

AIRASIA GROUP BERHAD

(Company No.: 1244493-V)
("AAGB" or "the Company")
(Incorporated in Malaysia)

MINUTES of the **Extraordinary General Meeting** of AirAsia Group Berhad held at CAE Kuala Lumpur, Lot PT25B, Jalan KLIA S5, Southern Support Zone, Kuala Lumpur International Airport, 64000 Sepang, Selangor Darul Ehsan, Malaysia on **Wednesday, 17 April 2019 at 10.00 a.m.**

PRESENT:

DIRECTORS

Y. Bhg. Tan Sri Anthony Francis Fernandes (*In the Chair*)
Y. Bhg. Dato' Fam Lee Ee
Y. Bhg. Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar
Y. Bhg. Dato' Khadar bin Merican
Cik Noor Neelofa binti Mohd Noor

SHAREHOLDERS

- As per attendance list

PROXIES

- As per attendance list

CORPORATE REPRESENTATIVES

- As per attendance list

INVITED GUESTS

- As per attendance list

ABSENT WITH APOLOGIES:

Y. Bhg. Datuk Kamarudin bin Meranun
Mr. Stuart L Dean

IN ATTENDANCE:

Ms. Lau Yen Hoon
Company Secretary

1.0 CHAIRMAN OF THE MEETING

- 1.1 Y. Bhg. Tan Sri Anthony Francis Fernandes ("Tan Sri Tony" or the "Chairman") took the chair and welcomed the shareholders to the Company's Extraordinary General Meeting ("the Meeting" or "EGM"). With the requisite quorum being present, the Chairman called the Meeting to order at 10.06 a.m.

2.0 NOTICE OF MEETING

- 2.1 The notice convening the meeting, having been circulated and advertised within the requisite timeframe was, with the consent of the shareholders present, taken as read.

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- 2.2 Before proceeding with the meeting agenda, the Chairman highlighted that pursuant to Paragraph 8.29A (1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolution set out in the Notice of the Meeting dated 1 April 2019 would be put to vote by way of poll and that the voting for such resolution would take place after the conclusion of the deliberations of the businesses, which were to be transacted. The Chairman informed that the Poll Administrator would brief the Meeting on the polling procedures before the commencement of the voting process.

3.0 ORDINARY RESOLUTION

PROPOSED DISPOSAL BY AIRASIA GROUP BERHAD OF 100.0% EQUITY INTEREST EACH IN THE MERAH AVIATION ENTITIES TO AS AIR LEASE HOLDINGS 5T DAC, AN ENTITY INDIRECTLY CONTROLLED BY CASTLELAKE, L.P. (AS DEFINED IN THE CIRCULAR) ("PROPOSED DISPOSAL")

- 3.1 The Chairman invited the Executive Director of AirAsia Investment Ltd. and Director of Asia Aviation Capital Limited, En. Rozman Bin Omar ("En. Rozman") to brief the shareholders on the background of the Proposed Disposal. En. Rozman provided an overview of the Proposed Disposal and took the shareholders through several presentation slides, which explained the pertinent matters of the Proposed Disposal: -

1. The transaction overview;
2. The Vendor and Purchaser entities structure overview;
3. The transaction rationale and benefits;
4. The salient terms of the Share Purchase Agreement;
5. The illustrative pro forma financial impact of the Proposed Transaction (based on the accounts for the financial year ended 31 December 2017);
6. The illustrative use of the proceeds;
7. The summary of the lease arrangements; and
8. The indicative transaction timeline of the Proposed Disposal & SLB.

Concisely, the Board was of the opinion that the Proposed Disposal was in the best interest of the Company and its shareholders; therefore, recommended that the shareholders vote in favour of the proposed Ordinary Resolution of the Meeting.

- 3.2 Following the presentation on the Proposed Disposal, En. Rozman informed that the Company had received a letter from the Minority Shareholders Watchdog Group ("MSWG"). For the benefit of the shareholders, En. Rozman gave a summary of the Company's responses to the questions raised in the letter received while displaying the said questions and responses on the screen in the meeting room.
- 3.3 En. Rozman thanked several parties on behalf of the Company such as the financial adviser, principal adviser, reporting accountant, tax advisers and legal counsels and his team members of the AirAsia Group, for their contribution, hard work and patience in the

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transactions of the Proposed Disposal, which involved complex planning and extensive negotiations.

- 3.4 In addition to the presentation on the Proposed Disposal, the Chairman briefed the shareholders on the Company's strategy of owning aircraft, and on historical criticism received from analysts over the years, from initially owning of aircraft to more recent criticism for not owning enough. The Chairman opined that the decision to own aircraft was accurate then as the Company was growing regionally and needed to own the aircraft for ease of operational and growth requirement, and now that the AirAsia Group has grown, the disposal of assets and maintaining an asset-light balance sheet at this juncture would allow AirAsia Group to reduce the residual risk, reduce borrowings and realise the value of the assets through the disposal of the aircraft.
- 3.5 The Chairman briefed on the changes in the Company's strategic position and explained that from a cash perspective under the Malaysian Financial Reporting Standard 16 (MFRS 16), there would be minimal changes, and AAGB would be in a better position and having an improved gearing ratio with the changes to an asset-light organisation, which would enable the Company to embark on its new and exciting digital strategy. He explained that the Management was working on transforming AAGB to be much more than an airline. With the organisation's ability and investment, shareholders would begin to see the digital strategy developing over the next twelve months. Investors would begin to see the value the Company had generated with its brand equity and most importantly, the massive amount of data acquired by the Company over the last sixteen years, which the Company would begin to monetise going forward.
- 3.6 The Chairman informed the shareholders that AAGB, which had been trading at a valuation of USD2.0 billion. The Chairman opined that it would be down to the Management and Investor Relations' team to showcase AAGB's value over the next six to twelve months.
- 3.7 The Chairman thanked En. Rozman and his team for their incredible hard work and then opened the floor to a Question and Answer session for the shareholders to raise inquiries, if any, in relation to the proposed Ordinary Resolution.
- 3.8 Mr. Khong Seng Kin ("Mr. Khong"), a shareholder of the Company, enquired on the number of aircraft AirAsia Berhad ("AAB") would own after the Proposed Disposal to which En. Rozman responded that AAB would own 19 aircraft thereafter. Mr. Khong continued to follow-up on the first question raised by MSWG in relation to the necessity of the Company to carry out such Proposed Disposal as the Company had previously obtained approximately RM4,647.0 million following the disposal of its aircraft leasing operation, which was approved by shareholders at the EGM held on 14 May 2018. En Rozman replied that the transactions were divided into six (6) different batches starting from June 2018 until 30 October 2018, where a total of seventy-nine (79) aircraft were sold. A total of RM4,390.0 million of the gross proceeds from the previous disposal had been utilised for prepayment of bank borrowings for aircraft and engines sold, funding of associated PDP for aircraft sold,

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prepayment of other unsecured term loan facilities and the remaining proceeds were for the payment of special and interim dividends with a balance of RM898.5 million available as working capital.

- 3.9 Mr. Khong asked if the Board would declare any special dividends from the proceeds of the Proposed Disposal, and the Chairman replied that the Board would evaluate and deliberate on the distribution of the surplus of cash proceeds from it. The Chairman explained there would be investments made as part of the digital strategy but reassured the shareholders that the digital strategy would be cash flow positive. AAGB had already built its brand and customer database and investment to build on the digital strategy was not seen to be a huge cash drain. The Chairman reaffirmed that the Board would discuss and deliberate on this matter accordingly.
- 3.10 Mr. Khong commented that it should be fair to compare the cost per requisite parameter and inquired on the targeted Cost per Available Seat-Kilometre ("CASK") following the Proposed Disposal. The Chairman informed there were two (2) factors, from a profit and loss ("P&L") basis, if a company was valued based on cash flow, there would be no cash impact at all because under the new accounting standard, MFRS 16 was purely a method of amortising cost. The impact of the adoption will decrease the net operational profit by RM40 million per quarter due to the standard. In terms of an accounting position, CASK would increase because the cost of refurbishment of an engine would not be included directly into the P&L but with a lease, the engine cost per hour would be expensed into the P&L. The Chairman was of the view that these factors were not material, and all the digital businesses would be absorbed. The Chairman was of the view that the Company's earnings would cover more than the MFRS 16 standard but with a slight increase in cost due to the accounting standard where there was inconsistency in owning aircraft and leasing aircraft.
- 3.11 Mr. Khong highlighted that prior to the consolidation of accounts with AirAsia Philippines, CASK was around six (6) to seven (7) cents but after the consolidation of accounts, CASK was driven up to eight (8) cent, and then enquired into the possibility of decreasing CASK. The Chairman reassured that cost would decrease in view of the improved performance of AirAsia Philippines and AirAsia Indonesia as well. AAGB's costs were also impacted by the weak Malaysian currency but have been fortunate to be able to hedge about 50% of oil for 2019. The Chairman, however, reassured that cost was trending downwards and that cost from the Proposed Disposal would not constitute a material impact. Finally, Mr. Khong inquired into whether the Company would be providing a cash injection to AirAsia Indonesia, to which the Chairman replied in the negative. The Chairman reminded that the holding company of Indonesia AirAsia, which is AirAsia Indonesia, is listed and had the ability to raise capital from the market.
- 3.12 Mr. Muniandy Karishnan ("Mr. Karishnan"), a shareholder of the Company, was of the view that the total profit of RM175.0 million gained from the Proposed Disposal would not be as profitable compared with the total of RM338.0 million that would need to be paid for leasing aircraft per year, which would be partly offset against the interests. It appeared that the

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Proposed Disposal seemed desirable at this juncture. Mr. Karishnan sought clarification in relation to the benefit of Proposed Disposal in view of the profit to be gained by the Company this year compared to the leasing fees for aircraft. The Chairman replied that a P&L profit was merely an accounting paper transaction but the rationale for the Proposed Disposal was that substantial cash i.e. estimated net cash of approximately RM1.3 billion would be generated for AirAsia Group to be utilised for dividend payment, investments, etc. En. Rozman had provided a detailed explanation in his presentation on the benefit of the Proposed Disposal and the Chairman explained that the P&L profit should not be confused with the cash generated from the Proposed Disposal. The Chairman further explained that it was a neat way to dispose of these old aircraft as opposed to selling them off one by one, which would then allow the Company additional resources to purchase newer aircraft, if required.

- 3.13 There being no further questions, the Chairman requested for a Proposer and Seconder to move the motion for the Proposed Disposal. The Ordinary Resolution on the Proposed Disposal was proposed by Mr. Lam Hai Shiun and seconded by Mr. Mohd. Azhari Ismail.

4.0 POLLING PROCESS

- 4.1 For polling purposes, the Chairman called upon Ms. Rachael Chua of Tricor Investor & Issuing House Services Sdn. Bhd., the representative of the Poll Administrator, to brief the shareholders present on the polling procedures.
- 4.2 For the benefit of the shareholders, the Chairman informed that he was appointed to act as the proxy for a number of shareholders, and he shall vote in accordance with the voting instructions provided.
- 4.3 The Chairman adjourned the Meeting for approximately eight (8) minutes for the polling. The Chairman informed that the representatives of the Poll Administrator would guide the shareholders/proxies on the method of using the electronic polling to cast their votes, throughout the polling process.

5.0 ANNOUNCEMENT OF POLL RESULTS

- 5.1 The Meeting was re-convened and the Chairman called the meeting to order for the declaration of the results. The Chairman informed that the independent Scrutineers, Coopers Professional Scrutineers Sdn. Bhd., had verified the poll voting results and that the poll voting results were as projected on the screen in the meeting room. The poll voting results are attached herewith as Annexure A.

Based on the poll results, the Chairman declared the resolution tabled at the Meeting carried.

Therefore, **IT WAS RESOLVED: -**

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ORDINARY RESOLUTION

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THAT subject to and conditional upon the approvals of all relevant authorities and/or parties (where required) being obtained or waived, approval be and is hereby given to the Company and Asia Aviation Capital Limited ("AACL"), an indirect wholly-owned subsidiary of the Company, to dispose of its entire equity interest each in Merah Aviation Asset Holding Limited, Merah Aviation Asset Holding Two Limited, Merah Aviation Asset Holding Three Limited, Merah Aviation Asset Holding Four Limited and Merah Aviation Asset Holding Five Limited (such companies, collectively, the "**Merah Aviation Entities**"), which all of them are direct wholly-owned subsidiaries of AACL, and which collectively will own 25 aircraft ("**Aircraft Assets**") to AS Air Lease Holdings 5T DAC ("**Purchaser**") for an aggregate consideration of USD768.0 million (approximately RM3,130.8 million) ("**Proposed Disposal**") in accordance with the terms and subject to the conditions as set out in the share purchase agreement dated 8 March 2019 entered into among AAGB, AACL, the Purchaser and AS Air Lease 8 (Offshore) LP and such other ancillary agreements, instruments and documents whatsoever that have been or will be entered into by the relevant parties in connection with the Proposed Disposal.

THAT authority be and is hereby given to the Board of Directors of the Company or any other subsidiaries of the Company to enter into, assent to any modifications to the required and relevant agreements under or pursuant to the Proposed Disposal and to sign, execute and deliver any other ancillary agreements, instruments and documents whatsoever in relation thereto (as may be amended from time to time by further agreement among the parties) in connection with the Proposed Disposal, including to enter into relevant lease agreements or arrangements in respect of such Aircraft Assets for the benefit of the Company and/or any of its subsidiaries on such terms and conditions as the Board of Directors of the Company may deem fit.

THAT subject to and conditional upon the approvals of all relevant authorities and/or parties (where required) being obtained or waived, approval be and is hereby given to the Company and its subsidiaries, to implement, complete and give full effect to the Proposed Disposal with full powers to do or procure to be done all acts, deeds and things (including all applications and submissions to the relevant regulatory authorities and bodies) and take all such decisions as they may in their absolute discretion deem fit, necessary, expedient or appropriate in the best interest of the Company and to execute or enter into all such agreements, arrangements, undertakings, indemnities, transfers, extensions, assignments, deeds, confirmations, declarations, guarantees or instruments whatsoever, with any party or parties, to deliver or cause to be delivered all such documents and to do such acts and matters as they may consider necessary to implement, finalise and give full effect to and complete the Proposed Disposal with full powers to assent to any arrangement, conditions, modifications, variations and/or amendments thereto as the Board of Directors of the

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Company may deem fit and/or as may be imposed by any relevant authorities in connection with the Proposed Disposal.

AND THAT all previous actions taken by the Directors of the Company for the purpose of or in connection with the Proposed Disposal be and are hereby adopted, approved and ratified.

6.0 CLOSE OF MEETING

6.1 There being no other matters, the Meeting closed at 11.35 a.m.

Signed a correct record



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CHAIRMAN

Dated: **24 APR 2019**