

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

### ASIA AVIATION PUBLIC COMPANY LIMITED (“AAV”) / THAI AIRASIA CO. LTD. (“TAA”) RESTRUCTURING AND RECAPITALISATION PLAN

*For the purpose of this announcement, “THB” refers to Thai Baht and “RM” refers to Ringgit Malaysia. Unless otherwise stated, the exchange rate of THB100:RM12.4597, which is the middle rate quoted by Bank Negara Malaysia as at 5.00 p.m. on 18 October 2021, being the latest practicable date of this announcement, is used throughout this announcement.*

#### 1. INTRODUCTION

On 19 October 2020, the Board of Directors of Asia Aviation Public Company Limited (“AAV”), the listed company holding 55.0% interest in TAA, had announced the AAV/TAA Restructuring and Recapitalisation Plan (as defined below).

#### 2. DETAILS OF THE AAV/TAA RESTRUCTURING AND RECAPITALISATION PLAN

Insofar as AirAsia Aviation Limited's (formerly known as AirAsia Investment Limited) (“AAA”) involvement in the Proposals, the wholly-owned subsidiary of AAGB and an existing 45.0% shareholder in TAA, the AAV-TAA Restructuring and Recapitalisation Plan entails, amongst others, the following steps:

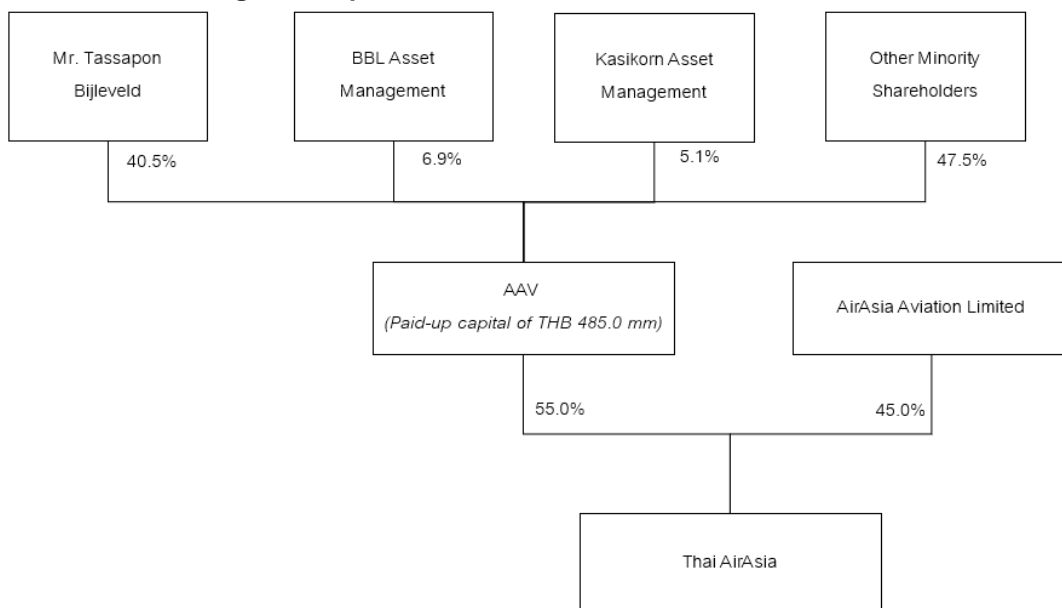
- (i) AAV to inject THB3,900 million (RM485.93 million) into TAA via new equity issuance, thus increasing AAV's direct holdings in TAA from 55.0% to 69.2% (correspondingly, AAA's direct holdings in TAA will be reduced to 30.8%). The entire proceeds from the new equity issuance will be used by TAA to repay part of the intercompany balances owed to AAGB and its subsidiaries. Following this, AAA will dispose of its 30.8% shareholding equivalent to 19,600,000 shares in TAA for a consideration of THB3,800 million (RM473.46 million);
- (ii) Recapitalisation plan involving the following:
  - a. Proposed AAV Private Placement for up to THB8,800 million (RM1,096.45 million) at a price of THB1.75 per share, as follows:
    - i. To AAA for up to THB7,800 million (RM971.87 million). AAA intends to utilise the proceeds from the repayment of intercompany balances by TAA and the proceeds from the sale of TAA shares above; and
    - ii. To new investors to raise up to THB1,000 million (RM124.60 million).
  - b. Proposed AAV Convertible Bond Issue: Issuance of a THB2,200 million (RM274.11 million) convertible bond by AAV to two (2) investors;
  - c. Proposed AAV Rights Offering: Upon completion of the Proposed AAV Private Placement and the Proposed AAV Convertible Bond Issue, AAV will undertake a rights offering for up to THB3,000 million (RM373.79 million) for a rights offer price of THB1.75 per share, with AAA subscribing for its entitlement amounting to THB1,353 million (RM168.58 million). AAA's entitlement in the Proposed AAV Rights Offering is expected to be fully funded via bank borrowings.

(Item 2(a) to (c) are collectively known as the “AAV/TAA Recapitalisation Plan”)

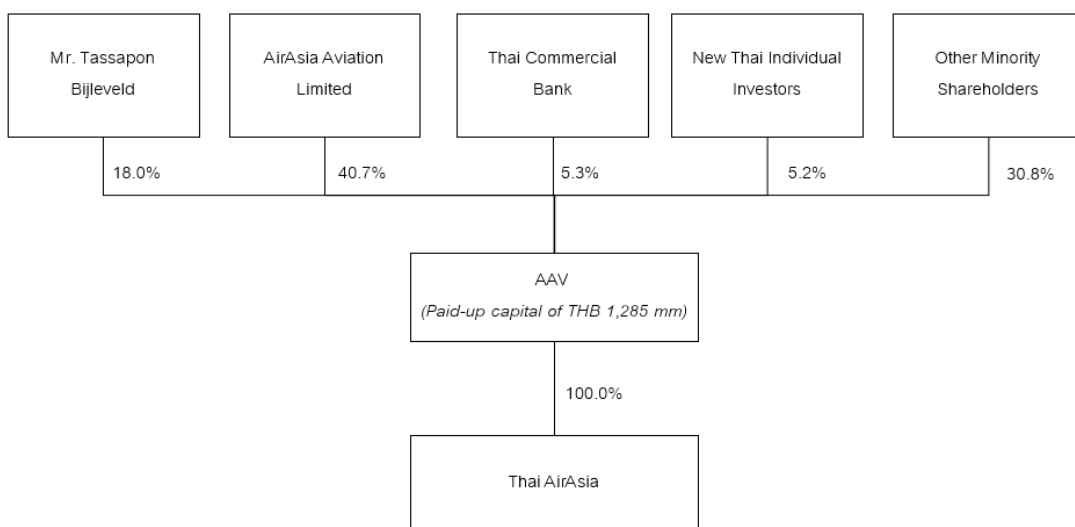
(collectively, the “AAV/TAA Restructuring and Recapitalisation Plan” or the “Proposals”)

The shareholding structure pre and post completion is as follows:

**Prior to undertaking the Proposals**



**Upon completion of the Proposals**



**Additional Information**

As a result of the shares to be issued by AAV to AAA pursuant to the Proposed AAV Private Placement (Section 2(ii)(b)(i) above) representing 45.12% of the total issued and paid-up shares of AAV immediately after the Proposed AAV Private Placement, but before the Proposed AAV Convertible Bond Issue and Proposed AAV Rights Offering, AAA will be obliged to make a tender offer for all of AAV’s securities pursuant to the *Notification of the Capital Market Supervisory Board No. TorCho. 12/2554 Re: Rules, Conditions and Procedures for the Acquisition of Securities for Business Takeover*.

AAA intends to apply for a waiver from the requirement to undertake a tender offer for all securities of the Company by virtue of the resolution of the shareholders' meeting of the Company (Whitewash) to the Office of the Securities and Exchange Commission pursuant to the *Notification of the Office of the Securities and Exchange Commission No. SorGor. 29/2561 Re: Rules for the Application for Waiver from the Requirement to Make Tender Offer for All Securities of the Business by Virtue of the Resolution of the Shareholders' Meeting.*

(the "**AAA-SEC Whitewash Application**")

### **3. RATIONALE FOR THE AAV/TAA RESTRUCTURING AND RECAPITALISATION PLAN**

The impact of Covid-19 pandemic has severely affected the aviation industry, including TAA's low-cost airline business. TAA has used its best efforts to navigate its business operation to weather the Covid-19 pandemic, which has not been easy. This resulted in a very negative impact on the Company's business and operating results, especially the travel restriction measures implemented by the government of Thailand and as a result, TAA previously announced the suspension of services on all domestic routes from 12 July 2021 until 8 August 2021 and further announced a temporary suspension of services on all domestic routes until 31 August 2021. Recently, TAA resumed services on selected domestic routes on 3 September 2021 to accommodate passengers who need to travel.

- (i) the Proposed AAV Convertible Bond Issue, Proposed AAV Private Placement and Proposed AAV Rights Offering will enable AAV to raise the necessary funding for TAA's working capital after having suffered losses totaling THB6,426 million (approximately RM800.68 million) between 31 December FY2020 to 30 June 2021. The recapitalisation of TAA will put it on a much stronger footing to quickly regain market dominance in the domestic air travel with an increase market share;
- (ii) The restructuring will benefit TAA due to the streamlining of the decision-making process, as enabling TAA (via AAV) to tap the capital markets in a much more significant and competitive manner in the future. In addition, upon completion, AAGB's shareholdings interest in TAA (upon completion) will be via the listed and traded shares of AAV, as opposed to holding unlisted shares of TAA directly at this juncture.

### **4. RISKS OF THE TRANSACTION**

Save as disclosed below, the Board does not foresee any material risks pursuant to the AAV/TAA Restructuring and Recapitalisation Plan. The Proposals are subject to completion risks, as the proposals under the plan are inter-conditional and subject to the applicable AAV shareholders approval for, amongst others, the Proposed AAV Private Placement, the AAA-SEC Whitewash Application and the Proposed AAV Rights Offering.

## 5. EFFECTS OF THE TRANSACTION

The Proposals are not expected to have any effects on the issued share capital and substantial shareholders' shareholdings of AAGB.

The shareholding restructuring which entails the disposal of the TAA shares held by AAA directly to be ultimately held by AAA will not have an impact on net assets as the losses from the associates had exceeded the original cost of investment, and accordingly, the cost of investment was carried at nil.

The additional participation of AAA in the Proposed AAV Private Placement exercise of THB7,800 million (RM971.86 million) will be an additional investment in an associate. The unrecognised losses in TAA will immediately crystallise amounting to approximately RM791m as at 30 June 2021. The remaining amount will be held as investment in associate. The losses recognised will decrease the net assets by RM791m and earnings per share by RM0.20 based on the total number of issued shares of 3,898,052,877.

The final financial effects of the crystallisation of past unrecognised losses in TAA can only be determined upon completion of the Proposals.

## 6. HIGHEST PERCENTAGE RATIO

Pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the highest percentage ratio applicable to AAGB is 10.7%, derived from the net consideration of AAA's participation in the Proposed AAV Private Placement against the consideration to be received pursuant to the shareholding restructuring.

## 7. APPROVALS REQUIRED

The AAV/TAA Recapitalisation Plan is subject to the following approvals:

- (i) The capital increase to facilitate the Proposals is subject to the majority vote of the shareholders of AAV (75%) attending the meeting and entitled to vote.
- (ii) **Proposed AAV Private Placement:** The majority vote of the shareholders of AAV (75%) attending the meeting and entitled to vote provided that no more than 10% veto from the shareholders attending the meeting and entitled to vote.
- (iii) **Proposed AAV Rights Issue:** The majority vote of the shareholders of AAV (50%) attending the meeting and entitled to vote.
- (iv) **Proposed AAV Convertible Bond Issue:** The issuance of the Convertible Bond requires the majority vote of the shareholders of AAV (75%) attending the meeting and entitled to vote. The allocation of new shares from the conversion of the Convertible Bond is subject to the majority vote of shareholders of AAV (75%) attending the meeting and entitled to vote provided that no more than 10% veto from the shareholders attending the meeting and entitled to vote.
- (v) **AAA-SEC Whitewash Application:** The majority vote of the shareholders of AAV (75%) attending the meeting and entitled to vote, to waive the requirement to launch a tender offer on all the remaining AAV shares not owned by AAA.

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

None of the directors, major shareholders, chief executive and/or persons connected with them have any interest, direct or indirect, in the Proposals.

**9. DIRECTORS' STATEMENT**

The Board, having considered all aspects of the Proposals with respect to AAGB's interest via AirAsia Aviation Limited (formerly known as AirAsia Investment Ltd.), is of the opinion that AirAsia Aviation's participation in the Proposals is in the best interest of the Company.

**10. ESTIMATED TIME FRAME FOR COMPLETION**

Barring unforeseen circumstances, the Proposals are expected to be completed in the 1<sup>st</sup> quarter of 2022.

**This announcement is dated 21 October 2021.**