

AIRASIA X BERHAD (“AAX” OR THE “COMPANY”)

PROPOSED FUNDRAISING COMPRISING:-

- (I) PROPOSED RIGHTS ISSUE; AND
 - (II) PROPOSED SHARE SUBSCRIPTION
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(The abbreviations used throughout this announcement shall have the same meaning as defined in the announcement dated 6 October 2020 in relation to the Proposed Debt Restructuring and Proposed Corporate Restructuring (“Initial Announcement”), unless stated otherwise or defined herein.)

1. INTRODUCTION

With reference to the Initial Announcement wherein the Company is proposing to undertake the Proposed Debt Restructuring and Proposed Corporate Restructuring, it was made known that the Group intends to raise up to RM500 million, which include raising funds from equity providers in order to reset the airline.

Accordingly, on behalf of the Board, Mercury Securities Sdn Bhd (“**Mercury Securities**”) wishes to announce that the Company proposes to undertake the following:-

- (i) a proposed renounceable rights issue of new ordinary shares in AAX (“**AAX Shares**” or “**Shares**”) (“**Rights Shares**”) to raise gross proceeds of up to RM300 million (“**Proposed Rights Issue**”); and
- (ii) a proposed issuance and allotment of new AAX Shares by way of:-
 - (a) subscription by a special purpose vehicle company incorporated by Dato’ Lim Kian Onn (“**SPV**”) directly and/or its associates and/or other placees of up to RM200 million Shares (“**Subscription Shares**”). The SPV will commit a minimum subscription of RM50 million, subject to terms and conditions of a share subscription agreement to be entered into (“**Share Subscription Agreement**”); and
 - (b) an option for the SPV to subscribe for additional 15% of the enlarged total number of AAX Shares (“**Additional Subscription Shares**”) after the Proposed Rights Issue and proposed share subscription above. The option becomes effective when the Share Subscription Agreement becomes unconditional (*including amongst others completion of the Proposed Rights Issue*) (“**Subscription Option**”).

(Collectively, (a) and (b) are referred to as the “**Proposed Share Subscription**”).

(The Proposed Rights Issue and the Proposed Share Subscription are collectively referred to as the “**Proposed Fundraising**”).

2. DETAILS OF THE PROPOSED RIGHTS ISSUE

2.1 Basis and number of Rights Shares to be issued

The Proposed Rights Issue is intended to raise gross proceeds of up to RM300 million. The quantum of gross proceeds has been determined upfront while the entitlement basis for the Proposed Rights Issue and issue price of the Rights Shares (“**Rights Issue Price**”) have not been determined at this juncture in order to provide flexibility to the Board in respect of the pricing of the Rights Shares. Due to potential share price movements, pricing the Rights Shares closer to the implementation of the Proposed Rights Issue will enable the Rights Issue Price to take into consideration the prevailing market price of AAX Shares at that point in time.

The actual number of Rights Shares to be issued pursuant to the Proposed Rights Issue will depend on the level of subscription, entitlement basis for the Proposed Rights Issue and the total number of Shares in issue on the entitlement date in respect of the Proposed Rights Issue, the date on which the shareholders of AAX must appear in the Record of Depositors of the Company in order to be entitled to participate in the Proposed Rights Issue ("**Entitled Shareholders**") ("**Entitlement Date for Rights Issue**"). As at the date of this announcement, AAX does not have any outstanding convertible securities.

The Entitlement Date for Rights Issue will be determined by the Board and announced at a later date upon receipt of all relevant approvals prior to the implementation of the Proposed Rights Issue. It is the intention of the Company that the Proposed Rights Issue will be undertaken after the completion of the Proposed Debt Restructuring and Proposed Corporate Restructuring.

The Rights Shares will be provisionally allotted to the Entitled Shareholders who may fully or partially renounce their entitlements under the Proposed Rights Issue.

Any Rights Shares which are not taken up or validly taken up shall be offered to other Entitled Shareholders and/or their renounee(s) under excess shares applications. It is the intention of the Board to reduce the incidence of odd lots and to allocate excess Rights Shares in a fair and equitable manner and on a basis to be determined by the Board and announced later by the Company.

Fractional entitlements arising from the Proposed Rights Issue, if any, will be disregarded, and/or dealt with by the Board in such manner and on such terms and conditions as the Board in its absolute discretion may deem fit or expedient and in the best interests of the Company.

2.2 Minimum Subscription Level, Underwritings and Undertakings

AAX intends to raise a minimum of RM100 million from the Proposed Rights Issue to meet the funding requirements of the Group, which will be channelled towards the proposed utilisation as set out in Section 4 of this announcement.

In view of the above, the Board has determined to undertake the Proposed Rights Issue based on a minimum subscription level of RM100 million ("**Minimum Subscription Level**").

To meet the Minimum Subscription Level, the Board intends to procure underwriting arrangement(s) of RM100 million ("**Underwritings**"). The Underwritings will be arranged at a later date, which is after the extraordinary general meeting ("**EGM**") to be convened to approve the Proposed Rights Issue but prior to despatch of the abridged prospectus.

In the event that any shareholder(s) of AAX is identified to apply and undertake to subscribe for their entitlement of Rights Shares and/or excess Rights Shares ("**Undertaking Shareholder(s)**") ("**Undertakings**"), then the total amount to be underwritten may be reduced accordingly. The Undertakings shall be subject to the Company and Mercury Securities being satisfied with the sufficiency of financial resources of the Undertaking Shareholders for the purpose of subscribing for their entitlement of Rights Shares and/or excess Rights Shares.

2.3 Basis and justification of determining the Rights Issue Price

The Rights Issue Price shall be determined by the Board at a price-fixing date to be determined later after obtaining all relevant approvals for the Proposed Rights Issue but before the announcement of the Entitlement Date for Rights Issue, after taking into consideration, amongst others, the following:-

- (i) the prevailing market price of AAX Shares (*after adjusting for the Proposed Corporate Restructuring*) at the point of implementation of the Proposed Rights Issue;
- (ii) the theoretical ex-all price (“**TEAP**”) of AAX Shares based on the 5-market day volume weighted average market price of AAX Shares up to and including the last trading day prior to the price-fixing date;

The Board intends to fix the Rights Issue Price at a discount to the TEAP of AAX Shares after taking into consideration the need to price the Rights Shares at an issue price deemed sufficiently attractive to encourage subscription of the Rights Shares; and

- (iii) the rationale for the Proposed Rights Issue, as set out in Section 5 of this announcement.

2.4 Ranking of the Rights Shares

The Rights Shares shall, upon issuance and allotment, rank equally in all respects with the then existing issued AAX Shares.

2.5 Listing and quotation of the Rights Shares

An application will be made to Bursa Malaysia Securities Berhad (“**Bursa Securities**”) for the listing and quotation of the Rights Shares on the Main Market of Bursa Securities.

3. DETAILS OF THE PROPOSED SHARE SUBSCRIPTION

3.1 Basis and number of Subscription Shares and Additional Subscription Shares to be issued

The Proposed Share Subscription entails the issuance and allotment of new AAX Shares by way of subscription by the SPV directly and/or its associates and/or other placees of up to RM200 million. The subscription period for up to RM200 million portion will be for a period of 3 months after the Share Subscription Agreement becomes unconditional (*including amongst others completion of the Proposed Rights Issue*). The proposed issue price of each Subscription Share will be the same as the Rights Issue Price.

In addition, there will be an option for the SPV to subscribe for the Additional Subscription Shares. The option becomes effective when the Share Subscription Agreement becomes unconditional (*including amongst others completion of the Proposed Rights Issue*). The option subscription period will be for a period of 36 months commencing from the date immediately after the Share Subscription Agreement becomes unconditional. The issue price for the Additional Subscription Shares will be the same as the Rights Issue Price.

The Share Subscription Agreement will be entered into between AAX and SPV in due course to set out the terms and conditions of the Proposed Share Subscription, of which the salient terms shall be announced upon execution and set out in the circular to the shareholders of AAX.

Pursuant to the Proposed Share Subscription, no shareholder shall emerge as a new controlling shareholder of AAX to ensure that mandatory general offer obligations will not be triggered.

The proceeds raised from the Proposed Share Subscription will be channelled towards the proposed utilisation as set out in Section 4 of this announcement. The Proposed Share Subscription shall be implemented after the Proposed Rights Issue.

3.2 Issuance of securities with specific shareholder approval

Pursuant to Paragraph 6.06 of the Main Market Listing Requirements of Bursa Securities, a listed issuer must not issue shares or other convertible securities to the following persons unless shareholders in general meeting have approved the specific allotment to be made to such persons:-

- (i) a director, major shareholder or chief executive of the listed issuer or a holding company of the listed issuer (“**Interested Person(s)**”); or
- (ii) a person connected with the Interested Person.

Accordingly, in view of Dato’ Lim Kian Onn’s interest in the Proposed Share Subscription through the SPV, the Company shall seek shareholders’ approval for the Proposed Share Subscription pursuant to Paragraph 6.06 of the Listing Requirements at the forthcoming EGM to be convened.

3.3 Basis and justification of determining the issue price of the Subscription Shares and Additional Subscription Shares

The issue price of the Subscription Shares and Additional Subscription Shares shall be fixed at the same price as the Rights Issue Price. This is on the basis that all funds to be raised from issuance of the Rights Shares, Subscription Shares and Additional Subscription Shares constitute fresh capital to restart the airline.

3.4 Ranking of the Subscription Shares and Additional Subscription Shares

The Subscription Shares and Additional Subscription Shares shall, upon issuance and allotment, rank equally in all respects with the then existing issued AAX Shares.

3.5 Listing and quotation of the Subscription Shares and Additional Subscription Shares

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

4. PROPOSED UTILISATION OF PROCEEDS

The gross proceeds of up to RM500 million to be raised from the Proposed Fundraising (*excluding proceeds to be raised from the issuance of the Additional Subscription Shares*) is intended to be used to finance the working capital requirements for the Group for the next 24 months from the completion of the Proposed Fundraising in order for the Group to achieve its revised business plan, as set out in Section 3 of the Initial Announcement.

The Group’s working capital requirements include aircraft activation costs, payment of trade and other payables, salaries and other staff-related costs as well as other operating expenses incurred in the Group’s day-to-day operations. The exact breakdown of the proceeds to be used for each component of working capital cannot be determined at this juncture as it is dependent on the terms of new contracts, agreements and/or arrangements with relevant parties to be agreed upon.

Based on the abovesaid revised business plan, there will not be any funding shortfall expected. Nevertheless, should there be any shortfall between the actual working capital requirements and proceeds raised from the Proposed Fundraising, this will be funded via bank borrowings and/or future fundraising exercises, where necessary. Further, the proceeds raised from the issuance of the Additional Subscription Shares are intended to supplement the Group's working capital requirements as and when the Shares are issued throughout the tenure of the Subscription Option.

5. RATIONALE FOR THE PROPOSED FUNDRAISING

As set out in the Initial Announcement, AAX is undertaking a Proposed Debt Restructuring and requires fresh debt and equity capital to reset the airline. As such, the Proposed Fundraising is undertaken to enable the Group to raise the required funds. This will allow AAX to re-establish a firm equity base to support future financing needs as well as to secure the working capital required to restart the airline.

6. INDUSTRY OVERVIEW AND PROSPECTS

6.1 Overview and outlook of the aviation industry

As at the date of this announcement, international travel restrictions are still in place, with passenger traffic for the ASEAN region and non-ASEAN region remaining low, registering a negative year-on-year growth of 98.8% and 97.4% in 3Q 2020 compared to 3Q 2019.

Several countries including Malaysia had reimplemented public health measures (*such as the CMCO in Malaysia*) due to a new wave of the pandemic, indicating the lifting of international travel bans may be further delayed to 2021. For 2021, Malaysian Aviation Commission ("**MAVCOM**") estimates the year-on-year passenger traffic growth to grow by between 94.2% to 100.3%, translating to 51.7 million to 53.3 million passengers. This increase is due to the low base effect in 2020. MAVCOM's estimation assumes airlines to gradually deploy more seat capacity as international travel restrictions are lifted presumably in 2021.

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

6.2 Prospects and future plans of the Group

As mentioned in the Initial Announcement, the Group will be undertaking the Proposed Debt Restructuring and Proposed Corporate Restructuring for its survival as the restructuring will provide new opportunities for the Group to transform and reset its business and to emerge in a stronger financial position capable of attracting new equity and/or debt investment that are critical to the long-term viability of the Group. The Proposed Fundraising will provide the funds to support the Group's revised business plan.

Please refer to Section 3 of the Initial Announcement for the details of the Group's revised business plan.

7. EFFECTS OF THE PROPOSED FUNDRAISING

The Proposed Fundraising will result in an increase in the total number of issued Shares, share capital and net assets of the Group. The effects on the substantial shareholders' shareholdings in AAX will depend on the subscription of Rights Shares, Subscription Shares and Additional Subscription Shares. The effects on the earnings and earnings per share of AAX will depend on returns generated by the Group from the use of proceeds raised from the Proposed Fundraising.

The detailed pro forma effects of the Proposed Fundraising, together with the Proposed Debt Restructuring and Proposed Corporate Restructuring, are being finalised at this juncture and will be presented to the shareholders of AAX in the circular to the shareholders of AAX.

8. APPROVALS REQUIRED AND CONDITIONALITY

The Proposed Fundraising is subject to approvals being obtained from the following:-

- (i) Bursa Securities for the listing and quotation of the Rights Shares, Subscription Shares and Additional Subscription Shares on the Main Market of Bursa Securities;
- (ii) the shareholders of AAX at the forthcoming EGM of the Company to be convened; and
- (iii) any other relevant authorities and/or parties, if required.

In terms of voting by shareholders of AAX:-

- (i) the Proposed Rights Issue and Proposed Share Subscription are inter-conditional upon each other; and
- (ii) the Proposed Fundraising is conditional upon the Proposed Debt Restructuring and Proposed Corporate Restructuring but not *vice versa*.

Save for the above, the Proposed Fundraising is not conditional upon any other corporate exercise / scheme undertaken or proposed to be undertaken by the Company.

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

As at the date of this announcement, save for Dato' Lim Kian Onn (*the Deputy Chairman of AAX*) who is deemed interested in the Proposed Share Subscription, none of the Directors, major shareholders, chief executive and/or persons connected with them have any interest (*direct and indirect*) in the Proposed Fundraising apart from their respective entitlements under the Proposed Rights Issue (*including the right to apply for additional Rights Shares via excess Rights Shares applications*), of which all other shareholders of AAX are similarly entitled to.

As such, Dato' Lim Kian Onn will abstain from all deliberations and voting at the relevant Board meetings in respect of the Proposed Share Subscription. In addition, he will also abstain from voting and undertake to ensure that persons connected, if any, to abstain from voting in respect of their direct and/or indirect shareholdings in AAX, if any, on the resolution pertaining to the Proposed Share Subscription to be tabled at the EGM to be convened.

10. DETAILS OF FUNDRAISING EXERCISES UNDERTAKEN BY THE COMPANY IN THE PAST 12 MONTHS

The Company has not undertaken any equity fundraising exercises in the past 12 months up to and including the date of this announcement.

11. APPLICATION TO THE AUTHORITIES

The application in relation to the Proposed Fundraising is expected to be submitted to Bursa Securities within 2 months from the date of this announcement.

12. ESTIMATED TIMEFRAME FOR COMPLETION

Subject to all relevant approvals being obtained, the Proposed Fundraising is expected to be completed in the first half of 2021.

13. ADVISER

Mercury Securities has been appointed by the Company to act as the Principal Adviser for the Proposed Fundraising.

This announcement is dated 14 December 2020.