AIRASIA GROUP BERHAD (“AAGB” OR THE “COMPANY”)

PROPOSED PRIVATE PLACEMENT OF UP TO 20% OF THE TOTAL NUMBER OF ISSUED SHARES OF THE COMPANY

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1. INTRODUCTION

On behalf of the Board of Directors of AAGB (“**Board**”), RHB Investment Bank Berhad (“**RHB Investment Bank**”) wishes to announce that the Company proposes to undertake a private placement of up to 20% of the total number of issued shares of the Company (“**Proposed Private Placement**”).

Further details of the Proposed Private Placement are set out in the ensuing sections.

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

2.1 General mandate

The Proposed Private Placement will be undertaken in accordance with the general mandate pursuant to Sections 75 and 76 of the Companies Act 2016 (“**Act**”) and the “Additional Temporary Relief Measures to Listed Issuers” announced by Bursa Malaysia Securities Berhad (“**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% (“**20% General Mandate**”). Pursuant to the 20% General Mandate, Bursa Securities has also mandated that it may be utilised by a listed corporation to issue new securities until 31 December 2021.

The Company has obtained the approval from its shareholders for the 20% General Mandate at its Third Annual General Meeting (“**AGM**”) convened on 28 September 2020, whereby the Board had been authorised to allot and issue new ordinary shares in AAGB (“**AAGB Shares**”) not exceeding 20% of the total number of issued shares in the Company. The approval, unless revoked or varied by an ordinary resolution at a general meeting of the Company, will continue to be in force until 31 December 2021.

2.2 Placement size

The Proposed Private Placement entails an issuance of up to 668,394,816 AAGB Shares (“**Placement Shares**”), representing up to 20% of the existing 3,341,974,082 AAGB Shares in issue as at 18 January 2021, being the latest practicable date prior to the date of this announcement ("**LPD**").

2.3 Basis and justification of determining the issue price of the Placement Shares

The issue price of the Placement Shares for each tranche of the Proposed Private Placement will be determined and fixed by the Board and announced at a later date upon obtaining the relevant approvals for the Proposed Private Placement.

Based on Paragraph 6.04(a) of the Listing Requirements of Bursa Securities, the Placement Shares may be issued based on a discount of not more than 10% to the 5-day volume weighted average market price ("**VWAP**") of AAGB Shares immediately preceding the price-fixing date.

For illustrative purposes, the indicative issue price of the Placement Shares is assumed at RM0.68 per Placement Share, which represents a discount of approximately 9.08% to the 5-day VWAP of AAGB Shares up to and including the LPD of RM0.7479 per AAGB Share.

2.4 Placement arrangement

The Placement Shares will be placed out to third party investor(s) to be identified later, who qualify under Schedule 6 and Schedule 7 of the Capital Markets and Services Act 2007.

The Placement Shares will not be placed out to the following parties:

(i) a director, major shareholder or chief executive of AAGB or a holding company of AAGB ("**Interested Person**");

(ii) a person connected with an Interested Person; or

(iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

The Proposed Private Placement may be implemented in tranches within 6 months after the receipt of all relevant approvals for the Proposed Private Placement or any extended period as may be approved by Bursa Securities.

2.5 Ranking of the Placement Shares

The Placement Shares shall, upon allotment and issuance, rank equally in all respects with the existing AAGB Shares in issue, save and except that the Placement Shares will not be entitled to any dividends, rights, allotment and/or other distributions that may be declared, made or paid for which the relevant entitlement date is prior to the date of allotment and issuance of the Placement Shares.

2.6 Listing and quotation for the Placement Shares

An application will be made to Bursa Securities for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities.

2.7 Utilisation of proceeds

The actual amount of proceeds to be raised from the Proposed Private Placement will depend on the actual number of Placement Shares issued and the issue price of the Placement Shares.

For illustrative purposes, based on the indicative issue price of RM0.68 in respect of up to 668,394,816 Placement Shares to be issued, the Proposed Private Placement is expected to raise gross proceeds of up to approximately RM454.51 million. The gross proceeds from the Proposed Private Placement are intended to be utilised in the following manner:

Proposed utilisation of proceeds	**Expected timeframe for utilisation**	**RM'000**
Fuel hedging settlement	Within 6 – 12 months	146,628
Aircraft lease & maintenance payments	Within 3 months	95,187
AirAsia Digital Sdn Bhd ("**AirAsia Digital**") digital business units' (a) airasia.com and (b) BigPay - Technology development costs, product & market expansion costs, and marketing expenses(1)	Within 12 months	76,960
General working capital expenses(2)	Within 6 months	135,573
Estimated expenses for the Proposed Private Placement(3)	Immediately after the completion of the Proposed Private Placement	160
Total		**454,508**

Notes:

(1) *AAGB and its subsidiaries ("**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. In view of the growth trajectory of the Group's digital initiatives, the Group intends to earmark RM76,959,500 proceeds to be raised from the Proposed Private Placement for marketing expenses, product & market expansion costs and technology development for initiatives under AirAsia Digital's subsidiaries', namely airasia.com and BigPay, as follows:*

	Estimated allocation of proceeds RM'000
airasia.com	
- Marketing	*20,252*
- Technology Development	*20,253*
BigPay	
- Product and Market Expansion	*28,354*
- Technology Development	*8,101*
	76,960

Any variation to the amount of estimated expenses relating to the marketing expenses, technology development and product & market expansion cost for airasia.com and/or BigPay will result in an adjustment to/from the portion being earmarked for general working capital.

(2) *The proceeds for general working capital will be used to finance the day-to-day operations of the Group as and when the need arises. This includes, but not limited to general administrative expenses and other operating expenses such as jet fuel, user charges, staff-related costs, utilities, statutory payments, IT operating expenses and any other overhead expenditures, as follows:.*

	Indicative allocation %
Staff-related costs	*50*
Variable costs – Jet fuel, user charges, power-by-the-hour maintenance costs, etc	*35*
IT operating expenses and other general working capital requirements	*15*
	100

The allocation and breakdown of the proceeds to be utilised for general working capital as disclosed above is indicative and subject to change due to the nature of business of the Group's airline operations which consists of variable costs such as jet fuel, user charges and power-by-the-hour maintenance costs.

(3) *The estimated expenses consist of professional fees, fees payable to the authorities and miscellaneous expenses relating to the Proposed Private Placement. Any variation to the actual amount of expenses for the Proposed Private Placement will result in an adjustment to/from the portion being earmarked for the general working capital expenses.*

Any variance in the actual gross proceeds raised and the intended gross proceeds to be raised will be adjusted against the amount allocated for working capital. Pending the use of proceeds from the Proposed Private Placement in the manner set out above, the proceeds will be placed in interest bearing deposits with financial institutions or short-term money market instruments as the Board may deem fit. Such interests gained will be used as additional general working capital for the Group.

3. RATIONALE FOR THE PROPOSED PRIVATE PLACEMENT

The Proposed Private Placement is proposed 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 have led to significantly reduced inbound and outbound passenger traffic for the Group and uncertainty over the Group's future prospects and operations.

Impact on business operations

The Group's revenue for the 9-months financial period ending ("**FPE**") 30 September 2020 plunged by 70.1% from RM8.75 billion for the corresponding period in 2019 to RM2.61 billlion due to the COVID-19 pandemic which saw many countries announced lockdowns and borders restrictions. The Group's expenditure declined as the Group hibernated its fleet at the end of the first quarter and gradually resumed operations at the end of May to early June as domestic travel restrictions eased. Encouraging performance was seen in the third quarter of 2020 as domestic travel in Malaysia, the Philippines and Indonesia casted an improving trend. However, in the fourth quarter of 2020, there was a spike in COVID-19 cases in Malaysia which has led to a majority of the states being placed under the Conditional Movement Control Order ("**CMCO**") and inter-state travel has been banned except for essential travel. Accordingly, the Group has reduced its capacity in October and November 2020. The Group increased its capacity for the month of December 2020, in line with the increased demand for domestic travel for the year-end holiday season.

For the 9-months FPE 30 September 2020, the number of passengers carried by the Group dropped by 68.7% against a 64.4% decrease in capacity and a 71.7% decrease in revenue passenger kilometres, as compared to the same period in 2019. 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 65-70% of its 2019 pre-COVID-19 capacity in 2021, with 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.

Further financial information on the Group is set out in **Appendix I**.

Measures taken to improve its financial performance and condition

The Company 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 deferrals with lessors, suppliers and partners and restructuring of fuel hedging positions;

(ii) Focused on ensuring its liquidity and capital adequacy and are currently in discussion with banks, lenders and investors on various forms of capital raising. This may include loans from Government or non-governmental sources. Its subsidiaries in the Philippines and Indonesia are also seeking loans to tide over this challenging period; and

(iii) Continue to grow the Group's digital pillar which brings together all its digital businesses. The business of the digital pillar is envisaged to cover e-commerce, logistics and finance across the ASEAN region through the Group's super app, airasia.com, and will leverage on the extensive reach of the app and its low customer acquisition cost.

In the longer term, all aspects of the Group's business model will be re-evaluated. The management team will recommend to the Board the optimum size and shape 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 capacity 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 in order to further strengthen its balance sheet.

The Proposed Private Placement and the value creation to AAGB and its shareholders

Whilst the management of the Company continues to explore the available options and/or corporate proposals to improve its financial performance and to address its cash flow position, the Company has to undertake the Proposed Private Placement in order to raise funds expeditiously for working capital purposes, as well as marketing expenses and technology expenditure for the initiatives under AirAsia Digital.

The Proposed Private Placement which is expected to raise gross proceeds of up to RM454.51 million, will also enhance the Group's financial position with a marginal increase in the net assets and improvement in the gearing of the Group.

Whilst the Proposed Private Placement will result in a dilution to the percentage of shareholdings of the shareholders of the Company, the proposal allows the Company to raise funds for, amongst others, fuel hedging settlement, aircraft lease and maintenance payments, technology development costs, product & market expansion costs, marketing expenses and general working capital purposes to address the immediate and near-term cash flow requirements of the Group.

As such, after due consideration of the various funding options available to the Company, the Board is of the view that the Proposed Private Placement is currently the most appropriate avenue of fund raising after taking into consideration, among others, the following factors:

(i) to allow AAGB to raise funds expeditiously and cost effectively as compared to other fund-raising exercises; and

(ii) to allow AAGB to raise funds in tranches based on market conditions and the prevailing market price of the AAGB Shares.

The Proposed Private Placement will not fully address the Group's current financial concerns as the estimated gross proceeds of up to approximately RM454.51 million would not be sufficient to meet its long-term cash flow requirements. However, the Proposed Private Placement will serve as an interim measure to address the immediate 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.

For information purposes, AAGB has not undertaken any equity fund raising exercises in the past 12 months prior to the date of this announcement.

4. INDUSTRY OUTLOOK AND PROSPECTS

4.1 Overview and outlook of the Malaysian economy

In line with the reopening of the economy from earlier COVID-19 containment measures and improving external demand conditions, the Malaysian economy recorded a smaller contraction of 2.7% in the third quarter. This recovery is seen across most economic sectors, particularly the manufacturing sector, which turned positive on account of strong electrical and electronics ("**E&E**") production activity. On the expenditure side, domestic demand contracted at a slower pace, while net exports rebounded. On a quarter-on-quarter seasonally adjusted basis, the economy turned around to register an expansion of 18.2% (2Q 2020: -16.5%).

Domestic demand recorded a smaller decline of 3.3% in the third quarter of 2020 (2Q 2020: -18.7%), driven by improvements in both consumption and investment activity. Household spending was mainly supported by gradual recovery in income conditions, while investment activity benefitted from the ease of containment measures. Net exports rebounded to record a positive growth of 21.9% (2Q 2020: -38.6%), driven by a larger improvement in exports vis-à-vis imports.

Private investment declined by 9.3%, an improvement from the trough in the second quarter of 2020 (-26.4%), mainly supported by the resumption of construction activity as the economy gradually reopens. Furthermore, growth was also underpinned by capital spending in the E&E and healthcare-related sectors, supported by rising demand amid the new normal. Similarly, public investment registered a smaller decline of 18.6% (2Q 2020: -38.7%). This mainly reflects the improvement in capital spending by general government.

Headline inflation, as measured by the annual percentage change in the Consumer Price Index ("**CPI**"), recorded a smaller negative at -1.4% during the quarter (2Q 2020: -2.6%). This mainly reflected the higher domestic retail fuel prices (average RON95 petrol price per litre in 3Q 2020: RM 1.68; 2Q 2020: RM 1.37) in line with the recovery in global oil prices. Notwithstanding this, headline inflation remained negative as retail fuel prices continued to be significantly below their levels in the corresponding quarter last year.

In the third quarter, the Malaysian economy improved markedly following the gradual lifting of nationwide containment measures, as well as support from better external demand conditions. The recent resurgence of COVID-19 cases and targeted containment measures in most states could affect the momentum of the recovery in the final quarter of the year. However, as most economic sectors have been allowed to continue to operate, subject to sectoral standard operating procedures ("**SOPs**"), the impact is unlikely to be as severe as the containment measures during previous periods.

Domestic financial market conditions continued to improve during the third quarter of 2020, driven by positive investor sentiments following signs of recovery in global economic activity as countries eased movement restrictions and progressively restarted their economies. Improvements in investor risk appetite were also supported by the US Federal Reserve's changes to its monetary policy framework, which suggests that US monetary policy could remain accommodative for a longer period.

Going into 2021, growth is expected to improve further, benefitting from the recovery in global demand and spillovers onto the domestic sectors, continued policy support including the recent KITA PRIHATIN and 2021 Budget measures, as well as higher production from existing and new facilities. However, the pace of recovery will be uneven across sectors with some industries expected to remain below pre-pandemic levels, and a slower improvement in the labour market. The balance of risks is tilted to the downside, emanating mainly from ongoing uncertainties surrounding COVID-19 globally and domestically. However, the economy could benefit from a larger-than-expected positive impact from various policy measures, and better-than-expected recovery in global economy.

The annual average headline inflation is expected to be negative in 2020. For the remainder of the year, annual headline inflation will primarily reflect the downward contribution from lower retail fuel prices, due to lower global oil prices, and the tiered electricity tariff rebate that remains in place until the end of 2020.

(Source: Economic and Financial Developments in the Malaysian Economy in the Third Quarter of 2020, BNM Quarterly Bulletin, Bank Negara Malaysia)

4.2 Overview and outlook of the aviation industry in Malaysia

Seasonally adjusted revenue passenger-kilometres ("**RPKs**") continued to improve in October. However, the month-on-month pace of growth (3.5%) slowed down compared to previous months. RPKs remained 70.6% below last year levels, a slight improvement compared to September (-72.2% year-on-year). The recovery was driven by domestic markets. With the exception of Latin America, international markets overall did not improve due to new COVID-19 outbreaks especially in Europe.

Air passenger capacity continue to improve in October. Seasonally adjusted available seat-kilometres ("**ASKs**") grew by 5.9% month-on-month. As a result, the year-on-year decline in actual ASKs was 59.9% in October, compared with a 62.3% fall the month before.

(Source: Airlines Financial Monitor, November 2020, Economic Reports, International Air Transport Association)

During the pandemic, international travelling was halted globally due to the travel restrictions that were implemented by governments to curb the spread of the pandemic. Hence, any improvement to the connectivity score would depend on the lifting of the international travel restrictions not just in Malaysia, but also in countries that are connected to Malaysia.

In light of the economic downturn and reluctance of countries worldwide to lift their border controls, the seat capacity recovery to pre-pandemic levels is expected to take a longer time i.e. beyond 2020 and would also depend on the development of vaccines to restore passenger confidence.

(Source: Malaysian Aviation Industry Outlook, December 2020, Waypoint Reports, Malaysian Aviation Commission)

4.3 Impact of COVID-19 on AAGB

The year 2020 has started on an extremely challenging note, with the COVID-19 outbreak causing major disruption to travel globally. Restrictions imposed by governments left AAGB with no alternative but to temporarily suspend the Group's flights. From the end of March till the end of April, the Group's entire fleet was in hibernation, save for rescue flights to assist national efforts to repatriate citizens or to transport medical supplies and other essential items. As of end May, along with relaxation of travel restrictions, AAGB started resuming domestic flights on a staggered basis. Supporting the Malaysian Government's efforts to revive domestic tourism and stimulate the economy, the Group has been offering various promotions, with positive results reflecting pent-up demand. During the 3rd quarter of 2020, the Group achieved an overall load factor of 66%, and 68% for the Malaysian operations despite an increase in capacity of 733% from the preceding quarter. Correspondingly, the Group's revenue increased to RM387.28 for the 9 months FPE 30 September 2020, compared to RM68.03 million for the FPE 30 June 2020.

The Group's implementation of cost containment strategies in the 2nd quarter of 2020 such as right sizing of manpower, salary cuts for management, staff and directors, negotiation of deferrals with lessors, suppliers and partners and restructuring of fuel hedging positions, remain intact resulting in fixed cost reduced by 50% in the 3rd quarter of 2020.

The Group is focused on ensuring its liquidity and capital adequacy, and are currently in discussion with banks, lenders and investors on various forms of capital raising. A portion of the loans would fall under the Government's Danajamin PRIHATIN Guarantee Scheme. The Group's subsidiaries in the Philippines and Indonesia are also seeking loans to tide over this challenging period.

(Source: Management of AAGB)

4.4 Prospects of AAGB

In response to the COVID-19 outbreak, the Group has been redeploying capacity to domestic and intra-ASEAN routes while aggressively protecting its market share. AAGB is also collaborating with stakeholders and the authorities on incentives, discounts and rebates. In addition, the Group has established Crisis Management Teams to monitor the situation and minimise the impact of the virus on its business.

As travel picks up, the Group will be working closely with airports and health authorities to establish new norms to ensure safe air travel post COVID-19. The Group's aircrafts are already fitted with hospital-standard high efficiency particulate air filters. In line with the World Health Organization and the International Civil Aviation Organization recommendations, the Group is also conducting thorough disinfections after every flight and will continue to practise social distancing measures implemented on ground and inflight.

In addition, the digital initiatives of the Group under AirAsia Digital has been on a growth trajectory with the transformation of its subsidiaries into an all-in-one digital travel and lifestyle ecosystem anchored by airasia.com, a single platform offering all products under the Group as well as 3rd parties. The product offerings under AirAsia Digital includes, but are not limited to the following:

(i) airasia.com, 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, BigRewards, BigExchange, Insurance, etc);

(ii) Teleport, the Group's 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;

(iii) BigPay, which currently offers payment solutions and remittances, as well as lending solutions in the near future;

(iv) BigRewards, the rewards and points company which allows its members in ASEAN region to earn and burn points from various merchants; and

(v) Santan, which provides end-to-end agro-food ecosystem leveraging on AirAsia's recognized food brand technology and logistics capabilities, comprising of in-flight & franchise restaurants, central production & cloud kitchen and a farm-to-table platform business.

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)

5. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

5.1 Share capital

The pro forma effects of the Proposed Private Placement on the share capital of the Company are as follows:

	No. of Shares ('000)	RM'000
Share capital as at LPD	3,341,974	8,023,268
To be issued pursuant to the Proposed Private Placement	668,395	(1)454,508
Enlarged share capital	**4,010,369**	**8,477,776**

Note:

(1) Based on the indicative issue price of RM0.68 per Placement Share.

5.2 Net assets ("NA") per AAGB Share and gearing

Based on the latest audited consolidated statements of financial position of AAGB as at 31 December 2019, the pro forma effects of the Proposed Private Placement on the NA per AAGB Share and gearing of AAGB are as follows:

	Audited as at 31 December 2019	After the Proposed Private Placement
	RM'000	**RM'000**
Share capital	8,023,268	(1)8,477,776
Merger deficit	(5,507,594)	(5,507,594)
Foreign exchange reserves	171,137	171,137
Retained earnings	1,664,452	(2)1,664,292
Other reserves	147,067	147,067
Shareholders' equity/NA	**4,498,330**	**4,952,678**
No. of AAGB Shares in issue ('000)	3,341,974	4,010,369
NA per Share (RM)	1.35	1.23
Total borrowings and lease liabilities	12,888,667	12,888,667
Gearing (times)	2.87	2.60

Notes:

(1) Assuming all of the 668,394,816 Placement Shares are placed out at the indicative issue price of RM0.68 per Placement Share.

(2) After deducting the estimated expenses in relation to the Proposed Private Placement of RM160,000.

5.3 Earnings and earnings per share ("EPS")

The Proposed Private Placement is not expected to have a material effect on the earnings of the Group for the financial year ending ("**FYE**") 31 December 2021. However, the EPS of the Group is expected to be diluted as a result of the increase in the number of AAGB Shares to be issued pursuant to the Proposed Private Placement.

5.4 Substantial shareholders' shareholdings

The pro forma effects of the Proposed Private Placement on the shareholdings of the substantial shareholders of AAGB are set out below:

	As at LPD				After the Proposed Private Placement [2]			
	Direct		Indirect		Direct		Indirect	
Substantial shareholders	**No. of AAGB Shares**	**%**	**No. of AAGB Shares**	**%**	**No. of AAGB Shares**	**[2]%**	**No. of AAGB Shares**	**[2]%**
Tune Live Sdn. Bhd.	509,000,000	15.23	-	-	509,000,000	12.69	-	-
Tune Air Sdn. Bhd.	516,485,082	15.45	-	-	516,485,082	12.88	-	-
Tan Sri Anthony Francis Fernandes	1,600,000	0.05	1,025,485,082[1]	30.69	1,600,000	0.04	1,025,485,082[1]	25.57
Datuk Kamarudin bin Meranun	2,000,000	0.06	1,025,485,082[1]	30.69	2,000,000	0.05	1,025,485,082[1]	25.57

Notes:

(1) Deemed interested by virtue of Section 8 of the Act through a shareholding of more than 20% in Tune Live Sdn. Bhd. and Tune Air Sdn. Bhd.

(2) Computed based on the enlarged share capital of 4,010,368,898 AAGB Shares after the Proposed Private Placement.

5.5 Convertible securities

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

6. APPROVALS REQUIRED

The Proposed Private Placement is subject to the following approvals being obtained:

(i) Bursa Securities for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities; and

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

The Proposed Private Placement is not conditional upon any other corporate proposals undertaken or to be undertaken by the Company.

7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED TO THEM

None of the Directors, major shareholders and/or Chief Executive of the Company and/or persons connected to them has any interest, direct and/or indirect, in the Proposed Private Placement.

8. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposed Private Placement, including the rationale and justification and the effects of the Proposed Private Placement, is of the opinion that the Proposed Private Placement is in the best interest of the Company and its shareholders.

9. PRINCIPAL ADVISER AND PLACEMENT AGENT

RHB Investment Bank has been appointed as the Principal Adviser and Placement Agent for the Proposed Private Placement.

10. APPLICATIONS TO THE RELEVANT AUTHORITIES

The application to Bursa Securities for the Proposed Private Placement is expected to be made within 1 month from the date of this announcement.

11. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed Private Placement is expected to be completed by 1st quarter 2021.

This announcement is dated 21 January 2021.

COMMENTARY ON THE FINANCIAL PERFORMANCE AND FINANCIAL POSITION OF THE GROUP

The summary of the financial information of the Group for the FYE 31 December 2017 to 31 December 2019 and unaudited 9-months FPE 30 September 2019 and 30 September 2020 is set out below.

	Audited			**Unaudited**	
	FYE 31 December			**FPE 30 September**	
	2017	**2018**	**2019**	**2019**	**2020**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	9,709,721	10,638,296	11,860,403	8,752,882	2,611,967
Profit before tax/(Loss before tax) ("**PBT**"/"**LBT**")	2,087,788	1,335,233	(521,660)	(317,288)	(3,347,084)
Profit after tax/(Loss after tax) attributable to owners of the Company ("**PAT**"/"**LAT**")	1,628,774	1,967,006	(315,807)	80,715	(2,656,226)
Shareholders' equity/Net assets	8,048,113	7,784,454	4,498,330	4,598,062	1,185,085
Share capital	2,515,438	(1)8,023,268	8,023,268	8,023,268	8,023,268
Weighted average number of AAGB Shares in issue ('000)	3,303,586	3,341,974	3,341,974	3,341,974	3,341,974
Net assets per AAGB Share (RM)	2.44	2.33	1.35	1.35	0.35
Total borrowings and lease liabilities (RM'000)	9,308,634	1,205,129	12,888,667	13,089,007	12,456,267
Earnings/(Loss) per AAGB Share (sen) (2)	49.30	58.86	(9.45)	2.42	(79.48)
Gearing (times)	1.16	0.15	2.87	2.90	10.51

Notes:

(1) On 16 April 2018, the Company completed the internal reorganisation by way of a scheme of arrangement which involves the issuance of 3,341,974,080 new ordinary 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 weighted average number of AAGB Shares in issue.

Commentaries

- **FYE 31 December 2017 compared to FYE 31 December 2016**

  The Group recorded higher revenue of RM9.7 billion for the FYE December 2017, compared to the revenue of RM6.8 billion for the FYE 31 December 2016. This was contributed by a 10% year-on-year increase in capacity and 11% increase in number of guests carried. During the same period, revenue was also amplified by a 6% increase in ancillary income per guest.

  The Group recorded higher PAT of RM1.63 billion for the FYE 31 December 2017, compared to RM1.62 billion for the FYE 31 December 2016. Whilst revenue grew significantly, the Group oversaw a 16% surge in overall cost per available seat kilometre due to a hike in fuel prices and an increase in staff cost for pilots and talent retention, leading to a minimal growth in PAT.

- **FYE 31 December 2018 compared to FYE 31 December 2017**

  The Group recorded higher revenue of RM10.6 billion for the FYE 31 December 2018, compared to the revenue of 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 RM2.1 billion.

  The Group recorded higher PAT of approximately RM2.0 billion for the FYE 31 December 2018, compared to PAT of 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 AirAsia Expedia.

- **FYE 31 December 2019 compared to FYE 31 December 2018**

  The Group recorded higher revenue of RM11.9 billion for the FYE 31 December 2019, compared to the revenue of 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 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 RM1.1 billion in one-off gains in 2018 as compared to 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.

- **FPE 30 September 2020 compared to FPE 30 September 2019**

  The Group recorded lower revenue of RM2.6 billion for the FPE 30 September 2020, compared to the revenue of RM8.8 billion for the FPE 30 September 2019. This was mainly due to the COVID-19 pandemic which saw many countries announced lockdowns and borders restrictions, resulting in a decrease in capacity, as compared to the corresponding quarter in 2019. While international borders remained closed, the Group focused on resuming limited domestic operations in the areas it operates which resulted in an improvement from the 2nd quarter 2020, where most of the Group's fleet was put into hibernation.

  The Group recorded LAT of RM2.7 billion in the FPE 30 September 2020, compared to PAT of RM80.7 million for the FPE 30 September 2019. With the reduction in passenger demand due to the extended border closures and onerous travel restrictions, the drop in Group expenditure could not offset the decrease in revenue. For the quarter, AAGB also recorded realised fuel swap losses of RM280.5 million on the back of reduction in fuel consumption and sustained subdued oil prices.