

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

PROPOSED DISPOSAL BY AAGB OF 100.0% EQUITY INTEREST IN MERAH AVIATION ASSET HOLDING LIMITED TO AS AIR LEASE HOLDINGS 5T DAC, AN ENTITY INDIRECTLY CONTROLLED BY CASTLELAKE, L.P.

For the purpose of this announcement, “USD” refers to United States Dollar and “RM” refers to Ringgit Malaysia. Unless otherwise stated, the exchange rate of USD1.00:RM4.1880, which is the middle rate quoted by Bank Negara Malaysia as at 5.00 p.m. on 30 November 2018, being the latest practicable date of this announcement (“LPD”), has been applied to the figures included in this announcement.

1. INTRODUCTION

On behalf of the Board of Directors of AAGB (“**Board**”), RHB Investment Bank Berhad wishes to announce that Asia Aviation Capital Limited (“**AACL**”), an indirect wholly-owned subsidiary of AAGB had on 24 December 2018 entered into a share purchase agreement (“**SPA**”) with AS Air Lease Holdings 5T DAC (“**Purchaser**”) and AS Air Lease 8 (Offshore) LP (“**Purchaser Guarantor**”), both entities indirectly controlled by Castlelake, L.P. (“**Castlelake**”), for the proposed disposal by AACL to the Purchaser of its entire equity interest in Merah Aviation Asset Holding Limited (“**Merah Aviation**”), which will own twenty-five (25) aircraft (“**Aircraft Assets**”) to be leased to AirAsia Berhad (“**AAB**”), a direct wholly-owned subsidiary of AAGB, for an aggregate consideration of USD768.0 million (approximately RM3,216.4 million), subject to terms and conditions as stipulated in the SPA (“**Base Purchase Price**”) (“**Proposed Disposal**”).

AACL had also on even date entered into a sale and leaseback agreement (“**SLB Agreement**”) with the Purchaser for the proposed sale by AACL to the Purchaser and leaseback of four (4) new aircraft (“**SLB Aircraft**”) in 2019 for a purchase consideration to be determined at a later date, depending on the final date of delivery and price escalation adjustments of each SLB Aircraft (“**SLB Sale Consideration**”) (“**Proposed SLB**”).

The Proposed Disposal and the Proposed SLB are collectively referred to as, the “**Proposed Transaction**”.

Further details on the Aircraft Assets and the SLB Aircraft are set out in **Appendix I** of this announcement.

2. DETAILS OF THE PROPOSED TRANSACTION

The Proposed Transaction comprises the Proposed Disposal and the Proposed SLB.

2.1 Proposed Disposal

The Proposed Disposal to the Purchaser involves the sale by AACL of one (1) ordinary share of USD1.00 in Merah Aviation (“**Sale Shares**”), representing 100.0% of its issued share capital. Merah Aviation will own twenty-five (25) Aircraft Assets to be leased to AAB. The aggregate consideration payable by the Purchaser for the Proposed Disposal shall be USD768.0 million (approximately RM3,216.4 million) to be satisfied wholly in cash.

Merah Aviation is a company incorporated under the laws of Ireland on 18 December 2018 and is principally engaged in the owning, leasing and/or financing of aircraft.

2.2 Information on the Purchaser and the Purchaser Guarantor

(i) AS Air Lease Holdings 5T DAC (as Purchaser)

The Purchaser is a designated activity company that was incorporated on 10 December 2018 under the laws of Ireland. The Purchaser is principally engaged in the provision of financing relating to aircraft acquisitions.

As at 10 December 2018:

- (a) The Purchaser has an issued share capital of one (1) ordinary share of USD1.00.
- (b) The directors of the Purchaser are as follows:
 - 1. Amanda Donohue;
 - 2. Geraldine Lillis;
 - 3. Erin Rose Neale; and
 - 4. Ardalan Ghanbar.
- (c) The sole shareholder of the Purchaser is the Purchaser Guarantor, as set out in sub-paragraph (ii) below.

(ii) AS Air Lease 8 (Offshore) LP (as Purchaser Guarantor)

The Purchaser Guarantor is a limited partnership formed on 16 December 2018 existing under the laws of Anguilla. The Purchaser Guarantor is principally engaged in the provision of aircraft sales and leasing activities.

As at 16 December 2018:

- (a) The Purchaser Guarantor is a limited partnership in Anguilla, and has no issued share capital.
- (b) The General Partner of the Purchaser Guarantor is Castlake Aviation III Stable Yield GP, L.P., whilst the Limited Partner is CLA III Investment Holding Company (Offshore) LP. Castlake is the registered investment advisor for Castlake Aviation III Stable Yield GP, L.P.
- (c) The combined net assets of CLA III Investment Holding Company (Offshore) LP and CLA III USA Investment Holding Company LLC (both are under limited partnership agreement with Castlake Aviation III Stable Yield GP, L.P.) is approximately USD1,286.0 million (approximately RM5,385.8 million).
- (d) The principal officers of the Purchaser Guarantor are as follows:
 - 1. Rory O'Neill (Chief Executive Officer);
 - 2. Pete Glerum (President);
 - 3. Kevin Hiniker (Vice President);
 - 4. David J. Parrin (Vice President);
 - 5. Rudy Newell (Vice President);
 - 6. Karlien De Clercq (Vice President);
 - 7. William Stephen Venable Jr (Vice President); and
 - 8. Erin Rose Neale (Vice President).

2.3 Salient terms of the SPA

(i) Base Purchase Price

Subject to adjustments in accordance with the SPA, the Base Purchase Price payable by the Purchaser for the purchase of the Sale Shares shall be USD768.0 million (approximately RM3,216.4 million).

An amount of the Base Purchase Price is allocated to each Aircraft Asset (each an “**Allocated Consideration Amount**”). The Allocated Consideration Amount for each Aircraft Asset shall be adjusted by:

- (a) subtracting the aggregate of the daily rent amount for such Aircraft Asset (which is calculated by multiplying the monthly rent amount by twelve (12) and dividing the result by three hundred and sixty five (365) for the period from (but excluding) 1 January 2019 and up to (and including) the relevant date of the transfer;
- (b) adding an amount equal to 5.25% per annum of the Allocated Consideration Amount for the period from (but excluding) 1 January 2019 and up to (and including) the relevant date of the transfer; and
- (c) subtracting the security deposit in the relevant lease referable to such Aircraft Asset, being an amount equal to one (1) month's rent for such Aircraft Asset,

(the aggregate Allocated Consideration Amount for each such Aircraft Asset so adjusted, the “**Adjusted Transfer Amount**”).

The manner of payment for the Adjusted Transfer Amount under the SPA is as follows:

- (a) on the date of the SPA, the Purchaser shall pay a non-refundable deposit of USD20.0 million (approximately RM83.8 million) (“**Deposit**”) into an escrow account; and
- (b) at the time of transfer of an Aircraft Asset, the Purchaser will pay or procure payment of the Adjusted Transfer Amount less an amount equal to one twenty-fifth (1/25th) of the Deposit, i.e, USD0.8 million (approximately RM3.4 million) per Aircraft Asset.

(ii) Conditions Precedent

The transfer of the Sale Shares and/or the Aircraft Assets shall be conditional on the satisfaction of, including but not limited to, the following conditions precedent (the “**Transfer Conditions Precedent**”):

- (a) the passing at a shareholder’s general meeting of AAGB of a resolution to approve the Proposed Disposal;
- (b) no total loss or material damage shall have occurred in respect of the relevant Aircraft Asset at transfer;
- (c) the relevant Aircraft Asset shall not have been repossessed from the applicable lessee;
- (d) no material event of default shall have occurred which is continuing under the lease of the relevant Aircraft Asset;

- (e) the fundamental warranties related to the relevant Aircraft Asset shall be true and accurate in all material respects;
- (f) no change in law shall have occurred rendering it illegal for any party to perform any of its respective material obligations under the SPA or for the applicable lessee to pay rent under the relevant lease;
- (g) the applicable affiliate of AACL shall not have consented to the creation of any sub-lease other than as contemplated by the relevant lease agreement which would materially adversely affect the economic value of the Aircraft Assets; and
- (h) receipt by the Purchaser of a payoff letter from the existing financiers in respect of each Aircraft Asset that is subject to existing financing or, in place of any such payoff letter that is unavailable, such other evidence as the Purchaser may reasonably require confirming that all encumbrances (other than permitted encumbrances) relating to such existing financing and Aircraft Asset will be released immediately following repayment of such existing financing.

The transfer of the Sale Shares shall be conditional on the transfer in respect of each Aircraft Asset having occurred (other than those transfers that have been terminated).

(iii) Completion

The transfer of rights in relation to the Aircraft Assets will take place under the relevant Aircraft Asset transfer documents following satisfaction of the relevant Transfer Conditions Precedent.

On a transfer of the Aircraft Asset the Purchaser (or its affiliate or nominee) will enter into a new lease agreement in respect of each Aircraft Asset that is the subject of the transfer pursuant to which the relevant entity will effectively lease the relevant Aircraft Asset to be ultimately operated by AAB, or an affiliate airline of AAB (either directly or indirectly).

Completion of the sale and purchase of the Sale Shares will take place on the date falling five (5) business days after the transfer has occurred in respect of all Aircraft Assets (other than those transfers that have been terminated).

(iv) Representation and warranties

AACL and AAGB have represented and warranted to the Purchaser that the representations and warranties made pursuant to the SPA, including but not limited to legal and beneficial ownership of the Aircraft Assets and the right to sell the Aircraft Assets, shall be true, correct and accurate, and shall not be extinguished, diminished or affected until completion. If any of such warranties are breached, the Purchaser shall be entitled to claim damages for any loss, damages, cost and expenses incurred.

The Purchaser has represented and warranted to AACL that the representations and warranties made pursuant to the SPA, including but not limited to the legal right to enter into the SPA and the authorisation on the part of the Purchaser shall be true, correct and accurate, and shall not be extinguished, diminished or affected until completion. If any of such warranties are breached before completion, AACL shall be entitled to claim damages for any loss, damages, cost and expenses incurred.

(v) Termination

The SPA will terminate under several circumstances, including but not limited to, if the approval of AAGB's shareholders is not received and if AACL decides to exercise its right to terminate the SPA.

The SPA will terminate, with respect to an Aircraft Asset, under several circumstances, including but not limited to:

- (a) if the Transfer Conditions Precedent to the transfer of such Aircraft Asset is not satisfied by 5.00 p.m. on the date that is six (6) months after the date on which approval of the transactions contemplated by the SPA has been obtained from AAGB's shareholders;
- (b) if the transfer of such Aircraft Asset does not take place on the relevant transfer date following the satisfaction of all Transfer Conditions Precedent thereto and if AACL is not in default in relation to its transfer obligations, at the option of AACL;
- (a) if the transfer of such Aircraft Asset does not take place on the relevant transfer date following the satisfaction of all Transfer Conditions Precedent thereto and if the Purchaser is not in default in relation to its transfer obligations and if AACL has not complied with its material transfer obligations or done all those things required of it, to the extent such obligations are within AACL's sole control, at the option of the Purchaser; or
- (b) if the transfer of such Aircraft Asset does not take place on any extended transfer date to be agreed between parties, following the satisfaction of all Transfer Conditions Precedent thereto, at the option of the party not in default.

2.4 Information on lease arrangements for the Aircraft Assets

No.	Terms	Details
1.	Head lessor	: The Purchaser
2.	Sub lessor	: AACL/intermediate lessor nominated by AACL
3.	Lessee	: AAB and/or its affiliates
4.	Total aircraft to be leased	: Twenty-five (25) Aircraft Assets
5.	12-month period lease rental	: USD83.1 million (approximately RM348.0 million)
6.	Commencement date of lease	Commencement date of the lease of each relevant Aircraft Asset is the date of the transfer of such Aircraft Asset under the SPA
7.	Duration of lease	: Up to fifteen (15) years anniversary from the date of manufacture
8.	Security deposits	: USD6.9 million (approximately RM29.0 million)

2.5 Basis and justification of the Base Purchase Price

The Base Purchase Price for the disposal of Merah Aviation to the Purchaser, was arrived at on a willing-buyer willing-seller basis after taking into consideration the following:

- (i) the implied enterprise value (“**EV**”) of USD768.0 million (approximately RM3,216.4 million) of Merah Aviation comprising the Aircraft Assets;
- (ii) the audited net book value (“**NBV**”) as at 31 December 2017 of twenty-five (25) Aircraft Assets to be disposed of RM2,888.2 million based on the audited consolidated financial statements of AAGB for financial year ended 31 December 2017;
- (iii) the ability for AAGB and its subsidiaries (“**AAGB Group**” or “**Group**”) to leverage on Castlelake’s aircraft leasing and management expertise to better manage AAGB Group’s aircraft fleet in the future; and
- (iv) the rationale for the Proposed Transaction as set out in section 3 of this announcement.

2.6 Utilisation of proceeds

The gross cash proceeds expected to be raised from the Proposed Disposal amounting to USD768.0 million (approximately RM3,216.4 million) are expected to be utilised in the following manner:

Utilisation	Timeframe for utilisation	Amount	
		RM’ million	%
Repayment of existing debt ⁽¹⁾	Six (6) months	1,902.0	59.1
Defray estimated expenses for the Proposed Transaction ⁽²⁾	Twelve (12) months	14.7	0.5
Remaining proceeds ⁽³⁾	Twelve (12) months	1,299.7	40.4
Total		3,216.4	100.0

Notes:

- (1) Existing debt pertaining to the twenty-five (25) Aircraft Assets as at the LPD.
- (2) The estimated expenses, amongst others, professional fees, regulatory fees, printing and advertising costs, employees related costs, and costs to convene an extraordinary general meeting. Any variation between the amount stated herein and the eventual amount of expenses will be adjusted to/from the remaining proceeds, the utilisation of which is yet to be determined.
- (3) The management is currently evaluating the options for the optimal utilisation of the remaining proceeds to strengthen the Group’s financial performance as well as maximising its shareholders’ return. Until such time that the Group has identified the optimal use of the remaining proceeds (which may include consideration to utilise part of the proceeds to meet general working capital requirements, for any potential investment opportunities and/or new business) or return/ distribution to shareholders, the remaining proceeds shall be kept in short term interest bearing instruments such as bank deposit. Further, the Company will make immediate announcement on the intended usage of the remaining proceeds as and when it has been decided by the Board. If the nature of the transaction requires its shareholders’ approval(s) under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”), the Company will seek the necessary approval(s) from them at a general meeting to be convened.

The Company will also report the status of the unutilised remaining proceeds, including, amongst others, the amount utilised and detailed explanation of its usage, the remaining balance and the interest income generated therefrom in its upcoming quarterly financial results and annual report(s) until full utilisation of such remaining proceeds.

2.7 Original cost, date of investment and NBV

The date and original cost of investment, and NBV of Merah Aviation and the Aircraft Assets are as follows:

		<u>Range of the date of investment</u>	<u>Original cost of investment</u>	<u>Audited NBV</u>
(i)	Merah Aviation	December 2018	USD0.01	Not applicable ⁽¹⁾
(ii)	Aircraft Assets	December 2005 – August 2017	RM3,965.2 million ⁽²⁾	RM2,888.2 million ⁽³⁾

Notes:

- (1) *There is no audited financial information as the company is newly incorporated.*
- (2) *Based on the total number of Aircraft Assets that is owned by the Group as at the date of the SPA.*
- (3) *Based on the audited consolidated financial statements of AAB for financial year ended 31 December 2017.*

2.8 Liabilities to be assumed by the Purchaser

Save for the obligations and liabilities as set out in the SPA and the SLB Agreement, there are no contingent liabilities and/or guarantees to be assumed by the Purchaser (or its affiliate or nominee) under the respective agreements.

2.9 Salient terms of the SLB Agreement

Under the terms of the SLB Agreement, AACL will sell the SLB Aircraft to the Purchaser (or its affiliate or nominee) (the "**Purchasing Entity**"). The SLB Aircraft will be purchased by AACL from AAB, which will in turn then sell the SLB Aircraft to the Purchasing Entity. The SLB Aircraft are expected to be delivered in 2019.

Subject to the final date of delivery and price escalation adjustments of the SLB Aircraft in 2019, the SLB Sale Consideration payable by the Purchaser for the purchase of the SLB Aircraft shall be determined prior to the delivery of the SLB Aircraft.

Prior to the delivery of each SLB Aircraft, the Purchasing Entity (and/or any of its related entities) shall enter into lease agreements for the SLB Aircraft to be ultimately operated by (i) in the case of two (2) of the SLB Aircraft, AirAsia Japan Co. Ltd and (ii) in the case of the other two (2) SLB Aircraft, AAB.

The parties have agreed that the sale of each SLB Aircraft will not occur without the leasing arrangements being in place and all conditions to the commencement of the respective leases being satisfied.

Information on lease arrangements for the SLB Aircrafts are set out below:

No.	Terms	Details
1.	Head lessor	: The Purchaser
2.	Sub lessor	: AACL
3.	Intermediate lessor (relevant for AirAsia Japan Co. Ltd only)	: Merah Putih 2, Inc.
4.	Lessee	: AAB and AirAsia Japan Co. Ltd
5.	Total aircraft to be leased	: Four (4) SLB Aircraft
6.	12-month period lease rental	: USD13.9 million (approximately RM58.2 million)
7.	Commencement date of lease	: Commencement date of the lease of each relevant SLB Aircraft is on delivery of such SLB Aircraft from manufacturer
8.	Duration of lease	: Twelve (12) years from the date of delivery
9.	Security deposits	: USD1.7 million (approximately RM7.3 million)

3. RATIONALE AND BENEFITS OF THE PROPOSED TRANSACTION

The Board believes that the Proposed Transaction is in line with AAGB Group's strategy to focus on its core airline operations, while allocating resources within AAGB Group in a more efficient manner. Further, AAGB Group is able to enjoy the following benefits from the Proposed Transaction:

- (i) the estimated net gain on disposals to AAGB Group arising from the Proposed Transaction is approximately RM174.9 million. With the Proposed Transaction, AAGB Group will be able to preserve its existing funds for its future business and provide a stable platform for AAGB Group to expand its route network, without the financial commitment of owning aircraft which are capital intensive in nature and/or undertake new and appropriate investment opportunities to maximise shareholders' returns;
- (ii) AAGB Group will raise gross proceeds amounting to RM3,216.4 million from the Proposed Disposal as set out in section 2.6 of this announcement;
- (iii) allow AAGB Group to reduce its financial leverage as part of the proceeds from the Proposed Disposal will be utilised to finance the prepayment of bank borrowings as set out in section 2.6 of this announcement. Following the Proposed Disposal, AAGB Group's gross gearing ratio is expected to fall from 0.53 times to 0.24 times. The Proposed Disposal will also improve AAGB Group's position by strengthening its shareholders' funds. This provides AAGB Group with the opportunity for more tailored capital management initiatives; and
- (iv) the Proposed Transaction allows AAGB Group to establish a long term partnership with Castlake, a global alternative investment firm which has strong experience in the aircraft leasing industry.

4. RISK FACTORS

The Proposed Transaction will not materially change the risk profile of AAGB Group as its airline subsidiaries and affiliates will still be able to continue its air transportation services due to the lease arrangements for the twenty-nine (29) aircraft that are to be entered into by AAB (or its affiliates or nominees) under the SPA and SLB Agreement.

AAGB Group will still be exposed to the same business, operational and financial risks inherent in the aviation industry which includes, but is not limited to, competition, political and economic conditions, volatility in the supply and price of oil, operational risks, fluctuations in interest rates and collections from customers.

In addition to the risks above, AAGB Group may be subject to certain specific risks associated with the Proposed Transaction. The specific risk are as follows:

4.1 Risk relating to the non-completion of the SPA and SLB Agreement

The SPA and the SLB Agreement are conditional upon the various conditions precedent and there can be no assurance that all such conditions precedent will be fulfilled or obtained in a timely manner or at all. Notwithstanding this, AAGB will endeavour to ensure that all the conditions precedent are met to facilitate the completion of the Proposed Transaction.

4.2 Loss of potential future contribution from AAGB Group's leasing business

Upon completion of the Proposed Disposal, Merah Aviation and its Aircraft Assets will no longer be owned by AAGB Group, and hence AAGB will cease to consolidate the results associated with Merah Aviation and/or its Aircraft Assets. There can be no assurance that, after completion of the Proposed Disposal, AAGB will be able to achieve equivalent or better financial performance from its existing businesses and/or through potential future investments to be undertaken by AAGB Group.

4.3 Payment of lease rental

Under the lease arrangements, AAB (or its affiliates) shall pay lease rental to the respective lessors. There can be no assurance that the rental rates under the lease arrangements are more favourable than those offered by other aircraft leasing companies, and that AAB (or its affiliates) will be able to meet its rental obligations in the future without incurring a loss.

4.4 Renewal of lease arrangements

Under the SPA and SLB Agreement, it is agreed that the lease arrangements by AAB (or its affiliates) in respect of the relevant Aircraft Asset and SLB Aircraft shall commence from the date of transfer or delivery of such aircraft respectively. However, upon expiry of the term of the lease arrangements, AAB (or its affiliates) may not be able to conclude new lease arrangements with their respective lessors on mutually agreed terms and conditions. In this event, AAB (or its affiliates) may be required to source for new aircraft from its order book or other aircraft leasing companies.

4.5 Adjustments to the Base Purchase Price

The Base Purchase Price payable to AACL is subject to adjustments as set out in section 2.3 of this announcement. The quantum of such adjustments will only be determined upon transfer of the relevant Aircraft Asset, which may result in a downward adjustment. As such, the final amount of adjustments and in turn the final Base Purchase Price cannot be determined at this juncture.

4.6 Foreign currency risk

The consideration for the Proposed Transaction will be settled in USD, and therefore, the amount to be received by AACL if and when converted into RM may be impacted by the fluctuation of USD against RM. AAGB will continue to monitor foreign currency fluctuations and will take necessary steps to minimise exchange rate exposure whenever deemed appropriate. However, there can be no assurance that any future significant exchange rate fluctuations will not have an adverse impact on the consideration for the Proposed Transaction to be received by AACL in RM.

4.7 Regulatory risks

The Proposed Transaction may be affected by any change in the regulatory environment in the relevant jurisdictions. Such risks include, but are not limited to, changes in government policies including changes in the applicable legislation on taxation and foreign exchange regulations. There can be no assurance that any unfavourable development in the prevailing regulatory environment will not have any impact on the Proposed Transaction.

5. EFFECTS OF THE PROPOSED TRANSACTION

5.1 Share capital and substantial shareholders' shareholding

The Proposed Transaction will not have any effect on the share capital and substantial shareholders' shareholdings of AAGB as the Proposed Transaction does not involve any issuance of new ordinary shares in AAGB.

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5.2 NA per share and gearing

For illustrative purposes only, the proforma effects of the Proposed Disposal on AAGB's consolidated NA and gearing, and NA per AAGB share as at 31 December 2017 are set out below:

	Audited as at 31 December 2017		AAGB		
			Pro forma I	Pro forma II	Pro forma III
	AAGB RM'000	AAB RM'000	After completion of the internal reorganisation ⁽¹⁾ RM'000	After Pro forma I and subsequent material events ⁽⁶⁾ RM'000	After Pro forma II and the Proposed Transaction RM'000
Capital and reserve					
Share capital	- ⁽²⁾	2,515,438	8,023,032	8,023,032	8,023,032
Merger deficit	-	-	(5,507,594)	(5,507,594)	(5,507,594)
Treasury shares	-	(160)	(160)	(160)	(160)
Foreign exchange reserve	-	196,050	196,050	196,050	196,050
Retained earnings	(6)	5,404,393	5,404,393	6,047,055	6,221,911
Other reserves	-	(67,608)	(67,608)	15,063	42,687
Shareholders' fund	(6)	8,048,113	8,048,113	8,773,446	8,975,926
Non-controlling interests	-	(1,338,033)	(1,338,033)	(1,338,033)	(1,338,033)
Total equity	(6)	6,710,080	6,710,080	7,435,413	7,637,893
No. of ordinary shares ('000)	- ⁽³⁾	3,341,974	3,341,974	3,341,974	3,341,974
NA per share (RM) ⁽⁴⁾	(3,000)	2.41	2.41	2.63	2.69
Total borrowings	-	9,308,634	9,308,634	3,949,038	1,797,653
Gross gearing (times) ⁽⁵⁾	-	1.39	1.39	0.53	0.24

Notes:

- (1) Internal reorganisation by way of scheme of arrangement for the share exchange and transfer of listing involving AAB and AAGB Group which was completed on 16 April 2018.
- (2) The issued share capital of AAGB was RM2 as at 31 December 2017.
- (3) Based on the existing two (2) ordinary shares in AAGB as at 31 December 2017.
- (4) NA per share is computed as shareholders' fund divided by the number of shares in issue.
- (5) Gross gearing is computed as total borrowings divided by total equity.
- (6) Subsequent events after the completion of the of the internal reorganisation on 16 April 2018, representing the disposal of AAB's aircraft leasing operations via AACL to entities managed by BBAM Limited Partnership comprising seventy-nine (79) aircraft and fourteen (14) engines up to 31 October 2018.

5.3 Earnings and earnings per share (“EPS”)

The estimated net gain on disposals to AAGB Group arising from the Proposed Transaction is approximately RM174.9 million after taking into consideration the following:

- (i) the implied EV for Merah Aviation comprising the Aircraft Assets and the SLB Aircraft of RM3,768.1 million;
- (ii) the estimated asset value of the Aircraft Assets and SLB Aircraft of RM3,514.3 million;
- (iii) the estimated aircraft maintenance provisions for the Aircraft Assets of RM304.0 million;
- (iv) the estimated tax effect arising from the Proposed Disposal of RM321.1 million; and
- (v) the estimated related expenses arising from the Proposed Transaction (including professional fees and loan breakage cost) of RM96.1 million.

The estimated gain will result in an improvement in the EPS of AAGB Group by approximately RM0.05 based on 3,341,974,082 AAGB shares in issue as at the LPD.

AACL is expected to incur rental expenses of approximately RM348.0 million per annum under the lease arrangements for the twenty-five (25) aircraft that are to be entered into by AACL under the SPA. However, the impact of the annual rental expenses is expected to be partially offset by the finance expense savings of RM90.1 million per annum arising from the repayment of existing borrowings for twenty-five (25) aircraft from the proceeds of the Proposed Disposal as well as annual savings in depreciation expense of RM196.8 million.

6. CASH COMPANY OR PN17 COMPANY

The Proposed Transaction will not result in AAGB becoming a cash company or a PN17 company as defined under the Listing Requirements.

7. APPROVALS REQUIRED AND INTER-CONDITIONALITY

The Proposed Disposal is subject to the approval of shareholders of AAGB at an extraordinary general meeting to be convened. The Proposed SLB does not require the approval from the shareholders of AAGB, and the leasing of the SLB Aircraft by AACL which is subject to the prior approval of the Labuan Financial Services Authority.

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

The draft circular in relation to the Proposed Transaction is expected to be submitted to Bursa Securities within two (2) months from the date of this announcement.

8. HIGHEST PERCENTAGE RATIO APPLICABLE

The highest percentage ratio applicable to the Proposed Disposal pursuant to paragraph 10.02(g), Chapter 10 of the Listing Requirements is 40.0%, computed based on the value of the consideration for the Proposed Disposal compared with the audited net assets of AAB as at 31 December 2017.

9. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED

None of the directors and/or major shareholders of the Company and persons connected with them have any interest, direct or indirect in the Proposed Transaction.

10. DIRECTORS' STATEMENT

After having considered the rationale and benefits, and effects of the Proposed Transaction, the Board believes that the Proposed Transaction is in the best interest of the Company.

11. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all the approvals/consents being obtained, the Proposed Transaction is expected to be completed by 2nd quarter of 2019.

12. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA and SLB Agreement, respectively, will be available for inspection at the registered office of the Company at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur during normal business hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 24 December 2018.

Appendix I - Information on the Aircraft Assets and SLB Aircraft

(A) Aircraft Assets

As at the date of the SPA, the Aircraft Assets comprising eighteen (18) Airbus A320 CEO and seven (7) Airbus A320 NEO are owned by AAB. All of them are solely operated by AAB.

(B) SLB Aircraft

<u>No.</u>	<u>SLB Aircraft</u>	<u>Scheduled date of delivery</u>	<u>Catalogue price</u>
(i)	Four (4) Airbus A320 CEO	From the effective date of the respective agreements up till July 2019	USD404.0 million (approximately RM1,692.0 million)