

CAPITAL A BERHAD (“CAPITAL A” OR THE “COMPANY”)

- (I) PROPOSED AAAGL DISPOSAL;
 - (II) PROPOSED AAB DISPOSAL; AND
 - (III) PROPOSED DISTRIBUTION
- (COLLECTIVELY, THE “PROPOSALS”)
-

1. INTRODUCTION

On 8 January 2024, RHB Investment Bank Berhad (“**RHB Investment Bank**”) had, on behalf of the Board of Directors of the Company (“**Board**”), announced that the Company had entered into a non-binding letter of offer with AirAsia X Berhad (“**AAX**”) for the proposed disposal by the Company of the following:

- (i) its 100% equity interest in AirAsia Aviation Group Limited (“**AAAGL**”), a wholly-owned subsidiary of the Company (“**Proposed AAAGL Disposal**”); and
- (ii) its 100% equity interest in AirAsia Berhad (“**AAB**”), a wholly-owned subsidiary of the Company (“**Proposed AAB Disposal**”),

for a disposal consideration to be agreed upon by the Company and AAX at a later date (collectively “**Proposed Disposals**”).

Subsequently, on 13 March 2024 and 9 April 2024, RHB Investment Bank had, on behalf of the Board, announced that the Company and AAX had mutually agreed to extend the negotiation period to execute the definitive agreement for the Proposed Disposals until 30 April 2024.

On behalf of the Board, RHB Investment Bank wishes to announce that the Company proposes to undertake the following corporate proposals:

- (i) the Company had on 25 April 2024 entered into the following:
 - (a) a conditional share sale and purchase agreement with AirAsia Group Sdn Bhd (formerly known as AirAsia Aviation Group Sdn Bhd) (“**AAG**”) for the Proposed AAAGL Disposal (“**AAAGL SSPA**”) for a disposal consideration of RM3,000,000,000 (“**AAAGL Disposal Consideration**”) to be satisfied in the manner as set out in Section 2.1 of this Announcement; and
 - (b) a conditional share sale and purchase agreement with AAG for the Proposed AAB Disposal (“**AAB SSPA**”) for a disposal consideration of RM3,800,000,000 (“**AAB Disposal Consideration**”) to be satisfied in the manner as set out in Section 3.1 of this Announcement.

The AAAGL SSPA and the AAB SSPA shall collectively be referred to as “**SSPAs**”.

Pursuant to AAX’s proposed internal reorganisation, AAG will assume the listing status of AAX prior to the completion of the Proposed Disposals. Further details on AAX’s proposed internal reorganisation are set out in Appendix III of this Announcement.

- (ii) proposed distribution of new ordinary shares in AAG (“**AAG Shares**”) to be received as consideration shares for the Proposed AAAGL Disposal of approximately RM2,200.0 million in value (“**Distribution Shares**”), to the entitled shareholders of the Company (“**Entitled Shareholders**”) based on their respective shareholdings in the Company on an entitlement date to be determined later (“**Entitlement Date**”) by way of distribution-in-specie via a reduction and repayment of the Company’s share capital pursuant to Section 116 of the Companies Act 2016 (“**Act**”) (“**Proposed Distribution**”). The Proposed Distribution will be undertaken as part of the Proposed AAAGL Disposal’s completion process.

The Proposals are regarded as related party transactions pursuant to Paragraph 10.08 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”) due to the interest of the interested major shareholders and interested directors of the Company as set out in Section 11 of this Announcement.

In addition, the Proposed Disposals are also regarded as major disposals pursuant to Paragraph 10.02(eA) of the Listing Requirements (“**Major Disposal**”) as the Proposed Disposals entails the disposal by the Company of its major business which may result in it not having a level of operations that is adequate to warrant continued trading or listing on the Official List of Bursa Securities.

In view of the above, the Company has appointed Public Investment Bank Berhad (“**Public Investment**”) to act as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of the Company on the fairness and reasonableness of the Proposals, and whether the Proposals are detrimental to the non-interested shareholders of the Company.

The Company had triggered the prescribed criteria under Practice Note 17 (“**PN17**”) of the Listing Requirements. As such, pursuant to Paragraph 5 of PN17 of the Listing Requirements, the Company has an obligation to regularise its financial condition and is required to, amongst others, submit a regularisation plan to the regulatory authorities and to announce the details of the regularisation plan including those set out in Paragraph 4.2 of PN17 of the Listing Requirements. Accordingly, the Company will make a requisite announcement on the regularisation plan upon its finalisation.

Further details of the Proposals are set out in the ensuing sections of the Announcement.

2. PROPOSED AAAGL DISPOSAL

The Proposed AAAGL Disposal entails the disposal by the Company of the entire equity interest in AAAGL (“**AAAGL Equity Interest**”) representing its entire equity interest in AAAGL to AAG for the AAAGL Disposal Consideration subject to the terms of the AAAGL SSPA, the salient terms of which are set out in Appendix V of this Announcement.

Pursuant to the terms of the AAAGL SSPA, the Company has agreed to sell and AAG has agreed to purchase the AAAGL Equity Interest free from claims, liens, charges and encumbrances and together with all rights and advantages attaching to them as at the completion of the AAAGL SSPA (“**AAAGL Completion**”), including the right to receive all dividends or distributions declared, made or paid on or after the date on which the AAAGL Completion occurs (“**AAAGL Completion Date**”).

Please refer to Appendix III of this Announcement for further information on AAAGL.

2.1. Mode of settlement of the AAAGL Disposal Consideration

The AAAGL Disposal Consideration of RM3,000,000,000 will be satisfied entirely via the issuance of 2,307,692,307 new AAG Shares (“**Consideration Shares**”) at an issue price of RM1.30 for each Consideration Share.

Approximately 73.33% of the total Consideration Shares will be allotted and issued to the Entitled Shareholders and credited directly into their central depository accounts based on their respective shareholdings on the Entitlement Date pursuant to the Proposed Distribution. The remaining 26.67% of the total Consideration Shares will be allotted and issued to the Company. Accordingly, the Company is not expected to trigger any take-over obligation arising from the share settlement of the Proposed AAAGL Disposal.

2.2. Basis of and justification for arriving at the AAAGL Disposal Consideration

The AAAGL Disposal Consideration was arrived at on a willing-buyer willing-seller basis, after taking into consideration the following:

- (a) the rationale and benefits of the Proposals as detailed in Section 6 of this Announcement; and
- (b) the range of valuation for the entire equity interest in AAAGL based on the adjusted net asset value (“**NAV**”) of AAAGL of USD588.0 million to USD765.0 million (equivalent to approximately RM2,697.0 million to RM3,511.0 million) (“**AAAGL Valuation Range**”) as at 31 December 2023 based on an independent valuation conducted by Deloitte Corporate Advisory Services Sdn Bhd (“**DCAS**”), the independent valuer appointed by the Company, in its valuation letter (“**Valuation Letter**”).

In arriving at the valuation for the equity interest in AAAGL (being an investment holding company), the unaudited NAV of AAAGL as at 31 December 2023 of USD235.8 million had been adjusted to arrive at the AAAGL Valuation Range as set out below:

	<u>Low</u> USD' million	<u>High</u> USD' million
Unaudited NAV of AAAGL as at 31 December 2023	236	236
<u>Adjustments</u>		
Add: Uplift in fair value of investment in subsidiaries ⁽ⁱ⁾	211	389
Add: Capital contribution from Capital A arising from capitalisation of the amount owing by AAAGL to Capital A	141	141
Less: Cost of investment incurred for the acquisition of 100% equity interest in AA Com Travel Philippines Inc. (“ AA Com ”) from Capital A, which was completed in March 2024	– (represents approximately USD0.2 million)	– (represents approximately USD0.2 million)
AAAGL Valuation Range	588	765
AAAGL Valuation Range (in RM' million)	2,697	3,511

Note:

- (i) The adjustments mainly attributable to the fair value uplift of investments in the subsidiaries including the investment holding companies ("IHC") namely, Asia Aviation Public Company Limited ("AAV"), AirAsia Inc ("AAI"), AA Com and PT AirAsia Indonesia TBK ("AAID") are based on the equity value of the respective airline operating companies ("AOC") as appraised by DCAS after deducting the unaudited book value of AAAGL's investments in associates as at 31 December 2023.

The details of valuation of the AOCs and the respective IHCs as well as the upliftment in fair value of AAAGL's investments are as follows:

Valuation of the AOCs and their respective IHC

<u>Name of companies</u>	<u>Valuation based on 100% equity interest</u>	
	<u>Low range (USD million)</u>	<u>High range (USD million)</u>
<u>AOCs</u>		
• Thai AirAsia Co. Ltd ("TAA")	693	872
• Philippines AirAsia, Inc. ("PAA")	134	219
• PT Indonesia AirAsia ("IAA")	167	210
<u>Investment holding companies</u>		
• AAV (with 100.00% equity interest in TAA)	697	876
• AA Com (with 60.00% equity interest in AAI, which in turn holds 99.66% equity interest in PAA)	131	182
• AAI (with 99.66% equity interest in PAA)	246	330
• AAID (with 57.25% equity interest in IAA)	93	118

Upliftment in fair value of AAAGL's investments

<u>AAAGL's investments</u>	<u>Range of equity value based on equity interest held by AAAGL</u>	
	<u>Low range (USD million)</u>	<u>High range (USD million)</u>
• 20.95% equity interest in IAA	35	44
• 40.71% equity interest in AAV	284	357
• 100.00% equity interest in AA Com	131	182
• 40.00% equity interest in AAI	98	132
• Investment in convertible bond issued by AAI	25	25
• 46.25% equity interest in AAID	43	54
Total	616	794
Less: Carrying amount of AAAGL's investments as at 31 December 2023	(405)	(405)
Upliftment in fair value of AAAGL's investments	211	389

In deriving the valuation, DCAS has considered a number of valuation approaches, and adopted the discounted cash flow ("DCF") method (income approach) as the primary method, given that the AOCs are income-generating companies with active operations.

The DCF method is based on the cash flow projections prepared by the management of each of the AOC for a period of 5 years starting from FYE 31 December 2024 to FYE 31 December 2028 together with the underlying bases and assumptions and the discounting of the future cash flow to present value.

The AAAGL Disposal Consideration is deemed justified after considering the following:

- (ii) the AAAGL Disposal Consideration of RM3,000.0 million is within the AAAGL Valuation Range of RM2,697.0 million to RM3,511.0 million;
- (iii) the effects of the Proposed AAAGL Disposal which is expected to result in an improvement in the consolidated net assets (“NA”) of the Company as set out in Section 9.2 of this Announcement; and
- (iv) the expected gain arising from the remeasurement of the remaining interest in AAAGL pursuant to the Proposed AAAGL Disposal as detailed in Section 2.8 of this Announcement.

2.3. Basis and justification in determining the issue price of the Consideration Shares

The issue price for the Consideration Share (“Issue Price”) of RM1.30 per Consideration Share is based on the 5-day volume weighted average market price (“VWAP”) of ordinary shares in AAX (“AAX Shares”) up to 15 April 2024, being the latest practicable date of this Announcement (“LPD”).

In arriving at the Issue Price, the Company had taken into consideration that the Issue Price of RM1.30 represents:

	<u>Share price</u>	<u>Premium/(Discount)</u>	
	RM	RM	%
Last transacted price of AAX as at the LPD	1.30	-	-
5-day VWAP of AAX up to and including LPD	1.30	-	-
1-month VWAP of AAX up to and including LPD	1.35	(0.05)	(3.70)
3-month VWAP of AAX up to and including LPD	1.53	(0.23)	(15.03)
6-month VWAP of AAX up to and including LPD	1.84	(0.54)	(29.35)

For information purposes, the Issue Price represents a premium of approximately 4.84% over the closing 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)

2.4. Ranking of the Consideration Shares

The Consideration Shares will, upon allotment and issuance, rank equally in all respects with the then existing AAG Shares in issue, save and except that the holders of the Consideration Shares will not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment and issuance and allotment of the Consideration Shares.

2.5. Listing and quotation of the Consideration Shares

AAX will make an application to Bursa Securities for the listing and quotation of the Consideration Shares on the Main Market of Bursa Securities.

2.6. Other salient terms of the AAAGL SSPA

Please refer to Appendix V of this Announcement for the salient terms of the AAAGL SSPA.

2.7. Liabilities which will remain with the Company

Save for the guarantees given by the Company and the provision of security by Capital A and its subsidiaries (“**Capital A Group**” or “**Group**”) in favour of certain lenders/ financiers of AAAGL and its subsidiaries, there are no liabilities, including contingent liabilities and guarantees, in relation to AAAGL which will remain with the Company after the completion of the AAAGL SSPA.

The lenders/ financiers have indicated that one of the conditions to their consent for the Proposed Disposals will include the continuance of the guarantees given by the Company and provision of security by the Group. Whilst the Company is agreeable to this arrangement in the interim, it will continue to procure the release and/or discharge of its guarantees and the security provided by the Group after completion of the Proposed Disposals.

Save for the above, there are no new guarantees given by the Company to AAX, AAG or AAAGL pursuant to the Proposed AAAGL Disposal.

2.8. Amount owing to the Group (excluding AAAGL Group and AAB Group)

As at 31 December 2023, AAAGL and its subsidiaries (“**AAAGL Group**”) has non-trade amount owing to the Group of RM54.8 million. Any non-trade amount owing between the AAAGL Group and the Group on the date of completion of the Proposed AAAGL Disposal shall be fully settled in cash within 1 year from the completion of the Proposed AAAGL Disposal.

2.9. Expected pro forma gain arising from the remeasurement of remaining interest in AAAGL from the Proposed AAAGL Disposal

Based on the Company’s audited consolidated financial statements for the financial year ended (“**FYE**”) 31 December 2022, the Proposed AAAGL Disposal is expected to result in a pro forma gain arising from the remeasurement of the remaining interest in AAAGL upon completion of the Proposed AAAGL Disposal of approximately RM4,691.0 million. The details of the pro forma gain arising from the Proposed Disposals is set out below:

	RM’ million
AAAGL Disposal Consideration	3,000.00
Add: Net liabilities of AAAGL as at 31 December 2022	1,801.00
Less: Derecognition of goodwill in IAA and AAAGL in the Company	(45.70)
Less: Transaction costs for the Proposed AAAGL Disposal	(4.30)
Less: Estimated capital gains tax	(60.00)
Net gain arising from the remeasurement of the remaining interest in AAAGL	<u>4,691.00</u>

The actual gain on remeasurement of the remaining interest in AAAGL arising from the Proposed AAAGL Disposal can only be ascertained upon the AAAGL Completion Date based on the realisation of net liabilities of AAAGL on the AAAGL Completion Date.

2.10. Date and original cost of investment

The date and original cost of investment for AAAGL are set out below:

Date of investment	Original cost of investment RM' million
30 August 2018	19.99

3. PROPOSED AAB DISPOSAL

The Proposed AAB Disposal entails the disposal by the Company of the entire equity interest in AAB ("**AAB Equity Interest**") representing its entire equity interest in AAB to AAG for the AAB Disposal Consideration subject to the terms of the AAB SSPA, the salient terms of which are set out in Appendix VI of this Announcement.

Pursuant to the terms of the AAB SSPA, the Company has agreed to sell and AAG has agreed to purchase the AAB Equity Interest free from claims, liens, charges and encumbrances and together with all rights and advantages attaching to them as at the completion of the AAB SSPA ("**AAB Completion**") (including the right to receive all dividends or distributions declared, made or paid on or after the date on which the AAB Completion occurs ("**AAB Completion Date**")).

Prior to the completion of the Proposed AAB Disposal, the Company intends to undertake the sale and transfer by AAB to the Company of 57,072,850 AAX Shares, which represents 12.77% of the issued shares of AAX as at the LPD ("**AAX Stake Transfer**").

Please refer to Appendix IV of this Announcement for further information on AAB.

3.1 Mode of settlement of the AAB Disposal Consideration

The AAB Disposal Consideration of RM3,800,000,000 will be satisfied by way of AAG's assumption of the Company's debt due to AAB of RM3,800,000,000 on the AAB Completion Date pursuant to the terms of the AAB SSPA. The details of the amount owing from the Company to AAB are as follows:

Description	RM' million
Amount owing from the Company to AAB as at 31 December 2023 ^(a)	3,793.0
Add: AAX Stake Transfer	32.5
Adjusted amount owing from the Company to AAB as at 31 December 2023	3,825.5

Notes:

(a) *To streamline AAAGL and AAB intercompany debt, the Company will undertake a pre-completion intercompany debt adjustments whereby the Company shall assume AAAGL's debt to AAB of RM2,378.0 million ("**AAAGL Debt Novation**") and the said AAAGL debt shall be entirely set off against cash dividend to be declared by AAB to the Company.*

The aforesaid intercompany debt adjustments and AAX Stake Transfer shall be referred to as the Proposed Pre-Completion Restructuring.

As a result of the debt assumption, the following shall occur simultaneously:

- (i) AAB shall fully release the Company from the liability for the payment of the amount owing of RM3,800.0 million ("**Amount Owing**"); and
- (ii) AAG shall fully assume the liability for the payment of the Amount Owing,

by way of promissory notes issued by AAG to AAB ("**AAG Promissory Notes**"), which will substitute and cancel the existing promissory note issued by the Company to AAB in connection with the Amount Owing ("**Debt Settlement**").

After the completion of Debt Settlement, the amount owing by the Company to AAB of RM25.5 million shall be payable within 1 year ("**Remaining Amount Owing**"). In the event such Remaining Amount Owing as at the date of completion of the Proposed AAB Disposal deviates from RM25.5 million, such differences shall be fully settled in cash within 1 year from the completion of the Proposed AAB Disposal.

3.2 Basis of and justification for arriving at the AAB Disposal Consideration

The AAB Disposal Consideration was arrived at on a willing-buyer willing-seller basis, after taking into consideration the following:

- (a) the rationale and benefits of the Proposals as detailed in Section 6 of this Announcement;
- (b) the equity value of 100% equity interest in AAB as at 31 December 2023 based on an independent valuation conducted by DCAS. The AAB Disposal Consideration is within the range of valuation for the entire equity interest in AAB of between RM3,477.0 million to RM4,366.0 million ("**AAB Valuation Range**") as at the valuation date of 31 December 2023 as appraised by DCAS in its Valuation Letter. In deriving the valuation, DCAS has considered a number of valuation approaches, and adopted the DCF method (income approach) as the primary method, given that AAB is an income-generating company with active operations; and
- (c) the DCF method is based on AAB's cash flow projections prepared by AAB's management for a period of 5 years starting from FYE 31 December 2024 to FYE 31 December 2028 together with the underlying bases and assumptions and the discounting of the future cash flow to present value.

The AAB Disposal Consideration is deemed justified after considering the following:

- (i) the AAB Disposal Consideration of RM3,800.0 million is within the AAB Valuation Range of RM3,477.0 million to RM4,366.0 million;
- (ii) the effects of the Proposed AAB Disposal which is expected to result in an improvement in the consolidated NA of the Company as set out in Section 9.2 of this Announcement; and
- (iii) the expected gain arising from the Proposed AAB Disposal as detailed in Section 3.5 of this Announcement.

3.3 Other salient terms of the AAB SSPA

Please refer to Appendix VI of this Announcement for the salient terms of the AAB SSPA.

3.4 Liabilities which will remain with the Company

Save for the guarantees given by the Company and the provision of security by the Group in favour of certain lenders/ financiers of AAB and its subsidiaries, there are no liabilities, including contingent liabilities and guarantees, in relation to AAB which will remain with the Company after the completion of the AAB SSPA.

The lenders/ financiers have indicated that one of the conditions to their consent for the Proposed Disposals will include the continuance of the guarantees given by the Company and provision of security by the Group. Whilst the Company is agreeable to this arrangement in the interim, it will continue to procure the release and/or discharge of its guarantees and the security provided by the Group after completion of the Proposed Disposals.

Save for the above, there are no new guarantees given by the Company to AAX, AAG or AAB pursuant to the Proposed AAB Disposal.

3.5 Expected gain arising from the Proposed AAB Disposal

Based on the Company's audited consolidated financial statements for the FYE 31 December 2022, the Proposed AAB Disposal is expected to result in a pro forma gain on disposal of AAB upon completion of the Proposed AAB Disposal of approximately RM6,071.45 million. The details of the pro forma gain arising from the Proposed AAB Disposal is set out below:

	RM' million
AAB Disposal Consideration	3,800.00
Add: Net liabilities of AAB as at 31 December 2022	2,351.75
Less: Transaction costs for the Proposed AAB Disposal	(4.30)
Less: Estimated capital gains tax	(76.00)
Pro forma gain on disposal of AAB	<u>6,071.45</u>

The actual gain arising from the Proposed AAB Disposal can only be ascertained upon the AAB Completion Date based on the realisation of total net liabilities of AAB as at the AAB Completion Date.

3.6 Date and original cost of investment

The date and original cost of investment for AAB are set out below:

Date of investment	Original cost of investment RM'mil
16 April 2018	8,023.27

4. PROPOSED DISPOSALS

4.1 Information on AAG

AAG was incorporated in Malaysia under the Act as a private company limited by shares on 6 April 2023 under the name AirAsia Aviation Group Sdn Bhd and assumed its current name on 22 March 2024. As at the LPD, AAG is in the midst of being converted into a public limited company.

AAG is currently a dormant company and its intended principal activity is investment holding. AAG was set up to facilitate the implementation of a proposed share exchange of all the AAX Shares with new AAG Shares to be issued and a proposed transfer of the listing status of AAX on the Main Market of Bursa Securities to AAG upon completion of the proposed share exchange as part of AAX's proposed internal reorganisation ("**AAX Proposed Internal Reorganisation**").

Please refer to Appendix I and II respectively for further information on AAX and AAG.

4.2 Cash Company and Major Disposal

The Proposed Disposals are not expected to result in the Company becoming a cash company as defined under the Listing Requirements.

Based on the latest audited consolidated financial statements of the Company for the FYE 31 December 2022, the aggregate revenue generated by AAAGL Group and AAB and its subsidiaries ("**AAB Group**") constitute more than 70% of the Group's total revenue. As such, the Proposals are deemed as major disposal pursuant to subparagraph 8.03A(2)(a)(i)(bb) of the Listing Requirements which states that a listed issuer may not have a level of operations that is adequate to warrant continued trading or listing on the Official List of Bursa Securities if the listed issuer has suspended or ceased all of its business or its major business due to or as a result of the disposal of the listed issuer's business or major business.

Subparagraph 8.03A(3) of the Listing Requirements states that an affected listed issuer that triggers subparagraph 8.03A(2)(a) of the Listing Requirements must, amongst others, regularise its condition within 12 months, failing which Bursa Securities may suspend the trading of listed securities of such listed issuer or de-list the listed issuer, or both. As detailed in Section 1 of this Announcement, the Company is a PN17 issuer and as such would be required to undertake a regularisation plan in accordance with Paragraph 8.03 and PN17 of the Listing Requirements. Accordingly, the Company will make a requisite announcement on the regularisation plan upon its finalisation.

4.3 Financial Resources

As the AAAGL Disposal Consideration and AAB Disposal Consideration will be satisfied via the issuance of the Consideration Shares and Debt Settlement respectively, AAG is not required to make any cash payment to acquire AAAGL and AAB pursuant to the Proposed Disposals.

5. PROPOSED DISTRIBUTION

As part of the Proposed AAAGL Disposal, the Company intends to distribute approximately RM2,200.0 million in value of Distribution Shares to the Entitled Shareholders based on their respective shareholdings on the Entitlement Date by way of distribution-in-specie via a reduction and repayment of the Company's share capital pursuant to Section 116 of the Act.

For illustration purposes, based on the Issue Price of RM1.30, the total Consideration Shares to be issued is approximately 2,307.7 million new AAG Shares. As the Company intends to distribute approximately RM2,200.0 million in value of the Distribution Shares, the number of Distribution Shares shall be approximately 1,692.3 million new AAG Shares.

The Entitled Shareholders will not be required to pay for their entitlements to the Distribution Shares. The actual number of Distribution Shares which the Entitled Shareholders will receive under the Proposed Distribution will be calculated based on the following formula:

$$\frac{\text{No. of ordinary shares in the Company ("Capital A Shares" or "Shares") held by Entitled Shareholders on the Entitlement Date}}{\text{No. of Shares in issue (excluding treasury shares)}} \times \text{Total Distribution Shares}$$

The Distribution Shares will be allotted and issued to the Entitled Shareholders and credited directly into their central depository accounts based on the proportion of their shareholdings in the Company on the Entitlement Date.

For illustration purpose, based on the total issued share capital of the Company of RM8,730.2 million comprising 4,254.7 million ordinary shares as at the LPD, the Distribution Shares are expected to be distributed on the basis of 397 new AAG Shares for every 1000 of the Shares held by the Entitled Shareholders.

Fractional entitlements to the Distribution Shares, if any, will be disregarded and dealt with in such manner or terms as the Board, save for the Interested Directors (as defined in Section 11 of this Announcement), in its absolute discretion deems fit and expedient, and in the best interest of the Company. The Proposed Distribution will be declared out of the Company's share capital via the reduction and repayment of the Company's share capital of approximately RM2,200.0 million pursuant to Section 116 of the Act.

An order of the High Court of Malaya will be sought to confirm the Company's share capital reduction and repayment pursuant to Section 116 of the Act upon approval being obtained from the Shareholders of the Company.

Based on the Issue Price of RM1.30, the Company is expected to retain approximately 672.5 million AAG Shares, representing 18.39% of the enlarged issued shares of AAG post completion of the AAX Proposals as set out in Appendix II of this Announcement.

The Proposed Distribution will result in an adjustment to the share price of the Shares by Bursa Securities upon completion of the Proposed Distribution.

The theoretical ex-price of the Shares shall be adjusted based on the following formula:

$$T_x = P_F - \left(P_E \times \frac{X}{Y} \right)$$

where,

T_x = Theoretical ex-price of the Shares (RM)

P_F = Closing price on last cum date of the Shares (RM)

P_E = Closing price on last cum date of AAX Shares (RM)

X = Number of Distribution Shares (unit)

Y = Number of existing Shares (unit)

Solely for illustrative purposes only, based on the closing price of the Shares and AAX Shares of RM0.68 and RM1.30 respectively as at the LPD, the theoretical ex-price of the Shares is as below:

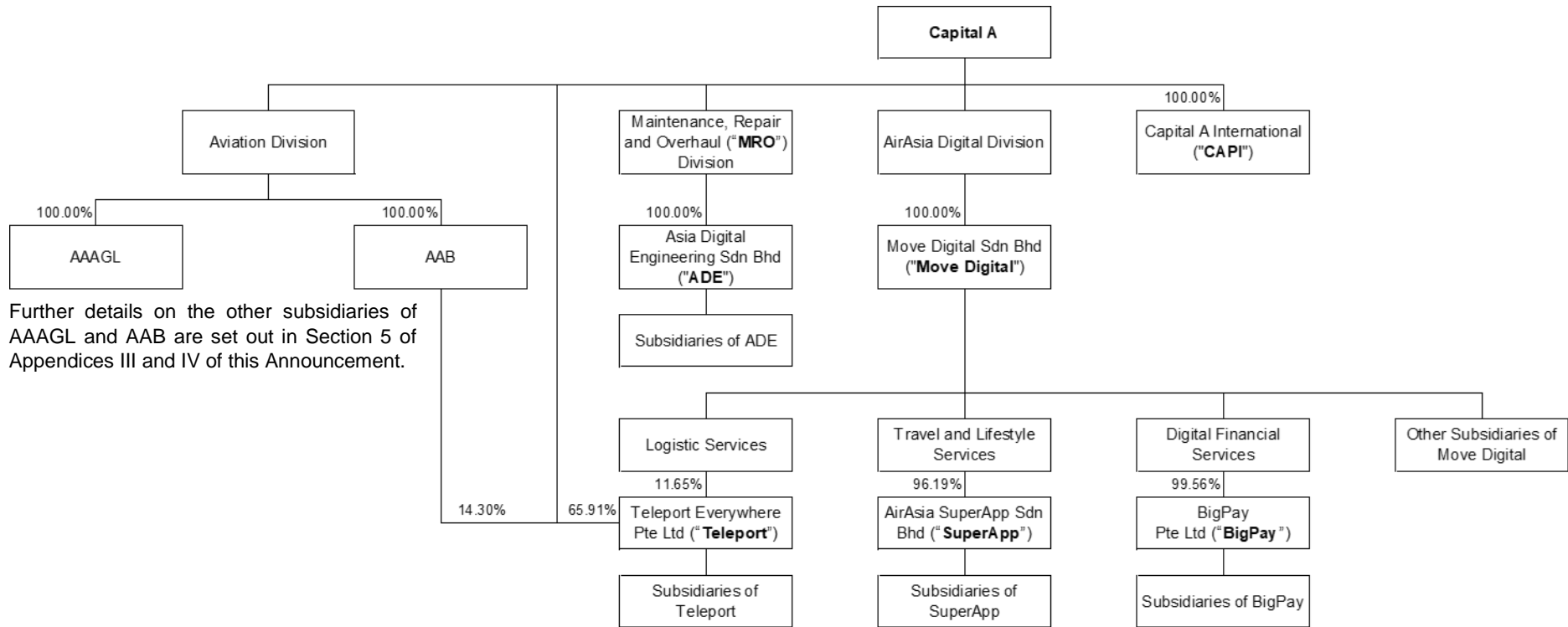
$$T_x = \text{RM}0.68 - \left(\text{RM}1.30 \times \frac{1,692,307,692}{4,254,679,350} \right)$$

$$T_x = \text{RM}0.16$$

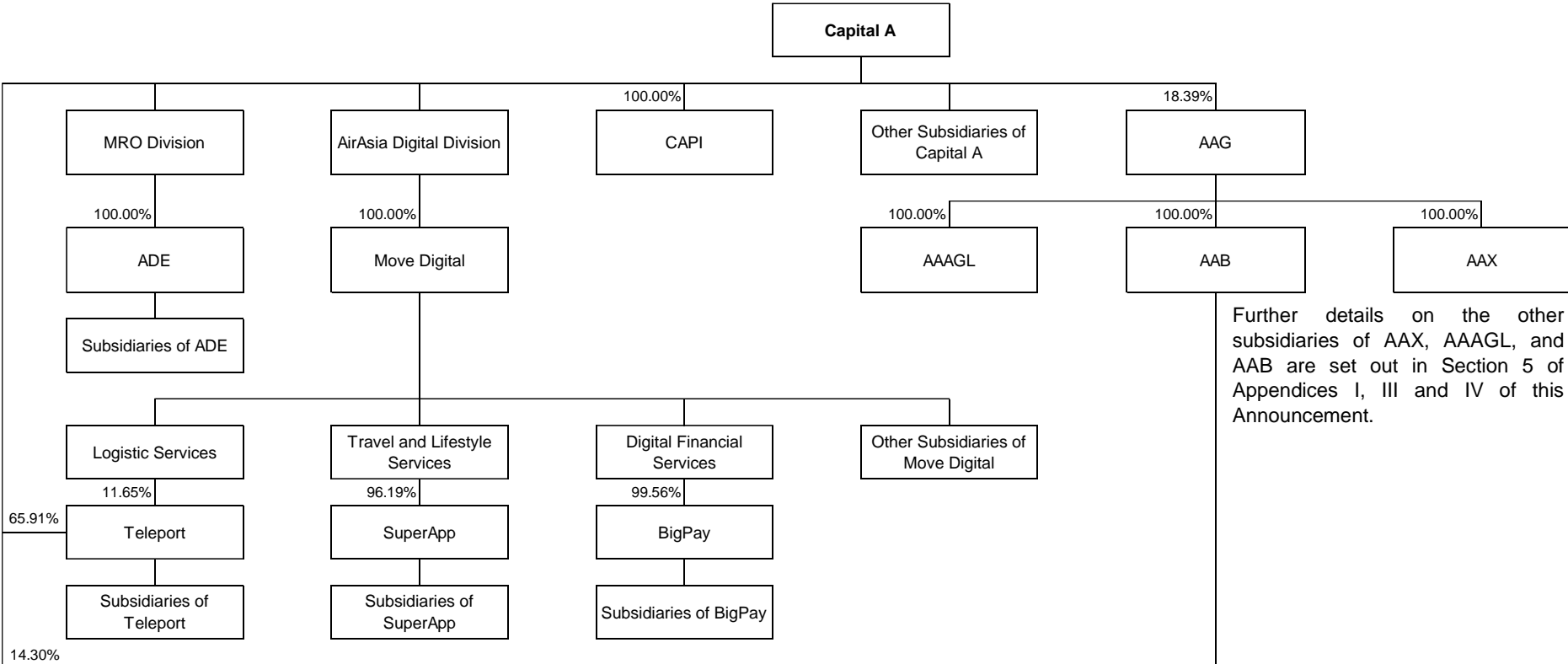
The group structure of the Group before and after the Proposals is illustrated in the following page.

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Before the Proposals



After the Proposals



6. RATIONALE AND BENEFITS OF THE PROPOSALS

6.1 Proposed Disposals

The Proposed Disposals are intended to be undertaken by the Company to streamline the Group's core business activities to focus on aviation services and digital businesses which are essential and complementary to the passenger airlines business. Upon completion of the Proposed Disposals, the aviation services and digital businesses mainly encompasses the following segments:

- (i) aviation maintenance, repair and overhaul (“**MRO**”) segment carried out ADE, a wholly-owned subsidiary of the Company;
- (ii) super app segment carried out by SuperApp, a 96.19% subsidiary of the Company;
- (iii) logistics segment carried out by Teleport, a 77.56% subsidiary of the Company; and
- (iv) digital payments segment carried out by BigPay, a 99.56% subsidiary of the Company.

Additionally, after the Proposed Distribution, the Entitled Shareholders of the Company will be able to continue participating in the business of the New Aviation Group (as defined in Section 7.3 of the Announcement) via AAG Shares held, which will be listed on the Main Market of Bursa Securities after the AAX Proposed Internal Reorganisation.

It is also expected to result in greater clarity of investment between the Company, being the aviation services and digital businesses provider, and AAG, a pure aviation business consolidating both long and short haul routes under the AirAsia brand name, enabling the capital market and other stakeholders to better ascertain the merits and prospects of each entity. This would result in the development of a more focused shareholder base, which is also expected to facilitate a business-centric valuation of the separate entities and potentially unlock value to shareholders.

The Company is expected to record a gain on remeasurement of interest in AAAGL and gain on disposal of AAB and thereby is expected to improve the shareholders' equity of the Group in its effort to regularise its financial conditions. The pro forma effects of the Proposals on the improvement to the net assets and gearing of the Group based on the latest audited consolidated financial statements of the Company as at 31 December 2022 are set out in Section 9.2 of this Announcement.

6.2 Proposed Distribution

The Proposed Distribution to be undertaken in conjunction with the Proposed AAAGL Disposals is intended to:

- (i) reward the Entitled Shareholders for their continuous support by providing them with an opportunity to invest directly in AAG, while allowing clarity of investment in two distinct entities with different business activities i.e. aviation businesses and aviation services and digital businesses;
- (ii) unlock shareholders' value by giving them the option to continue participating directly in AAG; and
- (iii) enable the Entitled Shareholders to potentially benefit directly from the future performance of AAG.

7. INDUSTRY OVERVIEW AND PROSPECTS

7.1 Overview and outlook of the Malaysian economy

The Malaysian economy expanded by 3% in the fourth quarter ("Q4") of 2023, mainly supported by continued expansion in household spending from continued improvements in employment and wages, stronger growth of inbound tourism and higher investment growth.

On the demand side, higher domestic demand continued to support the growth of the economy for the Q4 2023. Private consumption increased by 4.2% from continued household spending. Private investment increased by 4% supported by capacity expansion by firms and further progress in ongoing projects. Public consumption increased by 7.3% supported by higher supplies and services spending by the Government. Public investment increased by 11.3% from higher capital expenditure by Government and public corporations. On the external front, net exports decreased by 35.6% as higher imports outpaced exports.

On the supply side, the services, construction, mining and agriculture sectors remained supportive of growth. The services sector grew by 4.2% underpinned by the ongoing recovery of tourism activities albeit weighted by contraction in finance and insurance subsector. The construction sector grew by 3.6% mainly attributable to further expansion in civil engineering subsector albeit weighed by weak non-residential activities. The mining sector grew by 3.8% mainly driven by improvement in natural gas and oil production. The agriculture sector grew by 1.9% mainly due to expansion in oil palm production amid improved labour supply. Meanwhile, the manufacturing sector recorded a contraction of 0.3% given the continued weakness in demand for electrical and electronic products amid technology downcycle, offsetting resilient growth in domestic-oriented cluster.

Overall, the Malaysian economic growth normalised to 3.7% in 2023, following a stronger growth registered in the previous year of 8.7%.

For 2024, growth of the Malaysian economy is expected to trend higher, lifted by the recovery in exports and resilient domestic expenditure. Household spending will be supported by continued growth in employment and wages. Tourist arrivals and spending are expected to improve further. Moreover, investment activity would be supported by continued progress of multi-year projects in both the private and public sectors, and the implementation of catalytic initiatives under national master plans.

Budget 2024 measures will also provide additional support to economic activity. The growth outlook remains subject to downside risks from weaker-than-expected external demand and declines in commodity production. Meanwhile, upside risks to domestic growth emanate from greater spill over from the tech upcycle, stronger-than-expected tourism activity and faster implementation of both existing and new projects.

(Source: Bank Negara Malaysia Quarterly Bulletin Fourth Quarter 2023)

7.2 Overview and outlook of the aviation industry in Malaysia

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%.

Air Passenger Market in Detail

	World share	RPK	Available seat-kilometres (“ASK”)	Passenger load factor
	(% of industry RPKs in 2023) (%)	(% year-on-year)	(% year-on-year)	(%)
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

(Source: 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 coronavirus disease 2019 (“**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)

For the first three quarters in 2023, Malaysia’s passenger traffic has grown consistently at an average rate of 7.6% quarter-on-quarter. As at October 2023, passenger traffic reached 69.9 million. Due to this stronger-than-anticipated performance, the Malaysian Aviation Commission (“**MAVCOM**”) has revised upwards its air passenger traffic forecast for 2023. It is now expected to grow by 54% to 58% year-on-year translating to 84.5 million to 86.5 million passengers as compared to the previous forecast: of 74.6 million to 80.8 million).

In 2024, MAVCOM anticipates passenger traffic to reach between 93.9 million and 107.1 million passengers, reflecting a growth between 10% 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 South East Asian region will influence the recovery momentum. Downside risks include heightened jet fuel prices, depreciation of the Ringgit, delays in aircraft deliveries, and manpower-related issues.

Malaysia remained in the 5th position in South East Asia, with a connectivity score of 79.7 in the third quarter of 2023. At the airport level, Kuala Lumpur International Airport ranked 3rd amongst the major airports in South East Asia in terms of direct air connectivity with a score of 59.9. Singapore Changi Airport remained at the forefront with a score of 102.1, followed by Suvarnabhumi Airport in Bangkok, Thailand at 89.1.

Approximately 55.3% of Malaysia's international seat capacity was concentrated on South East Asian destinations, indicating a significant reliance on traffic between neighbouring countries.

(Source: Waypoint Report: Malaysian Aviation Industry Outlook (December 2023))

7.3 Prospects of AAX and AAG

As at 31 December 2023, AAX and its subsidiaries (“**AAX Group**”) maintained a fleet of 18 aircraft, with 16 operational aircraft, as compared to only 7 operational aircraft for the financial period ended 31 December 2022.

The Proposed Disposals allow all the airline entities operating under the “AirAsia” brand (including “AirAsia X” brand) to be housed under a new investment holding company, namely AAG forming an enlarged aviation group comprising the AAG, AAX and its group of companies (“**AAG Group**”), AAAGL Group and 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. 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.

AAG Group will continue to adopt a business model that will enable it to offer low fares by maintaining low cost per available seat kilometers (“**CASK**”), which has contributed to the past success of the AirAsia airlines. The ability of the AirAsia 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 the AirAsia MOVE super 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 AirAsia airlines to be housed under AAG Group will allow the enlarged aviation group to capture the travel needs of a wide range of customers travelling within the South East 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 South East Asia and Asia Pacific regions. Therefore, it allows AAG Group to potentially capture a higher market share for air travel within the regions.

AAG 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 Disposals, under the leadership of Bo Lingam as the Group Chief Executive Officer of AAG 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 AAG Group, as well as the synergistic benefits from the flights-travel-and-lifestyle ecosystem under AirAsia Move app and MRO services under ADE (“**AirAsia Ecosystem**”) and competitive strengths of AAG 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 AAG 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, AAG Group will assess the potential of expanding its coverage to new destinations.
- AAG 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 AAG 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. AAG 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 between the Group and AAG Group to increase cross-selling opportunities.

AAG 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.

(Source: The management of AAX)

8. RISK FACTORS OF THE PROPOSALS

8.1 Non-completion of the Proposals

The completion of the Proposals is subject to the approvals as set out in Section 10 of this Announcement being obtained. In the event any of the approvals are not obtained, the Company and AAG will not be able to complete the Proposals and all the potential benefits arising therefrom will not materialise.

The AAAGL Completion and AAB Completion are conditional upon the conditions precedent of the AAAGL SSPA and AAB SSPA respectively (collectively, the “**SSPAs**”), as set out in Section 3 of Appendices V and VI of this Announcement, being fulfilled or waived (as the case may be). In the event of non-fulfilment or non-waiver of the conditions precedent within the stipulated time frame, the Company and AAG may agree to extend the timeframe for the conditions precedent to be met, or failing such agreement to extend, the relevant SSPA shall lapse and cease to have further effect. There can be no assurance that all the conditions precedent will be fulfilled or waived (as the case may be) in accordance with the terms of the relevant SSPA within the stipulated timeframe.

The completion of the AAAGL SSPA and AAB SSPA are subject to AAG completing the AAG Proposed Placement (as defined in Section 1 of Appendix II of this Announcement) of new AAG shares to independent third party investors of RM1,000.0 million. The price of AAX/AAG shares may be influenced by, among others, the prevailing market sentiments, the volatility of the equity market, the liquidity of the AAX/AAG Shares, the outlook and prospects of the industries in which AAG operates, changes in regulatory requirements or market conditions. There can be no assurance that the AAG Proposed Placement could be successfully completed and as such, the Proposals may not be completed.

Nevertheless, the Company will endeavour to ensure that all the conditions precedent for each of the SSPAs, insofar as they are within the control of the Company, will be fulfilled or waived (as the case may be) within the stipulated time frame to complete the Proposals.

8.2 Contractual risk

The Company has provided, and are subject to, certain representations, warranties and undertakings, in favour of AAG as set out in the SSPAs. In this respect, the Company may be subject to claims in accordance with the terms and conditions of the SSPAs in the event of any breach of any such representations, warranties and undertakings given by the Company. In this regard, the Company will endeavour to ensure compliance with its obligations under the SSPAs in order to minimise the risk of any breach of such representations, warranties or undertakings given in the SSPAs.

8.3 Capital market risk

There is no assurance that the market price of the Consideration Shares will maintain at least RM1.30 per AAG Share after the completion of the Proposals. The market price of the Consideration Shares is influenced by, among others, the prevailing market sentiments, the volatility of the equity market, the liquidity of the AAG Shares, the outlook and prospects of the industries in which AAG operates, changes in regulatory requirements or market conditions. In addition, the performance of the Malaysian share market (where the AAG Shares will be listed) is dependent on the economic and political conditions in Malaysia as well as external factors such as, among others, the performance of the world bourses and flows of foreign funds.

8.4 Lower gains arising from the Proposed AAAGL Disposal

The Company's effective ownership in AAAGL will reduce to 18.39% upon the AAAGL Completion. The reduction in the effective ownership in AAAGL means that CAB will no longer have control over AAAGL as a subsidiary. Instead, the Company will keep its remaining investment in AAAGL on its at fair value.

The gain from the remeasurement of AAAGL is calculated by subtracting the net liabilities of AAAGL and the cost of disposal from the consideration receivable for the Proposed AAAGL Disposal net of the fair value of the remaining interest in AAAGL. The difference between the market price of AAG Shares upon the completion of the Proposed Disposal of AAAGL and issue price of RM1.30 per Consideration Share would contribute to a gain/loss arising from the Proposed AAAGL Disposal.

The cost of investment in AAAGL is required to be measured based on its book value plus any cost directly attributable to the Proposed AAAGL Disposal on the actual AAAGL Completion Date (which is not known until a later date). In the event that the market price of AAG Shares falls below RM1.30 (being the Issue Price) on the AAAGL Completion Date, the net reduction in value would reduce the gain arising from the Proposed AAAGL Disposal. On the contrary, should the market price of AAG Shares trades above RM1.30 on the AAAGL Completion Date, the net increase in value would contribute to an increased gain arising from the Proposed AAAGL Disposal. As such, the gain on disposal as at the actual AAAGL Completion Date could be materially different from that illustrated in the pro forma effect of the Proposed AAAGL Disposal as disclosed in Section 9.2 of this Announcement and they should not be taken to represent the actual gain on disposal as at the actual AAAGL Completion Date.

8.5 Risk of AAX falling back into PN17 status

Upon completion of the Proposals, the Company is expected to retain 18.39% of the enlarged issued shares of AAG post completion of the AAX Proposals.

AAX was previously classified as a PN17 company until the upliftment of its PN17 status on 22 November 2023. There is no assurance that AAG 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 Disposals in view that AAAGL and AAB were the major contributors to the decline in financial performance and financial position of Capital A during the COVID-19 pandemic period.

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 as set out in Section 7.3 of this Announcement, the enlarged aviation group is well-positioned to capitalise on the anticipated recovery of air travel moving forward.

In addition, AAG will undertake the Proposed Private Placement of RM1,000.00 million to strengthen its financial position prior to completing the Proposed Disposals. Furthermore, one of the conditions precedent in the SSPAs requires that AAAGL Group and AAB Group, individually 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 Disposal and Proposed AAB Disposal.

8.6 Dilution of shareholdings in AAG pursuant to AAG Proposed Post-Completion Options

Upon completion of the Proposals and subject to the approval of the shareholders of AAG, AAG is desirous to grant Garynma Investments Pte Ltd (“**Garynma**”) the rights to subscribe such number of AAG Shares (“**AAG Subscription Options**”) representing, in aggregate, 15% of the enlarged issued share capital in AAG via 3 AAG Subscription Options of 5% each (“**AAG Proposed Post-Completion Options**”). The AAG Subscription Options, as and when exercised, will result in the dilution of the Company’s shareholdings in AAG. The extent of the dilution of the Company’s shareholdings in AAG will depend on the number of AAG Shares subscribed by Garynma under the AAG Proposed Post-Completion Options.

Nevertheless, the exercise price of the AAG Subscription Options will be based on the market price of the AAG Shares as at the last trading day prior to the acceptance by Garynma of the Subscription Option during the period of 48 months from the date of granting of the Subscription Option. The exercise of the AAG Subscription Options is a form of fund-raising exercise for AAG Group. Despite the Company’s risk of shareholding dilution in AAG, the share issuance pursuant to the AAG Subscription Options is expected to strengthen AAG’s shareholders’ fund.

Further details of the AAG Proposed Post-Completion Options are set out in Appendix II of this Announcement.

9. EFFECTS OF THE PROPOSALS

The pro forma effects of the Proposals have been prepared based on the following scenarios:

Minimum Scenario : Based on the assumption that none of the outstanding redeemable convertible unsecured Islamic debt securities 2021/2028 in the Company (“**RCUIDS**”) are converted and the outstanding Warrants 2021/2028 in the Company (“**Warrants**”) are exercised into new Shares prior to the implementation of the Proposals.

Maximum Scenario : Based on the assumption that all the outstanding RCUIDS and Warrants in the Company are converted and exercised into new Shares prior to the implementation of the Proposals.

Note:

*The minimum scenario and maximum scenario does not take into account the options granted under the employees’ share options scheme of the Company (“**ESOS Options**”), which were offered to the eligible employees of the Group on 3 August 2021 pursuant to the long term incentive scheme of the Company (“**LTIS**”), which may be vested from financial year 2024 onwards, subject to the achievement of certain performance conditions as may be determined by the LTIS committee in accordance with the terms and conditions of the LTIS (“**By-Laws**”). As at the LPD, the vesting conditions attached to the ESOS Options have not been met. For clarity, none of the outstanding ESOS Options will be exercised by the relevant grantees prior to the implementation of the Proposals.*

9.1 Issued share capital and substantial shareholders' shareholdings

For illustration purposes, the pro forma effects of the Proposals on the issued capital of the Company are as follows:

	Minimum Scenario		Maximum Scenario	
	No. of Shares ('000)	Amount (RM' 000)	No. of Shares ('000)	Amount (RM' 000)
Issued share capital as at 31 March 2024	4,254,679	8,654,977	4,254,679	8,730,240
Add : Shares to be issued pursuant to the full exercise of the RCUIDS	–	–	942,730	707,047
Add : Shares to be issued pursuant to the full exercise of the Warrants	–	–	649,670	649,670
Less : Reduction in the share capital pursuant to the Proposed Distribution	–	(2,200,000)	–	(2,200,000)
Resultant issued share capital	4,254,679	6,454,977	5,847,079	7,886,957

9.2 NA per Share and gearing

Based on the latest audited consolidated statements of financial position of the Company as at 31 December 2022 and assuming that the Proposals had been effected on that date, the pro forma effects of the Proposals on the NA per Share and gearing of the Group are as follows:

Minimum Scenario

	(I)	(II)	(III)
	Audited as at 31 December 2022	Subsequent events prior to the Proposals ⁽²⁾	After (I) and the Proposed AAAGL Disposal and Proposed Distribution ⁽³⁾
	RM' million	RM' million	RM' million
Share Capital	8,655.0	8,655.0	6,455.0
Merger Deficit	(5,507.6)	(5,507.6)	(5,507.6)
Other Reserves	204.0	204.0	210.1
Foreign Exchange Reserve	(153.3)	(153.3)	(446.8)
Accumulated Losses	(8,923.2)	(9,723.4)	(6,289.3)
Shareholders' equity/ NA	(5,725.1)	(6,525.3)	(5,578.6)
Number of ordinary shares in issue ('million)	4,161.79	4,161.79	4,161.79
NA per Share (RM)	(1.38)	(1.57)	(1.34)
Total borrowings (RM'million)	17,995	23,961	15,723
Gearing ratio (times)	⁽¹⁾ N/A	⁽¹⁾ N/A	N/A
			2.18

Notes:

- (1) *During the FYE 31 December 2022, the Group's operations have yet to recover from the COVID-19 pandemic impact which led to operating losses. This has resulted in a negative gearing ratio as the Group has been relying on debt compared to equity to finance the Group's operations.*
- (2) *Adjusted to incorporate the following effects of the subsequent events after the FYE 31 December 2022:*
- (a) *the transfer of the AirAsia brand from AAB to the Company for RM4.5 billion;*
 - (b) *the acquisition of the remaining 60% equity interest in AirAsia, Inc, the parent company of PAA for approximately USD16 million (equivalent to approximately RM70.4 million based on the exchange rate of USD1:RM4.49 published on BNM's website on 16 May 2023 being the date of the acquisition); and*
 - (c) *the gain on remeasurement of previously held interest in an associate of approximately RM1.4 billion as a result of AAV being deemed a subsidiary of the Company.*
- (3) *Adjusted to incorporate the following effects of the Proposed AAAGL Disposal and Proposed Distribution:*
- (a) *The share consideration received for the Proposed AAAGL Disposal of approximately RM3.0 billion;*
 - (b) *the deconsolidation of AAAGL from the Group; and*
 - (c) *the reduction of approximately RM2.2 billion from the share capital of the Company as a result of the Proposed Distribution.*
- (4) *Adjusted to incorporate the following effects of the Proposed AAB Disposal:*
- (a) *the amount due from the Company for the Debt Settlement of RM3.8 billion;*
 - (b) *the deconsolidation of AAB from the Group; and*
 - (c) *the deconsolidation of merger deficit arising from the acquisition of AAB by the Company previously.*

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Maximum Scenario

		(I)	(II)	(III)	(IV)
	Audited as at 31 December 2022	Subsequent events prior to the Proposals ⁽²⁾	Assuming all the outstanding RCUIDS and Warrants are exercised	After (II) and the Proposed AAAGL Disposal and Proposed Distribution ⁽⁵⁾	After (III) and the Proposed AAB Disposal ⁽⁶⁾
	RM' million	RM' million	RM' million	RM' million	RM' million
Share Capital	8,655.0	8,655.0	10,081.3	7,881.3	7,881.3
Merger Deficit	(5,507.6)	(5,507.6)	(5,507.6)	(5,507.6)	-
Other Reserves	204.0	204.0	(35.5)	(29.5)	35.2
Foreign Exchange Reserve	(153.3)	(153.3)	(153.3)	(446.8)	(7.1)
Accumulated Losses	(8,923.2)	(9,723.4)	(9,737.5)	(6,303.4)	(6,244.0)
Shareholders' equity/ NA	(5,725.1)	(6,525.3)	(5,352.6)	(4,406.0)	1,665.4
Number of ordinary shares in issue (million)	4,161.79	4,161.79	⁽⁴⁾ 5,847.08	⁽⁴⁾ 5,847.08	⁽⁴⁾ 5,847.08
NA per Share (RM)	(1.38)	(1.57)	(0.92)	(0.75)	0.28
Total borrowings (RM'million)	17,995	23,961	23,961	15,723	1,076
Gearing ratio (times)	⁽¹⁾ N/A	⁽¹⁾ N/A	⁽¹⁾ N/A	⁽¹⁾ N/A	0.64

Notes:

- (1) During the FYE 31 December 2022, the Group's operations have yet to recover from the COVID-19 pandemic impact which led to operating losses. This has resulted in a negative gearing ratio as the Group has been relying on debt compared to equity to finance the Group's operations.
- (2) Adjusted to incorporate the following effects of the subsequent events after the FYE 31 December 2022:
- (a) the transfer of the AirAsia Brand from AAB to the Company for RM4.5 billion;
 - (b) the acquisition of the remaining 60% equity interest in AirAsia, Inc, the parent company of Philippine AirAsia, Inc. for approximately USD16 million (equivalent to approximately RM70.4 million based on the exchange rate of USD1:RM4.49 published on BNM's website on 16 May 2023 being the date of the acquisition); and
 - (c) the gain on remeasurement of previously held interest in an associate of approximately RM1.4 billion as a result of AAV being deemed a subsidiary of the Company.
- (3) Adjusted to incorporate the following effects of the conversion and exercise of all outstanding RCUIDS and Warrants:
- (a) the reduction of approximately RM126.8 million RCUIDS reserve as a result of the conversion of all outstanding RCUIDS; and
 - (b) the reduction of approximately RM112.7 million Warrants reserve as a result of the exercise of all outstanding Warrants.
- (4) Assuming all the outstanding 1,035,610,619 RCUIDS as at 31 December 2022 are converted at the conversion price of RM0.75 per RCUIDS into 1,035,610,619 new Shares and all outstanding 649,675,479 Warrants as at 31 December 2022 are exercised at the exercise price of RM1.00 per Warrant into 649,675,479 new Shares before the completion of the Proposals.

- (5) Adjusted to incorporate the following effects of the Proposed AAAGL Disposal and Proposed Distribution:
- (a) the share consideration received for the Proposed AAAGL Disposal of approximately RM3.0 billion;
 - (b) the deconsolidation of AAAGL from the Group; and
 - (c) the reduction of approximately RM2.2 billion from the share capital of the Company as a result of the Proposed Distribution.
- (6) Adjusted to incorporate the following effects of the Proposed AAB Disposal:
- (a) the amount due from the Company for the Debt Settlement of RM3.8 billion;
 - (b) the deconsolidation of AAB from the Group; and
 - (c) the deconsolidation of merger deficit arising from the acquisition of AAB by the Company previously.

9.3 Earnings Per Share (“EPS”)

The pro forma effects of the Proposals on the consolidated EPS of the Company assuming the Proposals had been effected at the beginning of the FYE 31 December 2022, is illustrated as follows:

	Audited for the FYE 31 December 2022 RM' million	After the Proposals	
		Minimum Scenario RM' million	Maximum Scenario RM'million
Loss after tax attributable to owners of the Company	(2,626.4)	(2,626.4)	(2,626.4)
Less: Consolidated losses of AAAGL and AAB for the FYE 31 December 2022	-	2,274.7	2,274.7
Add: Pro forma gain arising from Proposed Disposals ⁽¹⁾	-	8,487.8	8,487.8
Profit after tax attributable to owners of the Company ⁽²⁾⁽³⁾	(2,626.4)	8,136.1	8,136.1
Weighted average no. of Shares in issue ('million)	4,053.12	4,053.12	⁽⁴⁾ 5,738.41
Basic (Loss per Share)/ EPS (RM)	(0.65)	2.01	1.42

Note:

- (1) The difference between the combined pro forma gain on the Proposed Disposals of RM10,762.5 million (based on cut-off of 31 December 2022) as disclosed in Section 2.8 and 3.5 of this Announcement and the aforementioned total pro forma gain on Proposed Disposals of RM8,487.8 million (based on 1 January 2022, being the beginning of the FYE 31 December 2022) of RM2,274.7 million was due to the consolidated losses of AAAGL and AAB for the FYE 31 December 2022.
- (2) Excluding the one-off gain on remeasurement of interest in AAV from an associate to a subsidiary amounting to approximately RM1.4 billion recognised in the Group's unaudited income statement for the FPE 30 June 2023.
- (3) Excluding potential impairment of goodwill attributable to airasia Superapp (Thailand) Company Limited amounting to RM109.7 million.
- (4) Assuming all the outstanding 1,035,610,619 RCUIDS as at 31 December 2022 are converted at the conversion price of RM0.75 per RCUIDS into 1,035,610,619 new Shares and all outstanding 649,675,479 Warrants as at 31 December 2022 are exercised at the exercise price of RM1.00 per Warrant into 649,675,479 new Shares before the completion of the Proposals.

9.4 Convertible Securities

Save for the following, the Company does not have any other convertible security in issue as at the LPD:

9.4.1 RCUIDS

As at the LPD, there are 942,729,819 RCUIDS which remain in issue and are convertible into new Shares at a conversion price of RM0.75. The Proposed Distribution may give rise to an adjustment to the conversion price to the RCUIDS and any such adjustments shall be made in accordance with the relevant provisions of the trust deed constituting the RCUIDS dated 18 November 2021 to ensure that the status of the RCUIDS holders is not prejudiced as a result of the Proposed Distribution.

9.4.2 Warrants

As at the LPD, 649,670,148 Warrants remain outstanding in Capital A. The Proposed Distribution may give rise to an adjustment to the exercise price to the Warrants and any such adjustments shall be made in accordance with the relevant provisions of the deed poll constituting the Warrants dated 18 November 2021 to ensure that the status of the Warrant holders is not prejudiced as a result of the Proposed Distribution.

9.4.3 ESOS Options

As at the LPD, there are 106,000,000 outstanding ESOS Options in the Company.

The outstanding ESOS Options were offered on 3 August 2021 to the eligible employees of the Group pursuant to the LTIS, which may be vested from financial year 2024 onwards, subject to the achievement of certain performance conditions as may be determined by the LTIS committee in accordance with the By-Laws. For clarity, none of the outstanding ESOS Options will be exercised by the relevant grantees prior to the implementation of the Proposals.

Under the By-Laws, if there is any variation in the capital structure of the Company during the LTIS period, the LTIS committee may, with the approval of the Board, appropriately adjust the number of Shares and/or the outstanding ESOS Options and/or the price at which the relevant grantees shall be entitled to subscribe for every new Share by exercising their outstanding ESOS Options, subject always to applicable laws and the Listing Requirements. In the event the LTIS committee decides to make adjustments due to the implementation of the Proposed Distribution, any such adjustments shall be made in accordance with the relevant provisions of the By-Laws.

10. APPROVALS REQUIRED

The Proposals are subject to the following approvals and consents of the following persons being obtained:

- (a) the non-interested shareholders of the Company at an extraordinary general meeting (“EGM”) to be convened for the Proposals;
- (b) the non-interested holders of the RCUIDS at a RCUIDS holders meeting to be convened for the Proposals;
- (c) the sealed order of the High Court of Malaya pursuant to Section 116 of the Act for the reduction in share capital pursuant to the Proposed Distribution;
- (d) government entity, financiers/lenders or any third party, as may be necessary, being obtained by the (where applicable) Company, the Company’s subsidiaries or the relevant entity within the AAAGL Group or AAB Group for the Proposed Pre-Completion Restructuring and the Proposals as set out below:
 - (i) MAVCOM’s decision that Section 54 of the Malaysian Aviation Commission Act 2015 is not infringed if the Proposed Disposals is carried into effect;
 - (ii) MAVCOM with regards to the proposed change in shareholding of AAB
 - (iii) BNM, Foreign Exchange Administration with regards to the AAAGL Debt Novation;
 - (iv) financiers / lenders in respect of the RCUIDS as well as loan facilities granted to the Group;
 - (v) third parties in respect of certain aircraft lease as well as operational agreements entered into by the Group; and
 - (vi) any other approvals, waivers or consents and/or notifications as may be required by law or regulation or deemed necessary and mutually agreed by the Company and AAG;
- (e) the non-interested shareholders of AAX at an EGM for the AAX Proposed Internal Reorganisation and the acquisition of AAAGL and AAB pursuant to the Proposed Disposals;
- (f) the non-interested shareholders of AAX at a court-convened meeting for the AAX Proposed Internal Reorganisation;
- (g) the sealed order of the High Court of Malaya for the AAX Proposed Internal Reorganisation;
- (h) government entity, financiers/lenders or any third party, as may be necessary, being obtained by AAG, AAX or their respective subsidiaries for the AAX Proposed Internal Reorganisation and the Proposals as set out:
 - (i) MAVCOM with regards to the proposed change in shareholding of AAX;
 - (ii) MAVCOM’s decision that Section 54 of the Malaysian Aviation Commission Act 2015 is not infringed if the Proposed AAB Disposal is carried into effect;
 - (iii) Securities Commission Malaysia’s concurrence or clearance that the Proposed AAB Disposal would not result in a significant change in the business direction or policy of AAG or AAX;

- (iv) Bursa Securities for:
 - (A) the assumption of the listing status of AAX by AAG, the admission of AAG to, and withdrawal of AAX from, the Official List of Bursa Securities and the listing and quotation of the entire enlarged issued share capital of AAG on the Main Market of Bursa Securities; and
 - (B) the listing and quotation of new AAG shares to be issued pursuant to AAG's private placement exercise on the Main Market of Bursa Securities;
- (v) third parties in respect of certain lease agreements and operational agreements entered into by the AAX Group; and
- (vi) any other approvals, waivers or consents and/or notifications as may be required by law or regulation or deemed necessary and mutually agreed by the Company and AAG;
- (i) Bursa Securities for the listing and quotation of the Consideration Shares on the Main Market of Bursa Securities; and
- (j) any other relevant authorities and/or parties, if required.

The Proposed AAAGL Disposal and Proposed Distribution are interconditional upon each other. Save for the above, there are no other conditionality in respect of the Proposals. The Proposals are not conditional upon any other proposal undertaken or being undertaken by the Company.

11. **INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM**

Save as disclosed below, none of the Directors and major shareholders of the Company, and/or persons connected with them have any interests, direct and/or indirect, in the Proposals:

- (a) Tan Sri Anthony Francis Fernandes ("**Tan Sri Tony**"), the Non-Independent Executive Director and Chief Executive Officer and a major shareholder of the Company, is deemed interested in the Proposals by virtue of him being a major shareholder of AAX via his direct and indirect shareholding in AAX via Tune Group Sdn Bhd and AAB;
- (b) Datuk Kamarudin bin Meranun ("**Datuk Kamarudin**"), the Non-Independent Executive Chairman and a major shareholder of the Company, is deemed interested in the Proposals by virtue of him being a Non-Independent Non-Executive Director and major shareholder of AAX via his direct and indirect shareholding in AAX via Tune Group Sdn Bhd and AAB;
- (c) Dato' Fam Lee Ee ("**Dato' Fam**"), the Independent Non-Executive Director of the Company, is deemed interested in the Proposals by virtue of him being the Non-Independent Non-Executive Chairman of AAX;
- (d) Tune Live Sdn Bhd ("**TLSB**"), a major shareholder of the Company, is deemed interested in the Proposals as TLSB is a person connected with Tan Sri Tony and Datuk Kamarudin where they are major shareholders of TLSB; and
- (e) Tune Air Sdn Bhd ("**TASB**"), a major shareholder of the Company, is deemed interested in the Proposals as TASB is a person connected with Tan Sri Tony and Datuk Kamarudin where they are major shareholders of TASB.

Tan Sri Tony, Datuk Kamarudin and Dato' Fam (collectively, the “**Interested Directors**”) have abstained and will continue to abstain from deliberating and voting on the Proposals at the relevant Board meetings.

The Tan Sri Tony, Datuk Kamarudin, TLSB and TASB (collectively, the “**Interested Major Shareholders**”) will abstain and will ensure that persons connected with them will abstain from voting in respect of their respective direct and/or indirect shareholdings and/or RCUIDS holdings in the Company, if any, on the resolutions pertaining to the Proposals at the EGM and RCUIDS holders meeting of the Company to be convened.

The direct and indirect shareholdings of the Interested Directors and Interested Major Shareholders in the Company as at the LPD are as follows:

Name	←-----Direct----->		←-----Indirect----->	
	No. of Shares	%	No. of Shares	%
Tan Sri Tony	1,600,000	0.04	1,025,485,082 ^(a)	24.10
Datuk Kamarudin	2,000,000	0.05	1,025,485,082 ^(a)	24.10
Dato' Fam	–	–	–	–
TLSB	509,000,000	11.96	-	-
TASB	516,485,082	12.14	-	-

Note:

(a) Deemed interested by virtue of Section 8 of the Act through a shareholding of more than 20% in TLSB and TASB.

12. DIRECTORS' STATEMENT

The Board, save for the Interested Directors, having considered all aspects of the Proposals, including the rationale and benefits of the Proposals, the salient terms of the SSPAs, the basis and justification for arriving at the AAAGL Disposal Consideration and AAB Disposal Consideration as well as the effects of the Proposals, is of the opinion that the Proposals is in the best interest of the Company.

The Board, save for the Interested Directors, is not seeking any alternative bids for the Proposed Disposals as the Company had proposed to dispose its entire equity interests in AAAGL and AAB to AAX via its letter of offer dated 8 January 2024 as part of its restructuring plan.

13. HIGHEST PERCENTAGE RATIO APPLICABLE TO THE PROPOSALS AND VERY SUBSTANTIAL TRANSACTION

The highest percentage ratio applicable to the Proposals pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 105.34%. As such, the Proposals is deemed as a Very Substantial Transaction.

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

14. TOTAL AMOUNT TRANSACTED WITH THE SAME RELATED PARTY FOR THE PRECEDING 12 MONTHS

The Proposed Disposals are deemed as related-party transactions pursuant to Paragraph 10.08 of the Listing Requirements.

Save for the Proposed Disposals and related-party transactions as highlighted below, there were no other related-party transactions (excluding recurrent related-party transactions entered into in the ordinary course of business) entered into between the Company and the Interested Major Shareholders and/or persons connected with them for the 12 months preceding the date of this Announcement.

- (i) On 2 November 2023, AAB had entered into a Passenger Charter and Ancillary Agreement with AAX 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, Asia Aviation Capital Limited, a wholly-owned subsidiary of AAB had entered into an aircraft lease agreement with AAX, 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.

15. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of the Company, having considered all aspects of the Proposals and the preliminary evaluation of the Independent Adviser on the fairness and reasonableness of the Proposals, is of the opinion that the Proposals are:

- (a) in the best interest of the Company;
- (b) fair, reasonable and on normal commercial terms; and
- (c) not detrimental to the interest of the minority shareholders of the Company.

In forming its view above, the Audit Committee of the Company has taken into consideration, amongst others, the following:

- (i) the rationale of the Proposals;
- (ii) the salient terms of the SSPAs;
- (iii) the basis of and justification for arriving at the AAAGL Disposal Consideration and AAB Disposal Consideration; and
- (iv) the effects of the Proposals.

16. ADVISER

RHB Investment Bank has been appointed as the Principal Adviser to the Company for the Proposals.

17. INDEPENDENT ADVISER

In view that the Proposals are deemed as related-party transactions pursuant to Paragraph 10.08 of the Listing Requirements, the Company had on 27 March 2024 appointed Public Investment Bank Berhad to act as the Independent Adviser to undertake the following in relation to the Proposals:

- (a) comment as to:
 - (i) whether the Proposals are fair and reasonable in so far as the non-interested shareholders of the Company are concerned; and
 - (ii) whether the Proposals are to the detriment of the minority shareholders of the Company,and such opinions must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;
- (b) advise the minority shareholders of the Company whether they should vote in favour of the Proposals; and
- (c) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in items (a) and (b) above.

18. APPLICATIONS TO THE AUTHORITIES

Barring any unforeseen circumstances, the application to the relevant authorities in relation to the Proposals are expected to be made within a period of 2 months from the date of this Announcement.

19. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Proposals are expected to be completed by the 3rd quarter of 2024.

20. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the AAAGL SSPA, AAB SSPA and the Valuation Letter will be made 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, Malaysia during normal business hours on 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.

INFORMATION ON AAX

1. HISTORY AND BUSINESS

AAX was incorporated on 19 May 2006 as a private limited company in Malaysia under the Act under the name of Eden Hub Sdn Bhd. Its name was subsequently changed to Fly Asian Xpress Sdn Bhd on 1 June 2006. It changed its name to AirAsia X Sdn Bhd on 21 September 2007 and it was converted into a public company and assumed its present name AirAsia X Berhad on 9 October 2012. It was listed on the Main Market of Bursa Securities on 10 July 2013. The history of AAX's business can be traced back to 2007 with the operation of its first aircraft travelling from Kuala Lumpur to the Gold Coast in Australia.

The principal activity of AAX is the provision of low-cost, long haul air transportation services since November 2007. Its subsidiaries and associate companies' principal markets are Malaysia and Thailand, serving markets in Australia, China, India, South Korea, Japan, Taiwan, Indonesia, Kazakhstan and Saudi Arabia.

As at the LPD, AAX maintains a fleet of 25 aircraft with 22 aircraft in operation. 72% of the fleet are based in Malaysia while the remaining 28% are based in Thailand.

2. SHARE CAPITAL

As at the LPD, the issued share capital of AAX is RM51,534,046 comprising 447,072,803 AAX Shares.

3. SUBSTANTIAL SHAREHOLDERS

As at the LPD, the substantial shareholders of AAX and their respective direct shareholdings in AAX are set out below:

Substantial Shareholders	No of AAX Shares	%
AirAsia Berhad	57,072,850	12.77
RHB Capital Nominees (Tempatan) Sdn Bhd RHB Islamic Bank Berhad Pledged Securities Account for Tune Group Sdn Bhd	52,150,311	11.66
Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tune Group Sdn Bhd	21,809,975	4.88

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INFORMATION ON AAX (CONT'D)

4. DIRECTORS

As at the LPD, the directors of AAX and their respective shareholdings in AAX are set out below:

Directors	Nationality	Designation	<-----Direct----->		<-----Indirect----->	
			No of AAX Shares	%	No of AAX Shares	%
Dato' Fam	Malaysian	Director	–	–	–	–
Datuk Kamarudin bin Meranun	Malaysian	Director	37,070,993	8.29	131,033,136 ⁽¹⁾	29.31
Tan Sri Asmat bin Kamaludin	Malaysian	Director	10,000	0.002	2,000 ⁽²⁾	0.00*
Chin Min Ming	Malaysian	Director	–	–	–	–
Dato' Sri Mohammed Shazalli bin Ramly	Malaysian	Director	–	–	–	–
Dato' Abdul Mutalib bin Alias	Malaysian	Director	–	–	–	–

Notes:

* Negligible.

(1) Deemed interested by virtue of Section 8 of the Companies Act 2016 through a shareholding of more than 20% in Tune Group Sdn Bhd and AirAsia Berhad.

(2) Pursuant to Section 59(11)(c) of the Companies Act 2016, the interests of spouse and children of Tan Sri Asmat Bin Kamaludin in the shares of the Company shall also be treated as the interest of Tan Sri Asmat Bin Kamaludin.

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INFORMATION ON AAX (CONT'D)

5. SUBSIDIARY AND ASSOCIATE COMPANY

5.1 Subsidiary

As at the LPD, the subsidiaries of AAX are as follows:

Name of company	Date/ Place of incorporation	Share capital	Percentage of effective equity interest %	Principal activities
AirAsia X Services Pty Ltd	4 January 2010 / Australia	USD 1.00	100	Provision of management logistical and marketing services
AAX Mauritius One Limited	16 December 2013 / Mauritius	USD 1.00	100	Provision of aircraft leasing facilities
AAX Aviation Capital Ltd	14 March 2018 / Malaysia	USD 1,000	100	Holding company
AAX Leasing One Ltd	15 March 2018 / Malaysia	USD 1,000	100	Provision of aircraft leasing facilities
AAX Leasing Two Ltd	24 May 2018/ Malaysia	USD 1,000	100	Provision of aircraft leasing facilities
AAX Leasing Five Ltd	25 October 2018 / Malaysia	USD 1,000	100	Provision of aircraft leasing facilities
AAX Leasing Eight Ltd	26 October 2018 / Malaysia	USD 1,000	100	Provision of aircraft leasing facilities
AAX Leasing Ten Ltd	12 December 2018 / Malaysia	USD1,000	100	Provision of aircraft leasing facilities
AAX Leasing Eleven Ltd	18 January 2019/ Malaysia	USD 1,000	100	Provision of aircraft leasing facilities
AAX Leasing Twelve Ltd	1 September 2022 / Malaysia	USD 1,000	100	Provision of aircraft leasing facilities
AAX Leasing Thirteen Ltd	10 February 2023 / Malaysia	USD 1,000	100	Provision of aircraft leasing facilities
AAX Leasing Fourteen Ltd	10 February 2023 / Malaysia	USD 1,000	100	Provision of aircraft leasing facilities
AAX Leasing Fifteen Ltd	5 September 2022 / Malaysia	USD 1,000	100	Provision of aircraft leasing facilities

INFORMATION ON AAX (CONT'D)

Name of company	Date/ Place of incorporation	Share capital	Percentage of effective equity interest %	Principal activities
AAX Leasing Sixteen Ltd	10 February 2023 / Malaysia	USD 1,000	100	Provision of aircraft leasing facilities
AAX Leasing Seventeen Ltd	3 February 2023 / Malaysia	USD 1,000	100	Provision of aircraft leasing facilities
AAX Leasing Eighteen Ltd	10 February 2023 / Malaysia	USD 1,000	100	Provision of aircraft leasing facilities
AAX Leasing Nineteen Ltd	10 February 2023 / Malaysia	USD 1,000	100	Provision of aircraft leasing facilities

5.2 Associate company

As at the LPD, the associate company of AAX is as follows:

Name of company	Date/ Place of incorporation	Share capital	Percentage of effective equity interest %	Principal activities
Thai AirAsia X Co., Ltd	12 March 2013 / Thailand	THB 417,500,000	49	Commercial air transport services
PT Indonesia AirAsia Extra	13 August 2013 / Indonesia	IDR 292,950,000,000	49	Dormant

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INFORMATION ON AAX (CONT'D)

6. HISTORICAL FINANCIAL INFORMATION

A summary of the audited consolidated financial information of AAX for the past 3 financial years up to the FYE 31 December 2022 and the unaudited consolidated financial information for the unaudited 12-month FPE 31 December 2023 are set out below:

	←-----Audited-----→			Unaudited 12-month FPE 31 December 2023 RM'000
	12- month FYE 31 December 2019 RM'000	18-month FYE 30 June 2021 RM'000	18-month FYE 31 December 2022 RM'000	
Revenue	4,233,344	1,132,624	825,860	2,528,336
(Loss)/Profit before tax	(306,008)	(33,675,165)	32,670,370	378,738
(Loss)/Profit after tax and minority interests ("LATAMI" / "PATAMI")	(650,317)	(33,675,158)	33,282,611	366,470
Share capital	1,534,043	1,534,044	1,534	51,029
Shareholders' fund/NA	137,929	(33,664,997)	(285,203)	129,687
Total interest-bearing borrowings	6,265,611	6,766,609	1,062,482	1,512,025
No. of issued shares ('000)	4,148,149	4,148,149	414,815	447,073
(Loss)/Earnings per share (RM)	(0.16)	(8.12)	80.24	0.82
(Net liability)/NA per share (RM)	0.03	(8.12)	(0.69)	0.29
Current ratio (times)	0.11	0.01	0.61	0.74
Gearing ratio (times) ^(c)	0.98	(0.25)	1.47	1.10

Notes:

- (a) During the financial period, AAX, its subsidiaries and associate companies ("AAX Group") changed its financial year end from 31 December to 30 June. Accordingly, the FYE 30 June 2021 covers a period of 18 months, from 1 January 2020 to 30 June 2021. Consequently, the comparative amounts for the historical financial information for the FYE 30 June 2021 and related notes thereto are not comparable.
- (b) During the financial period, AAX and AAX Group changed its financial year end from 30 June to 31 December. Accordingly, the FYE 31 December 2022 covers a period of 18 months, from 1 July 2021 to 31 December 2022. Consequently, the comparative amounts for the historical financial information for the FYE 31 December 2022 and related notes thereto are not comparable.
- (c) Calculated based on net debt (i.e. total borrowings less cash and cash equivalents) over total capital.

Commentaries of past financial performance:

(a) 12-month FYE 31 December 2019

For the 12-month FYE 31 December 2019, AAX Group recorded lower revenue of approximately RM4.23 billion for the said period as opposed to approximately RM4.57 billion for the 12-month FYE 31 December 2018, a decrease of approximately RM0.34 billion or 7.4%. This was mainly attributable to a drop in revenue from scheduled flights resulting from a decrease in seat capacity. Revenue from charter flights also decreased in line with the decision to reduce charter activities.

As a result of the above, the increase in maintenance and overhaul costs as well as the reclassification of operating lease expense due to MFRS16, AAX Group recorded higher LATAMI of approximately RM650.32 million for the 12-month FYE 31 December 2019 as compared to LATAMI of approximately RM301.48 million for the FYE 31 December 2018, representing an increase in losses of approximately RM348.84 million or 115.7%.

INFORMATION ON AAX (CONT'D)

(b) 18-month FYE 30 June 2021

Notwithstanding the longer 18-month reporting period for the FYE 30 June 2021, AAX Group recorded lower revenue of approximately RM1.13 billion for the said period as opposed to approximately RM4.23 billion for the 12-month FYE 31 December 2019, a decrease of approximately RM3.10 billion or 73.2%. This was mainly attributable to the outbreak of COVID-19 pandemic at the beginning of 2020 and the subsequent implementation of the travel and border restrictions, which resulted in suspension of AAX Group's scheduled flight operations.

During the 18-month FYE 30 June 2021, AAX and AAX Group had triggered events of default for the various contracts entered, and AAX Group had made a provision for termination of such contracts/claims of approximately RM25.16 billion during the said period. AAX Group had also made allowances for impairment losses on its assets amounting to approximately RM5.84 billion as there was a high degree of estimation uncertainty inherent in estimating the duration and severity of the economic downturn caused by the COVID-19 pandemic, and the pattern of any expected recovery.

As a result of the above and higher interest expenses on lease liabilities, AAX Group recorded higher LATAMI of approximately RM33.68 billion for the 18-month FYE 30 June 2021 as compared to LATAMI of approximately RM0.65 billion for the FYE 31 December 2019, representing an increase in losses of approximately RM33.02 billion or 5,078.3%.

(c) 18-month FYE 31 December 2022

For the 18-month FYE 31 December 2022, AAX Group recorded revenue of approximately RM825.86 million, a decrease of approximately RM306.76 million or 27.1% from approximately RM1.13 billion for the 18-month FYE 30 June 2021. This was mainly contributed by the outbreak of COVID-19 pandemic and the implementation of the international travel and border restrictions, which were only gradually relaxed in the second half of 2022. For information purposes, AAX Group only began operating its scheduled flight services to Seoul and Delhi in April 2022. By the quarter ended December 2022, AAX Group had added back more flights, introducing Melbourne, Perth, Sydney-Auckland, Tokyo Sapporo, Taipei, Jeddah and Bali-Denpasar into its network, ending the year with a 14-route strong network with only seven (7) aircraft activated and operational amidst fuel price fluctuations.

Despite the lower revenue recorded, AAX Group recorded PATAMI of approximately RM33.28 billion for the 18-month FYE 31 December 2022 as compared to LATAMI of approximately RM33.68 billion for the 18-month FYE 30 June 2021. This was mainly due to the following:

- (i) waiver of debts amounting to approximately RM34.31 billion pursuant to the debt restructuring scheme which took effect on 16 March 2022;
- (ii) recognition of deferred tax assets of approximately RM0.61 billion as it is probable that future taxable profit will be available and the unused tax credits and unused tax losses can be utilised ("**Recognition of Deferred Tax Assets**"); and
- (iii) absence of the provision and allowance for impairment that contributed to AAX Group's losses in the previous financial period.

Notwithstanding that AAX Group's PATAMI was mainly attributable to the waiver of debts and the Recognition of Deferred Tax Assets, AAX Group recorded net profits for the two (2) final quarters of the 18-month FYE 31 December 2022.

INFORMATION ON AAX (CONT'D)

(d) 12-month FPE 31 December 2023

For the FPE 31 December 2023, AAX Group recorded a revenue of approximately RM2,528.3 million which represents an increase of approximately RM1,868.7 million or 283.3% as compared to the corresponding period in the preceding financial year of approximately RM659.6 million mainly attributable to the recovery of international travel and AAX Group's available seat capacity over the 12-month period ending 31 December 2023. For the most part of 2022, AAX Group's revenue was primarily generated from charter and freight services, whilst in 2023, AAX Group's number of operational aircraft had grown to 18 aircraft by December 2023, subsequently allowing AAX Group to meet the demand for international travel. This is in line with more fleets of aircraft this quarter to 18 operational aircraft.

Despite the higher revenue recorded, AAX Group recorded a PATAMI of approximately RM366.5 million for the 12-month FPE 31 December 2023 as compared to a PATAMI of approximately RM33.28 billion for the 18-month FPE 31 December 2022. This was mainly due to the reversal of write-back of liabilities amounting to RM34.3 billion attributable to the debt restructuring undertaken by AAX in the 18-month FPE 31 December 2022

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INFORMATION ON AAG

1. HISTORY AND BUSINESS

AAG was incorporated in Malaysia under the Act as a private company limited by shares on 6 April 2023 under the name AirAsia Aviation Group Sdn Bhd and assumed its current name on 22 March 2024. As at the LPD, AAG is in the midst of being converted into a public limited company.

AAG is currently a dormant company and its intended principal activity is investment holding. It was incorporated to facilitate the implementation of the AAX Proposed Internal Reorganisation which includes, amongst others, the proposed share exchange, and has not commenced operations.

AAX's Proposed Corporate Exercises

On 25 April 2024, Inter-Pacific Securities Sdn Bhd, on behalf of the board of directors of AAX, had announced that AAX intends to undertake the following corporate exercise:

- (i) the AAX Proposed Internal Reorganisation;
- (ii) the proposed issuance of up to 223,536,402 free warrants in AAG ("**AAG Warrants**") on the basis of 1 AAG Warrants for every 2 AAG Shares held by existing shareholders of AAG on an entitlement date to be determined after the completion of the AAX Proposed Internal Reorganisation ("**AAG Proposed Issuance of Warrants**");
- (iii) proposed private placement of new AAG Shares to independent third party investors of RM1,000.0 million ("**AAG Proposed Placement**");
- (iv) the proposed acquisition of the 100% equity interest in AAAGL from the Company and the proposed acquisition of 100% equity interest in AAB from the Company pursuant to the Proposed Disposals ("**AAG Proposed Acquisitions**"); and
- (v) proposed capital reduction of the issued share capital of AAG pursuant to Section 116 of the Act ("**AAG Proposed Capital Reduction**").

(collectively, "**AAX Proposals**")

Further details of the AAX Proposals are set out in the announcement by AAX dated 25 April 2024 on Bursa Securities.

To facilitate the AAX Proposed Internal Reorganisation, AAX had entered into a conditional internal reorganisation agreement ("**AAX Internal Reorganisation Agreement**") with AAG to facilitate the implementation of the AAX Proposed Internal Reorganisation by way of a members' scheme of arrangement under Section 366 of the Act. The AAX Proposed Internal Reorganisation comprises of the following:

- (i) the proposed exchange of all ordinary shares in AAX comprising 447,072,803 AAX Shares as at 18 April 2024 with new AAG Shares on the basis of 1 new AAG Share for every 1 existing AAX Share held by the entitled shareholders of AAX on an entitlement date to be determined and announced later ("**AAX Proposed Share Exchange**"); and
- (ii) the proposed assumption of the listing status of AAX by AAG and the admission of AAG to, and withdrawal of AAX from the Official List of Bursa Securities with the listing and quotation of the entire enlarged issued share capital of AAG on the Main Market of Bursa Securities ("**AAX Proposed Transfer of Listing Status**").

INFORMATION ON AAG (CONT'D)

Upon completion of the AAX Proposed Internal Reorganisation, AAX will become a wholly-owned subsidiary of AAG and the shareholders of AAX will become shareholders of AAG.

The AAX Proposed Internal Reorganisation is conditional upon the following conditions precedent being fulfilled or waived (as the case may be) within 12 months from the date of the AAX Internal Reorganisation Agreement or such later date mutually agreed by the parties to the AAX Internal Reorganisation Agreement:

(i) AAX

- (a) approval of Bursa Securities for the AAX Proposed Transfer of Listing Status;
- (b) approval of the shareholders of AAX at a court convened meeting pursuant to Section 366 of the Act for the AAX Proposed Internal Reorganisation;
- (c) approval of the shareholders of AAX at an EGM to be convened for, amongst others, the AAX Proposed Internal Reorganisation;
- (d) sanction of the High Court of Malaya for the AAX Proposed Internal Reorganisation subsequent to the court convened meeting; and
- (e) approval or consent of the financiers / creditors of AAX for the AAX Proposed Internal Reorganisation upon the terms and subject to the conditions of the AAX Internal Reorganisation Agreement, where required.

(ii) AAG

Approval of AAG's directors and shareholder for the following:

- (a) AAX Proposed Internal Reorganisation;
- (b) issuance and allotment of the new AAG Shares to the shareholders of AAX pursuant to the AAX Proposed Internal Reorganisation; and
- (c) to undertake the following corporate exercises upon completion of the AAX Proposed Internal Reorganisation:
 - (ca) AAG Proposed Issuance of Warrants;
 - (cb) AAG Proposed Placement;
 - (cc) AAG Proposed Acquisitions; and
 - (cd) AAG Proposed Capital Reduction.

(iii) AAX and AAG

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

INFORMATION ON AAG (CONT'D)

AAG Proposed Post-Completion Options

Upon completion of the AAG Proposed Acquisitions and the Proposals, the Board of AAX is desirous to grant Garynma AAG Subscription Options to subscribe for such number of AAG Shares representing, in aggregate, 15% of the total enlarged issued share capital of AAG comprising of 3 AAG Subscription Options of 5% each pursuant to the AAG Proposed Post-Completion Options. The AAG Subscription Options when granted may be individually accepted in full or in part by Garynma (“**Acceptance of AAG Subscription Options**”) at any point of time within 24 months from the granting of such AAG Subscription Options. Upon Acceptance of AAG Subscription Options, the AAG Subscription Option may be exercised in full or in part at any point of time for a period of 48 months from the date of granting of such Subscription Option (“**AAG Subscription Options Period**”) and shall lapse after the AAG Subscription Options Period. The issue price of the AAG Shares pursuant to the exercise of such Subscription Option shall be the market price of the AAG Shares as at the last trading day prior to the Acceptance of AAG Subscription Options. AAG will enter into an agreement for the AAG Proposed Post-Completion Options upon receipt of its shareholders approval in its EGM to be held.

Garynma is a private limited company incorporated on 2 June 2021 in Singapore under the Singaporean Companies Act 1967 and is principally involved in investment holding. Garynma is a wholly-owned subsidiary of Cosima Investments Pte Ltd which in turn is wholly-owned by Dato’ Lim Kian Onn.

The actual number of AAG Shares to be issued pursuant to the AAG Proposed Post-Completion Options will depend on the total number of AAG Shares in issue after the completion of the AAG Proposed Acquisitions and Proposals and the number of AAG Shares subscribed by Garynma.

As highlighted in Section 8.6 of this Announcement, the AAG Proposed Post-Completion Options is expected to result in the dilution of shareholdings of shareholders of AAG, including the Company and its Entitled Shareholders, as and when the AAG Subscription Options are exercised.

2. SHARE CAPITAL

As at LPD, AAG has an issued share capital of RM1, comprising 1 AAG Shares.

3. SHAREHOLDER

As at the LPD, the shareholders and their respective shareholdings in AAG are as follows:

Shareholder	Nationality	<-----Direct----->		<-----Indirect----->	
		No. of shares	%	No. of shares	%
Lavinia Louis	Malaysian	1	100	-	-

INFORMATION ON AAG (CONT'D)

4. DIRECTORS

As at the LPD, the directors of AAG and their respective shareholdings are as follows:

Director	Nationality	Designation	<-----Direct----->		<-----Indirect----->	
			No. of shares	%	No. of shares	%
Lavinia Louis	Malaysian	Director	1	100	-	-
Benyamin bin Ismail	Malaysian	Director	-	-	-	-

After the effective date of the AAX Proposed Internal Reorganisation, all the directors of AAX as at that point in time shall be appointed to be directors of AAG whilst the existing directors of AAG shall resign from their respective positions.

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INFORMATION ON AAAGL

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 AirAsia (Cambodia) Co. Ltd. (“**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 AirAsia airlines 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 Master Brand Licensing Agreement dated 31 May 2023 (including the novation agreement dated 27 June 2023) (“**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, the agreement shall be automatically extended for a period of 10 years, provided that the agreement has not been lawfully terminated by reason of breach or default in accordance with the terms and provisions of the agreement. Pursuant to the Brand Sub-Licensing Agreements between AAAGL and the 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, AAV (the holding company of TAA) (listed on the Stock Exchange of Thailand), AAI (the holding company of PAA), AAID (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.

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

2. SHARE CAPITAL

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

INFORMATION ON AAAGL (CONT'D)

3. SHAREHOLDERS

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

4. DIRECTORS

As at the LPD, the directors of AAAGL and their respective shareholdings in AAAGL are set out below:

Directors	Nationality	Designation	<---Direct--->		<---Indirect--->	
			No of AAAGL Shares	%	No of AAAGL Shares	%
Tharumalingam a/l Kanagalingam	Malaysian	Resident Director & Group Chief Executive Officer	-	-	-	-
Tan Sri Jamaludin bin Ibrahim	Malaysian	Independent Non-Executive Chairman	-	-	-	-
Suvabha Charoenying	Thai	Independent Non-Executive Director	-	-	-	-
Lim Serh Ghee	Singaporean	Independent Non-Executive Director	-	-	-	-
Francisco Edralin Lim	Filipino	Independent Non-Executive Director	-	-	-	-
Thandalam Veeravalli Thirumala Chari	Indian	Independent Non-Executive Director	-	-	-	-
Khoo Gaik Bee	Malaysian	Independent Non-Executive Director	-	-	-	-

5. SUBSIDIARY AND ASSOCIATE COMPANY

5.1 Subsidiary

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

Name of company	Date/ Place of incorporation	Share capital	Percentage of effective equity interest %	Principal activities
AirAsia Aviation Management Services Sdn Bhd	6 August 2004 / Malaysia	RM 300,000	100	Investment holding
AirAsia Europe Limited	17 September 2020/ United Kingdom	GBP 100	100	Commercial air services
AirAsia (Guangzhou) Aviation Service Limited Company	13 November 2017 / China	USD 1,000,000	100	Aviation and commercial services
CAA	3 April 2023 / Cambodia	USD 2,999,910	51	Passenger air transport

INFORMATION ON AAAGL (CONT'D)

Name of company	Date/ Place of incorporation	Share capital	Percentage of effective equity interest %	Principal activities
AA Com	7 July 2020/ Philippines	PHP 10,500,000	100	Tour and travel services
AAI	17 March 2011 / Philippines	PHP 597,510,500	100	Commercial air transport services
AAID	29 December 2017 / Indonesia	IDR 2,671,281,110,250	46.25	Investment Holding
AAV	26 December 2011 / Thailand	THB 1,285,000,000	40.71	Investment holding
<i>Held by AAI</i>				
PAA	9 July 1997 / Philippines	PHP 595,000,000	99.66	Commercial air transport services
Asiawide Airways Inc	25 June 2008/ Philippines	PHP 31,250,000	100.0	Dormant
<i>Held by AAID</i>				
IAA	6 December 1999/ Indonesia	IDR 421,066,000,000	47.43	Commercial air transport services
<i>Held by IAA</i>				
PT Garda Tawang Reksa Indonesia	15 November 2016/ Indonesia	IDR 15,000,000,000	31.78	Provision of airport related services
<i>Held by AAV</i>				
TAA	19 September 2003/ Thailand	THB 967,969,520	40.71	Low-fare airline service
<i>Held by TAA</i>				
Asia Aviation Center Company Limited	27 January 2021/ Thailand	THB 2,500,000	40.71	Providing academy institution of learning and competency development for aviation tourism and hospitality industries

5.2 Associate company

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

INFORMATION ON AAAGL (CONT'D)

6. HISTORICAL FINANCIAL INFORMATION

A summary of the consolidated financial information of AAAGL for the past 3 financial years up to the FYE 31 December 2022 are set out below:

	←-----FYE 31 December----->		
	2020	2021	2022
	RM'000	RM'000	RM'000
Revenue	-	-	22,245
Profit before tax	315,260	5,917	(298,300)
PATAMI	315,260	5,917	(298,300)
Share capital	21,652	21,652	21,652
Shareholders' fund/NA	(15,683)	(10,210)	(350,631)
Total interest-bearing borrowings	-	-	171,376
No. of issued shares ('000)	5,270	5,270	5,270
Earnings per share (RM) ⁽¹⁾	59.82	1.12	(56.60)
NA per share (RM) ⁽²⁾	(2.98)	(1.94)	(66.53)
Current ratio (times) ⁽³⁾	0.66	0.86	0.16
Gearing ratio (times) ⁽⁴⁾	⁽⁵⁾ N/A	⁽⁵⁾ N/A	⁽⁶⁾ N/A

Notes:

- (1) Calculated based on profit/(loss) attributable to the owners of AAAGL over the number of shares in issue.
- (2) Calculated based on NA/(NL) over the number of shares in issue.
- (3) Calculated based on current assets over current liabilities.
- (4) Calculated based on net debt (i.e. total borrowings less cash and cash equivalents) over total equity.
- (5) Not applicable for FYE 2020 and 2021 as AAAGL has no borrowings.
- (6) Not computed as AAAGL has recorded a deficit in its total equity.

Commentaries of past financial performance:

(a) FYE 31 December 2021

There was no revenue recorded for FYE 2020 and FYE 2021 as AAAGL only held equity interest of the IHCs as associate companies during the period.

AAAGL recorded a profit before taxation of approximately RM5.92 million for FYE 31 December 2021 as compared to a profit before taxation of approximately RM315.26 million for FYE 31 December 2020 mainly due to the interest income of approximately RM6.26 million from the investment in the convertible bond issued by AAI, a subsidiary of Capital A Berhad. There was no share of results of associates for FYE 2021 as AAAGL has fully shared the losses of other associates up to the respective investment costs.

AAAGL recorded a profit before taxation of approximately RM315.26 million for FYE 31 December 2020 was mainly due to the gain on disposal of an associate of approximately RM158.26 million for FYE 31 December 2020 resulting from AAAGL divested its approximately 32.7% equity interest in AirAsia (India) Limited ("AAIL"). In addition, there is the share of results of associates of approximately RM152.18 million for FYE 31 December 2020, which was derived solely from the realisation of the share of results of AAIL in the prior financial years following its cessation as an associate of AAAGL.

INFORMATION ON AAAGL (CONT'D)

AAAGL's current ratio increased from approximately 0.66 times as at 31 December 2020 to approximately 0.86 times as at 31 December 2021, primarily attributed to the partial payment of approximately RM496.71 million paid in FYE 2021 for the purchase of 4,457,142,857 shares in AAG Public Limited ("**AAV**") at a purchase price of THB7.8 billion (equivalent to RM1.03 billion) ("**Purchase of AAV Shares**") classified as prepayment as the conditions precedent were only met in FYE 2022. Such an increase was partially narrowed by the additional advances from the holding company of approximately RM346.45 million to finance the purchase of shares in AAV.

No gearing ratio was computed as of 31 December 2020, and 2021, as AAAGL has no borrowings.

(b) FYE 31 December 2022

AAAGL recorded revenue of approximately RM22.25 million for FYE 31 December 2022, which contributed mainly from the provision for aviation and commercial services of approximately RM22.09 million by AirAsia (Guangzhou) Aviation Services Limited Company ("**AGZ**") following the completion of the acquisition of the entire equity interest in AGZ during FYE 31 December 2022.

AAAGL recorded a loss before taxation of approximately RM298.30 million for FYE 31 December 2022 as compared to approximately RM5.92 million for FYE 31 December 2021, mainly attributed to the share of results of associates of approximately RM297.83 million, which was mainly attributed to share of losses in AAV.

AAAGL's current ratio as at 31 December 2022 decreased to approximately 0.16 times, mainly contributed by the capitalisation of the partial payments of approximately RM496.71 million as an investment in associate during FYE 31 December 2022 following the completion of the Purchase of AAV Shares as mentioned above.

The borrowings of AAAGL comprised mainly term loans of approximately RM170.55 million drawdown as at FYE 31 December 2022 to finance the Purchase of AAV Shares, which were secured by shares in AAV. No gearing ratio was computed as AAAGL recorded a deficit in its total equity.

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 Group and AAX Group in the ordinary course of its business. Where required, AAG will seek for its shareholders' mandate to enter into such recurrent related party transactions after the Proposed AAB Disposal.

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.

3. SHAREHOLDERS

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

4. DIRECTORS

As at the LPD, the directors of AAB and their respective shareholdings in AAB are set out below:

Directors	Nationality	Designation	<-----Direct----->		<-----Indirect----->	
			No of AAB Shares	%	No of AAB Shares	%
Datuk Kamarudin bin Meranun	Malaysian	Director	-	-	3,341,974,080 ⁽¹⁾	100
Riad Asmat	Malaysian	Director	-	-	-	-
Jasmindar Kaur A/P Sarban Singh	Malaysian	Director	-	-	-	-

Notes:

(1) Deemed interested by virtue of Section 8 of the Act through a shareholding of more than 20% in the Company.

INFORMATION ON AAB (CONT'D)

5. SUBSIDIARY AND ASSOCIATE COMPANY

5.1 Subsidiary

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

Name of company	Date/ Place of incorporation	Share capital	Percentage of effective equity interest %	Principal activities
Asia Aviation Capital Limited	26 September 2014/ Malaysia	USD 5,000,000	100	Providing aircraft leasing facilities
AirAsia Corporate Services Limited	21 October 2008/ Malaysia	USD 10,000,000	100	Facilitate insurance services for Capital A Group
AirAsia (Mauritius) Limited	20 August 2004/ Mauritius	USD 1	100	Providing aircraft leasing facilities
<i>Held by AACL</i>				
Asia Aviation Capital Pte Ltd	18 July 2016 / Singapore	SGD4,110,001	100	Providing supporting services to air transport
Rouge Aircraft 1 Limited	28 November 2017 / Malaysia	USD1,000	100	Providing supporting services to air transport

5.2 Associate company

As at the LPD, the associate company of AAB is as follows:

Name of company	Date/ Place of incorporation	Share capital	Percentage of effective equity interest %	Principal activities
AirAsia Philippines Inc.	22 March 2005 / Philippines	PHP1,000,000	39.90	Dormant
Ground Team Red Holdings Sdn Bhd ("GTRH")	21 September 2017/ Malaysia	RM 63,177,130	50.00	Investment holding
<i>Held by GTRH</i>				
Ground Team Red Sdn Bhd	26 December 2007 / Malaysia	RM86,213,964	51.00	Ground handling services
GTRSG Pte Ltd	5 September 2017 / Singapore	SGD3,768,950	40.00	Ground handling services

INFORMATION ON AAB (CONT'D)

6. HISTORICAL FINANCIAL INFORMATION

A summary of the consolidated financial information of AAB for the past 3 financial years up to the FYE 31 December 2022 are set out below:

	<-----FYE 31 December----->		
	2020	2021	2022
	RM'000	RM'000	RM'000
Revenue	1,835,820	609,805	3,773,754
Loss before tax	(3,776,714)	(2,265,486)	(1,151,272)
PATAMI	(4,197,007)	(2,266,476)	(1,154,608)
Share capital	2,515,673	2,515,673	2,515,673
Shareholders' fund/NA	(580,892)	(3,178,544)	(4,409,976)
Total interest-bearing borrowings	11,470,551	12,926,389	14,640,733
No. of issued shares ('000)	3,341,974	3,341,974	3,341,974
Earnings per share (RM) ⁽¹⁾	(1.26)	(0.68)	(0.35)
NA per share (RM) ⁽²⁾	(0.17)	(0.95)	(1.32)
Current ratio (times) ⁽³⁾	0.51	0.39	0.45
Gearing ratio (times) ⁽⁴⁾	N/A	N/A	N/A

Notes:

- (1) Calculated based on profit/(loss) attributable to the owners of AAB over the number of shares in issue.
- (2) Calculated based on NA/(NL) over the number of shares in issue.
- (3) Calculated based on current assets over current liabilities.
- (4) Calculated based on net debt (i.e. total borrowings less cash and cash equivalents) over total equity (i.e. sum of NA/(NL) attributable to the owners of AAB and net debt). The gearing ratios are not presented as AAB Group has negative total equity.

Commentaries of past financial performance:

(a) FYE 31 December 2021

AAB Group recorded a significant decrease in revenue of RM1,226.02 million or 66.8% to RM609.81 million (FYE 31 December 2020: RM1,835.82 million). Such a 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. AAB Group's domestic and international flight operations were disrupted for the whole year in FYE 31 December 2021, as opposed to just the second to fourth quarters in FYE 31 December 2020, resulting from the reimposition of multiple lockdowns by the Malaysian Government during FYE 2021. Correspondingly, revenue from scheduled flights declined by RM1,033.00 million or 67.5% to RM497.48 million for FYE 31 December 2021 (FYE 31 December 2020: RM1,530.48 million). In addition, ancillary revenue declined by RM143.81 million or 59.2% to RM98.96 million for FYE 31 December 2021 (FYE 31 December 2020: RM242.77 million).

INFORMATION ON AAB (CONT'D)

AAB recorded a LAT of approximately RM2,266.48 million for FYE 31 December 2021 as compared to a LAT of approximately RM4,197.01 million for the previous financial year, representing a decrease in losses of approximately 1,930.53 million or 46.0%. This was mainly due to the following:

- (a) Lower revenue as explained above; and
- (a) Cost of sales and services decreased by approximately RM3,269.45 million or 57.5% to approximately RM2,417.61 million for FYE 31 December 2021 as compared to approximately RM5,687.06 million for FYE 31 December 2020, primarily attributable to the following:
 - (i) lower other operating expenses, which decreased by approximately RM1,691.91 million or 100.6% to an income of RM9.99 million for FYE 31 December 2021 as compared to approximately RM1,681.92 million for FYE 31 December 2020, mainly due to lower losses on impairments made on amounts due from related parties, other receivables and associates to their respectively recoverable amounts during FYE 31 December 2021, which collectively declined by approximately RM950.31 million to RM8.79 million for FYE 31 December 2021 as compared to approximately RM959.10 million for FYE 31 December 2020, as well as the absence of the losses of impairment made on property, plant and equipment, right-of-use assets and finance lease receivables to their recoverable amounts during FYE 31 December 2021 (FYE 31 December 2020: approximately RM527.65 million);
 - (i) fuel costs declined by approximately RM1,049.21 million or 82.1% to approximately RM228.45 million for FYE 31 December 2021 as compared to approximately RM1,277.66 million for 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 scheduled flights as a result of multiple lockdowns by the Malaysian Government during FYE 2021; and
 - (ii) lower staff costs, which decreased by approximately RM417.93 million or 58.3% to approximately RM298.51 million for FYE 31 December 2021 as compared approximately RM716.44 million for FYE 31 December 2020, mainly as a result of headcount rationalisation, salary cuts for management, staff and directors and natural attrition.

The current ratio of AAB as at 31 December 2021 declined from approximately 0.51 times to 0.39 times as at 31 December 2020, mainly attributed to the increase in trade and other payables by approximately RM801.80 million or 115.4% to RM1,496.62 million as at 31 December 2021 as compared to RM694.82 million as at 31 December 2020, contributed mainly by higher trade payables due to billings related to maintenance order were received during the year despite disruptions of flight operations..

Gearing ratios as at 31 December 2020 and 2021 are not computed as AAB recorded a deficit in its total equity. The increase in total borrowings of approximately RM1,455.84 million or 11.3% to approximately RM12,926.39 million as at 31 December 2021 (31 December 2020: approximately RM11,470.55 million) was mainly attributable to the increase in liabilities under lease agreements by approximately RM1,377.79 million or 11.5% approximately RM11,972.89 million as at 31 December 2021 (31 December 2020: approximately RM10,595.10 million), primarily due to the restructuring of the liabilities under the operating lease agreements which completed during FYE 31 December 2021.

INFORMATION ON AAB (CONT'D)

(b) FYE 31 December 2022

AAB recorded revenue of approximately RM3,773.75 million for FYE 31 December 2022, an increase of approximately RM3,163.94 million or 518.8% from approximately RM609.81 million for 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 FYE 31 December 2022 as compared to 3.13 million in the previous financial year. Hence, passenger service revenue increased by RM2,652.01 million or 533.1% to RM3,149.49 million for FYE 31 December 2022 as compared to RM497.48 million for FYE 31 December 2021.

Furthermore, ancillary revenue increased by RM465.88 million or 470.8% to RM564.84 million for 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.

AAB recorded a LAT of approximately RM1,154.61 million for FYE 31 December 2022 as compared to a LAT of approximately RM2,266.48 million for the previous financial year, representing a decrease in losses of approximately RM1,111.87 million or 49.1%. This was mainly due to the following:

- (a) Higher revenue as explained above; and
- (b) Cost of sales and services increased by approximately RM1,801.31 million or 74.5% to approximately RM4,218.92 million for FYE 31 December 2022 as compared to approximately RM2,417.61 million for FYE 31 December 2021, primarily attributable to the fuel costs increased by approximately RM1,694.86 million or 741.9% to approximately RM1,923.31 million for FYE 31 December 2022 as compared to approximately RM228.45 million for FYE 31 December 2021, mainly due to higher fuel consumption as well as the increase in fuel prices.

AAB recorded a higher current ratio of 0.45 times as at 31 December 2022 (31 December 2021: 0.39 times), primarily attributable to the decrease in the short-term borrowings of approximately RM368.86 million or 82.8% to approximately RM76.70 million for FYE 31 December 2022 (FYE 31 December 2021: RM445.56 million), mainly due to (aa) AAB has unwound its swap creditors loan and deferral facility during FYE 31 December 2022 (as at 31 December 2021: approximately RM219.90 million) and restructured its exposure in hedges through financing the commodity hedging contracts settlement either via deferral instalment payments or conversion into working capital loan; and (bb) decrease in short-term term loans of approximately RM96.71 million due to repayments made during FYE 31 December 2022.

Gearing ratios as at 31 December 2021 and 2022 are not computed as AAB recorded a deficit in its total equity. The increase in total borrowings of approximately RM1,714.34 million or 13.3% to approximately RM14,640.73 million as at 31 December 2022 (as at 31 December 2021: approximately RM12,926.39 million) was mainly attributable to the increase in liabilities under lease agreements by approximately RM1,126.16 million or 9.4% to approximately RM13,099.05 million as at 31 December 2022 (31 December 2021: approximately RM11,972.89 million), primarily due to the restructuring of the liabilities under the operating lease agreements during FYE 31 December 2022 and the increase in term loans by approximately RM588.19 million or 61.7% to approximately RM1,541.68 million as at 31 December 2022 (31 December 2021: approximately RM953.50 million), the new term loans drawdown for working capital during FYE 31 December 2022.

SALIENT TERMS OF THE AAAGL SSPA

The salient terms of the AAAGL SSPA are set out below:

1. Sale and purchase

On and subject to the terms of the AAAGL SSPA, the Company agrees to sell, and AAG agrees to purchase the entire AAAGL Equity Interest (including any forms of capital contribution and any unissued capital).

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

2. AAAGL Disposal 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 Shares.

The Consideration Shares shall, upon allotment and issuance, rank equally in all respects with each other and with the then existing AAG 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 shareholders of AAG, the entitlement date of which is prior to the date of allotment and issuance of the Consideration Shares.

3. AAAGL SSPA Conditions Precedent

3.1 The obligations of the Company and AAG 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 Company being obtained at an extraordinary general meeting to be convened for the Proposed Distribution and the Proposed AAAGL Disposal;
- (ii) the approval of the holders of the RCUIDS issued by the Company being obtained for the Proposed Distribution and the Proposed AAAGL Disposal;
- (iii) the approval / consent of the governmental entity, financiers / lenders or any third party, as may be necessary, being obtained by (where applicable) the Company, the Company’s subsidiaries or the relevant entity within the AAAGL Group (“**AAAGL Target Entity**”) for the Proposed Pre-Completion Restructuring, the Proposed Distribution and the Proposed AAAGL Disposal 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 Disposal 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;

SALIENT TERMS OF THE AAAGL SSPA (CONT'D)

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- (c) financiers / lenders in respect of the RCUIDS as well as banking facilities granted to the Capital A Group;
 - (d) third parties in respect of certain aircraft lease as well as operational agreements entered into by the Capital A Group; and
 - (e) any other approvals, waivers or consents and/or notifications as may be required by law or regulation or deemed necessary and mutually agreed by the Company and AAG;
- (iv) the completion of the Proposed Pre-Completion Restructuring;
 - (v) the sanction of the High Court of Malaya being obtained for the capital reduction pursuant to the Proposed Distribution;
 - (vi) the AAAGL Target Entities collectively do not incur or record an aggregate loss exceeding RM50,000,000 during the 3-month period immediately preceding the AAAGL Completion Date;
 - (vii) the completion of the due diligence exercise comprising examination and verification of the financial, legal and other affairs of the AAAGL Target Entities by accountants, valuers, solicitors or such other professionals (if required) and the results of the due diligence exercise being reasonably satisfactory to AAG;
 - (viii) the approval of the shareholders of AAX being obtained at an extraordinary general meeting to be convened for the AAX Proposed Internal Reorganisation and Proposed AAAGL Disposal;
 - (ix) the approval of the shareholders of AAX being obtained at a court convened meeting for the AAX 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) AAG, AAX or any of their subsidiaries for the AAX Proposed Internal Reorganisation and the Proposed AAAGL Disposal 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 Disposal 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 AAG from the obligation to undertake a tender offer to acquire all remaining shares in Asia Aviation Public Company Limited not already owned by AAG on completion of the Proposed AAAGL Disposal;
 - (d) Securities Commission Malaysia's concurrence or clearance that the Proposed AAAGL Disposal would not result in a significant change in the business direction or policy of AAG or AAX;

SALIENT TERMS OF THE AAAGL SSPA (CONT'D)

- (e) Bursa Securities for (1) the assumption of AAX's listing status by AAG, the admission of AAG to, and the withdrawal of AAX from, the Official List of Bursa Securities and the listing and quotation of the entire enlarged issued share capital of AAG on the Main Market of Bursa Securities, (2) the listing and quotation of the Consideration Shares on the Main Market of Bursa Securities and (3) the listing and quotation of new AAG shares issued pursuant to AAG's Proposed Pre-Completion Private Placement Exercise (as defined below) 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 and/or notifications as may be required by law or regulation or deemed necessary and mutually agreed by the Company and AAG;
- (xi) the sanction of the High Court of Malaya being obtained for the AAX Proposed Internal Reorganisation; and
- (xii) AAG raising RM1,000,000,000 within AAG's 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 AAG and the identified investors in relation to AAG's private placement exercise ("**Proposed Pre-Completion Private Placement Exercise**").

"AAAGL Cut-Off Date" means –

- (i) 6 months after the date of the AAAGL SSPA for the AAAGL Conditions Precedent (save for the 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 Company and AAG 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 Company and AAG 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 thereto shall have no claim against the other party, save for a claim arising out of antecedent breaches of the AAAGL SSPA.

SALIENT TERMS OF THE AAAGL SSPA (CONT'D)

- 3.3 Between the date of the AAAGL SSPA and the AAAGL Completion Date, except for (a) the Proposed AAAGL Disposal, (b) the AAX Proposed Internal Reorganisation, (c) the issuance of free warrants on the basis of one (1) warrant for every two (2) AAG Shares to be undertaken prior to AAAGL Completion, (d) the Proposed Pre-Completion Private Placement Exercise and (e) the Proposed Post-Completion Options, AAG agrees, and shall procure AAX to agree, that unless the prior written approval of the Company has been obtained, it shall not seek and/or obtain its respective shareholders' approval for AAG 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 AAG 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, AAG may terminate the AAAGL SSPA (other than the surviving provisions as stipulated in the AAAGL SSPA) at any time prior to AAAGL Completion with the Company's interest in the AAAGL Equity Interest intact.

"Proposed Post-Completion Options" means any grant by AAX and/or AAG to third parties of option(s) to subscribe for AAG Shares, comprising of up to 15% of the enlarged issued share capital of AAG as at the AAAGL Completion Date (excluding treasury shares, if any) via three (3) equal subscription options capped at 5% each ("**Options**"), PROVIDED THAT, the terms of such Options are as follows:-

- (i) the Options granted may be individually accepted in full or in part at any point of time within twenty-four (24) months from the AAAGL Completion Date (being the date of grant of the Options);
- (ii) upon acceptance of an Option, the Options may be exercised at any point of time during a period of forty-eight (48) months from the date of grant of the Options ("**Option Period**"); and
- (iii) the exercise price of such Options shall be based on the market value of the AAG Shares, at the point of acceptance of the Options by such third parties during the Option Period.

4. Completion of the Proposed AAAGL Disposal

- 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 (and have been satisfied, fulfilled and/or waived at completion) or at such other time as the Company and AAG may mutually agree in writing.
- 4.2 If any provision of the completion clause under the AAAGL SSPA is not fully complied with, AAG, in the case of a default or non-compliance by the Company, or the Company, in the case of a default or non-compliance by AAG, shall be entitled (in addition to and without prejudice to all other rights or remedies available to it):-
- (i) to effect the AAAGL Completion so far as practicable having regard to the defaults which have occurred; or
 - (ii) to fix a new date for the AAAGL Completion not being later than 1 month after the intended AAAGL Completion Date, but on the basis that such deferral may only occur once; or

SALIENT TERMS OF THE AAAGL SSPA (CONT'D)

- (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 Company's interest in the AAAGL Equity Interest intact.

4.3 Notwithstanding the above, the Company and AAG 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 of the Company and AAG has a right to claim for breach of warranties by the other party only following and subject to AAAGL Completion. In the event the AAAGL 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 AAAGL Completion 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 Target Entities or AAG, 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 Target Entities or the Purchaser Group (as the case may be);

SALIENT TERMS OF THE AAAGL SSPA (CONT'D)

- (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 of the Company or AAG with the terms of the AAAGL SSPA; and*
 - (c) *actions made by any of the Company or AAG which are expressly contemplated and permitted by the AAAGL SSPA, or if not so permitted, otherwise consented to by the Company and AAG in writing; and*
 - (d) *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 Target Entities or the Purchaser Group (as the case may be) or the contemplated transaction.*

6. Indemnities

The Company shall not be liable in respect of a specific indemnity claim in the AAAGL SSPA (with regards to identified matters in the AAAGL SSPA relating to the conduct of the AAAGL Target Entities' business prior to completion of the Proposed AAAGL Disposal and any other specific indemnities as may be mutually agreed by the Company and AAG upon completion of the due diligence exercise on the AAAGL Target Entities by AAG) 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) if it does not exceed RM65,000,000. Where the liability exceeds such thresholds, the Company 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 AAG to the Company within 24 months following the AAAGL Completion.

The Company will indemnify AAG and hold AAG and AAAGL Target Entities 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 Target Entities after AAAGL Completion) in respect of taxation liabilities of the AAAGL Target Entities for the period up to AAAGL Completion Date, except insofar as full provision is made for such liabilities in the AAAGL Target Entities' accounts;
- (ii) any claim for income tax in respect of any dividend paid or any distribution made by the AAAGL Target Entities before AAAGL Completion Date, except insofar as full provision is made for such liabilities in the AAAGL Target Entities' accounts;
- (iii) any settlement of any actual or threatened claim, demand, direction, apportionment, assessment, recovery or counter-claim of the AAAGL Target Entities in respect of taxation liabilities of the AAAGL Target Entities for the period up to AAAGL Completion Date;
- (iv) any amount recovered against the AAAGL Target Entities in respect of the taxation liabilities of the AAAGL Target Entities for the period up to AAAGL Completion Date; and
- (v) any costs reasonably incurred by the AAAGL Target Entities 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 the AAAGL Target Entities for the period up to AAAGL Completion Date.

SALIENT TERMS OF THE AAAGL SSPA (CONT'D)

7. Limitation of liability

- 7.1 Each of the Company and AAG 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:** Each of the Company and AAG 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 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 AAAGL Completion; or
 - (iii) in the case of any other Claim, within 24 months following AAAGL Completion.
- 7.3 **Minimum claims:** Subject to the aggregate minimum claims in Section 7.4 of this Appendix V, each of the Company and AAG shall not be liable in respect of a Claim 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 Disposal Consideration (i.e. RM3,000,000). Where the liability exceeds such threshold, the party shall be liable for the whole amount and not merely the excess over the threshold.
- 7.4 **Aggregate minimum claims:** Each of the Company and AAG shall not be liable under the AAAGL SSPA in respect of any Claim (excluding Claims for which liability is excluded under Section 7.3 of this Appendix V) unless and until the aggregate amount of all such Claims exceeds 1% of the AAAGL Disposal Consideration (i.e. RM30,000,000). Where the liability exceeds such threshold, the party shall be liable for the whole amount and not just the excess over the threshold.
- 7.5 **Maximum liability:** The aggregate liability of each of the Company and AAG in respect of all Claims under the AAAGL SSPA shall not exceed:-
- (i) 100% of the AAAGL Disposal 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 Disposal 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 each of the Company and AAG or any of its directors, officers, employees, agents, advisers, representatives or successors in title.

SALIENT TERMS OF THE AAAGL SSPA (CONT'D)

8. Non-competition and protective covenants

The Company undertakes that it will not, and will procure that the Capital A Group will not, during the Prohibited Period (as defined below):-

- (i) carry on in, be engaged in, or hold a substantial shareholding or equity interest (save for the equity interest held in AAG) 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 (as defined below);
- (ii) canvass, solicit, entice away, induce or encourage any employee or consultant or customer, the custom of the AAAGL Target Entities and/or their affiliates to curtail, terminate or cease their employment or affiliation or custom / business with the AAAGL Target Entities; 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 (1) the covenants under this paragraph 8 shall only take effect following and subject to AAAGL Completion and (2) the covenants under this paragraph 8 shall not apply in respect of any member of the Capital A Group which is involved in the Prohibited Business as at the date of the AAAGL SSPA. In this respect, the Company represents, warrants and confirms that the only entities within the Capital A Group which are involved in the Prohibited Business (other than the AAAGL Target Entities) are the AAB Group.

“Prohibited Business” means the current aviation business operations of AAG and the AAAGL Target Entities, 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 Capital A Group provided that the Capital A Group does not include the AAAGL Target Entities.

“Prohibited Period” means the period commencing on the AAAGL Completion Date and ending on the date falling five (5) years after the AAAGL Completion.

SALIENT TERMS OF THE AAB SSPA

The salient terms of the AAB SSPA are set out below:

1. Sale and purchase

On and subject to the terms of the AAB SSPA, the Company agrees to sell, and AAG agrees to purchase the entire AAB Equity Interest (including any forms of capital contribution and any unissued capital).

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

2. AAB Disposal 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 AAG's assumption of the Company's debt due to AAB of RM3,800,000,000 on the AAB Completion Date.

The debt assumption by AAG shall result in the following occurring simultaneously:-

- (i) AAB fully releasing the Company from the liability for the payment of the Amount Owing; and
- (ii) AAG fully assuming the liability for the payment of the Amount Owing,

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

3. AAB SSPA Conditions Precedent

3.1 The obligations of the Company and AAG 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 Company being obtained at an extraordinary general meeting to be convened for the Proposed AAB Disposal;
- (ii) the approval of the holders of the RCUIDS being obtained for the Proposed AAB Disposal;
- (iii) the approval / consent of the governmental entity, financiers / lenders or any third party, as may be necessary, being obtained by (where applicable) the Company, the Company's subsidiaries or the relevant entity within the AAB Group ("**AAB Target Entity**") for the Proposed Pre-Completion Restructuring and the Proposed AAB Disposal 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 Disposal is carried into effect;
 - (c) BNM, Foreign Exchange Administration with regards to the AAAGL Debt Novation;

SALIENT TERMS OF THE AAB SSPA (CONT'D)

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- (d) financiers / lenders in respect of the RCUIDS as well as banking facilities granted to the Capital A Group;
 - (e) third parties in respect of certain aircraft lease as well as operational agreements entered into by the Capital A Group;
 - (f) notification to third parties and financiers/ lenders in respect of certain operational agreements entered into by the Capital A Group and banking facilities granted to the Capital A Group; and
 - (g) any other approvals, waivers or consents and/or notifications as may be required by law or regulation or deemed necessary and mutually agreed by the Company and AAG;
- (iv) the completion of the Proposed Pre-Completion Restructuring;
 - (v) the AAB Target Entities collectively do not incur or record an aggregate loss exceeding RM50,000,000 during the 3-month period immediately preceding AAB Completion Date;
 - (vi) the completion of the due diligence exercise comprising examination and verification of the financial, legal and other affairs of the AAB Target Entities by accountants, valuers, solicitors or such other professionals (if required) and the results of the due diligence exercise being reasonably satisfactory to AAG;
 - (vii) the approval of the shareholders of AAX being obtained at an extraordinary general meeting to be convened for the AAX Proposed Internal Reorganisation and Proposed AAB Disposal;
 - (viii) the approval of the shareholders of AAX being obtained at a court convened meeting for the AAX 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) AAG, AAX or any of their subsidiaries for the AAX Proposed Internal Reorganisation and the Proposed AAB Disposal 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 Disposal is carried into effect;
 - (c) Securities Commission Malaysia's concurrence or clearance that the Proposed AAB Disposal would not result in a significant change in the business direction or policy of AAG or AAX;
 - (d) Bursa Securities for (1) the assumption of AAX's listing status by AAG, the admission of AAG to, and the withdrawal of AAX from, the Official List of Bursa Securities and the listing and quotation of the entire enlarged issued share capital of AAG on the Main Market of Bursa Securities and (2) the listing and quotation of new AAG shares issued pursuant to AAG's Proposed Pre-Completion Private Placement Exercise 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

SALIENT TERMS OF THE AAB SSPA (CONT'D)

- (f) any other approvals, waivers or consents and/or notifications as may be required by law or regulation or deemed necessary and mutually agreed by the Company and AAG;
- (x) the sanction of the High Court of Malaya being obtained for the AAX Proposed Internal Reorganisation; and
- (xi) AAG raising RM1,000,000,000 within AAG's 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 AAG and the identified investors in relation to AAG's Proposed Pre-Completion Private Placement Exercise.

"AAB Cut-Off Date" means –

- (i) 6 months after the date of the AAB SSPA for the AAB Conditions Precedent (save for the 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 Company and AAG 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 Company and AAG 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 thereto 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 the AAB Completion Date, and except for (a) the Proposed AAAGL Disposal, (b) the AAX Proposed Internal Reorganisation, (c) the issuance of free warrants on the basis of one (1) warrant for every two (2) AAG Shares to be undertaken prior to AAB Completion, (d) the Proposed Pre-Completion Private Placement Exercise and (e) the Proposed Post-Completion Options, AAG agrees, and shall procure AAX to agree, that unless the prior written approval of the Company has been obtained, it shall not seek and/or obtain its respective shareholders' approval for AAG 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 AAG 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, AAG may terminate the AAB SSPA (other than the surviving provisions as stipulated in the AAB SSPA) at any time prior to AAB Completion with the Company's interest in the AAB Equity Interest intact.

SALIENT TERMS OF THE AAB SSPA (CONT'D)

4. Completion of the Proposed AAB Disposal

- 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 (and have been satisfied, fulfilled and/or waived at completion) or at such other time as the Company and AAG may mutually agree in writing.
- 4.2 If any provision of the completion clause under the AAB SSPA is not fully complied with, AAG, in the case of a default or non-compliance by the Company, or the Company, in the case of a default or non-compliance by AAG, shall be entitled (in addition to and without prejudice to all other rights or remedies available to it):-
- (i) to effect the AAB Completion so far as practicable having regard to the defaults which have occurred; or
 - (ii) to fix a new date for the AAB Completion not being later than 1 month after the intended AAB Completion Date, but 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 Company's interest in the AAB Equity Interest intact.
- 4.3 Notwithstanding the above, the Company and AAG 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 of the Company and AAG has a right to claim for breach of warranties by the other party only following and subject to AAB Completion. In the event the AAB 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 AAB Completion 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.

SALIENT TERMS OF THE AAB SSPA (CONT'D)

Note:

- (1) A **“Material Adverse Change”** means any occurrence, condition, change, event or effect that is materially adverse to the AAB Target Entities 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 Target Entities 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 with the terms of the AAB SSPA; and
 - (c) actions made by any of the Company or AAG which are expressly contemplated and permitted by the AAB SSPA, or if not so permitted, otherwise consented to by the Company and AAG 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 Target Entities or the Purchaser Group (as the case may be) or the contemplated transaction.

6. Indemnities

The Company shall not be liable in respect of a specific indemnity claim in the AAB SSPA (with regards to identified matters in the AAB SSPA relating to the conduct of the AAB Target Entities' business prior to completion of the Proposed AAB Disposal and any other specific indemnities as may be mutually agreed by the Company and AAG upon completion of the due diligence exercise on the AAB Target Entities by AAG) 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 AirAsia (India) Limited) if it does not exceed RM65,000,000. Where the liability exceeds such threshold, the Company shall be liable for the whole amount and not merely the excess over the threshold. A notice of the specific indemnity claim or the special claim (as the case may be) shall be given by AAG to the Company within 24 months following the AAB Completion.

The Company will indemnify AAG and hold AAG and AAB Target Entities 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 Target Entities after AAB Completion) in respect of taxation liabilities of the AAB Target Entities for the period up to AAB Completion Date, except insofar as full provision is made for such liabilities in the AAB Target Entities' accounts;
- (ii) any claim for income tax in respect of any dividend paid or any distribution made by the AAB Target Entities before AAB Completion Date, except insofar as full provision is made for such liabilities in the AAB Target Entities' accounts;

SALIENT TERMS OF THE AAB SSPA (CONT'D)

- (iii) any settlement of any actual or threatened claim, demand, direction, apportionment, assessment, recovery or counter-claim of the AAB Target Entities in respect of taxation liabilities of the AAB Target Entities for the period up to AAB Completion Date;
- (iv) any amount recovered against the AAB Target Entities in respect of the taxation liabilities of the AAB Target Entities for the period up to AAB Completion Date; and
- (v) any costs reasonably incurred by the AAB Target Entities 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 the AAB Target Entities for the period up to AAB Completion Date.

7. Limitation of liability

- 7.1 Each of the Company and AAG 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:** Each of the Company and AAG 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 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 AAB Completion; or
 - (iii) in the case of any other Claim, within 24 months following AAB Completion.
- 7.3 **Minimum claims:** Subject to the aggregate minimum claims in Section 7.4 of this Appendix VI, each of the Company and AAG shall not be liable in respect of a Claim 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 Disposal Consideration (i.e. RM3,800,000). Where the liability exceeds such threshold, the party shall be liable for the whole amount and not merely the excess over the threshold.
- 7.4 **Aggregate minimum claims:** Each of the Company and AAG shall not be liable under the AAB SSPA in respect of any Claim (excluding Claims for which liability is excluded under Section 7.3 of this Appendix VI) unless and until the aggregate amount of all such Claims exceeds 1% of the AAB Disposal Consideration (i.e. RM38,000,000). Where the liability exceeds such threshold, the party shall be liable for the whole amount and not just the excess over the threshold.
- 7.5 **Maximum liability:** The aggregate liability of each of the Company and AAG in respect of all Claims under the AAB SSPA shall not exceed:-
- (i) 100% of the AAB Disposal 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 Disposal Consideration (i.e. RM950,000,000) in the case of any other Claim.

SALIENT TERMS OF THE AAB SSPA (CONT'D)

- 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 each of the Company and AAG or any of its directors, officers, employees, agents, advisers, representatives or successors in title.

8. Non-competition and protective covenants

The Company undertakes that it will not, and will procure that the Capital A Group will not, during the Prohibited Period (as defined below):-

- (i) carry on in, be engaged in, or hold a substantial shareholding or equity interest (save for the equity interest held in AAG) in, either directly or indirectly, in any capacity, for any purpose, in any other business or activity which is same or similar to or competing with the Prohibited Business (as defined below);
- (ii) canvass, solicit, entice away, induce or encourage any employee or consultant or customer, the custom of the AAB Target Entities and/or their affiliates to curtail, terminate or cease their employment or affiliation or custom / business with the AAB Target Entities; 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 (1) the covenants under this paragraph 8 shall only take effect following and subject to AAB Completion and (2) the covenants under this paragraph 8 shall not apply in respect of any member of the Capital A Group which is involved in the Prohibited Business as at the date of the AAB SSPA. In this respect, the Company represents, warrants and confirms that the only entities within the Capital A Group which are involved in the Prohibited Business (other than the AAB Target Entities) are the AAAGL Group.

“Prohibited Business” means the current aviation business operations of AAG and the AAB Target Entities, 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 Capital A Group provided that the Capital A Group does not include the AAB Target Entities.

“Prohibited Period” means the period commencing on the AAB Completion Date and ending on the date falling five (5) years after the AAB Completion.