AIRASIA X BERHAD ("AAX" OR THE "COMPANY")

(I) PROPOSED INTERNAL REORGANISATION;
(II) PROPOSED ISSUANCE OF FREE WARRANTS;
(III) PROPOSED PRIVATE PLACEMENT;
(IV) PROPOSED AAAGL ACQUISITION;
(V) PROPOSED AAB ACQUISITION; AND
(VI) PROPOSED SHARE CAPITAL REDUCTION

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

(VII) PROPOSED GRANTING OF SUBSCRIPTION OPTIONS

1. INTRODUCTION

On 8 January 2024, the Board of Directors of AAX ("**Directors**") ("**AAX Board**" or the "**Board**") announced that AAX has entered into a non-binding letter of acceptance with Capital A Berhad ("**Capital A**" or the "**Vendor**") for the proposed acquisitions of 100% equity interest in AirAsia Berhad ("**AAB**") and 100% equity interest in AirAsia Aviation Group Limited ("**AAAGL**"), both of which are wholly-owned subsidiaries of Capital A.

On 13 March 2024 and 9 April 2024, on behalf of the AAX Board, Inter-Pacific Securities Sdn Bhd ("**Interpac**" or the "**Principal Adviser**") announced that AAX and Capital A have mutually agreed to extend the negotiation period to execute the definitive agreement for the proposed acquisitions of 100% equity interest in AAB and 100% equity interest in AAAGL until 30 April 2024.

After rounds of deliberation by the Board and having considered all relevant aspects of the Proposals, the Board is of the opinion that the Proposed Acquisitions (as defined herein) are in the best interests of the Company in view of, amongst others, the following:-

(i) **New Aviation Group to house award-winning "AirAsia" low-cost carriers with over 22 years of established history and track record to provide a full spectrum of short, medium and long-haul air travel.** The Proposed Acquisitions allow all the airline entities operating under the "AirAsia" brand (including "AirAsia X" brand) to be housed under a new investment holding company, namely AirAsia Group Sdn Bhd (formerly known as AirAsia Aviation Group Sdn Bhd) ("**NewCo**" or the "**Purchaser**") forming an enlarged aviation group comprising the NewCo, AAX and its group of companies ("**AAX Group**"), AAAGL and its group of companies ("**AAAGL Group**") and AAB and its group of companies ("**AAB Group**") (collectively referred to as the "**New Aviation Group**"). This allows the AAX Group to be part of an enlarged aviation group with award-winning airlines with over 22 years of established history and track record instead of being run and managed distinctively as a separate entity from the AAAGL Group and AAB Group. The New Aviation Group will operate and provide a full spectrum of short, medium and long-haul low-cost air transportation services, with domestic flights and international flights from Malaysia, Thailand, the Philippines, Indonesia and Cambodia to numerous destination countries;

(ii) **New Aviation Group set to achieve elevated synergistic benefits through centralised decision-making and more co-ordinated network plans.** The Proposed Acquisitions are expected to enable the New Aviation Group to achieve elevated synergistic benefits through centralised decision-making, providing greater flexibility for the New Aviation Group to set the future business and strategic directions and business strategies as well as streamlining business functions and processes leading to improved efficiency as well as more economies of scale and cost savings (as detailed in Section 9.4 of this Announcement).

Notably, the Proposed Acquisitions are expected to enable the New Aviation Group to further optimise its fleet management and utilisation. With a centralised leadership and management following the completion of the Proposed Acquisitions, wet lease arrangements can be entered into between the airlines within the New Aviation Group with greater flexibility and efficiency and this can increase the cross utilisation of aircraft across the airlines within the New Aviation Group. The scheduling and deployment of aircraft can be arranged based on prevailing market demand to achieve optimal passenger loads in order to offer competitive flight ticket pricing while achieving reasonable profitability margin (e.g. using narrowbody aircraft with a smaller passenger capacity for non-peak seasons / new routes with uncertain take-up rate and widebody aircraft with a larger passenger capacity for peak seasons / routes which have matured) as well as potentially capture a higher market share for air travel within the Southeast Asia and Asia Pacific regions by organising more co-ordinated network plans under the centralised leadership and management;

(iii) **About 400 new aircraft deliveries from Airbus to facilitate continued growth and expansion for all "AirAsia"-branded airlines over the next decade.** As at 15 April 2024, being the latest practicable date prior to the date of this Announcement ("**LPD**"), the airlines to be housed under the New Aviation Group collectively have an order of about 400 aircraft from Airbus (mainly secured by AAB, with scheduled delivery commencing from 2024 up until 2035). Certainty for aircraft deliveries is important for the enlarged aviation group to meet its fleet replacement and expansion plans. Aircraft deliveries from this orderbook are envisioned to be allocated to airline operating companies (each holding a separate Airline Operator Certificate) ("**AOCs**") within the New Aviation Group as necessary to facilitate continued growth and expansion for all "AirAsia"-branded airlines including the AAX Group, thereby averting a scenario of fleet stagnation for the AAX Group and losing market share to growing competitors locally and regionally. In addition to securing immediate access to fleet growth prospects through the AAAGL Group's and AAB Group's existing orderbook, the AAX Group, as part of the enlarged aviation group following the completion of the Proposed Acquisitions, will be able to leverage on the combined credit track record of the New Aviation Group to negotiate for better credit terms for its future leasing contracts and lease facilities;

(iv) **AAX Group to secure long-term sustainability leveraging on the "AirAsia" brand and AirAsia Ecosystem.** The Proposed Acquisitions allow AAX / NewCo to strengthen its leverage to continue to benefit from the already-present synergies from being part of a wider flights-travel-and-lifestyle ecosystem under the "AirAsia" brand (including "AirAsia X" brand) ("**AirAsia Ecosystem**") which is critical to support the AAX Group's business operations and growth. Since the commencement of the AAX Group's business, it has close association with other entities within the "**AirAsia Group**[(1)]", leveraging on the "AirAsia" brand and AirAsia Ecosystem. The AAX Group, as part of the enlarged aviation group following the completion of the Proposed Acquisitions, will gain stronger leverage and bargaining power to secure continuous usage of the "AirAsia" brand which is an established brand in the aviation industry, and to secure continuous collaborations and comprehensive support services from the AirAsia Ecosystem to run its airline operations effectively and in a cost-efficient manner. Without these benefits, the AAX Group would face significant challenges in navigating through the competitive landscape of the aviation industry and securing long-term sustainability.

Note:-

*(1) "**AirAsia Group**" comprises the AAX Group, Capital A and its subsidiaries (including the AAAGL Group and AAB Group), joint venture companies, associate companies and other companies using the "AirAsia" brand.*

(v) **An opportunity to be part of the enlarged aviation group to capitalise on anticipated air traffic recovery.** The Proposed Acquisitions present an opportunity for the shareholders of AAX ("**AAX Shareholders**" or the "**Shareholders**") to own a part of the New Aviation Group and to bear the risks and rewards associated with ownership of the enlarged aviation group amidst the anticipated recovery of international air traffic post coronavirus disease 2019 ("**COVID-19**").

Based on the current corporate structure of the AAX Group, AAX is the investment holding company of the AAX Group listed on the Main Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**") as well as the operating company for the provision of medium and long-haul air transportation services in Malaysia. For the purposes of streamlining the AAX Group's corporate structure, the NewCo has been incorporated to be the new investment holding company to segregate the listed entity from the operating entities under the AAX Group, AAB Group as well as AAAGL Group following the completion of the Proposed Acquisitions.

Accordingly, on 25 April 2024, the Company had entered into a conditional internal reorganisation agreement with the NewCo for the implementation of a proposed internal reorganisation by way of a members' scheme of arrangement under Section 366 of the Companies Act, 2016 ("**Act**") ("**Internal Reorganisation Agreement**") comprising the following:-

(i) the proposed exchange of all the ordinary shares in AAX ("**AAX Shares**") with new ordinary shares in the NewCo ("**NewCo Shares**") on the basis of 1 new NewCo Share for every 1 existing AAX Share held by the entitled AAX Shareholders on an entitlement date to be determined and announced later ("**Share Exchange Entitlement Date**") ("**Proposed Share Exchange**"); and

(ii) the proposed assumption by the NewCo of the listing status of AAX and the admission of the NewCo to, and the withdrawal of AAX from, the Official List of Bursa Securities ("**Official List**") with the listing and quotation of the entire enlarged issued share capital of the NewCo on the Main Market of Bursa Securities ("**Proposed Transfer of Listing Status**"),

(collectively, the "**Proposed Internal Reorganisation**").

Upon completion of the Proposed Internal Reorganisation, AAX will become a wholly-owned subsidiary of the NewCo and the AAX Shareholders will become shareholders of the NewCo ("**NewCo Shareholders**").

On even date, the NewCo had entered into the following 2 separate conditional share sale and purchase agreements with Capital A:-

(i) share sale and purchase agreement dated 25 April 2024 for the proposed acquisition by the NewCo of 100% equity interest in AAAGL held by Capital A for a purchase consideration of RM3,000.00 million ("**AAAGL Purchase Consideration**") to be satisfied entirely via the allotment and issuance of 2,307,692,307 new NewCo Shares at an issue price of RM1.30 ("**Consideration Shares**") ("**Proposed AAAGL Acquisition**") ("**AAAGL SSPA**"); and

(ii) share sale and purchase agreement dated 25 April 2024 for the proposed acquisition by the NewCo of 100% equity interest in AAB held by Capital A for a purchase consideration of RM3,800.00 million ("**AAB Purchase Consideration**") to be satisfied entirely via the assumption by the NewCo of amount owing by Capital A to AAB ("**Debt Settlement**") ("**Proposed AAB Acquisition**") ("**AAB SSPA**").

(For the purpose of this Announcement, AAAGL and AAB shall collectively be referred to as the "**Target Companies**"; the AAAGL Purchase Consideration and AAB Purchase Consideration shall collectively be referred to as the "**Total Purchase Consideration**"; the Proposed AAAGL Acquisition and Proposed AAB Acquisition shall collectively be referred to as the "**Proposed Acquisitions**"; the AAAGL SSPA and AAB SSPA shall collectively be referred to as the "**SSPAs**".)

The Proposed Acquisitions are deemed to be related party transactions pursuant to Paragraph 10.08 of the Main Market Listing Requirements of Bursa Securities ("**Listing Requirements**") in view of the interests of the Interested Directors and the Interested Major Shareholders in the Proposed Acquisitions as set out in Section 17 of this Announcement. Accordingly, the Company has on 18 April 2024 appointed WYNCORP Advisory Sdn Bhd as the independent adviser of the Company ("**Independent Adviser**") to advise the non-interested Directors and non-interested Shareholders on the fairness and reasonableness of the Proposed Acquisitions, and whether the Proposed Acquisitions are detrimental to the non-interested Shareholders.

In addition to the Proposed Acquisitions, the Board intends to undertake the following proposals:-

(i) proposed issuance by the NewCo of up to 223,536,402 free warrants in the NewCo ("**Warrants**") on the basis of 1 Warrant for every 2 NewCo Shares held by the NewCo Shareholders after the completion of the Proposed Internal Reorganisation on an entitlement date to be determined and announced later ("**Proposed Issuance of Free Warrants**");

(ii) proposed private placement of new NewCo Shares to independent third party investors to be identified later at an issue price to be determined later to raise gross proceeds of RM1,000.00 million ("**Placement Shares**") ("**Proposed Private Placement**"); and

(iii) proposed reduction of the issued share capital of the NewCo to RM100.00 million by cancelling paid-up share capital which is lost or unrepresented by available assets pursuant to Section 116 of the Act ("**Proposed Share Capital Reduction**").

The changes in corporate structure after the Proposed Internal Reorganisation, Proposed Private Placement and Proposed Acquisitions are illustrated in Appendix I of this Announcement.

In addition to the Proposals, the Board proposes to grant to Garynma Investments Pte Ltd ("**Garynma**" or the "**Subscriber**") the rights to subscribe for such number of NewCo Shares ("**Subscription Options**") representing, in aggregate, 15% of the total enlarged issued shares in the NewCo immediately after the completion of the Proposed Acquisitions (excluding treasury shares, if any) ("**Subscription Shares**") via 3 Subscription Options of 5% each ("**Proposed Granting of Subscription Options**").

2. DETAILS OF THE PROPOSED INTERNAL REORGANISATION

The Proposed Internal Reorganisation will be implemented by way of a members' scheme of arrangement under Section 366 of the Act, comprising the Proposed Share Exchange and Proposed Transfer of Listing Status.

2.1 Details of the Proposed Share Exchange

Under the Proposed Share Exchange, all AAX Shareholders will exchange their respective AAX Shares with new NewCo Shares on the basis of 1 new NewCo Share for every 1 existing AAX Share held by the AAX Shareholders on the Share Exchange Entitlement Date.

As at the LPD, the number of issued shares in AAX is 447,072,803 AAX Shares (none of which are held as treasury shares). Pursuant to the Proposed Share Exchange, the entitled AAX Shareholders in respect of the Proposed Share Exchange will receive such number of new NewCo Shares which is equivalent to the number of AAX Shares held by them as at the Share Exchange Entitlement Date, and thereafter, AAX shall become a wholly-owned subsidiary of the NewCo.

The new NewCo Shares to be issued pursuant to the Proposed Share Exchange will, upon allotment and issuance, rank equally in all respects with each other and with the existing 1 NewCo Share which is currently held by the existing shareholder of the NewCo. The existing shareholder of the NewCo will continue to hold the said existing 1 NewCo Share after the completion of the Proposed Internal Reorganisation.

For the avoidance of doubt, the Proposed Share Exchange will not cause or result in any change or variation to the current voting rights of the Shareholders as the NewCo will adopt a constitution substantially in the form and substance of the Constitution of AAX, save for such modification as may be necessary or expedient to facilitate any new or contemplated business, operations or activities of the NewCo, which is in compliance with the Listing Requirements and the Act.

2.2 Details of the Proposed Transfer of Listing Status

Upon completion of the Proposed Share Exchange, the NewCo will be the new holding company of the AAX Group and will assume the listing status of AAX. Accordingly, it is proposed that AAX be delisted from the Official List and the NewCo be admitted to the Official List in place of AAX with the listing and quotation of the entire issued share capital of the NewCo comprising 447,072,804 NewCo Shares (including the existing 1 NewCo Share which is currently held by the existing shareholder of the NewCo) on the Main Market of Bursa Securities.

The reference price of the newly listed NewCo Shares on Bursa Securities shall be the last closing price of AAX Shares on the market day prior to the suspension of trading on Bursa Securities.

2.3 Information on the NewCo and proposed directors of the NewCo

The NewCo was incorporated in Malaysia under the Act as a private limited company under the name of AirAsia Aviation Group Sdn Bhd on 6 April 2023. On 22 March 2024, the NewCo changed its name to AirAsia Group Sdn Bhd. The NewCo is in the midst of being converted into a public limited company. The NewCo is currently dormant but is principally intended for investment holding activities.

As at the LPD, the NewCo has an issued share capital of RM1, comprising 1 Newco Share which is held by the sole shareholder of the NewCo, namely Lavinia Louis.

As at the LPD, the directors of the NewCo are Benyamin bin Ismail and Lavinia Louis. After the effective date of the Proposed Internal Reorganisation, all the Directors of AAX at that point in time shall be appointed to the board of directors of the NewCo ("**NewCo Board**") whilst the existing directors of the NewCo shall resign from their respective positions and offices with the NewCo.

2.4 Conditions precedent to the Internal Reorganisation Agreement

The Internal Reorganisation Agreement is conditional upon the following conditions precedent being obtained / fulfilled or waived (as the case may be) by the day falling 12 months from the date of the Internal Reorganisation Agreement or such later date as the parties to the Internal Reorganisation Agreement may mutually agree upon:-

(i) AAX having obtained the approval of Bursa Securities for the Proposed Transfer of Listing Status;

(ii) AAX having obtained the approval of its Shareholders at a court convened meeting pursuant to Section 366 of the Act for the Proposed Internal Reorganisation;

(iii) AAX having obtained the approval of its Shareholders at an extraordinary general meeting to be convened for, amongst others, the Proposed Internal Reorganisation;

(iv) AAX having obtained an order of the High Court of Malaya sanctioning the Proposed Internal Reorganisation subsequent to the court convened meeting held;

(v) AAX having obtained the approval or consent of the financiers / creditors of AAX for the Proposed Internal Reorganisation upon the terms and subject to the conditions of the Internal Reorganisation Agreement, where required;

(vi) the NewCo having obtained the approval of its directors and shareholder for the Proposed Internal Reorganisation and the issuance and allotment of the new NewCo Shares to the AAX Shareholders pursuant to the Proposed Internal Reorganisation as well as to undertake the Proposed Issuance of Free Warrants, Proposed Private Placement, Proposed AAAGL Acquisition, Proposed AAB Acquisition, Proposed Share Capital Reduction and Proposed Granting of Subscription Options following the completion of the Proposed Internal Reorganisation; and

(vii) any other approvals, waivers or consents of any relevant authorities or parties as may be required by law or regulation or deemed necessary by the parties to the Internal Reorganisation Agreement.

3. DETAILS OF THE PROPOSED ISSUANCE OF FREE WARRANTS

3.1 Basis and number of Warrants to be issued

The Proposed Issuance of Free Warrants entails the issuance by the NewCo of up to 223,536,402 Warrants on the basis of 1 Warrant for every 2 NewCo Shares held by the NewCo Shareholders after the completion of the Proposed Internal Reorganisation on an entitlement date in respect of the Proposed Issuance of Free Warrants to be determined and announced later ("**Warrants Entitlement Date**") ("**Warrants Entitled Shareholders**"). For the avoidance of doubt, the holders of the Consideration Shares will not be entitled to the Warrants.

The basis of 1 Warrant for every 2 NewCo Shares held by the NewCo Shareholders was determined after taking into consideration, amongst others, compliance with Paragraph 6.50 of the Listing Requirements which states that a listed issuer must ensure that the number of new shares which will arise from the exercise or conversion of all outstanding convertible equity securities (i.e. warrants and convertible preference shares) does not exceed 50% of the total number of issued shares of the listed issuer (excluding treasury shares and before the exercise of the convertible equity securities) at all times.

The actual number of Warrants to be issued will depend on the total number of NewCo Shares in issue on the Warrants Entitlement Date.

After the completion of the Proposed Internal Reorganisation, the NewCo will have a total number of 447,072,804 issued NewCo Shares, including 1 NewCo Share issued at the point of incorporation of the NewCo. Accordingly, a total of up to 223,536,402 Warrants will be issued in respect of the Proposed Issuance of Free Warrants.

Fractional entitlements for the Warrants arising from the Proposed Issuance of Free Warrants, if any, shall be disregarded and/or dealt with by the NewCo Board in such manner as the NewCo Board, in its absolute discretion, deems fit and expedient in the best interests of the NewCo Shareholders.

The Warrants Entitlement Date will be determined by the NewCo Board and announced at a later date upon receipt of all relevant approvals for the Proposed Issuance of Free Warrants. The Proposed Issuance of Free Warrants is intended to be implemented after the implementation of the Proposed Internal Reorganisation but before the implementation of the Proposed Private Placement and Proposed Acquisitions.

The Proposed Issuance of Free Warrants is not intended to be implemented in stages over a period of time.

3.2 Indicative salient terms of the Warrants

Issuer	:	NewCo.
Issue size	:	Up to 223,536,402 Warrants.
Form and constitution	:	The Warrants will be issued in registered form and constituted by a deed poll constituting the Warrants to be executed by the NewCo (“**Deed Poll**”).
Board lot	:	For the purpose of trading on Bursa Securities, board lots of Warrants shall be 100 Warrants, or such other denominations as permitted by Bursa Securities from time to time.
Tenure	:	5 years commencing on and including the date of issuance of Warrants.
Exercise period	:	The Warrants may be exercised at any time within a period of 5 years commencing from and including the date of issuance of the Warrants to the close of business at 5.00 p.m. (Malaysia time) on the market day immediately preceding the date which is the 5th anniversary of the date of issuance of the Warrants, and if such date is not a market day, then it shall be the market day immediately preceding the said non-market day ("**Warrants Exercise Period**"). Any Warrants which are not exercised by the expiry of the Warrants Exercise Period will lapse thereafter and cease to be valid for all purposes.
Exercise price	:	The exercise price of the Warrants will be determined by the NewCo Board and announced at a later date upon receipt of all relevant approvals for the Proposed Issuance of Free Warrants but before the announcement of the Warrants Entitlement Date.

Subscription rights	:	Each Warrant entitles its registered holder to subscribe for 1 new NewCo Share at the exercise price of the Warrants at any time during the Warrants Exercise Period, upon the terms of and subject to the conditions contained in the Deed Poll.
Mode of exercise	:	The holders of the Warrants ("**Warrants Holders**") are required to lodge with the NewCo's registrar, a duly completed, signed and stamped subscription form in the form as set out in the Deed Poll, together with payment of the exercise price of the Warrants by banker's draft or cashier's order drawn on a bank operating in Malaysia or a money order or postal order issued by a post office in Malaysia or by way of internet bank transfer or via online payment gateway in accordance with the provisions of the Deed Poll.
Adjustments to the exercise price and/or number of Warrants	:	The exercise price and/or the number of Warrants shall from time to time be adjusted, calculated or determined by the NewCo Board in consultation with the approved adviser or the auditors appointed by the NewCo in accordance with the provisions of the Deed Poll in the event of alteration to the share capital of the NewCo at any time during the tenure of the Warrants, whether by way of, amongst others, capitalisation issues, rights issue, bonus issue, consolidation or subdivision of shares or capital reduction exercises.
Rights of the Warrants Holders	:	A Warrants Holder is not entitled to any voting right or participation in any forms of distribution and/or offer of further securities in the NewCo until and unless such Warrants Holder exercises the Warrants for new NewCo Shares in accordance with the procedure set out in the Deed Poll and such NewCo Shares have been allotted and issued to the Warrants Holder.
Ranking of the Warrants	:	The Warrants shall, as between the Warrants Holders, rank equally and rateably without discrimination or preference, and all the Warrants issued pursuant to the Deed Poll shall be deemed to form part of the same series for all purposes under the Deed Poll.
Ranking of new NewCo Shares to be issued pursuant to the exercise of the Warrants	:	The new NewCo Shares to be issued pursuant to the exercise of the Warrants shall, upon allotment, issuance and payment of the exercise price of the Warrants, rank equally in all respects with the then existing issued NewCo Shares, save and except that the holders of such new NewCo Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to NewCo Shareholders, the entitlement date of which is prior to the date of allotment and issuance of the new NewCo Shares pursuant to the exercise of the Warrants.

Rights of the Warrants Holders in the event of winding up, compromise or arrangement	:	Where a resolution has been passed for a members' voluntary winding up of the NewCo, or there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the NewCo or the amalgamation of the NewCo with 1 or more companies, then:- (i) for the purposes of such a winding up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the NewCo is the continuing corporation) to which the Warrants Holders, or some persons designated by them for such purposes by a special resolution, shall be a party, the terms of such winding up, compromise or arrangement shall be binding on all the Warrants Holders; and (ii) in the event a notice is given by the NewCo to its shareholders to convene a general meeting for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind up the NewCo, and in any other case and subject to provisions of the Deed Poll, every Warrants Holder shall thereupon be entitled to exercise the Warrants at any time within 6 weeks after the passing of such resolution for a members' voluntary winding up of the NewCo or within 6 weeks from the granting of the court order approving the winding up, compromise or arrangement, whereupon the NewCo shall allot the relevant NewCo Shares to the Warrants Holder credited as fully paid subject to the prevailing laws, and such Warrants Holder shall be entitled to receive out of the assets of the NewCo which would be available in liquidation if the Warrants Holder had on such date been the holder of the new NewCo Shares to which the Warrants Holder would have become entitled pursuant to such exercise and the liquidator of the NewCo shall give effect to such election accordingly. Upon the expiry of the aforesaid 6 weeks, all subscription rights of the Warrants shall lapse and cease to be valid for any purpose. Subject to the foregoing, if the NewCo is wound up or an order has been granted for such compromise or arrangement, all subscription rights of the Warrants which are not exercised prior to the passing of the resolution for winding up or the presentation of the petition for the winding up or the granting of the court order sanctioning the compromise or arrangement (other than a consolidation, amalgamation or merger in which the NewCo is the continuing corporation), will lapse and the relevant Warrants will cease to be valid for any purpose.

Modification	:	Any amendments or additions may be made to the provisions of the Deed Poll with the sanction of a special resolution of the Warrants Holders unless the amendments or additions are required to correct any typographical errors or relate purely to administrative matters or are required to comply with any provisions of the prevailing laws or regulations of Malaysia or in the opinion of the NewCo, will not be materially prejudicial to the interests of the Warrants Holders. Any modification, amendment or addition to the Deed Poll may be effected only by deed executed by the NewCo and expressed to be supplemental to the Deed Poll and if the approval of the Warrants Holders by way of a special resolution *(if required)* has been obtained. Any modification to the rights attached to the Warrants is subject to the approval of any relevant authorities.
Listing status	:	The Warrants and new NewCo Shares to be issued pursuant to the exercise of the Warrants will be listed and quoted on the Main Market of Bursa Securities. An application will be submitted to Bursa Securities for the admission of the Warrants to the Official List as well as the listing and quotation of the Warrants and new NewCo Shares to be issued pursuant to the exercise of the Warrants on the Main Market of Bursa Securities.
Transferability	:	The Warrants may be transferred in accordance with the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Malaysia Depository Sdn Bhd.
Governing law	:	The Warrants and the Deed Poll are governed by, and will be construed in accordance with, the laws of Malaysia.

3.3 Basis and justification for the exercise price of the Warrants

The Warrants will be issued free of any consideration to the Warrants Entitled Shareholders.

The exercise price of the Warrants will be determined by the NewCo Board and announced at a later date upon receipt of all relevant approvals for the Proposed Issuance of Free Warrants but before the announcement of the Warrants Entitlement Date.

The Board intends to fix the exercise price of the Warrants at the 5-day volume-weighted average market price ("**VWAP**") of the AAX Shares / NewCo Shares up to and including the last trading day prior to the price-fixing date of the Warrants.

For illustrative purposes, the exercise price of the Warrants is assumed to be RM1.30 based on the 5-day VWAP of the AAX Shares up to and including the LPD.

3.4 Ranking of the Warrants and new NewCo Shares to be issued pursuant to the exercise of the Warrants

The Warrants Holders are not recognised as NewCo Shareholders and are not entitled to any dividends, rights, allotments and/or other distributions until and unless such Warrants Holders have exercised their Warrants into new NewCo Shares.

The new NewCo Shares to be issued pursuant to the exercise of the Warrants shall, upon allotment, issuance and payment of the exercise price of the Warrants, rank equally in all respects with the then existing issued NewCo Shares, save and except that the holders of such new NewCo Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the NewCo Shareholders, the entitlement date of which is prior to the date of allotment and issuance of the new NewCo Shares pursuant to the exercise of the Warrants.

3.5 Listing and quotation of the Warrants and new NewCo Shares to be issued pursuant to the exercise of the Warrants

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

3.6 Use of proceeds from the exercise of Warrants

The Proposed Issuance of Free Warrants will not raise any immediate funds as the Warrants will be issued free of any consideration to the Warrants Entitled Shareholders.

The NewCo will not receive any proceeds from the Warrants until such time the Warrants are exercised by the Warrants Holders. The exact quantum of proceeds that may be received by the NewCo upon the exercise of the Warrants would depend on the actual number of the Warrants exercised during the tenure of the Warrants and the exercise price of the Warrants to be determined.

Strictly for illustrative purposes, based on the illustrative exercise price of RM1.30 per Warrant, the NewCo will raise gross proceeds of up to approximately RM290.60 million upon full exercise of the Warrants.

Any proceeds from the exercise of Warrants (which will be received on an “as and when” basis over the tenure of the Warrants) will be used to fund the New Aviation Group’s working capital requirements (including but not limited to payment to lessors, suppliers, contractors, consultants and other creditors as well as defrayment of other operational and administrative expenses including payment of staff costs (such as salaries, bonuses, statutory contributions and other staff benefits), user charges, utilities, rental, travelling and accommodation expenses, maintenance and overhaul expenses and other office / operating expenses), for repayment of borrowings and lease liabilities and/or capital expenditure.

The exact breakdown for use of proceeds cannot be determined at this juncture as it would depend on the timing of receipt of such proceeds as well as the actual operating and financing requirements of the New Aviation Group at the relevant time.

Pending the use of proceeds from the exercise of Warrants, such proceeds shall be placed in interest-bearing deposits with licensed financial institutions and/or invested in short-term money market instruments, as the NewCo Board may deem fit. Any interests derived from the deposits with licensed financial institutions and/or gains derived from the short-term money market instruments will be used as additional funds to be used in the manner as abovementioned.

4. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

4.1 Basis and number of Placement Shares to be issued

The Proposed Private Placement is intended to raise gross proceeds of RM1,000.00 million. The quantum of gross proceeds has been determined upfront while the issue price has not been determined at this juncture in order to provide flexibility to the NewCo Board in respect of the pricing of the Placement Shares. Due to potential share price movements, pricing the Placement Shares closer to the implementation of the Proposed Private Placement will enable the issue price of the Placement Shares to take into consideration the prevailing market price of the AAX Shares / NewCo Shares at that point of time.

The actual number of Placement Shares to be issued will depend on the issue price of the Placement Shares to be determined later. For illustrative purposes, if the issue price of the Placement Shares is assumed to be RM1.11, which represents a discount of approximately 14.62% to the 5-day VWAP of the AAX Shares up to and including the LPD of RM1.30 (Source: Bloomberg), the Proposed Private Placement will entail the issuance of 900,900,900 Placement Shares.

The Proposed Private Placement is intended to be implemented after the Warrants Entitlement Date and closer to the implementation of the Proposed Acquisitions. Nonetheless, the Proposed Private Placement may still be implemented in the event that the Proposed Issuance of Free Warrants is not approved and hence, not implemented.

4.2 Placement arrangement

The Placement Shares are intended to be placed to independent third party investor(s) to be identified later. Such investor(s) shall be party(ies) which qualify under Schedule 6 or Schedule 7 of the Capital Markets and Services Act, 2007. The Placement Shares are not intended to be placed to the following persons:-

(i) a director, major shareholder or chief executive of the listed issuer or a holding company of the listed issuer ("**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 1 or multiple tranches (as the investors may be identified and procured over a period of time rather than simultaneously) within a period of 6 months from the date of approval by Bursa Securities for the listing and quotation of the Placement Shares on the Main Market of Bursa Securities or any extended period as may be approved by Bursa Securities, subject to the prevailing market conditions.

4.3 Basis and justification for the issue price of the Placement Shares

The Placement Shares will be issued based on a discount of not more than 15% to the 5-day VWAP of the AAX Shares / NewCo Shares up to and including the last trading day prior to the price-fixing date of the Placement Shares, to be determined by the NewCo Board after taking into consideration the prevailing market conditions.

As the Proposed Private Placement may be implemented in 1 or multiple tranches, there could potentially be several price-fixing dates and issue prices.

For illustrative purposes, the issue price of the Placement Shares is assumed to be RM1.11, which represents a discount of approximately 14.62% to the 5-day VWAP of the AAX Shares up to and including the LPD of RM1.30 (Source: Bloomberg).

4.4 Ranking of the Placement Shares

The Placement Shares shall, upon allotment and issuance, rank equally in all respects with the then existing issued NewCo Shares, save and except that the holders of the Placement Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the NewCo Shareholders, the entitlement date of which is prior to the date of allotment and issuance of the Placement Shares.

4.5 Listing and quotation of the Placement Shares

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

4.6 Details of equity fund-raising exercises undertaken by the Company in the past 12 months

Save as disclosed below, the Company has not undertaken any other equity fund-raising exercises in the past 12 months before the date of this Announcement:-

Placement 2023

On 15 June 2023, the Company completed a placement of 32,258,066 AAX Shares, representing approximately 7.78% of the then total number of issued AAX Shares, raising a total of approximately RM50.0 million ("**Placement 2023**").

As at the LPD, the said proceeds have been fully utilised as follows:-

Use of proceeds	Expected timeframe for use of proceeds from the date of listing of the AAX Shares for Placement 2023	Proceeds raised (RM'000)	Actual use up to the LPD (RM'000)	Balance (RM'000)
(i) General working capital	Within 12 months	49,400	49,400	-
(ii) Expenses in relation to the Placement 2023	Within 1 month	600	600	-
Total		**50,000**	**50,000**	**-**

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

4.7 Use of proceeds from the Proposed Private Placement

The gross proceeds of RM1,000.00 million to be raised from the Proposed Private Placement are intended to be used in the following manner:-

Proposed use of proceeds		Expected timeframe for use of proceeds from the completion of the Proposed Private Placement	Amount (RM'000)
(i)	Additional funds for the New Aviation Group's aviation businesses	Within 24 months	954,500
(ii)	Estimated expenses for the Proposals and Proposed Granting of Subscription Options	Immediate	45,500
Total			**1,000,000**

(i) Additional funds for the New Aviation Group's aviation businesses

The gross proceeds from the Proposed Private Placement are mainly intended to be used in the New Aviation Group's aviation businesses within 24 months from the completion of the Proposed Private Placement in the following manner:-

Purpose	Indicative allocation (RM'000)
• Funding for aircraft, engines and other aircraft parts as well as associated pre-delivery payments	450,000 to 550,000
• Pre-payment / Repayment of the AAB Group's term loan facilities[(1)]	300,000
• General working capital[(2)]	104,500 to 204,500

Notes:-

(1) As at 31 December 2023, the total consolidated borrowings and lease liabilities of AAX, AAAGL and AAB are RM1,512.03 million, RM8,566.00 million and RM15,895.24 million respectively. The proposed pre-payment / repayment of the AAB Group's term loan facilities amounting to RM300.00 million is expected to result in pre-tax annual interest savings of RM35.25 million based on the interest rate of 11.75% of the term loan facilities. The pre-payment / repayment of the AAB Group's term loan facilities is expected to be completed within 6 months from the completion of the Proposed Private Placement.

(2) A portion of the gross proceeds from the Proposed Private Placement is intended to be earmarked for general working capital of the New Aviation Group's aviation businesses. This includes expenses for expansion of new routes, marketing, advertising and promotional activities as well as system enhancements.

Notwithstanding the above, the allocation as disclosed above is indicative and based on the management's best estimate only. The exact breakdown of the proceeds to be used for each component is subject to re-allocation as the NewCo Board may deem fit and in the best interests of the New Aviation Group, depending on the actual operating and financing requirements of the New Aviation Group's aviation businesses at the relevant time.

(ii) Estimated expenses for the Proposals and Proposed Granting of Subscription Options

The breakdown of the estimated expenses for the Proposals and Proposed Granting of Subscription Options are as follows:-

Estimated expenses	**Amount (RM'000)**
Professional fees *(including advisory fees payable to the Principal Adviser, management fees and placement commission payable to the placement agent, and other professional fees payable to, amongst others, the Independent Adviser, solicitors, reporting accountants, independent market researchers, independent valuers and share registrar of the Company in relation to the Proposals and Proposed Granting of Subscription Options)*	40,650
Fees to the relevant authorities in relation to the Proposals and Proposed Granting of Subscription Options	630
Printing, despatch, advertising and meeting expenses as well as miscellaneous expenses and contingencies	4,220
Total	**45,500**

If the actual expenses incurred for the Proposals and Proposed Granting of Subscription Options are higher than the budgeted amount, the deficit will be funded from the gross proceeds allocated for the New Aviation Group's aviation businesses. Conversely, any surplus funds following the payment of expenses for the Proposals and Proposed Granting of Subscription Options will be used for the New Aviation Group's aviation businesses.

In the event the actual gross proceeds to be raised from the Proposed Private Placement is higher or lower than the estimated gross proceeds set out above, such variance shall be adjusted to or from the gross proceeds allocated for the New Aviation Group's aviation businesses.

Pending the use of proceeds from the Proposed Private Placement, such proceeds shall be placed in interest-bearing deposits with licensed financial institutions and/or invested in short-term money market instruments, as the NewCo Board may deem fit. Any interests derived from the deposits with licensed financial institutions and/or gains derived from the short-term money market instruments will be used as additional working capital for the New Aviation Group.

5. DETAILS OF THE PROPOSED AAAGL ACQUISITION

The Proposed AAAGL Acquisition entails the acquisition of the entire equity interest (including any forms of capital contribution and any unissued capital) in AAAGL ("**AAAGL Equity Interest**") by the NewCo from Capital A for a purchase consideration of RM3,000.00 million to be satisfied entirely via the allotment and issuance of 2,307,692,307 new NewCo Shares at an issue price of RM1.30 in accordance with the terms of the AAAGL SSPA.

Subject to the terms of the AAAGL SSPA, the Vendor has agreed to sell and the Purchaser has agreed to purchase the AAAGL Equity Interest free from encumbrances and together with all rights and advantages attaching to them as at completion of the Proposed AAAGL Acquisition (including the right to receive all dividends and distributions declared, made or paid on or after the said completion).

Upon completion of the Proposed AAAGL Acquisition, AAAGL will become a wholly-owned subsidiary of the NewCo (being the new listed entity replacing AAX after the completion of the Proposed Internal Reorganisation).

The salient terms of the AAAGL SSPA are set out in Appendix II of this Announcement.

5.1 Background information on AAAGL

AAAGL was incorporated in Federal Territory of Labuan, Malaysia ("**Labuan**") on 11 September 2003 under the Labuan Companies Act 1990 as a private limited company. AAAGL was formerly known as AA International Ltd until 17 November 2011, AirAsia Investment Ltd until 6 October 2021 and AirAsia Aviation Limited until 6 February 2022, after which it assumed its current name on 7 February 2022.

As at the LPD, the issued share capital of AAAGL is United States Dollars ("**USD**") 5,270,000 comprising 5,270,000 ordinary shares in AAAGL. As at the LPD, AAAGL is a direct wholly-owned subsidiary of Capital A, being the Vendor for the Proposed AAAGL Acquisition.

The directors of AAAGL as at the LPD are Tan Sri Jamaludin bin Ibrahim, Tharumalingam A/L Kanagalingam, Suvabha Charoenying, Lim Serh Ghee, Francisco Edralin Lim, Thandalam Veeravalli Thirumala Chari and Khoo Gaik Bee.

The principal activity of AAAGL is investment in shares outside Malaysia. Through its subsidiaries, namely Thai AirAsia Co. Ltd ("**TAA**"), Philippines AirAsia, Inc. ("**PAA**"), PT Indonesia AirAsia ("**IAA**") and AirAsia (Cambodia) Co. Ltd. ("**CAA**"), the AAAGL Group provides air transport services from Thailand, the Philippines, Indonesia and Cambodia.

Further information on AAAGL is set out in Appendix IV of this Announcement.

5.2 Background information on the Vendor

Capital A was incorporated in Malaysia on 24 August 2017 under the Act as a public limited company under the name of AirAsia Group Berhad. Pursuant to an internal reorganisation undertaken by AAB by way of a members' scheme of arrangement under Section 366 of the Act, Capital A assumed AAB's listing status on the Main Market of Bursa Securities on 16 April 2018. Capital A assumed its current name on 28 January 2022.

As at the LPD, the issued share capital of Capital A is RM8,730,240,986 comprising 4,254,679,350 ordinary shares in Capital A. As at the LPD, the substantial shareholders of Capital A and their respective shareholdings are as follows:-

	Direct		**Indirect**	
Name	**No. of shares**	**%(1)**	**No. of shares**	**%(1)**
Tune Live Sdn Bhd ("**Tune Live**")	509,000,000	11.96	-	-
Tune Air Sdn Bhd ("**Tune Air**")	516,485,082	12.14	-	-
Positive Boom Limited	332,498,504	7.81	-	-
Tan Sri Anthony Francis Fernandes ("**Tan Sri Tony Fernandes**")	1,600,000	0.04	1,025,485,082(2)	24.10
Datuk Kamarudin bin Meranun ("**Datuk Kamarudin**")	2,000,000	0.05	1,025,485,082(2)	24.10
Choi Chiu Fai, Stanley	-	-	332,498,504(3)	7.81

Notes:-

(1) Based on 4,254,679,350 issued shares of Capital A as at the LPD.

(2) Deemed interested by virtue of his interests in Tune Live and Tune Air pursuant to Section 8 of the Act.

(3) Deemed interested by virtue of his interest in Positive Boom Limited pursuant to Section 8 of the Act.

The directors of Capital A as at the LPD and their respective shareholdings in Capital A are as follows:-

	Direct		Indirect	
Name	**No. of shares**	**%(1)**	**No. of shares**	**%(1)**
Tan Sri Tony Fernandes	1,600,000	0.04	1,025,485,082(2)	24.10
Datuk Kamarudin	2,000,000	0.05	1,025,485,082(2)	24.10
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	-	-	-	-
Dato' Fam Lee Ee	-	-	-	-
Dato' Mohamed Khadar bin Merican	100,000	-(3)	-	-

Notes:-

(1) Based on 4,254,679,350 issued shares of Capital A as at the LPD.

(2) Deemed interested by virtue of his interests in Tune Live and Tune Air pursuant to Section 8 of the Act.

(3) Negligible.

The principal activity of Capital A is investment holding. Through its group of companies, Capital A is involved in aviation business and non-aviation businesses (such as aviation services including aircraft maintenance and in-flight meal services, travel and lifestyle super app, digital financial services platform, logistics services and brand management of "AirAsia" brand) in the Asia region.

5.3 Basis and justification for the AAAGL Purchase Consideration

The AAAGL Purchase Consideration was arrived at on a willing-buyer willing-seller basis after a series of negotiations with the Vendor and taking into consideration, amongst others, that the AAAGL Purchase Consideration (RM3,000.00 million) is within the range of valuation for the entire equity interest in AAAGL of between RM2,697.00 million and RM3,511.00 million as at the valuation date of 31 December 2023 based on the valuation undertaken by Deloitte Corporate Advisory Services Sdn Bhd ("**Deloitte**" or the "**Valuer**").

In justifying the AAAGL Purchase Consideration, the AAX Board (save for the Interested Directors) has taken into consideration the following:-

(i) rationale and benefits of the Proposed Acquisitions as set out in Section 9.4 of this Announcement;

(ii) outlook of the aviation industry and prospects of the Target Companies and the New Aviation Group as set out in Section 10 of this Announcement;

(iii) the AAAGL Purchase Consideration falls within the abovementioned range of valuation for the entire equity interest in AAAGL of between RM2,697.00 million and RM3,511.00 million as at 31 December 2023 as set out in Deloitte's valuation letter.

The abovementioned range of valuation was arrived at based on the adjusted net asset value of AAAGL, which is computed as follows:-

	Low range (USD million)	High range (USD million)
Unaudited net assets attributable to the owners ("**NA**") of AAAGL as at 31 December 2023	236	236
Adjustments:-		
(1) Upliftment in fair value of AAAGL's investments	211	389
(2) Capital contribution from Capital A arising from capitalisation of the amount owing by AAAGL to Capital A	141	141
(3) Cost of investment incurred for the acquisition of 100% equity interest in AA Com Travel Philippines Inc. from AirAsia Com Travel Sdn Bhd, a subsidiary of Capital A, which was completed on 25 March 2024	* (represents approximately USD0.2 million)	* (represents approximately USD0.2 million)
Adjusted net assets value of AAAGL	**588**	**765**
Range of valuation (RM'million)	**2,697**	**3,511**

In arriving at the valuation for the equity interest in AAAGL (being an investment holding company), the Valuer has considered valuation of AAAGL's investments in its major operating subsidiaries / AOCs, namely TAA, PAA and IAA, which are low-cost airline companies operating from Thailand, the Philippines and Indonesia respectively. No valuation was performed for CAA which is scheduled to commence operation in May 2024.

For the valuation of TAA, PAA and IAA, the Valuer has considered a number of valuation approaches and adopted the discounted cash flow ("**DCF**") method of valuation as the primary method using the 5-year financial projections of TAA, PAA and IAA from 1 January 2024 to 31 December 2028 together with the underlying bases and assumptions.

The DCF method focuses on the expected cash flows of the subject companies and hence, accords recognition of the subject companies' anticipated economic potential.

Based on the valuation of the AOCs and their respective investment holding companies as appraised by Deloitte, the Valuer has made an adjustment to the unaudited NA of AAAGL as at 31 December 2023 to uplift the fair value of AAAGL's direct investments and indirect investments (through investment holding companies) in the AOCs, namely TAA, PAA and IAA.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

The details of the valuation of the AOCs and their respective investment holding companies as well as the upliftment in fair value of AAAGL's investments are as follows:-

Valuation of the AOCs and their respective investment holding companies

Name of companies	Valuation based on 100% equity interest Low range (USD million)	Valuation based on 100% equity interest High range (USD million)
AOCs		
• TAA	693	872
• PAA	134	219
• IAA	167	210
Investment holding companies		
• Asia Aviation Public Company Limited (with 100.00% equity interest in TAA)	697	876
• AA Com Travel Philippines Inc. (with 60.00% equity interest in AirAsia Inc., which in turn holds 99.66% equity interest in PAA)	131	182
• AirAsia Inc. (with 99.66% equity interest in PAA)	246	330
• PT AirAsia Indonesia Tbk (with 57.25% equity interest in IAA)	93	118

Upliftment in fair value of AAAGL's investments

AAAGL's investments	Range of equity value based on equity interest held by AAAGL Low range (USD million)	Range of equity value based on equity interest held by AAAGL High range (USD million)
• 20.95% equity interest in IAA	35	44
• 40.71% equity interest in Asia Aviation Public Company Limited	284	357
• 100.00% equity interest in AA Com Travel Philippines Inc.	131	182
• 40.00% equity interest in AirAsia Inc.	98	132
• 46.25% equity interest in PT AirAsia Indonesia Tbk	43	54
	591	769
Add: Investment in convertible bond issued by AirAsia Inc.	25	25
Less: Carrying amount of AAAGL's investments as at 31 December 2023	(405)	(405)
Upliftment in fair value of AAAGL's investments	**211**	**389**

(iv) the AAAGL Purchase Consideration (RM3,000.00 million) represents a discount of approximately RM104.00 million or 3.35% to the mid-point of the valuation range for AAAGL (being RM3,104.00 million) and the Total Purchase Consideration (RM6,800.00 million) represents a discount of approximately RM225.50 million or 3.21% to the aggregate of the mid-point of the valuation range for AAAGL and AAB (being RM7,025.50 million).

5.4 Basis and justification for the issue price of the Consideration Shares

The issue price of RM1.30 per Consideration Share was determined after taking into consideration the 5-day VWAP of the AAX Shares up to and including the LPD.

In arriving at the issue price of the Consideration Shares, the Company had taken into consideration the following:-

(i) the issue price of RM1.30 per Consideration Share:-

   (a) is equivalent to the closing market price of the AAX Shares as at the LPD;

   (b) is equivalent to the 5-day VWAP of the AAX Shares up to and including the LPD; and

   (c) represents a premium of approximately 348.28% over the unaudited consolidated NA of AAX for the financial year ended ("**FYE**") 31 December 2023 of RM0.29 per AAX Share; and

(ii) the issuance of the Consideration Shares to fully satisfy the AAAGL Purchase Consideration allows the AAX Group to conserve its cash for its working capital requirements.

For information purposes, the issue price of the Consideration Shares represents a premium of approximately 4.84% over the closing market price of the AAX Shares as at the last trading day prior to the date of the AAAGL SSPA ("**LTD**") of RM1.24 and a premium of approximately 7.44% over the 5-day VWAP of AAX Shares up to and including the LTD of RM1.21 (Source: Bloomberg).

5.5 Ranking of the Consideration Shares

The Consideration Shares shall, upon allotment and issuance, rank equally in all respects with the then issued NewCo Shares, save and except that the holder of the Consideration Shares shall not be entitled to any dividends, rights, allotments and/or any other distributions which may be declared, made or paid to the NewCo Shareholders, the entitlement date of which is prior to the date of allotment and issuance of the Consideration Shares.

5.6 Listing and quotation of the Consideration Shares

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

5.7 Source of funding

The AAAGL Purchase Consideration will be satisfied entirely via the allotment and issuance of the Consideration Shares.

5.8 Liabilities to be assumed

Save for the obligations and liabilities of the NewCo arising from or in connection with the AAAGL SSPA for the Proposed AAAGL Acquisition, there are no other liabilities, including contingent liabilities and guarantees, to be assumed by the NewCo arising from the Proposed AAAGL Acquisition.

5.9 Additional financial commitment

In view that the AAAGL Group is already in operation, the Company does not expect the NewCo to incur any additional material financial commitment to put the business of the AAAGL Group on-stream following the completion of the Proposed AAAGL Acquisition.

5.10 Original cost and date of investment of the Vendor in AAAGL

The original cost and date of investment of the Vendor in AAAGL are as follows:-

Date of investment	Number of shares	Cost of investment (RM'000)
30 August 2018	5,270,000	19,990

5.11 Proposed Distribution by Capital A

The AAAGL Purchase Consideration of RM3,000.00 million will be satisfied entirely via the allotment and issuance of 2,307,692,307 Consideration Shares at an issue price of RM1.30.

Capital A intends to distribute approximately RM2,200.00 million in value of the Consideration Shares ("**Distribution Shares**") to the entitled shareholders of Capital A based on their respective shareholdings on an entitlement date to be determined later by way of distribution-in-specie via a reduction and repayment of Capital A's share capital pursuant to Section 116 of the Act ("**Proposed Distribution by Capital A**"). As Capital A intends to distribute approximately RM2,200.00 million in value of the Distribution Shares, the number of Distribution Shares shall be approximately 1,692.31 million new NewCo Shares.

The Distribution Shares will be allotted and issued to the entitled shareholders of Capital A and credited directly into their central depository accounts based on the proportion of their shareholdings in Capital A on the entitlement date for the Proposed Distribution by Capital A. The remaining Consideration Shares will be allotted and issued to Capital A.

Capital A is not expected to trigger any take-over obligation arising from the share settlement of the Proposed AAAGL Acquisition.

5.12 Amount owing to/from Capital A and its group of companies (excluding the AAAGL Group and AAB Group) ("Capital A Group")

As at 31 December 2023, the AAAGL Group has non-trade amount owing to the Capital A Group of RM54.83 million. It is the intention of the parties to the AAAGL SSPA that the non-trade amount owing between the AAAGL Group and Capital A Group on the date of completion of the Proposed AAAGL Acquisition shall be fully settled within 1 year following from the completion of the Proposed AAAGL Acquisition.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

6. DETAILS OF THE PROPOSED AAB ACQUISITION

The Proposed AAB Acquisition entails the acquisition of the entire equity interest (including any forms of capital contribution and any unissued capital) in AAB ("**AAB Equity Interest**") by the NewCo from Capital A for a purchase consideration of RM3,800.00 million to be satisfied entirely via the assumption by the NewCo of the amount owing by Capital A to AAB in accordance with the terms of the AAB SSPA.

Subject to the terms of the AAB SSPA, the Vendor has agreed to sell and the Purchaser has agreed to purchase the AAB Equity Interest free from encumbrances (save as disclosed in the Vendor's disclosure letter in respect of the AAB SSPA) and together with all rights and advantages attaching to them as at completion of the Proposed AAB Acquisition (including the right to receive all dividends and distributions declared, made or paid on or after the said completion).

Upon completion of the Proposed AAB Acquisition, AAB will become a wholly-owned subsidiary of the NewCo (being the new listed entity replacing AAX after the completion of the Proposed Internal Reorganisation).

The salient terms of the AAB SSPA are set out in Appendix III of this Announcement.

6.1 Background information on AAB

AAB was incorporated in Malaysia on 20 December 1993 under the Companies Act, 1965 as a private limited company under the name of AirAsia Sdn Bhd and is deemed registered under the Act. AAB was converted into a public limited company on 8 June 2004. AAB was listed on the Main Market of Bursa Securities on 22 November 2004. Subsequently, pursuant to an internal reorganisation undertaken by AAB by way of a members' scheme of arrangement under Section 366 of the Act, AAB was delisted and its listing status on the Main Market of Bursa Securities was assumed by Capital A on 16 April 2018.

As at the LPD, the issued share capital of AAB is RM2,515,673,745 comprising 3,341,974,080 ordinary shares in AAB. As at the LPD, AAB is a direct wholly-owned subsidiary of Capital A, being the Vendor for the Proposed AAB Acquisition. The background information on the Vendor is set out in Section 5.2 of this Announcement.

The directors of AAB as at the LPD are Datuk Kamarudin, Riad Asmat and Jasmindar Kaur A/P Sarban Singh.

The principal activity of AAB is providing air transport services from Malaysia.

Further information on AAB is set out in Appendix V of this Announcement.

6.2 Basis and justification for the AAB Purchase Consideration

The AAB Purchase Consideration was arrived at on a willing-buyer willing-seller basis after a series of negotiations with the Vendor and taking into consideration, amongst others, that the AAB Purchase Consideration (RM3,800.00 million) is within the range of valuation for the entire equity interest in AAB of between RM3,477.00 million and RM4,366.00 million as at the valuation date of 31 December 2023 based on the valuation undertaken by Deloitte.

In justifying the AAB Purchase Consideration, the AAX Board (save for the Interested Directors) has taken into consideration the following:-

(i) rationale and benefits of the Proposed Acquisitions as set out in Section 9.4 of this Announcement;

(ii) outlook of the aviation industry and prospects of the Target Companies and the New Aviation Group as set out in Section 10 of this Announcement;

(iii) the AAB Purchase Consideration falls within the abovementioned range of valuation for the entire equity interest in AAB of between RM3,477.00 million and RM4,366.00 million as at 31 December 2023 as set out in Deloitte's valuation letter.

In arriving at the valuation for the equity interest in AAB, the Valuer has considered a number of valuation approaches and adopted the DCF method of valuation as the primary method using the 5-year financial projections of AAB from 1 January 2024 to 31 December 2028 together with the underlying bases and assumptions. The DCF method focuses on the expected cash flows of the subject company and hence, accords recognition of the subject company's anticipated economic potential; and

(iv) the AAB Purchase Consideration (RM3,800.00 million) represents a discount of approximately RM121.50 million or 3.10% to the mid-point of the valuation range for AAB (being RM3,921.50 million) and the Total Purchase Consideration (RM6,800.00 million) represents a discount of approximately RM225.50 million or 3.21% to the aggregate of the mid-point of the valuation range for AAAGL and AAB (being RM7,025.50 million).

6.3 Source of funding

The AAB Purchase Consideration will be satisfied entirely via the Debt Settlement.

6.4 Liabilities to be assumed

Save for the obligations and liabilities of the NewCo arising from or in connection with the AAB SSPA for the Proposed AAB Acquisition, there are no other liabilities, including contingent liabilities and guarantees, to be assumed by the NewCo arising from the Proposed AAB Acquisition.

6.5 Additional financial commitment

In view that the AAB Group is already in operation, the Company does not expect the NewCo to incur any additional material financial commitment to put the business of the AAB Group on-stream following the completion of the Proposed AAB Acquisition.

6.6 Original cost and date of investment of the Vendor in AAB

The original cost and date of investment of the Vendor in AAB are as follows:-

Date of investment	Number of shares	Cost of investment (RM'000)
16 April 2018	3,341,974,080	8,023,268

6.7 Vendor's Pre-Completion Restructuring

Prior to the completion of the Proposed Acquisitions, the Capital A's group of companies will undertake an internal restructuring exercise which entails the following:-

(i) the sale and transfer of 57,072,850 AAX Shares, representing 12.77% equity interest in AAX as at the LPD, from AAB to Capital A ("**AAX Stake Transfer**"); and

(ii) the streamlining of intercompany debts amongst Capital A, the AAAGL Group and AAB Group by way of reassignment of intercompany debts and offsetting arrangements,

(collectively, the "**Vendor's Pre-Completion Restructuring**").

6.8 Amounts owing to/from the Capital A Group

As at 31 December 2023 and after adjusting for the Vendor's Pre-Completion Restructuring, the AAB Group has non-trade amount owing from the Capital A Group of RM3,825.49 million (of which RM3,800.00 million will be assumed by the NewCo pursuant to the Debt Settlement). It is the intention of the parties to the AAB SSPA that the non-trade amount owing between the AAB Group and Capital A Group on the date of completion of the Proposed AAB Acquisition shall be fully settled within 1 year following the completion of the Proposed AAB Acquisition.

7. DETAILS OF THE PROPOSED SHARE CAPITAL REDUCTION

The Proposed Share Capital Reduction entails the reduction of the issued share capital of the NewCo to RM100.00 million by cancelling paid-up share capital which is lost or unrepresented by available assets pursuant to Section 116(1) of the Act.

The Proposed Share Capital Reduction will give rise to a credit which will be used to eliminate the accumulated losses of the NewCo arising from the consolidation of accumulated losses of the Target Companies after the completion of the Proposed Acquisitions. Any balance credit after elimination of the NewCo's accumulated losses will be credited to a capital reserve account of the NewCo which serves as additional credit buffer to set off any future losses of the NewCo and/or for such other purposes allowed under the relevant applicable laws, the Listing Requirements as well as the Constitution of the NewCo but excluding the diminution of liability in respect of unpaid share capital or payment to any shareholders of any paid-up share capital. Save for the abovementioned purposes, the capital reserve account shall not be distributable without confirmation of the High Court of Malaya.

The Board has decided to undertake the reduction of the issued share capital of the NewCo to RM100.00 million in order to fully eliminate the NewCo's accumulated losses as well as to have additional credit buffer which can be used to set off any future losses of the NewCo.

The Proposed Share Capital Reduction is intended to be implemented after the Proposed Internal Reorganisation, Proposed Issuance of Free Warrants, Proposed Private Placement and Proposed Acquisitions.

After the Proposed Internal Reorganisation, Proposed Issuance of Free Warrants, Proposed Private Placement and Proposed Acquisitions, the NewCo will have a total of up to 3,655,666,011 NewCo Shares (none of which are held as treasury shares) and up to 223,536,402 Warrants.

For the avoidance of doubt, the Proposed Share Capital Reduction:-

(i) will not result in any adjustment to the reference price of the NewCo Shares and Warrants;

(ii) will not give rise to any change in the total number of issued NewCo Shares and Warrants; and

(iii) will not result in any change in the number of NewCo Shares held by the NewCo Shareholders and Warrants held by the Warrants Holders.

An order by the High Court of Malaya will be sought to confirm the Proposed Share Capital Reduction pursuant to Section 116 of the Act upon the approval being obtained from the AAX Shareholders and/or NewCo Shareholders for the Proposed Share Capital Reduction.

The Proposed Share Capital Reduction shall take effect upon lodgement of the sealed order granted by the High Court of Malaya confirming the Proposed Share Capital Reduction with the Registrar of Companies pursuant to Section 116(6) of the Act.

The pro forma effects of the Proposed Share Capital Reduction are set out in Section 13 of this Announcement.

8. DETAILS OF THE PROPOSED GRANTING OF SUBSCRIPTION OPTIONS

8.1 Basis and number of Subscription Shares to be issued

The Proposed Granting of Subscription Options entails the granting by the NewCo to Garynma the rights to subscribe for such number of NewCo Shares representing, in aggregate, 15% of the total enlarged issued shares in the NewCo immediately after the completion of the Proposed Acquisitions (excluding treasury shares, if any) via 3 Subscription Options of 5% each. All the 3 Subscription Options will be granted by the NewCo to the Subscriber immediately after the completion of the Proposed Acquisitions.

Each Subscription Option granted may be individually accepted in full or in part by the Subscriber at any point of time within 24 months from the date of granting of the Subscription Option. Upon acceptance of a Subscription Option by the Subscriber, the Subscription Option may be exercised by the Subscriber at any point of time during a period of 48 months from the date of granting of the Subscription Option ("**Subscription Option Period**") to subscribe, in full or in part, for the Subscription Shares. Any Subscription Options not accepted or not exercised by the Subscriber within the stipulated period shall lapse and cease to be valid for any purpose.

The actual number of Subscription Shares to be issued will depend on the total number of NewCo Shares in issue after the completion of the Proposed Acquisitions and the number of Subscription Shares subscribed by the Subscriber during the Subscription Option Period.

An agreement for the implementation of the Proposed Granting of Subscription Options will be entered into between the NewCo and Garynma at a later date after the receipt of the AAX Shareholders' approval for the Proposed Granting of Subscription Options at an extraordinary general meeting to be held. The proposed salient terms of the said agreement are as set out in Section 8 of this Announcement.

8.2 Background information on the Subscriber

Garynma was incorporated in Singapore as a private company limited by shares under the Singapore Companies Act 1967 on 2 June 2021 under the name of Garynma Investments Pte Ltd. Garynma is principally involved in the business of investment holding.

As at the LPD, Garynma has an issued share capital of 100 Singapore Dollars ("**SGD**"), comprising 100 ordinary shares. The sole shareholder of Garynma is Cosima Investments Pte Ltd, which is wholly owned by Dato' Lim Kian Onn.

The directors of Garynma as at the LPD are Dato' Lim Kian Onn and Caryn Lim Su Yin.

8.3 Basis and justification for the issue price of the Subscription Shares

The issue price of the Subscription Shares comprised in each Subscription Option shall be the closing market price of the NewCo Shares as at the last trading day prior to acceptance by the Subscriber of the grant of the relevant Subscription Option during the Subscription Option Period. For the avoidance of doubt, as each Subscription Option granted may be individually accepted in full or in part by the Subscriber at any point of time within 24 months from the date of granting of the Subscription Option, the date of acceptance of each Subscription Option and hence, the issue price of the Subscription Shares comprised in each Subscription Option may be different.

The issue price of the Subscription Shares will be subject to adjustment if any alteration is made to the share capital of the NewCo at any time during the Subscription Option Period such as by way of rights issue, bonus issue, consolidation of shares, subdivision of shares, capital repayment or capital distribution.

8.4 Ranking of the Subscription Shares

The Subscription Shares shall, upon allotment and issuance, rank equally in all respects with the then existing issued NewCo Shares, save and except that the holder of the Subscription Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the NewCo Shareholders, the entitlement date of which is prior to the date of allotment and issuance of the Subscription Shares.

8.5 Listing and quotation of the Subscription Shares

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

8.6 Use of proceeds from the issuance of Subscription Shares

The Proposed Granting of Subscription Options will not raise any immediate funds until such time the Subscriber subscribes for the Subscription Shares. The exact quantum of proceeds that may be received by the NewCo from the issuance of Subscription Shares would depend on the number of Subscription Shares subscribed by the Subscriber during the Subscription Option Period and the issue price of the Subscription Shares.

Any proceeds from the issuance of Subscription Shares (which will be received on an "as and when" basis over the Subscription Option Period) will be used to fund the New Aviation Group's working capital requirements (including but not limited to payment to lessors, suppliers, contractors, consultants and other creditors as well as defrayment of other operational and administrative expenses including payment of staff costs (such as salaries, bonuses, statutory contributions and other staff benefits), user charges, utilities, rental, travelling and accommodation expenses, maintenance and overhaul expenses and other office / operating expenses), for repayment of borrowings and lease liabilities and/or capital expenditure.

The exact breakdown for use of proceeds cannot be determined at this juncture as it would depend on the timing of receipt of such proceeds as well as the actual operating and financing requirements of the New Aviation Group at the relevant time.

Pending the use of proceeds from the issuance of Subscription Shares, such proceeds shall be placed in interest-bearing deposits with licensed financial institutions and/or invested in short-term money market instruments, as the NewCo Board may deem fit. Any interests derived from the deposits with licensed financial institutions and/or gains derived from the short-term money market instruments will be used as additional funds to be used in the manner as abovementioned.

9. RATIONALE AND BENEFITS OF THE PROPOSALS AND PROPOSED GRANTING OF SUBSCRIPTION OPTIONS

9.1 Proposed Internal Reorganisation

Based on the current corporate structure of the AAX Group, AAX is the investment holding company of the AAX Group listed on the Main Market of Bursa Securities as well as the operating company for the provision of medium and long-haul air transportation services in Malaysia. Through the Proposed Internal Reorganisation, the investment holding function and the airline business will be separated whereby:-

(i) the NewCo, an investment holding company, will directly own 100% of the issued share capital of AAX, and assume the listing status of AAX;

(ii) the existing AAX Shareholders will be NewCo Shareholders; and

(iii) AAX will cease its function as the listed entity for the AAX Group and continue as an unlisted investment holding company as well as an operating airline company.

The separation of the NewCo (as the listed entity) from its operating entities safeguards the NewCo against direct operating risks such as litigation claims arising from operations and business activities of the operating entities.

In addition, the Proposed Internal Reorganisation also serves to establish a new holding company to house all the airline entities operating under the "AirAsia" brand (including "AirAsia X" brand) and the aviation-related businesses currently undertaken by the AAX Group, AAAGL Group and AAB Group following the completion of the Proposed Acquisitions.

Please refer to Appendix I of this Announcement for the changes in corporate structure after the Proposed Internal Reorganisation, Proposed Private Placement and Proposed Acquisitions.

9.2 Proposed Issuance of Free Warrants

The Proposed Issuance of Free Warrants is undertaken to:-

(i) reward the AAX Shareholders for their continuous support towards the AAX Group by enabling them to participate in convertible securities of the NewCo, which are tradable on the Main Market of Bursa Securities, without incurring any cost;

(ii) provide the AAX Shareholders with an opportunity to increase their equity participation in the NewCo at a pre-determined exercise price over the tenure of the Warrants, and to allow the AAX Shareholders to further participate in the future growth of the New Aviation Group when the Warrants are exercised;

(iii) provide the New Aviation Group with additional funds for its operating and financing requirements as and when the Warrants are exercised in the future without incurring interest expenses as compared to debt facilities; and

(iv) strengthen the capital base of the New Aviation Group by increasing the size of the shareholders' funds arising from the exercise of the Warrants and provide the New Aviation Group with greater flexibility in terms of the options available to meet its future funding requirements.

9.3 Proposed Private Placement

The Proposed Private Placement is undertaken to strengthen the financial position of the AAX Group / NewCo prior to undertaking the Proposed Acquisitions, and to raise additional funds which shall be used in the manner as set out in Section 4.7 of this Announcement.

After due consideration of the various methods of fund-raising available to AAX / NewCo as well as, amongst others, prevailing market conditions, size of the fund-raising and the debt capacity of AAX / NewCo, the Board is of the view that the Proposed Private Placement is the most appropriate means to raise the funds required as it is expected to:-

(i) raise funds expeditiously and cost effectively as compared to a pro-rata issuance of securities such as a rights issue and without incurring interest expenses as compared to debt facilities;

(ii) allow AAX / NewCo to potentially attract more local and/or international investors, thereby potentially widening its shareholders' base;

(iii) increase the total number of shares in issue which in turn may improve the trading liquidity of the shares; and

(iv) enlarge the capital base of AAX / NewCo thereby strengthening its financial position upon completion of the Proposed Private Placement.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

9.4 Proposed Acquisitions

Upon completion of the Proposed Acquisitions, the New Aviation Group will house all the airline entities operating under the "AirAsia" brand (including "AirAsia X" brand) and the aviation-related businesses currently undertaken by the AAX Group, AAAGL Group and AAB Group.

There will be 7 airlines operating under the enlarged aviation group, namely (1) 'Malaysia AirAsia' operated by AAB, (2) 'Thai AirAsia' operated by TAA, (3) 'Philippines AirAsia' operated by PAA, (4) 'Indonesia AirAsia' operated by IAA, (5) 'AirAsia Cambodia' operated by CAA, (6) 'AirAsia X' operated by AAX and (7) 'Thai AirAsia X' operated by Thai AirAsia X Co., Ltd ("**TAAX**"). Each airline holds its respective AOCs and these AOCs will continue to be held separately by different entities within the New Aviation Group as each airline focuses on different destinations and flight routes which cater to the travelling needs from different groups of customers.

The Proposed Acquisitions present an opportunity to the AAX Shareholders to own a part of the New Aviation Group that will house award-winning airlines with over 22 years of established history and track record (which will operate and provide a full spectrum of short, medium and long-haul low-cost air transportation services, with domestic flights and international flights from Malaysia, Thailand, the Philippines, Indonesia and Cambodia to numerous destination countries) and to bear the risks and rewards associated with ownership of the enlarged aviation group amidst the anticipated recovery of international air traffic post COVID-19. The Proposed Acquisitions will allow the NewCo to consolidate the earnings of all the abovementioned airlines entities operating under the "AirAsia" brand (including "AirAsia X" brand).

The Proposed Acquisitions are expected to enable the New Aviation Group to achieve elevated synergistic benefits in 3 areas, i.e. (i) centralised decision-making, (ii) flexibility in fleet management and utilisation and (iii) more economies of scale and cost savings, which are expected to drive the business success of the enlarged aviation group as elaborated below:-

(i) Centralised decision-making

With the Proposed Acquisitions, the AAX Group, AAAGL Group and AAB Group will be held under the same parent company, which is the NewCo. This allows for the streamlining of administrative, operational, reporting and decision-making processes through a centralised management and leadership within the New Aviation Group.

Following the completion of the Proposed Acquisitions, a centralised leadership is intended to be established under Tharumalingam Kanagalingam (better known as Bo Lingam) ("**Bo Lingam**") as the Group Chief Executive Officer of the New Aviation Group and he will be assisted by a team of experienced key senior management team which comprises existing key senior management personnel of the AAX Group, AAAGL Group and AAB Group, who have in-depth knowledge of the operations of the respective airlines. A centralised leadership will enable the consolidation of collaborations and business decision-making across all entities within the New Aviation Group and this will help rationalise the operations, improve efficiency across all business functions and processes, in addition to providing greater flexibility for the New Aviation Group to set the future business and strategic directions and business strategies.

In preparation for the Proposed Acquisitions to streamline aviation business functions and processes amongst the airlines in the New Aviation Group, key aviation business functions such as treasury, legal, human resources, airline operations, corporate communications, airline strategy, fleet, network, scheduling and regulatory affairs, safety, operational quality assurance, airport partnerships and incentives, aircraft leasing, maintenance and lease restructuring, route revenue, and airline marketing functions are being taken over by AirAsia Aviation Management Services Sdn Bhd ("**AAAMS**"). As at the LPD, AAB and AAAGL have entered into service agreements with AAAMS for these services. Similarly, AAX will be entering into a service agreement with AAAMS for these services in the near future, subject to the Company obtaining its Shareholders' mandate to enter into such recurrent related party transactions. Prior to this, the airlines have appointed AirAsia SEA Sdn Bhd and/or AirAsia SEA Limited, both of which are subsidiaries of Capital A, to provide business functions for the operations of the airlines.

AAAMS is a wholly-owned subsidiary of AAAGL and will be part of the New Aviation Group after the Proposed Acquisitions. This arrangement enables enhanced efficiency as decision-making related to aviation business for all the airlines to be housed under the New Aviation Group will be centralised and eliminates tedious administrative procedures which are otherwise required for compliance with the requirements under the Listing Requirements in respect of recurrent related party transactions if the services are rendered by AirAsia SEA Sdn Bhd which will remain as a subsidiary of Capital A.

(ii) Flexibility in fleet management and utilisation

Generally, the airlines to be housed under the New Aviation Group adopt focused aircraft fleet operations whereby the AAX Group operates medium and long-haul flights using widebody aircraft (i.e. A330-300 series aircraft), while the AAAGL Group and AAB Group operate short-haul flights using primarily narrowbody aircraft (i.e. A320-series aircraft). The aircraft leased and operated by each airline can only be shared between airlines by subleasing through wet lease arrangements, where an airline provides an aircraft together with the pilots and cabin crew to operate the aircraft. Due to lengthy administrative and decision-making processes, including adherence to the Listing Requirements particularly in areas of related party transactions, the AAX Group, AAAGL Group and AAB Group have rarely entered into wet lease arrangements to cross utilise their aircraft in the past.

Under a centralised leadership and management, the New Aviation Group expects to increase cross utilisation of aircraft across the airlines through wet lease arrangements, subject to approval by the respective local aviation authorities in the countries where the New Aviation Group operates. With the housing of the airlines under a common parent company, the administrative procedures and decision-making process will be simplified and the New Aviation Group will be more flexible in effectively and more conveniently deploying the suitable type of aircraft based on the prevailing needs from each airline within the enlarged aviation group, passenger volume and take-up rate. Consequently, this will ease operational processes and optimise the utilisation of the fleet of aircraft across airlines, which are expected to enhance the New Aviation Group's overall operational efficiency and cost management, and eventually benefit its financial performance.

The scheduling and deployment of aircraft under the enlarged aviation group can be arranged based on prevailing market demand to achieve optimal passenger loads in order to offer competitive flight ticket pricing while achieving reasonable profitability margin as well as potentially capture a higher market share for air travel within the Southeast Asia and Asia Pacific regions by organising more co-ordinated network plans as follows:-

(a) Right-sizing capacity based on demand

Due to the seasonality factor leading to peak travel periods for some of the AAX Group's medium-haul routes (especially routes for holiday destinations), these medium-haul routes operated by the AAX Group may face decreases in passenger volume during non-peak seasons. When a widebody aircraft is deployed with small passenger loads, it reduces the revenue and may impact profitability margin and affect the ability to offer competitive flight ticket pricing for that route. The flexibility for the New Aviation Group, after the Proposed Acquisitions, to schedule and deploy more narrowbody aircraft during non-peak seasons will allow it to rationalise on the reduced passenger loads with the use of narrowbody aircraft which has a smaller passenger capacity.

On the contrary, certain short-haul flights operated under the AAAGL Group and AAB Group may face seasonality increases in passenger volume during festive seasons which trigger back-to-hometown crowds for domestic flights, or sporadic increases in demand to popular international destinations such as Singapore, Bangkok and Bali. The flexibility for the New Aviation Group to schedule and deploy more widebody aircraft operated under the enlarged aviation group to cater to such increased demand will allow it to capitalise on such sales opportunities on routes with slot constraints as a widebody aircraft has a larger passenger capacity than a narrowbody aircraft.

(b) Efficient aircraft deployment

Additionally, flexibility in aircraft deployment will allow the New Aviation Group to schedule and deploy aircraft according to the take-up rate of existing and new routes for profit maximisation whilst ensuring cost-efficiency.

Through more co-ordinated network plans, the New Aviation Group will be able to plan and organise its aircraft deployment and schedule more connecting flights (i.e. Fly-Thru services) to better connect short-haul networks (usually with high flight frequencies) to the medium and long-haul destinations (with lower flight frequencies). The increased number of connecting flights is expected to offer more convenience to the long-haul passengers to match their travelling schedule. This enables the New Aviation Group to potentially capture a higher market share for air travel.

Flexibility in fleet and network deployment is also envisioned to drive the growth of the New Aviation Group with the option to deploy narrowbody aircraft to new routes at the infancy stage, socialising new markets without excess capacity to flood the markets and only transitioning to full widebody capacity once the markets mature.

Moving forward, the New Aviation Group plans to continue to review its fleet plan from time to time and may order or lease more aircraft to respond to changes in the aviation industry and to enhance its air connectivity. As at the LPD, the airlines to be housed under the New Aviation Group collectively have an order of about 400 aircraft from Airbus (mainly secured by AAB, with scheduled delivery commencing from 2024 up until 2035), providing the New Aviation Group with certainty for aircraft deliveries to meet its fleet replacement and expansion plans. Closer to the delivery and prior to the finalisation of lease documents where the aircraft will be tagged to an airline, the New Aviation Group has the flexibility to deploy the aircraft to any of its airlines based on the suitability and prevailing needs of each airline.

The access to the enlarged aviation group's collective orderbook is critical for the AAX Group's long-term growth prospects, which is currently limited as a result of the necessary corporate exercises undertaken during the COVID-19 pandemic. At the height of the COVID-19 pandemic, the AAX Group (i) downsized its aircraft orderbook consisting of A330neo aircraft and A321XLR aircraft and (ii) deferred delivery of the orderbook until 2026. While necessary at that time, the AAX Group now faces limitation in its expansion prospects in the immediate term as world over, airlines recovery and by extent of such recovery, demand for additional aircraft capacity were on unparalleled scale.

The Proposed Acquisitions are envisioned to enable the AAX Group to access immediate fleet growth prospects through the AAAGL Group's and AAB Group's existing orderbook, with delivery between 2024 and 2035. Aircraft deliveries from this orderbook are envisioned to be allocated to AOCs within the New Aviation Group as necessary to facilitate continued growth and expansion for all "AirAsia"-branded airlines including the AAX Group, thereby averting a scenario of fleet stagnation and losing market share to growing competitors locally and regionally.

(iii) More economies of scale and cost savings

Potential interest savings and greater fund-raising capability: Despite sharing some common shareholders, the AAX Group negotiated its lease contracts and lease facilities separately from the AAAGL Group and AAB Group, and the AAX Group's credit track record was generally assessed independently from the AAAGL Group and AAB Group.

The AAX Group, as part of the enlarged aviation group following the completion of the Proposed Acquisitions, will be able to leverage on the combined credit track record of the New Aviation Group to negotiate for better credit terms for its future leasing contracts and lease facilities.

Further, after the completion of the Proposals, the New Aviation Group as an enlarged aviation group operating and providing a full spectrum of short, medium and long-haul low-cost air transportation services, coupled with its strengthened and stronger financial position, will have greater fund-raising capability to support its future business growth and expansion.

Joint sales and marketing activities: With a centralised leadership and management, the New Aviation Group can enhance its cross selling between short and medium-haul flights across its airlines through participation in joint marketing campaigns. This allows the New Aviation Group to maximise its advertising spend i.e. to achieve a wider consumer reach, ultimately resulting in a stronger marketing impact under the "AirAsia" brand and capture potentially more sales across the airlines and achieve cost savings.

Procurement of supplies: As at the LPD, the purchase of certain supplies (e.g. spare parts, consumables and chemicals) for most of the airlines under the AAAGL Group and AAB Group have been centralised through Asia Digital Engineering Sdn Bhd ("**ADE**"), a subsidiary of Capital A, to minimise direct purchases and negotiations with third party suppliers. AAX is in negotiation with ADE for similar arrangement. Following the completion of the Proposed Acquisitions, under a centralised leadership and management, the consolidation of procurement of supplies for the AAX Group, AAAGL Group and AAB Group through ADE will be further enhanced, allowing the New Aviation Group to leverage on the enlarged need for any common supplies to negotiate for better supply contract terms, in particular more competitive pricing and better credit terms, as well as for greater assurance to secure the volumes required.

Further, centralised procurement strategies allow the enlarged aviation group to better manage supply contracts and provides flexibility to effectively utilise the supplies based on the needs from each entity within the New Aviation Group. Consequently, this is expected to ease operational processes, minimise wastages and reduce inventory turnover rates which are expected to enhance the New Aviation Group's overall cost management, and eventually benefit its financial performance.

Further, the Proposed Acquisitions allow AAX / NewCo to strengthen its leverage to continue to benefit from the already-present synergies from being part of a wider flights-travel-and-lifestyle ecosystem i.e. AirAsia Ecosystem which is critical to support the AAX Group's business operations and growth. Since the commencement of the AAX Group's business, the AAX Group's close association with other entities within the AirAsia Group has allowed the AAX Group to leverage on "AirAsia" brand (including "AirAsia X" brand) and AirAsia Ecosystem and hence, the AAX Group does not need to invest heavily on building its own brand and infrastructure. The AAX Group, as part of the enlarged aviation group following completion of the Proposed Acquisition, will gain stronger leverage and bargaining power to secure continuous usage of the "AirAsia" brand which is an established brand in the aviation industry, and to secure continuous collaborations and comprehensive support services from the AirAsia Ecosystem to run its airline operations effectively and in a cost-efficient manner. Without these benefits, the AAX Group would face significant challenges in navigating through the competitive landscape of the aviation industry and securing long-term sustainability. Presently, through AirAsia MOVE app, together with the AirAsia Group's online web portal, www.airasia.com, the AAX Group enjoys direct access to a wide market leveraging on the massive pool of users that were built over the years. In addition, a significant portion of the AAX Group's revenue is derived from Fly-Thru services, i.e. connecting flights from the short-haul networks of the AAB Group.

For information purposes, the AirAsia Ecosystem encompasses multiple aspects of travel, lifestyle and aviation which support the airlines' business, including AirAsia Group's online sales channels, maintenance, repair and overhaul ("**MRO**") services, digital payment and financial services, cargo and logistics services, ground handling services, in-flight meal services and a shared services centre.

9.5 Proposed Share Capital Reduction

The Proposed Share Capital Reduction will:-

(i) enable the NewCo to rationalise its financial position by eliminating the accumulated losses arising from the consolidation of accumulated losses of the Target Companies after the completion of the Proposed Acquisitions via the cancellation of the paid-up share capital of the NewCo which is lost or unrepresented by available assets to reflect more accurately the value of the underlying assets and the financial position of the NewCo. In addition, any balance credit after elimination of the NewCo's accumulated losses will serve as additional credit buffer to set off any future losses of the NewCo;

(ii) enhance the ability of the NewCo to pay dividends to its shareholders out of its retained earnings in the future; and

(iii) enhance the financial profile of the New Aviation Group with its bankers, customers, suppliers, investors and other stakeholders following the elimination of the accumulated losses.

9.6 Proposed Granting of Subscription Options

The Proposed Granting of Subscription Options is undertaken in recognition of:-

(i) the Subscriber's past commitment to support and participate in the Company's previous fund-raising ("**Previous Fund-raising**") for an amount of up to RM50.00 million as set out in the circular to the Shareholders dated 10 May 2021. The commitment was formalised through the execution of a share subscription agreement between the Company and Garynma on 4 April 2022. In the said share subscription agreement, the Company had agreed to grant an option for the Subscriber to subscribe for such number of AAX Shares representing up to 15% of the enlarged total number of issued AAX Shares (excluding treasury shares, if any) at any point of time during the 36-month subscription period commencing from the completion of a proposed rights issue to raise gross proceeds of up to RM300.00 million ("**Previous Subscription Option**"); and

(ii) the Company, with the demonstration of the Subscriber's commitment to support and participate in the Previous Fund-raising, had successfully completed its debt restructuring exercise (which took effect on 16 March 2022). The debt restructuring exercise was crucial for the survival and going concern of the AAX Group and arising therefrom, the AAX Group recorded other income of RM34,313.14 million for the 18-month financial period ended ("**FPE**") 31 December 2022.

However, subsequent to the completion of the debt restructuring exercise undertaken by AAX, the Company did not proceed with the Previous Fund-raising and the Previous Subscription Option was not implemented.

The Company acknowledges the support and participation of the Subscriber in the Previous Fund-raising which have assisted the AAX Group in navigating the challenges faced during the COVID-19 pandemic period. Hence, the Company proposes to undertake the Proposed Granting of Subscription Options, in place of the Previous Subscription Option to which the Subscriber is entitled.

To facilitate the completion of the Proposals, the issue price of the Subscription Shares comprised in each Subscription Option will now be based on the closing market price of the NewCo Shares as at the last trading day prior to acceptance by the Subscriber of the grant of the relevant Subscription Option during the Subscription Option Period, with a compensatory increase of the Subscription Option Period to 4 years after the completion of the Proposed Acquisitions.

Further, any proceeds to be received by the NewCo from the issuance of Subscription Shares pursuant to the Subscription Options may be used to fund the New Aviation Group's working capital requirements.

10. INDUSTRY OUTLOOK AND PROSPECTS OF THE TARGET COMPANIES AND THE NEW AVIATION GROUP

10.1 Overview and outlook of the aviation industry

Industry-wide air passenger traffic, measured in revenue passenger-kilometres ("**RPK**"), surpassed 2019 levels in February 2024, marking the first occurrence of full global recovery in both, domestic and international, travel segments. Total RPK were 5.7% higher than February 2019 figures, while international and domestic traffic saw 0.9% and 13.7% growth over the same period, respectively. Passenger load factors in all segments were also close to pre-COVID-19 levels, indicating the return of available seat supply and passenger demand on a global scale. Compared to the previous year, total traffic increased by 21.5%.

<u>Air Passenger Market in Detail</u>

	World share (% of industry RPKs in 2023) (%)	**RPK (% year-on-year)**	**Available seat-kilometres ("ASK") (% year-on-year)**	**Passenger load factor (%)**
Total market	**100.0**	**21.5**	**18.7**	**80.6**
Africa	2.1	22.5	24.3	74.4
Asia Pacific	31.7	37.8	30.1	84.4
Europe	27.1	14.8	14.6	76.1
Latin America	5.5	13.0	10.8	82.7
Middle East	9.4	19.7	18.8	80.8
North America	24.2	8.9	8.8	79.5

(Sources: Air Passenger Market Analysis February 2024 and press release dated 4 April 2024, International Air Transport Association)

Over a longer horizon, the Asia Pacific region is likely to see the most rapid growth in passenger traffic among all regions. An annual increase of 4.5% in the number of passengers is forecast for the region between 2019 and 2040, bringing the regional total to over 4 billion in 2040, at which point the region would make up more than half of global passenger demand. India, in particular, is expected to contribute significantly to this growth, with a forecast annual passenger growth rate of 6% over the same horizon, resulting in an additional half a billion air passengers per year over the next 20 years.

At a global level, air passenger growth will continue to increase, but at a slower pace compared to that experienced during the past 3 years. Between 2023 and 2040, the number of air passengers is forecast to increase by 4.2% annually. This would be a radical slowdown from the exceptional 36% annual growth rate seen over the past three years, as markets emerged from the depths of the COVID-19 crisis. Having restored traffic to pre-pandemic levels, this deceleration will nevertheless allow the number of industry-wide air passenger journeys to more than double from the 2019 level, to reach 7.8 billion by 2040.

There is of course a considerable range of uncertainty around any such long-term forecast. On the upside, air passenger demand could benefit from more favourable macro-economic conditions such as normalising supply chains and lower inflation rates, allowing for an earlier unwinding of the current monetary policy tightening. Conversely, on the downside, risks prevail regarding the strength of the business cycle and the impact and extent of the wars in Ukraine and the Middle East. These could cap the available airspace and curtail growth in international traffic, especially on routes between Europe and Asia Pacific.

(Source: Global Outlook for Air Transport December 2023, International Air Transport Association)

In 2024, the Malaysian Aviation Commission ("**MAVCOM**") anticipates passenger traffic to reach between 93.9 million and 107.1 million passengers, reflecting a growth between 10% year-on-year and 25% year-on-year. This forecast signifies a recovery of up to 98% of 2019 levels. Domestic and international travel to China and the Association of Southeast Asian Nations ("**ASEAN**") region will influence the recovery momentum.

In the tabling of the 2024 Budget, the government has allocated RM350.0 million to boost tourism promotion and activities to promote Malaysia as the top destination for international tourists. There will also be other initiatives to encourage more visitors from China and India, such as improving visa-on-arrival facilities, social visit passes, and multiple-entry visa offers.

(Source: Malaysian Aviation Industry Outlook December 2023, MAVCOM)

10.2 Prospects of the Target Companies and the New Aviation Group

With the Proposed Acquisitions, the New Aviation Group will house award-winning airlines with over 22 years of established history and track record, not to mention the reach to the world from its home region of Southeast Asia. Over the years, the New Aviation Group had received numerous awards and recognitions for their success in the aviation business, such as the World's Best Low-Cost Airline by Skytrax World Airline Awards for 14 consecutive years since 2009, and the World's Leading Low-Cost Airline by World Travel Awards for 11 consecutive years since 2013.

The New Aviation Group will continue to adopt a business model that will enable it to offer low fares by maintaining low cost per ASK ("**CASK**"), which has contributed to the past success of the airlines. The ability of the airlines to offer low fares and maintain low CASK is attributed to no-frills flights business model adopted, high aircraft utilisation, in-house and direct customer acquisition channels (i.e. www.airasia.com and AirAsia MOVE app), efficient usage of data, technology and automation in all aspects of operations, i.e., a lean cost structure.

The extensive network connectivity and high flight frequencies offered by the airlines to be housed under the New Aviation Group will allow the enlarged aviation group to capture the travel needs of a wide range of customers travelling within the Southeast Asia and Asia Pacific regions. It enables the airlines to leverage on each airline's routes and high flight frequencies to offer Fly-Thru flights whereby passengers can purchase connecting flights offered by the airlines for travels within the Southeast Asia and Asia Pacific regions. Therefore, it allows the New Aviation Group to potentially capture a higher market share for air travel within the regions.

The New Aviation Group will be led by a seasoned key senior management team with extensive experience in the aviation industry and in-depth operational knowledge of the respective airlines to be housed under the enlarged aviation group. Upon completion of the Proposed Acquisitions, under the leadership of Bo Lingam as the Group Chief Executive Officer of the New Aviation Group, the existing key senior management of the respective airlines will carry on their existing roles and responsibilities to ensure smooth daily operations including the execution of future plans and business strategies under the enlarged aviation group.

As the economic activities and supply chain of the aviation industry normalise, the aviation industry in Malaysia and Asia Pacific region is forecasted to recover close to their respective pre-COVID-19 levels by 2024. The recovery and growth of the industry are also expected to be fuelled by the granting of visa-free travel to Malaysia for up to 30 days for tourists from China and India by the government of Malaysia effective 1 December 2023 until 31 December 2024 and the declaration of Visit Malaysia Year 2026. These are expected to drive the demand for air travel to and from Malaysia, China, India and around the Asia Pacific countries. In conjunction with Visit Malaysia Year 2026, the Ministry of Tourism, Arts and Culture, Malaysia is expecting RM147.1 billion in income from 35.6 million tourists in 2026, an increase at compound annual growth rate of approximately 8.0% and 4.5% respectively from pre-COVID-19 levels of RM86.1 billion in income and 26.1 million tourists in 2019.

With the respective industry track record of each airline to be housed under the New Aviation Group, as well as the synergistic benefits from the AirAsia Ecosystem and competitive strengths of the New Aviation Group, the enlarged aviation group is well-positioned to capitalise on the anticipated recovery of air travel moving forward through the following strategies and plans:-

- Over the next 3 years, the airlines within the New Aviation Group will focus on increasing their flight frequencies and expand their fleet of aircraft accordingly to capture the growing demand for air travel and maintain their positions as one of the market leaders in the respective regions where the airlines operate in. 'AirAsia Cambodia', the newly established airline of AAAGL, will be utilising 2 A320 aircraft based at Phnom Penh International Airport to serve domestic flight operations, covering Phnom Penh, Siem Reap, and Sihanoukville. Subsequently, the New Aviation Group will assess the potential of expanding its coverage to new destinations.

- The New Aviation Group intends to capitalise on the growing prospects of the aviation industry by increasing its passenger volume which will then contribute to the growth in its market share. This is in line with the New Aviation Group's strategies as it envisages to maintain its position as one of the market leaders in the regions which its airlines operate in as well as to maintain and grow its market share in the Asia Pacific region. The New Aviation Group also intends to increase its revenue and grow its market share in Cambodia through its latest airline, 'AirAsia Cambodia' which is scheduled to commence operation in May 2024.

- Further growth in revenue from ancillary services to enhance the airlines' financial performance, through pricing optimisation and automation, product innovation and marketing expansion, personalised marketing and strategic collaborations and partnerships with the AirAsia Group to increase cross-selling opportunities.

The future growth and success of the New Aviation Group will be backed by an established AirAsia Ecosystem. The New Aviation Group will gain stronger leverage and bargaining power to secure continuous usage of the "AirAsia" brand which is an established brand in the aviation industry, and to secure continuous collaborations and comprehensive support services from the AirAsia Ecosystem.

In view of the above and barring any unforeseen circumstances, the Board is optimistic of the prospects of the Target Companies and the New Aviation Group.

11. RISKS OF THE PROPOSED ACQUISITIONS

The Target Companies and the AAX Group are involved in the aviation industry. Notwithstanding that, the Proposed Acquisitions are very substantial transactions to the AAX Group as the highest percentage ratio applicable to the Proposed Acquisitions pursuant to Chapter 10 of the Listing Requirements is more than 100.00%.

Taking into consideration the above and the differences between the Target Companies and the AAX Group in terms of, amongst others, the scale of business operations (including type and number of aircraft operated, fleet expansion plan, type of services provided and flight destinations / routes serviced), operational and financial requirements as well as geographical locations of business operations, the AAX Group may assume increased exposure to existing business risks related to the aviation industry as well as additional risks arising from the acquisition of the Target Companies pursuant to the Proposed Acquisitions.

The Proposed Acquisitions would subject the AAX Group to the following key risks, which are by no means exhaustive:-

11.1 Non-completion risk

The completion of the Proposed Acquisitions is subject to, amongst others, all the conditions precedent in the SSPAs as set out in Section 3.1 of Appendix II and Section 3.1 of Appendix III being satisfied or waived, as the case may be. There is no assurance that the said conditions precedent will be satisfied or waived, as the case may be, or that the parties to the SSPAs will be able to fulfill their respective obligations under the SSPAs within the timeframe stipulated in the SSPAs.

Non-fulfilment of the conditions precedent in the SSPAs or failure of any parties to the SSPAs to perform their respective obligations under the SSPAs may result in the termination of the SSPAs and as a result, the Proposed Acquisitions will not proceed. The non-completion of the Proposed Acquisitions will result in AAX unable to achieve the objectives and benefits of the Proposed Acquisitions as set out in Section 9.4 of this Announcement.

To mitigate such risk, the Company and/or the NewCo will take all necessary steps and reasonable efforts to ensure that the conditions precedent in the SSPAs, which are within the reasonable control of the Company and/or the NewCo, are satisfied or waived, as the case may be, within the timeframe stipulated in the SSPAs and duly perform the NewCo's obligations under the SSPAs in order to complete the Proposed Acquisitions in a timely manner.

11.2 Investment risk

There is no assurance that the anticipated benefits and synergies arising from the Proposed Acquisitions as set out in Section 9.4 of this Announcement will be realised or that the New Aviation Group will be able to generate sufficient returns to offset the dilutive effects to the NewCo Shareholders arising from the issuance of Consideration Shares. There is also no assurance that the expected financial performance of the Target Companies will be achieved after the completion of the Proposed Acquisitions.

The aviation businesses of the Target Companies and the New Aviation Group are closely correlated with the level of inbound and outbound travelling and tourism activities at both domestic and international levels and are subject to risks inherent in the aviation industry including:-

(i) changes in the general economic, social and political climate of the country;

(ii) changes in consumers' spending power, lifestyle and preferences for travel destinations;

(iii) natural disasters (e.g. earthquake, flood, tsunami, typhoon and volcanic eruption), outbreak of diseases and epidemics as well as weather conditions in the locality, country or region;

(iv) threats of terrorism, acts of sabotage, strikes, riots, geopolitical tensions, social unrest and declaration of war;

(v) changes in legislation and government policies;

(vi) negative reviews or adverse publicity affecting the reputation of the airlines, ultimately leading to negative public perception and loss of consumers' confidence towards the airlines;

(vii) increase in travelling costs as a result of higher airline operating costs arising from, amongst others, escalating fuel prices and depreciating local currencies;

(viii) ability to renew AOCs and other relevant approvals / certifications to comply with the applicable regulations;

(ix) increased competition from other existing or new low-cost airlines;

(x) loss of key senior management and ability to hire replacement; and

(xi) ability to secure new aircraft deliveries for fleet replacement and expansion plans.

Nevertheless, the AAX Group has exercised due care in considering the potential risks and benefits associated with the Proposed Acquisitions and the Board believes that the Proposed Acquisitions are critical to the long-term sustainability of the AAX Group as it has been leveraging on the "AirAsia" brand and AirAsia Ecosystem since the commencement of the AAX Group's business. The Board also believes that the integration risk is low in view that the AAX Group and the Target Companies have been operating within the same AirAsia Ecosystem.

11.3 Projection risk

The AAAGL Purchase Consideration and AAB Purchase Consideration were arrived at after taking into consideration, amongst others, the range of valuation for the entire equity interests in the Target Companies based on the valuation undertaken by Deloitte. In arriving at the valuation of the Target Companies, the Valuer has considered a number of valuation approaches and adopted the DCF method of valuation as the primary method for the valuation of the AOCs, namely AAB, TAA, PAA and IAA using the 5-year financial projections of the said AOCs from 1 January 2024 to 31 December 2028 together with the underlying bases and assumptions.

There is no assurance that the AOCs will be able to achieve the projected results in the future and that the key underlying bases and assumptions used in arriving at the valuation of the Target Companies will materialise as planned. In the event that the AOCs are unable to achieve the projected results in the future and/or if any of the key underlying bases and assumptions used in arriving at the valuation of the Target Companies does not materialise as planned, the valuation of the Target Companies may deteriorate and the New Aviation Group may be required to recognise an impairment loss on the carrying amount of its investments in the Target Companies (including any goodwill and intangible assets arising from the Proposed Acquisitions) and this may adversely affect the financial performance and financial position of the New Aviation Group.

In mitigating such risk and to ensure smooth daily operations including the execution of future plans and business strategies under the enlarged aviation group, a centralised leadership is intended to be established under Bo Lingam as the Group Chief Executive Officer of the New Aviation Group and he will be assisted by a team of experienced key senior management team with extensive experience in the aviation industry and in-depth operational knowledge of the respective airlines. In addition, it is worth noting that the Valuer has assigned a company specific risk premium to the discount rate adopted in its DCF method to account for uncertainties and risks attributable to projection of the cash flows.

11.4 Goodwill and impairment risk

The Proposed Acquisitions are expected to give rise to goodwill to be recognised, the amount of which will depend on the fair value of the Target Companies' identifiable assets acquired (including any intangible assets identified) and liabilities assumed upon completion of the Proposed Acquisitions.

The identifiable assets and liabilities of the Target Companies will initially be recorded in the New Aviation Group's books at their provisional fair values as at the acquisition date pending the conclusion of a purchase price allocation exercise in accordance with Malaysian Financial Reporting Standards 3 *Business Combinations*. Although a preliminary assessment has been conducted, the final outcome of the purchase price allocation exercise cannot be ascertained at this juncture. Any fair value adjustment to the identifiable assets and liabilities arising therefrom may affect the goodwill and financial position of the New Aviation Group. In addition, any impairment on the carrying amount of the investments in the Target Companies (including any goodwill and intangible assets arising from the Proposed Acquisitions) and amortisation of any intangible assets identified from the Proposed Acquisitions may affect the financial performance and financial position of the New Aviation Group.

Based on the valuation conducted by Deloitte, the AAAGL Purchase Consideration and AAB Purchase Consideration fall within the range of valuation for the entire equity interests in AAAGL and AAB as at 31 December 2023 respectively.

11.5 Risk of triggering Practice Note 17 ("PN17")

The outbreak of the global COVID-19 pandemic had created significant challenges for the aviation industry. As a result, the financial performance and financial position of Capital A was greatly impacted in an adverse manner. On 7 January 2022, Capital A was classified as a PN17 issuer as it triggered the prescribed criteria pursuant to Paragraph 8.04 of the Listing Requirements and Paragraphs 2.1(a) and 2.1(e) of PN17 of the Listing Requirements as set out below:-

(i) Paragraph 2.1(a) – the shareholders' equity of the listed issuer on a consolidated basis is 25% or less of the share capital (excluding treasury shares) of the listed issuer and such shareholders' equity is less than RM40 million; and

(ii) Paragraph 2.1(e) – the auditors have highlighted a material uncertainty related to going concern or expressed a qualification on the listed issuer's ability to continue as a going concern in the listed issuer's latest audited financial statements and the shareholders' equity of the listed issuer on a consolidated basis is 50% or less of share capital (excluding treasury shares) of the listed issuer.

As at the LPD, Capital A is still classified as a PN17 issuer whereas AAX has been uplifted from being classified as a PN17 issuer on 22 November 2023.

There is no assurance that AAX / NewCo will not trigger the prescribed criteria pursuant to Paragraph 8.04 of the Listing Requirements and Paragraph 2 of PN17 of the Listing Requirements and be classified as a PN17 issuer again following the completion of the Proposed Acquisitions in view that the Target Companies were the major contributors to the decline in financial performance and financial position of Capital A during the COVID-19 pandemic period.

Barring any unforeseen circumstances, the Board is optimistic of the prospects of the Target Companies and the New Aviation Group. With the respective industry track record of each airline to be housed under the New Aviation Group, as well as the synergistic benefits from the AirAsia Ecosystem and competitive strengths of the New Aviation Group, the enlarged aviation group is well-positioned to capitalise on the anticipated recovery of air travel moving forward.

In addition, the NewCo will undertake the Proposed Private Placement of RM1,000.00 million to strengthen its financial position prior to undertaking the Proposed Acquisitions. Furthermore, one of the conditions precedent in the SSPAs requires that each of the Target Companies (together with their respective group of companies) does not incur or record an aggregate loss exceeding RM50.00 million during the 3-month period immediately preceding the respective dates of completion of the Proposed AAAGL Acquisition and Proposed AAB Acquisition.

11.6 Financing risk

Where necessary, the New Aviation Group may seek equity and/or debt financing for its future funding requirements. The New Aviation Group's ability to obtain such financing and the cost of financing will depend on numerous factors, such as general economic and market conditions, interest rates, credit availability from the banks and/or other lenders, any restriction imposed by the government as well as political, social and economic conditions.

There is no assurance that the necessary financing will be available in amounts or on terms and conditions acceptable to the New Aviation Group. In respect of debt financing, the New Aviation Group could potentially be exposed to fluctuation in interest rates on the financing obtained, leading to higher financing costs that may adversely affect its financial performance and ability to service the financial obligations.

Nevertheless, the New Aviation Group will continuously monitor and review its debt portfolio, which takes into consideration the New Aviation Group's gearing level, interest costs and cash flows.

11.7 Foreign exchange risk

A portion of the airlines' revenue and costs are exposed to foreign exchange risks, including seat sales, freight services, fuel costs, MRO expense and rental expense. Hence, any fluctuation in foreign exchange rates will have an impact to the financial performance of the airlines, e.g. an appreciation of USD against RM will result in the airlines incurring higher fuel costs, MRO expense and rental expense.

The management will manage the foreign currency exposures, to the extent possible, by natural hedges that arise when payments for foreign currency payables are matches against receivables denominated in the same foreign currency or whenever possible, by intragroup arrangements and settlements. Where necessary, financial instruments such as foreign currency forwards may be entered into to hedge foreign exchange risk.

11.8 Risk of reliance on "AirAsia" brand (including "AirAsia X" brand) and AirAsia Ecosystem

The airlines to be housed under the New Aviation Group rely on the strength of "AirAsia" brand (including "AirAsia X" brand) to market and promote their seat sales and ancillary products and services. The New Aviation Group does not and will not own the "AirAsia" brand(1) following the completion of the Proposed Acquisitions.

Note:-

(1) The "AirAsia" brand is currently owned by Brand AA Sdn Bhd, a wholly-owned subsidiary of Capital A. As announced by Capital A on 28 February 2024, Capital A is undertaking a proposed business combination involving its equity interest in Brand AA Sdn Bhd with, amongst others, Aetherium Acquisition Corp, a special purpose acquisition corporation listed on the National Association of Securities Dealers Automated Quotations (NASDAQ) in the United States of America to unlock the value of Brand AA Sdn Bhd.

Instead, pursuant to the Master Brand Licensing Agreement dated 31 May 2023 (as amended and varied via a novation agreement dated 27 June 2023) entered into between Brand AA Sdn Bhd and AAAGL ("**MBLA**"), AAAGL was granted the exclusive right to use the trade name and livery of the "AirAsia" brand for its aviation related business, including the right to sub-license such rights to its affiliates (including AAB, TAA, PAA, IAA and CAA). The MBLA shall remain in force for 10 years from 1 January 2023 and upon expiry of the initial term of the MBLA, the MBLA shall be automatically extended for a period of 10 years, provided that the MBLA has not been lawfully terminated by reason of breach or default in accordance with the terms and provisions of the MBLA.

In the event that the MBLA is not renewed at its expiry or is terminated, the New Aviation Group will not be able to continue leveraging on the "AirAsia" brand and this is expected to have a material adverse effect on the enlarged aviation group's financial performance. Further, any deterioration to the brand recognition may also have an adverse effect on the business, operations and financial performance of the airlines.

In addition, the airlines also rely on the AirAsia Ecosystem which helps to support the airlines' businesses, including AirAsia Group's online sales channels, MRO services, digital payment and financial services, cargo and logistics services, ground handling services, in-flight meal services and a shared services centre. Losing such benefits of comprehensive support services from the AirAsia Ecosystem, the New Aviation Group may face challenges in running the operations of the airlines effectively and in a cost-efficient manner.

In mitigating such risk, a centralised leadership is intended to be established under Bo Lingam as the Group Chief Executive Officer of the New Aviation Group and he will be assisted by a team of experienced key senior management team with extensive experience in the aviation industry and in-depth operational knowledge of the respective airlines. Upon completion of the Proposed Acquisitions, the management of the New Aviation Group will continue to maintain good working relationship with other entities within the AirAsia Ecosystem to preserve the benefits and synergies derived therefrom.

11.9 Foreign investment risk

The investment in the AAAGL Group is subject to foreign investment risk. The ability of foreign entities within the AAAGL Group to repatriate profits will depend largely on the relevant legislations or policies relating to the repatriation of profits prevailing at the point of repatriation. In the event of any changes in the foreign investment policies in Labuan, Thailand, the Philippines and Indonesia which restrict or prohibit foreign investments in the respective foreign entities or repatriation of profits from these countries, there may be a material and adverse impact to the New Aviation Group.

A summary of the policies on foreign investments and repatriation of profits is set out in Section 12 of this Announcement.

12. POLICIES ON FOREIGN INVESTMENTS AND REPATRIATION OF PROFITS

12.1 Labuan and Malaysia

The summary of the policies in relation to foreign investments and repatriation of profits of Labuan and Malaysia insofar as they are relevant to the AAAGL Group is as follows:-

(i) Policies on foreign investments

As at the date of this Announcement, there is generally no legislative framework restricting or prohibiting foreign investments in Labuan-incorporated companies. Accordingly, there are no restrictions or prohibitions under Labuan laws or the laws of Malaysia against the NewCo, being an entity incorporated under the Act, to acquire and hold all the issued shares in AAAGL, being a company incorporated in Labuan, and there are also no restrictions or prohibitions insofar as the laws and regulations of Labuan are concerned prohibiting foreign investments by any person in AAAGL.

(ii) Policies on repatriation of profits

Pursuant to the Declaration on Entities Created, Incorporated, etc. in Labuan issued by Bank Negara Malaysia ("**BNM**") on 28 June 2013, all Labuan entities (save for a Labuan entity which carries on Labuan banking business or Labuan insurance or takaful business) are deemed as non-residents for the purposes of Sections 214 and 215 of the Financial Services Act 2013 and Sections 225 and 226 of the Islamic Financial Services Act 2013 as well as the Foreign Exchange Policy Notices issued by BNM on 1 June 2022 ("**FEP Notices**").

In general, the relevant rules under the FEP Notices which are applicable to non-residents are as follows:-

(a) <u>Investing in Malaysia</u>

(aa) Non-residents are free to undertake investments in a Ringgit Asset[(1)] or foreign currency asset in Malaysia, either as direct or portfolio investments without any restrictions.

(bb) Non-residents are also free to repatriate divestment proceeds, profits, dividends or any income arising from investments in Malaysia provided that it is made in foreign currency.

(b) <u>Opening and maintaining of foreign currency and RM accounts</u>

Non-residents are free to open and maintain foreign currency accounts and RM accounts with licenced onshore banks in Malaysia. The funds in these accounts are free to be remitted into and out of such accounts, subject to normal due diligence process by the licensed onshore bank and conversion into foreign currency for repatriation abroad.

(c) <u>Issuance of securities by non-resident</u>

(aa) Non-residents are allowed to issue a security denominated in foreign currency in Malaysia to any person.

(bb) However, in respect of issuance of RM securities in Malaysia, a non-resident requires approval from BNM to issue any amount of RM securities, including initial public offering by non-residents on Bursa Securities.

(d) <u>Repatriation of funds by non-resident</u>

A non-resident is allowed to repatriate from Malaysia, funds including any income earned or proceeds from divestment of Ringgit Asset[(1)], provided that:-

(aa) the repatriation is made in foreign currency; and

(bb) the conversion of RM into foreign currency is undertaken in accordance with the relevant rules under the FEP Notices.

<u>Note: -</u>
*(1) Under the FEP Notices, "**Ringgit Asset**" is defined as follows:-*

(i) RM-denominated securities or Islamic securities issued in Malaysia by a resident;

(ii) RM-denominated securities or Islamic securities issued by a non-resident as approved in writing by BNM;

(iii) RM-denominated financial instrument or Islamic financial instrument as approved in writing by BNM;

(iv) RM deposit with a financial institution in Malaysia including deposit-like instrument with only RM delivery at the inception and maturity; or

(v) any property in Malaysia.

12.2 Thailand

The summary of the policies in relation to foreign investments and repatriation of profits of Thailand is as follows:-

(i) Policies on foreign investments

The Foreign Business Act is the key legislation which regulates the operation of businesses in Thailand by foreign individuals and legal entities which are defined as "foreigners" under the Foreign Business Act as follows:-

(a) a natural person who does not have Thai nationality;

(b) a juristic person not registered in Thailand;

(c) a juristic person registered in Thailand having half or more of its capital shares held by persons or juristic persons as mentioned in sub-paragraphs (a) or (b) above; or

(d) a juristic person registered in Thailand having half or more of its capital shares held by persons as mentioned in sub-paragraphs under (a), (b) or (c) above.

Under the Foreign Business Act, foreigners are prohibited and restricted from conducting certain restricted businesses as listed under the Foreign Business Act, including amongst others, undertaking most non-manufacturing businesses, retails, wholesales and providing almost all type of services, unless exempted otherwise or granted with a foreign business license and/or a foreign business certificates under the relevant laws, including but not limited to, the Investment Promotion Act or the Industrial Estate Authority of Thailand Act or an exemption under any international treaty.

(ii) Policies on repatriation of profits

As a general rule under the Exchange Control Act, a repatriation of profits to recipients located outside of Thailand must undergo a conversion to foreign currency as it is not allowed to remit Thai Baht ("**THB**") out of Thailand.

Based on the notification issued under the Exchange Control Act, a currency conversion for repatriation generally does not require approval from the Bank of Thailand unless the purpose of such repatriation is specifically listed in the negative list announced by the Bank of Thailand. Pursuant to the current negative list announced by the Bank of Thailand, a repatriation of profits or returns on investment does not require an approval from the Bank of Thailand. However, subject to the internal regulations of the various authorised commercial banks undertaking the foreign currency exchange, specific documents in relation to the payments may be requested by the relevant authorised commercial bank in charge of the conversion and remittance process.

Please note that certain repatriations of profits or returns on investment must be made with the deduction of applicable withholding tax in accordance with the Thai Revenue Code.

12.3 The Philippines

The summary of the policies in relation to foreign investments and repatriation of profits of the Philippines is as follows:-

(i) Policies on foreign investments and repatriation of profits

The Philippines has a liberal foreign investment regime which is protected by the Philippine Constitution and various Philippines laws. The repatriation of profits and capital by foreign investors is protected by Philippines investment laws and Philippines treaty commitments.

(a) The Philippine Constitution

(aa) Section 20, Article II of the Philippine Constitution states that *"The State recognizes the indispensable* role *of the private sector, encourages private enterprise, and provides incentives to needed investments."* The Philippine Constitution protects foreign investments by limiting the ability of the Philippines to take private property, and by giving strict protection to lawful contracts.

(bb) Limits of the power to expropriate

The Philippines exercises the inherent power of eminent domain which refers to the authority of the Philippines to take private property for public use without the owner's consent, conditioned upon the payment of just compensation. This restrains the Philippines' authority to exercise its power to expropriate by requiring that any such taking be justified for public use and for adequate consideration. Any entity authorised to exercise the power to expropriate property must do so under a court-led process. This is accomplished by filing a complaint under Rule 67 of the Rules of Civil Procedure. As a rule, any such entity initiating the expropriation case shall only have the right to take or enter upon the possession of the property if it deposits with an authorised government depositary amounts that approximate the value of the assets. For real property, the amount is the assessed value of the property for purposes of taxation. For personal property, the amount shall be provisionally ascertained by the court of the Philippines.

(cc) Protection of contracts

The Philippine Constitution protects the sanctity of contracts through the non-impairment clause under Section 10, Article III of Philippine Constitution which states that "*No law impairing the obligation of contracts shall be passed*". Under the non-impairment clause, the Philippines government is obligated to respect the terms and conditions of contract between private entities and between the Philippines government and private entities. Any attempt to change the terms and conditions of contract without the consent of the parties involved would be considered unconstitutional.

(b) The Omnibus Investments Code and the Foreign Investments Act of 1991

Aside from the basic rights granted under the Philippines Constitution, the following rights under the Omnibus Investments Code are available to all investors and registered enterprises, including foreign investors:-

(aa) Repatriation of investments and remittance of earnings

The right to remit profits and repatriate the entire proceeds of the liquidation of the investment in the currency in which the investment was originally made and at the exchange rate prevailing at the time of repatriation may be subject to the powers of the Bangko Sentral ng Pilipinas (Central Bank of the Republic of Philippines) ("**BSP**") to restrict the sale of foreign exchange in the imminence of, or during an exchange crisis, or in time of national emergency.

(bb) Foreign loans and contracts

The right to remit at the exchange rate prevailing at the time of remittance such sums as may be necessary to meet the payments of interest and principal on foreign loans and foreign obligations arising from technological assistance contracts, subject to the powers of the BSP to restrict the sale of foreign exchange in the imminence of, or during an exchange crisis, or in time of national emergency.

(cc) Freedom from expropriation

There shall be no expropriation by the Philippines government of the property represented by investments or of the property of the enterprise except for public use or in the interest of national welfare or defence and upon payment of just compensation. In such cases, foreign investors or enterprises shall have the right to remit sums received as compensation for the expropriated property in the currency in which the investment was originally made and at the exchange rate at the time of remittance, subject to the powers of the BSP to restrict the sale of foreign exchange in the imminence of, or during an exchange crisis, or in time of national emergency.

(dd) Requisition of investment

There shall be no requisition of the property represented by the investment or of the property of enterprises, except in the event of war or national emergency and only for the duration thereof. Just compensation shall be determined and paid either at the time of requisition or immediately after cessation of the state of war or national emergency. Payments received as compensation for the requisitioned property may be remitted in the currency in which the investment was originally made and at the exchange rate prevailing at the time of remittance, subject to the powers of the BSP to restrict the sale of foreign exchange in the imminence of, or during an exchange crisis, or in time of national emergency.

The Foreign Investments Act 1991 declares the following as the state policy on foreign investments:-

"*It is the policy of the State to attract, promote and welcome productive investments from foreign individuals, partnerships, corporations, and governments, including their political subdivisions, in activities which significantly contribute to national industrialization and socioeconomic development to the extent that foreign investment is allowed in such activity by the Constitution and relevant laws.*

Foreign investments shall be encouraged in enterprises that significantly expand livelihood and employment opportunities for Filipinos; enhance economic value of farm products; promote the welfare of Filipino consumers; expand the scope, quality and volume of exports and their access to foreign markets; and/or transfer relevant technologies in agriculture, industry and support services. Foreign investments shall be welcome as a supplement to Filipino capital and technology in those enterprises serving mainly the domestic market."

(c) The ASEAN Comprehensive Investment Agreement

The ASEAN Comprehensive Investment Agreement covers investment by ASEAN states into the Philippines and provides the following substantive protections to covered investments:-

(aa) national treatment;

(bb) most favoured nation treatment;

(cc) fair and equitable treatment and full protection and security;

(dd) compensation in cases of strife; and

(ee) compensation for expropriation.

(ii) Restrictions on foreign equity

The Philippines Constitution and certain Philippines laws require minimum Filipino equity investments and cap foreign ownership of shares in domestic corporations engaged in specific businesses. Among those covered are entities considered to be operating, managing, or controlling public utilities as defined by the Public Service Act. The airline industry is not considered a public utility under the Public Service Act.

12.4 Indonesia

The summary of the policies in relation to foreign investments and repatriation of profits of Indonesia is as follows:-

(i) Policies on foreign investments

In Indonesia, the regulations on investment policies are generally stipulated under Law No. 25 of 2007 on Capital Investment, as amended by Law No. 6 of 2023 on Stipulation of Government Regulation in Lieu of Law No. 2 of 2022 on Job Creation to Become Law ("**Investment Law**"). According to Article 5 paragraph (2) of the Investment Law, foreign entities conducting a direct foreign investment shall establish a "foreign investment company" (*Perseroan Terbatas Penanaman Modal Asing*) ("**PMA Company**") in Indonesia.

As a general rule, before an investor decides the investment structure, the investor should evaluate the possible foreign ownership restrictions in Indonesia by checking the "Positive List for Investment in Indonesia" as provided in Presidential Regulation No. 10 of 2021 on Investment Business Sectors, as amended by Presidential Regulation No. 49 of 2021 ("**Indonesia Positive List**").

Generally, all business fields in Indonesia shall be 100% open for investment, except for the business fields that are declared strictly closed to investment or open only for the Central Government of Indonesia. The Indonesia Positive List defines the possible restrictions applicable for the intended businesses sectors within the Indonesian economy which are open or closed to foreign direct investment. It also determines whether investment in those business sectors which are open for foreign shareholding ownership will require a local Indonesian partner or subject to any other applicable conditions.

(a) Line of business

(aa) Any activities to be carried out by a company in Indonesia must be identified according to 5-digit code of the Indonesia Standard Industrial Classification of 2020 (*Klasifikasi Baku Lapangan Usaha Indonesia of 2020*) ("**KBLI**") that is currently provided in BPS-Statistics Indonesia Regulation No. 2 of 2020 on Indonesia Standard Industrial Classification. KBLI helps to classify business activities and identify whether any of the proposed activities are classified under the Indonesia Positive List.

(bb) The table below sets out the KBLI code of each of the Indonesian entities under the AAAGL Group and its respective foreign share ownership limitation:-

No.	Name of company	KBLI code	Foreign share ownership limitation
1.	PT AirAsia Indonesia, Tbk.	1. 46900 (Wholesale trade of various goods)	No limitation - open to 100% foreign ownership
		2. 70209 (Other management consultation activities)	
		3. 74902 (Business consulting and business brokerage activities)	

No.	Name of company	KBLI code	Foreign share ownership limitation
2.	IAA	1. 51101 (Scheduled domestic air transport for passengers or passengers and cargo)	Foreign capital ownership is limited to a maximum of 49%, and the ownership of domestic capital must remain greater than the total ownership of foreign capital (single majority).
		2. 51103 (Scheduled international air transport for passengers or passengers and cargo)	
		3. 51201 (Scheduled domestic air transport for cargo)	
		4. 51203 (Scheduled international air transport for cargo)	
		5. 61200 (Wireless telecommunication activities)	No limitation - open to 100% foreign ownership
		6. 71201 (Certification service)	
3.	PT Garda Tawang Reksa Indonesia	52231 (Airport activities)	

(b) Capital and investment requirements

The capital and investment requirements for PMA Companies are further governed under Regulation of the Investment Coordinating Board of the Republic of Indonesia No. 4 of 2021 on Guidelines and Procedures for Risk-Based Business Licensing Services and Investment Facilities.

(aa) Capitalisation

A PMA Company must have issued / paid-up capital of at least Indonesian Rupiah ("**IDR**") 10,000,000,000 or the equivalent in USD, unless determined otherwise by the relevant sectoral regulations (such as banking and financial sector). With the business capital value above, the PMA Company will be considered large-scale enterprise.

(bb) Investment

The investment value for a PMA Company shall be more than IDR10,000,000,000, excluding land and buildings, which applies for each line of business (5-digit KBLI number) per project location. However, the investment value for the following business activities are stipulated as follows:-

Activities	Investment value
Wholesale trade	More than IDR10,000,000,000, excluding land and building and applies to first 4 digits of the relevant KBLI.
Food and beverages services	More than IDR10,000,000,000, excluding land and building and applies to first 2 digits of the relevant KBLI per one location.
Construction services	More than IDR10,000,000,000, excluding land and building and for one activity and applies to first 4 digits of the relevant KBLI.
Industrial business activities that produce products with 5-digit KBLI(s) as part of one single production line	More than IDR10,000,000,000, excluding land and building.
Property construction and development	(1) For property that takes the form of complete buildings or integrated housing complexes, the relevant investment value must be more than IDR10,000,000,000, including land and building; or (2) For property units not in one building as a whole or not in integrated housing complexes, the relevant investment value must be greater than IDR10,000,000,000, excluding land and building.

Certain foreign investment companies in capital intensive industries and highly regulated businesses, such as mining and financial sectors, may be subject to higher minimum investment requirements according to the relevant laws and regulations in Indonesia.

Specifically for technology-based startups, which are not only limited to the aspects of funding, infrastructure, mentor networks, technology transfer, and market access, a PMA Company in Special Economic Zone in the technology-based business sector can invest with an investment value equal to or less than IDR10,000,000,000, excluding land and building values.

(ii) Policies on repatriation of profits

According to prevailing laws and regulations in Indonesia, there are no exchange control restrictions applicable for PMA Companies from making dividend payments or other distributions related to their issued share capital.

However, it is worth noting that there are restrictions on transferring IDR outside Indonesia and exchange of foreign currency as governed under (1) Bank Indonesia Regulation No. 24/7/PBI/2022 on Transaction in Foreign Exchange Market ("**PBI 24/7/2022**") along with its implementing regulation, Board of Governors Regulation No. 24/10/PADG/2022 of 2022 on Implementing Regulation for Transactions on the Foreign Exchange Market, and (2) Bank Indonesia Regulation No. 21/15/PBI/2019 on the Supervision of Foreign Exchange Activities between Banks and Customers ("**PBI 21/15/2019**") respectively.

According to PBI 24/7/2022, any funds transfer from Indonesia to another jurisdiction requires the conversion of IDR into an acceptable foreign currency by the receiving bank. The party initiating the fund transfer must first purchase foreign currency. Fund transfers with the following thresholds must be based on an underlying transaction:-

(a) cash transactions, either today, tomorrow or spot in the amount of or more than USD100,000 per month per party;

(b) forward-purchase transactions, in the amount of or more than USD100,000 per month per party;

(c) forward-sale transactions, in the amount of or more than USD5,000,000 per transaction;

(d) non-forward purchase transactions, in the amount of or more than USD100,000 per month per party; and

(e) non-forward sale transactions, in the amount of or more than USD1,000,000 per transaction.

The valid underlying transactions include current account transactions, financial account transactions, capital account transactions, credit or financing from bank to residents for trade and investment purposes, domestic trade of goods and services and other underlying transactions as may be stipulated by Bank Indonesia.

Meanwhile, with reference to PBI 21/15/2019, any outgoing transfer from Indonesia to another jurisdiction in foreign currencies exceeding USD100,000 (or its equivalent) by any party through an Indonesian bank (except for transfers of a party's own bank deposit to its own foreign account) must be supported by valid underlying and supporting documentation, such as photocopies of import customs notifications, letters of credit and invoices.

13. EFFECTS OF THE PROPOSALS AND PROPOSED GRANTING OF SUBSCRIPTION OPTIONS

13.1 Issued share capital

The Proposals and Proposed Granting of Subscription Options will not have any effect on the issued share capital of the Company.

The Proposed AAB Acquisition will not have any effect on the issued share capital of the NewCo. The pro forma effects of the Proposed Internal Reorganisation, Proposed Issuance of Free Warrants, Proposed Private Placement, Proposed AAAGL Acquisition, Proposed Share Capital Reduction and the Proposed Granting of Subscription Options on the issued share capital of the NewCo are as follows:-

	No. of NewCo Shares	Share capital (RM'000)
As at the LPD	1	*(1)
New NewCo Shares to be issued pursuant to the Proposed Share Exchange	447,072,803	51,029
	447,072,804	51,029
Placement Shares to be issued pursuant to the Proposed Private Placement	900,900,900	1,000,000(2)
	1,347,973,704	1,051,029
Consideration Shares to be issued pursuant to the Proposed AAAGL Acquisition	2,307,692,307	3,000,000(3)
	3,655,666,011	4,051,029
Reduction of issued share capital pursuant to the Proposed Share Capital Reduction	-	(3,951,029)
	3,655,666,011	100,000
New NewCo Shares to be issued assuming full subscription of the Subscription Shares (up to)	548,349,901	712,855(4)
	4,204,015,912	812,855
New NewCo Shares to be issued assuming full exercise of the Warrants (up to)	223,536,402	290,597(5)
Issued share capital after the Proposals and Proposed Granting of Subscription Options	**4,427,552,314**	**1,103,452**

Notes:-

(1) Represents RM1.00 issued share capital of the NewCo as at the LPD.
(2) Based on an illustrative issue price of RM1.11 per Placement Share.
(3) Based on an illustrative price of RM1.30 per Consideration Share.
(4) Based on an illustrative issue price of RM1.30 per Subscription Share.
(5) Based on an illustrative exercise price of RM1.30 per Warrant.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

13.2 Substantial Shareholders' shareholdings

Upon completion of the Proposed Internal Reorganisation, the Shareholders will cease to be AAX Shareholders and will hold NewCo Shares instead in proportion to their respective shareholdings in AAX on the Share Exchange Entitlement Date. The Proposed Issuance of Free Warrants, Proposed Private Placement, Proposed AAAGL Acquisition, Proposed AAB Acquisition, Proposed Share Capital Reduction and Proposed Granting of Subscription Options will not have any effect on the substantial Shareholders' shareholdings in the Company.

The Proposed AAB Acquisition and Proposed Share Capital Reduction are not expected to have any effect on the substantial Shareholders' shareholdings in the NewCo. The pro forma effects of the Proposed Internal Reorganisation, Proposed Issuance of Free Warrants, Proposed Private Placement, Proposed AAAGL Acquisition and Proposed Granting of Subscription Options on the substantial Shareholders' shareholdings in AAX / NewCo based on the Register of Substantial Shareholders of the Company as at the LPD are as follows:-

<u>Shareholdings in AAX</u>

	As at the LPD				(I) After the AAX Stake Transfer			
	Direct		Indirect		Direct		Indirect	
Substantial Shareholders	No. of AAX Shares	%[1]	No. of AAX Shares	%[1]	No. of AAX Shares	%[1]	No. of AAX Shares	%[1]
Tan Sri Tony Fernandes	11,158,722	2.50	131,033,136[2]	29.31	11,158,722	2.50	131,033,136[4]	29.31
Datuk Kamarudin	37,070,993	8.29	131,033,136[2]	29.31	37,070,993	8.29	131,033,136[4]	29.31
AAB	57,072,850	12.77	-	-	-	-	-	-
Capital A	-	-	57,072,850[3]	12.77	57,072,850	12.77	-	-
Tune Group Sdn Bhd	73,960,286	16.54	-	-	73,960,286	16.54	-	-
NewCo	-	-	-	-	-	-	-	-

	(II) After (I) and the Proposed Internal Reorganisation			
	Direct		Indirect	
Substantial Shareholders	No. of AAX Shares	%[1]	No. of AAX Shares	%[1]
Tan Sri Tony Fernandes	-	-	447,072,803[5]	100.00
Datuk Kamarudin	-	-	447,072,803[5]	100.00
AAB	-	-	-	-
Capital A	-	-	-	-
Tune Group Sdn Bhd	-	-	-	-
NewCo	447,072,803	100.00	-	-

<u>Notes:-</u>

(1) Based on 447,072,803 issued AAX Shares as at the LPD.

(2) Deemed interested by virtue of his interests in AAB and Tune Group Sdn Bhd pursuant to Section 8 of the Act.

(3) Deemed interested by virtue of its interest in AAB pursuant to Section 8 of the Act.

(4) Deemed interested by virtue of his interests in Capital A and Tune Group Sdn Bhd pursuant to Section 8 of the Act.

(5) Deemed interested by virtue of his interests in the NewCo pursuant to Section 8 of the Act.

Shareholdings in the NewCo

Substantial Shareholders	As at the LPD				(I) After the AAX Stake Transfer and Proposed Share Exchange			
	Direct		Indirect		Direct		Indirect	
	No. of NewCo Shares	%	No. of NewCo Shares	%	No. of NewCo Shares	%[1]	No. of NewCo Shares	%[1]
Tan Sri Tony Fernandes	-	-	-	-	11,158,722	2.50	131,033,136[2]	29.31
Datuk Kamarudin	-	-	-	-	37,070,993	8.29	131,033,136[2]	29.31
Capital A	-	-	-	-	57,072,850	12.77	-	-
Tune Group Sdn Bhd	-	-	-	-	73,960,286	16.54	-	-
Tune Live	-	-	-	-	-	-	-	-
Tune Air	-	-	-	-	-	-	-	-
Garynma	-	-	-	-	-	-	-	-

Substantial Shareholders	(II) After (I) and the Proposed Private Placement				(III) After (II) and the Proposed AAAGL Acquisition and Proposed Distribution by Capital A			
	Direct		Indirect		Direct		Indirect	
	No. of NewCo Shares	%[3]	No. of NewCo Shares	%[3]	No. of NewCo Shares	%[4]	No. of NewCo Shares	%[4]
Tan Sri Tony Fernandes	11,158,722	0.83	131,033,136[2]	9.72	11,795,125	0.32	1,154,306,606[5]	31.58
Datuk Kamarudin	37,070,993	2.75	131,033,136[2]	9.72	37,866,497	1.04	1,154,306,606[5]	31.58
Capital A	57,072,850	4.23	-	-	672,457,465	18.40	-	-
Tune Group Sdn Bhd	73,960,286	5.49	-	-	73,960,286	2.02	-	-
Tune Live	-	-	-	-	202,455,824	5.54	-	-
Tune Air	-	-	-	-	205,433,031	5.62	-	-
Garynma	-	-	-	-	-	-	-	-

Substantial Shareholders	(IV) After (III) and assuming full subscription of the Subscription Shares				(V) After (IV) and assuming full exercise of the Warrants			
	Direct		Indirect		Direct		Indirect	
	No. of NewCo Shares	%(6)	No. of NewCo Shares	%(6)	No. of NewCo Shares	%(7)	No. of NewCo Shares	%(7)
Tan Sri Tony Fernandes	11,795,125	0.28	1,154,306,606(5)	27.46	17,374,486	0.39	1,219,823,174(5)	27.55
Datuk Kamarudin	37,866,497	0.90	1,154,306,606(5)	27.46	56,401,993	1.27	1,219,823,174(5)	27.55
Capital A	672,457,465	15.99	-	-	700,993,890	15.83	-	-
Tune Group Sdn Bhd	73,960,286	1.76	-	-	110,940,429	2.51	-	-
Tune Live	202,455,824	4.82	-	-	202,455,824	4.57	-	-
Tune Air	205,433,031	4.89	-	-	205,433,031	4.64	-	-
Garynma	548,349,901(8)	13.04	-	-	548,349,901(8)	12.38	-	-

Notes:-

(1) Based on 447,072,804 issued NewCo Shares after the Proposed Share Exchange.
(2) Deemed interested by virtue of his interests in Capital A and Tune Group Sdn Bhd pursuant to Section 8 of the Act.
(3) Based on 1,347,973,704 issued NewCo Shares after the Proposed Private Placement assuming a total of 900,900,900 Placement Shares are issued at an illustrative issue price of RM1.11 per Placement Share to raise gross proceeds of approximately RM1,000.00 million.
(4) Based on 3,655,666,011 issued NewCo Shares after the Proposed AAAGL Acquisition.
(5) Deemed interested by virtue of his interests in Capital A, Tune Group Sdn Bhd, Tune Live and Tune Air pursuant to Section 8 of the Act.
(6) Based on 4,204,015,912 issued NewCo Shares assuming full subscription of the Subscription Shares.
(7) Based on 4,427,552,314 issued NewCo Shares assuming full exercise of the Warrants.
(8) The sole shareholder of Garynma is Cosima Investments Pte Ltd, which is wholly owned by Dato' Lim Kian Onn.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

13.3 NA per share and gearing

Upon completion of the Proposed Internal Reorganisation, the financial position of the AAX Group will be consolidated under the NewCo as the new holding company of AAX. The consolidated NA and gearing of the NewCo upon completion of the Proposed Internal Reorganisation will not be significantly different from the consolidated NA and gearing of AAX prior to the implementation of the Proposed Internal Reorganisation as the NewCo is merely an investment holding company with an issued share capital of RM1, incorporated for the purposes of the Proposed Internal Reorganisation.

The Proposed Internal Reorganisation will not have any material effect on the consolidated NA per share of AAX vis-à-vis the consolidated NA per share of the NewCo upon completion of the Proposed Internal Reorganisation in view that the Proposed Share Exchange will be implemented on the basis of 1 new NewCo Share for every 1 existing AAX Share held by the entitled AAX Shareholders on the Share Exchange Entitlement Date.

Upon completion of the Proposed Acquisitions, the New Aviation Group's financial position will reflect the consolidated financial position of the NewCo, AAX Group and the Target Companies.

For illustrative purposes only, based on the latest audited consolidated financial statements of AAX for the 18-month FPE 31 December 2022 and assuming that the Proposals and Proposed Granting of Subscription Options had been effected on 31 December 2022, being the end of the 18-month FPE 31 December 2022, the pro forma effects of the Proposals and Proposed Granting of Subscription Options on the consolidated NA per share and gearing of AAX / NewCo are as follows:-

	AAX Group	**New Aviation Group**				
	Audited as at 31 December 2022 (RM'000)	**(I) After the Placement 2023 (RM'000)**	**(II) After (I) and the Proposed Internal Reorganisation (RM'000)**	**(III) After (II) and the Proposed Issuance of Free Warrants (RM'000)**	**(IV) After (III) and the Proposed Private Placement (RM'000)**	**(V) After (IV) and the Proposed AAAGL Acquisition[1] (RM'000)**
Share capital	1,534	51,029	51,029	51,029	1,051,029[2]	4,051,029
Reverse acquisition reserve	-	-	-	-	-	(2,479,523)
Foreign exchange reserve	14	14	14	14	14	293,487
Other reserves	-	-	-	-	-	2,371,934
Accumulated losses[3]	(286,751)	(286,846)	(287,246)	(287,616)	(317,356)	(3,259,575)
Shareholders' funds / NA	**(285,203)**	**(235,803)**	**(236,203)**	**(236,573)**	**733,687**	**977,352**
No. of shares in issue ('000)	414,815	447,073	447,073	447,073	1,347,974	3,655,666
NA per share (RM)	(0.69)	(0.53)	(0.53)	(0.53)	0.54	0.27
Total borrowings and lease liabilities (RM'000)	1,062,482	1,062,482	1,062,482	1,062,482	1,062,482	9,301,429
Gearing (times)	n/a[4]	n/a[4]	n/a[4]	n/a[4]	1.45	9.52

	New Aviation Group				
	(VI) **After (V) and the Proposed AAB Acquisition (RM'000)**	**(VII)** **After (VI) and the Proposed Share Capital Reduction (RM'000)**	**(VIII)** **After (VII) and the Proposed Granting of Subscription Options (RM'000)**	**(IX)** **After (VIII) and assuming full subscription of the Subscription Shares (RM'000)**	**(X)** **After (IX) and assuming full exercise of the Warrants (RM'000)**
Share capital	4,051,029	100,000	100,000	812,855[(6)]	1,103,452[(7)]
Reverse acquisition reserve	(2,479,523)	(2,479,523)	(2,479,523)	(2,479,523)	(2,479,523)
Foreign exchange reserve	293,487	293,487	293,487	293,487	293,487
Other reserves	2,371,934	3,057,138	3,056,898[(5)]	3,056,898	3,056,898
Accumulated losses[(3)]	(3,265,505)	-	-	-	-
Shareholders' funds / NA	**971,422**	**971,102**	**970,862**	**1,683,717**	**1,974,314**
No. of shares in issue ('000)	3,655,666	3,655,666	3,655,666	4,204,016	4,427,552
NA per share (RM)	0.27	0.27	0.27	0.40	0.45
Total borrowings and lease liabilities (RM'000)	23,271,794[(8)]	23,271,794	23,271,794	23,271,794	23,271,794
Gearing (times)	23.96	23.96	23.97	13.82	11.79

Notes:-

(1) The Proposed AAAGL Acquisition has been accounted for as a reverse acquisition, following the guidelines outlined in Malaysian Financial Reporting Standards 3 Business Combinations. Even though the NewCo is the legal acquirer, for accounting purposes, AAAGL is considered the acquirer.

(2) Assuming a total of 900,900,900 Placement Shares are issued at an illustrative issue price of RM1.11 per Placement Share to raise gross proceeds of approximately RM1,000.00 million.

(3) After deducting estimated expenses of approximately RM0.10 million (Placement 2023), RM0.40 million (Proposed Internal Reorganisation), RM0.37 million (Proposed Issuance of Free Warrants), RM29.74 million (Proposed Private Placement), RM8.50 million (Proposed AAAGL Acquisition), RM5.93 million (Proposed AAB Acquisition) and RM0.32 million (Proposed Share Capital Reduction).

(4) n/a denotes not applicable.

(5) After deducting estimated expenses of approximately RM0.24 million (Proposed Granting of Subscription Options).

(6) Assuming a total of 548,349,901 Subscription Shares are subscribed at an illustrative issue price of RM1.30 per Subscription Share.

(7) Assuming a total of 223,536,402 Warrants are exercised at an illustrative exercise price of RM1.30 per Warrant.

(8) After deducting the pre-payment / repayment of the AAB Group's term loan facilities of RM300.00 million using proceeds from the Proposed Private Placement.

13.4 Earnings and earnings per share ("EPS")

Upon completion of the Proposed Internal Reorganisation, the earnings of the AAX Group will be consolidated under the NewCo as the new holding company of AAX. The Proposed Internal Reorganisation will not have any material effect on the consolidated EPS of AAX vis-à-vis the consolidated EPS of the NewCo upon completion of the Proposed Internal Reorganisation in view that the Proposed Share Exchange will be implemented on the basis of 1 new NewCo Share for every 1 existing AAX Share held by the entitled AAX Shareholders on the Share Exchange Entitlement Date.

Upon completion of the Proposed Acquisitions, the NewCo will consolidate the earnings of the Target Companies.

For illustrative purposes only, based on the latest audited consolidated financial statements of AAX for the 18-month FPE 31 December 2022 and assuming that the Proposals and Proposed Granting of Subscription Options had been effected on 1 January 2022, being the beginning of the 18-month FPE 31 December 2022, the pro forma effects of the Proposals and Proposed Granting of Subscription Options on the consolidated earnings and EPS of AAX / NewCo are as follows:-

	AAX Group		New Aviation Group			
	Audited for the 18-month FPE 31 December 2022	(I) After the Placement 2023	(II) After (I) and the Proposed Internal Reorganisation	(III) After (II) and the Proposed Issuance of Free Warrants	(IV) After (III) and the Proposed Private Placement	(V) After (IV) and the Proposed AAAGL Acquisition
Profit after taxation attributable to the owners of the Company / NewCo (RM'000)[(1)]	33,282,611[(2)]	33,282,516	33,282,116	33,281,746	33,252,006	32,945,206[(3)]
Weighted average number of AAX Shares / NewCo Shares in issue ('000)	414,815	447,073	447,073	447,073	1,347,974[(4)]	3,655,666
EPS (RM)	80.23	74.45	74.44	74.44	24.67	9.01

	New Aviation Group				
	(VI) After (V) and the Proposed AAB Acquisition	(VII) After (VI) and the Proposed Share Capital Reduction	(VIII) After (VII) and the Proposed Granting of Subscription Options	(IX) After (VIII) and assuming full subscription of the Subscription Shares	(X) After (IX) and assuming full exercise of the Warrants
Profit after taxation attributable to the owners of the Company / NewCo (RM'000)[(1)]	31,818,861[(5)]	31,818,541	31,818,301	31,818,301	31,818,301
Weighted average number of AAX Shares / NewCo Shares in issue ('000)	3,655,666	3,655,666	3,655,666	4,204,016[(6)]	4,427,552[(7)]
EPS (RM)	8.70	8.70	8.70	7.57	7.19

Notes:-

(1) After deducting estimated expenses of approximately RM0.10 million (Placement 2023), RM0.40 million (Proposed Internal Reorganisation), RM0.37 million (Proposed Issuance of Free Warrants), RM29.74 million (Proposed Private Placement), RM8.50 million (Proposed AAAGL Acquisition), RM5.93 million (Proposed AAB Acquisition), RM0.32 million (Proposed Share Capital Reduction) and RM0.24 million (Proposed Granting of Subscription Options).

(2) Includes other income of RM34,313.14 million arising from debt settlement and waiver of debts pursuant to a debt restructuring scheme which took effect on 16 March 2022.

(3) After accounting for the consolidated loss after taxation attributable to the owners of AAAGL for the FYE 31 December 2022 amounting to approximately RM298.30 million.

(4) Assuming a total of 900,900,900 Placement Shares are issued at an illustrative issue price of RM1.11 per Placement Share to raise gross proceeds of approximately RM1,000.00 million.

(5) After accounting for the consolidated loss after taxation attributable to the owners of AAB for the FYE 31 December 2022 amounting to approximately RM1,154.61 million and annual interest savings (after taxation) of RM34.19 million based on the interest rate of 11.75% of the AAB Group's term loan facilities to be repaid using proceeds from the Proposed Private Placement.

(6) Assuming a total of 548,349,901 Subscription Shares are subscribed at an illustrative issue price of RM1.30 per Subscription Share.

(7) Assuming a total of 223,536,402 Warrants are exercised at an illustrative exercise price of RM1.30 per Warrant.

The computation of pro forma effects above is strictly for illustrative purposes only. It is not an indication of future financial performance of the New Aviation Group which will be dependent on, amongst others, the outcome of the New Aviation Group's future business plans and strategies, use of proceeds raised from issuance of Placement Shares, new NewCo Shares pursuant to the exercise of the Warrants and Subscription Shares, outlook of the aviation industry as well as prospects of the Target Companies and the New Aviation Group.

13.5 Convertible securities

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

The Warrants will be issued by the NewCo after the completion of the Proposed Internal Reorganisation. The Proposed Private Placement, Proposed Acquisitions, Proposed Share Capital Reduction and Proposed Granting of Subscription Options will not give rise to any adjustment to the exercise price and the number of Warrants pursuant to the Deed Poll.

The Subscription Options will be granted by the NewCo to the Subscriber immediately after the completion of the Proposed Acquisitions. The Proposals will not give rise to any adjustment to the issue price and the number of the Subscription Shares.

14. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed AAAGL Acquisition pursuant to Paragraph 10.02(g) of the Listing Requirements is more than 100.00%.

The highest percentage ratio applicable to the Proposed AAB Acquisition pursuant to Paragraph 10.02(g) of the Listing Requirements is more than 100.00%.

By applying the rule of aggregation pursuant to Paragraph 10.12(2) of the Listing Requirements as the Proposed AAAGL Acquisition and Proposed AAB Acquisition involve transactions entered into with the same party (i.e. Capital A), the highest percentage ratio applicable to the Proposed Acquisitions pursuant to Paragraph 10.12(2) of the Listing Requirements is more than 100.00%.

For the avoidance of doubt, the Proposals is not expected to result in a significant change in the business direction or policy of the Company / NewCo pursuant to the Equity Guidelines issued by the Securities Commission Malaysia.

15. APPROVALS REQUIRED

The Proposals are subject to the following being obtained:-

(i) the approval from Bursa Securities for the following:-

- (a) admission of the NewCo to the Official List and the listing and quotation of the entire enlarged issued share capital of the NewCo on the Main Market of Bursa Securities, in place of AAX pursuant to the Proposed Transfer of Listing Status;
- (b) admission of the Warrants to be issued pursuant to the Proposed Issuance of Free Warrants to the Official List;
- (c) listing and quotation of the Warrants on the Main Market of Bursa Securities;
- (d) listing and quotation of the new NewCo Shares to be issued pursuant to the exercise of the Warrants on the Main Market of Bursa Securities;
- (e) listing and quotation of the Placement Shares to be issued pursuant to the Proposed Private Placement on the Main Market of Bursa Securities; and
- (f) listing and quotation of the Consideration Shares to be issued pursuant to the Proposed AAAGL Acquisition on the Main Market of Bursa Securities;

(ii) the approval from the Shareholders for the Proposed Internal Reorganisation at a court convened meeting to be held;

(iii) the approval from the Shareholders for the Proposals at an extraordinary general meeting to be held;

(iv) the order from the High Court of Malaya sanctioning the Proposed Internal Reorganisation;

(v) the confirmation from the High Court of Malaya for the Proposed Share Capital Reduction pursuant to Section 116 of the Act; and

(vi) the approvals / waivers / consents from any other relevant authorities and/or parties, including those set out in Section 3.1 of Appendix II and Section 3.1 of Appendix III.

The Proposed Granting of Subscription Options is subject to the following being obtained:-

(i) the approval from Bursa Securities for the listing and quotation of the new NewCo Shares to be issued arising from the subscription of the Subscription Shares pursuant to the exercise of the Subscription Options on the Main Market of Bursa Securities.

(ii) the approval from the Shareholders for the Proposed Granting of Subscription Options at an extraordinary general meeting to be held; and

(iii) the approvals / waivers / consents from any other relevant authorities and/or parties, if required.

16. CONDITIONALITY OF THE PROPOSALS AND PROPOSED GRANTING OF SUBSCRIPTION OPTIONS

The Proposed Issuance of Free Warrants, Proposed AAAGL Acquisition, Proposed AAB Acquisition, Proposed Private Placement and Proposed Share Capital Reduction are conditional upon the Proposed Internal Reorganisation but not *vice versa*.

The Proposed Issuance of Free Warrants is conditional upon the Proposed AAAGL Acquisition and Proposed AAB Acquisition but not *vice versa*.

The Proposed AAAGL Acquisition is conditional upon the Proposed Private Placement but not *vice versa*. The Proposed AAB Acquisition is conditional upon the Proposed Private Placement but not *vice versa*.

The Proposals are not conditional upon the Proposed Granting of Subscription Options and *vice versa*.

The Proposals and Proposed Granting of Subscription Options are not conditional upon any other proposals undertaken or to be undertaken by AAX.

17. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED

17.1 Proposed Internal Reorganisation and Proposed Issuance of Free Warrants

None of the Directors, major Shareholders, chief executive of the Company and/or persons connected with them have any interest, whether direct or indirect, in the Proposed Internal Reorganisation and Proposed Issuance of Free Warrants other than their respective entitlements, if any, as Shareholders under the Proposed Share Exchange and Proposed Issuance of Free Warrants, of which all other Shareholders on the respective entitlement dates are similarly entitled to on a pro-rata basis.

17.2 Proposed Acquisitions and Proposed Private Placement

Save as disclosed below, none of the Directors, major Shareholders, chief executive of the Company and/or persons connected with them have any interest, direct or indirect, in the Proposed Acquisitions:-

(i) Tan Sri Tony Fernandes, a major Shareholder of the Company, is deemed interested in the Proposed Acquisitions by virtue of him being the Non-Independent Executive Director and Chief Executive Officer and a major shareholder of Capital A, being the Vendor for the Proposed Acquisitions;

(ii) Dato' Fam Lee Ee, the Non-Independent Non-Executive Chairman of the Company, is deemed interested in the Proposed Acquisitions by virtue of him being the Senior Independent Non-Executive Director of Capital A, being the Vendor for the Proposed Acquisitions;

(iii) Datuk Kamarudin, a Non-Independent Non-Executive Director and a major Shareholder of the Company, is deemed interested in the Proposed Acquisitions by virtue of him being the Non-Independent Executive Chairman and a major shareholder of Capital A, being the Vendor for the Proposed Acquisitions;

(iv) AAB, a major Shareholder of the Company, is deemed interested in the Proposed Acquisitions by virtue of it being a wholly-owned subsidiary of Capital A, being the Vendor for the Proposed Acquisitions. For the avoidance of doubt, AAB is the target company under the Proposed AAB Acquisition. Prior to the completion of the Proposed AAB Acquisition, AAB will sell and transfer its entire shareholding in AAX to Capital A pursuant to the AAX Stake Transfer;

(v) Capital A, a major Shareholder of the Company, is deemed interested in the Proposed Acquisitions by virtue of it being the Vendor for the Proposed Acquisitions; and

(vi) Tune Group Sdn Bhd, a major Shareholder of the Company, is deemed interested in the Proposed Acquisitions by virtue of it being a person connected with Tan Sri Tony Fernandes and Datuk Kamarudin who hold more than 20% equity interest in Tune Group Sdn Bhd.

In view that the gross proceeds to be raised from the Proposed Private Placement are mainly intended to be used as additional funds for the New Aviation Group's aviation businesses, the abovementioned persons are also deemed interested in the Proposed Private Placement.

Accordingly, Dato' Fam Lee Ee and Datuk Kamarudin (collectively, the "**Interested Directors**") have abstained and will continue to abstain from deliberating and voting on the Proposed Acquisitions and Proposed Private Placement at the relevant Board meetings.

Tan Sri Tony Fernandes, Datuk Kamarudin, AAB, Capital A and Tune Group Sdn Bhd (collectively, the "**Interested Major Shareholders**") will abstain and they will ensure that persons connected with them will abstain from voting in respect of their respective direct and/or indirect shareholdings in the Company, if any, on the resolutions approving the Proposed Acquisitions and Proposed Private Placement at the extraordinary general meeting of the Company to be convened.

As at the LPD, the respective shareholdings of the Interested Directors and Interested Major Shareholders in the Company as follows:-

	Direct		Indirect	
Name	**No. of AAX Shares**	**%[(1)]**	**No. of AAX Shares**	**%[(1)]**
Tan Sri Tony Fernandes	11,158,722	2.50	131,033,136[(2)]	29.31
Dato' Fam Lee Ee	-	-	-	-
Datuk Kamarudin	37,070,993	8.29	131,033,136[(2)]	29.31
AAB	57,072,850	12.77	-	-
Capital A	-	-	57,072,850[(3)]	12.77
Tune Group Sdn Bhd	73,960,286	16.54	-	-

Notes:-
(1) Based on 447,072,803 issued AAX Shares as at the LPD.
(2) Deemed interested by virtue of his interests in AAB and Tune Group Sdn Bhd pursuant to Section 8 of the Act.
(3) Deemed interested by virtue of its interest in AAB pursuant to Section 8 of the Act.

17.3 Proposed Share Capital Reduction and Proposed Granting of Subscription Options

None of the Directors, major Shareholders, chief executive of the Company and/or persons connected with them have any interest, whether direct or indirect, in the Proposed Share Capital Reduction and Proposed Granting of Subscription Options.

18. TRANSACTIONS WITH THE SAME RELATED PARTIES FOR THE PRECEDING 12 MONTHS

Save as disclosed below and the recurrent related party transactions set out in the circular to the Shareholders dated 28 April 2023 for which shareholders' mandates have been sought or which are not subject to disclosure pursuant to Paragraph 10.09(1)(b) of the Listing Requirements, AAX and its subsidiaries have not entered into any transaction with the Interested Directors, Interested Major Shareholders and/or persons connected with them for the past 12 months up to the LPD:-

(i) On 2 November 2023, AAX had entered into a passenger charter and ancillary services agreement with AAB where AAX will perform passenger charter and ancillary services in relation to the charter of the Malaysian Battalion (MALBATT) 850 forces to Beirut, Lebanon (vice versa) for the United Nations Interim Force in Lebanon's (UNIFIL) peacekeeping mission commencing from 1 October 2023 to 30 September 2026 for a contract sum of RM29,703,600; and

(ii) On 5 December 2023, AAX had entered into an aircraft lease agreement with Asia Aviation Capital Limited, a wholly-owned subsidiary of AAB, for the lease of an aircraft bearing manufacturer's serial number 1596 for a period of 1 year from delivery date of the aircraft for an estimated total contract value of RM30,542,306.73, inclusive of lease rental and maintenance reserves.

19. ADVISERS

19.1 Principal Adviser and Placement Agent

Interpac has been appointed as the Principal Adviser to AAX for the Proposals and Proposed Granting of Subscription Options and the Placement Agent for the Proposed Private Placement.

19.2 Independent Adviser

As the Proposed Acquisitions are related party transactions pursuant to Paragraph 10.08 of the Listing Requirements, WYNCORP Advisory Sdn Bhd has been appointed to act as the Independent Adviser to undertake the following in relation to the Proposed Acquisitions:-

(i) comment as to:-

(a) whether the Proposed Acquisitions are fair and reasonable in so far as the Shareholders are concerned; and

(b) whether the Proposed Acquisitions are to the detriment of the non-interested Shareholders,

and such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;

(ii) advise the non-interested Shareholders whether they should vote in favour of the Proposed Acquisitions; and

(iii) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in relation to paragraphs (i) and (ii) above.

20. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of AAX, after having considered all relevant aspects of the Proposals (including but not limited to the rationale and benefits of the Proposals, basis and justification for the Total Purchase Consideration, issue price of the Consideration Shares and Placement Shares as well as the exercise price of the Warrants, use of proceeds from the Proposed Private Placement, prospects of the Target Companies and the New Aviation Group as well as outlook of the aviation industry, risks of the Proposed Acquisitions, effects of the Proposals, salient terms of the SSPAs as well as the advice from the Independent Adviser), is of the opinion that the Proposed Acquisitions are:-

(i) in the best interest of AAX;

(ii) fair, reasonable and on normal commercial terms; and

(iii) not detrimental to the interest of the non-interested Shareholders.

21. DIRECTORS' STATEMENT

The AAX Board (save for the Interested Directors), after having considered all relevant aspects of the Proposals (including but not limited to the rationale and benefits of the Proposals, basis and justification for the Total Purchase Consideration, issue price of the Consideration Shares and Placement Shares as well as the exercise price of the Warrants, use of proceeds from the Proposed Private Placement, prospects of the Target Companies and the New Aviation Group as well as outlook of the aviation industry, risks of the Proposed Acquisitions, effects of the Proposals, salient terms of the SSPAs as well as the advice from the Independent Adviser), is of the opinion that the Proposals are in the best interests of AAX.

In addition, the AAX Board, after having considered all relevant aspects of the Proposed Granting of Subscription Options (including but not limited to the rationale and benefits of the Proposed Granting of Subscription Options, basis and justification for the issue price of the Subscription Shares as well as effects of the Proposed Granting of Subscription Options), is of the opinion that the Proposed Granting of Subscription Options is in the best interests of AAX.

22. SUBMISSION OF APPLICATION TO THE AUTHORITIES AND ESTIMATED TIMEFRAME FOR COMPLETION

The application to Bursa Securities is expected to be submitted within 2 months from the date of this Announcement.

Subject to all relevant approvals being obtained, the Proposals and the Proposed Granting of Subscription Options are expected to be completed by the 4th quarter of 2024.

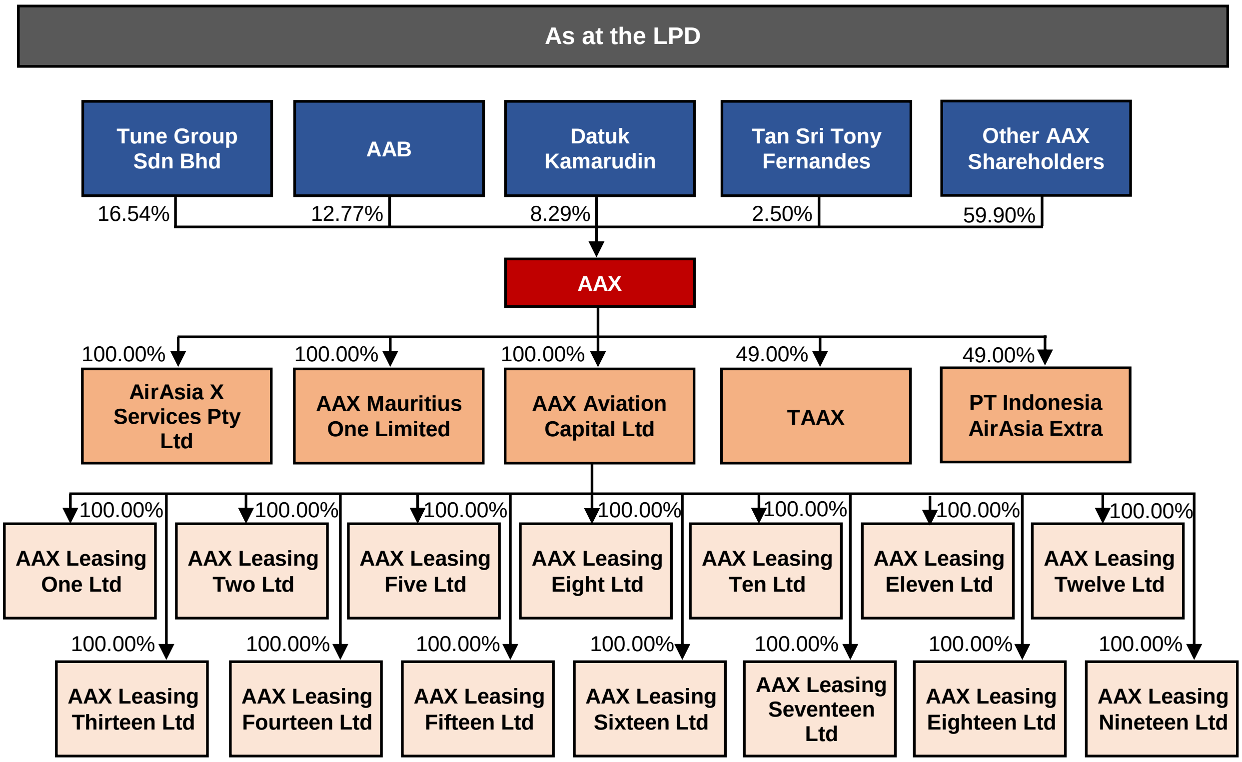
23. DOCUMENTS AVAILABLE FOR INSPECTION

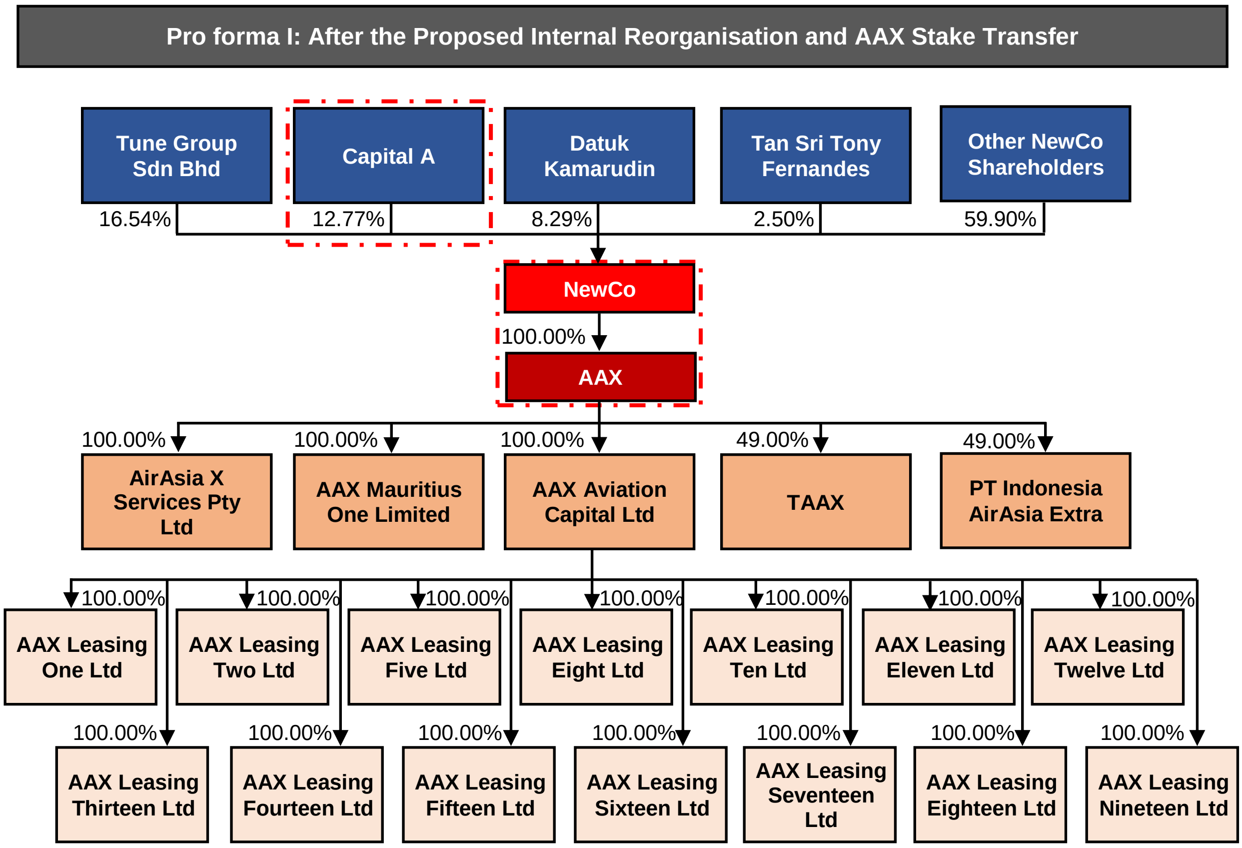
The Internal Reorganisation Agreement, SSPAs and Deloitte's valuation letter are available for inspection at the registered office of the Company at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur, 64000 KLIA, Selangor Darul Ehsan during normal business hours from Mondays to Fridays (except public holidays) for a period of 3 months from the date of this Announcement.

This Announcement is dated 25 April 2024.

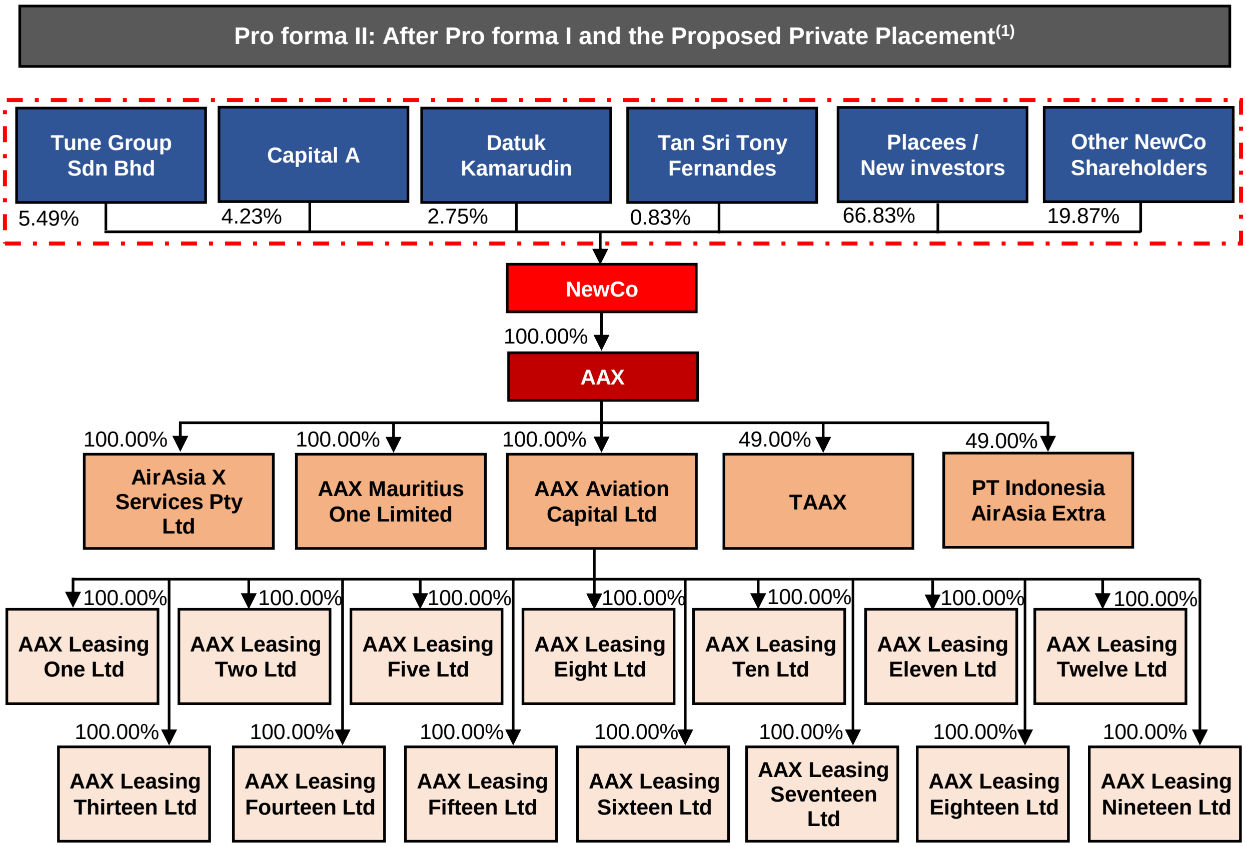
CHANGES IN CORPORATE STRUCTURE

The current corporate structure and the corporate structure after the Proposed Internal Reorganisation, Proposed Private Placement and Proposed Acquisitions are as follows:-





CHANGES IN CORPORATE STRUCTURE (cont'd)



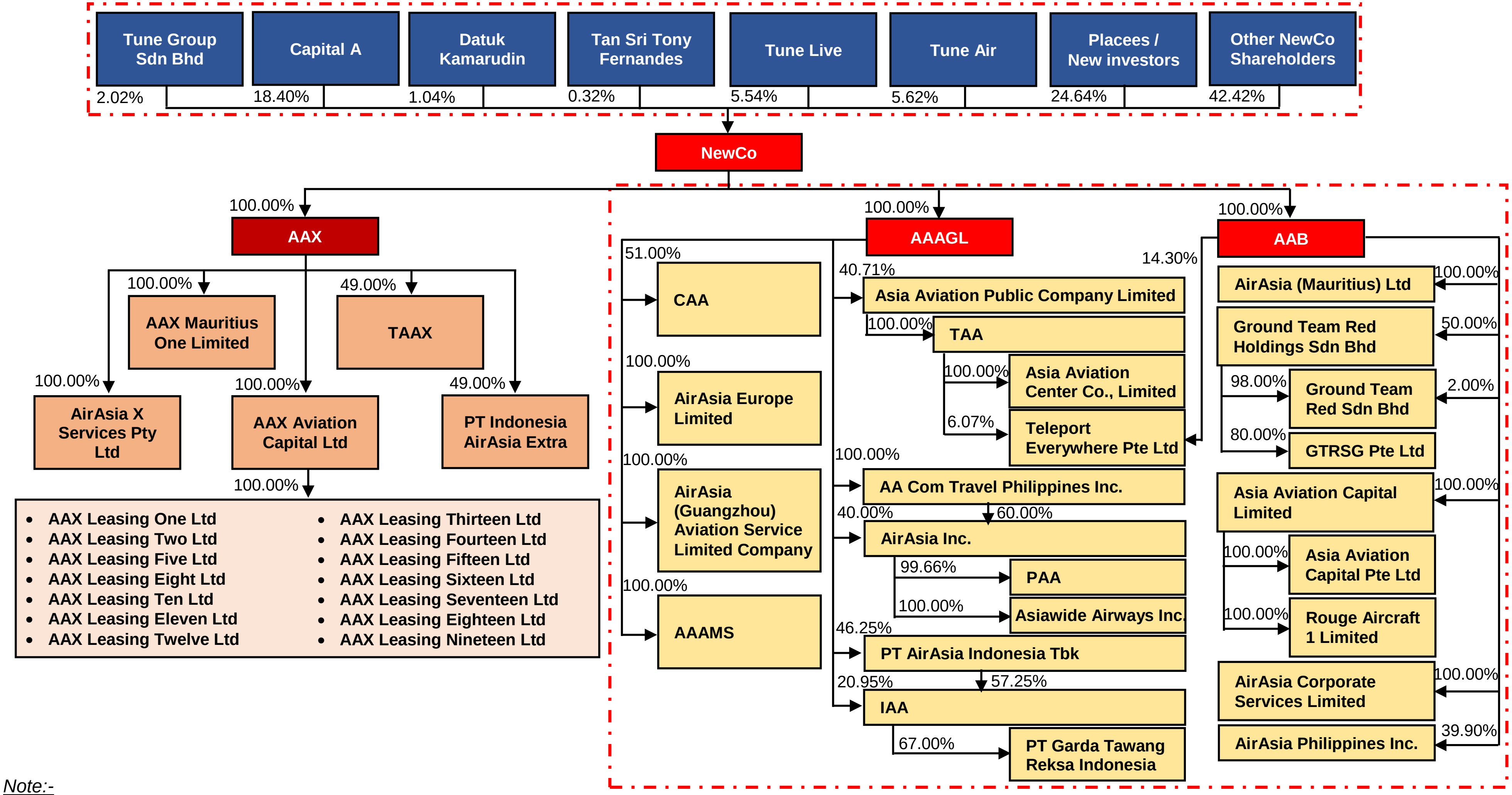
Note:-

(1) *Assuming a total of 900,900,900 Placement Shares are issued at an issue price of RM1.11 (representing a discount of approximately 14.62% to the 5-day VWAP of the AAX Shares up to the LPD of RM1.30) to raise gross proceeds of approximately RM1,000.00 million.*

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

CHANGES IN CORPORATE STRUCTURE (cont'd)

Pro forma III: After Pro forma II, the Proposed Acquisitions and Proposed Distribution by Capital A[(1)]



Note:-

(1) Assuming none of the outstanding convertible securities in Capital A as at the LPD will be exercised or converted into new ordinary shares in Capital A prior to the entitlement date for the Proposed Distribution by Capital A.

SALIENT TERMS OF THE AAAGL SSPA

The salient terms of the AAAGL SSPA are as follows:-

1. Sale and purchase of the AAAGL Equity Interest

On and subject to the terms of the AAAGL SSPA, the Vendor agrees to sell, and the Purchaser agrees to purchase the entire equity interest (including any forms of capital contribution and any unissued capital) in AAAGL.

The AAAGL Equity Interest shall be sold by the Vendor free from encumbrances and together with all rights and advantages attaching to them as at completion of the Proposed AAAGL Acquisition (including the right to receive all dividends and distributions declared, made or paid on or after the said completion).

2. AAAGL Purchase Consideration

The consideration for the sale and purchase of the AAAGL Equity Interest under the AAAGL SSPA shall be RM3,000,000,000 which is to be satisfied fully by the allotment and issuance of 2,307,692,307 Consideration Shares at an issue price of RM1.30 per Consideration Share.

The Consideration Shares shall, upon allotment and issuance, rank equally in all respects with each other and with the then existing NewCo Shares, save and except that the holder of the Consideration Shares shall not be entitled to any dividends, rights, allotments and/or any other distributions which may be declared, made or paid to the NewCo Shareholders, the entitlement date of which is prior to the date of allotment and issuance of the Consideration Shares.

3. AAAGL Conditions Precedent

3.1 The obligations of the parties to the AAAGL SSPA to consummate the transactions contemplated by the AAAGL SSPA are subject to the satisfaction or fulfilment, or mutual written waiver, on or before the AAAGL Cut-Off Date (as defined below), of each of the following conditions precedent (collectively, the "**AAAGL Conditions Precedent**"):-

(i) the approval of the shareholders of the Vendor being obtained at an extraordinary general meeting to be convened for the Proposed Distribution by Capital A and Proposed AAAGL Acquisition;

(ii) the approval of the holders of the 7-year redeemable convertible unsecured Islamic debt securities issued by the Vendor ("**Capital A RCUIDS**") being obtained for the Proposed Distribution by Capital A and Proposed AAAGL Acquisition;

(iii) the approval / consent of the governmental entity, financiers / lenders or any third party, as may be necessary, being obtained by (where applicable) the Vendor, the Vendor's subsidiaries or the relevant entity within the AAAGL Group for the Vendor's Pre-Completion Restructuring, Proposed Distribution by Capital A and Proposed AAAGL Acquisition as set out below:-

(a) MAVCOM's decision that Section 54 of the Malaysian Aviation Commission Act 2015[1] is not infringed if the Proposed AAAGL Acquisition is carried into effect;

Note:-

(1) Section 54(1) of the Malaysian Aviation Commission Act 2015 provides that mergers that have resulted, or may be expected to result, in a substantial lessening of competition in any aviation service market are prohibited.

(b) BNM, Foreign Exchange Administration with regards to the AAAGL Debt Novation[(1)];

Note:-

*(1) "**AAAGL Debt Novation**" refers to the assumption by Capital A of a sum of RM1,730.00 million, being the aggregate amount owing by AAAGL to AAB, replacing AAAGL as the debtor, and resulting in Capital A owing the said sum to AAB. The AAAGL Debt Novation is part of the Vendor's Pre-Completion Restructuring to streamline the intercompany debts amongst Capital A, the AAAGL Group and AAB Group.*

(c) financiers / lenders in respect of the Capital A RCUIDS as well as banking facilities granted to certain subsidiaries of Capital A;

(d) third parties in respect of certain aircraft lease as well as operational agreements; and

(e) any other approvals, waivers or consents of and/or notifications to any authorities or parties as may be required by law or regulation or deemed necessary and mutually agreed by the parties to the AAAGL SSPA;

(iv) the completion of the Vendor's Pre-Completion Restructuring;

(v) the sanction of the High Court of Malaya being obtained for the capital reduction pursuant to the Proposed Distribution by Capital A;

(vi) the AAAGL Group collectively does not incur or record an aggregate loss exceeding RM50,000,000 during the 3-month period immediately preceding the date of completion of the Proposed AAAGL Acquisition;

(vii) the completion of the due diligence exercise comprising examination and verification of the financial, legal and other affairs of the AAAGL Group by accountants, valuers, solicitors or such other professionals (if required) and the results of the due diligence exercise being reasonably satisfactory to the Purchaser;

(viii) the approval of the AAX Shareholders being obtained at an extraordinary general meeting to be convened for the Proposed Internal Reorganisation and Proposed AAAGL Acquisition;

(ix) the approval of the AAX Shareholders being obtained at a court convened meeting for the Proposed Internal Reorganisation;

(x) the approval / consent of the governmental entity, financiers / lenders or any third party, as may be necessary, being obtained by (where applicable) the Purchaser, AAX or any of their subsidiaries for the Proposed Internal Reorganisation and the Proposed AAAGL Acquisition as set out below:-

(a) MAVCOM with regards to the proposed change in shareholding of AAX;

(b) MAVCOM's decision that Section 54 of the Malaysian Aviation Commission Act 2015 is not infringed if the Proposed AAAGL Acquisition is carried into effect;

(c) Takeover Panel of Securities and Exchange Commission, Thailand in respect of the proposed exemption under the applicable takeover rules in Thailand to be sought by the Purchaser from the obligation to undertake a tender offer to acquire all remaining shares in Asia Aviation Public Company Limited not already owned by the Purchaser on completion of the Proposed AAAGL Acquisition;

(d) concurrence or clearance of the Securities Commission Malaysia that the Proposed AAAGL Acquisition will not result in a significant change in the business direction or policy of the Purchaser or AAX;

(e) Bursa Securities for the Proposed Transfer of Listing Status as well as the listing and quotation of the Consideration Shares and Placement Shares on the Main Market of Bursa Securities;

(f) third parties in respect of certain lease and operational agreements entered into by the AAX Group; and

(g) any other approvals, waivers or consents of and/or notifications to any authorities or parties as may be required by law or regulation or deemed necessary and mutually agreed by the parties to the AAAGL SSPA;

(xi) the sanction of the High Court of Malaya being obtained for the Proposed Internal Reorganisation; and

(xii) the Purchaser raising RM1,000,000,000 within the financial year ending 31 December 2024, pursuant to the placement letter(s) or commitment letter(s) or agreement(s) (as the case may be) executed by the Purchaser and the identified investors in relation to the Proposed Private Placement.

"**AAAGL Cut-Off Date**" means –

(i) 6 months after the date of the AAAGL SSPA for the AAAGL Conditions Precedent (save for AAAGL Condition Precedent referred to in paragraph 3.1(vii) above); and

(ii) for the AAAGL Condition Precedent referred to in paragraph 3.1(vii) above, 30 days after the date of the AAAGL SSPA with an automatic extension for a further period of 30 days in the event any of the other AAAGL Conditions Precedent have not been fulfilled or obtained by the expiry date of the initial 30 days due diligence period,

or such other date as mutually agreed between the parties to the AAAGL SSPA in writing.

3.2 If the AAAGL Conditions Precedent are not satisfied or waived on or before 5:00 p.m. on the AAAGL Cut-Off Date, the parties to the AAAGL SSPA may, acting reasonably and by mutual agreement in writing extend the AAAGL Cut-Off Date or failing agreement to extend, the AAAGL SSPA (other than the surviving provisions as stipulated in the AAAGL SSPA) shall lapse and consequently each party to the AAAGL SSPA shall have no claim against the other party, save for a claim arising out of antecedent breaches of the AAAGL SSPA.

3.3 Between the date of the AAAGL SSPA and completion of the Proposed AAAGL Acquisition, and except for the Proposed AAAGL Acquisition, Proposed Internal Reorganisation, Proposed Issuance of Free Warrants, Proposed Private Placement and Proposed Granting of Subscription Options, the Purchaser agrees, and shall procure AAX to agree, that unless the prior written approval of the Vendor has been obtained, it shall not seek and/or obtain its respective shareholders' approval for the Purchaser and/or AAX to undertake any corporate exercise or approve any proposed amendment(s) to any existing corporate exercise(s) which has the effect of increasing or enlarging the number of shares of the Purchaser and/or AAX (as the case may be), including, without limitation, any issue of shares or other securities convertible into shares or securities with rights to acquire or subscribe for shares or other securities in consideration or part consideration for or in connection with the acquisition of any securities, assets or business, failing which, the Vendor may terminate the AAAGL SSPA (other than the surviving provisions as stipulated in the AAAGL SSPA) at any time prior to completion of the Proposed AAAGL Acquisition with the Vendor's interest in the AAAGL Equity Interest intact.

4. Completion of the Proposed AAAGL Acquisition

4.1 Completion of the sale and purchase of the AAAGL Equity Interest under the AAAGL SSPA shall take place 1 month following the date on or by which all AAAGL Conditions Precedent have been satisfied, fulfilled and/or waived other than those AAAGL Conditions Precedent that by their nature are to be satisfied at completion of the Proposed AAAGL Acquisition (and have been satisfied, fulfilled and/or waived at completion of the Proposed AAAGL Acquisition) or at such other time as the parties to the AAAGL SSPA may mutually agree in writing.

4.2 If any provision of the completion clause under the AAAGL SSPA is not fully complied with, the Purchaser, in the case of a default or non-compliance by the Vendor, or the Vendor, in the case of a default or non-compliance by the Purchaser, shall be entitled (in addition to and without prejudice to all other rights or remedies available to it):-

(i) to effect completion of the Proposed AAAGL Acquisition so far as practicable having regard to the defaults which have occurred; or

(ii) to fix a new date for completion of the Proposed AAAGL Acquisition not being later than 1 month after the intended date of completion of the Proposed AAAGL Acquisition, on the basis that such deferral may only occur once; or

(iii) to terminate the AAAGL SSPA (other than the surviving provisions as stipulated in the AAAGL SSPA and save in respect of rights arising out of any antecedent breach of the AAAGL SSPA including with respect to a breach of the relevant completion obligations) without liability on the part of the non-defaulting party with the Vendor's interest in the AAAGL Equity Interest intact.

4.3 Notwithstanding the above, each party to the AAAGL SSPA shall be at liberty to take such action in law as may be necessary to compel the other party by way of specific performance to complete the transaction contemplated in the AAAGL SSPA (in which respect the alternative remedy of monetary compensation shall not be regarded as compensation or sufficient compensation for any default of a party in the performance of the terms and conditions in the AAAGL SSPA) or to claim damages for the breach of the other party.

5. Right to claim for breach of warranties

Each party to the AAAGL SSPA has a right to claim for breach of warranties by the other party only following and subject to completion of the Proposed AAAGL Acquisition. In the event the said completion does not occur and the AAAGL SSPA is terminated, the non-defaulting party shall not be able to claim against the defaulting party for breach of warranties save for antecedent breaches under the AAAGL SSPA.

Nevertheless, the non-defaulting party has the right to terminate the AAAGL SSPA at any time prior to the completion of the Proposed AAAGL Acquisition in any of the following events:-

(i) the non-defaulting party becomes aware that any of the defaulting party's warranties was untrue or inaccurate; or

(ii) any inconsistency with the warranties given by the defaulting party is discovered; and/or

(iii) a Material Adverse Change[(1)] has occurred; or

(iv) any other breach on the part of the defaulting party of the terms of the AAAGL SSPA occurring.

Note:-

*(1) A "**Material Adverse Change**" means any occurrence, condition, change, event or effect that is materially adverse to the AAAGL Group or the NewCo, AAX and its subsidiaries ("**Purchaser Group**") (as the case may be), taken as a whole, which results in an impact on the financial position or profit / loss after tax of the group of RM65,000,000 or more, provided that none of the following constitutes a Material Adverse Change:-*

(i) any occurrence, condition, change, event or effect resulting from or relating to changes in general economic conditions or financial market conditions (whether relating to equity, debt or currencies);

(ii) the occurrence of any natural disasters, pandemics and acts of terrorism, except in the event, and only to the extent, of any damage or destruction to or loss of the physical properties of the AAAGL Group or the Purchaser Group (as the case may be);

(iii) any occurrence, condition, change, event or effect resulting from or relating to:-

(a) the announcement or pendency of the proposed sale and/or purchase of the AAAGL Equity Interest (whichever applicable);

(b) compliance by any party to the AAAGL SSPA with the terms of the AAAGL SSPA; and

(c) actions made by any party to the AAAGL SSPA which are expressly contemplated and permitted by the AAAGL SSPA, or if not so permitted, otherwise consented to by the Vendor and the Purchaser in writing; and

(iv) any change in laws, regulations, rules or administrative practices of any governmental entity, including a change in tax regime or treatment or the introduction of currency controls which have an effect on the AAAGL Group or the Purchaser Group (as the case may be) or the contemplated transaction.

6. Indemnities

The Vendor shall not be liable in respect of a specific indemnity claim (with regards to identified matters in the AAAGL SSPA relating to the conduct of the AAAGL Group's business prior to completion of the Proposed AAAGL Acquisition and any other specific indemnities as may be mutually agreed upon completion of the due diligence exercise on the AAAGL Group by the Purchaser) if it does not exceed RM5,000,000 and in respect of a special claim (with regards to ongoing litigation proceedings on taxation involving AirAsia (India) Limited ("**AAI**")) if it does not exceed RM65,000,000. Where the liability exceeds such thresholds, the Vendor shall be liable for the whole amount and not merely the excess over the thresholds. A notice of the specific indemnity claim or the special claim (as the case may be) shall be given by the Purchaser to the Vendor within 24 months following the completion of the Proposed AAAGL Acquisition.

The Vendor will indemnify the Purchaser and hold the Purchaser and AAAGL Group harmless against:-

(i) any taxation amount (whether or not already assessed or imposed or which may from time to time be assessed or imposed by the relevant governmental authority on the AAAGL Group after completion of the Proposed AAAGL Acquisition) in respect of taxation liabilities of any entities within the AAAGL Group for the period up to the date of completion of the Proposed AAAGL Acquisition, except insofar as full provision is made for such liabilities in the accounts of any entities within the AAAGL Group;

(ii) any claim for income tax in respect of any dividend paid or any distribution made by any entities within the AAAGL Group before the date of completion of the Proposed AAAGL Acquisition, except insofar as full provision is made for such liabilities in the accounts of any entities within the AAAGL Group;

(iii) any settlement of any actual or threatened claim, demand, direction, apportionment, assessment, recovery or counter-claim of any entities within the AAAGL Group in respect of taxation liabilities of any entities within the AAAGL Group for the period up to the date of completion of the Proposed AAAGL Acquisition;

(iv) any amount recovered against any entities within the AAAGL Group in respect of the taxation liabilities of any entities within the AAAGL Group for the period up to the date of completion of the Proposed AAAGL Acquisition; and

(v) any costs reasonably incurred by any entities within the AAAGL Group in contesting or settling any claim, demand, direction, apportionment, assessment, recovery or counter-claim as aforesaid, whether threatened or made, in respect of taxation liabilities of any entities within the AAAGL Group for the period up to the date of completion of the Proposed AAAGL Acquisition.

7. Limitation of liability in respect of breach of warranties

7.1 Either party to the AAAGL SSPA shall not have liability in respect of any claims arising from the breach of its warranties ("**Claim**") to the extent that the facts, matter or circumstances giving rise to the Claim are disclosed in its disclosure letter and the AAAGL SSPA.

7.2 **Time limitation:** Either party to the AAAGL SSPA shall not be liable under the AAAGL SSPA in respect of any Claim unless a notice of the Claim is given by the other party:-

(i) in the case of any Claim relating to tax matters, within the applicable limitation period as stipulated under the relevant laws relating to taxation;

(ii) in the case of any Claim relating to the fundamental warranties (as identified in the AAAGL SSPA), within 6 years following completion of the Proposed AAAGL Acquisition; or

(iii) in the case of any other Claim, within 24 months following completion of the Proposed AAAGL Acquisition.

7.3 **Minimum claims:** Subject to aggregate minimum claims in Section 7.4 of this Appendix II, either party to the AAAGL SSPA shall not be liable in respect of a Claim under the AAAGL SSPA in respect of any individual Claim (provided that Claims in respect of similar facts and circumstances may be aggregated for this purpose) where the liability in respect of any such Claim does not exceed 0.1% of the AAAGL Purchase Consideration (i.e. RM3,000,000). Where the liability exceeds such threshold, the defaulting party shall be liable for the whole amount and not merely the excess over the said threshold.

7.4 **Aggregate minimum claims:** Either party to the AAAGL SSPA shall not be liable under the AAAGL SSPA in respect of any Claim (excluding Claim for which liability is excluded under Section 7.3 of this Appendix II) unless and until the aggregate amount of all such Claims exceeds 1% of the AAAGL Purchase Consideration (i.e. RM30,000,000). Where the liability exceeds such threshold, the defaulting party shall be liable for the whole amount and not just the excess over the said threshold.

7.5 **Maximum liability:** The aggregate liability of either party to the AAAGL SSPA in respect of all Claims under the AAAGL SSPA shall not exceed:-

(i) 100% of the AAAGL Purchase Consideration (i.e. RM3,000,000,000) in the case of any Claim relating to the fundamental warranties (as identified in the AAAGL SSPA); and

(ii) 25% of the AAAGL Purchase Consideration (i.e. RM750,000,000) in the case of any other Claim.

7.6 None of the limitations above shall apply to any Claim which arises or is increased or is delayed as the consequence of fraud or wilful concealment by either party to the AAAGL SSPA or any of its directors, officers, employees, agents, advisers, representatives or successors in title of such party.

8. Non-competition and protective covenants

The Vendor undertakes that it will not, and will procure that Capital A and its subsidiaries ("**Vendor Group**") will not during the period commencing on the date of completion of the Proposed AAAGL Acquisition and ending on the date falling 5 years after the completion of the Proposed AAAGL Acquisition:-

(i) carry on in, be engaged in, or hold a substantial shareholding or equity interest (save for the equity interest held in the Purchaser) in, either directly or indirectly, in any capacity, in any trade, business or occupation, or in any manner take part in or lend its name, counsel or assistance to any person in any capacity whatsoever, for any purpose, in any other business or activity which is same or similar to or competing with the Prohibited Business[(1)];

(ii) canvass, solicit, entice away, induce or encourage any employee or consultant or customer, the custom of the AAAGL Group and/or their affiliates to curtail, terminate or cease their employment or affiliation or custom / business with the AAAGL Group; and

(iii) be engaged in any act which is premeditated or in preparation or in readiness to effect or put in place any of the matters set out in paragraphs 8(i) and 8(ii) above,

provided that (i) the covenants under this paragraph 8 shall only take effect following and subject to completion of the Proposed AAAGL Acquisition and (ii) the covenants under this paragraph 8 shall not apply in respect of any member within the Vendor Group which is involved in the Prohibited Business(1) as at the date of the AAAGL SSPA. In this respect, the Vendor represents, warrants and confirms that the only entities within the Vendor Group which are involved in the Prohibited Business(1) (other than the AAAGL Group) are the AAB Group.

Note:-

*(1) "**Prohibited Business**" means the current aviation business operations of the Purchaser and the AAAGL Group, which is the provision of domestic or international air transportation services which includes the medium to long-haul flights, short-haul flights and commercial flights, but excluding any existing business operations of the Vendor Group provided that the Vendor Group does not include the AAAGL Group.*

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

SALIENT TERMS OF THE AAB SSPA

The salient terms of the AAB SSPA are as follows:-

1. Sale and purchase of AAB Equity Interest

On and subject to the terms of the AAB SSPA, the Vendor agrees to sell, and the Purchaser agrees to purchase the entire equity interest (including any forms of capital contribution and any unissued capital) in AAB.

The AAB Equity Interest shall be sold by the Vendor free from encumbrances (save as disclosed in the Vendor's disclosure letter in respect of the AAB SSPA) and together with all rights and advantages attaching to them as at completion of the Proposed AAB Acquisition (including the right to receive all dividends and distributions declared, made or paid on or after the said completion).

2. AAB Purchase Consideration

The consideration for the sale and purchase of the AAB Equity Interest under the AAB SSPA shall be RM3,800,000,000 which is to be satisfied by the Purchaser's assumption of the amount owing by the Vendor to AAB.

The Debt Settlement shall result in the following events occurring simultaneously:-

(i) AAB fully releasing the Vendor from the liability for the payment of the amount owing by the Vendor to AAB of RM3,800,000,000; and

(ii) the Purchaser fully assuming the liability for the payment of the amount owing by the Vendor to AAB of RM3,800,000,000,

by way of the issue of a promissory note from the Purchaser to AAB, which will substitute and cancel the existing promissory note issued by the Vendor to AAB.

3. AAB Conditions Precedent

3.1 The obligations of the parties to the AAB SSPA to consummate the transactions contemplated by the AAB SSPA are subject to the satisfaction or fulfilment, or mutual written waiver, on or before the AAB Cut-Off Date (as defined below), of each of the following conditions precedent (collectively, the "**AAB Conditions Precedent**"):-

(i) the approval of the shareholders of the Vendor being obtained at an extraordinary general meeting to be convened for the Proposed AAB Acquisition;

(ii) the approval of the holders of the Capital A RCUIDS being obtained for the Proposed AAB Acquisition;

(iii) the approval / consent of the governmental entity, financiers / lenders or any third party, as may be necessary, being obtained by (where applicable) the Vendor, the Vendor's subsidiaries or the relevant entity within the AAB Group for the Vendor's Pre-Completion Restructuring and Proposed AAB Acquisition as set out below:-

(a) MAVCOM with regards to the proposed change in shareholding of AAB;

(b) MAVCOM's decision that Section 54 of the Malaysian Aviation Commission Act 2015 is not infringed if the Proposed AAB Acquisition is carried into effect;

(c) BNM, Foreign Exchange Administration with regards to the AAAGL Debt Novation;

(d) financiers / lenders in respect of the Capital A RCUIDS as well as banking facilities granted to certain subsidiaries of Capital A;

(e) third parties in respect of certain aircraft lease as well as operational agreements;

(f) notification to third parties and financiers / lenders in respect of certain operational agreements and banking facilities; and

(g) any other approvals, waivers or consents of and/or notifications to any authorities or parties as may be required by law or regulation or deemed necessary and mutually agreed by the parties to the AAB SSPA;

(iv) the completion of the Vendor's Pre-Completion Restructuring;

(v) the AAB Group collectively does not incur or record an aggregate loss exceeding RM50,000,000 during the 3-month period immediately preceding the date of completion of the Proposed AAB Acquisition;

(vi) the completion of the due diligence exercise comprising examination and verification of the financial, legal and other affairs of the AAB Group by accountants, valuers, solicitors or such other professionals (if required) and the results of the due diligence exercise being reasonably satisfactory to the Purchaser;

(vii) the approval of the AAX Shareholders being obtained at an extraordinary general meeting to be convened for the Proposed Internal Reorganisation and Proposed AAB Acquisition;

(viii) the approval of the AAX Shareholders being obtained at a court convened meeting for the Proposed Internal Reorganisation;

(ix) the approval / consent of the governmental entity, financiers / lenders or any third party, as may be necessary, being obtained by (where applicable) the Purchaser, AAX or any of their subsidiaries for the Proposed Internal Reorganisation and the Proposed AAB Acquisition as set out below:-

(a) MAVCOM with regards to the proposed change in shareholding of AAX;

(b) MAVCOM's decision that Section 54 of the Malaysian Aviation Commission Act 2015 is not infringed if the Proposed AAB Acquisition is carried into effect;

(c) concurrence or clearance of the Securities Commission Malaysia that the Proposed AAB Acquisition will not result in a significant change in the business direction or policy of the Purchaser or AAX;

(d) Bursa Securities for the Proposed Transfer of Listing Status as well as the listing and quotation of the Placement Shares on the Main Market of Bursa Securities;

(e) third parties in respect of certain lease and operational agreements entered into by the AAX Group; and

(f) any other approvals, waivers or consents of and/or notifications to any authorities or parties as may be required by law or regulation or deemed necessary and mutually agreed by the parties to the AAB SSPA;

(x) the sanction of the High Court of Malaya being obtained for the Proposed Internal Reorganisation; and

(xi) the Purchaser raising RM1,000,000,000 within the financial year ending 31 December 2024, pursuant to the placement letter(s) or commitment letter(s) or agreement(s) (as the case may be) executed by the Purchaser and the identified investors in relation to the Proposed Private Placement.

"**AAB Cut-Off Date**" means –

(i) 6 months after the date of the AAB SSPA for the AAB Conditions Precedent (save for AAB Condition Precedent referred to in paragraph 3.1(vi) above); and

(ii) for the AAB Condition Precedent referred to in paragraph 3.1(vi) above, 30 days after the date of the AAB SSPA with an automatic extension for a further period of 30 days in the event any of the other AAB Conditions Precedent have not been fulfilled or obtained by the expiry date of the initial 30 days due diligence period,

or such other date as mutually agreed between the parties to the AAB SSPA in writing.

3.2 If the AAB Conditions Precedent are not satisfied or waived on or before 5:00 p.m. on the AAB Cut-Off Date, the parties to the AAB SSPA may, acting reasonably and by mutual agreement in writing extend the AAB Cut-Off Date or failing agreement to extend, the AAB SSPA (other than the surviving provisions as stipulated in the AAB SSPA) shall lapse and consequently each party to the AAB SSPA shall have no claim against the other party, save for a claim arising out of antecedent breaches of the AAB SSPA.

3.3 Between the date of the AAB SSPA and completion of the Proposed AAB Acquisition, and except for the Proposed AAAGL Acquisition, Proposed Internal Reorganisation, Proposed Issuance of Free Warrants, Proposed Private Placement and Proposed Granting of Subscription Options, the Purchaser agrees, and shall procure AAX to agree, that unless the prior written approval of the Vendor has been obtained, it shall not seek and/or obtain its respective shareholders' approval for the Purchaser and/or AAX to undertake any corporate exercise or approve any proposed amendment(s) to any existing corporate exercise(s) which has the effect of increasing or enlarging the number of shares of the Purchaser and/or AAX (as the case may be), including, without limitation, any issue of shares or other securities convertible into shares or securities with rights to acquire or subscribe for shares or other securities in consideration or part consideration for or in connection with the acquisition of any securities, assets or business, failing which, the Vendor may terminate the AAB SSPA (other than the surviving provisions as stipulated in the AAB SSPA) at any time prior to completion of the Proposed AAB Acquisition with the Vendor's interest in the AAB Equity Interest intact.

4. Completion of the Proposed AAB Acquisition

4.1 Completion of the sale and purchase of the AAB Equity Interest under the AAB SSPA shall take place 1 month following the date on or by which all AAB Conditions Precedent have been satisfied, fulfilled and/or waived other than those AAB Conditions Precedent that by their nature are to be satisfied at completion of the Proposed AAB Acquisition (and have been satisfied, fulfilled and/or waived at completion of the Proposed AAB Acquisition) or at such other time as the parties to the AAB SSPA may mutually agree in writing.

4.2 If any provision of the completion clause under the AAB SSPA is not fully complied with, the Purchaser, in the case of a default or non-compliance by the Vendor, or the Vendor, in the case of a default or non-compliance by the Purchaser, shall be entitled (in addition to and without prejudice to all other rights or remedies available to it):-

(i) to effect completion of the Proposed AAB Acquisition so far as practicable having regard to the defaults which have occurred; or

(ii) to fix a new date for completion of the Proposed AAB Acquisition not being later than 1 month after the intended date of completion of the Proposed AAB Acquisition, on the basis that such deferral may only occur once; or

(iii) to terminate the AAB SSPA (other than the surviving provisions as stipulated in the AAB SSPA and save in respect of rights arising out of any antecedent breach of the AAB SSPA including with respect to a breach of the relevant completion obligations) without liability on the part of the non-defaulting party with the Vendor's interest in the AAB Equity Interest intact.

4.3 Notwithstanding the above, each party to the AAB SSPA shall be at liberty to take such action in law as may be necessary to compel the other party by way of specific performance to complete the transaction contemplated in the AAB SSPA (in which respect the alternative remedy of monetary compensation shall not be regarded as compensation or sufficient compensation for any default of a party in the performance of the terms and conditions in the AAB SSPA) or to claim damages for the breach of the other party.

5. Right to claim for breach of warranties

Each party to the AAB SSPA has a right to claim for breach of warranties by the other party only following and subject to completion of the Proposed AAB Acquisition. In the event the said completion does not occur and the AAB SSPA is terminated, the non-defaulting party shall not be able to claim against the defaulting party for breach of warranties save for antecedent breaches under the AAB SSPA.

Nevertheless, the non-defaulting party has the right to terminate the AAB SSPA at any time prior to the completion of the Proposed AAB Acquisition in any of the following events:-

(i) the non-defaulting party becomes aware that any of the defaulting party's warranties was untrue or inaccurate; or

(ii) any inconsistency with the warranties given by the defaulting party is discovered; and/or

(iii) a Material Adverse Change[(1)] has occurred; or

(iv) any other breach on the part of the defaulting party of the terms of the AAB SSPA occurring.

<u>Note:-</u>

*(1) A "**Material Adverse Change**" means any occurrence, condition, change, event or effect that is materially adverse to the AAB Group or the Purchaser Group (as the case may be), taken as a whole, which results in an impact on the financial position or profit / loss after tax of the group of RM65,000,000 or more, provided that none of the following constitutes a Material Adverse Change:-*

(i) any occurrence, condition, change, event or effect resulting from or relating to changes in general economic conditions or financial market conditions (whether relating to equity, debt or currencies);

(ii) the occurrence of any natural disasters, pandemics and acts of terrorism, except in the event, and only to the extent, of any damage or destruction to or loss of the physical properties of the AAB Group or the Purchaser Group (as the case may be);

(iii) any occurrence, condition, change, event or effect resulting from or relating to:-

(a) the announcement or pendency of the proposed sale and/or purchase of the AAB Equity Interest (whichever applicable);

(b) compliance by any party to the AAB SSPA with the terms of the AAB SSPA; and

(c) actions made by any party to the AAB SSPA which are expressly contemplated and permitted by the AAB SSPA, or if not so permitted, otherwise consented to by the Vendor and the Purchaser in writing; and

(iv) any change in laws, regulations, rules or administrative practices of any governmental entity, including a change in tax regime or treatment or the introduction of currency controls which have an effect on the AAB Group or the Purchaser Group (as the case may be) or the contemplated transaction.

6. Indemnities

The Vendor shall not be liable in respect of a specific indemnity claim (with regards to identified matters in the AAB SSPA relating to the conduct of the AAB Group's business prior to completion of the Proposed AAB Acquisition and any other specific indemnities as may be mutually agreed upon completion of the due diligence exercise on the AAB Group by the Purchaser) if it does not exceed RM5,000,000 and in respect of a special claim (with regards to (1) arbitration and litigation proceedings on shareholder disputes in relation to Big Pay Pte Ltd and (2) ongoing litigation proceedings on taxation involving AAI) if it does not exceed RM65,000,000. Where the liability exceeds such thresholds, the Vendor shall be liable for the whole amount and not merely the excess over the thresholds. A notice of the specific indemnity claim or the special claim (as the case may be) shall be given by the Purchaser to the Vendor within 24 months following the completion of the Proposed AAB Acquisition.

The Vendor will indemnify the Purchaser and hold the Purchaser and AAB Group harmless against:-

(i) any taxation amount (whether or not already assessed or imposed or which may from time to time be assessed or imposed by the relevant governmental authority on the AAB Group after completion of the Proposed AAB Acquisition) in respect of taxation liabilities of any entities within the AAB Group for the period up to the date of completion of the Proposed AAB Acquisition, except insofar as full provision is made for such liabilities in the accounts of any entities within the AAB Group;

(ii) any claim for income tax in respect of any dividend paid or any distribution made by any entities within the AAB Group before the date of completion of the Proposed AAB Acquisition, except insofar as full provision is made for such liabilities in the accounts of any entities within the AAB Group;

(iii) any settlement of any actual or threatened claim, demand, direction, apportionment, assessment, recovery or counter-claim of any entities within the AAB Group in respect of taxation liabilities of any entities within the AAB Group for the period up to the date of completion of the Proposed AAB Acquisition;

(iv) any amount recovered against any entities within the AAB Group in respect of the taxation liabilities of any entities within the AAB Group for the period up to the date of completion of the Proposed AAB Acquisition; and

(v) any costs reasonably incurred by any entities within the AAB Group in contesting or settling any claim, demand, direction, apportionment, assessment, recovery or counter-claim as aforesaid, whether threatened or made, in respect of taxation liabilities of any entities within the AAB Group for the period up to the date of completion of the Proposed AAB Acquisition.

7. Limitation of liability in respect of breach of warranties

7.1 Either party to the AAB SSPA shall not have liability in respect of any claims arising from the breach of its warranties ("**Claim**") to the extent that the facts, matter or circumstances giving rise to the Claim are disclosed in its disclosure letter and the AAB SSPA.

7.2 **Time limitation:** Either party to the AAB SSPA shall not be liable under the AAB SSPA in respect of any Claim unless a notice of the Claim is given by the other party:-

(i) in the case of any Claim relating to tax matters, within the applicable limitation period as stipulated under the relevant laws relating to taxation;

(ii) in the case of any Claim relating to the fundamental warranties (as identified in the AAB SSPA), within 6 years following completion of the Proposed AAB Acquisition; or

(iii) in the case of any other Claim, within 24 months following completion of the Proposed AAB Acquisition.

7.3 **Minimum claims:** Subject to aggregate minimum claims in Section 7.4 of this Appendix III, either party to the AAB SSPA shall not be liable in respect of a Claim under the AAB SSPA in respect of any individual Claim (provided that Claims in respect of similar facts and circumstances may be aggregated for this purpose) where the liability in respect of any such Claim does not exceed 0.1% of the AAB Purchase Consideration (i.e. RM3,800,000). Where the liability exceeds such threshold, the defaulting party shall be liable for the whole amount and not merely the excess over the said threshold.

7.4 **Aggregate minimum claims:** Either party to the AAB SSPA shall not be liable under the AAB SSPA in respect of any Claim (excluding Claim for which liability is excluded under Section 7.3 of this Appendix III) unless and until the aggregate amount of all such Claims exceeds 1% of the AAB Purchase Consideration (i.e. RM38,000,000). Where the liability exceeds such threshold, the defaulting party shall be liable for the whole amount and not just the excess over the said threshold.

7.5 **Maximum liability:** The aggregate liability of either party to the AAB SSPA in respect of all Claims under the AAB SSPA shall not exceed:-

(i) 100% of the AAB Purchase Consideration (i.e. RM3,800,000,000) in the case of any Claim relating to the fundamental warranties (as identified in the AAB SSPA); and

(ii) 25% of the AAB Purchase Consideration (i.e. RM950,000,000) in the case of any other Claim.

7.6 None of the limitations above shall apply to any Claim which arises or is increased or is delayed as the consequence of fraud or wilful concealment by either party to the AAB SSPA or any of its directors, officers, employees, agents, advisers, representatives or successors in title of such party.

8. Non-competition and protective covenants

The Vendor undertakes that it will not, and will procure that the Vendor Group will not during the period commencing on the date of completion of the Proposed AAB Acquisition and ending on the date falling 5 years after the completion of the Proposed AAB Acquisition:-

(i) carry on in, be engaged in or hold a substantial shareholding or equity interest (save for the equity interest held in the Purchaser) in, either directly or indirectly, in any capacity, in any trade, business or occupation, or in any manner take part in or lend its name, counsel or assistance to any person in any capacity whatsoever, for any purpose, in any other business or activity which is same or similar to or competing with the aviation business operations of the Prohibited Business(1);

(ii) canvass, solicit, entice away, induce or encourage any employee or consultant or customer, the custom of the AAB Group and/or their affiliates to curtail, terminate or cease their employment or affiliation or custom / business with the AAB Group; and

(iii) be engaged in any act which is premeditated or in preparation or in readiness to effect or put in place any of the matters set out in paragraphs 8(i) and 8(ii) above,

provided that (i) the covenants under this paragraph 8 shall only take effect following and subject to completion of the Proposed AAB Acquisition and (ii) the covenants under this paragraph 8 shall not apply in respect of any member within the Vendor Group which is involved in the Prohibited Business(1) as at the date of the AAB SSPA. In this respect, the Vendor represents, warrants and confirms that the only entities within the Vendor Group which are involved in the Prohibited Business(1) (other than the AAB Group) are the AAAGL Group.

<u>Note:-</u>

*(1) "**Prohibited Business**" means the current aviation business operations of the Purchaser and the AAB Group, which is the provision of domestic or international air transportation services which includes the medium to long-haul flights, short-haul flights and commercial flights, but excluding any existing business operations of the Vendor Group provided that the Vendor Group does not include the AAB Group.*

1. HISTORY AND BUSINESS

AAAGL was incorporated in Labuan on 11 September 2003 under the Labuan Companies Act 1990 as a private limited company. AAAGL was formerly known as AA International Ltd until 17 November 2011, AirAsia Investment Ltd until 6 October 2021 and AirAsia Aviation Limited until 6 February 2022, after which it assumed its current name on 7 February 2022.

The principal activity of AAAGL is investment in shares outside Malaysia. Through its subsidiaries, TAA, PAA, IAA and CAA, the AAAGL Group provides air transport services from Thailand (commenced business in 2nd quarter of 2004), the Philippines (commenced business in 1st quarter of 2012), Indonesia (commenced business in 2nd quarter of 2005) and Cambodia (scheduled to commence business in May 2024).

The AAAGL Group is principally involved in the provision of short-haul domestic and international passenger air transport services for the respective airlines' markets in Thailand, the Philippines, Indonesia and Cambodia. In addition, the AAAGL Group also provides ancillary services to complement its passenger air transport services, which include pre-booked in-flight meals, pre-booked duty-free products and merchandise, onboard sale of meals, duty-free products and merchandise, baggage allowance, Fly-Thru services, travel insurance, seat selection and flight change and cancellation. For information, Fly-Thru services allow passengers to connect between 2 different flights offered by the other airlines of the AirAsia Group without having to go through immigration clearance and baggage collection during transit to the second flight, as immigration clearance will be done at, and the baggage will be checked through to, the final destination.

The AAAGL Group also provides air cargo services as a complementary service using the belly cargo capacity of its scheduled passenger flights. The AAAGL Group sells its air cargo capacity to its air cargo agent namely Teleport Everywhere Pte Ltd, a subsidiary of Capital A, which will arrange the movement of air cargo for its customers using the AAAGL Group's air cargo capacity.

Pursuant to the MBLA, AAAGL was granted the exclusive right to use the trade name and livery of the "AirAsia" brand for its aviation related business, including the right to sub-license such rights to its affiliates (including AAB, TAA, PAA, IAA and CAA). The MBLA shall remain in force for 10 years from 1 January 2023 and upon expiry of the initial term of the MBLA, the MBLA shall be automatically extended for a period of 10 years, provided that the MBLA has not been lawfully terminated by reason of breach or default in accordance with the terms and provisions of the MBLA. Pursuant to the Brand Sub-Licensing Agreements between AAAGL and the respective sub-licensees, the sub-licensees have to comply with the branding guidelines and operating requirements in relation to the operations of the AOCs as "AirAsia" branded airlines as well as any new or amended policies and standards prescribed by AAAGL. Accordingly, in accordance with the applicable accounting standards, Asia Aviation Public Company Limited (the holding company of TAA) (listed on the Stock Exchange of Thailand), AirAsia Inc. (the holding company of PAA), PT AirAsia Indonesia Tbk (the holding company of IAA) (listed on the Indonesia Stock Exchange) and CAA are therefore deemed as subsidiaries of AAAGL for accounting purposes with effect from the FYE 31 December 2023. Prior to the FYE 31 December 2023, AAAGL did not exercise control over the abovementioned entities (excluding CAA which was only incorporated in 2023) and hence, the investments in these entities were accounted for as investments in associates.

As one of the key components in the AirAsia Ecosystem, the AAAGL Group transacts with other entities within the AirAsia Group in the ordinary course of its business. Where required, the NewCo will seek for its shareholders' mandate to enter into such recurrent related party transactions after the Proposed AAAGL Acquisition.

The entities within the AAAGL Group holding the AOCs are TAA, PAA, IAA and CAA. The historical key operating statistics of these airlines are as follows:-

TAA

Key operating statistics	Unit	FYE 31 December			
		2020	2021	2022	2023
Passengers carried	'million no.	9.38	2.92	9.96	18.88
Seat capacity	'million no.	12.63	4.31	11.90	20.89
Passenger load factor	%	74	68	84	90
RPK	'million km	7,691	1,961	8,680	20,644
ASK	'million km	10,173	3,002	10,257	22,843
Number of stages	No.	69,313	23,899	66,121	114,571
Average stage length	km	802	697	866	1,094
Fleet size at year end	No.	62	60	54	56
Operating aircraft at year end	No.	41	25	41	50

PAA

Key operating statistics	Unit	FYE 31 December			
		2020	2021	2022	2023
Passengers carried	'million no.	1.98	0.88	4.22	6.61
Seat capacity	'million no.	2.49	1.10	4.76	7.29
Passenger load factor	%	80	80	89	91
RPK	'million km	2,030	613	3,081	6,237
ASK	'million km	2,526	770	3,481	6,882
Number of stages	No.	13,852	6,100	26,418	40,502
Average stage length	km	1,013	702	732	944
Fleet size at year end	No.	24	24	23	25
Operating aircraft at year end	No.	9	4	9	15

IAA

Key operating statistics	Unit	FYE 31 December			
		2020	2021	2022	2023
Passengers carried	'million no.	2.17	0.81	3.25	6.18
Seat capacity	'million no.	3.15	1.26	4.12	7.27
Passenger load factor	%	69	64	79	85
RPK	'million km	2,489	898	4,062	8,787
ASK	'million km	3,615	1,401	5,139	10,338
Number of stages	No.	17,518	6,986	22,759	40,409
Average stage length	km	1,146	1,114	1,246	1,421
Fleet size at year end	No.	28	26	24	32
Operating aircraft at year end	No.	11	7	11	23

CAA

CAA is scheduled to commence its business in Cambodia with 2 A320 aircraft in May 2024.

Notes:-

(1) Passenger load factor is a measure of the utilisation rate of the airline's passenger capacity. It is calculated by dividing passengers carried by seat capacity.

(2) RPK is a measure of the volume of passengers carried by the airline. It is the product of the number of passengers and number of kilometres those passengers were flown.

(3) ASK is a measure of the airline's passenger capacity. It is the product of the number of seats and the number of kilometres those seats were flown.

(4) Number of stages refers to the number of flights flown.

(5) Average stage length refers to the average number of kilometres flown per flight.

2. SHARE CAPITAL

As at the LPD, the issued share capital of AAAGL is USD5,270,000 comprising 5,270,000 ordinary shares in AAAGL.

3. SHAREHOLDER

As at the LPD, AAAGL is a direct wholly-owned subsidiary of Capital A.

4. DIRECTORS

As at the LPD, the directors of AAAGL and their respective shareholdings in AAAGL are as follows:-

		Direct		Indirect	
Name	**Nationality**	**No. of shares**	**%**	**No. of shares**	**%**
Tan Sri Jamaludin bin Ibrahim	Malaysian	-	-	-	-
Tharumalingam A/L Kanagalingam	Malaysian	-	-	-	-
Suvabha Charoenying	Thai	-	-	-	-
Lim Serh Ghee	Singaporean	-	-	-	-
Francisco Edralin Lim	Filipino	-	-	-	-
Thandalam Veeravalli Thirumala Chari	Indian	-	-	-	-
Khoo Gaik Bee	Malaysian	-	-	-	-

5. SUBSIDIARIES AND ASSOCIATED COMPANY

5.1 Subsidiaries

As at the LPD, the subsidiaries of AAAGL are as follows:-

Name of company	Date / Place of incorporation	Issued share capital	Effective equity interest held (%)	Principal activities
CAA	3.4.2023 / Cambodia	USD2,999,910	51.00	Passenger air transport
AirAsia Europe Limited	17.9.2020 / United Kingdom	100 pound sterling	100.00	Commercial air services
AirAsia (Guangzhou) Aviation Service Limited Company	13.11.2017 / China	USD1,000,000	100.00	Aviation and commercial services
AAAMS	6.8.2004 / Malaysia	RM300,000	100.00	Investment holding
Asia Aviation Public Company Limited	26.12.2011 / Thailand	THB1,285,000,000	40.71	Investment holding

Name of company	Date / Place of incorporation	Issued share capital	Effective equity interest held (%)	Principal activities
TAA	19.9.2003 / Thailand	THB967,969,520	40.71	Low-fare airline service
Asia Aviation Center Company Limited	27.1.2021 / Thailand	THB2,500,000	40.71	Providing academy institution of learning and competency development for aviation tourism and hospitality industries
AA Com Travel Philippines Inc.	7.7.2020 / Philippines	Philippines Peso ("**PHP**") 10,500,000	100.00	Tour and travel services
AirAsia Inc.	17.3.2011 / Philippines	PHP597,510,500	100.00	Commercial air transport services
PAA	9.7.1997 / Philippines	PHP595,000,000	99.66 (including preferred shares)	Commercial air transport services
Asiawide Airways Inc.	25.6.2008 / Philippines	PHP31,250,000	100.00	Dormant
PT AirAsia Indonesia Tbk	29.12.2017 / Indonesia	IDR2,671,281,110,250	46.25	Investment holding
IAA	6.12.1999 / Indonesia	IDR421,066,000,000	47.43	Commercial air transport services
PT Garda Tawang Reksa Indonesia	15.11.2016 / Indonesia	IDR15,000,000,000	31.78	Provision of airport related services

5.2 Associated company

As at the LPD, AAAGL does not have any associated company.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

6. HISTORICAL FINANCIAL INFORMATION

A summary of the financial information of the AAAGL Group for the FYE 31 December 2020, FYE 31 December 2021 and FYE 31 December 2022 are as follows:-

	FYE 31 December		
	Economic entity		Group
	2020	2021	2022
	(RM'000)	(RM'000)	(RM'000)
Revenue	-	-	22,245
Operating profit / (loss)	157,233	(954)	(6,463)
Share of results of associates	152,184	-	(297,829)
Profit / (Loss) before taxation	315,260	5,917	(298,300)
Profit / (Loss) after taxation attributable to the owners of AAAGL	315,260	5,917	(298,300)
Share capital	21,652	21,652	21,652
Shareholders' funds	(15,683)	(10,210)	(350,631)
Total borrowings and lease liabilities	-	-	171,376
No. of shares in issue ('000)	5,270	5,270	5,270
Earnings / (Loss) per share (RM)	59.82	1.12	(56.60)
Net liabilities per share attributable to the owners (RM)	(2.98)	(1.94)	(66.53)
Current ratio (times)	0.66	0.86	0.16
Gearing (times)	-	n/a	n/a

n/a denotes not applicable.

(a) Comparison between FYE 31 December 2020 and FYE 31 December 2021

There was no revenue recorded for the FYE 31 December 2020 and FYE 31 December 2021.

AAAGL recorded a profit after taxation of RM315.26 million for the FYE 31 December 2020, mainly due to gain on disposal of an associate of RM158.26 million resulting from AAAGL's divestment of its 32.7% equity interest in AAI as well as a share of results of associates amounting to RM152.18 million, which was derived solely from the derecognition of the share of losses of AAI in the prior financial years following its cessation as an associate of AAAGL.

AAAGL recorded a profit after taxation of RM5.92 million for the FYE 31 December 2021, a decrease of RM309.34 million or 98.12% from a profit after taxation of RM315.26 million for the previous financial year. The profit after taxation of RM5.92 million for the FYE 31 December 2021 was mainly due to an interest income of RM6.26 million from investment in convertible bond issued by AirAsia Inc., a subsidiary of Capital A. There was no share of results of associates for the FYE 31 December 2021 as AAAGL has fully shared the losses of the associates up to the respective carrying amounts of the investments.

(b) Comparison between FYE 31 December 2021 and FYE 31 December 2022

The AAAGL Group recorded revenue of RM22.25 million for the FYE 31 December 2022 (FYE 31 December 2021: Nil), which was contributed mainly from the provision of aviation and commercial services of RM22.09 million by AirAsia (Guangzhou) Aviation Service Limited Company which was acquired during the FYE 31 December 2022.

The AAAGL Group recorded a loss after taxation of RM298.30 million for the FYE 31 December 2022, a decrease of RM304.22 million or 5,138.85% as compared to a profit after taxation of RM5.92 million for the FYE 31 December 2021, mainly attributed to the share of losses of associates of approximately RM297.83 million mainly arising from the share of losses in Asia Aviation Public Company Limited.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

INFORMATION ON AAB

1. HISTORY AND BUSINESS

AAB was incorporated in Malaysia on 20 December 1993 under the Companies Act, 1965 as a private limited company under the name of AirAsia Sdn Bhd and is deemed registered under the Act. AAB was converted into a public limited company on 8 June 2004. AAB was listed on the Main Market of Bursa Securities on 22 November 2004. Subsequently, pursuant to an internal reorganisation undertaken by AAB by way of a members' scheme of arrangement under Section 366 of the Act, AAB was delisted and its listing status on the Main Market of Bursa Securities was assumed by Capital A on 16 April 2018.

The principal activity of AAB is providing air transport services from Malaysia (commenced business in 1996). The AAB Group is principally involved in the provision of short-haul domestic and international passenger air transport services for the Malaysian market. Similar to the AAAGL Group, the AAB Group also provides ancillary and air cargo services to complement its passenger air transport services.

As one of the key components in the AirAsia Ecosystem, the AAB Group transacts with other entities within the AirAsia Group in the ordinary course of its business. Where required, the NewCo will seek for its shareholders' mandate to enter into such recurrent related party transactions after the Proposed AAB Acquisition.

The entity within the AAB Group holding the AOC is AAB. The historical key operating statistics of the airline are as follows:-

		FYE 31 December			
Key operating statistics	**Unit**	**2020**	**2021**	**2022**	**2023**
Passengers carried	'million no.	9.03	3.13	16.78	25.32
Seat capacity	'million no.	12.30	4.15	20.06	28.95
Passenger load factor	%	73	75	84	87
RPK	'million km	9,547	2,670	17,237	30,326
ASK	'million km	12,980	3,551	20,574	34,670
Number of stages	No.	66,890	22,263	107,753	157,104
Average stage length	km	1,053	858	1,016	1,198
Fleet size at year end	No.	96	103	105	103
Operating aircraft at year end	No.	35	14	43	71

Notes:-

(1) Passenger load factor is a measure of the utilisation rate of the airline's passenger capacity. It is calculated by dividing passengers carried by seat capacity.

(2) RPK is a measure of the volume of passengers carried by the airline. It is the product of the number of passengers and number of kilometres those passengers were flown.

(3) ASK is a measure of the airline's passenger capacity. It is the product of the number of seats and the number of kilometres those seats were flown.

(4) Number of stages refers to the number of flights flown.

(5) Average stage length refers to the average number of kilometres flown per flight.

2. SHARE CAPITAL

As at the LPD, the issued share capital of AAB is RM2,515,673,745 comprising 3,341,974,080 ordinary shares in AAB.

3. SHAREHOLDER

As at the LPD, AAB is a direct wholly-owned subsidiary of Capital A.

4. DIRECTORS

As at the LPD, the directors of AAB and their respective shareholdings in AAB are as follows:-

		Direct		Indirect	
Name	**Nationality**	**No. of shares**	**%**	**No. of shares**	**%**
Datuk Kamarudin	Malaysian	-	-	3,341,974,080[(1)]	100.00
Riad Asmat	Malaysian	-	-	-	-
Jasmindar Kaur A/P Sarban Singh	Malaysian	-	-	-	-

Note:-
(1) Deemed interested by virtue of his interest in Capital A pursuant to Section 8 of the Act.

5. SUBSIDIARIES AND ASSOCIATED COMPANIES

5.1 Subsidiaries

As at the LPD, the subsidiaries of AAB are as follows:-

Name of company	Date / Place of incorporation	Issued share capital	Effective equity interest held (%)	Principal activities
AirAsia (Mauritius) Ltd	20.8.2004 / Mauritius	USD1	100.00	Providing aircraft leasing facilities
Asia Aviation Capital Limited	26.9.2014 / Malaysia	USD5,000,000	100.00	Providing aircraft leasing facilities
Asia Aviation Capital Pte Ltd	18.7.2016 / Singapore	SGD4,110,001	100.00	Providing supporting services to air transport
Rouge Aircraft 1 Limited	28.11.2017 / Labuan	USD1,000	100.00	Providing supporting services to air transport
AirAsia Corporate Services Limited	21.10.2008 / Malaysia	USD10,000,000	100.00	Facilitate insurance services for Capital A and its subsidiaries

5.2 Associated companies

As at the LPD, the associated companies of AAB are as follows:-

Name of company	Date / Place of incorporation	Issued share capital	Effective equity interest held (%)	Principal activities
AirAsia Philippines Inc.	22.3.2005 / Philippines	PHP1,000,000	39.90	Dormant
Ground Team Red Holdings Sdn Bhd	21.9.2017 / Malaysia	RM63,177,130	50.00	Investment holding
Ground Team Red Sdn Bhd	26.12.2007 / Malaysia	RM86,213,964	51.00	Ground handling services
GTRSG Pte Ltd	5.9.2017 / Singapore	SGD3,768,950	40.00	Ground handling services

6. HISTORICAL FINANCIAL INFORMATION

A summary of the financial information of the AAB Group for the FYE 31 December 2020, FYE 31 December 2021 and FYE 31 December 2022 are as follows:-

	FYE 31 December		
	2020 (RM'000)	2021 (RM'000)	2022 (RM'000)
Revenue	1,835,820	609,805	3,773,754
Operating loss	(3,254,083)	(1,486,213)	(269,686)
Share of results of associates	(43,079)	(44,140)	(19,871)
Loss before taxation	(3,776,714)	(2,265,486)	(1,151,272)
Loss after taxation attributable to the owners of AAB	(4,197,007)	(2,266,476)	(1,154,608)
Share capital	2,515,673	2,515,673	2,515,673
Shareholders' funds	(580,892)	(3,178,544)	(4,409,976)
Total borrowings and lease liabilities	11,470,551	12,926,389	14,640,733
No. of shares in issue ('000)	3,341,974	3,341,974	3,341,974
Loss per share (RM)	(1.26)	(0.68)	(0.35)
Net liabilities per share attributable to the owners (RM)	(0.17)	(0.95)	(1.32)
Current ratio (times)	0.51	0.39	0.45
Gearing (times)	n/a	n/a	n/a

n/a denotes not applicable.

(a) Comparison between FYE 31 December 2020 and FYE 31 December 2021

For the FYE 31 December 2021, the AAB Group recorded a significant decrease in revenue of RM1,226.01 million or 66.78% to RM609.81 million (FYE 31 December 2020: RM1,835.82 million). The decrease was mainly attributable to the outbreak of the COVID-19 pandemic due to the closure of geographical borders, which resulted in severely restricted air travel, specifically international air travel, causing a sharp decline in revenue. The AAB Group's domestic and international flight operations were disrupted for the whole year in the FYE 31 December 2021, as opposed to only the second to fourth quarters in the FYE 31 December 2020, resulting from the reimposition of multiple lockdowns by the government of Malaysia during the FYE 31 December 2021. Correspondingly, revenue from seat sales declined by RM1,033.00 million or 67.50% to RM497.48 million for the FYE 31 December 2021 (FYE 31 December 2020: RM1,530.48 million). In addition, ancillary revenue declined by RM143.81 million or 59.24% to RM98.96 million for the FYE 31 December 2021 (FYE 31 December 2020: RM242.77 million).

The AAB Group recorded a loss after taxation of RM2,266.48 million for the FYE 31 December 2021 as compared to a loss after taxation of RM4,197.01 million for the previous financial year, representing a decrease in losses of RM1,930.53 million or 46.00%. This was mainly due to the decrease in operating expenses by RM3,269.45 million or 57.49% to RM2,417.61 million for the FYE 31 December 2021 (FYE 31 December 2020: RM5,687.06 million), primarily attributable to the following:-

(i) lower other operating expenses, which decreased by RM1,691.91 million or 100.59% to an income of RM9.99 million for the FYE 31 December 2021 as compared to an expense of RM1,681.92 million for the FYE 31 December 2020, mainly due to impairment losses amounting to RM1,546.02 million recognised in the previous financial year in respect of the property, plant and equipment (RM29.95 million), right-of-use assets (RM406.05 million), investments (RM59.27 million), trade and other receivables (RM340.69 million), amounts due from associates (RM93.40 million), amounts due from related parties (RM525.01 million) and finance lease receivables (RM91.65 million);

(ii) aircraft fuel expenses, which declined by RM1,049.21 million or 82.12% to RM228.45 million for the FYE 31 December 2021 as compared to RM1,277.66 million for the FYE 31 December 2020 as a result of the lower fuel consumption along with a decrease in the number of flights, which was in tandem with the decline in revenue from flights as a result of multiple lockdowns by the government of Malaysia during the FYE 31 December 2021; and

(iii) lower staff costs, which decreased by RM417.93 million or 58.33% to RM298.51 million for the FYE 31 December 2021 as compared to RM716.44 million for the FYE 31 December 2020, mainly as a result of headcount rationalisation, salary cuts for management, staff and directors and natural attrition.

(b) Comparison between FYE 31 December 2021 and FYE 31 December 2022

The AAB Group recorded revenue of RM3,773.75 million for the FYE 31 December 2022, an increase of RM3,163.94 million or 518.84% from RM609.81 million for the FYE 31 December 2021, mainly attributed to the relaxation of travel restrictions, including testing, quarantine and entry requirements. Consequently, AAB carried 16.78 million passengers during the FYE 31 December 2022 as compared to 3.13 million in the previous financial year. Hence, seat sales revenue increased by RM2,652.01 million or 533.09% to RM3,149.49 million for the FYE 31 December 2022 as compared to RM497.48 million for the FYE 31 December 2021. Additionally, ancillary revenue increased by RM465.88 million or 470.78% to RM564.84 million for the FYE 31 December 2022 as compared to RM98.96 million for the previous financial year driven by the increased fees from checked baggage, seat selection, processing, and service fees as a result of high number of passengers resulting from the resumption of international flights.

The AAB Group recorded a loss after taxation of RM1,154.61 million for the FYE 31 December 2022 as compared to a loss after taxation of RM2,266.48 million for the previous financial year, representing a decrease in losses of approximately RM1,111.87 million or 49.06%. This was mainly due to the higher revenue as explained above, offset by higher operating expenses, particularly aircraft fuel expenses which increased by RM1,694.86 or 741.90% from RM228.45 million for the FYE 31 December 2021 to RM1,923.31 million for the FYE 31 December 2022, resulting from higher fuel consumption and an increase in fuel prices.