercise of the Warrants at a pre-determined Exercise Price to be fixed later. The Warrants attached to the RCUIDS will be issued at no cost to the Entitled Shareholders and/or their renouncee(s) or transferee(s) who subscribe to the RCUIDS and hence, is expected to incentivise them to subscribe for the RCUIDS.

Adequacy of the Proposed Rights Issue in addressing the Group's financial concerns

The Proposed Rights Issue will not fully address the Group's current financial concerns as the estimated gross proceeds of up to approximately RM1,024.1 million would not be sufficient to meet its long-term cash flow requirements. However, the Proposed Rights Issue will serve as an interim measure to address the near-term cash flow requirements of the Group whilst the management of the Company continues to explore other available options and/or corporate proposals to be undertaken with the intention to improve the Group's financial performance in the longer term.

Measures taken by the Group to improve its financial performance and condition

The Group has undertaken the following measures to improve its financial performance and strengthen its financial position:

(i) reduced the Group's operating expenses by implementing cost cutting measures such as right sizing of manpower, salary cuts for management, staff and directors, negotiation of aircraft lease restructuring with lessors, suppliers and partners, and restructuring of fuel hedging positions. Further to working capital management, the Group has also significantly reduced its cash burn rate through various cost containment and optimisation measures during the FYE 31 December 2020. This has resulted in a reduction in fixed costs by 54% in the first quarter of 2021;

(ii) ensuring its liquidity and capital adequacy. As at 31 December 2020, the Group has secured term loans and revolving credits of RM300 million from a financial institution, sale and leaseback of 7 engines which raised approximately RM400 million, and disposed 33% equity interest in AirAsia (India) Limited which raised approximately RM152.9 million. Subsequent to the FYE 31 December 2020, the Group has completed 2 tranches of Private Placement involving the issuance of approximately 470.2 million Placement Shares and raising total proceeds of approximately RM336.5 million;

(iii) continue to grow the Group's digital pillar which brings together all its digital businesses. The businesses of the digital pillar is envisaged to cover e-commerce, logistics and finance across the ASEAN region through the Group's super app, which is intended to have an extensive reach to customers and low customer acquisition cost; and

(iv) implement continuous flight capacity and network revenue management in response to global travel restrictions and the current progressive uplifting of travel restriction by the respective countries. This is evidenced by the Group's active fleet management, with management making timely decisions to either reinstate flights or hibernate the fleet as and when necessary. The capacity of the flights moves in tandem with local regulatory requirements and developments of active COVID-19 cases of the corresponding flight destinations. The Group consistently monitors the route profitability and concentrates on the most profitable and popular routes. Due to this uncertainty, the Group has been and will continue to adjust future available capacity to match observed booking trends for future travel to optimise the load factors of each flight.

In the longer term, all aspects of the Group's business model will be actively re-evaluated. The management team will recommend to the Board the optimum capital structure and operational strategy of the Group to meet the air travel needs of its customers while keeping the Group's financial status at a healthy level and meeting its responsibilities to shareholders. This may involve rationalisation of future planned capacities compared to before the pandemic, taking into account the market outlook and cost structure at that time.

The Board will continue to explore opportunities to improve the Group's capital structure. If suitable market conditions arise, the Group may further access the equity and debt capital markets to further strengthen its balance sheet.

(Source: Management of AAGB)

5. DETAILS OF FUND-RAISING EXERCISES UNDERTAKEN BY THE COMPANY IN THE PAST 12 MONTHS

5.1 Private Placement

On 21 January 2021, the Company had announced the Private Placement, which entails an issuance of up to 668,394,816 Placement Shares, representing up to 20% of the then existing total number of issued Shares in the Company prior to the Private Placement. Bursa Securities had, vide its letter dated 3 February 2021, approved the listing and quotation for the Placement Shares pursuant to the Private Placement.

The Private Placement will be undertaken in accordance with the general mandate pursuant to Sections 75 and 76 of Companies Act 2016 ("**Act**") and the "Additional Temporary Relief Measures to Listed Issuers" announced by Bursa Securities on 16 April 2020 which increased the limit prescribed under Paragraph 6.03 of the Main Market Listing Requirements of Bursa Securities ("**Listing Requirements**") from 10% to 20%.

On 19 February 2021, the Company completed the first tranche of the Private Placement involving the issuance of 369,846,852 Placement Shares at RM0.675 per Placement Share, following the listing and quotation of the Placement Shares on the Main Market of Bursa Securities, and thereby raising gross proceeds amounting to approximately RM249.65 million.

Subsequently, on 17 March 2021, the Company completed the second tranche of the Private Placement involving the issuance of 100,367,362 Placement Shares at RM0.865 per Placement Share, which raised gross proceeds amounting to approximately RM86.82 million.

The total gross proceeds of approximately RM336.5 million raised from the Private Placement up to the LPD have been fully utilised in the following manner:

Utilisation of proceeds	**Expected timeframe**	**Proposed utilisation(1)** (RM million)	**Gross proceeds raised up to the LPD(2)** (RM million)	**Actual utilisation as at the LPD** (RM million)
Fuel hedging settlement	6 – 12 months	146.6	108.6	108.6
Aircraft lease and maintenance payments	3 months	95.2	70.5	70.5
AirAsia Digital's business units' technology development costs, product and market expansion costs and marketing expenses	Within 12 months	77.0	57.0	57.0
General working capital expenses	Within 6 months	135.5	100.2	100.2
Estimated expenses for the Private Placement	Immediate	0.2	0.2	0.2
Total		**454.5**	**336.5**	**336.5**

Notes:

(1) Based on the announcement of the Private Placement dated 21 January 2021.

(2) The allocation of the proceeds raised up to the LPD is proportionate to the allocations set out in the proposed utilisation of proceeds section of the announcement dated 21 January 2021 in relation to the Private Placement.

As at the LPD, there is a remaining 198,180,602 Placement Shares to be issued pursuant to the Private Placement. The Private Placement will continue to be implemented in tranches and the issue price for each subsequent tranche will be determined and announced by the Board separately.

5.2 LTIS

On 17 February 2021, the Company had announced the LTIS for eligible employees and directors of AAGB Group, which entails an issuance of up to 10% of the total number of issued Shares in the Company at any one time throughout the duration of the LTIS, consisting of an employee share option scheme ("**ESOS**") and a share grant scheme ("**SGS**"). The LTIS has been approved by Bursa Securities on 24 May 2021, and subsequently approved by the Company's shareholders on 21 June 2021.

The Company will receive proceeds from the exercise of the options by the grantees of the ESOS, which will be used, amongst others, for the Group's working capital purposes, including but not limited to payment of trade and other payables, employee costs, marketing and administrative expenses. The Company will not receive any proceeds pursuant to the issuance of new AAGB Shares to the grantees of the SGS, as such grantees will not be required to pay for the new AAGB Shares to be issued to them under the SGS.

Save for the Private Placement and LTIS, the Company has not undertaken any other equity fund-raising exercises in the past 12 months.

6. INDUSTRY OUTLOOK AND PROSPECTS OF THE GROUP

6.1 Overview and outlook of the Malaysian economy

The Malaysian economy registered a smaller decline of 0.5% in the first quarter (4Q 2020: -3.4%). The growth performance was supported mainly by the improvement in domestic demand and robust exports performance, particularly for E&E products. Growth was also supported by the continued policy measures. The imposition of the Second Movement Control Order ("**MCO 2.0**") and the continued closure of international borders and restrictions on inter-state travel, however, weighed on economic activity. Nevertheless, as restrictions were eased in February and March, economic activity gradually picked up. All economic sectors registered an improvement, particularly in the manufacturing sector. On the expenditure side, growth was driven by better private sector spending and strong growth in trade activity. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a growth of 2.7% (4Q 2020: -1.5%).

Domestic demand recorded a smaller decline of 1.0% (4Q 2020: -4.5%) in the first quarter of 2021, weighed down by the contraction in private sector expenditure amid the imposition of MCO 2.0. However, the impact of MCO 2.0 was smaller given that most economic sectors were allowed to operate and with continued policy support for households and businesses. On the external front, robust external demand particularly for E&E products, contributed to a continued expansion in net exports.

Private investment recorded its first positive growth since the fourth quarter of 2019 (1Q 2021: 1.3%; 4Q 2020: -6.6%). This was supported mainly by the increase in capital expenditure from new and ongoing investment projects, particularly in the services and manufacturing sectors.

Public investment registered a contraction of 18.6% (4Q 2020: -20.4%). While the Federal Government fixed assets spending was higher, investment by public corporations contracted at a larger pace, particularly in the oil and gas and telecommunication subsectors.

Headline inflation, as measured by the annual percentage change in the Consumer Price Index ("**CPI**"), turned positive to 0.5% during the quarter (4Q 2020: -1.5%). This was due mainly to positive albeit low fuel inflation, as well as a lapse in the effect from the tiered electricity tariff rebate. The positive fuel inflation was driven by the base effect from low domestic retail fuel prices last year. These were partly offset by lower inflation in other categories, in particular, rental and jewelleries.

Gross exports grew at a faster pace of 18.2% (4Q 2020: 5.1%), driven by robust manufactured exports. Gross imports turned around to register a positive growth of 10.8% (4Q 2020: -4.5%), due to a broad-based improvement in all import categories. The trade surplus amounted to RM58.6 billion (4Q 2020: RM59.9 billion).

In the first quarter of 2021, conditions in the domestic financial markets were affected by both external and domestic developments. On the external front, the rise in long-term United States ("**US**") Treasury yields during this period led to shifts in international portfolio flows, resulting in financial asset price adjustments globally.

The surge in US Treasury yields, driven mainly by expectations for higher inflation in anticipation of a faster economic recovery in the US, led to the steepening of government bond yield curves in other advanced and emerging market economies. Furthermore, the improved US economic outlook and higher treasury yields supported the rebalancing of portfolio investments towards US financial assets and contributed to a strengthening of the US dollar. As a result, there was a broad-based weakening of regional currencies against the US dollar, including the ringgit.

Consequently, domestic bond yields rose in tandem with yield movements in regional markets and US Treasury securities. In particular, 10-year Malaysian Government Securities ("**MGS**") yields increased to its peak in mid-March before declining towards the end of the month as volatility in US Treasury yields subsided. The domestic bond market was further supported by the positive news on Malaysia's retention in the FTSE World Government Bond Index. Overall, the government bond market continued to record inflows as non-resident holdings increased to 25.0% of outstanding government bonds (4Q 2020: 24.2%). For the quarter, the 3-year, 5-year and 10-year MGS yields increased by 24.4, 54.1 and 61.9 basis points, respectively, while the ringgit depreciated against the US dollar by 3.5%, in line with the movements of regional currencies.

Despite the recent re-imposition of containment measures, the impact on growth would be less severe than that experienced in 2020, as almost all economic sectors are allowed to operate. Overall, the growth recovery will benefit from better global demand, increased public and private sector expenditure as well as continued policy support. This will also be reflected in the recovery in labour market conditions, especially in the gradual improvement in hiring activity. Higher production from existing and new manufacturing facilities, particularly in the E&E and primary-related subsectors, as well as oil and gas facilities will provide further impetus to growth. The roll-out of the domestic COVID-19 vaccine programme will also lift sentiments and contribute towards recovery in economic activity. Nevertheless, the pace of recovery will be uneven across economic sectors.

The balance of risks remains tilted to the downside, arising mainly from ongoing uncertainties in developments related to the pandemic, and continued challenges that affect the roll-out of vaccines both globally and domestically.

(Source: Economic and Financial Developments in the Malaysian Economy in the First Quarter of 2021, BNM Quarterly Bulletin, Bank Negara Malaysia)

6.2 Overview and outlook of the aviation industry in Malaysia

Airline share prices underperformed wider equity markets in June. Higher jet fuel prices in the absence of international and business travel recovery have impacted airline shares' performance. Overall, global airline share prices remain well below the pre-pandemic levels, diverging from wider equity markets.

Following the rally in the first five months of the year, airline shares declined (-4.4%) in June in contrast with the stable performance of wider equity markets. North American airlines were the worst performer (-7.9%) despite the rebound of domestic leisure travel close to the pre-pandemic levels. Similarly, European airlines plunged although there is some hope for summer travel in Europe as the vaccine rollout gained pace. Overall, soaring jet fuel prices in the absence of recovery in international and business travel, which were large part of airline revenues before the pandemic, have weighed on European and North American airlines performance. On the other hand, Asia Pacific airline index was stable with mixed regional airline performance.

Overall, the airline share price index remains well below the pre-pandemic levels (-22.0% vs. December 2019) amidst pandemic-related uncertainties while global equity markets reached the level that is 26.3% higher than before the crisis.

North American carriers reduced losses since domestic demand improved in March once the vaccination rollout gained pace. In addition, some of the carriers in the region reported minor profit with the support of government pandemic relief support. European airlines also reduced their losses with the support of stringent cost-cutting measures. On the other hand, net losses increased in Latin America and Asia Pacific since some countries in the region faced new COVID-19 waves.

Looking forward, financial performance will be varied across regions. In the updated forecast, North America is expected to be the best performer while Europe is to have the weakest operating performance due to subdued international travel.

Airlines passenger revenues declined sharply (down 74% vs the same quarter in 2019) due to stagnant air travel demand and pressure on yields. On the other hand, the cargo business maintained its strength, increasing by 50% compared to Q1 2019 as the wider economy rebounds. Overall, cargo revenues were not sufficient to compensate for the sharp loss in passenger business, resulting in a 65% drop in overall revenues.

Despite all the efforts of airlines to cut the costs, the year-on-year decline in operating costs was limited to 40%. While variable costs, i.e. fuel, landing and user charges, fell in line with the fall in revenues, the reductions in fixed/semi-fixed costs were limited.

The weaker than expected passenger business in Q1 resulted in airlines to burn cash at similar rate to Q4 2020. Net cash outflows from operating activities were at 8.0% of revenues. However, there was a regional variation. Operating cash flow turned to positive in North America and some of the U.S. carriers reported cash break-even for the month of March amid the strong rebound in US domestic travel. On the other hand, European and Latin American carriers reported the most significant operating cash outflow as rising COVID-19 cases affected the demand.

Although airlines continue to focus on limiting capital expenditures (13.9% of revenues), free cash outflows were at 21.9% of revenues. In the second half of the year cash flow pressure is anticipated to ease with the recovery in summer holiday demand.

(Source: Airlines Financial Monitor, May 2021, Economic Reports, International Air Transport Association)

The reopening of Malaysia's international borders is subject to the approval by the National Security Council, as well as the latest situation of the COVID-19 pandemic in Malaysia and in other countries. However, for borders to be reopened and international travel to commence once again, the verification of vaccination certificates as well as the implementation of quarantine SOPs must be accepted worldwide.

Malaysia is looking at the implementation of a digital health pass, such as the International Air Transport Association (IATA) Travel Pass to facilitate post-pandemic travels. The travel pass informs passengers on the tests, vaccines, and other measures they require prior to travel, details on where they can get tested, and gives them the ability to share their tests and vaccination results in a verifiable, safe, and privacy-protecting manner. Adopting the IATA Travel Pass would be a booster particularly for international passenger movements.

Furthermore, the implementation of air travel bubbles between green zone countries could increase the international passenger traffic.

(Source: Malaysia's 2021 Air Passenger Traffic Forecast Revision, April 2021, Malaysian Aviation Commission)

6.3 Impact of COVID-19 on AAGB Group

The COVID-19 pandemic has been declared a global health pandemic by the World Health Organisation. COVID-19 has surfaced in nearly all regions of the world, which has driven the implementation of significant, government-imposed measures to prevent or reduce its spread, including travel restrictions, testing regimes, closing of borders, "stay at home" orders and business closures. In addition, the resurgence of COVID-19 cases in the respective countries have prompted the governments to impose domestic and international travel restrictions and these restrictions are hindering the recovery of demand for air travel. As a result, the Group has experienced an unprecedented decline in the demand for air travel, which resulted in a material deterioration in the Group's revenue and cash flows, as well as impairment of financial and non-financial assets.

Following the outbreak of the COVID-19 pandemic, the Group has implemented several measures to weather through this current challenging time. These efforts are on-going as the Group continues to seek support from vendors and business partners to address its cash flow requirements.

In 2020, the Group laid the right foundations as a leaner and more optimised airline operations, which paid off with lower cost and cash burn quarter-on-quarter ("**QoQ**") in the first quarter of 2021. This was despite starting 2021 with international borders remaining closed and further domestic travel restrictions put into place as many countries experienced its third wave of the COVID-19 pandemic.

In the first quarter of 2021, the Group's cost containment measures continued to support liquidity, with fixed costs reduced by 54% and remain on a QoQ downtrend since COVID-19 hit a year ago. Further, airline staff cost reduced 62% year-on-year ("**YoY**") and another 16% QoQ due to headcount rationalisation and attrition. The Group has also received continued support from lessors and banks for deferrals, as evidenced by the 76% YoY reduction in repayment of borrowings and lease liabilities in the first quarter of 2021.

Concurrently, the Group's digital arm continues to gain traction, with AirAsia Digital contributing 39% to the Group's revenue in the first quarter of 2021, compared to 8% the year before. The Group's airasia super app reported YoY revenue growth of 45%. BigPay's earnings before interest, tax, depreciation and amortisation narrowed to 38% YoY as costs were reduced by 33% during the quarter. Meanwhile, Teleport's revenue tripled QoQ in the first quarter of 2021 as there were more charter flights especially to China, India and Thailand.

The Group's aircraft operating certificates ("**AOCs**") experienced slower operations in the early start of 2021 due to rising COVID-19 cases in its operating markets. However, as vaccines rollout accelerated within the ASEAN region, number of passengers carried in March 2021 improved month-on-month compared to February 2021.

AirAsia Indonesia operated close to 70% of pre-COVID-19 domestic capacity in the first quarter of 2021, demonstrating strong signs of recovery. The drop in January 2021 month-on-month was due to low travel season combined with the government's tighter restrictions on travel. Thai AirAsia Co., Ltd. managed to resume all domestic routes by the end of March 2021. However, it is being impacted by the third COVID-19 wave that began in early April 2021. Meanwhile, the Group's recovery in Malaysia remains subdued due to the lockdown imposed since early January 2021. The Group expects domestic operations in Malaysia and Philippines to be sub-25% of pre-COVID-19 levels until September 2021 while more people are vaccinated.

Nonetheless, the Group's management remains confident in its ability to recover quickly and strongly due to pent-up demand. The Group's observation shows that whenever there is a relaxation in domestic travel, there would be a significant spike in spontaneous travel resulting in an increase in forward bookings.

(Source: Management of AAGB)

6.4 Prospects of the Group

The Group's efforts in laying the right foundations as a leaner and more optimised airline operations in 2020 began to pay off as the Group witnessed lower costs and cash burn QoQ in the first quarter of 2021 despite 2021 began with international borders remaining closed and further domestic travel restrictions being put in place as many countries experienced its third wave of the COVID-19 pandemic. The Group will continue to ensure that cash burn remains low and cost optimisation measures continue to be implemented. Even if borders remain closed, the Group is well-prepared to rely solely on domestic operations alone this year. The Group remains focused and committed to further strengthen its domestic position at this juncture as it awaits developments with regards to international air travel. Going forward, the Group expects to see improved stability in its operations as vaccinations continue to be rolled out in phases across all key markets coupled with better education and testing, alongside strong support for leisure travel bubbles among low-risk countries and territories, and the push for global digital health passports.

The Group continues to accelerate its offerings within the digital pillars with the launch of airasia beauty in Malaysia and Indonesia and airasia food bringing its offerings to Singapore and Penang. The Group has also launched airasia money in April 2021, beginning with a partnership with financial comparison platform RinggitPlus. Through its partnership with the platform, airasia money currently provides credit card and loan application services. The financial marketplace will also allow users to obtain the best personal finance news, information, guidance and make the best choices for their immediate needs. The Group is encouraged by the early signs from its digital transformation to become ASEAN's super app of choice and expects its digital and non-airline revenues to contribute around 50% to the Group in five years. Teleport is focusing on building out a reliable cargo network and a 24-hour delivery end-to-end infrastructure to increase independence from passenger networks during these tough times and is in the midst of leasing a freighter aircraft and is converting two A320 passenger planes to cargo-only freighter planes in order to achieve the plan.

Despite the on-going challenges, the Group will continue to ensure that cash burn remains low and cost optimisation measures continue to be implemented, including but not limited to the right sizing of manpower and salary cuts for management, staff and directors whilst actively managing capacity to be in line with demand. The Group is also in discussions with a number of parties for joint-ventures and collaborations that may result in additional third party investments in specific segments of the Group's business.

AirAsia Digital leverages on the Group's physical and digital assets to create an ecosystem of businesses that connect with its customers in their everyday life. The product offerings under AirAsia Digital includes, but are not limited to, the following:

(i) airasia super app, the Group's all-in-one digital lifestyle platform, allowing customers to purchase a range of travel and lifestyle products on a single platform, covering travel (flights, hotels, SNAP, activities, ancillary products, health, etc.), e-commerce (AirAsia Shop, AirAsia Food, AirAsia Fresh) and finance (BigPay, Big Rewards, Big Xchange, Insurance, etc.). In the first quarter of 2021, the Group's airasia super app reported strong YoY revenue growth of 45%. Further, the Group launched airasia food in Singapore and expanded to Penang and Kota Kinabalu in Malaysia. The Group is also expecting to launch a Muslim-friendly e-commerce platform under IKHLAS in 2021. The sale of the 'AirAsia Unlimited Pass' in Malaysia, Thailand and Indonesia exceeded more than 100,000 passes. In the second quarter of 2021, airasia super app launched airasia beauty in Malaysia and Indonesia, with the next country launch targeted for Thailand;

(ii) Teleport, the Group's tech-driven cross-border logistics solution which includes first mile and last mile deliveries serving business to business, business to consumers and consumers to consumers, customers, as well as the food businesses under the Group's e-commerce division. In the first quarter of 2021, Teleport's revenue tripled QoQ as there were more charter flights especially to China, India and Thailand. Teleport also recorded positive earnings before interest, tax, depreciation and amortisation of RM3.2 million in the first quarter of 2021. Teleport has initiated its aspiration to establish a cargo-only core network, and is working to establish a stable network of core routes that is independent from the passenger network as the region prepares for the rebound from COVID-19; and

(iii) BigPay, which currently offers payment solutions and remittances, as well as lending solutions in the near future. BigPay had on 30 June 2021 submitted its application for a digital banking license to Bank Negara Malaysia, together with a consortium of strategic partners which includes Malaysian Industrial Development Finance Berhad, Ikhlas Capital Master Fund Pte. Ltd. and a foreign conglomerate with fintech expertise.

In conjunction with the Group's emphasis on its digital transformation, combined with strict internal cost controls and safety measurements, the management believes that the aforementioned actions taken by the Group positions it to be on a strong footing to recover quickly.

(Source: Management of AAGB)

7. EFFECTS OF THE PROPOSED RIGHTS ISSUE

7.1 Issued share capital

For illustration purposes, the pro forma effects of the Proposed Rights Issue on the issued share capital of the Company are as follows:

	Minimum Scenario		Maximum Scenario	
	No. of Shares ('000)	RM'000	No. of Shares ('000)	RM'000
Existing share capital as at the LPD	3,898,053	8,462,770	3,898,053	8,462,770
New Shares to be issued pursuant to the Private Placement	-	-	198,181	(1)176,559
	3,898,053	8,462,770	4,096,234	8,639,329
New Shares to be issued upon full conversion of the RCUIDS	1,299,351	887,514	1,365,411	932,636
	5,197,404	9,350,284	5,461,645	9,571,965
New Shares to be issued upon full exercise of the Warrants	649,675	(2)693,079	682,705	(2)728,316
Enlarged share capital	**5,847,079**	**10,043,363**	**6,144,350**	**10,300,281**

Notes:

(1) For illustration purposes only, assuming the issuance of the remaining 198,180,602 Placement Shares at the illustrative issue price of RM0.8909 each, being the 5-day VWAP of AAGB Shares up to the LPD.

(2) Assuming the Warrants are exercised into new AAGB Shares at the indicative Exercise Price of RM1.00 each and the corresponding reclassification of the warrant reserve amount to the share capital account.

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7.2 Net assets ("NA") and gearing

For illustration purposes, the pro forma effects of the Proposed Rights Issue on the NA, NA per Share and gearing of the Group, based on the latest audited consolidated financial statements of the Company as at 31 December 2020, are set out below:

<u>Minimum Scenario</u>

	Audited as at 31 December 2020 (RM'000)	(I) Adjustments for subsequent events up to the LPD (RM'000)	(II) After (I) and the Proposed Rights Issue (RM'000)	(III) After (II) and assuming full conversion of the RCUIDS (RM'000)	(IV) After (III) and assuming full exercise of the Warrants (RM'000)
Share capital	8,023,268	(1)8,462,770	8,462,770	9,350,284	(5)10,043,363
Merger deficit	(5,507,594)	(5,507,594)	(5,507,594)	(5,507,594)	(5,507,594)
Foreign exchange reserve	(57,378)	(57,378)	(57,378)	(57,378)	(57,378)
Equity component of RCUIDS	-	-	(2)94,649	-	-
Warrant reserve	-	-	(2)43,404	43,404	(5)-
(Accumulated losses)	(3,447,215)	(1)(3,573,073)	(3)(3,584,801)	(4)(3,541,205)	(3,541,205)
Other reserves	(225,368)	(225,368)	(225,368)	(225,368)	(225,368)
NA/ (Net liabilities ("NL"))	**(1,214,287)**	**(900,643)**	**(774,318)**	**62,143**	**711,818**
No. of Shares in issue ('000)	3,341,974	3,898,053	3,898,053	5,197,404	5,847,079
NA/ (NL) per Share (RM)	(0.36)	(0.23)	(0.20)	0.01	0.12
Total borrowings and lease liabilities (RM'000)	13,724,109	13,724,109	14,516,975	13,724,109	13,724,109
Gearing (times)(6)	N/A	N/A	N/A	220.85	19.28

Notes:

(1) Taking into consideration of the following:

(i) the issuance of 369,846,852 and 100,367,362 Placement Shares at the issue price of RM0.675 and RM0.865 respectively, and deducting estimated expenses of approximately RM5.7 million for the Private Placement; and

*(ii) the issuance of 85,864,583 new AAGB Shares pursuant to the acquisition of the remaining 1,665,000 ordinary shares in BigLife Sdn Bhd ("**BigLife**"), which was completed on 29 June 2021 ("**Acquisition of BigLife**"), at the issue price of RM1.20 each and after adjusting for the following:*

(a) deduction of estimated expenses of RM0.8 million for the Acquisition of BigLife; and

(b) effects on the difference between the NA of the minority interest of BigLife and its subsidiaries as compared to the purchase consideration of RM103,037,500 pursuant to the Acquisition of BigLife.

(2) Computed based on the following:

(i) the fair value of the liability component of the RCUIDS which is estimated by discounting the contractually determined stream of future cash flows over the tenure of 7 years at a discount rate of 13% (the assumed rate of interest of a comparable instrument without conversion option and free warrants); and

(ii) the residual equity component of the RCUIDS, after adjusting for the resulting deferred tax liabilities arising from the initial recognition of the liability component of the RCUIDS of approximately RM43.6 million, which is then allocated between the conversion option of the RCUIDS and the Warrants proportionately based on their respective fair values.

(3) After deducting estimated expenses of approximately RM11.7 million for the Proposed Rights Issue.

(4) After adjusting for the realisation of deferred tax arising from accretion of the liability component of the RCUIDS.

(5) Assuming the Warrants are exercised into new AAGB Shares at the indicative Exercise Price of RM1.00 each and the corresponding reclassification of the warrant reserve amount to the share capital account.

(6) During the FYE 31 December 2020, the Group's operations were significantly affected by the COVID-19 pandemic which led to operating losses. This has resulted in a negative gearing ratio as the Group has been relying on debt compared to equity to finance the Group's operations.

Maximum Scenario

	Audited as at 31 December 2020 (RM'000)	(I) Adjustments for subsequent events up to the LPD (RM'000)	(II) After (I) and the Private Placement (RM'000)	(III) After (II) and the Proposed Rights Issue (RM'000)	(IV) After (III) and assuming full conversion of the RCUIDS (RM'000)	(V) After (IV) and assuming full exercise of the Warrants (RM'000)
Share capital	8,023,268	(1)8,462,770	(2)8,639,329	8,639,329	9,571,965	(6)10,300,281
Merger deficit	(5,507,594)	(5,507,594)	(5,507,594)	(5,507,594)	(5,507,594)	(5,507,594)
Foreign exchange reserve	(57,378)	(57,378)	(57,378)	(57,378)	(57,378)	(57,378)
Equity component of RCUIDS	-	-	-	(3)99,461	-	-
Warrant reserve	-	-	-	(3)45,610	45,610	(6)-
(Accumulated losses)	(3,447,215)	(1)(3,573,073)	(3,573,073)	(4)(3,585,405)	(5)(3,539,593)	(3,539,593)
Other reserves	(225,368)	(225,368)	(225,368)	(225,368)	(225,368)	(225,368)
NA/ (NL)	**(1,214,287)**	**(900,643)**	**(724,084)**	**(591,345)**	**287,642**	**970,348**
No. of Shares in issue ('000)	3,341,974	3,898,053	4,096,234	4,096,234	5,461,645	6,144,350
NA/ (NL) per Share (RM)	(0.36)	(0.23)	(0.18)	(0.14)	0.05	0.16
Total borrowings and lease liabilities (RM'000)	13,724,109	13,724,109	13,724,109	14,557,285	13,724,109	13,724,109
Gearing (times)(7)	N/A	N/A	N/A	N/A	47.71	14.14

Notes:

(1) Taking into consideration of the following:

(i) the issuance of 369,846,852 and 100,367,362 Placement Shares at the issue price of RM0.675 and RM0.865 respectively, and deducting estimated expenses of approximately RM5.7 million for the Private Placement; and

(ii) the issuance of 85,864,583 new AAGB Shares pursuant to the Acquisition of BigLife at the issue price of RM1.20 each and after adjusting for the following:

(a) deduction of estimated expenses of RM0.8 million for the Acquisition of BigLife; and

(b) effects on the difference between the NA of the minority interest of BigLife and its subsidiaries as compared to the purchase consideration of RM103,037,500 pursuant to the Acquisition of BigLife.

(2) For illustration purposes only, assuming the issuance of the remaining 198,180,602 Placement Shares at the illustrative issue price of RM0.8909 each, being the 5-day VWAP of AAGB Shares up to the LPD.

(3) Computed based on the following:

(i) the fair value of the liability component of the RCUIDS which is estimated by discounting the contractually determined stream of future cash flows over the tenure of 7 years at a discount rate of 13% (the assumed rate of interest of a comparable instrument without conversion option and free warrants); and

(ii) the residual equity component of the RCUIDS, after adjusting for the resulting deferred tax liabilities arising from the initial recognition of the liability component of the RCUIDS of approximately RM45.8 million, which is then allocated between the conversion option of the RCUIDS and the Warrants proportionately based on their respective fair values.

(4) After deducting estimated expenses of approximately RM12.3 million for the Proposed Rights Issue.

(5) After adjusting for the realisation of deferred tax arising from accretion of the liability component of the RCUIDS.

(6) Assuming the Warrants are exercised into new AAGB Shares at the indicative Exercise Price of RM1.00 each and the corresponding reclassification of the warrant reserve amount to the share capital account.

(7) During the FYE 31 December 2020, the Group's operations were significantly affected by the COVID-19 pandemic which led to operating losses. This has resulted in a negative gearing ratio as the Group has been relying on debt compared to equity to finance the Group's operations.

7.3 Earnings and EPS

The Proposed Rights Issue is expected to contribute positively to the future earnings of the Group when the benefits of utilisation of proceeds in the manner set out in Section 3 of this announcement are realised. However, the EPS of the Group shall be correspondingly diluted as a result of the increase in the number of issued Shares arising from the conversion of the RCUIDS and/or exercise of the Warrants in the future. The effects of any conversion of the RCUIDS and/or exercise of the Warrants on the EPS of the Group would be dependent on the number of RCUIDS converted and number of Warrants exercised and the benefits arising from the utilisation of proceeds.

For illustration purposes only, the pro forma effects of the Proposed Rights Issue on the earnings and EPS of the Group, based on the latest audited consolidated financial statements of the Company as at 31 December 2020, and on the assumption that the Proposed Rights Issue had been effected on 1 January 2020, being the beginning of the FYE 31 December 2020, are set out below:

	Minimum Scenario (RM'000)	**Maximum Scenario (RM'000)**
LAT	(5,111,667)	(5,111,667)
Less: Estimated expenses in relation to the Proposed Rights Issue	(11,728)	(12,332)
Less: Estimated profit payments from the RCUIDS	[(1)](61,255)	[(2)](64,369)
Adjusted LAT	**(5,184,650)**	**(5,188,368)**
No. of Shares in issue ('000)	[(3)(5)]3,898,053	[(3)(4)(5)]4,096,234
Adjusted loss per Share ("LPS") (sen)	**(133.01)**	**(126.66)**

Notes:

(1) *Being the average of the total estimated profit payments of the RCUIDS of approximately RM428.8 million based on the profit rate of the RCUIDS of 8% per annum over the tenure of the RCUIDS of 7 years and assuming the issuance of RM974,513,219 in nominal value of RCUIDS under Minimum Scenario and taking into account the RCUIDS redemption in accordance to the Redemption Schedule as set out in* ***Appendix I*** *of this announcement.*

(2) *Being the average of the total estimated profit payments of the RCUIDS of approximately RM450.6 million based on the profit rate of the RCUIDS of 8% per annum over the tenure of the RCUIDS of 7 years and assuming the issuance of RM1,024,058,370 in nominal value of RCUIDS under Maximum Scenario and taking into account the RCUIDS redemption in accordance to the Redemption Schedule as set out in* ***Appendix I*** *of this announcement.*

(3) *Taking into consideration the issuance of 369,846,852 and 100,367,362 Placement Shares, and 85,864,583 new AAGB Shares pursuant to the Acquisition of BigLife.*

(4) *Assuming the issuance of the remaining 198,180,602 Placement Shares.*

(5) *Assuming none of the RCUIDS and Warrants are converted and/or exercised into new AAGB Shares.*

7.4 Substantial shareholders' shareholdings

The Proposed Rights Issue is not expected to have any immediate effect on the shareholdings of the Company's substantial shareholders until such time when the RCUIDS are converted and/or the Warrants are exercised into new AAGB Shares.

The pro forma effects on the substantial shareholders' shareholdings are based on the Register of Substantial Shareholders as at 30 June 2021 and the pro forma effects of the Proposed Rights Issue on their shareholdings in AAGB are assumed based on the following:

(i) for the Minimum Scenario:

   (a) only the Undertaking Shareholders subscribe in full for their respective entitlements to the RCUIDS pursuant to the Entitlement Undertakings;

   (b) the underwriter(s) subscribes to the RCUIDS pursuant to the Minimum Underwriting; and

   (c) none of the other Entitled Shareholders and/or their renouncee(s) or transferee(s) subscribes to the RCUIDS; and

(ii) for the Maximum Scenario, assuming all the Entitled Shareholders subscribe in full for their respective entitlements to the RCUIDS.

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For illustration purposes, the pro forma effects of the Proposed Rights Issue on the direct and indirect shareholdings of the Company's substantial shareholders as at 30 June 2021 are as follows:

Minimum Scenario

	As at 30 June 2021				(I) After the Proposed Rights Issue			
	Direct		Indirect		Direct		Indirect	
Name	**No. of Shares ('000)**	**%**	**No. of Shares ('000)**	**%**	**No. of Shares ('000)**	**%**	**No. of Shares ('000)**	**%**
TLSB	509,000	13.06	-	-	509,000	13.06	-	-
TASB	516,485	13.25	-	-	516,485	13.25	-	-
TSTF	1,600	0.04	(1)1,025,485	26.31	1,600	0.04	(1)1,025,485	26.31
DKM	2,000	0.05	(1)1,025,485	26.31	2,000	0.05	(1)1,025,485	26.31
Positive Boom Limited	332,499	8.53	-	-	332,499	8.53	-	-
Choi Chiu Fai, Stanley	-	-	(2)332,499	8.53	-	-	(2)332,499	8.53
Underwriter(s) for the Minimum Underwriting	-	-	-	-	-	-	-	-

	(II) After (I) and assuming full conversion of the RCUIDS				(III) After (II) and assuming full exercise of the Warrants			
	Direct		Indirect		Direct		Indirect	
Name	**No. of Shares ('000)**	**%**	**No. of Shares ('000)**	**%**	**No. of Shares ('000)**	**%**	**No. of Shares ('000)**	**%**
TLSB	678,667	14.38	-	-	763,500	14.88	-	-
TASB	688,647	14.59	-	-	774,728	15.10	-	-
TSTF	2,133	0.05	(1)1,367,313	28.97	2,400	0.05	(1)1,538,228	29.99
DKM	2,667	0.06	(1)1,367,313	28.97	3,000	0.06	(1)1,538,228	29.99
Positive Boom Limited	332,499	7.05	-	-	332,499	6.48	-	-
Choi Chiu Fai, Stanley	-	-	(2)332,499	7.05	-	-	(2)332,499	6.48
Underwriter(s) for the Minimum Underwriting	478,161	10.13	-	-	717,242	13.98	-	-

Notes:

(1) Deemed interested by virtue of Section 8 of the Act through a shareholding of more than 20% in TLSB and TASB.

(2) Deemed interested by virtue of Section 8 of the Act through a shareholding of more than 20% in Positive Boom Limited.

Maximum Scenario

Name	As at 30 June 2021				(I) After the Private Placement				(II) After (I) and the Proposed Rights Issue			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares (‘000)	%	No. of Shares (‘000)	%	No. of Shares (‘000)	%	No. of Shares (‘000)	%	No. of Shares (‘000)	%	No. of Shares (‘000)	%
TLSB	509,000	13.06	-	-	509,000	12.43	-	-	509,000	12.43	-	-
TASB	516,485	13.25	-	-	516,485	12.61	-	-	516,485	12.61	-	-
TSTF	1,600	0.04	(1)1,025,485	26.31	1,600	0.04	(1)1,025,485	25.03	1,600	0.04	(1)1,025,485	25.03
DKM	2,000	0.05	(1)1,025,485	26.31	2,000	0.05	(1)1,025,485	25.03	2,000	0.05	(1)1,025,485	25.03
Positive Boom Limited	332,499	8.53	-	-	332,499	8.12	-	-	332,499	8.12	-	-
Choi Chiu Fai, Stanley	-	-	(2)332,499	8.53	-	-	(2)332,499	8.12	-	-	(2)332,499	8.12

Name	(III) After (II) and assuming full conversion of the RCUIDS				(IV) After (III) and assuming full exercise of the Warrants			
	Direct		Indirect		Direct		Indirect	
	No. of Shares (‘000)	%	No. of Shares (‘000)	%	No. of Shares (‘000)	%	No. of Shares (‘000)	%
TLSB	678,667	12.43	-	-	763,500	12.43	-	-
TASB	688,647	12.61	-	-	774,728	12.61	-	-
TSTF	2,133	0.04	(1)1,367,313	25.03	2,400	0.04	(1)1,538,228	25.03
DKM	2,667	0.05	(1)1,367,313	25.03	3,000	0.05	(1)1,538,228	25.03
Positive Boom Limited	443,331	8.12	-	-	498,748	8.12	-	-
Choi Chiu Fai, Stanley	-	-	(2)443,331	8.12	-	-	(2)498,748	8.12

Notes:

(1) Deemed interested by virtue of Section 8 of the Act through a shareholding of more than 20% in TLSB and TASB.

(2) Deemed interested by virtue of Section 8 of the Act through a shareholding of more than 20% in Positive Boom Limited.

7.5 Convertible securities

As at the LPD, the Company does not have any outstanding convertible securities.

8. APPROVALS REQUIRED

The Proposed Rights Issue is subject to and conditional upon approvals being obtained from the following:

(i) SC for the issuance of the RCUIDS (including endorsement from the SC's Shariah Advisory Council) and registration of the abridged prospectus in relation to the Proposed Rights Issue;

(ii) Bursa Securities for the following:

(a) the admission of the RCUIDS and Warrants to the Official List of Bursa Securities;

(b) the listing and quotation for the RCUIDS and Warrants to be issued pursuant to the Proposed Rights Issue on the Main Market of Bursa Securities; and

(c) the listing and quotation for the new AAGB Shares to be issued upon conversion of the RCUIDS and exercise of the Warrants on the Main Market of Bursa Securities;

(iii) the shareholders of the Company at an EGM to be convened for the Proposed Rights Issue; and

(iv) any other relevant regulatory authorities and/or parties, if required.

The Proposed Rights Issue is not conditional upon any other corporate exercise undertaken or to be undertaken by the Company.

9. INTERESTS OF THE DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

None of the Directors, major shareholders and/or chief executive of the Company and/or persons connected with them (as defined in the Listing Requirements) has any interest, direct or indirect, in the Proposed Rights Issue, save for their respective entitlements as shareholders of the Company under the Proposed Rights Issue, for which all the existing shareholders of the Company are entitled to, including the rights to apply for additional RCUIDS under the excess applications.

10. DIRECTORS' STATEMENT

The Board, after having considered all aspects of the Proposed Rights Issue (including but not limited to the rationale for and the effects of the Proposed Rights Issue and the intended utilisation of proceeds), is of the opinion that the Proposed Rights Issue is in the best interest of the Company.

11. APPLICATION TO THE RELEVANT AUTHORITIES

The applications to the relevant authorities in relation to the Proposed Rights Issue are expected to be made within a period of 2 months from the date of this announcement.

12. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to the relevant approvals being obtained, the Proposed Rights Issue is expected to be completed in the fourth quarter of 2021.

13. ADVISER

RHBIB has been appointed as the Principal Adviser for the Proposed Rights Issue.

This announcement is dated 12 July 2021.

INDICATIVE SALIENT TERMS OF THE RCUIDS

Terms		Details
Issuer	:	AirAsia Group Berhad ("**Issuer**").
Issue size/ Basis of allotment	:	Up to RM1,024,058,370 in nominal value of RCUIDS on the basis of two (2) RCUIDS for every six (6) AAGB Shares held on the Entitlement Date.
Issue price	:	Each RCUIDS shall be issued at 100% of its nominal value of RM0.75.
Shariah principles	:	Murabahah via Tawarruq.
Form and denomination	:	The RCUIDS will be issued in registered form and in denominations and multiples of RM0.75 each.
Tenure	:	Seven (7) years commencing from and inclusive of the issue date for the RCUIDS ("**Issue Date**") and expiring on the seventh (7^{th}) anniversary from the Issue Date ("**Maturity Date**").
Profit rate and profit payment frequency	:	8.0% per annum ("**Profit**"), computed based on the nominal value of the outstanding RCUIDS, payable quarterly in arrears.
Profit payment basis	:	Actual number of days over 365 days.
Conversion rights	:	The RCUIDS Holders shall have the right to surrender the nominal value of the RCUIDS (outstanding amount) for conversion into new AAGB Shares at any time during the Conversion Period (as defined below) at the Conversion Price. For the avoidance of doubt, no Profit shall be payable on such RCUIDS as from the Issue Date or the Profit payment date immediately preceding the conversion date, whichever is the later. Any fraction of a share resulting from such conversion shall be disregarded and the Issuer reserves the right to deal with such new ordinary shares, which represents fractional interests in such manner, and on such terms the Issuer deems beneficial to AAGB. RCUIDS Holders shall have ability to convert all or part of its RCUIDS at any time during the Conversion Period (and may do so more than once).
Conversion period	:	The period commencing at any time on and after the Issue Date up to 5.00 p.m. on the 8^{th} market day prior to the Maturity Date (both dates inclusive) ("**Conversion Period**").
Conversion price	:	RM0.75, equivalent to the nominal value of the RCUIDS for one (1) new AAGB Share, or such adjusted price as may be for the time being be applicable in accordance with the conditions of the Trust Deed. The Conversion Price is subject to adjustments as described below.

INDICATIVE SALIENT TERMS OF THE RCUIDS *(CONT'D)*

Terms		**Details**
Conditions for Conversion	:	The following conditions must be complied with before any conversion of the RCUIDS can be made: (i) the relevant RCUIDS Holder shall have served a conversion notice during the Conversion Period on AAGB informing the intention to convert the RCUIDS into new AAGB Shares; (ii) upon receipt of the conversion notice by AAGB, AAGB shall procure the Share Registrar to act in accordance with the Listing Requirements for the allotment and/or issuance of the new AAGB Shares arising from the conversion; and (iii) such other conditions as may be advised by the Solicitors and to be agreed with AAGB.
Mode of conversion	:	The RCUIDS are convertible into new AAGB Shares by surrendering for cancellation a corresponding nominal value of the RCUIDS to the Conversion Price for every one (1) new AAGB Share at any time during the Conversion Period. Any fraction remaining held by the RCUIDS Holders resulting from such conversion will be disregarded and AAGB shall not be required to pay the value of such fraction to the RCUIDS Holders.
Status and ranking of the RCUIDS	:	The RCUIDS will constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and will at all times rank equally and without any preference or priority among themselves. The payment obligations of the Issuer under the RCUIDS shall, save for exceptions as may be provided by mandatory provisions of applicable laws and subject to the terms and conditions of the RCUIDS, at all times, rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Ranking of the new AAGB Shares to be issued pursuant to the conversion of the RCUIDS	:	The new AAGB Shares to be issued upon conversion of the RCUIDS shall, upon allotment and issuance, rank equally in all respects with the then existing AAGB Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions declared by the Issuer which entitlement date thereof precedes the allotment date of the new AAGB Shares allotted pursuant to the conversion of the RCUIDS.
Redemption/ Redemption schedule	:	Unless previously converted or redeemed (subject to the terms and conditions of the RCUIDS), the Issuer shall redeem the RCUIDS in accordance with the redemption schedule below ("**Redemption Schedule**"). All redemption shall be in the same proportion in relation to each RCUIDS Holder and shall be made in direct order of the Redemption Schedule.

Anniversary from Issue Date	**% of issued size redeemed***
1st	-
2nd	-
3rd	-
4th	25%
5th	25%
6th	25%
7th	25%
	100%

* *Subject to adjustment in the event of Early Redemption (as defined below).*

INDICATIVE SALIENT TERMS OF THE RCUIDS *(CONT'D)*

Terms		Details
Redemption/ Redemption schedule *(cont'd)*		Redemption shall commence on the fourth (4th) anniversary from the Issue Date and annually thereafter until the seventh (7th) anniversary, with the book closing date being the relevant anniversary of the Issue Date. ("**Annual redemption amount**") = $\text{Outstanding nominal value of RCUIDS in issue} \times \frac{\text{Scheduled \% of the year}}{\text{Total remaining \% per schedule inclusive of \% for the year}}$ Redemption amount per RCUIDS unit = $\frac{\text{Annual Redemption Amount}}{\text{Total RCUIDS units outstanding}}$ The actual Annual Redemption Amount shall be calculated based on the outstanding nominal value of RCUIDS in issue on the book closing date on each relevant anniversary and the redemption procedure shall be in accordance with the provisions of the Trust Deed.
Redemption rate	:	100% of the nominal value of the RCUIDS.
Provision on early redemption	:	The Issuer may, by giving to the Trustee at least 30 days' prior written notice, make an early redemption of the outstanding RCUIDS in whole on the fourth (4th) anniversary of the Issue Date. The early redemption amount will be based on 105% of the nominal value of the RCUIDS (excluding the relevant Annual Redemption Amount on the fourth (4th) anniversary of the Issue Date). The amount payable on the early redemption shall include the accrued Profit up to the fourth (4th) anniversary of the Issue Date.
Adjustment in the Conversion Price in the event of alteration of share capital	:	Subject to the provisions in the Trust Deed, the Conversion Price shall be adjusted by the Board in consultation with the adviser and certification of the external auditors, in the event of any alteration to the share capital of the Issuer on or before the Maturity Date, whether by way of rights issue, bonus issue, capitalisation issue, consolidation or subdivision of shares or reduction of capital howsoever being effected. The RCUIDS shall include standard convertible bond market protection and Conversion Price adjustment provisions.
Rights of the RCUIDS Holders	:	The RCUIDS Holders shall not be entitled to any dividends, rights, allotments and/or other distributions declared by AAGB, which entitlement date thereof precedes the allotment date of the new AAGB Shares allotted pursuant to the conversion of the RCUIDS.
Amendment to the RCUIDS Holders' rights	:	Save as otherwise provided in the Trust Deed, a special resolution of the RCUIDS Holders is required to sanction any modification, variation, abrogation or compromise of or arrangement in respect of the rights of the RCUIDS Holders against the Issuer.
Rights in the event of default, winding-up or liquidation	:	The Trustee may (by giving a written notice to the Issuer) declare that the outstanding RCUIDS are immediately due and repayable, and the RCUIDS then outstanding shall become immediately due and repayable at their nominal amounts together with accrued Profit up to and including the date of repayment.

INDICATIVE SALIENT TERMS OF THE RCUIDS *(CONT'D)*

Terms		**Details**
Listing	:	Application will be made to Bursa Securities for the admission of the RCUIDS to the Official List of the Main Market of Bursa Securities as well as the listing and quotation for the RCUIDS and the new AAGB Shares to be issued pursuant to the conversion of the RCUIDS on the Main Market of Bursa Securities. The admission, listing and quotation for the RCUIDS on the Main Market of Bursa Securities is subject to compliance with the public spread requirements of the Listing Requirements, where there must be at least 100 RCUIDS Holders holding not less than 1 board lot of the RCUIDS each.
Board lot	:	For the purpose of trading on the Main Market of Bursa Securities, the RCUIDS shall be tradable upon listing in board lots of 100 units of RCUIDS, or such other denomination as may be determined by Bursa Securities. No selling restriction is imposed on the RCUIDS.
Rating	:	Not rated. The RCUIDS are exempted from rating requirements pursuant to Paragraph 5.02(b) of the Guidelines on Issuance of Corporate Bonds and Sukuk to Retail Investors issued by the SC based on the following: (i) the RCUIDS Holders are given the right to convert the RCUIDS into new Shares at any time during the Conversion Period; and (ii) the underlying Shares will be listed and quoted on the Main Market of Bursa Securities.
Trust Deed	:	The RCUIDS will be constituted under a trust deed to be executed on or prior to the Issue Date and made between the Issuer and the Trustee.
Voting	:	The RCUIDS are not entitled to any voting rights and shall not have any participating rights in any distribution and/or offer of securities in the Issuer until and unless such RCUIDS Holders convert their RCUIDS into the new AAGB Shares. For the avoidance of doubt, the RCUIDS held by the Issuer or any interested person of the Issuer, which includes directors, major shareholders and chief executive (as described in the Trust Deeds Guidelines issued by the SC), shall not be counted for purposes of voting at meeting of the RCUIDS Holders.
Governing laws	:	The RCUIDS and the transaction documents (i.e. the Trust Deed and such other legal documents and agreements (if any) necessary in relation thereto in form and substance acceptable to the Principal Adviser, the Trustee and the Issuer) shall be governed by the laws of Malaysia and be subject to the non-exclusive jurisdiction of the courts of Malaysia.

INDICATIVE SALIENT TERMS OF THE WARRANTS

Terms		Details
Issuer	:	AirAsia Group Berhad.
Issue size	:	Up to 682,705,580 Warrants.
Issue price	:	The Warrants are to be issued free to the Entitled Shareholders and/or their renouncee(s) or transferee(s) (if applicable) who subscribe for the RCUIDS.
Form and denomination	:	The Warrants shall be issued (together with the RCUIDS) in registered form and shall be detached from the RCUIDS upon issuance and shall be separately traded.
Tenure	:	7 years from and inclusive of the date of issuance of the Warrants.
Exercise period	:	7 years from and inclusive of the date of issuance of the Warrants and up to and including the expiry date of the Warrants ("**Exercise Period**").
Expiry date	:	7 years from the date of issuance of the Warrants. Any Warrants which have not been exercised during the Exercise Period shall thereafter lapse and cease to be valid for any purpose.
Exercise price	:	The exercise price shall be determined and fixed by the Board and announced by the Company at a later date (before the announcement of the Entitlement Date). However, the Company intends to fix the Exercise Price to be the lower of: (a) RM1.00; or (b) 20% premium to the trailing 30-day VWAP of AAGB Shares prior to the announcement of the Entitlement Date.
Exercise rights	:	Each Warrant entitles the registered holder to subscribe for 1 new AAGB Share at the Exercise Price at any time during the Exercise Period, subject to adjustments in accordance with the provisions of the Deed Poll.
Mode of exercise	:	The registered holders of the Warrants are required to lodge a subscription form, as set out in the Deed Poll, with the Company's share registrar, duly completed, signed and stamped together with payment of the Exercise Price for the new AAGB Shares subscribed for via online payment into bank account of the Company maintained with a bank in Malaysia or by banker's draft or cashier's order or money order or postal order in RM drawn on a bank or post office operating in Malaysia, in accordance with the provisions of the Deed Poll.
Ranking of the Warrants	:	The Warrants shall be of the same class rank equally and rateably without discrimination or preference regardless of denomination as unsecured obligations of the Company ranking (subject to such exceptions as may from time to time exist under any applicable law or the Deed Poll) equally with all other present and future unsecured obligations (other than subordinated obligations, if any) of the Company.

INDICATIVE SALIENT TERMS OF THE WARRANTS *(CONT'D)*

Terms		Details
Ranking of the new AAGB Shares to be issued pursuant to the exercise of the Warrants	:	The new AAGB Shares to be issued upon the exercise of the Warrants shall, upon allotment and issuance, rank equally in all respects with the then existing AAGB Shares, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the allotment date of the new AAGB Shares to be issued upon the exercise of the Warrants.
Adjustments to the Exercise Price and/or number of Warrants in the event of alteration to the share capital	:	The Exercise Price and/or number of Warrants shall be adjusted by the Board in consultation with the approved adviser or the external auditors of AAGB and certified by the external auditors of AAGB, in the event of any alteration to the share capital of the Company whether by way of rights issue, bonus issue, capitalisation issue, consolidate or subdivision of shares or reduction of capital howsoever being effected, in accordance with the provisions of the Deed Poll.
Rights of the Warrants Holders	:	The Warrants Holders shall not be entitled to any voting rights or to participate in any distribution and/or offer of further securities in the Company until and unless such Warrants Holders exercise their Warrants into new AAGB Shares in which event any entitlement will be as specified under "Ranking of the new AAGB Shares to be issued pursuant to the exercise of the Warrants".
Modification of rights of the Warrants Holders	:	Save as otherwise provided in the Deed Poll, any modification, amendment, deletion or addition to the Deed Poll (including the rights of the Warrants Holders, form and content of the warrant certificates to be issued in respect of any Warrants) may be effected only with a sanction of a special resolution (unless modification, amendment, deletion or addition is required to correct any typographical errors, related to purely administrative matters, required to comply with prevailing laws or regulations of Malaysia or in the opinion of the Company, will not be materially prejudicial to the interests of Warrants Holders), by a deed to be executed by the Company and expressed to be supplemental to the Deed Poll and if the requirements of the Deed Poll have been complied with.
Board lot	:	For the purpose of trading on Bursa Securities, 1 board lot of Warrants shall comprise of 100 Warrants carrying the right to subscribe for 100 new AAGB Shares at any time during the Exercise Period, or such other denomination as determined by Bursa Securities from time to time. The Warrants will be immediately detached from the RCUIDS upon issuance and shall be listed and traded on the Main Market of Bursa Securities when the Warrants meet the conditions of the Listing Requirements of at least 100 holders of Warrants holding not less than 1 board lot each and submitting relevant application for the Warrants to be listed on the Main Market of Bursa Securities. The Warrants will not be listed in the event this condition is not met.

INDICATIVE SALIENT TERMS OF THE WARRANTS *(CONT'D)*

Terms		**Details**
Rights in the event of winding-up, liquidation, compromise and/or arrangement	:	In the event of a resolution is passed for a members' voluntary winding-up of the Company or liquidation or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one or more companies, then: (i) for the purposes of such winding-up, liquidation, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the Warrants Holders or some person designated by them for such purpose by special resolution, shall be a party, the terms of such winding-up, liquidation, compromise or arrangement shall be binding on all the Warrants Holders; and (ii) in any other case, every Warrants Holder shall be entitled upon and subject to the Deed Poll at any time within 6 weeks after the passing of such resolution for a members' voluntary winding-up of the Company or the granting of the court order approving the winding-up, liquidation, compromise or arrangement (as the case may be), by the irrevocable surrender of his Warrants to the Company, to exercise his Warrants by submitting the duly completed exercise form(s) authorising the debiting of his Warrants, together with payment of the relevant payments and fees for the Exercise Price, to elect to be treated as if he had immediately prior to the commencement of such winding-up, liquidation, compromise or arrangement, exercised his Warrants to the extent specified in the exercise form(s) and be entitled to receive out of the assets of the Company which would be available in liquidation as if he had on such date been the holder of the new AAGB Shares to which he would have become entitled pursuant to such exercise and the liquidator of the Company shall give effect to such election accordingly. If the Company is wound up, all exercise rights of the Warrants Holders which have not been exercised within 6 weeks of the passing of such resolution, shall lapse and the Warrants shall cease to be valid for any purpose.
Listing status	:	An application will be made to Bursa Securities for the admission of the Warrants to the Official List of Bursa Securities as well as the listing and quotation for the Warrants and the new AAGB Shares to be issued pursuant to the exercise of the Warrants on the Main Market of Bursa Securities. The Warrants will be listed and traded on the Main Market of Bursa Securities.
Governing law	:	The laws of Malaysia.

COMMENTARY ON THE FINANCIAL PERFORMANCE AND FINANCIAL POSITION OF THE GROUP

The summary of the financial information of the Group for the past 3 FYEs 31 December 2018, 31 December 2019 and 31 December 2020, as well as the 3-month FPEs 31 March 2020 and 31 March 2021 is set out below:

	Audited			Unaudited	
	FYE 31 December 2018	**FYE 31 December 2019**	**FYE 31 December 2020**	**3-month FPE 31 March 2020**	**3-month FPE 31 March 2021**
	(RM'000)	**(RM'000)**	**(RM'000)**	**(RM'000)**	**(RM'000)**
Revenue	10,638,296	11,860,403	3,131,213	2,161,411	205,076
Net profit attributable to owners of the Company ("**PAT**")/ (LAT)	1,967,006	(315,807)	(5,111,667)	(803,845)	(767,422)
Share capital	[(1)]8,023,268	8,023,268	8,023,268	8,023,268	8,359,731
NA/ (NL)	7,784,454	4,498,330	(1,214,287)	2,968,583	(1,615,910)
Number of Shares in issue ('000)	3,341,974	3,341,974	3,341,974	3,341,974	3,812,188
Weighted average number of Shares in issue ('000)	3,341,974	3,341,974	3,341,974	3,341,974	3,558,948
NA/ (NL) per Share (RM)[(2)]	2.33	1.35	(0.36)	0.89	(0.42)
Basic EPS/ (LPS) (sen)[(3)]	58.86	(9.45)	(152.95)	(24.05)	(21.56)

Notes:

(1) On 16 April 2018, the Company has completed the internal reorganisation by way of a members' scheme of arrangement under Section 366 of the Act, which involves the issuance of 3,341,974,080 new AAGB Shares at a total issue price of RM8,023 million for the acquisition of the entire issued share capital of AirAsia Berhad.

(2) Based on the number of Shares in issue.

(3) Based on the weighted average number of Shares in issue.

(a) 3-month FPE 31 March 2021 compared to 3-month FPE 31 March 2020

The Group recorded lower revenue of approximately RM0.2 billion for the 3-month FPE 31 March 2021, compared to the revenue of approximately RM2.2 billion for the 3-month FPE 31 March 2020. This was primarily due to lockdown and interstate travel restrictions imposed by the government since January 2021. Further, the Group operated at 19% of pre-COVID-19 domestic capacity during the quarter and international borders remained closed. Meanwhile, AirAsia Philippines Inc. carried 43% more passengers QoQ, while all the 4 aircraft operating certificates saw improvements in operations in March 2021 compared to February 2021.

The Group recorded lower LAT of approximately RM767.4 million for the 3-month FPE 31 March 2021, compared to the LAT of approximately RM803.8 million for the 3-month FPE 31 March 2020. A major portion of the loss for the period relates to depreciation of right-of-use assets and interest expenses on lease liabilities amounting to approximately RM410.2 million and RM116.8 million, respectively. Further, the Group's performance was dragged by foreign exchange losses, which swelled to approximately RM179.3 million from RM31.8 million in the first quarter of 2020. However, this was mitigated by fair value gain on derivatives of approximately RM22.4 million, versus a fair value loss of approximately RM270.1 million a year ago.

COMMENTARY ON THE FINANCIAL PERFORMANCE AND FINANCIAL POSITION OF THE GROUP *(CONT'D)*

(b) FYE 31 December 2020 compared to FYE 31 December 2019

The Group recorded lower revenue of approximately RM3.1 billion for the FYE 31 December 2020, compared to the revenue of approximately RM11.9 billion for the FYE 31 December 2019. This was primarily due to travel restrictions and lockdowns, with most international borders remaining closed. The Group operated at 29% of pre-COVID-19 capacity, led by Indonesia with 33%. AirAsia Indonesia ended the year strongly with 93% domestic capacity in December. In early March 2020, the Group introduced the all-new ASEAN Unlimited pass which offers unlimited domestic and ASEAN flights as well as unlimited free delivery for airasia Food, airasia Fresh and airasia Shop. The ASEAN Unlimited pass was sold out in two days in Thailand. Hence, strong responses to the ASEAN Unlimited pass as well as forward bookings have indicated positive signs of revival in air travel for 2021.

The Group recorded LAT of approximately RM5.1 billion for the FYE 31 December 2020, compared to the LAT of approximately RM0.3 billion for the FYE 31 December 2019. This was mainly due to fuel swap losses of approximately RM1.0 billion, impairment of receivables of approximately RM1.4 billion and impairment of right-of-use assets of approximately RM0.6 billion.

(c) FYE 31 December 2019 compared to FYE 31 December 2018

The Group recorded higher revenue of approximately RM11.9 billion for the FYE 31 December 2019, compared to the revenue of approximately RM10.6 billion for the FYE 31 December 2018. This was primarily due to a 16% increase in capacity and number of guests flown. In addition, the Group's average fare and revenue per available seat kilometre ("**RASK**") grew, by 3% and 6%, with the highest RASK growth recorded in Indonesia and the Philippines respectively.

The Group recorded LAT of approximately RM315.8 million for the FYE 31 December 2019, compared to the PAT of approximately RM2.0 billion for the FYE 31 December 2018. This was mainly due to approximately RM1.1 billion in one-off gains in 2018 as compared to approximately RM114.5 million one-off costs in 2019. The latter included consultant fees for sale and leaseback transactions, tax provision and discount for a long-term receivable, accounting policy realignment for associates, and a watchdog fine.

(d) FYE 31 December 2018 compared to FYE 31 December 2017

The Group recorded higher revenue of approximately RM10.6 billion for the FYE 31 December 2018, compared to the revenue of approximately RM9.7 billion for the FYE 31 December 2017. This was primarily driven by an 18% increase in capacity, leading to a 14% surge in number of guests carried. While there was a slight decrease in average fare, ancillary revenue increased to approximately RM2.1 billion.

The Group recorded higher PAT of approximately RM2.0 billion for the FYE 31 December 2018, compared to the PAT of approximately RM1.6 billion for the FYE 31 December 2017. This was mainly attributed to one-off gains recorded for the sale of the Group's leasing arm, Asia Aviation Capital Limited to BBAM Limited Partnership and the divestment of AAE Travel Pte Ltd.