THIS CIRCULAR TO THE SHAREHOLDERS ("CIRCULAR") OF AIRASIA X BERHAD ("AAX" OR "COMPANY") ("SHAREHOLDERS") IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the next course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular as well as the Valuer's Letters (as defined herein) and report, makes no representation as to their accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular as well as the Valuer's Letters and report.

AIRASIA X BERHAD
(Registration No. 200601014410 (734161-K))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:-

PART A

(I) PROPOSED ISSUANCE OF FREE WARRANTS;
(II) PROPOSED PRIVATE PLACEMENT;
(III) PROPOSED AAAGL ACQUISITION;
(IV) PROPOSED AAB ACQUISITION;
(V) PROPOSED SHARE CAPITAL REDUCTION; AND
(VI) PROPOSED GRANTING OF SUBSCRIPTION OPTIONS

PART B

INDEPENDENT ADVICE LETTER TO OUR NON-INTERESTED SHAREHOLDERS IN RELATION TO THE PROPOSED ACQUISITIONS

AND

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Principal Adviser

INTER-PACIFIC SECURITIES SDN. BHD.
197201001092 (12738-U)
A Participating Organisation of Bursa Malaysia Securities Berhad
A Trading Participant of Bursa Malaysia Derivatives Berhad

Independent Adviser

WYNCORP
CORPORATE FINANCE ADVISOR
WYNCORP ADVISORY SDN BHD
(Registration No. 200301029902 (632322-H))
(Incorporated in Malaysia)

The Extraordinary General Meeting ("**EGM**") of our Company will be held as a virtual meeting via live streaming and online remote voting using the Remote Participation and Voting Facilities provided by Tricor Investor & Issuing House Services Sdn Bhd via its TIIH Online website at https://tiih.online, from the Broadcast Venue at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur, 64000 KLIA, Selangor Darul Ehsan, Malaysia. The Notice of the EGM together with the Form of Proxy for the EGM are enclosed with this Circular.

If you decide to appoint a proxy or proxies to participate and vote on your behalf at the EGM, you must complete, sign and return the Form of Proxy for the EGM and deposit it at the registered office of our Company at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur, 64000 KLIA, Selangor Darul Ehsan, Malaysia on or before the day, date and time indicated below or at any adjournment thereof. You also have the option to lodge the proxy appointment electronically via TIIH Online website at https://tiih.online before the lodgement cut-off time as indicated below. For further information on the electronic lodgement for Form of Proxy for the EGM via TIIH Online, please refer to the Administrative Details which are available at our Company's website at **www.airasiax.com/agm_egm.html**. The lodging of the Form of Proxy for the EGM will not preclude you from participating and voting at the virtual EGM should you subsequently decide to do so.

Day, date and time of the EGM	:	Wednesday, 16 October 2024 at 10.00 a.m.
Last day, date and time for lodging the Form of Proxy for the EGM	:	Monday, 14 October 2024 at 10.00 a.m.
Online meeting platform	:	https://tiih.online

This Circular is dated 24 September 2024

(I) PROPOSED ISSUANCE OF UP TO 223,536,401 FREE WARRANTS IN AAX ("WARRANTS") ON THE BASIS OF 1 WARRANT FOR EVERY 2 ORDINARY SHARES IN AAX ("SHARES") HELD BY OUR SHAREHOLDERS ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER ("PROPOSED ISSUANCE OF FREE WARRANTS");

(II) PROPOSED PRIVATE PLACEMENT OF NEW SHARES TO INDEPENDENT THIRD PARTY INVESTORS TO BE IDENTIFIED LATER AT AN ISSUE PRICE TO BE DETERMINED LATER TO RAISE GROSS PROCEEDS OF RM1,000.00 MILLION ("PROPOSED PRIVATE PLACEMENT");

(III) PROPOSED ACQUISITION OF 100% EQUITY INTEREST IN AIRASIA AVIATION GROUP LIMITED HELD BY CAPITAL A BERHAD FOR A PURCHASE CONSIDERATION OF RM3,000.00 MILLION TO BE SATISFIED ENTIRELY VIA THE ALLOTMENT AND ISSUANCE OF 2,307,692,307 NEW SHARES AT AN ISSUE PRICE OF RM1.30 EACH ("PROPOSED AAAGL ACQUISITION");

(IV) PROPOSED ACQUISITION OF 100% EQUITY INTEREST IN AIRASIA BERHAD HELD BY CAPITAL A BERHAD FOR A PURCHASE CONSIDERATION OF RM3,800.00 MILLION TO BE SATISFIED ENTIRELY VIA THE ASSUMPTION BY AAX OF AN AMOUNT OF RM3,800.00 MILLION OWING BY CAPITAL A BERHAD TO AIRASIA BERHAD ("PROPOSED AAB ACQUISITION");

(THE PROPOSED AAAGL ACQUISITION AND PROPOSED AAB ACQUISITION SHALL COLLECTIVELY BE REFERRED TO AS THE "PROPOSED ACQUISITIONS")

(V) PROPOSED REDUCTION OF THE ISSUED SHARE CAPITAL OF AAX TO RM100.00 MILLION PURSUANT TO SECTION 116 OF THE COMPANIES ACT, 2016 ("PROPOSED SHARE CAPITAL REDUCTION"); AND

(THE PROPOSED ISSUANCE OF FREE WARRANTS, PROPOSED PRIVATE PLACEMENT, PROPOSED ACQUISITIONS AND PROPOSED SHARE CAPITAL REDUCTION SHALL COLLECTIVELY BE REFERRED TO AS THE "PROPOSALS")

(VI) PROPOSED GRANTING TO GARYNMA INVESTMENTS PTE LTD THE RIGHTS TO SUBSCRIBE FOR SUCH NUMBER OF NEW SHARES ("SUBSCRIPTION OPTIONS") REPRESENTING, IN AGGREGATE, 12% OF THE TOTAL ISSUED SHARES IN AAX IMMEDIATELY AFTER THE COMPLETION OF THE PROPOSED ACQUISITIONS (EXCLUDING TREASURY SHARES, IF ANY) VIA 3 SUBSCRIPTION OPTIONS OF 4% EACH ("PROPOSED GRANTING OF SUBSCRIPTION OPTIONS").

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

AAAGL	:	AirAsia Aviation Group Limited (Company No. LL03901), incorporated in Labuan
AAAGL Debt Novation	:	Assumption by Capital A of an aggregate amount of RM2,820.58 million owing by AAAGL to AAB, replacing AAAGL as the debtor, and resulting in Capital A owing the said sum to AAB. The AAAGL Debt Novation is part of the Vendor's Pre-Completion Restructuring to streamline the intercompany debts amongst Capital A, the AAAGL Group and AAB Group
AAAGL Equity Interest or **equity interest in AAAGL**	:	Equity interest (including any forms of capital contribution and any unissued capital) in AAAGL
AAAGL Group	:	Collectively, AAAGL and its group of companies
AAAGL Purchase Consideration	:	RM3,000.00 million to be satisfied entirely via the allotment and issuance of 2,307,692,307 Consideration Shares at an issue price of RM1.30 each
AAAGL SSPA	:	A conditional share sale and purchase agreement dated 25 April 2024 entered into between AAG (as purchaser) and Capital A (as vendor) for the Proposed AAAGL Acquisition, as amended, varied and supplemented by:- (i) a supplemental agreement dated 26 July 2024 entered into between our Company (as new purchaser), AAG (as original purchaser) and Capital A (as vendor). Pursuant to the supplemental agreement dated 26 July 2024, our Company has assumed the rights, benefits, titles, interests, obligations and liabilities of AAG to the AAAGL SSPA as the purchaser in respect of the Proposed AAAGL Acquisition; and (ii) a second supplemental agreement dated 4 September 2024 entered into between our Company and Capital A. Pursuant to the second supplemental agreement dated 4 September 2024, the approvals and/or consents of lenders / financiers of the AAAGL Group for the release and/or discharge of any corporate guarantee and/or security provided by the Capital A Group Post Disposal in favour of lenders / financiers of the AAAGL Group shall be obtained before the date of completion of the Proposed AAAGL Acquisition
AAAMS	:	AirAsia Aviation Management Services Sdn Bhd (Registration No. 200401023376 (661882-P)), incorporated in Malaysia
AAB	:	AirAsia Berhad (Registration No. 199301029930 (284669-W)), incorporated in Malaysia
AAB Equity Interest or **equity interest in AAB**	:	Equity interest (including any forms of capital contribution and any unissued capital) in AAB
AAB Group	:	Collectively, AAB and its group of companies

AAB Purchase Consideration	:	RM3,800.00 million to be satisfied entirely via the Debt Settlement
AAB SSPA	:	A conditional share sale and purchase agreement dated 25 April 2024 entered into between AAG (as purchaser) and Capital A (as vendor) for the Proposed AAB Acquisition, as amended, varied and supplemented by:- (i) a supplemental agreement dated 26 July 2024 entered into between our Company (as new purchaser), AAG (as original purchaser) and Capital A (as vendor). Pursuant to the supplemental agreement dated 26 July 2024, our Company has assumed the rights, benefits, titles, interests, obligations and liabilities of AAG to the AAB SSPA as the purchaser in respect of the Proposed AAB Acquisition; and (ii) a second supplemental agreement dated 4 September 2024 entered into between our Company and Capital A. Pursuant to the second supplemental agreement dated 4 September 2024, the approvals and/or consents of lenders / financiers of the AAB Group for the release and/or discharge of any corporate guarantee and/or security provided by the Capital A Group Post Disposal in favour of lenders / financiers of the AAB Group shall be obtained before the date of completion of the Proposed AAB Acquisition
AAG	:	AirAsia Group Berhad (formerly known as AirAsia Aviation Group Sdn Bhd) (Registration No. 202301013244 (1507166-M)), incorporated in Malaysia
AAI	:	AirAsia Inc. (Company No. CS201104662), incorporated in the Philippines
AAID	:	PT AirAsia Indonesia Tbk (Company No. 9120302112049), incorporated in Indonesia
AAV	:	Asia Aviation Public Company Limited (Company No. 0107554000313), incorporated in Thailand
AAX or **Company** or **Purchaser**	:	AirAsia X Berhad (Registration No. 200601014410 (734161-K)), incorporated in Malaysia
AAX Stake Transfer	:	Sale and transfer of 57,072,850 Shares, representing 12.77% equity interest in our Company as at the LPD, from AAB to Capital A for RM106.73 million at RM1.87 per Share
Act	:	Companies Act, 2016
AirAsia Ecosystem	:	Flights-travel-and-lifestyle ecosystem under the "AirAsia" brand (including "AirAsia X" brand)
AirAsia Group	:	Collectively, our Group, Capital A and its subsidiaries (including the AAAGL Group and AAB Group), joint venture companies, associate companies and other companies using the "AirAsia" brand
AOC	:	Airline operating company with an airline operator certificate (being a certificate issued by the relevant authorities authorising an operator to engage in specified aircraft operations)

ASK	:	Available seat-kilometres, which is a measure of the airline's passenger capacity and is calculated by multiplying the number of passenger seats available for sale and distance travelled
Bo Lingam	:	Tharumalingam A/L Kanagalingam (better known as Bo Lingam)
Board	:	Board of Directors of our Company
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W)), incorporated in Malaysia
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W)), incorporated in Malaysia
CAA	:	AirAsia (Cambodia) Co. Ltd. (Company No. 1000260250), incorporated in Cambodia
CAAM	:	Civil Aviation Authority of Malaysia
CAAM Act	:	Civil Aviation Authority of Malaysia Act 2017
CAGR	:	Compound annual growth rate
Capital A or **Vendor**	:	Capital A Berhad (Registration No. 201701030323 (1244493-V)), incorporated in Malaysia
Capital A RCUIDS	:	7-year redeemable convertible unsecured Islamic debt securities 2021/2028 issued by Capital A
Capital A Group Post Disposal	:	Capital A and its group of companies (excluding the AAAGL Group and AAB Group)
Circular	:	This circular to our Shareholders in relation to the Proposals and Proposed Granting of Subscription Options
Consideration Shares	:	New Shares to be issued pursuant to the Proposed AAAGL Acquisition
COVID-19	:	Coronavirus disease 2019
Datuk Kamarudin	:	Datuk Kamarudin bin Meranun
DCF	:	Discounted cash flow
Debt Settlement	:	Assumption by our Company of an amount of RM3,800.00 million owing by Capital A to AAB
Deed Poll	:	Deed poll constituting the Warrants to be executed by our Company
Deloitte or **Valuer**	:	Deloitte Corporate Advisory Services Sdn Bhd (Registration No. 199901012610 (487510-M)), incorporated in Malaysia
Directors	:	Directors of our Company as at the LPD and shall have the meaning given in subsection 2(1) of the Capital Markets and Services Act 2007 and in respect of the Proposed Acquisitions, shall include any person who is or was within the preceding 6 months of the date on which the terms of the Proposed Acquisitions were agreed upon, a director or chief executive of our Company, subsidiary or holding company

EGM	:	Extraordinary general meeting
EPS	:	Earnings per share
FPE	:	Financial period ended
FY	:	Financial year
FYE	:	Financial year ended
Garynma or **Subscriber**	:	Garynma Investments Pte Ltd (Registration No. 202119345G), incorporated in Singapore
Group	:	Collectively, AAX and our group of companies
High Court	:	High Court of Malaya
IAA	:	PT Indonesia AirAsia (Company No. 8120218211014), incorporated in Indonesia
IAAX	:	PT Indonesia AirAsia Extra (Company No. 8120213242406), incorporated in Indonesia
IAL	:	Independent advice letter dated 24 September 2024 from WYNCORP to our non-interested Shareholders in relation to the Proposed Acquisitions as set out in Part B of this Circular
IATA	:	International Air Transport Association
IMR Report	:	The independent market research report dated 20 September 2024 on the aviation industry in Asia Pacific and Malaysia prepared by SMITH ZANDER
Interested Directors	:	Collectively, Dato' Fam Lee Ee and Datuk Kamarudin
Interested Major Shareholders	:	Collectively, Tan Sri Tony Fernandes, Datuk Kamarudin, AAB, Capital A and Tune Group Sdn Bhd
Interpac or **Principal Adviser**	:	Inter-Pacific Securities Sdn Bhd (Registration No. 197201001092 (12738-U)), incorporated in Malaysia
Labuan	:	The Federal Territory of Labuan, Malaysia
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
Low-cost carrier	:	An airline that strives to minimise operating costs by adopting a no-frills business model in which ancillary services such as in-flight meals and beverages as well as checked baggage allowance are excluded from the fare prices of the flight tickets, and customers may opt to purchase them as add-ons
LPD	:	30 August 2024, being the latest practicable date prior to the printing of this Circular
LPS	:	Loss per share

Major Shareholder	:	A person who has an interest or interests in one or more voting shares in our Company and the number or aggregate number of those shares, is:- (i) 10% or more of the total number of voting shares in our Company; or (ii) 5% or more of the total number of voting shares in our Company where such person is the largest shareholder of our Company. For the purpose of this definition, "**interest**" shall have the meaning of "**interest in shares**" given in Section 8 of the Act. In respect of the Proposed Acquisitions, a "**Major Shareholder**" shall include any person who is or was within the preceding 6 months of the date on which the terms of the Proposed Acquisitions were agreed upon, a major shareholder of our Company, or any other corporation which is our subsidiary or holding company
Market Day	:	A day on which the stock market of Bursa Securities is open for trading in securities, which may include a Surprise Holiday. A "Surprise Holiday" means a day that is declared as a public holiday in the Federal Territory of Kuala Lumpur that has not been gazetted as a public holiday at the beginning of the calendar year
MAVCOM	:	Malaysian Aviation Commission
MAVCOM Act	:	Malaysian Aviation Commission Act 2015
MBLA	:	Master Brand Licensing Agreement dated 31 May 2023 (as amended and varied via a novation agreement dated 27 June 2023 and supplemented by a letter agreement dated 29 July 2024) entered into between Brand AA Sdn Bhd and AAAGL
NA	:	Net assets attributable to the owners
New Aviation Group	:	Collectively, our Group, AAAGL Group and AAB Group
Official List	:	A list specifying all securities which have been admitted for listing on Bursa Securities and not removed
PAA	:	Philippines AirAsia, Inc. (Company No. A1997-7490), incorporated in the Philippines
PACs	:	Persons acting in concert with Capital A in accordance with subsections 216(2) and 216(3) of the Capital Markets and Services Act, 2007
Placement Shares	:	New Shares to be issued pursuant to the Proposed Private Placement
Proposals	:	Collectively, the Proposed Issuance of Free Warrants, Proposed Private Placement, Proposed Acquisitions and Proposed Share Capital Reduction
Proposed AAAGL Acquisition	:	Proposed acquisition of 100% equity interest in AAAGL held by Capital A for the AAAGL Purchase Consideration

Proposed AAB Acquisition	:	Proposed acquisition of 100% equity interest in AAB held by Capital A for the AAB Purchase Consideration
Proposed Acquisitions	:	Collectively, the Proposed AAAGL Acquisition and Proposed AAB Acquisition
Proposed Distribution by Capital A	:	Proposed distribution by Capital A of 1,692,307,692 Consideration Shares to the entitled shareholders of Capital A by way of distribution-in-specie via a reduction and repayment of Capital A's share capital pursuant to Section 116 of the Act
Proposed Granting of Subscription Options	:	Proposed granting to Garynma the rights to subscribe for such number of new Shares representing, in aggregate, 12% of the total issued Shares immediately after the completion of the Proposed Acquisitions (excluding treasury shares, if any) via 3 Subscription Options of 4% each
Proposed Issuance of Free Warrants	:	Proposed issuance of up to 223,536,401 Warrants on the basis of 1 Warrant for every 2 Shares held by our Shareholders on the Warrants Entitlement Date
Proposed Private Placement	:	Proposed private placement of Placement Shares to independent third party investors to be identified later at an issue price to be determined later to raise gross proceeds of RM1,000.00 million
Proposed Share Capital Reduction	:	Proposed reduction of the issued share capital of our Company to RM100.00 million pursuant to Section 116 of the Act
Record of Depositors	:	A record of securities holders established by Bursa Depository under the Rules of Bursa Depository as issued pursuant to the Securities Industry (Central Depositories) Act, 1991, including the Securities Industry (Central Depositories) Amendment Act, 1998
RPK	:	Revenue passenger-kilometres, which is a measure of the volume of passengers carried by the airline and is calculated by multiplying the number of paying passengers in a flight by the distance travelled by the aircraft
Rules	:	Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the Securities Commission Malaysia
Shareholders	:	Shareholders of AAX
Shares	:	Ordinary shares in AAX
SMITH ZANDER	:	Smith Zander International Sdn Bhd (Registration No. 201301028298 (1058128-V)), incorporated in Malaysia
SSPAs	:	Collectively, the AAAGL SSPA and AAB SSPA
Subscription Option Agreement	:	A conditional subscription option agreement dated 26 July 2024 entered into between our Company and the Subscriber for the Proposed Granting of Subscription Options
Subscription Option Period	:	A period of 48 months from the date of granting of the Subscription Option, during which the Subscriber may, at any point of time, exercise the Subscription Option accepted by the Subscriber
Subscription Options	:	Rights to subscribe for the Subscription Shares

Subscription Shares	:	New Shares to be issued pursuant to the exercise of the Subscription Options
TAA	:	Thai AirAsia Co. Ltd (Company No. 0105546113684), incorporated in Thailand
TAAX	:	Thai AirAsia X Co., Ltd (Company No. 0105556044936), incorporated in Thailand
Tan Sri Tony Fernandes	:	Tan Sri Anthony Francis Fernandes
Target Companies	:	Collectively, AAAGL and AAB
Total Purchase Consideration	:	Collectively, the AAAGL Purchase Consideration and AAB Purchase Consideration
Tune Air	:	Tune Air Sdn Bhd (Registration No. 200101012770 (548526-V)), incorporated in Malaysia
Tune Live	:	Tune Live Sdn Bhd (Registration No. 201101020485 (948620-U)), incorporated in Malaysia
US	:	United States of America
Valuation Letter	:	Valuation letter dated 25 July 2024 issued by Deloitte in respect of the valuation of the entire AAAGL Equity Interest and AAB Equity Interest
Valuer's Assessment Letter	:	Letter dated 10 September 2024 issued by Deloitte in respect of its assessment of the issuance of bonds by AirAsia RB 1 Ltd (a wholly-owned subsidiary of AAB) on the valuation of the entire AAAGL Equity Interest and AAB Equity Interest
Valuer's Letters	:	Collectively, the Valuation Letter and Valuer's Assessment Letter
Vendor's Pre-Completion Restructuring	:	AAX Stake Transfer and streamlining of intercompany debts amongst Capital A, the AAAGL Group and AAB Group by way of reassignment of intercompany debts and offsetting arrangements
VWAP	:	Volume-weighted average market price
Warrants	:	Up to 223,536,401 free warrants in our Company to be issued pursuant to the Proposed Issuance of Free Warrants
Warrants Entitled Shareholders	:	Shareholders whose names are registered in the Record of Depositors of our Company on the Warrants Entitlement Date
Warrants Entitlement Date	:	5.00 p.m. on a date to be determined by our Board and announced later on which the names of our Shareholders must be registered in the Record of Depositors of our Company in order to be entitled to participate in the Proposed Issuance of Free Warrants
Warrants Holders	:	Holders of the Warrants
WYNCORP or **Independent Adviser**	:	WYNCORP Advisory Sdn Bhd (Registration No. 200301029902 (632322-H)), incorporated in Malaysia

CURRENCIES

IDR	:	Indonesian Rupiah
INR	:	Indian Rupee
PHP	:	Philippines Peso
RM and sen	:	Ringgit Malaysia and sen respectively
SGD	:	Singapore Dollar
THB	:	Thai Baht
USD	:	United States Dollar

All references to "AAX" and "our Company" in this Circular are to AirAsia X Berhad and references to "our Group" are to our Company and our group of companies. All references to "we", "us", "our" and "ourselves" are to our Company, and where the context requires, our Group or any entities within our Group. All references to "you", "your", "yourselves" and "our Shareholders" in this Circular are to the shareholders of AAX.

In this Circular, words referring to the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any statutes, rules, regulations, enactments, rules of the stock exchange or guidelines is a reference to that statutes, rules, regulations, enactments, rules of the stock exchange or guidelines as for the time being amended or re-enacted. Any reference to time and date in this Circular shall be a reference to Malaysian time and date, unless otherwise stated. Any discrepancies in the tables between the actual figures, amounts stated and the totals in this Circular are, unless otherwise explained, due to rounding.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by our Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that our plans and objectives will be achieved.

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PART A

LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSALS AND PROPOSED GRANTING OF SUBSCRIPTION OPTIONS

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE PROPOSALS AND PROPOSED GRANTING OF SUBSCRIPTION OPTIONS. YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR AND THE APPENDICES AND NOT SOLELY RELY ON THIS EXECUTIVE SUMMARY IN FORMING YOUR VOTING DECISION ON THE PROPOSALS AND PROPOSED GRANTING OF SUBSCRIPTION OPTIONS.

1. Details of the Proposed Issuance of Free Warrants

A summary of the key information of the Proposed Issuance of Free Warrants is set out below:-

Key information	Summary
(i) Entitled shareholders	Our Shareholders on the Warrants Entitlement Date
(ii) Entitlement basis	1 Warrant for every 2 Shares held on the Warrants Entitlement Date
(iii) Number of Warrants to be issued	Up to 223,536,401 Warrants
(iv) Warrants Entitlement Date	Will be determined by our Board and announced later
(v) Exercise price of Warrants	At the 5-day VWAP of our Shares up to and including the last trading day prior to the price-fixing date of the Warrants
(vi) Exercise period of Warrants	5 years from the date of issuance of the Warrants
(vii) Ranking of new Shares to be issued pursuant to the exercise of the Warrants	Rank equally in all respects with the then existing issued Shares
(viii) Listing status	Both Warrants and new Shares to be issued pursuant to the exercise of the Warrants will be listed and quoted on the Main Market of Bursa Securities
(ix) Use of proceeds from the exercise of Warrants	• Fund the New Aviation Group's working capital requirements; • Repayment of borrowings, debentures and lease liabilities; and/or • Capital expenditure
(x) Conditionality of the Proposed Issuance of Free Warrants	Conditional upon the Proposed AAAGL Acquisition and Proposed AAB Acquisition but not *vice versa*
(xi) Implementation of the Proposed Issuance of Free Warrants	In 1 tranche, before the implementation of the Proposed Private Placement and Proposed Acquisitions
(xii) Rationale of the Proposed Issuance of Free Warrants	• Reward you for your continuous support towards our Group with the Warrants which are tradable on the Main Market of Bursa Securities; • Provide you with an opportunity to increase your equity participation in our Company at a pre-determined exercise price over the tenure of the Warrants; • Provide the New Aviation Group with additional funds as and when the Warrants are exercised in the future; and • Strengthen the capital base of the New Aviation Group from the exercise of the Warrants

Please refer to **Sections 2 and 8.1, Part A** of this Circular for further details.

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2. Details of the Proposed Private Placement

A summary of the key information of the Proposed Private Placement is set out below:-

Key information	Summary
(i) Investors	Independent third party local and/or foreign investors which qualify under Schedule 6 or Schedule 7 of the Capital Markets and Services Act, 2007
(ii) Gross proceeds to be raised	RM1,000.00 million
(iii) Number of Placement Shares to be issued	Up to 1,000,000,000 Placement Shares
(iv) Issue price of Placement Shares	At a discount of not more than 15% to the 5-day VWAP of our Shares up to and including the last trading day prior to the price-fixing date of the Placement Shares and in any event, the minimum issue price of the Placement Shares shall be RM1.00 per Placement Share
(v) Ranking of Placement Shares	Rank equally in all respects with the then existing issued Shares
(vi) Listing status	Placement Shares will be listed and quoted on the Main Market of Bursa Securities
(vii) Use of proceeds from the Proposed Private Placement	See table below
(viii) Conditionality of the Proposed Private Placement	Not conditional upon any other proposals
(ix) Implementation of the Proposed Private Placement	In 1 or multiple tranches, after the Warrants Entitlement Date and closer to / concurrent with the implementation of the Proposed Acquisitions
(x) Rationale of the Proposed Private Placement	• Strengthen the financial position of our Group amidst undertaking the Proposed Acquisitions; and • Raise additional funds which shall be used in the manner as stipulated in the abovementioned proposed use of proceeds from the Proposed Private Placement

Proposed use of proceeds	Expected timeframe for use of proceeds from the completion of the Proposed Private Placement	Amount (RM'000)
(i) Additional funds for the New Aviation Group's aviation businesses • Funding for aircraft purchase, maintenance of leased engines and other aircraft parts as well as associated pre-delivery payments • Pre-payment / Repayment of the AAB Group's term loan facilities • General working capital	Within 24 months	954,610
(ii) Estimated expenses for the Proposals and Proposed Granting of Subscription Options	Immediate	45,390
Total		**1,000,000**

Please refer to **Sections 3 and 8.2, Part A** of this Circular for further details.

3. Details of the Proposed Acquisitions

A summary of the key information of the Proposed Acquisitions is set out below:-

Key information	Summary	
	Proposed AAAGL Acquisition	**Proposed AAB Acquisition**
(i) Purchaser	AAX	AAX
(ii) Vendor	Capital A	Capital A
(iii) Equity interest to be acquired in the Target Company	100% equity interest in AAAGL, free from encumbrances	100% equity interest in AAB, subject to encumbrances arising from the issuance of bonds by AirAsia RB 1 Ltd, a wholly-owned subsidiary of AAB. Further details are set out in Section 10 of Appendix V of this Circular
(iv) Purchase consideration	RM3,000.00 million	RM3,800.00 million
(v) Mode of settlement	Allotment and issuance of 2,307,692,307 Consideration Shares at an issue price of RM1.30 each	Debt Settlement / Assumption of debt owing by Capital A to AAB
(vi) Basis and justification	AAAGL Purchase Consideration (RM3,000.00 million) In justifying the AAAGL Purchase Consideration, our Board (save for our Interested Directors) has taken into consideration the following:- (i) rationale and benefits of the Proposed Acquisitions; (ii) outlook of the aviation industry and prospects of the Target Companies and the New Aviation Group; (iii) the AAAGL Purchase Consideration falls within the range of valuation for the entire AAAGL Equity Interest of between RM2,880.00 million and RM3,691.00 million as at 31 December 2023; and (iv) the AAAGL Purchase Consideration represents a discount of approximately RM285.50 million or 8.69% to the mid-point of the valuation range for AAAGL (being RM3,285.50 million) and the Total Purchase Consideration (RM6,800.00 million) represents a discount of approximately RM647.00 million or 8.69% to the aggregate of the mid-point of the valuation range for AAAGL and AAB (being RM7,447.00 million)	AAB Purchase Consideration (RM3,800.00 million) In justifying the AAB Purchase Consideration, our Board (save for our Interested Directors) has taken into consideration the following:- (i) rationale and benefits of the Proposed Acquisitions; (ii) outlook of the aviation industry and prospects of the Target Companies and the New Aviation Group; (iii) the AAB Purchase Consideration falls within the range of valuation for the entire AAB Equity Interest of between RM3,721.00 million and RM4,602.00 million as at 31 December 2023; and (iv) the AAB Purchase Consideration represents a discount of approximately RM361.50 million or 8.69% to the mid-point of the valuation range for AAB (being RM4,161.50 million) and the Total Purchase Consideration (RM6,800.00 million) represents a discount of approximately RM647.00 million or 8.69% to the aggregate of the mid-point of the valuation range for AAAGL and AAB (being RM7,447.00 million)

3. Details of the Proposed Acquisitions (cont'd)

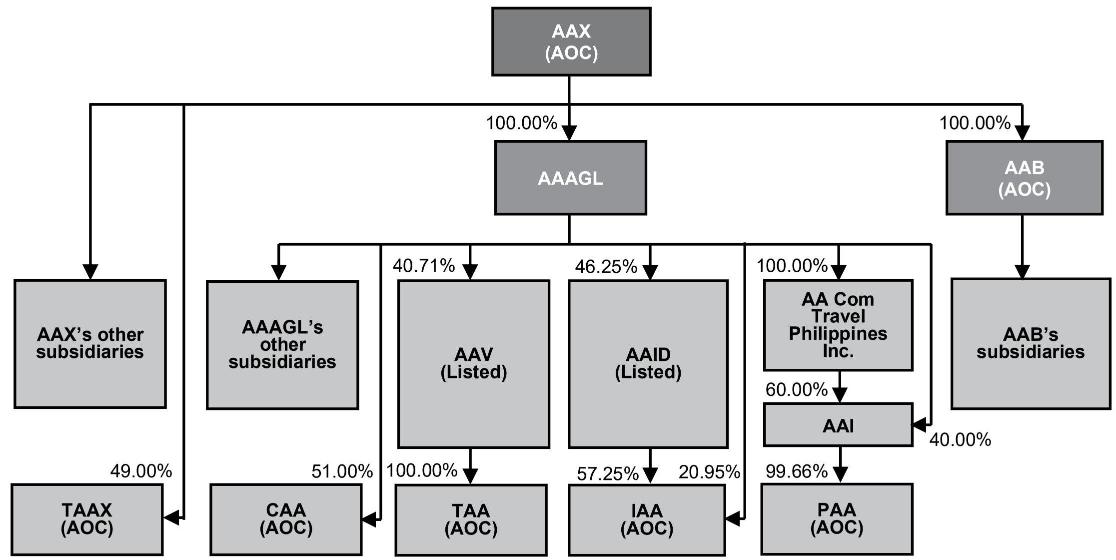
Key information	Summary	
	Proposed AAAGL Acquisition	**Proposed AAB Acquisition**
(vi) Basis and justification (cont'd)	<u>Issue price of the Consideration Shares (RM1.30)</u> The issue price of RM1.30 per Consideration Share was determined after taking into consideration the 5-day VWAP of our Shares up to and including 15 April 2024, being the latest practicable date used to finalise the negotiation on the issue price of the Consideration Shares prior to the date of signing of the SSPAs and the announcement of the Proposals and Proposed Granting of Subscription Options ("**Announcement LPD**"). In justifying the issue price of the Consideration Shares, our Company had taken into consideration the following:- (i) the issue price of RM1.30 per Consideration Share:- (a) is equivalent to the closing market price of our Shares as at the Announcement LPD; (b) is equivalent to the 5-day VWAP of our Shares up to and including the Announcement LPD; and (c) represents a premium of approximately 4.84% over the closing market price of our Shares as at 24 April 2024, being the last trading day prior to the date of the AAAGL SSPA ("**LTD**") of RM1.24; (d) represents a premium of approximately 7.44% over the 5-day VWAP of our Shares up to and including the LTD of RM1.21; and (e) represents a premium of 400.00% over the audited consolidated NA of our Company as at 31 December 2023 of RM0.26 per Share; and (ii) the issuance of the Consideration Shares to fully satisfy the AAAGL Purchase Consideration allows our Group to be able to complete the Proposed AAAGL Acquisition whilst conserving our cash for working capital requirements.	-
(vii) Ranking of Consideration Shares	Rank equally in all respects with the then existing issued Shares	-

3. Details of the Proposed Acquisitions (cont'd)

Key information	Summary	
	Proposed AAAGL Acquisition	**Proposed AAB Acquisition**
(viii) Listing status	Consideration Shares will be listed and quoted on the Main Market of Bursa Securities	-
(ix) Conditionality of the Proposed Acquisitions	The Proposed AAAGL Acquisition is conditional upon the Proposed Private Placement but not *vice versa*	The Proposed AAB Acquisition is conditional upon the Proposed Private Placement but not *vice versa*

Rationale of the Proposed Acquisitions

Upon completion of the Proposed Acquisitions, the New Aviation Group will house all the airline entities operating under the "AirAsia" brand (including "AirAsia X" brand) and the aviation-related businesses currently undertaken by our Group, AAAGL Group and AAB Group. There will be 7 airlines operating under the enlarged aviation group, namely (1) 'Malaysia AirAsia' operated by AAB, (2) 'Thai AirAsia' operated by TAA, (3) 'Philippines AirAsia' operated by PAA, (4) 'Indonesia AirAsia' operated by IAA, (5) 'AirAsia Cambodia' operated by CAA, (6) 'AirAsia X' operated by our Company and (7) 'Thai AirAsia X' operated by TAAX.



3. Details of the Proposed Acquisitions (cont'd)

The rationale and benefits of the Proposed Acquisitions are as follows:-

- New Aviation Group to house award-winning "AirAsia" low-cost carriers with over 22 years of established history and track record to provide a full spectrum of short, medium and long-haul air travel, with domestic flights and international flights from Malaysia, Thailand, the Philippines, Indonesia and Cambodia to numerous destination countries;
- New Aviation Group set to achieve elevated synergistic benefits through centralised decision-making and more co-ordinated network plans, in particular to further optimise its fleet management and utilisation;
- About 400 new aircraft deliveries from Airbus to facilitate continued growth and expansion for all "AirAsia"-branded airlines over the next decade, thereby averting a scenario of fleet stagnation for our Group and losing market share to growing competitors locally and regionally;
- Our Group to secure long-term sustainability leveraging on the "AirAsia" brand and AirAsia Ecosystem with stronger leverage and bargaining power as part of the enlarged aviation group following the completion of the Proposed Acquisitions and to continue to benefit from the already-present synergies from being part of a wider AirAsia Ecosystem which is critical to support our Group's business operations and growth; and
- An opportunity to be part of the enlarged aviation group to capitalise on anticipated air traffic recovery. The Proposed Acquisitions present an opportunity to you to own a part of the New Aviation Group and to bear the risks and rewards associated with ownership of the enlarged aviation group amidst the anticipated recovery of international air traffic post COVID-19

Please refer to **Sections 4, 5 and 8.3, Part A** of this Circular for further details.

4. Details of the Proposed Share Capital Reduction

The Proposed Share Capital Reduction entails the reduction of the issued share capital of our Company to RM100.00 million pursuant to Section 116 of the Act.

The Proposed Share Capital Reduction will enable our Company to rationalise the New Aviation Group's financial position by eliminating the accumulated losses arising from the consolidation of accumulated losses of the Target Companies after the completion of the Proposed Acquisitions to reflect more accurately the value of the underlying assets and the financial position of the New Aviation Group. In addition, the Proposed Share Capital Reduction will enhance the financial profile of the New Aviation Group with its bankers, customers, suppliers, investors and other stakeholders following the elimination of the accumulated losses.

The Proposed Share Capital Reduction is not conditional upon any other proposals.

Please refer to **Sections 6 and 8.4, Part A** of this Circular for further details.

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5. Details of the Proposed Granting of Subscription Options

A summary of the key information of the Proposed Granting of Subscription Options is set out below:-

Key information	Summary
(i) Subscriber	Garynma
(ii) Number of Subscription Shares to be issued	In aggregate 12% of the total issued shares in our Company immediately after the completion of the Proposed Acquisitions (excluding treasury shares, if any)
(iii) Granting of Subscription Options	All the 3 Subscription Options of 4% each will be granted by our Company to the Subscriber immediately after the completion of the Proposed Acquisitions
(iv) Acceptance of each Subscription Option	Each Subscription Option granted may be individually accepted in full or in part by the Subscriber at any point of time during a period of 24 months from the date of granting of the Subscription Option
(v) Exercise of each Subscription Option	The Subscription Option may be exercised by the Subscriber at any point of time during a period of 48 months from the date of granting of the Subscription Option to subscribe, in full or in part, for the Subscription Shares
(vi) Issue price of the Subscription Shares	At the closing market price of our Shares as at the last trading day prior to acceptance by the Subscriber of the grant of the relevant Subscription Option
(vii) Ranking of Subscription Shares	Rank equally in all respects with the then existing issued Shares
(viii) Listing status	Subscription Shares will be listed and quoted on the Main Market of Bursa Securities
(ix) Use of proceeds from the issuance of Subscription Shares	• Repayment of borrowings, debentures and lease liabilities; and • General working capital
(x) Conditionality of the Proposed Granting of Subscription Options	Not conditional upon any other proposals
(xi) Rationale of the Proposed Granting of Subscription Options	The Proposed Granting of Subscription Options is undertaken in recognition of:- (i) the Subscriber's past commitment to support and participate for an amount of up to RM50.00 million in AAX's previous fund-raising as set out in the circular to our Shareholders dated 10 May 2021 ("**Previous Fund-raising**"). The commitment was formalised through the execution of a share subscription agreement entered into between our Company and Garynma on 4 April 2022. In the said share subscription agreement, our Company had agreed to grant an option for the Subscriber to subscribe for such number of Shares representing up to 15% of the enlarged total number of issued Shares (excluding treasury shares, if any) at any point of time during the 36-month subscription period commencing from the completion of a proposed rights issue to raise gross proceeds of up to RM300.00 million ("**Previous Subscription Option**"); (ii) AAX, with the demonstration of the Subscriber's commitment to support and participate in the Previous Fund-raising, had successfully completed our debt restructuring exercise (which took effect on 16 March 2022). The debt restructuring exercise was crucial for the survival and going concern of our Group and arising therefrom, our Group recorded other income of RM34,313.14 million for the 18-month FPE 31 December 2022; and (iii) the Subscriber's rights to the Previous Subscription Option under the share subscription agreement entered into between our Company and Garynma on 4 April 2022

Please refer to **Sections 7 and 8.5, Part A** of this Circular for further details.

6. Risks of the Proposals

The Proposals, in particular the Proposed Acquisitions, will subject our Group to the following key risks, which are by no means exhaustive:-

Non-completion risk	There is no assurance that the requisite approvals will be obtained, the conditions precedent in the relevant agreements will be fulfilled or that the parties to the relevant agreements will be able to fulfill their respective obligations under the agreements within the timeframe stipulated therein. In respect of the Proposed Private Placement, there is no assurance that the Placement Shares will be fully subscribed by investors
Investment risk	There is no assurance that the anticipated benefits and synergies arising from the Proposed Acquisitions will be realised or that the New Aviation Group will be able to generate sufficient returns to offset the dilutive effects to our Shareholders arising from the issuance of Consideration Shares
Projection risk	There is no assurance that the AOCs will be able to achieve the projected results in the future and that the key underlying bases and assumptions used in arriving at the valuation of the Target Companies will materialise as planned
Goodwill and impairment risk	Any impairment on the carrying amount of the investments in the Target Companies (including any goodwill and intangible assets arising from the Proposed Acquisitions) and amortisation of any intangible assets identified from the Proposed Acquisitions may affect the financial performance and financial position of the New Aviation Group
Risk of triggering Practice Note 17 of the Listing Requirements ("PN17")	There is no assurance that our Company will not trigger the prescribed criteria pursuant to Paragraph 8.04 of the Listing Requirements and Paragraph 2 of PN17 and be classified as a PN17 issuer again following the completion of the Proposed Acquisitions in view that the Target Companies were the major contributors to the decline in financial performance and financial position of Capital A during the COVID-19 pandemic period
Limitation of liabilities	In the event that a claim by the Purchaser against the Vendor arising from, amongst others, unfavourable outcome of litigation cases, crystallisation of contingent liabilities and additional tax liabilities to be paid by the Target Companies, is limited or restricted due to pre-determined minimum thresholds and limitation of liabilities pursuant to the SSPAs or the Vendor is unable to fulfill its obligations in respect of such claim, this may have a material adverse effect on the financial performance and financial position of the New Aviation Group
Financing and default risk	There is no assurance that the necessary financing will be available in amounts or on terms and conditions acceptable to the New Aviation Group. In respect of debt financing, the New Aviation Group is highly geared and could potentially be exposed to risk of default and fluctuation in interest rates on the financing obtained
Foreign exchange risk	A portion of the airlines' revenue and costs are exposed to foreign exchange risks, including seat sales, freight services, fuel costs, maintenance, repair and overhaul expense and rental expense. Any fluctuation in foreign exchange rates will have an impact to the financial performance of the airlines
Risk of reliance on "AirAsia" brand (including "AirAsia X" brand) and AirAsia Ecosystem	In the event that the MBLA is not renewed at its expiry or is terminated, the New Aviation Group will not be able to continue leveraging on the "AirAsia" brand and this is expected to have a material adverse effect on the enlarged aviation group's financial performance. Further, any deterioration to the brand recognition may also have an adverse effect on the business, operations and financial performance of the airlines. In addition, the airlines also rely on the AirAsia Ecosystem which helps to support the airlines' businesses. Losing such benefits of comprehensive support services from the AirAsia Ecosystem, the New Aviation Group may face challenges in running the operations of the airlines effectively and in a cost-efficient manner
Foreign investment risk	In the event of any changes in the foreign investment policies in Labuan, Thailand, the Philippines and Indonesia which restrict or prohibit foreign investments in the respective foreign entities or repatriation of profits from these countries, there may be a material and adverse impact to the New Aviation Group
Dilution of existing shareholdings of our Shareholders	The issuance of Placement Shares, Consideration Shares and Subscription Shares will have a dilutive impact to the existing shareholdings of our Shareholders in AAX.

Please refer to **Section 10, Part A** of this Circular for further details.

7. Approvals required
The Proposals are subject to the following being obtained:- (i) the approval from Bursa Securities; (ii) your approval for the Proposals at an EGM to be held; (iii) the confirmation from the High Court for the Proposed Share Capital Reduction pursuant to Section 116 of the Act; and (iv) the approvals / waivers / consents from any other relevant authorities and/or parties, if required. The Proposed Granting of Subscription Options is subject to the following being obtained:- (i) the approval from Bursa Securities; (ii) your approval for the Proposed Granting of Subscription Options at an EGM to be held; and (iii) the approvals / waivers / consents from any other relevant authorities and/or parties, if required. Please refer to **Section 13, Part A** of this Circular for further details.

8. Interests of Directors, Major Shareholders, chief executive and/or persons connected
Proposed Issuance of Free Warrants None of our Directors, Major Shareholders, chief executive of our Company and/or persons connected with them have any interest, whether direct or indirect, in the Proposed Issuance of Free Warrants other than their respective entitlements, if any, as our Shareholders under the Proposed Issuance of Free Warrants, of which all other Shareholders on the respective entitlement dates are similarly entitled to on a pro-rata basis. **Proposed Acquisitions and Proposed Private Placement** Interested Directors Dato' Fam Lee Ee and Datuk Kamarudin Interested Major Shareholders Tan Sri Tony Fernandes, Datuk Kamarudin, AAB, Capital A, Tune Group Sdn Bhd **Proposed Share Capital Reduction and Proposed Granting of Subscription Options** None of our Directors, Major Shareholders, chief executive of our Company and/or persons connected with them have any interest, whether direct or indirect, in the Proposed Share Capital Reduction and Proposed Granting of Subscription Options. Please refer to **Section 15, Part A** of this Circular for further details.

9. Directors' recommendation
Our Board (save for our Interested Directors in relation to the Proposed Private Placement and Proposed Acquisitions) recommends that you **vote in favour** of the resolutions to give effect to the Proposals and Proposed Granting of Subscription Options at our forthcoming EGM. Please refer to **Section 19, Part A** of this Circular for further details.

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AIRASIA X BERHAD
(Registration No. 200601014410 (734161-K))
(Incorporated in Malaysia)

Registered office:
RedQ, Jalan Pekeliling 5
Lapangan Terbang Antarabangsa
Kuala Lumpur
64000 KLIA
Selangor Darul Ehsan

24 September 2024

Board of Directors

Dato' Fam Lee Ee *(Non-Independent Non-Executive Chairman)*
Datuk Kamarudin bin Meranun *(Non-Independent Executive Director)*
Tan Sri Asmat bin Kamaludin *(Independent Non-Executive Director)*
Chin Min Ming *(Independent Non-Executive Director)*
Dato' Abdul Mutalib bin Alias *(Independent Non-Executive Director)*
Dato' Sri Mohammed Shazalli bin Ramly *(Independent Non-Executive Director)*

To: Our Shareholders

Dear Sir / Madam,

(I) PROPOSED ISSUANCE OF FREE WARRANTS;
(II) PROPOSED PRIVATE PLACEMENT;
(III) PROPOSED AAAGL ACQUISITION;
(IV) PROPOSED AAB ACQUISITION; AND
(V) PROPOSED SHARE CAPITAL REDUCTION

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

(VI) PROPOSED GRANTING OF SUBSCRIPTION OPTIONS

1. INTRODUCTION

On 8 January 2024, our Board announced that our Company has entered into a non-binding letter of acceptance with Capital A for the proposed acquisitions of 100% equity interest in AAAGL and 100% equity interest in AAB, both of which are wholly-owned subsidiaries of Capital A.

On 13 March 2024 and 9 April 2024, on behalf of our Board, Interpac announced that our Company and Capital A have mutually agreed to extend the negotiation period to execute the definitive agreement for the proposed acquisitions of 100% equity interest in AAAGL and 100% equity interest in AAB until 30 April 2024.

After rounds of deliberation by our Board (save for our Interested Directors) and having considered all relevant aspects of the Proposals, our Board (save for our Interested Directors) is of the opinion that the Proposed Acquisitions are in the best interests of our Company in view of, amongst others, the following:-

(i) New Aviation Group to house award-winning "AirAsia" low-cost carriers with over 22 years of established history and track record to provide a full spectrum of short, medium and long-haul[(1)] air travel. The Proposed Acquisitions allow all the airline entities operating under the "AirAsia" brand (including "AirAsia X" brand) to be housed together, forming an enlarged aviation group comprising the New Aviation Group. This allows our Group to be part of an enlarged aviation group with award-winning airlines with over 22 years of established history and track record instead of being run and managed distinctively as a separate entity from the AAAGL Group and AAB Group. 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[(2)] and international flights[(3)] from Malaysia, Thailand, the Philippines, Indonesia and Cambodia to numerous destination countries;

Notes:-

(1) Short-haul refers to flights with a duration of up to 4 hours (medium-haul: 4 hours to 7 hours; long-haul: above 7 hours).
(2) A domestic flight is a flight within the same country.
(3) An international flight is a flight from one country to another country.

(ii) New Aviation Group set to achieve elevated synergistic benefits through centralised decision-making and more co-ordinated network plans. The Proposed Acquisitions are expected to enable the New Aviation Group to achieve elevated synergistic benefits through centralised decision-making, providing greater flexibility for the New Aviation Group to set the future business and strategic directions and business strategies as well as streamlining business functions and processes leading to improved efficiency as well as more economies of scale and cost savings (as detailed in Section 8.3, Part A of this Circular).

Notably, the Proposed Acquisitions are expected to enable the New Aviation Group to further optimise its fleet management and utilisation. With a centralised leadership and management following the completion of the Proposed Acquisitions, wet lease arrangements[(1)] can be entered into between the airlines within the New Aviation Group with greater flexibility and efficiency and this can increase the cross utilisation of aircraft across the airlines within the New Aviation Group. The scheduling and deployment of aircraft can be arranged based on prevailing market demand to achieve optimal passenger loads[(2)] in order to offer competitive flight ticket pricing while achieving reasonable profitability margin (e.g. using narrowbody aircraft[(3)] with a smaller passenger capacity for non-peak seasons / new routes with uncertain take-up rate and widebody aircraft[(4)] with a larger passenger capacity for peak seasons / routes which have matured) as well as potentially capture a higher market share for air travel within the Southeast Asia and Asia Pacific regions by organising more co-ordinated network plans under the centralised leadership and management;

Notes:-

(1) A wet lease arrangement is a leasing arrangement whereby one airline (lessor) provides an aircraft, together with complete crew, maintenance and insurance to a lessee, and the operations of which are carried out as the lessee's flight.
(2) Passenger loads refer to the number of passengers carried in an aircraft.
(3) A narrowbody aircraft refers to a medium-sized passenger aircraft with a single passenger aisle, with typically smaller passenger capacity and lower flight range capabilities as compared to a widebody aircraft.
(4) A widebody aircraft refers to a large passenger aircraft with 2 passenger aisles, with typically larger passenger capacity and higher flight range capabilities as compared to a narrowbody aircraft.

(iii) **About 400 new aircraft deliveries from Airbus to facilitate continued growth and expansion for all "AirAsia"-branded airlines over the next decade.** As at the LPD, the airlines to be housed under the New Aviation Group collectively have an order of about 400 aircraft from Airbus (mainly secured by AAB, with scheduled delivery commencing from 2024 up until 2035). Certainty for aircraft deliveries is important for the enlarged aviation group to meet its fleet replacement and expansion plans. Aircraft deliveries from this orderbook are envisioned to be allocated to AOCs within the New Aviation Group as necessary to facilitate continued growth and expansion for all "AirAsia"-branded airlines including our Group, thereby averting a scenario of fleet stagnation for our Group and losing market share to growing competitors locally and regionally. In addition to securing immediate access to fleet growth prospects through AAB's existing orderbook, our Group, as part of the enlarged aviation group following the completion of the Proposed Acquisitions, will be able to leverage on the combined credit track record of the New Aviation Group to negotiate for better credit terms for our future leasing contracts and lease facilities;

(iv) **Our Group to secure long-term sustainability leveraging on the "AirAsia" brand and AirAsia Ecosystem.** The Proposed Acquisitions allow our Group to strengthen the leverage to continue to benefit from the already-present synergies from being part of a wider AirAsia Ecosystem which is critical to support our Group's business operations and growth. Since the commencement of our Group's business, we have close association with other entities within the AirAsia Group, leveraging on the "AirAsia" brand and AirAsia Ecosystem. Our Group, as part of the enlarged aviation group following the completion of the Proposed Acquisitions, 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 to run our airline operations effectively and in a cost-efficient manner. Without these benefits, our Group would face significant challenges in navigating through the competitive landscape of the aviation industry and securing long-term sustainability.

(v) **An opportunity to be part of the enlarged aviation group to capitalise on anticipated air traffic recovery.** The Proposed Acquisitions present an opportunity to you to own a part of the New Aviation Group and to bear the risks and rewards associated with ownership of the enlarged aviation group amidst the anticipated recovery of international air traffic post COVID-19.

On 25 April 2024, our Company had entered into a conditional internal reorganisation agreement with AAG for the implementation of a proposed internal reorganisation by way of a members' scheme of arrangement under Section 366 of the Act ("**Proposed Internal Reorganisation**") comprising the following ("**Internal Reorganisation Agreement**"):-

(i) proposed exchange of all Shares with new ordinary shares in AAG on the basis of 1 new ordinary share in AAG for every 1 existing Share held by the entitled Shareholders on an entitlement date to be determined by our Board and announced later; and

(ii) proposed assumption by AAG of the listing status of AAX and the admission of AAG to, and the withdrawal of AAX from, the Official List with the listing and quotation of the entire enlarged issued share capital of AAG on the Main Market of Bursa Securities.

The Proposed Internal Reorganisation was proposed to be undertaken for the purposes of streamlining our Group's corporate structure, segregating the listed entity from the operating entities under our Group as well as to establish a new holding company to house all the airline entities operating under the "AirAsia" brand (including "AirAsia X" brand) and the aviation-related businesses currently undertaken by our Group, AAAGL Group and AAB Group following the completion of the Proposed Acquisitions.

On even date, AAG had entered into the AAAGL SSPA and AAB SSPA with Capital A for the Proposed AAAGL Acquisition and Proposed AAB Acquisition respectively. The Proposed Acquisitions are deemed to be related party transactions pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of our Interested Directors and Interested Major Shareholders in the Proposed Acquisitions as set out in Section 15, Part A of this Circular. Accordingly, our Company has on 18 April 2024 appointed WYNCORP as the independent adviser of our Company to advise our non-interested Directors and non-interested Shareholders on the fairness and reasonableness of the Proposed Acquisitions, and whether the Proposed Acquisitions are detrimental to the interest of our non-interested Shareholders.

In order to expedite the implementation and completion of the Proposals (if approved by you), our Board had on 26 July 2024 decided to abort the Proposed Internal Reorganisation and to undertake the Proposals and Proposed Granting of Subscription Options under AAX instead of AAG as initially proposed in the announcement dated 25 April 2024. This decision was arrived at after weighing potential benefits of the Proposed Internal Reorganisation against time required for the implementation of the Proposed Internal Reorganisation and more critically, the importance of an expedient completion of the Proposed Acquisitions to our Group. Accordingly, our Company and AAG had on 26 July 2024 mutually terminated the Internal Reorganisation Agreement.

In addition, on 26 July 2024, on behalf of our Board, Interpac announced that our Company (as new purchaser), AAG (as original purchaser) and Capital A (as vendor) had on even date entered into supplemental agreements to the respective SSPAs. Pursuant to the supplemental agreements dated 26 July 2024, our Company has assumed the rights, benefits, titles, interests, obligations and liabilities of AAG to the AAAGL SSPA and AAB SSPA as the purchaser in respect of the Proposed AAAGL Acquisition and Proposed AAB Acquisition respectively.

Further, on 4 September 2024, on behalf of our Board, Interpac announced that our Company and Capital A had on even date entered into the second supplemental agreements to the respective SSPAs. Pursuant to the second supplemental agreements dated 4 September 2024, the approvals and/or consents of lenders / financiers of the AAAGL Group and AAB Group for the release and/or discharge of any corporate guarantee and/or security provided by the Capital A Group Post Disposal in favour of lenders / financiers of the AAAGL Group and AAB Group shall be obtained before the date of completion of the Proposed AAAGL Acquisition and Proposed AAB Acquisition respectively.

In addition to the Proposed Acquisitions, our Board intends to undertake the following proposals:-

(i) Proposed Issuance of Free Warrants;

(ii) Proposed Private Placement; and

(iii) Proposed Share Capital Reduction.

In addition to the Proposals, our Board had initially proposed to grant to Garynma the rights to subscribe for such number of new shares representing, in aggregate, 15% of the total issued shares in AAG immediately after the completion of the Proposed Acquisitions (excluding treasury shares, if any) via 3 Subscription Options of 5% each, in place of the Previous Subscription Option (as defined in Section 7, Part A of this Circular) in acknowledgement and recognition of the support and participation of the Subscriber in our previous fund-raising which have assisted our Group in navigating the challenges faced during the COVID-19 pandemic period, as further elaborated in Section 7, Part A of this Circular.

Upon further deliberation between our Company and the Subscriber, both parties have agreed to reduce the Subscription Options from 15% in aggregate to 12% of the total issued shares in AAX immediately after the completion of the Proposed Acquisitions (excluding treasury shares, if any) via 3 Subscription Options of 4% each. The other terms of the Proposed Granting of Subscription Options remain unchanged. Following thereto, on 26 July 2024, our Company had entered into the Subscription Option Agreement with the Subscriber for the Proposed Granting of Subscription Options.

The changes in corporate structure of our Group are illustrated in Appendix I of this Circular.

On 12 September 2024, Interpac had, on behalf of our Board, announced that Bursa Securities had, vide its letter dated 11 September 2024, resolved to approve the following:-

(i) admission of up to 223,536,401 Warrants to be issued pursuant to the Proposed Issuance of Free Warrants to the Official List;

(ii) listing and quotation of up to 223,536,401 Warrants on the Main Market of Bursa Securities;

(iii) listing and quotation of up to 223,536,401 new Shares to be issued pursuant to the exercise of the Warrants on the Main Market of Bursa Securities;

(iv) listing and quotation of up to 1,000,000,000 Placement Shares to be issued pursuant to the Proposed Private Placement on the Main Market of Bursa Securities;

(v) listing and quotation of 2,307,692,307 Consideration Shares to be issued pursuant to the Proposed AAAGL Acquisition on the Main Market of Bursa Securities; and

(vi) listing and quotation of up to 450,571,813 Subscription Shares to be issued pursuant to the exercise of the Subscription Options on the Main Market of Bursa Securities.

The approval of Bursa Securities is subject to the conditions as set out in Section 13, Part A of this Circular.

The details of the Proposals and Proposed Granting of Subscription Options are further set out in the ensuing sections of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH RELEVANT INFORMATION ON THE PROPOSALS AND PROPOSED GRANTING OF SUBSCRIPTION OPTIONS AND TO SET OUT THE VIEWS AND RECOMMENDATION OF OUR BOARD AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS AND PROPOSED GRANTING OF SUBSCRIPTION OPTIONS WHICH WILL BE TABLED AT OUR FORTHCOMING EGM. THE NOTICE OF THE EGM AND THE FORM OF PROXY FOR THE EGM ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS TO GIVE EFFECT TO THE PROPOSALS AND PROPOSED GRANTING OF SUBSCRIPTION OPTIONS AT OUR FORTHCOMING EGM.

NOTHING IN THIS CIRCULAR CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION, INCLUDING THE UNITED STATES OF AMERICA. NONE OF OUR COMPANY'S SECURITIES REFERENCED HEREIN HAS BEEN OR WILL BE REGISTERED UNDER THE SECURITIES ACT OF 1933 OF THE UNITED STATES OF AMERICA, AS AMENDED, AND NO SUCH SECURITIES MAY BE OFFERED IN THE UNITED STATES OF AMERICA ABSENT REGISTRATION OR AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF 1933 OF THE UNITED STATES OF AMERICA. THERE WILL BE NO PUBLIC OFFERING OF OUR COMPANY'S SECURITIES IN THE UNITED STATES OF AMERICA.

2. DETAILS OF THE PROPOSED ISSUANCE OF FREE WARRANTS

2.1 Basis and number of Warrants to be issued

The Proposed Issuance of Free Warrants entails the issuance of up to 223,536,401 Warrants on the basis of 1 Warrant for every 2 Shares held by the Warrants Entitled Shareholders. For the avoidance of doubt, there will be no Warrants to be issued in respect of the Placement Shares, Consideration Shares and Subscription Shares.

The basis of 1 Warrant for every 2 Shares held by the Warrants Entitled Shareholders was determined after taking into consideration, amongst others, compliance with Paragraph 6.50 of the Listing Requirements which states that a listed issuer must ensure that the number of new shares which will arise from the exercise or conversion of all outstanding convertible equity securities (i.e. warrants and convertible preference shares) does not exceed 50% of the total number of issued shares of the listed issuer (excluding treasury shares and before the exercise of the convertible equity securities) at all times.

The actual number of Warrants to be issued will depend on the total number of Shares in issue on the Warrants Entitlement Date. As at the LPD, AAX has a total number of 447,072,803 issued Shares. Accordingly, a total of up to 223,536,401 Warrants will be issued in respect of the Proposed Issuance of Free Warrants.

Fractional entitlements for the Warrants arising from the Proposed Issuance of Free Warrants, if any, shall be disregarded and/or dealt with by our Board in such manner as our Board, in its absolute discretion, deems fit and expedient in the best interests of our Company.

The Warrants Entitlement Date will be determined by our Board and announced at a later date upon receipt of all relevant approvals for the Proposed Issuance of Free Warrants. The Proposed Issuance of Free Warrants is intended to be implemented before the implementation of the Proposed Private Placement and Proposed Acquisitions.

The Proposed Issuance of Free Warrants is not intended to be implemented in stages over a period of time.

2.2 Indicative salient terms of the Warrants

Issuer	:	AAX.
Issue size	:	Up to 223,536,401 Warrants.
Form and constitution	:	The Warrants will be issued in registered form and constituted by the Deed Poll.
Board lot	:	For the purpose of trading on Bursa Securities, board lots of Warrants shall be 100 Warrants, or such other denominations as permitted by Bursa Securities from time to time.
Tenure	:	5 years commencing on and including the date of issuance of Warrants.

Exercise period	The Warrants may be exercised at any time within a period of 5 years commencing from and including the date of issuance of the Warrants to the close of business at 5.00 p.m. (Malaysia time) on the Market Day immediately preceding the date which is the 5th anniversary of the date of issuance of the Warrants, and if such date is not a Market Day, then it shall be the Market Day immediately preceding the said non-Market Day ("**Warrants Exercise Period**"). Any Warrants which are not exercised by the expiry of the Warrants Exercise Period will lapse thereafter and cease to be valid for all purposes.
Exercise price	The exercise price of the Warrants will be determined by our Board and announced at a later date upon receipt of all relevant approvals for the Proposed Issuance of Free Warrants but before the announcement of the Warrants Entitlement Date.
Subscription rights	Each Warrant entitles its registered holder to subscribe for 1 new Share at the exercise price of the Warrants at any time during the Warrants Exercise Period, upon the terms of and subject to the conditions contained in the Deed Poll.
Mode of exercise	The Warrants Holders are required to lodge with our Company's registrar, a duly completed, signed and stamped subscription form in the form as set out in the Deed Poll, together with payment of the exercise price of the Warrants by banker's draft or cashier's order drawn on a bank operating in Malaysia or a money order or postal order issued by a post office in Malaysia or by way of internet bank transfer or via online payment gateway in accordance with the provisions of the Deed Poll.
Adjustments to the exercise price and/or number of Warrants	The exercise price and/or the number of Warrants shall from time to time be adjusted, calculated or determined by our Board in consultation with the approved adviser or the auditors appointed by our Company in accordance with the provisions of the Deed Poll in the event of alteration to the share capital of our Company at any time during the tenure of the Warrants, whether by way of, amongst others, capitalisation issues, rights issue, bonus issue, consolidation or subdivision of shares or capital reduction exercises.
Rights of the Warrants Holders	A Warrants Holder is not entitled to any voting right or participation in any forms of distribution and/or offer of further securities in our Company until and unless such Warrants Holder exercises the Warrants for new Shares in accordance with the procedure set out in the Deed Poll and such new Shares have been allotted and issued to the Warrants Holder.
Ranking of the Warrants	The Warrants shall, as between the Warrants Holders, rank equally and rateably without discrimination or preference, and all the Warrants issued pursuant to the Deed Poll shall be deemed to form part of the same series for all purposes under the Deed Poll.

Ranking of new Shares to be issued pursuant to the exercise of the Warrants	:	The new Shares to be issued pursuant to the exercise of the Warrants shall, upon allotment, issuance and payment of the exercise price of the Warrants, rank equally in all respects with the then existing issued Shares, save and except that the holders of such new Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to our Shareholders, the entitlement date of which is prior to the date of allotment and issuance of the new Shares pursuant to the exercise of the Warrants.
Rights of the Warrants Holders in the event of winding up, compromise or arrangement	:	Where a resolution has been passed for a members' voluntary winding up of our Company, or there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of our Company or the amalgamation of our Company with 1 or more companies, then:- (i) for the purposes of such a winding up, compromise or arrangement (other than a consolidation, amalgamation or merger in which our Company is the continuing corporation) to which the Warrants Holders, or some persons designated by them for such purposes by a special resolution, shall be a party, the terms of such winding up, compromise or arrangement shall be binding on all the Warrants Holders; and (ii) in the event a notice is given by our Company to you to convene a general meeting for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind up our Company, and in any other case and subject to provisions of the Deed Poll, every Warrants Holder shall thereupon be entitled to exercise the Warrants at any time within 6 weeks after the passing of such resolution for a members' voluntary winding up of our Company or within 6 weeks from the granting of the court order approving the winding up, compromise or arrangement, whereupon our Company shall allot the relevant Shares to the Warrants Holder credited as fully paid subject to the prevailing laws, and such Warrants Holder shall be entitled to receive out of the assets of our Company which would be available in liquidation if the Warrants Holder had on such date been the holder of the new Shares to which the Warrants Holder would have become entitled pursuant to such exercise and the liquidator of our Company shall give effect to such election accordingly. Upon the expiry of the aforesaid 6 weeks, all subscription rights of the Warrants shall lapse and cease to be valid for any purpose. Subject to the foregoing, if our Company is wound up or an order has been granted for such compromise or arrangement, all subscription rights of the Warrants which are not exercised prior to the passing of the resolution for winding up or the presentation of the petition for the winding up or the granting of the court order sanctioning the compromise or arrangement (other than a consolidation, amalgamation or merger in which our Company is the continuing corporation), will lapse and the relevant Warrants will cease to be valid for any purpose.

Modification	:	Any amendments or additions may be made to the provisions of the Deed Poll with the sanction of a special resolution of the Warrants Holders unless the amendments or additions are required to correct any typographical errors or relate purely to administrative matters or are required to comply with any provisions of the prevailing laws or regulations of Malaysia or in the opinion of our Company, will not be materially prejudicial to the interests of the Warrants Holders. Any modification, amendment or addition to the Deed Poll may be effected only by deed executed by our Company and expressed to be supplemental to the Deed Poll and if the approval of the Warrants Holders by way of a special resolution (if required) has been obtained. Any modification to the rights attached to the Warrants is subject to the approval of any relevant authorities.
Listing status	:	The Warrants and new Shares to be issued pursuant to the exercise of the Warrants will be listed and quoted on the Main Market of Bursa Securities.
Transferability	:	The Warrants may be transferred in accordance with the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Depository.
Governing law	:	The Warrants and the Deed Poll are governed by, and will be construed in accordance with, the laws of Malaysia.

2.3 Basis and justification for the exercise price of the Warrants

The Warrants will be issued free of any consideration to the Warrants Entitled Shareholders.

The exercise price of the Warrants will be determined by our Board and announced at a later date upon receipt of all relevant approvals for the Proposed Issuance of Free Warrants but before the announcement of the Warrants Entitlement Date.

Our Board intends to fix the exercise price of the Warrants at the 5-day VWAP of our Shares up to and including the last trading day prior to the price-fixing date of the Warrants.

For illustrative purposes, the exercise price of the Warrants is assumed to be RM1.32 based on the 5-day VWAP of our Shares up to and including the LPD (Source: Bloomberg).

2.4 Ranking of the Warrants and new Shares to be issued pursuant to the exercise of the Warrants

The Warrants Holders are not recognised as Shareholders and are not entitled to any dividends, rights, allotments and/or other distributions until and unless such Warrants Holders have exercised their Warrants into new Shares.

The new Shares to be issued pursuant to the exercise of the Warrants shall, upon allotment, issuance and payment of the exercise price of the Warrants, rank equally in all respects with the then existing issued Shares, save and except that the holders of such new Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to our Shareholders, the entitlement date of which is prior to the date of allotment and issuance of the new Shares pursuant to the exercise of the Warrants.

2.5 Listing and quotation of the Warrants and new Shares to be issued pursuant to the exercise of the Warrants

Bursa Securities had, vide its letter dated 11 September 2024, resolved to approve the admission of the Warrants to the Official List as well as the listing and quotation of the Warrants and new Shares to be issued pursuant to the exercise of the Warrants on the Main Market of Bursa Securities. The approval of Bursa Securities is subject to the conditions as set out in Section 13, Part A of this Circular.

2.6 Use of proceeds from the exercise of Warrants

The Proposed Issuance of Free Warrants will not raise any immediate funds as the Warrants will be issued free of any consideration to the Warrants Entitled Shareholders.

Our Company will not receive any proceeds from the Warrants until such time the Warrants are exercised by the Warrants Holders. The exact quantum of proceeds that may be received by our Company upon the exercise of the Warrants will depend on the actual number of the Warrants exercised during the tenure of the Warrants and the exercise price of the Warrants to be determined.

Strictly for illustrative purposes, based on the illustrative exercise price of RM1.32 per Warrant, our Company will raise gross proceeds of up to approximately RM295.07 million upon full exercise of the Warrants.

Any proceeds from the exercise of the Warrants (which will be received on an "as and when" basis over the tenure of the Warrants) will be used to fund the New Aviation Group's working capital requirements (including but not limited to payment to lessors, suppliers, contractors, consultants and other creditors as well as defrayment of other operational and administrative expenses including payment of staff costs (such as salaries, bonuses, statutory contributions and other staff benefits), user charges, utilities, rental, travelling and accommodation expenses, maintenance and overhaul expenses and other office / operating expenses), for repayment of borrowings, debentures and lease liabilities and/or capital expenditure.

The exact details, breakdown and timing for use of such proceeds as well as the benefits arising therefrom cannot be determined at this juncture as these will depend on the timing of receipt of such proceeds as well as the actual operating and financing requirements of the New Aviation Group at the relevant time.

Pending the use of proceeds from the exercise of Warrants, such proceeds shall be placed in interest-bearing deposits with licensed financial institutions and/or invested in short-term money market instruments, as our Board may deem fit. Any interests derived from the deposits with licensed financial institutions and/or gains derived from the short-term money market instruments will be used as additional funds to be used in the manner as abovementioned.

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3. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

3.1 Basis and number of Placement Shares to be issued

The Proposed Private Placement is undertaken to raise gross proceeds of RM1,000.00 million. The quantum of gross proceeds to be raised from the Proposed Private Placement (i.e. RM1,000.00 million) has been determined upfront while the issue price has not been determined at this juncture in order to provide flexibility to our Board in respect of the pricing of the Placement Shares. Due to potential share price movements, pricing the Placement Shares closer to the implementation of the Proposed Private Placement will enable the issue price of the Placement Shares to take into consideration the prevailing market price of our Shares at that point of time.

The actual number of Placement Shares to be issued will depend on the issue price of the Placement Shares to be determined later. Our Company has determined that the Placement Shares will be issued based on a discount of not more than 15% to the 5-day VWAP of our Shares up to and including the last trading day prior to the price-fixing date of the Placement Shares and in any event, the minimum issue price of the Placement Shares shall be RM1.00 per Placement Share.

Based on the minimum issue price of the Placement Shares, the maximum number of Placement Shares to be issued pursuant to the Proposed Private Placement to raise gross proceeds of RM1,000.00 million will be 1,000,000,000 Placement Shares, representing approximately 26.63% of the enlarged total number of issued Shares after the completion of the Proposed Private Placement and Proposed Acquisitions.

The Proposed Private Placement will be completed upon our Company raising gross proceeds of RM1,000.00 million from the Proposed Private Placement and the relevant number of Placement Shares have been allotted, issued and listed on the Main Market of Bursa Securities. However, in the event that the total gross proceeds raised is not exactly RM1,000.00 million due to rounding, the Proposed Private Placement may still be deemed completed. For illustrative purposes, if the issue price of the Placement Shares is assumed to be RM1.13, which represents a discount of approximately 14.39% to the 5-day VWAP of our Shares up to and including the LPD of RM1.32 (Source: Bloomberg), the Proposed Private Placement will entail the issuance of 884,955,752 Placement Shares, which will raise an amount of RM999,999,999.76.

There will be no Warrants to be issued in respect of the Placement Shares. Hence, the Proposed Private Placement will be implemented after the Warrants Entitlement Date and closer to / concurrent with the implementation of the Proposed Acquisitions. Nonetheless, the Proposed Private Placement may still be implemented in the event that the Proposed Issuance of Free Warrants is not approved and hence, not implemented. In order to comply with the public shareholding spread requirement pursuant to Paragraph 8.02 of the Listing Requirements, the Placement Shares may be allotted and issued on the same day as the Consideration Shares.

In the event that the Proposed Private Placement is not completed (i.e. our Company is unable to raise gross proceeds of RM1,000.00 million from the Proposed Private Placement), the Proposed Acquisitions may not proceed to completion due to non-fulfilment of the relevant conditions precedent unless the parties to the SSPAs agree otherwise to vary or waive the relevant conditions precedent in accordance with the terms and conditions of the SSPAs. An approval from our Shareholders will be sought in accordance with the Listing Requirements, if applicable.

3.2 Placement arrangement

The Placement Shares are intended to be placed to independent third party local and/or foreign investors to be identified later. Such investors shall be parties which qualify under Schedule 6 or Schedule 7 of the Capital Markets and Services Act, 2007. The Placement Shares are not intended to be placed to the following persons:-

(i) a director, major shareholder or chief executive of the listed issuer or a holding company of the listed issuer ("**Interested Person**");

(ii) a person connected with an Interested Person; or

(iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

The Proposed Private Placement may be implemented in 1 or multiple tranches (as the investors may be identified and procured over a period of time rather than simultaneously) within a period of 6 months from the date of approval by Bursa Securities for the listing and quotation of the Placement Shares on the Main Market of Bursa Securities or any extended period as may be approved by Bursa Securities, subject to the prevailing market conditions.

The Placement Shares will only be offered to eligible investors in accordance with applicable securities laws of their respective jurisdictions, and no registration, filing or approval will be made or sought in any jurisdiction where any such action is required for the offer or sale of Placement Shares. In particular, the Placement Shares have not been and will not be registered under the Securities Act of 1933 of the US ("**US Securities Act**"), and may not be offered or sold in the US absent registration or an available exemption from the registration requirements of the US Securities Act. There will be no public offering of the Placement Shares in the US. References to the offering of Placement Shares in this Circular are for information purposes only in connection with informing a shareholder on the Proposals and Proposed Granting of Subscription Options. Nothing in this Circular constitutes an offer of such securities in any jurisdiction, including the US.

3.3 Basis and justification for the issue price of the Placement Shares

The Placement Shares will be issued based on a discount of not more than 15% to the 5-day VWAP of our Shares up to and including the last trading day prior to the price-fixing date of the Placement Shares, to be determined by our Board after taking into consideration the prevailing market conditions and in any event, the minimum issue price of the Placement Shares shall be RM1.00 per Placement Share.

The minimum issue price of RM1.00 per Placement Share was determined after taking into consideration the following:-

(i) the lowest closing market price of our Shares of RM1.18 for the past 1 year up to 24 April 2024, being the last trading day prior to the announcement of the Proposed Private Placement; and

(ii) a maximum discount of 15%.

The maximum discount of 15% is slightly higher than a maximum discount of 10% under general mandate for issue of securities. The maximum discount of 15% was determined based on our Board's intention to allow more flexibility to our Company to fix an issue price which is deemed sufficiently attractive to entice subscription by potential investors while minimising potential dilution to our existing Shareholders.

The eventual issue price of the Placement Shares will be based on the prevailing market conditions and market prices of our Shares at the price-fixing date of the Placement Shares. In any event, such issue price shall not be lower than the minimum issue price of RM1.00 per Placement Share. For information purposes, the minimum issue price of RM1.00 for the Placement Shares represents a premium of 284.62% over the audited consolidated NA of our Company as at 31 December 2023 of RM0.26 per Share.

As the Proposed Private Placement may be implemented in 1 or multiple tranches, there could potentially be several price-fixing dates and issue prices.

For illustrative purposes, the issue price of the Placement Shares is assumed to be RM1.13, which represents a discount of approximately 14.39% to the 5-day VWAP of our Shares up to and including the LPD of RM1.32 (Source: Bloomberg).

3.4 Ranking of the Placement Shares

The Placement Shares shall, upon allotment and issuance, rank equally in all respects with the then existing issued Shares, save and except that the holders of the Placement Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to our Shareholders, the entitlement date of which is prior to the date of allotment and issuance of the Placement Shares.

For the avoidance of doubt, the Placement Shares will be allotted and issued after the Warrants Entitlement Date and hence, there will be no Warrants to be issued in respect of the Placement Shares.

3.5 Listing and quotation of the Placement Shares

Bursa Securities had, vide its letter dated 11 September 2024, resolved to approve the listing and quotation of the Placement Shares on the Main Market of Bursa Securities. The approval of Bursa Securities is subject to the conditions as set out in Section 13, Part A of this Circular.

3.6 Details of equity fund-raising exercises undertaken by our Company in the past 12 months

Save as disclosed below, our Company has not undertaken any other equity fund-raising exercises in the past 12 months before the announcement of the Proposals and Proposed Granting of Subscription Options on 25 April 2024:-

<u>Placement 2023</u>

On 15 June 2023, our Company completed a placement of 32,258,066 Shares, representing approximately 7.78% of the then total number of issued Shares, raising a total of approximately RM50.00 million (“**Placement 2023**”).

As at the LPD, the said proceeds have been fully used as follows:-

Use of proceeds	Expected timeframe for use of proceeds from the date of listing of our Shares for Placement 2023	Proceeds raised (RM’000)	Actual use up to the LPD (RM’000)	Balance (RM’000)
(i) General working capital	Within 12 months	49,400	49,400[(1)]	-
(ii) Expenses in relation to the Placement 2023	Within 1 month	600	600	-
Total		**50,000**	**50,000**	**-**

Note:-

(1) As at the LPD, the proceeds amounting to RM49.40 million have been fully used to fund our Group's general working capital requirements as follows:-

Purpose	*RM'000*
• *Aircraft activation costs[(a)]*	*23,000*
• *Aircraft maintenance costs[(b)]*	*18,500*
• *Other operating expenses[(c)]*	*7,900*
Total	***49,400***

Notes:-

(a) Aircraft activation costs include costs for a rigorous series of maintenance checks and inspections to ensure aircraft's airworthiness condition before returning into service.

(b) Aircraft maintenance costs are in respect of maintenance, repair and overhaul expenses for our Group's aircraft, engines and other aircraft parts.

(c) Other operating expenses include staff costs, aircraft fuel expenses, user charges, lease payments and insurance expenses.

3.7 Use of proceeds from the Proposed Private Placement

The gross proceeds of RM1,000.00 million to be raised from the Proposed Private Placement are intended to be used in the following manner:-

Proposed use of proceeds	Expected timeframe for use of proceeds from the completion of the Proposed Private Placement	Amount (RM'000)
(i) Additional funds for the New Aviation Group's aviation businesses	Within 24 months	954,610
(ii) Estimated expenses for the Proposals and Proposed Granting of Subscription Options	Immediate	45,390
Total		**1,000,000**

(i) Additional funds for the New Aviation Group's aviation businesses

The gross proceeds from the Proposed Private Placement are mainly intended to be used in the New Aviation Group's aviation businesses within 24 months from the completion of the Proposed Private Placement in the following manner:-

Purpose	Indicative allocation (RM'000)
• Funding for aircraft purchase, maintenance of leased engines and other aircraft parts as well as associated pre-delivery payments[(1)]	450,000 to 550,000
• Pre-payment / Repayment of the AAB Group's term loan facilities[(2)]	300,000
• General working capital[(3)]	104,610 to 204,610

Notes:-

(1) A portion of the gross proceeds from the Proposed Private Placement is intended to be earmarked as funding for aircraft purchase, maintenance of leased engines and other aircraft parts as well as associated pre-delivery payments in the following manner:-

	Amount			
	Low range		*High range*	
Purpose	***(RM'000)***	***(%)***	***(RM'000)***	***(%)***
• *Deposits for purchase of 6 aircraft*	*250,000*	*55.56*	*270,000*	*49.09*
• *Maintenance in respect of 6 leased engines and other aircraft parts*	*200,000*	*44.44*	*220,000*	*40.00*
• *Pre-delivery payments in respect of aircraft purchases, being progress payments to be made to Airbus prior to the delivery of the aircraft*	*-*	*-*	*60,000*	*10.91*
Total	***450,000***	***100.00***	***550,000***	***100.00***

(2) As at 30 June 2024, the total consolidated borrowings, debentures and lease liabilities of AAX, AAAGL and AAB are RM1,490.21 million, RM9,638.72 million and RM16,444.29 million respectively. The proposed pre-payment / repayment of the AAB Group's term loan facilities amounting to RM300.00 million is expected to result in pre-tax annual interest savings of RM35.25 million based on the interest rate of 11.75% of the term loan facilities. The pre-payment / repayment of the AAB Group's term loan facilities is expected to be completed within 6 months from the completion of the Proposed Private Placement.

(3) A portion of the gross proceeds from the Proposed Private Placement is intended to be earmarked for general working capital of the New Aviation Group's aviation businesses in the following manner:-

	Amount			
	Low range		*High range*	
Purpose	***(RM'000)***	***(%)***	***(RM'000)***	***(%)***
• *Expansion of new routes*	*20,922*	*20.00*	*40,922*	*20.00*
• *Marketing, advertising and promotional activities*	*20,922*	*20.00*	*40,922*	*20.00*
• *System enhancements*	*20,922*	*20.00*	*40,922*	*20.00*
• *Other operating expenses (such as staff costs, aircraft fuel expenses, user charges, lease payments and insurance expenses)*	*41,844*	*40.00*	*81,844*	*40.00*
Total	***104,610***	***100.00***	***204,610***	***100.00***

Notwithstanding the above, the allocation as disclosed above is indicative and based on our management's best estimate only. The exact breakdown of the proceeds to be used for each component is subject to re-allocation as our Board may deem fit and in the best interests of the New Aviation Group, depending on the actual operating and financing requirements of the New Aviation Group's aviation businesses at the relevant time.

(ii) Estimated expenses for the Proposals and Proposed Granting of Subscription Options

The breakdown of the estimated expenses for the Proposals and Proposed Granting of Subscription Options are as follows:-

Estimated expenses	**Amount (RM'000)**
Professional fees *(including advisory fees payable to the Principal Adviser, management fees and placement commission payable to the placement agent, and other professional fees payable to, amongst others, the Independent Adviser, solicitors, reporting accountants, independent market researcher, independent valuers and share registrar of our Company in relation to the Proposals and Proposed Granting of Subscription Options)*	40,430[(1)]
Fees to the relevant authorities in relation to the Proposals and Proposed Granting of Subscription Options	770
Printing, despatch, advertising and meeting expenses as well as miscellaneous expenses and contingencies	4,190
Total	**45,390**

Note:-

(1) The total estimated professional fees of RM40.43 million (inclusive of taxes) are allocated to the respective proposals as follows:-

	Amount (RM'000)
• *Proposed Issuance of Free Warrants*	*236[(a)]*
• *Proposed Private Placement*	*28,284[(b)]*
• *Proposed AAAGL Acquisition*	*6,860[(c)]*
• *Proposed AAB Acquisition*	*4,641[(c)]*
• *Proposed Share Capital Reduction*	*257[(a)]*
• *Proposed Granting of Subscription Options*	*152[(a)]*
Total	***40,430***

Notes:-

(a) Mainly comprise solicitors' fees for the preparation of relevant documentation as well as legal advice and advisory fees payable to the Principal Adviser.

(b) Mainly comprise management fees and placement commission payable to the placement agent for its services in managing the Proposed Private Placement and securing investors for the Placement Shares to raise gross proceeds of RM1,000.00 million for our Company.

(c) Mainly comprise professional fees payable to the:-
- *(aa) Principal Adviser;*
- *(bb) Independent Adviser for its independent advice to our non-interested Directors and non-interested Shareholders as well as an opinion on the fairness of the AAAGL Purchase Consideration for the Proposed AAAGL Acquisition;*
- *(cc) solicitors for the preparation of relevant documentation as well as legal advice;*
- *(dd) reporting accountants for the opinion on the compilation of the pro forma consolidated statement of financial position of our Group as at 31 December 2023 and accountants' reports;*
- *(ee) independent market researcher for the preparation of the IMR Report;*
- *(ff) independent valuers for the valuation of the entire equity interests in the Target Companies; and*
- *(gg) financial and legal advisers for the due diligence exercise on the AAAGL Group and AAB Group.*

The total estimated professional fees for the Proposed AAAGL Acquisition are higher than the Proposed AAB Acquisition as the Proposed AAAGL Acquisition is a foreign acquisition and requires the provision of fairness opinion on the AAAGL Purchase Consideration, legal advice as well as due diligence exercise on the relevant companies within the AAAGL Group incorporated and existing in various jurisdictions including Thailand, the Philippines and Indonesia.

If the actual expenses incurred for the Proposals and Proposed Granting of Subscription Options are higher than the budgeted amount, the deficit will be funded from the gross proceeds allocated for the New Aviation Group's aviation businesses. Conversely, any surplus funds following the payment of expenses for the Proposals and Proposed Granting of Subscription Options will be used for the New Aviation Group's aviation businesses.

Pending the use of proceeds from the Proposed Private Placement, such proceeds shall be placed in interest-bearing deposits with licensed financial institutions and/or invested in short-term money market instruments, as our Board may deem fit. Any interests derived from the deposits with licensed financial institutions and/or gains derived from the short-term money market instruments will be used as additional working capital for the New Aviation Group.

4. DETAILS OF THE PROPOSED AAAGL ACQUISITION

The Proposed AAAGL Acquisition entails the acquisition of the entire AAAGL Equity Interest from Capital A for a purchase consideration of RM3,000.00 million to be satisfied entirely via the allotment and issuance of 2,307,692,307 new Shares at an issue price of RM1.30 each in accordance with the terms of the AAAGL SSPA.

Subject to the terms of the AAAGL SSPA, the Vendor has agreed to sell and the Purchaser has agreed to purchase the entire AAAGL Equity Interest free from encumbrances and together with all rights and advantages attaching to them as at completion of the Proposed AAAGL Acquisition (including the right to receive all dividends and distributions declared, made or paid on or after the said completion).

Upon completion of the Proposed AAAGL Acquisition, AAAGL will become a wholly-owned subsidiary of our Company.

The salient terms of the AAAGL SSPA are set out in Appendix II(A) of this Circular.

4.1 Background information on AAAGL

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.

As at the LPD, the issued share capital of AAAGL is USD5,270,000 comprising 5,270,000 ordinary shares in AAAGL. As at the LPD, AAAGL is a direct wholly-owned subsidiary of Capital A, being the Vendor for the Proposed AAAGL Acquisition.

The directors of AAAGL as at the LPD are Tan Sri Jamaludin bin Ibrahim, Bo Lingam, Suvabha Charoenying, Lim Serh Ghee, Francisco Edralin Lim and Khoo Gaik Bee.

The principal activity of AAAGL is investment in shares outside Malaysia. Through its subsidiaries, namely TAA, PAA, IAA and CAA, the AAAGL Group provides air transport services from Thailand, the Philippines, Indonesia and Cambodia.

A summary of the financial information of the AAAGL Group for the FYE 31 December 2021, FYE 31 December 2022, FYE 31 December 2023 and 6-month FPE 30 June 2024 are as follows:-

	Audited			**Unaudited**
	FYE 31 December			**FPE 30 June**
	Economic entity[(1)]	**Group**		**Group**
	2021	**2022**	**2023**	**2024**
	(RM'000)	**(RM'000)**	**(RM'000)**	**(RM'000)**
Revenue	-	22,245	5,630,969	5,446,368
Profit / (Loss) after taxation	3,701	(302,591)	868,299	(664,650)
Profit / (Loss) after taxation attributable to the owners of AAAGL	3,701	(302,591)	1,137,184	(424,771)
Shareholders' deficit	(10,210)	(350,631)	(2,234,004)[(2)]	(4,515,397)[(3)]
Total borrowings, debentures and lease liabilities	-	171,376	9,789,132[(2)]	9,638,715
No. of shares in issue ('000)	5,270	5,270	5,270	5,270
EPS / (LPS) attributable to the owners of AAAGL (RM)	0.70	(57.42)	215.78	(80.60)
Net liabilities per share attributable to the owners of AAAGL (RM)	(1.94)	(66.53)	(423.91)	(856.81)
Current ratio (times)	0.86	0.16	0.09	0.11
Gearing (times)	-	n/a[(4)]	n/a[(4)]	n/a[(4)]

Notes:-

(1) Economic entity refers to AAAGL and its interests in associates.

(2) As set out in Section 1 of Appendix IV of this Circular, AAV, TAA, AAI, PAA, AAID and IAA have become subsidiaries of AAAGL during the FYE 31 December 2023. Arising therefrom, the AAAGL Group has a higher total borrowings, debentures and lease liabilities as at 31 December 2023 as compared to as at 31 December 2022. The business combinations of AAI, PAA, AAID and IAA were accounted for under the pooling of interest method and these have resulted in the higher shareholders' deficit of the AAAGL Group as at 31 December 2023 as compared to as at 31 December 2022.

(3) The increase in shareholders' deficit of the AAAGL Group from RM2,234.00 million as at 31 December 2023 to RM4,515.40 million as at 30 June 2024 was mainly due to the business combination of AA Com Travel Philippines Inc. during the 6-month FPE 30 June 2024 and the loss after taxation attributable to the owners of AAAGL of RM424.77 million for the 6-month FPE 30 June 2024.

(4) n/a denotes not applicable.

Further information on AAAGL is set out in Appendix IV of this Circular.

4.2 Background information on the Vendor

Capital A was incorporated in Malaysia on 24 August 2017 under the Act as a public limited company under the name of AirAsia Group Berhad. Pursuant to an internal reorganisation undertaken by AAB by way of a members' scheme of arrangement under Section 366 of the Act, Capital A assumed AAB's listing status on the Main Market of Bursa Securities on 16 April 2018. Capital A assumed its current name on 28 January 2022.

As at the LPD, the issued share capital of Capital A is RM8,769,410,847 comprising 4,306,905,831 ordinary shares in Capital A. As at the LPD, the substantial shareholders of Capital A and their respective shareholdings are as follows:-

	Direct		Indirect	
Name	**No. of shares**	**%(1)**	**No. of shares**	**%(1)**
Tune Live	509,000,000	11.82	-	-
Tune Air	516,485,082	11.99	-	-
Positive Boom Limited	332,498,504	7.72	-	-
Tan Sri Tony Fernandes	2,000,000	0.05	1,025,485,082(2)	23.81
Datuk Kamarudin	2,000,000	0.05	1,025,485,082(2)	23.81
Choi Chiu Fai, Stanley	-	-	332,498,504(3)	7.72

Notes:-
(1) Based on 4,306,905,831 issued shares of Capital A as at the LPD.
(2) Deemed interested by virtue of his interests in Tune Live and Tune Air pursuant to Section 8 of the Act.
(3) Deemed interested by virtue of his interest in Positive Boom Limited pursuant to Section 8 of the Act.

The directors of Capital A as at the LPD and their respective shareholdings in Capital A are as follows:-

	Direct		Indirect	
Name	**No. of shares**	**%(1)**	**No. of shares**	**%(1)**
Tan Sri Tony Fernandes	2,000,000	0.05	1,025,485,082(2)	23.81
Datuk Kamarudin	2,000,000	0.05	1,025,485,082(2)	23.81
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	-	-	-	-
Dato' Fam Lee Ee	-	-	-	-
Dato' Mohamed Khadar bin Merican	100,000	-(3)	-	-

Notes:-
(1) Based on 4,306,905,831 issued shares of Capital A as at the LPD.
(2) Deemed interested by virtue of his interests in Tune Live and Tune Air pursuant to Section 8 of the Act.
(3) Negligible.

The principal activity of Capital A is investment holding. Through its group of companies, Capital A is involved in aviation business and non-aviation businesses (such as aviation services including aircraft maintenance and in-flight meal services, travel and lifestyle super app, digital financial services platform, logistics services and brand management of "AirAsia" brand) in the Asia region.

4.3 Basis and justification for the AAAGL Purchase Consideration

The AAAGL Purchase Consideration was arrived at on a willing-buyer willing-seller basis after a series of negotiations with the Vendor and taking into consideration, amongst others, the range of valuation for the entire AAAGL Equity Interest of between RM2,880.00 million and RM3,691.00 million as at the valuation date of 31 December 2023 based on the valuation undertaken by Deloitte.

After extensive negotiations with the Vendor, the parties to the AAAGL SSPA have determined the AAAGL Purchase Consideration to be RM3,000.00 million, after taking into consideration the following:-

(i) the recovery phase of the aviation industry;

(ii) providing flexibility for the AAAGL Group to pursue its growth initiatives; and

(iii) Capital A and its shareholders' continued exposure in the business of the New Aviation Group via our Shares to be issued pursuant to the Proposed Acquisitions and Proposed Distribution by Capital A.

In justifying the AAAGL Purchase Consideration, our Board (save for our Interested Directors) has taken into consideration the following:-

(i) rationale and benefits of the Proposed Acquisitions as set out in Section 8.3, Part A of this Circular;

(ii) outlook of the aviation industry and prospects of the Target Companies and the New Aviation Group as set out in Section 9, Part A of this Circular;

(iii) the AAAGL Purchase Consideration falls within the abovementioned range of valuation for the entire AAAGL Equity Interest of between RM2,880.00 million and RM3,691.00 million as at 31 December 2023 as set out in the Valuation Letter as attached in Appendix VI(A) of this Circular.

The abovementioned range of valuation was arrived at based on the adjusted net asset value of AAAGL, which is computed as follows:-

	Low range (USD million)	**High range (USD million)**
Audited NA of AAAGL as at 31 December 2023[1][2]	183	183
<u>Adjustments:-</u>		
(1) Upliftment in fair value of AAAGL's investments	(61)	116
(2) Capital contribution from Capital A arising from capitalisation of the intercompany debt amongst Capital A, the AAAGL Group and AAB Group	505	505
(3) Cost of investment incurred for the acquisition of 100% equity interest in AA Com Travel Philippines Inc. from Move Travel Sdn Bhd (formerly known as AirAsia Com Travel Sdn Bhd), a subsidiary of Capital A, which was completed on 25 March 2024	* (represents negative USD0.2 million)	* (represents negative USD0.2 million)
Adjusted net assets value of AAAGL	**628**	**805**
Range of valuation (RM'million)	**2,880**	**3,691**

<u>Notes:-</u>

(1) The audited NA of AAAGL as at 31 December 2023 of USD183 million is at the company level.

(2) For information purposes, the audited total shareholders' deficit of AAAGL as at 31 December 2023 at the group level is RM2,234.00 million (equivalent to approximately USD517.61 million) and after adjusting for the Vendor's Pre-Completion Restructuring, the pro forma total shareholders' deficit of AAAGL Group as at 31 December 2023 is RM970.78 million (equivalent to approximately USD224.93 million*).*

<u>Note:-</u>

** Based on Bank Negara Malaysia's closing middle exchange rate of USD1 : RM4.3160 as at the LPD.*

The shareholders' deficit and the effects of the Vendor's Pre-Completion Restructuring have been considered in determining the AAAGL Purchase Consideration. In order to derive the adjusted net assets value / valuation of AAAGL, the Valuer has derived the valuation of its major operating subsidiaries / AOCs using the DCF method. The DCF method, amongst others, incorporates the future cash flows arising from the operating assets and liabilities in the AOCs as at 31 December 2023, whereas non-operating assets and liabilities as at 31 December 2023 are adjusted against the business enterprise values (being the value of the business attributable to all providers of finance) in arriving at the respective equity values (being the value of the business attributable to equity holders) of the AOCs.

A fair value upliftment is subsequently applied to the audited NA of AAAGL as at 31 December 2023, calculated based on:-
(a) the fair value of AAAGL's investment stake in the AOCs; and
(b) the fair value of AAAGL's indirect investment stake in the AOCs, based on the adjusted book value of intermediate holding companies after incorporating the fair value of the AOCs.

The adjusted net assets value / valuation of AAAGL has also included the effects from the Vendor's Pre-Completion Restructuring.

In arriving at the valuation for the equity interest in AAAGL (being an investment holding company), the Valuer has considered valuation of AAAGL's investments in its major operating subsidiaries / AOCs, namely TAA, PAA and IAA, which are low-cost airline companies operating from Thailand, the Philippines and Indonesia respectively. No valuation was performed for CAA which has only commenced its business in Cambodia in May 2024.

For the valuation of TAA, PAA and IAA, the Valuer has considered a number of valuation approaches and adopted the DCF method of valuation as the primary method using the 5-year financial projections of TAA, PAA and IAA from 1 January 2024 to 31 December 2028 together with the underlying bases and assumptions.

The DCF method focuses on the expected cash flows of the subject companies and hence, accords recognition of the subject companies' anticipated economic potential or value.

The DCF method entails the discounting of the future cash flows to be generated from the subject companies at specified discount rates to arrive at their range of present values, after taking into account the nature, timing and riskiness of the cash flows.

Based on the valuation of the AOCs and their respective investment holding companies as appraised by Deloitte, the Valuer has made an adjustment to the audited NA of AAAGL as at 31 December 2023 to uplift the fair value of AAAGL's direct investments and indirect investments (through investment holding companies) in the AOCs, namely TAA, PAA and IAA.

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The details of the valuation of the AOCs and their respective investment holding companies as well as the upliftment in fair value of AAAGL's investments are as follows:-

Valuation of the AOCs and their respective investment holding companies

Name of companies	Valuation based on 100% equity interest	
	Low range (USD million)	High range (USD million)
AOCs		
• TAA	697	875
• PAA	109	193
• IAA	42	85
Investment holding companies		
• AAV (with 100.00% equity interest in TAA)	701	879
• AA Com Travel Philippines Inc. (with 60.00% equity interest in AAI, which in turn holds 99.66% equity interest in PAA)	116	166
• AAI (with 99.66% equity interest in PAA)	220	304
• AAID (with 57.25% equity interest in IAA)	22	47

Upliftment in fair value of AAAGL's investments

AAAGL's investments	Range of equity value based on equity interest held by AAAGL	
	Low range (USD million)	High range (USD million)
• 20.95% equity interest in IAA	9	18
• 40.71% equity interest in AAV	285	358
• 100.00% equity interest in AA Com Travel Philippines Inc.	116	166
• 40.00% equity interest in AAI	88	121
• 46.25% equity interest in AAID	10	22
	508	685
Add: Investment in convertible bond issued by AAI(1)	25	25
Less: Adjusted carrying amount of AAAGL's investments as at 31 December 2023(2)	(594)	(594)
Upliftment in fair value of AAAGL's investments	**(61)**	**116**

Notes:-

(1) In May 2013, AAI issued USD25 million redeemable, unsecured convertible bonds to AAAGL. The bonds bear interest of 6% per annum.

(2) The carrying amount of AAAGL's investments as at 31 December 2023 has been adjusted to reflect the novation of perpetual capital securities in IAA held by AAB to AAAGL for a consideration of RM1,090.58 million.

The low range and high range of valuation of AAAGL and the AOCs are derived based on the range of discount rates adopted for each AOC as set out in the table below.

A summary of the key bases and assumptions used in the DCF method of valuation is as follows:-

- Where applicable, the Valuer will make a reference to FYE 31 December 2019 as a base year in analysing the projections of each AOC, as the FYE 31 December 2019 represents the financial performance of the AOC prior to the COVID-19 pandemic.

	TAA	**PAA**	**IAA**
Expected contribution as a percentage of the total projected revenue between FY2024 and FY2028 (approximately)			
• Passenger revenue	99.0%	99.0%	98.0%
• Freight services revenue	1.0%	1.0%	2.0%
Expected CAGR of the total revenue (approximately)			
• Between FY2024 and FY2028	11.0%	15.0%	21.0%
• Between FY2019 and FY2028	5.0%	11.0%	14.0%
Financial years in which unutilised tax losses are expected to be utilised and offset against projected earnings before interest and tax	FY2024 to FY2027	FY2024 to FY2025	FY2024 to FY2027
Assumed tax rate (based on respective country's statutory tax rate) for tax expenses in subsequent years	20.0% from FY2028 onwards	25.0% from FY2026 onwards	22.0% from FY2028 onwards
Projected capital expenditure for non-aircraft operating assets as a percentage of the total projected revenue between FY2024 and FY2028 (approximately)	0.2%	2.0%	1.0%
Terminal year growth rate (in perpetuity) for the projected cash flows after FY2028[(1)] (approximately)	1.0%	3.0%	3.0%
Discount rate / Weighted average cost of capital[(2)]	12.0% to 14.5%	17.0% to 19.0%	17.5% to 19.0%

Notes:-

(1) Terminal value comprises more than half of the valuation of TAA, PAA and IAA, given their respective management's plan to grow their operations via increased fleet size and flight frequency, and introduction of new routes across the projection period from FY2024 to FY2028. Their operations are expected to achieve a stable state by FY2028, and thereafter, grow in perpetuity at a nominal growth rate based on the long-term inflation rates of the respective countries in which TAA, PAA and IAA operate.

(2) The discount rate / weighted average cost of capital includes the following additional risk premium:-

(a) size premium for PAA and IAA, which represents the additional risks assumed by investors for investing in small firms; and

(b) company-specific risk premium, which represents a risk premium attributable to the specific company. It is designed to account for additional risk factors which may not be appropriate or possible to adjust in the cash flows, for example, business cycles, volatility of earnings or cash flows.

Based on the expert's report on the fairness of the AAAGL Purchase Consideration as set out in Appendix VII of this Circular, WYNCORP has opined that the AAAGL Purchase Consideration is fair from financial point of view, after taking into consideration the following:-

(i) the rationale for the Proposed AAAGL Acquisition as set out in Section 8.3, Part A of this Circular;

(ii) the overview and outlook of the aviation industry as set out in Section 9.1, Part A of this Circular and prospects of the New Aviation Group as set out in Section 9.2, Part A of this Circular;

(iii) the AAAGL Purchase Consideration amounting to RM3,000.00 million falls within the range of valuation for the entire AAAGL Equity Interest of between RM2,880.00 million and RM3,691.00 million as at the valuation date of 31 December 2023, based on the valuation undertaken by Deloitte as set out in the Valuation Letter attached in Appendix VI(A) of this Circular; and

(iv) the AAAGL Purchase Consideration (RM3,000.00 million) represents a discount of approximately RM285.50 million or 8.69% to the mid-point of the valuation range for AAAGL (being RM3,285.50 million).

(iv) the AAAGL Purchase Consideration (RM3,000.00 million) represents a discount of approximately RM285.50 million or 8.69% to the mid-point of the valuation range for AAAGL (being RM3,285.50 million) and the Total Purchase Consideration (RM6,800.00 million) represents a discount of approximately RM647.00 million or 8.69% to the aggregate of the mid-point of the valuation range for AAAGL and AAB (being RM7,447.00 million).

4.4 Basis and justification for the issue price of the Consideration Shares

The issue price of RM1.30 per Consideration Share was determined after taking into consideration the 5-day VWAP of our Shares up to and including 15 April 2024, being the latest practicable date used to finalise the negotiation on the issue price of the Consideration Shares prior to the date of signing of the SSPAs and the announcement of the Proposals and Proposed Granting of Subscription Options ("**Announcement LPD**").

In arriving at the issue price of the Consideration Shares, our Company had taken into consideration the following:-

(i) the issue price of RM1.30 per Consideration Share:-

(a) is equivalent to the closing market price of our Shares as at the Announcement LPD;

(b) is equivalent to the 5-day VWAP of our Shares up to and including the Announcement LPD; and

(c) represents a premium of approximately 348.28% over the unaudited consolidated NA of our Company as at 31 December 2023 of RM0.29 per Share; and

(ii) the issuance of the Consideration Shares to fully satisfy the AAAGL Purchase Consideration allows our Group to be able to complete the Proposed AAAGL Acquisition whilst conserving our cash for working capital requirements.

For information purposes, the issue price of the Consideration Shares represents a premium of approximately 4.84% over the closing market price of our Shares as at 24 April 2024, being the last trading day prior to the date of the AAAGL SSPA ("**LTD**") of RM1.24, a premium of approximately 7.44% over the 5-day VWAP of our Shares up to and including the LTD of RM1.21 (Source: Bloomberg) and a premium of 400.00% over the audited consolidated NA of our Company as at 31 December 2023 of RM0.26 per Share.

4.5 Ranking of the Consideration Shares

The Consideration Shares shall, upon allotment and issuance, rank equally in all respects with the then existing issued 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 our Shareholders, the entitlement date of which is prior to the date of allotment and issuance of the Consideration Shares.

For the avoidance of doubt, the Consideration Shares will be allotted and issued after the Warrants Entitlement Date and hence, there will be no Warrants to be issued in respect of the Consideration Shares.

4.6 Listing and quotation of the Consideration Shares

Bursa Securities had, vide its letter dated 11 September 2024, resolved to approve the listing and quotation of the Consideration Shares on the Main Market of Bursa Securities. The approval of Bursa Securities is subject to the conditions as set out in Section 13, Part A of this Circular.

4.7 Source of funding

The AAAGL Purchase Consideration will be satisfied entirely via the allotment and issuance of the Consideration Shares.

4.8 Liabilities to be assumed

Save for the liabilities of the AAAGL Group which will be assumed by our Company upon completion of the Proposed AAAGL Acquisition, there are no other liabilities, including contingent liabilities and guarantees, to be assumed by our Company arising from the Proposed AAAGL Acquisition.

4.9 Additional financial commitment

In view that the AAAGL Group is already in operation, our Company does not expect to incur any additional material financial commitment to put the business of the AAAGL Group on-stream following the completion of the Proposed AAAGL Acquisition.

4.10 Original cost and date of investment of the Vendor in AAAGL

The original cost and date of investment of the Vendor in AAAGL are as follows:-

Date of investment	Number of shares	Cost of investment (RM'000)
30 August 2018	5,270,000	19,990

4.11 Proposed Distribution by Capital A

The AAAGL Purchase Consideration of RM3,000.00 million will be satisfied entirely via the allotment and issuance of 2,307,692,307 Consideration Shares at an issue price of RM1.30 each.

Capital A intends to distribute 1,692,307,692 Consideration Shares ("**Distribution Shares**") to the entitled shareholders of Capital A based on their respective shareholdings in Capital A on an entitlement date to be determined later pursuant to the Proposed Distribution by Capital A.

The Distribution Shares will be allotted and issued to the entitled shareholders of Capital A and credited directly into their central depository accounts based on the proportion of their shareholdings in Capital A on the entitlement date for the Proposed Distribution by Capital A. The remaining Consideration Shares will be allotted and issued to Capital A.

The actual shareholdings in AAX held by Capital A and PACs after the Proposed Private Placement and/or Proposed AAAGL Acquisition (including the Proposed Distribution by Capital A) would depend on the issue price of the Placement Shares to be determined later.

Pursuant to a letter of undertaking dated 6 June 2024 ("**Letter of Undertaking**"), Capital A and PACs have irrevocably and unconditionally undertaken that in the event any circumstances or potential circumstances arise which will result in Capital A and PACs triggering any take-over obligations in the Rules at any given time throughout and/or upon completion of the Proposals and Proposed Distribution by Capital A, they will, or they will procure member(s) of the group of persons acting in concert to sell, transfer, give or otherwise dispose of our Shares or ordinary shares in Capital A held by it / them before completion of the Proposed Private Placement and/or Proposed Distribution by Capital A, as the case may be, so as to not trigger the take-over obligations.

The PACs (as identified by Capital A in the Letter of Undertaking) and their shareholdings in Capital A as at the LPD are as follows:-

	Direct		Indirect	
Name	**No. of shares**	**%(1)**	**No. of shares**	**%(1)**
Tan Sri Tony Fernandes	2,000,000	0.05	1,025,485,082(2)	23.81
Datuk Kamarudin	2,000,000	0.05	1,025,485,082(2)	23.81
AAB	-	-	-	-
Tune Group Sdn Bhd	-	-	-	-
Tune Live	509,000,000	11.82	-	-
Tune Air	516,485,082	11.99	-	-

Notes:-

(1) *Based on 4,306,905,831 issued shares of Capital A as at the LPD.*

(2) *Deemed interested by virtue of his interests in Tune Live and Tune Air pursuant to Section 8 of the Act.*

The pro forma changes in their shareholdings in our Company after the Proposals and Proposed Granting of Subscription Options are set out in Section 11.2, Part A of this Circular.

4.12 Amount owing to/from Capital A Group Post Disposal

As at 31 August 2024 and after adjusting for the Vendor's Pre-Completion Restructuring, the AAAGL Group has non-trade amount owing to the Capital A Group Post Disposal of RM96.22 million and this amount is estimated to remain unchanged until the completion of the Proposed AAAGL Acquisition. The non-trade amount owing to the Capital A Group Post Disposal of RM96.22 million mainly comprise advances received by the AAAGL Group for the acquisition of 60% equity interest in AAI by AA Com Travel Philippines Inc., investment into the airline operations in Cambodia, repayment of term loan and interests as well as general working capital requirements.

It is the intention of the parties to the AAAGL SSPA that the non-trade amount owing between the AAAGL Group and Capital A Group Post Disposal on the date of completion of the Proposed AAAGL Acquisition shall be fully settled within 1 year following from the completion of the Proposed AAAGL Acquisition.

5. DETAILS OF THE PROPOSED AAB ACQUISITION

The Proposed AAB Acquisition entails the acquisition of the entire AAB Equity Interest from Capital A for a purchase consideration of RM3,800.00 million to be satisfied entirely via the Debt Settlement in accordance with the terms of the AAB SSPA.

Subject to the terms of the AAB SSPA, the Vendor has agreed to sell and the Purchaser has agreed to purchase the entire AAB Equity Interest free from encumbrances (save as disclosed in the Vendor's disclosure letter in respect of the AAB SSPA[(1)]) and together with all rights and advantages attaching to them as at completion of the Proposed AAB Acquisition (including the right to receive all dividends and distributions declared, made or paid on or after the said completion).

Note:-

(1) *On 21 August 2024, AirAsia RB 1 Ltd, a wholly-owned subsidiary of AAB, had entered into definitive agreements with aircraft lessors and private credit funds for the issuance by AirAsia RB 1 Ltd, of Regulation S (under the US Securities Act) secured bonds of up to USD443.0 million, due September 2026 and August 2028, with AAB as a third party security provider, and both AAB and Capital A as corporate guarantors. Bank Negara Malaysia has vide its letters dated 26 March 2024 and 4 July 2024 approved the issuance of the bonds together with the proposed security under Bank Negara Malaysia's Foreign Exchange Policy. The bonds were issued on 23 August 2024.*

As part of the terms of the issuance of the bonds, there will be a first ranking share charge over 49% of the shares of AAB held by our Company upon completion of the Proposed Acquisitions.

The salient terms of the bonds are set out in Appendix II(C) of this Circular. Further information on the bonds is set out in Section 10 of Appendix V of this Circular.

Upon completion of the Proposed AAB Acquisition, AAB will become a wholly-owned subsidiary of our Company.

The salient terms of the AAB SSPA are set out in Appendix II(B) of this Circular.

5.1 Background information on AAB

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.

As at the LPD, the issued share capital of AAB is RM2,515,673,745 comprising 3,341,974,080 ordinary shares in AAB. As at the LPD, AAB is a direct wholly-owned subsidiary of Capital A, being the Vendor for the Proposed AAB Acquisition. The background information on the Vendor is set out in Section 4.2, Part A of this Circular.

The directors of AAB as at the LPD are Datuk Kamarudin, Riad Asmat, Jasmindar Kaur A/P Sarban Singh and Dato' Captain Fareh Ishraf Mazputra bin Ahmad Fairuz.

The principal activity of AAB is providing air transport services from Malaysia.

A summary of the financial information of the AAB Group for the FYE 31 December 2021, FYE 31 December 2022, FYE 31 December 2023 and 6-month FPE 30 June 2024 are as follows:-

	Audited			Unaudited
	FYE 31 December			FPE 30 June
	2021	2022	2023	2024
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue	691,358	3,784,775	6,420,374	4,133,437
(Loss) / Profit after taxation	(2,473,766)	(1,782,331)	3,620,868	(208,794)
(Loss) / Profit after taxation attributable to the owners of AAB	(2,473,766)	(1,782,331)	3,620,868	(208,794)
Shareholders' deficit	(3,460,239)	(5,208,655)[(1)]	(1,504,694)[(1)]	(1,825,633)
Total borrowings and lease liabilities	13,049,438	14,749,122[(2)]	16,283,292[(2)]	16,444,286
No. of shares in issue ('000)	3,341,974	3,341,974	3,341,974	3,341,974
(LPS) / EPS attributable to the owners of AAB (RM)	(0.74)	(0.53)	1.08	(0.06)
Net liabilities per share attributable to the owners of AAB (RM)	(1.04)	(1.56)	(0.45)	(0.55)
Current ratio (times)	0.43	0.41	1.07	1.00
Gearing (times)	n/a[(3)]	n/a[(3)]	n/a[(3)]	n/a[(3)]

Notes:-

(1) *The increase in shareholders' deficit of the AAB Group from RM3,460.24 million as at 31 December 2021 to RM5,208.66 million as at 31 December 2022 was mainly due to the loss after taxation of RM1,782.33 million recorded for the FYE 31 December 2022 as the aviation industry was adversely affected by the COVID-19 pandemic. The shareholders' deficit of the AAB Group decreased from RM5,208.66 million as at 31 December 2022 to RM1,504.69 million as at 31 December 2023, mainly due to the profit after taxation of RM3,620.87 million recorded for the FYE 31 December 2023 resulting from a one-off gain from the disposal of "AirAsia" brand of RM4,500.00 million and higher revenue achieved during the financial year.*

(2) *The increase in total borrowings and lease liabilities of the AAB Group from RM13,049.44 million as at 31 December 2021 to RM14,749.12 million as at 31 December 2022 was mainly due to additional lease liabilities and financing facilities obtained during the financial year. The total borrowings and lease liabilities of the AAB Group increased further to RM16,283.29 million as at 31 December 2023, mainly due to additional lease liabilities and financing facilities obtained during the financial year.*

(3) *n/a denotes not applicable.*

Further information on AAB is set out in Appendix V of this Circular.

5.2 Basis and justification for the AAB Purchase Consideration

The AAB Purchase Consideration was arrived at on a willing-buyer willing-seller basis after a series of negotiations with the Vendor and taking into consideration, amongst others, the range of valuation for the entire AAB Equity Interest of between RM3,721.00 million and RM4,602.00 million as at the valuation date of 31 December 2023 based on the valuation undertaken by Deloitte.

After extensive negotiations with the Vendor, the parties to the AAB SSPA have determined the AAB Purchase Consideration to be RM3,800.00 million, after taking into consideration the following:-

(i) the recovery phase of the aviation industry;

(ii) providing flexibility for the AAB Group to pursue its growth initiatives; and

(iii) Capital A and its shareholders' continued exposure in the business of the New Aviation Group via our Shares to be issued pursuant to the Proposed Acquisitions and Proposed Distribution by Capital A.

In justifying the AAB Purchase Consideration, our Board (save for our Interested Directors) has taken into consideration the following:-

(i) rationale and benefits of the Proposed Acquisitions as set out in Section 8.3, Part A of this Circular;

(ii) outlook of the aviation industry and prospects of the Target Companies and the New Aviation Group as set out in Section 9, Part A of this Circular;

(iii) the AAB Purchase Consideration falls within the abovementioned range of valuation for the entire AAB Equity Interest of between RM3,721.00 million and RM4,602.00 million as at 31 December 2023 as set out in the Valuation Letter as attached in Appendix VI(A) of this Circular.

In arriving at the valuation for the equity interest in AAB, the Valuer has considered a number of valuation approaches and adopted the DCF method of valuation as the primary method using the 5-year financial projections of AAB from 1 January 2024 to 31 December 2028 together with the underlying bases and assumptions.

The DCF method focuses on the expected cash flows of the subject company and hence, accords recognition of the subject company's anticipated economic potential or value.

The DCF method entails the discounting of the future cash flows to be generated from the subject company at specified discount rates to arrive at its range of present values, after taking into account the nature, timing and riskiness of the cash flows.

The low range and high range of valuation of AAB are derived based on the range of discount rates adopted for AAB as set out in the table below.

A summary of the key bases and assumptions used in the DCF method of valuation is as follows:-

- Where applicable, the Valuer will make a reference to FYE 31 December 2019 as a base year in analysing the projections of AAB, as the FYE 31 December 2019 represents the financial performance of AAB prior to the COVID-19 pandemic.

	AAB
Expected contribution as a percentage of the total projected revenue between FY2024 and FY2028 (approximately)	
• Passenger revenue	99.0%
• Freight services revenue	1.0%
Expected CAGR of the total revenue (approximately)	
• Between FY2024 and FY2028	13.0%
• Between FY2019 and FY2028	6.0%
Financial years in which unutilised tax losses are expected to be utilised and offset against projected earnings before interest and tax	FY2024 to FY2028
Assumed tax rate (based on Malaysia's statutory tax rate) for tax expenses in subsequent years	24.0% in the terminal period
Projected capital expenditure for non-aircraft operating assets as a percentage of the total projected revenue between FY2024 and FY2028 (approximately)	1.0%

	AAB
Terminal year growth rate (in perpetuity) for the projected cash flows after FY2028[(1)] (approximately)	2.0%
Discount rate / Weighted average cost of capital[(2)]	12.5% to 14.5%

Notes:-

(1) Terminal value comprises more than half of the valuation of AAB, given its management's plan to grow its operations via increased fleet size and flight frequency, and introduction of new routes across the projection period from FY2024 to FY2028. Its operations are expected to achieve a stable state by FY2028, and thereafter, grow in perpetuity at a nominal growth rate based on the long-term inflation rates of the country in which AAB operates.

(2) The discount rate / weighted average cost of capital includes company-specific risk premium, which represents a risk premium attributable to the specific company. It is designed to account for additional risk factors which may not be appropriate or possible to adjust in the cash flows, for example, business cycles, volatility of earnings or cash flows.

For information purposes, the audited total shareholders' deficit of AAB Group as at 31 December 2023 is RM1,504.69 million and after adjusting for the Vendor's Pre-Completion Restructuring, the pro forma total shareholders' deficit of AAB Group as at 31 December 2023 is RM3,882.69 million.

The shareholders' deficit and the effects of the Vendor's Pre-Completion Restructuring have been considered in determining the AAB Purchase Consideration. The Valuer has derived the valuation of AAB (the main operating entity within the AAB Group) using the DCF method. The DCF method, amongst others, incorporates the future cash flows arising from the operating assets and liabilities in AAB as at 31 December 2023, whereas non-operating assets and liabilities as at 31 December 2023 are adjusted against the business enterprise value in arriving at the equity value of AAB. The valuation of AAB has also included the effects from the Vendor's Pre-Completion Restructuring.

(iv) the AAB Purchase Consideration (RM3,800.00 million) represents a discount of approximately RM361.50 million or 8.69% to the mid-point of the valuation range for AAB (being RM4,161.50 million) and the Total Purchase Consideration (RM6,800.00 million) represents a discount of approximately RM647.00 million or 8.69% to the aggregate of the mid-point of the valuation range for AAAGL and AAB (being RM7,447.00 million).

Further to the issuance of the Valuation Letter on 25 July 2024, Deloitte has evaluated the impact of issuance of the bonds (details as set out in Section 10 of Appendix V of this Circular) by AirAsia RB 1 Ltd, a wholly-owned subsidiary of AAB, particularly on the valuation of the entire AAB Equity Interest. Based on the Valuer's Assessment Letter as attached in Appendix VI(B) of this Circular, the range of valuation for the entire AAB Equity Interest after the issuance of the bonds is between RM3,735.00 million and RM4,563.00 million (mid-point of RM4,149.00 million), which represents a variance of less than 1% to the range of valuation as set out in the Valuation Letter. In addition, the variance represents about 1% or less to the AAB Purchase Consideration. Hence, the impact of the issuance of the bonds to the valuation of the entire AAB Equity Interest is deemed immaterial and no variation to the AAB Purchase Consideration or other terms in the AAB SSPA has been made.

5.3 Source of funding

The AAB Purchase Consideration will be satisfied entirely via the Debt Settlement. Pursuant to the Debt Settlement, our Company will assume an amount of RM3,800.00 million[(1)] owing by Capital A to AAB.

Note:-

(1) Being part of the non-trade amount owing by Capital A to AAB. Further details of the non-trade amount owing by Capital A to AAB are as set out in Section 5.8, Part A of this Circular.

In view that AAB will become a wholly-owned subsidiary of our Company upon completion of the Proposed AAB Acquisition, there is no immediate need to repay / settle the amount owing by our Company to AAB arising from the Debt Settlement. Hence, our Company intends to repay / settle such amount owing to AAB using cash flows from our business operations and/or dividend income from other AOCs (including AAB) when our cash flow position permits. Alternatively, such amount owing to AAB may also be set off against dividends which may be declared by AAB to our Company in the future.

5.4 Liabilities to be assumed

Save for the liabilities of the AAB Group which will be assumed by our Company upon completion of the Proposed AAB Acquisition, there are no other liabilities, including contingent liabilities and guarantees, to be assumed by our Company arising from the Proposed AAB Acquisition.

5.5 Additional financial commitment

In view that the AAB Group is already in operation, our Company does not expect to incur any additional material financial commitment to put the business of the AAB Group on-stream following the completion of the Proposed AAB Acquisition.

5.6 Original cost and date of investment of the Vendor in AAB

The original cost and date of investment of the Vendor in AAB are as follows:-

Date of investment	Number of shares	Cost of investment (RM'000)
16 April 2018	3,341,974,080	8,023,268

5.7 Vendor's Pre-Completion Restructuring

Prior to the completion of the Proposed Acquisitions, Capital A and its group of companies will undertake an internal restructuring exercise which entails the following:-

(i) AAX Stake Transfer; and

(ii) the streamlining of intercompany debts amongst Capital A, the AAAGL Group and AAB Group by way of reassignment of intercompany debts and offsetting arrangements which involves the following:-

(a) AAAGL Debt Novation where Capital A will assume an aggregate amount of RM2,820.58 million owing by AAAGL to AAB, replacing AAAGL as the debtor, and resulting in Capital A owing the said sum to AAB. The aggregate amount of RM2,820.58 million owing by AAAGL to AAB arises from the following:-

(1) novation of amounts owing by AAAGL's subsidiaries to AAB of RM1,730.00 million to AAAGL by its subsidiaries; and

(2) novation of perpetual capital securities in IAA held by AAB to AAAGL for a consideration of RM1,090.58 million;

(b) waiver by Capital A of amount due from AAAGL of RM3,468.58 million which will be recognised as capital contribution; and

(c) declaration of a dividend of RM3,468.58 million by AAB to Capital A, which is proposed to be set off against amount owing by Capital A to AAB (including the amount owing to AAB of RM2,820.58 million arising from the AAAGL Debt Novation), subject to the receipt of the written consent from the relevant lenders / financiers of AAB.

5.8 Amounts owing to/from the Capital A Group Post Disposal

As at 31 August 2024 and after adjusting for the Vendor's Pre-Completion Restructuring, the AAB Group has non-trade amount owing from the Capital A Group Post Disposal of RM4,028.86 million (of which RM3,800.00 million will be assumed by our Company pursuant to the Debt Settlement).

The non-trade amount owing from the Capital A Group Post Disposal of RM4,028.86 million comprise:-

(i) cash consideration receivable by AAB from Capital A for the disposal of "AirAsia" brand to Capital A pursuant to an intellectual property assignment agreement dated 27 June 2023 entered into between AAB (as seller), Capital A (as purchaser) and Brand AA Sdn Bhd (as nominee of Capital A), wherein AAB assigned all its rights, titles and interests in and to the "AirAsia" brand to Brand AA Sdn Bhd, being a nominee of Capital A for a cash consideration of RM4,500.00 million effective from the date of the agreement in accordance with the terms and conditions contained therein;

(ii) cash consideration receivable by AAB from Capital A for the AAX Stake Transfer for RM106.73 million; and offset by

(iii) net advances made by Capital A to AAB for working capital purposes.

Upon completion of the Proposed AAB Acquisition and the Debt Settlement, the non-trade amount owing from the Capital A Group Post Disposal to the AAB Group is estimated to be about RM255 million, after including AAB's payment of profit on the Capital A RCUIDS on behalf of Capital A until the completion of the Proposed AAB Acquisition. It is the intention of the parties to the AAB SSPA that the non-trade amount owing between the AAB Group and Capital A Group Post Disposal on the date of completion of the Proposed AAB Acquisition shall be fully settled within 1 year following the completion of the Proposed AAB Acquisition.

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6. DETAILS OF THE PROPOSED SHARE CAPITAL REDUCTION

The Proposed Share Capital Reduction entails the reduction of the issued share capital of our Company to RM100.00 million pursuant to Section 116 of the Act.

The Proposed Share Capital Reduction will give rise to a credit(1) which will be used to eliminate the accumulated losses of the New Aviation Group arising from the consolidation of accumulated losses of the Target Companies after the completion of the Proposed Acquisitions. Any balance credit after elimination of the accumulated losses will be credited to a reserve account which serves as additional credit buffer to set off any future losses, if allowed or for such other purposes as may be allowed under the relevant applicable laws, the Listing Requirements as well as the Constitution of our Company but excluding the diminution of liability in respect of unpaid share capital or payment to any Shareholders of any paid-up share capital. Save for the abovementioned purposes, the balance credit shall not be distributable without confirmation of the High Court.

Note:-

(1) Based on the pro forma effects of the Proposals and Proposed Granting of Subscription Options on the issued share capital of our Company as set out in Section 11.1, Part A of this Circular, the Proposed Share Capital Reduction will reduce the issued share capital of our Company from RM4,097.18 million to RM100.00 million, giving rise to a credit of RM3,997.18 million.

Our Board has decided to undertake the reduction of the issued share capital of our Company to RM100.00 million in order to trim the issued share capital as well as to fully eliminate the accumulated losses.

The Proposed Share Capital Reduction is intended to be implemented after the Proposed Issuance of Free Warrants, Proposed Private Placement and Proposed Acquisitions.

After the Proposed Issuance of Free Warrants, Proposed Private Placement and Proposed Acquisitions, our Company will have a total of up to 3,754,765,110 Shares (none of which are held as treasury shares) and up to 223,536,401 Warrants.

For the avoidance of doubt, the Proposed Share Capital Reduction:-

(i) will not result in any adjustment to the reference price of our Shares and Warrants;

(ii) will not give rise to any change in the total number of issued Shares and Warrants; and

(iii) will not result in any change in the number of Shares held by our Shareholders and Warrants held by the Warrants Holders.

An order by the High Court will be sought to confirm the Proposed Share Capital Reduction pursuant to Section 116 of the Act upon the approval being obtained from you for the Proposed Share Capital Reduction.

The Proposed Share Capital Reduction shall take effect upon lodgement of the sealed order granted by the High Court confirming the Proposed Share Capital Reduction with the Registrar of Companies pursuant to Section 116(6) of the Act.

The pro forma effects of the Proposed Share Capital Reduction are set out in Section 11, Part A of this Circular.

7. DETAILS OF THE PROPOSED GRANTING OF SUBSCRIPTION OPTIONS

The Proposed Granting of Subscription Options is undertaken in recognition of:-

(i) the Subscriber's past commitment to support and participate for an amount of up to RM50.00 million in our Company's previous fund-raising as set out in the circular to our Shareholders dated 10 May 2021 ("**Previous Fund-raising**"). The commitment was formalised through the execution of a share subscription agreement entered into between our Company and Garynma on 4 April 2022 ("**Previous Subscription Agreement**"). In the said share subscription agreement, our Company had agreed to grant an option for the Subscriber to subscribe for such number of Shares representing up to 15% of the enlarged total number of issued Shares (excluding treasury shares, if any) at any point of time during the 36-month subscription period commencing from the completion of a proposed rights issue to raise gross proceeds of up to RM300.00 million ("**Previous Subscription Option**");

(ii) our Company, with the demonstration of the Subscriber's commitment to support and participate in the Previous Fund-raising, had successfully completed our debt restructuring exercise (which took effect on 16 March 2022). The debt restructuring exercise was crucial for the survival and going concern of our Group and arising therefrom, our Group recorded other income of RM34,313.14 million for the 18-month FPE 31 December 2022; and

(iii) the Subscriber's rights to the Previous Subscription Option under the Previous Subscription Agreement.

However, subsequent to the completion of our debt restructuring exercise, our Company did not proceed with the Previous Fund-raising and the Previous Subscription Option was not implemented.

Our Company acknowledges the support and participation of the Subscriber in the Previous Fund-raising which have assisted our Group in navigating the challenges faced during the COVID-19 pandemic period. Hence, our Company proposes to undertake the Proposed Granting of Subscription Options, in place of the Previous Subscription Option to which the Subscriber is entitled.

Pursuant to the Previous Subscription Agreement, the issue price of any new Shares to be issued and allotted pursuant to the exercise of the Previous Subscription Option ("**Previous Subscription Shares**") was based on the higher of the (a) rights issue price of RM0.28 or (b) 25% of the 5-day VWAP of Shares up to and including the date immediately preceding any exercise of the Previous Subscription Option, subject to adjustment if any alteration is made to our share capital at any time during the 36-month subscription period of the Previous Subscription Option. For illustrative purposes, based on the 5-day VWAP of our Shares up to and including the LPD of RM1.32 (Source: Bloomberg), the issue price of the Previous Subscription Shares (if implemented) would have been RM0.33 (being the higher of RM0.28 and 25% of RM1.32), which is very low relative to the current market price of our Shares.

To facilitate the completion of the Proposals, the issue price of the Subscription Shares comprised in each Subscription Option will now be based on the closing market price of our Shares as at the last trading day prior to acceptance by the Subscriber of the grant of the relevant Subscription Option during a 24-month acceptance period, with a compensatory increase of the Subscription Option Period to 48 months after the completion of the Proposed Acquisitions.

On 26 July 2024, our Company had entered into the Subscription Option Agreement with the Subscriber for the Proposed Granting of Subscription Options. The salient terms of the Subscription Option Agreement are set out in Appendix III of this Circular.

7.1 Basis and number of Subscription Shares to be issued

The Proposed Granting of Subscription Options entails the granting by our Company to Garynma the rights to subscribe for such number of new Shares representing, in aggregate, 12%[(1)] of the total issued shares in our Company immediately after the completion of the Proposed Acquisitions (excluding treasury shares, if any) via 3 Subscription Options of 4% each. All the 3 Subscription Options will be granted by our Company to the Subscriber immediately after the completion of the Proposed Acquisitions.

<u>Note:-</u>

(1) *Our Board had initially proposed to grant to Garynma the rights to subscribe for such number of new shares representing, in aggregate, 15% of the total issued shares in AAG immediately after the completion of the Proposed Acquisitions (excluding treasury shares, if any). This is in line with the Previous Subscription Option (if implemented) where the Subscriber would have been able to subscribe for such number of shares representing up to 15% of the enlarged total number of issued shares in AAG after the completion of the Proposed Internal Reorganisation and Proposals (excluding treasury shares, if any) as the completion of the Proposed Internal Reorganisation and Proposals fall within the 36-month subscription period of the Previous Subscription Option.*

Following the abortion of the Proposed Internal Reorganisation and upon further deliberation between our Company and the Subscriber, both parties have agreed to reduce the Subscription Options from 15% in aggregate to 12% of the total issued shares in AAX immediately after the completion of the Proposed Acquisitions (excluding treasury shares, if any).

Each Subscription Option granted may be individually accepted in full or in part by the Subscriber at any point of time during a period of 24 months[(1)(2)] from the date of granting of the Subscription Option. Upon acceptance of a Subscription Option by the Subscriber, the Subscription Option may be exercised by the Subscriber at any point of time during a period of 48 months[(1)] from the date of granting of the Subscription Option to subscribe, in full or in part, for the Subscription Shares. Any Subscription Options not accepted or not exercised by the Subscriber within the stipulated period shall lapse and cease to be valid for any purpose.

<u>Notes:-</u>

(1) *As set out in Section 7, Part A of this Circular, the issue price of the Previous Subscription Shares was based on the higher of the (a) rights issue price of RM0.28 or (b) 25% of the 5-day VWAP of Shares up to and including the date immediately preceding any exercise of the Previous Subscription Option, subject to adjustment if any alteration is made to our share capital at any time during the 36-month subscription period of the Previous Subscription Option. Such pricing mechanism will allow the Subscriber to subscribe for new Shares at very low issue prices relative to the current market price of our Shares.*

To facilitate the completion of the Proposals, the issue price of the Subscription Shares comprised in each Subscription Option will now be based on the closing market price of our Shares as at the last trading day prior to acceptance by the Subscriber of the grant of the relevant Subscription Option during a 24-month acceptance period, with a compensatory increase of the Subscription Option Period to 48 months after the completion of the Proposed Acquisitions. The 24-month acceptance period given to the Subscriber allows it, to a certain extent, exercise its discretion in determining the issue price of the Subscription Shares comprised in each Subscription Option, subject always to the prevailing market price of our Shares at that point of time. This mechanism allows our Company to issue any Subscription Shares at the prevailing market price of our Shares during the 24-month acceptance period and without any discount. Hence, notwithstanding the discretion given to the Subscriber, this mechanism is expected to result in less dilution to our Shareholders as compared to the pricing mechanism of the Previous Subscription Option.

(2) *Upon acceptance of each Subscription Option by the Subscriber, our Company will make an announcement to Bursa Securities on the number and issue price of as well as the percentage represented by the Subscription Shares comprised in the Subscription Option accepted.*

The actual number of Subscription Shares to be issued will depend on the total number of Shares in issue after the completion of the Proposed Acquisitions and the number of Subscription Shares subscribed by the Subscriber during the Subscription Option Period.

The number of the Subscription Shares comprised in each Subscription Option will be subject to adjustment in accordance with the provisions of the Subscription Option Agreement if any alteration is made to the share capital of our Company at any time during the Subscription Option Period such as by way of rights issue, bonus issue, consolidation of shares or subdivision of shares.

The Subscription Option Agreement is conditional upon your approval having been obtained for the Proposed Granting of Subscription Options and the approval from Bursa Securities having been obtained for the listing and quotation of the Subscription Shares pursuant to the exercise of the Subscription Options on the Main Market of Bursa Securities. If any of these conditions are not fulfilled within 6 months from the date of the Subscription Option Agreement or such other period as mutually agreed, the Subscription Option Agreement shall not automatically terminate and shall subsist as long as it is required for our Company and Garynma to enter into bona fide discussions on such alternative arrangements (including entering into new transaction document(s)) as may be fair and reasonable with the effect of allowing the Subscriber to have continuing rights to subscribe for such number of AAX Shares under the Previous Subscription Agreement or the Subscription Option Agreement, as the case may be ("**New Transaction Document**").

For the avoidance of doubt, if any of the conditions precedent to the Subscription Option Agreement is not fulfilled, the Proposed Granting of Subscription Options will not be implemented. The Subscription Option Agreement and Previous Subscription Agreement shall however continue to subsist and shall be dealt with in accordance with the New Transaction Document. This is to preserve the rights and obligations of our Company and the Subscriber while both parties enter into bona fide discussions on and give effect to such alternative arrangement as may be fair and reasonable, having regard to the Subscriber's rights to the Previous Subscription Option under the Previous Subscription Agreement arising from its support and participation in our Previous Fund-raising.

Further, the Proposed Granting of Subscription Options will not be carried out in the event that the conditions precedent to the Subscription Option Agreement are fulfilled but the Proposed Acquisitions (but not the other proposals) are not completed. In such circumstance, our Company and Garynma shall enter into bona fide discussions on such alternative arrangements (including the New Transaction Document).

In respect of the timeline for the parties to enter into alternative arrangements (including the New Transaction Document), our Company and Garynma shall enter into such alternative arrangements as may be fair and reasonable as soon as practicable i.e. within 6 months from the commencement of bona fide discussions on such alternative arrangements, and if the parties are unable to conclude the bona fide discussions within 6 months, then the time period for such discussions shall automatically be extended for successive terms of 6 months each. Where applicable, approvals will be sought from our Shareholders and relevant regulatory authorities for the purposes of giving effect to the New Transaction Document.

Upon execution of the New Transaction Document, the Subscription Option Agreement shall terminate and no party shall thereafter have any claim, further rights or obligations against the other party under the Subscription Option Agreement save for any antecedent breach or breach of any provisions expressly stated to continue to apply after termination of the Subscription Option Agreement. Our Company and Garynma further agree that notwithstanding the termination of the Subscription Option Agreement, the Previous Subscription Agreement shall continue to subsist and its termination shall be dealt with in the New Transaction Document.

7.2 Background information on the Subscriber

Garynma was incorporated in Singapore as a private company limited by shares under the Singapore Companies Act 1967 on 2 June 2021 under the name of Garynma Investments Pte Ltd. Garynma is principally involved in the business of investment holding.

As at the LPD, Garynma has an issued share capital of SGD100, comprising 100 ordinary shares. The sole shareholder of Garynma is Cosima Investments Pte Ltd, which is wholly owned by Dato' Lim Kian Onn.

The directors of Garynma as at the LPD are Dato' Lim Kian Onn and Caryn Lim Su Yin.

7.3 Basis and justification for the issue price of the Subscription Shares

The issue price of the Subscription Shares comprised in each Subscription Option shall be the closing market price of our Shares as at the last trading day prior to acceptance by the Subscriber of the grant of the relevant Subscription Option(1). For the avoidance of doubt, as each Subscription Option granted may be individually accepted in full or in part by the Subscriber at any point of time during a period of 24 months from the date of granting of the Subscription Option, the date of acceptance of each Subscription Option and hence, the issue price of the Subscription Shares comprised in each Subscription Option may be different.

Note:-

(1) As set out in Section 7.1, Part A of this Circular, the pricing mechanism under the Previous Subscription Option will allow the Subscriber to subscribe for new Shares at very low issue prices relative to the current market price of our Shares.

Accordingly, our Company and Garynma have agreed on the mechanism under the Subscription Option Agreement with:-

(a) a 24-month acceptance period given to the Subscriber to allow it, to a certain extent, exercise its discretion in determining the issue price of the Subscription Shares comprised in each Subscription Option, subject always to the prevailing market price of our Shares at that point of time. For this purpose, the closing market price of our Shares as at the last trading day prior to acceptance by the Subscriber of the grant of the relevant Subscription Option has been adopted as it reflects the prevailing market price of our Shares at that point of time; and

(b) a compensatory increase of the Subscription Option Period to 48 months after the completion of the Proposed Acquisitions.

This mechanism allows our Company to issue any Subscription Shares at the prevailing market price of our Shares during the 24-month acceptance period and without any discount. Hence, notwithstanding the discretion given to the Subscriber, this mechanism is expected to result in less dilution to our Shareholders as compared to the pricing mechanism of the Previous Subscription Option.

The issue price of the Subscription Shares will be subject to adjustment in accordance with the provisions of the Subscription Option Agreement if any alteration is made to the share capital of our Company at any time during the Subscription Option Period such as by way of rights issue, bonus issue, consolidation of shares, subdivision of shares, capital repayment or capital distribution.

7.4 Ranking of the Subscription Shares

The Subscription Shares shall, upon allotment and issuance, rank equally in all respects with the then existing issued Shares, save and except that the holder of the Subscription Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to our Shareholders, the entitlement date of which is prior to the date of allotment and issuance of the Subscription Shares.

For the avoidance of doubt, the Subscription Shares will be allotted and issued after the Warrants Entitlement Date and hence, there will be no Warrants to be issued in respect of the Subscription Shares.

7.5 Listing and quotation of the Subscription Shares

Bursa Securities had, vide its letter dated 11 September 2024, resolved to approve the listing and quotation of the Subscription Shares on the Main Market of Bursa Securities. The approval of Bursa Securities is subject to the conditions as set out in Section 13, Part A of this Circular.

7.6 Use of proceeds from the issuance of Subscription Shares

The Proposed Granting of Subscription Options will not raise any immediate funds until such time the Subscriber subscribes for the Subscription Shares. The exact quantum of proceeds that may be received by our Company from the issuance of Subscription Shares will depend on the number of Subscription Shares subscribed by the Subscriber during the Subscription Option Period and the issue price of the Subscription Shares.

Strictly for illustrative purposes, assuming a total of 450,571,813 Subscription Shares are issued at the illustrative issue price of RM1.32 per Subscription Share, our Company will raise gross proceeds of up to approximately RM594.75 million.

The gross proceeds from the issuance of the Subscription Shares are intended to be allocated in the following proportion:-

Proposed use of proceeds	**Allocation(1) (%)**
(i) Repayment of borrowings, debentures and lease liabilities(2)	50.00
(ii) General working capital(3)	50.00
Total	**100.00**

<u>*Notes:-*</u>

(1) Notwithstanding the intended allocation above, our Company may allocate more than 50% of the gross proceeds from the issuance of the Subscription Shares to the repayment of borrowings, debentures and lease liabilities in order to meet these repayment obligations as and when they fall due.

(2) Upon completion of the Proposed Acquisitions, our Company will consolidate the borrowings, debentures and lease liabilities of the AAAGL Group and AAB Group. These include term loan facilities, pre-delivery payment financing and various lease liabilities in respect of aircraft and engines.

(3) This includes payment to lessors, suppliers, contractors, consultants and other creditors as well as defrayment of other operational and administrative expenses including payment of staff costs (such as salaries, bonuses, statutory contributions and other staff benefits), user charges, utilities, rental, travelling and accommodation expenses, maintenance and overhaul expenses and other office / operating expenses).

Any proceeds from the issuance of the Subscription Shares will be received as and when the Subscriber subscribes for the Subscription Shares during the Subscription Option Period. Accordingly, the intended allocation as disclosed above is indicative and based on our management's best estimate only. The exact details, breakdown and timing for use of such proceeds as well as the benefits arising therefrom cannot be determined at this juncture as these will depend on the timing of receipt of such proceeds as well as the actual operating and financing requirements of the New Aviation Group at the relevant time.

Pending the use of proceeds from the issuance of Subscription Shares, such proceeds shall be placed in interest-bearing deposits with licensed financial institutions and/or invested in short-term money market instruments, as our Board may deem fit. Any interests derived from the deposits with licensed financial institutions and/or gains derived from the short-term money market instruments will be used as additional funds to be used in the manner as abovementioned.

8. RATIONALE AND BENEFITS OF THE PROPOSALS AND PROPOSED GRANTING OF SUBSCRIPTION OPTIONS

8.1 Proposed Issuance of Free Warrants

The Proposed Issuance of Free Warrants is undertaken to:-

(i) reward you for your continuous support towards our Group by enabling you to participate in convertible securities of our Company, which are tradable on the Main Market of Bursa Securities, without incurring any cost;

(ii) provide you with an opportunity to increase your equity participation in our Company at a pre-determined exercise price over the tenure of the Warrants, and to allow you to further participate in the future growth of the New Aviation Group when the Warrants are exercised;

(iii) provide the New Aviation Group with additional funds for its operating and financing requirements as and when the Warrants are exercised in the future without incurring interest expenses as compared to debt facilities; and

(iv) strengthen the capital base of the New Aviation Group by increasing the size of the shareholders' funds arising from the exercise of the Warrants and provide the New Aviation Group with greater flexibility in terms of the options available to meet its future funding requirements.

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8.2 Proposed Private Placement

The Proposed Private Placement is undertaken to strengthen the financial position of our Group amidst undertaking the Proposed Acquisitions, and to raise additional funds which shall be used in the manner as set out in Section 3.7, Part A of this Circular.

After due consideration of the various methods of fund-raising available to our Company as well as, amongst others, prevailing market conditions, size of the fund-raising and the debt capacity of our Company, our Board is of the view that the Proposed Private Placement is the most appropriate means to raise the funds required as it is expected to:-

(i) raise funds expeditiously and cost effectively as compared to a pro-rata issuance of securities such as a rights issue and without incurring interest expenses as compared to debt facilities;

(ii) allow our Company to potentially attract more local and/or international investors, thereby potentially widening our Shareholders' base;

(iii) increase the total number of Shares in issue which in turn may improve the trading liquidity of our Shares; and

(iv) enlarge the capital base of our Company thereby strengthening our financial position upon completion of the Proposed Private Placement.

8.3 Proposed Acquisitions

Upon completion of the Proposed Acquisitions, the New Aviation Group will house all the airline entities operating under the "AirAsia" brand (including "AirAsia X" brand) and the aviation-related businesses currently undertaken by our Group, AAAGL Group and AAB Group.

There will be 7 airlines operating under the enlarged aviation group, namely (1) 'Malaysia AirAsia' operated by AAB, (2) 'Thai AirAsia' operated by TAA, (3) 'Philippines AirAsia' operated by PAA, (4) 'Indonesia AirAsia' operated by IAA, (5) 'AirAsia Cambodia' operated by CAA, (6) 'AirAsia X' operated by our Company and (7) 'Thai AirAsia X' operated by TAAX. Each airline holds its respective airline operator certificates and these airline operator certificates will continue to be held separately by different entities within the New Aviation Group as each airline focuses on different destinations and flight routes which cater to the travelling needs from different groups of customers.

The Proposed Acquisitions present an opportunity to you to own a part of the New Aviation Group that will house award-winning airlines with over 22 years of established history and track record (which 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) and to bear the risks and rewards associated with ownership of the enlarged aviation group amidst the anticipated recovery of international air traffic post COVID-19. The Proposed Acquisitions will allow our Company to consolidate the assets and liabilities[(1)] as well as earnings of all the abovementioned airlines entities operating under the "AirAsia" brand (including "AirAsia X" brand).

Note:-

(1) As set out in Section 11.3, Part A of this Circular, our Group will have a pro forma NA as at 31 December 2023 of RM574.97 million and total borrowings, debentures and lease liabilities as at 31 December 2023 of RM24,492.69 million upon completion of the Proposed Acquisitions.

The Proposed Acquisitions are expected to enable the New Aviation Group to achieve elevated synergistic benefits in 3 areas, i.e. (i) centralised decision-making, (ii) flexibility in fleet management and utilisation and (iii) more economies of scale and cost savings, which are expected to drive the business success of the enlarged aviation group as elaborated below:-

(i) Centralised decision-making

With the Proposed Acquisitions, our Group, AAAGL Group and AAB Group will be housed together, forming an enlarged aviation group. This allows for the streamlining of administrative, operational, reporting and decision-making processes through a centralised management and leadership within the New Aviation Group.

Following the completion of the Proposed Acquisitions, a centralised leadership is intended to be established under Bo Lingam as the Group Chief Executive Officer of the New Aviation Group and he will be assisted by a team of experienced key senior management team which comprises existing key senior management personnel of our Group, AAAGL Group and AAB Group, who have in-depth knowledge of the operations of the respective airlines. A centralised leadership will enable the consolidation of collaborations and business decision-making across all entities within the New Aviation Group and this will help rationalise the operations, improve efficiency across all business functions and processes, in addition to providing greater flexibility for the New Aviation Group to set the future business and strategic directions and business strategies.

In preparation for the Proposed Acquisitions to streamline aviation business functions and processes amongst the airlines in the New Aviation Group, key aviation business functions such as treasury, legal, human resources, airline operations, corporate communications, airline strategy, fleet, network, scheduling and regulatory affairs, safety, operational quality assurance, airport partnerships and incentives, aircraft leasing, maintenance and lease restructuring, route revenue, and airline marketing functions are being taken over by AAAMS. As at the LPD, AAB and AAAGL have entered into service agreements with AAAMS for these services. Similarly, AAX will be entering into a service agreement with AAAMS for these services in the near future, subject to our Company obtaining your mandate to enter into such recurrent related party transactions, if required. Prior to this, the airlines have appointed AirAsia SEA Sdn Bhd and/or AirAsia SEA Limited, both of which are subsidiaries of Capital A, to provide business functions for the operations of the airlines.

AAAMS is a wholly-owned subsidiary of AAAGL and will be part of the New Aviation Group after the Proposed Acquisitions. This arrangement enables enhanced efficiency as decision-making related to aviation business for all the airlines to be housed under the New Aviation Group will be centralised and eliminates tedious administrative procedures which are otherwise required for compliance with the requirements under the Listing Requirements in respect of recurrent related party transactions if the services are rendered by AirAsia SEA Sdn Bhd and/or AirAsia SEA Limited which will remain as subsidiaries of Capital A.

(ii) Flexibility in fleet management and utilisation

Generally, the airlines to be housed under the New Aviation Group adopt focused aircraft fleet operations whereby our Group operates medium and long-haul flights using widebody aircraft (i.e. A330-300 series aircraft), while the AAAGL Group and AAB Group operate short-haul flights using primarily narrowbody aircraft (i.e. A320-series aircraft). The aircraft leased and operated by each airline can only be shared between airlines by subleasing through wet lease arrangements, where an airline provides an aircraft together with the pilots and cabin crew to operate the aircraft. Due to lengthy administrative and decision-making processes, including adherence to the Listing Requirements particularly in areas of related party transactions, our Group, AAAGL Group and AAB Group have rarely entered into wet lease arrangements to cross utilise the aircraft in the past.

Under a centralised leadership and management, the New Aviation Group expects to increase cross utilisation of aircraft across the airlines through wet lease arrangements, subject to approval by the respective local aviation authorities in the countries where the New Aviation Group operates. With the housing of the airlines together forming the New Aviation Group, the administrative procedures and decision-making process will be simplified and the New Aviation Group will be more flexible in effectively and more conveniently deploying the suitable type of aircraft based on the prevailing needs from each airline within the enlarged aviation group, passenger volume and take-up rate. Consequently, this will ease operational processes and optimise the utilisation of the fleet of aircraft across airlines, which are expected to enhance the New Aviation Group's overall operational efficiency and cost management, and eventually benefit its financial performance.

The scheduling and deployment of aircraft under the enlarged aviation group can be arranged based on prevailing market demand to achieve optimal passenger loads in order to offer competitive flight ticket pricing while achieving reasonable profitability margin as well as potentially capture a higher market share for air travel within the Southeast Asia and Asia Pacific regions by organising more co-ordinated network plans as follows:-

(a) Right-sizing capacity based on demand

Due to the seasonality factor leading to peak travel periods for some of our Group's medium-haul routes (especially routes for holiday destinations), these medium-haul routes operated by our Group may face decreases in passenger volume during non-peak seasons. When a widebody aircraft is deployed with small passenger loads, it reduces the revenue per RPK and may impact profitability margin and affect the ability to offer competitive flight ticket pricing for that route. The flexibility for the New Aviation Group, after the Proposed Acquisitions, to schedule and deploy more narrowbody aircraft during non-peak seasons will allow it to rationalise on the reduced passenger loads with the use of narrowbody aircraft which has a smaller passenger capacity.

On the contrary, certain short-haul flights operated under the AAAGL Group and AAB Group may face seasonality increases in passenger volume during festive seasons which trigger back-to-hometown crowds for domestic flights, or sporadic increases in demand to popular international destinations such as Singapore, Bangkok and Bali. The flexibility for the New Aviation Group to schedule and deploy more widebody aircraft operated under the enlarged aviation group to cater to such increased demand will allow it to capitalise on sales opportunities on routes with slot constraints as a widebody aircraft has a larger passenger capacity than a narrowbody aircraft.

(b) **Efficient aircraft deployment**

Additionally, flexibility in aircraft deployment will allow the New Aviation Group to schedule and deploy aircraft according to the take-up rate of existing and new routes for profit maximisation whilst ensuring cost-efficiency.

Through more co-ordinated network plans, the New Aviation Group will be able to plan and organise its aircraft deployment and schedule more connecting flights (i.e. Fly-Thru services) to better connect short-haul networks (usually with high flight frequencies) to the medium and long-haul destinations (with lower flight frequencies). The increased number of connecting flights is expected to offer more convenience to the long-haul passengers to match their travelling schedule. This enables the New Aviation Group to potentially capture a higher market share for air travel.

Flexibility in fleet and network deployment is also envisioned to drive the growth of the New Aviation Group with the option to deploy narrowbody aircraft to new routes at the infancy stage, socialising new markets without excess capacity to flood the markets and only transitioning to full widebody capacity once the markets mature.

Moving forward, the New Aviation Group plans to continue to review its fleet plan from time to time and may order or lease more aircraft to respond to changes in the aviation industry and to enhance its air connectivity. As at the LPD, the airlines to be housed under the New Aviation Group collectively have an order of about 400 aircraft from Airbus (mainly secured by AAB, with scheduled delivery commencing from 2024 up until 2035), providing the New Aviation Group with certainty for aircraft deliveries to meet its fleet replacement and expansion plans. Closer to the delivery and prior to the finalisation of lease documents where the aircraft will be tagged to an airline, the New Aviation Group has the flexibility to deploy the aircraft to any of its airlines based on the suitability and prevailing needs of each airline.

The access to the enlarged aviation group's collective orderbook is critical for our Group's long-term growth prospects, which is currently limited as a result of the necessary corporate exercises undertaken during the COVID-19 pandemic. At the height of the COVID-19 pandemic, our Group (i) downsized our aircraft orderbook consisting of A330neo aircraft and A321XLR aircraft and (ii) deferred delivery of the orderbook until 2026. While necessary at that time, our Group now faces limitation in our expansion prospects in the immediate term as world over, airlines recovery and by extent of such recovery, demand for additional aircraft capacity were on unparalleled scale.

The Proposed Acquisitions are envisioned to enable our Group to access immediate fleet growth prospects through AAB's existing orderbook, with delivery between 2024 and 2035. Aircraft deliveries from this orderbook are envisioned to be allocated to AOCs within the New Aviation Group as necessary to facilitate continued growth and expansion for all "AirAsia"-branded airlines including our Group, thereby averting a scenario of fleet stagnation and losing market share to growing competitors locally and regionally.

(iii) **More economies of scale and cost savings**

Potential interest savings and greater fund-raising capability: Despite sharing some common shareholders, our Group negotiated our lease contracts and lease facilities separately from the AAAGL Group and AAB Group, and our Group's credit track record was generally assessed independently from the AAAGL Group and AAB Group.

Our Group, as part of the enlarged aviation group following the completion of the Proposed Acquisitions, will be able to leverage on the combined credit track record of the New Aviation Group to negotiate for better credit terms for our future leasing contracts and lease facilities.

Further, after the completion of the Proposals, the New Aviation Group as an enlarged aviation group operating and providing a full spectrum of short, medium and long-haul low-cost air transportation services, coupled with its strengthened and stronger financial position, will have greater fund-raising capability to support its future business growth and expansion.

Joint sales and marketing activities: With a centralised leadership and management, the New Aviation Group can enhance its cross selling between short and medium-haul flights across its airlines through participation in joint marketing campaigns. This allows the New Aviation Group to maximise its advertising spend i.e. to achieve a wider consumer reach, ultimately resulting in a stronger marketing impact under the "AirAsia" brand and capture potentially more sales across the airlines and achieve cost savings.

Procurement of supplies: As at the LPD, the purchase of certain supplies (e.g. spare parts, consumables and chemicals) for most of the airlines under the AAAGL Group and AAB Group have been centralised through Asia Digital Engineering Sdn Bhd, a subsidiary of Capital A, to minimise direct purchases and negotiations with third party suppliers. Our Company is in negotiation with Asia Digital Engineering Sdn Bhd for similar arrangement. Following the completion of the Proposed Acquisitions, under a centralised leadership and management, the consolidation of procurement of supplies for our Group, AAAGL Group and AAB Group through Asia Digital Engineering Sdn Bhd will be further enhanced, allowing the New Aviation Group to leverage on the enlarged need for any common supplies to negotiate for better supply contract terms, in particular more competitive pricing and better credit terms, as well as for greater assurance to secure the volumes required.

Further, centralised procurement strategies allow the enlarged aviation group to better manage supply contracts and provides flexibility to effectively utilise the supplies based on the needs from each entity within the New Aviation Group. Consequently, this is expected to ease operational processes, minimise wastages and reduce inventory turnover rates which are expected to enhance the New Aviation Group's overall cost management, and eventually benefit its financial performance.

Further, the Proposed Acquisitions allow our Group to strengthen the leverage to continue to benefit from the already-present synergies from being part of a wider AirAsia Ecosystem which is critical to support our Group's business operations and growth. Since the commencement of our Group's business, our Group's close association with other entities within the AirAsia Group has allowed us to leverage on "AirAsia" brand (including "AirAsia X" brand) and AirAsia Ecosystem and hence, our Group does not need to invest heavily on building our own brand and infrastructure. Our Group, as part of the enlarged aviation group following completion of the Proposed Acquisitions, 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 to run our airline operations effectively and in a cost-efficient manner. Without these benefits, our Group would face significant challenges in navigating through the competitive landscape of the aviation industry and securing long-term sustainability. Presently, through AirAsia MOVE app, together with the AirAsia Group's online web portal, www.airasia.com, our Group enjoys direct access to a wide market leveraging on the massive pool of users that were built over the years. In addition, a significant portion of our Group's revenue is derived from Fly-Thru services, i.e. connecting flights from the short-haul networks of the AAB Group.

For information purposes, the AirAsia Ecosystem encompasses multiple aspects of travel, lifestyle and aviation which support the airlines' business, including AirAsia Group's online sales channels, maintenance, repair and overhaul services, digital payment and financial services, cargo and logistics services, ground handling services, in-flight meal services and a shared services centre.

8.4 Proposed Share Capital Reduction

The Proposed Share Capital Reduction will:-

(i) enable our Company to rationalise the New Aviation Group's financial position by eliminating the accumulated losses arising from the consolidation of accumulated losses of the Target Companies after the completion of the Proposed Acquisitions to reflect more accurately the value of the underlying assets and the financial position of the New Aviation Group; and

(ii) enhance the financial profile of the New Aviation Group with its bankers, customers, suppliers, investors and other stakeholders following the elimination of the accumulated losses.

8.5 Proposed Granting of Subscription Options

The Proposed Granting of Subscription Options is undertaken in acknowledgement and recognition of the support and participation of the Subscriber in our Previous Fund-raising which have assisted our Group in navigating the challenges faced during the COVID-19 pandemic period as well as the Subscriber's rights to the Previous Subscription Option under the Previous Subscription Agreement, as further elaborated in Section 7, Part A of this Circular.

Further, any proceeds to be received by our Company from the issuance of Subscription Shares pursuant to the Subscription Options may be used to fund the New Aviation Group's working capital requirements.

9. INDUSTRY OUTLOOK AND PROSPECTS OF THE TARGET COMPANIES AND THE NEW AVIATION GROUP

9.1 Overview and outlook of the aviation industry

The industry's air passenger traffic, measured in RPK, grew healthily in July 2024 while maintaining the trend of a smooth transition towards lower conventional figures. Volumes continued to soar above previous months and years. Yearly growth stood at 9.4% while 0.7% in month-on-month terms, based on seasonally adjusted data.

The supply of seats, measured in ASK, continued to grow, exemplified by an increase of 7.4% year-on-year. The load factor further improved, reaching 86%, following a positive streak that started in January of this year. Moreover, July 2024's load factor resulted in 0.5 percentage points above the previous year, suggesting higher demand for air travel. In year-to-date terms, load factor marked 0.5 percentage points above the previous year's. Despite the CrowdStrike IT outage on July 19, which affected global computers including those at airports and airlines, there was no noticeable negative impact on the industry.

Industry growth rates are gradually moderating, including in July. However, Asia Pacific airlines continue to lead in traffic growth. Particularly, the transition for Asia Pacific is prominent thanks to traffic surges from low volumes in 2023. It emphasizes the region's presence and effect on the industry's total passenger traffic growth.

<u>Air passenger market in detail – July 2024</u>

	World share (% of industry RPKs in 2023) (%)	**RPK (% year-on-year)**	**ASK (% year-on-year)**	**Passenger load factor (%)**
Total market	**100.0**	**8.0**	**7.4**	**86.0**
Africa	2.1	6.6	5.8	75.0
Asia Pacific	31.7	12.0	9.8	83.4
Europe	27.1	7.2	7.0	88.2
Latin America	5.5	7.5	8.4	86.2
Middle East	9.4	6.1	5.5	84.0
North America	24.2	4.9	5.1	88.9

(Source: Air Passenger Market Analysis July 2024, IATA)

As of 2024, the airline industry can turn its back on the COVID-19-induced crisis. This is a remarkable rebound, considering the initial shock that saw RPKs drop by 93% in April 2020.

Domestic travel bounced back to the pre-COVID-19 level in the spring of 2023, while international routes did so only recently. Total traffic matched and surpassed 2019 numbers in February 2024. The global network, however, has evolved since 2019. China's international traffic recovery has been slower due to the later easing of travel restrictions, economic uncertainties, and geopolitical tensions. Domestic traffic, on the other hand, has surged thanks to internal tourism, reaching record numbers. Moreover, traffic between Asia and Europe remains affected by the war in Ukraine.

Most regions are expected to climb above 2019 levels in 2024, and most countries will experience continuous growth. Connectivity to Asia Pacific should be fully restored this year. The anticipated increase in total passenger numbers for 2024 is 10.4% year-on-year or 11.6% in RPK.

Over the next 20 years, IATA expects world passengers to increase by 3.8% per year on average, resulting in over 4 billion additional passenger journeys in 2043 compared to 2023. European and North American markets will see a slower rise in demand, 2.3% and 2.7% per year respectively. Asia Pacific is anticipated to record the fastest rise in passenger numbers and to contribute to more than half of the net increase in global passenger numbers by 2043.

Region	**CAGR (2023 - 2043), %**	**Additional passengers by 2043, million**
Africa	3.7	179
Asia Pacific	5.3	2,750
Europe	2.3	656
Middle East	3.9	282
North America	2.7	659
Latin America & Caribbean	2.9	311
World	**3.8**	**4,154**

The region is also slated to experience solid economic growth and improving living standards, which will drive demand for air transport well beyond the global average. Gross domestic product ("**GDP**") in the Asia Pacific region will grow by 65% over the coming 20 years, and trips per capita should almost triple. As a result, nearly half of global passenger traffic will originate or depart from the region in 2043, as opposed to 34.1% in 2023. The larger share of the region in total global traffic comes at the expense of the US, Europe, and Latin America which shares will fall. The Middle East and Africa are likely to see stable shares of the global total.

IATA's baseline forecast comes with a large range of uncertainty that considers the upside and downside factors which could affect the industry's trajectory and air passenger demand. Favourable macro-economic conditions, such as the normalisation of supply chains and lower inflation rates, could potentially lead to an increase in demand. However, geopolitical tensions and conflicts, particularly the ongoing wars in Ukraine and the Middle East, pose substantial risks to the global economy. In addition, new climate policies could dampen the growth in demand for air travel over the coming decades. Overall, the balance of risks remains tilted to the downside, in the near-term but also in the longer term.

(Source: Global Outlook for Air Transport June 2024, IATA)

In 2024, the MAVCOM anticipates passenger traffic to reach between 93.9 million and 107.1 million passengers, reflecting a growth between 10% year-on-year 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 Association of Southeast Asian Nations (ASEAN) region will influence the recovery momentum.

In the tabling of the 2024 Budget, the government has allocated RM350.0 million to boost tourism promotion and activities to promote Malaysia as the top destination for international tourists. There will also be other initiatives to encourage more visitors from China and India, such as improving visa-on-arrival facilities, social visit passes, and multiple-entry visa offers.

(Source: Malaysian Aviation Industry Outlook December 2023, MAVCOM)

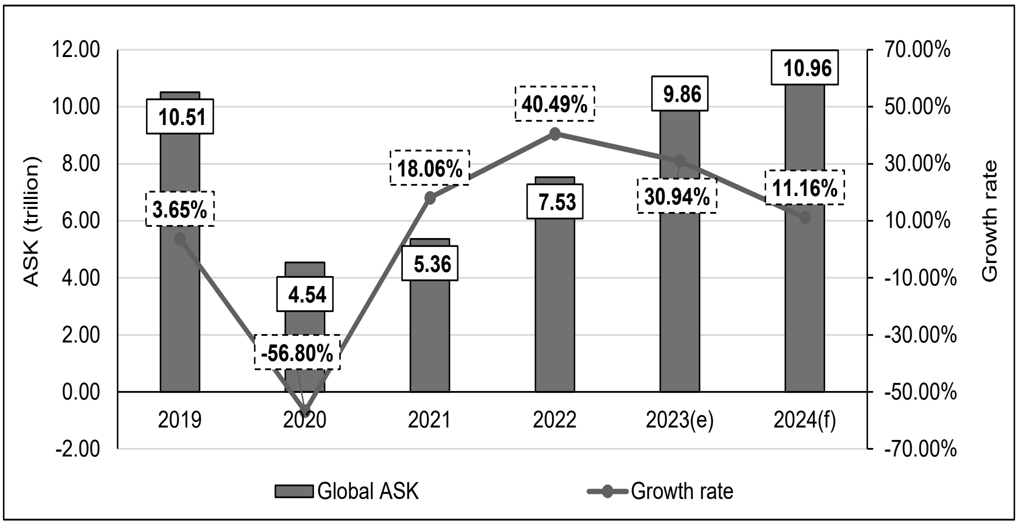
Supply conditions of the aviation industry

ASK measures flight capacity to transport passengers. It is calculated by multiplying the number of passenger seats available for sale and distance travelled.

As a result of decreased demand for air travel due to the COVID-19 pandemic, global ASK decreased year-on-year by 56.80% from 10.51 trillion in 2019 to 4.54 trillion in 2020. Following the gradual and eventual complete subsidence of the COVID-19 pandemic, the resumption of airline operations and improved demand for air travel have led to the restoration of operating aircraft, routes and frequencies by airlines in order to support the improved demand for air travel. From 2020 to 2022, global ASK recovered at a CAGR of 28.79% from 4.54 trillion to 7.53 trillion.

IATA estimates continued global ASK recovery in 2023, growing at a year-on-year rate of 30.94% to 9.86 trillion, and expects global ASK to return to pre-COVID-19 levels in 2024, reaching 10.96 trillion with a 11.16% growth rate.

ASK (Global), 2019 – 2024(f)

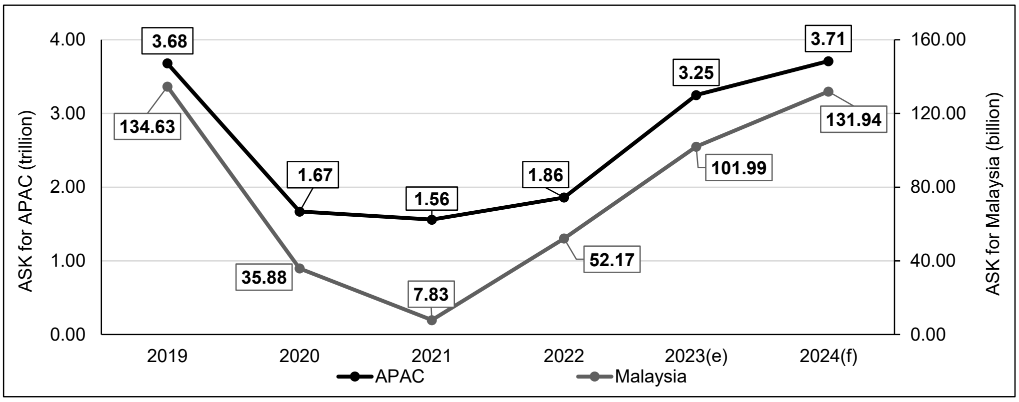


Notes:-

- *e – estimate*
- *f – forecast*

*Sources: IATA, International Civil Aviation Organization ("**ICAO**"), SMITH ZANDER*

ASK (Asia Pacific (APAC) and Malaysia), 2019 – 2024(f)



Notes:-

- *e – estimate*
- *f – forecast*

Sources: IATA, ICAO, MAVCOM, SMITH ZANDER

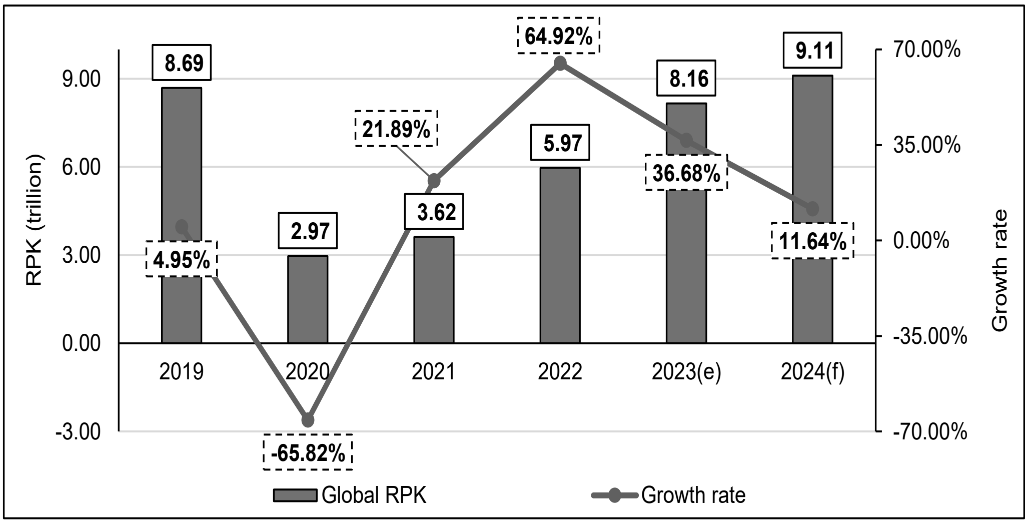
In line with the decline in global ASK between 2019 and 2021, ASK recorded for Asia Pacific and Malaysia also showed negative trends over the same period. During this period, ASK for Asia Pacific fell at a CAGR of 34.89% from 3.68 trillion to 1.56 trillion. Meanwhile, ASK for Malaysia decreased at a CAGR of 75.88% from 134.63 billion to 7.83 billion. From 2021 to 2022, ASK for Asia Pacific recovered by 19.23% from 1.56 trillion to 1.86 trillion while ASK for Malaysia recorded a massive growth of 566.28% from 7.83 billion to 52.17 billion. In 2022, Malaysia recorded a higher ASK recovery rate compared to Asia Pacific as air travel resumed with the full opening of its international borders in April 2022, while the international borders of some countries in Asia Pacific, particularly China, remained close throughout 2022.

With the reopening of China's international borders on 8 January 2023, the demand for air transportation services is expected to significantly boost and drive the recovery of ASK for Asia Pacific and Malaysia. IATA estimates ASK for Asia Pacific to grow year-on-year by approximately 74.73% to 3.25 trillion in 2023 and by approximately 14.15% to 3.71 trillion in 2024, which exceeds its pre-COVID-19 levels. Over the same period, SMITH ZANDER estimates ASK for Malaysia to expand year-on-year by 95.50% to 101.99 billion in 2023 and by 29.37% to 131.94 billion in 2024, which is close to its pre-COVID-19 levels, in tandem with MAVCOM's expectation of passenger traffic to reach close to 2019 levels in 2024.

Market demand of the aviation industry

RPK is a measure of flight demand from passengers through the multiplication of the number of paying passengers in a flight by the distance travelled by the aircraft.

RPK (Global), 2019 – 2024(f)



Notes:-

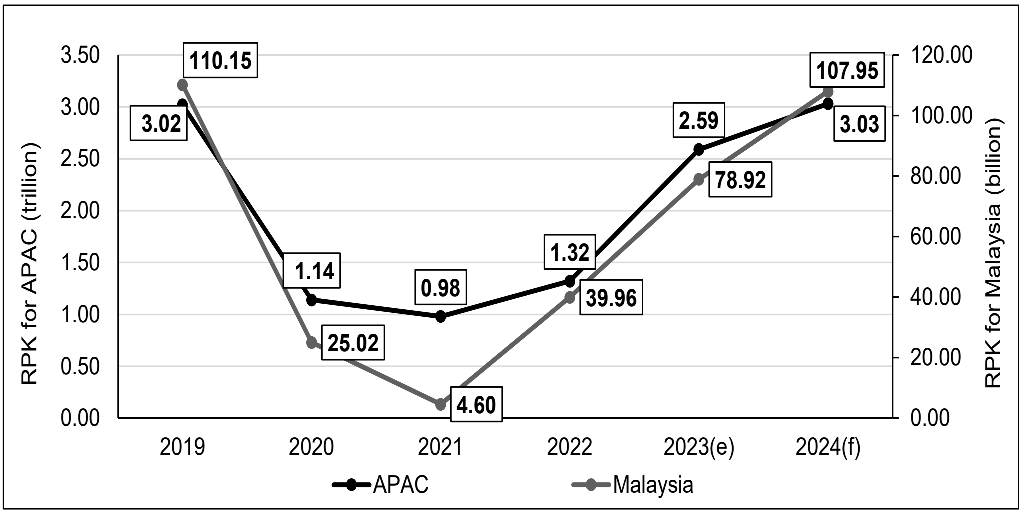
- *e – estimate*
- *f – forecast*

Sources: IATA, SMITH ZANDER

Consistent with the decrease in demand for air travel due to the COVID-19 pandemic, global RPK decreased year-on-year by 65.82% from 8.69 trillion in 2019 to 2.97 trillion in 2020. The decline in RPK shows that airlines were flying with significantly less passenger loads during this period which resulted in less revenue generated from each flight. With the recovery of air travel, global RPK increased from 2.97 trillion in 2020 to 5.97 trillion in 2022, at a CAGR of 41.78%.

The recovery in demand for air travel which ensued the ease of the COVID-19 pandemic impact resulted in the restoration of operating aircraft, routes and frequencies by airlines to meet this demand, which boosted global RPK. IATA estimates global RPK to surge by 36.68% in 2023 to 8.16 trillion. According to IATA, global RPK has returned to its pre-COVID-19 levels as of February 2024. As such, IATA expects global RPK to grow year-on-year by 11.64% to 9.11 trillion in 2024.

RPK (Asia Pacific (APAC) and Malaysia), 2019 – 2024(f)



<u>Notes:-</u>

- *e – estimate*
- *f – forecast*

Sources: IATA, ICAO, MAVCOM, SMITH ZANDER

The RPK for Asia Pacific and Malaysia also showed negative trends for the period of 2019 to 2020, consistent with that for global RPK, as airlines were generating significantly lower revenue from each flight compared to pre-COVID-19 levels. From 2019 to 2021, the RPK for Asia Pacific decreased from 3.02 trillion to 0.98 trillion, at a negative CAGR of 43.03%, while the RPK for Malaysia decreased from 110.15 billion to 4.60 billion, at a negative CAGR of 79.56%.

The recovery of RPK for Asia Pacific and Malaysia were relatively slower than global RPK, which began recovering in 2021 with the reopening of international borders in Europe and North America that led to recovery rates of 103.90% and 45.70% respectively in 2022. In 2022, the RPK for Europe and North America, at 1.77 trillion and 1.69 trillion respectively, overtook the RPK for Asia Pacific at 1.32 trillion, which was the leading region prior to the COVID-19 pandemic.

Nevertheless, many countries in Asia Pacific began to reopen their international borders in 2022 which fuelled the significant recovery in RPK for Asia Pacific by 34.69% to 1.32 trillion in 2022 from 0.98 trillion in 2021. Meanwhile, RPK for Malaysia expanded significantly by 768.70% in 2022, growing from 4.60 billion to 39.96 billion.

Further, China had also reopened its international borders on 8 January 2023. The reopening of China's international borders and other similar factors driving the recovery of passengers carried were expected to boost the recovery of RPK for Asia Pacific and Malaysia from 2023 onwards. IATA estimates RPK for Asia Pacific to recover at a CAGR of 51.51% from 1.32 trillion in 2022 to 3.03 trillion in 2024, which exceeds its pre-pandemic levels in 2019. SMITH ZANDER forecasts the RPK for Malaysia to increase from 39.96 billion in 2022 to 107.95 billion in 2024 at a CAGR of 64.36%, which is close to its pre-COVID-19 levels, in tandem with MAVCOM's expectation of passenger traffic to reach close to 2019 levels in 2024.

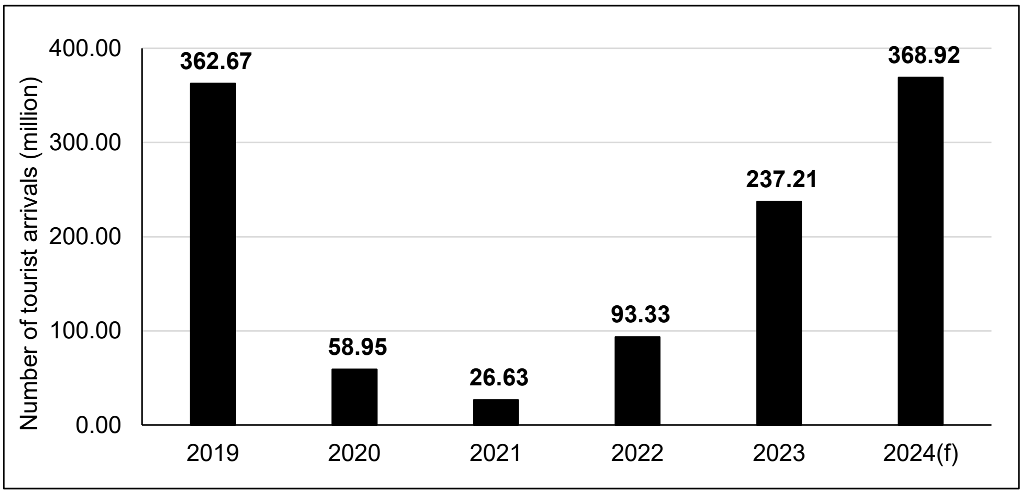
Demand drivers of the aviation industry

The growth of the aviation industry is expected to be driven and sustained by people's general desire to travel, government initiatives to revive the travel and tourism industry and attract international tourist spending, as well as economic growth which spurs the demand for air travel for leisure and business.

Pursuant to the outbreak of the COVID-19 pandemic, many countries closed their country borders, imposed nationwide lockdowns and/or implemented domestic and international travel restrictions as measures to contain the spread of the disease. This caused adverse impact to the travel and tourism industry as reflected in the decline in the number of tourist arrivals in Asia Pacific and Malaysia in 2020 and 2021. Following the uplifting of movement restrictions and reopening of international borders in 2022, travel and tourism activities have recovered due to people's pent-up desire to travel resulting from the prolonged lockdowns.

Tourist arrivals in Asia Pacific declined from 362.67 million in 2019 to 26.63 million in 2021 by a negative CAGR of 72.90%. From 2021 to 2023, the number of tourist arrivals in Asia Pacific recovered at a CAGR of 198.46% from 26.63 million to 237.21 million. SMITH ZANDER estimates that the number of tourist arrivals in Asia Pacific will exceed pre-COVID-19 levels at 368.92 million in 2024, at a year-on-year growth of 55.52%.

Number of tourist arrivals (Asia Pacific), 2019 – 2024(f)



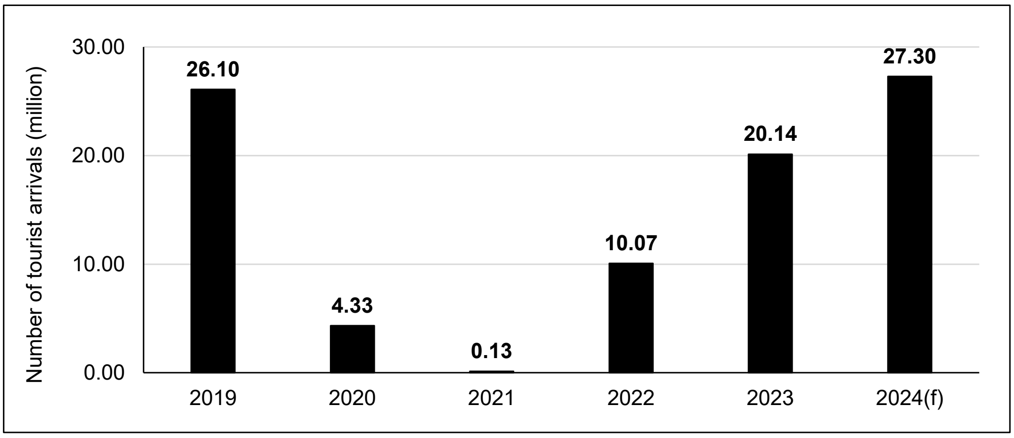
Note:-

- *f – forecast*

Sources: United Nations World Tourism Organization, SMITH ZANDER

Tourist arrivals in Malaysia declined from 26.10 million in 2019 to 0.13 million in 2021 at a negative CAGR of 92.94%. It has recovered at a CAGR of 1,144.68% from 0.13 million tourist arrivals in 2021 to 20.14 million tourist arrivals in 2023. Tourism Malaysia expects the number of tourist arrivals to reach 27.30 million in 2024, exceeding pre-COVID-19 levels, registering a year-on-year growth of 35.55%. In conjunction with Visit Malaysia Year 2026, the Ministry of Tourism, Arts and Culture, Malaysia is expecting 35.60 million tourists in 2026, an increase at CAGR of 4.53% from pre-COVID-19 levels of 26.10 million tourists in 2019.

Number of tourist arrivals (Malaysia), 2019 – 2024(f)



<u>*Note:-*</u>

- *f – forecast*

Sources: Tourism Malaysia, SMITH ZANDER

Further, as China began to reopen its international borders on 8 January 2023, outbound tourism from China has improved significantly and is expected to have boosted the growth of the tourism and aviation industry in the Southeast Asia region, which was the most popular outbound destination for Chinese tourists in 2019 where it accounted for approximately 60% of total outbound tourists from China. In 2019, Southeast Asian countries accounted for 6 out of the top 15 outbound travel destinations for Chinese tourists.

Based on the targets set by the Civil Aviation Administration of China (CAAC) in its 14th Five-Year Special Plan for Air Logistics Development, the target passenger traffic for international routes in 2025 of 65 million passengers is expected to exceed the pre-COVID-19 level of 44 million passengers in 2019.

To revive the travel and tourism industry, the governments of Malaysia and many countries across Asia Pacific have introduced various measures, with examples as follows:-

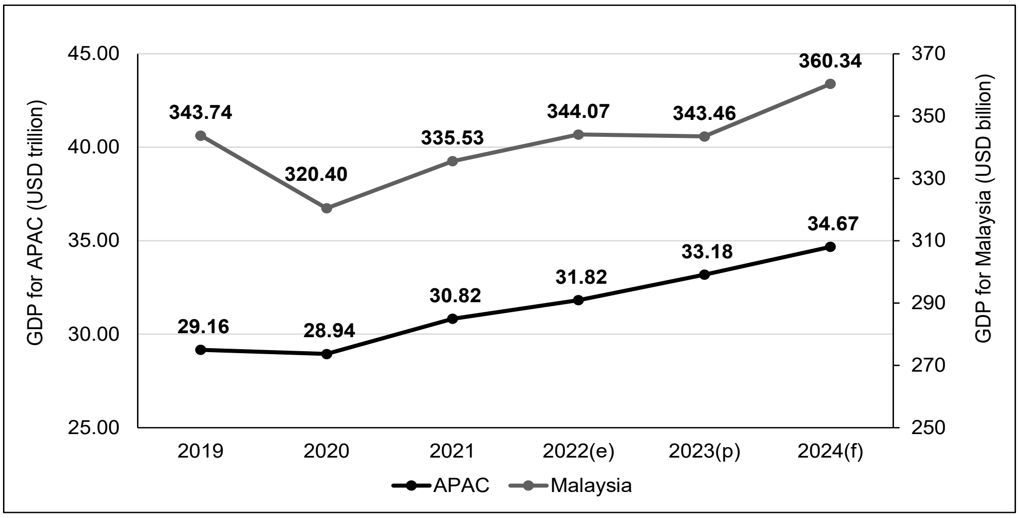
Country	Initiatives and measures taken
Malaysia	Under Budget 2024, RM350 million will be allocated to support the promotion of the Visit Malaysia Year 2026 campaign, organisation of cultural and art activities, matching grants for charter flights and funds to support Muslim-friendly tourism.
Thailand	Effective 1 March 2024, Thailand adopted a permanent visa-free entry policy for Chinese nationals, allowing stays for a maximum of 30 days, which is expected to attract and benefit 8 million Chinese visitors in 2024, a little under the pre-COVID-19 figure of 11 million. This is expected to spur Thailand's tourism industry as Chinese tourists were the nation's key tourism industry driver pre-COVID-19.

Country	Initiatives and measures taken
Indonesia	The Government of Indonesia is setting their sight on initiating the Indonesia Tourism Quality Fund worth IDR2 trillion or around USD123.50 million, aiming at promoting the tourism industry as well as national branding through sports events, concerts and business events, which are expected to attract international tourists.
Philippines	In March 2023, the Government of the Philippines launched the 2023 – 2028 National Tourism Development Plan which outlines the nation's measures to achieve its aspiration in becoming a tourism powerhouse in Asia. Amongst these measures are to boost the nation's connectivity by aiming to increase more routes for air and sea travel as well as the development of more tourist spots and linking key destinations to emerging tourist spots.
China	The Government of China has re-implemented visa-free entry policies that were in place prior to the COVID-19 pandemic following the full reopening of its borders as an effort to foster the recovery of travel and tourism in China. The visa-free entry policies currently in place are applicable for tourists from countries including Malaysia, Thailand, Singapore, Switzerland, Ireland, Hungary, Austria, Belgium and Luxembourg.

Source: Various sources

Economic activities in Malaysia and Asia Pacific have recovered from the adverse impact of the COVID-19 pandemic and demonstrated growth, as reflected in their respective GDP as shown below:-

GDP (Asia Pacific (APAC) and Malaysia), 2019 – 2024(f)

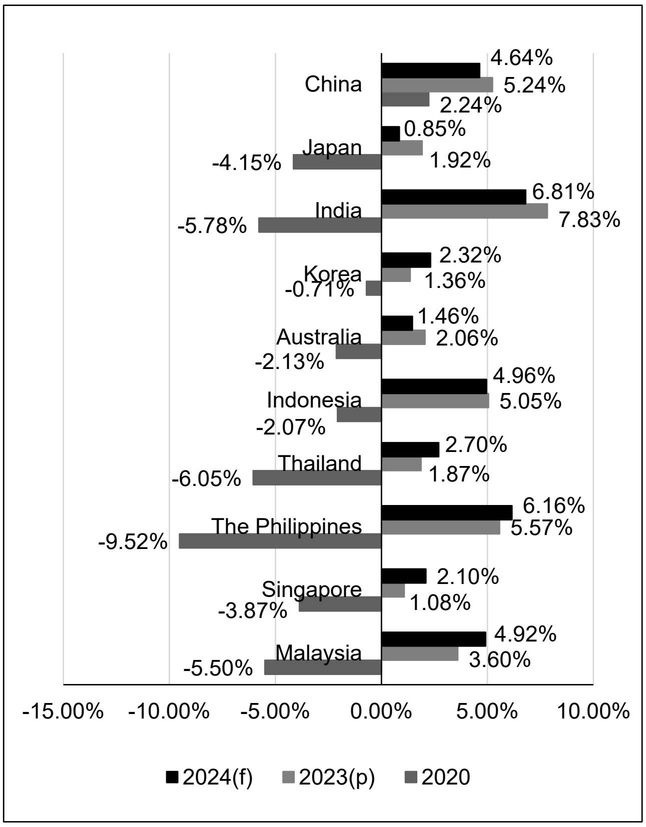


<u>Notes:-</u>

- *e – estimate*
- *p – preliminary*
- *f – forecast*

Sources: Department of Statistics Malaysia, International Monetary Fund, Ministry of Finance Malaysia, The World Bank, SMITH ZANDER

GDP Growth of top 10 GDP countries in Asia Pacific



<u>*Notes:-*</u>

- *p – preliminary*
- *f – forecast*

Sources: Department of Statistics Malaysia, International Monetary Fund, Ministry of Finance Malaysia, SMITH ZANDER

In 2023, the GDP of major economies in Asia Pacific demonstrated positive GDP growth following the declines in 2020, and is expected to continue to record positive GDP growth in 2024 as shown above. With greater wealth, there will be higher disposable income to support leisure and business travel.

Further, air travel is an essential industry to support the business travel required to set up, operate and expand businesses. In order to boost economic growth over the next few years, countries in the Asia Pacific region have introduced various business incentives and investment opportunities, with examples as follows:-

- In Malaysia, with the aim of building a wider ecosystem for the electronics and electrical sector in the northern region of Peninsular Malaysia, the Government has through the Budget 2024 proposed to open a high-tech industrial area in Kerian, Northern Perak, following the success of industrial areas in Bayan Lepas, Penang and Kulim Hi-Tech Park, Kedah in the electronics and electrical sector.

- In Thailand, the Government has approved the 2023 – 2027 Investment Promotion Strategy in October 2022 with the intention to restructure and strengthen the country's economy. Among the incentives include the relocation program which offers corporate income tax exemption to companies that relocate their regional headquarters, research and development centres, and/or manufacturing facilities to Thailand.

- In Indonesia, for a capital investment plan starting at IDR500 billion, the Government may offer a 100% tax holiday on corporate income tax due for 5 to 20 years from the beginning of commercial production, depending on the amount of the investment. Following the completion of the tax holiday, the companies are eligible to receive a 50% corporate income tax reduction for two years.

- In the Philippines, the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was implemented to provide various business incentives such as the reduction of Regular Corporate Income Tax rates whereby the Regular Corporate Income Tax rate for domestic corporations with net taxable income under PHP5 million and total assets under PHP100 million is reduced from 30% to 20% while all other domestic corporations and resident foreign corporations are eligible for Regular Corporate Income Tax rate reduction from 30% to 25%.

Premised on the above, moving forward, the aviation industry will benefit from improved economic activities, which will spur leisure and business travel and drive the demand for passenger air services.

Low-cost carriers are believed to be able to continue increasing their growth and penetration in the aviation industry due to their core advantage of offering value flight services at lower-priced fares by placing emphasis on the core service which is transporting passengers by air from one destination to another with minimal complimentary ancillary services. Hence, low-cost carriers are generally more resilient and flexible in managing their cost structure to be able to offer low fares amidst sustaining through crises such as the COVID-19 pandemic. Moving forward, the sustainability of low-cost carriers is expected to be supported by the above premises, alongside their leverage on the recovery in air travel and surging demand for leisure travel as they continue to increase their capacity and rebuild their networks.

(Source: IMR Report)

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9.2 Prospects of the Target Companies and the New Aviation Group

With the Proposed Acquisitions, the New Aviation Group will house award-winning airlines with over 22 years of established history and track record, not to mention the reach to the world from its home region of Southeast Asia. Over the years, the New Aviation Group had received numerous awards and recognitions for its success in the aviation business, such as the World's Best Low-Cost Airline by Skytrax World Airline Awards for 15 consecutive years since 2009, and the World's Leading Low-Cost Airline by World Travel Awards for 11 consecutive years since 2013.

The New Aviation Group will continue to adopt a business model that will enable it to offer low fares by maintaining low cost per ASK, which has contributed to the past success of the airlines. The ability of the airlines to offer low fares and maintain low cost per ASK 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 AirAsia MOVE 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 airlines to be housed under the New Aviation Group will allow the enlarged aviation group to capture the travel needs of a wide range of customers travelling within the Southeast Asia and Asia Pacific regions. The airlines can 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 Southeast Asia and Asia Pacific regions. Therefore, this allows the New Aviation Group to potentially capture a higher market share for air travel within the regions.

The New Aviation 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 Acquisitions, under the leadership of Bo Lingam as the Group Chief Executive Officer of the New Aviation 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 / exceed their respective pre-COVID-19 levels by 2024. The recovery and growth of the industry are also expected to be fuelled by the various measures introduced by the respective government to revive the travel and tourism industry e.g. 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 2026 and 31 December 2024 respectively 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 CAGR 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 the New Aviation Group, as well as the synergistic benefits from the AirAsia Ecosystem and competitive strengths of the New Aviation 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 New Aviation 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, has recently commenced its operation in Cambodia in May 2024, utilising 2 A320 aircraft based at Phnom Penh International Airport to serve domestic flight operations, covering Phnom Penh, Siem Reap, and Sihanoukville and in August 2024, 'AirAsia Cambodia' launched its first international flight from Phnom Penh to Kuala Lumpur. The New Aviation Group will also assess the potential of expanding its coverage to new destinations.

- The New Aviation 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 New Aviation 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. The New Aviation Group also intends to increase its revenue and grow its market share in Cambodia through its latest airline, 'AirAsia Cambodia'.

- 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 with the AirAsia Group to increase cross-selling opportunities.

- The New Aviation Group expects to also maintain an expanded portfolio of new-generation aircraft comprising both narrowbody and widebody aircraft types, namely the A321neo, the A321LR, the A321XLR and A330neo, supported by the New Aviation Group's aircraft orderbook totalling 396 aircraft, with delivery scheduled between 2024 and 2035. Within the next 3 years, the New Aviation Group expects to take delivery of a total of 34 aircraft from its orderbook, all of which are expected to be on operating leases by way of sale-and-leaseback arrangements with aircraft lessors. In addition, the New Aviation Group also expects to take delivery of 10 A321neo aircraft from an identified lessor's aircraft orderbook by way of operating leases in 2025.

The future growth and success of the New Aviation Group will be backed by an established AirAsia Ecosystem. The New Aviation 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. The New Aviation Group will also have the requisite capacity for its growth ambitions. With all of its upcoming aircraft delivery structured under operating leases by way of sale-and-leaseback arrangements with lessors, the New Aviation Group would gain the flexibility in its future fleet management and utilisation, without the risks and costs of ownership, effectively contributing to the lean and savvy nature of its business model.

In terms of financing for the New Aviation Group's aviation businesses, the Proposed Private Placement is expected to provide necessary funds to the New Aviation Group in addition to its internally generated funds and externally sourced financing.

In view of the above and barring any unforeseen circumstances, our Board is optimistic of the prospects of the Target Companies and the New Aviation Group.

10. RISKS OF THE PROPOSALS

The Proposals, in particular the Proposed Acquisitions, will subject our Group to the following key risks, which are by no means exhaustive:-

The Target Companies and our Group are involved in the aviation industry. Notwithstanding that, the Proposed Acquisitions are very substantial transactions to our Group as the highest percentage ratio applicable to the Proposed Acquisitions pursuant to Chapter 10 of the Listing Requirements is more than 100.00%.

Taking into consideration the above and the differences between the Target Companies and our Group in terms of, amongst others, the scale of business operations (including type and number of aircraft operated, fleet expansion plan, type of services provided and flight destinations / routes serviced), operational and financial requirements as well as geographical locations of business operations, our Group may assume increased exposure to existing business risks related to the aviation industry as well as additional risks arising from the acquisition of the Target Companies pursuant to the Proposed Acquisitions.

10.1 Non-completion risk

The completion of the Proposals and Proposed Granting of Subscription Options is subject to, amongst others, the approvals as set out in Section 13, Part A of this Circular being obtained.

In addition, the completion of the Proposed Acquisitions and the Proposed Granting of Subscription Options is subject to all the conditions precedent in the relevant agreements as set out in Section 3.1 of Appendix II(A) of this Circular, Section 3.1 of Appendix II(B) of this Circular and Section 2 of Appendix III of this Circular being fulfilled. There is no assurance that the said conditions precedent will be fulfilled or that the parties to the relevant agreements will be able to fulfill their respective obligations under the agreements within the timeframe stipulated therein.

In respect of the Proposed Private Placement, there is no assurance that the Placement Shares will be fully subscribed by investors.

In the event that any of the Proposals or Proposed Granting of Subscription Options does not proceed to completion, our Company will not be able to achieve the objectives and benefits of the respective proposals as set out in Section 8, Part A of this Circular.

To mitigate such risk, our Company will take all necessary steps and reasonable efforts to obtain the requisite approvals and to ensure that the conditions precedent in the relevant agreements, which are within the reasonable control of our Company, are fulfilled within the timeframe stipulated in the agreements and duly perform our Company's obligations under the agreements in order to complete the Proposals and Proposed Granting of Subscription Options in a timely manner.

10.2 Investment risk

There is no assurance that the anticipated benefits and synergies arising from the Proposed Acquisitions as set out in Section 8.3, Part A of this Circular will be realised or that the New Aviation Group will be able to generate sufficient returns to offset the dilutive effects to our Shareholders arising from the issuance of Consideration Shares. There is also no assurance that the projected financial performance of the Target Companies will be achieved after the completion of the Proposed Acquisitions.

The aviation businesses of the Target Companies and the New Aviation Group are closely correlated with the level of inbound and outbound travelling and tourism activities at both domestic and international levels and are subject to risks inherent in the aviation industry including:-

(i) changes in the general economic, social and political climate of the country;

(ii) changes in consumers' spending power, lifestyle and preferences for travel destinations;

(iii) natural disasters (e.g. earthquake, flood, tsunami, typhoon and volcanic eruption), outbreak of diseases and epidemics as well as weather conditions in the locality, country or region;

(iv) threats of terrorism, acts of sabotage, strikes, riots, geopolitical tensions, social unrest and declaration of war;

(v) changes in legislation and government policies;

(vi) negative reviews or adverse publicity affecting the reputation of the airlines, ultimately leading to negative public perception and loss of consumers' confidence towards the airlines;

(vii) increase in travelling costs as a result of higher airline operating costs arising from, amongst others, escalating fuel prices and depreciating local currencies;

(viii) ability to renew airline operator certificates and other relevant approvals / certifications to comply with the applicable regulations;

(ix) increased competition from other existing or new low-cost airlines;

(x) loss of key senior management and ability to hire replacement; and

(xi) ability to secure new aircraft deliveries for fleet replacement and expansion plans.

Nevertheless, our Group has exercised due care in considering the potential risks and benefits associated with the Proposed Acquisitions and our Board believes that the Proposed Acquisitions are critical to the long-term sustainability of our Group as we have been leveraging on the "AirAsia" brand and AirAsia Ecosystem since the commencement of our Group's business. Our Board also believes that the integration risk is low in view that our Group and the Target Companies have been operating within the same AirAsia Ecosystem.

10.3 Projection risk

The AAAGL Purchase Consideration and AAB Purchase Consideration were arrived at after taking into consideration, amongst others, the range of valuation for the entire equity interests in the Target Companies based on the valuation undertaken by Deloitte. In arriving at the valuation of the Target Companies, the Valuer has considered a number of valuation approaches and adopted the DCF method of valuation as the primary method for the valuation of the AOCs, namely AAB, TAA, PAA and IAA using the 5-year financial projections of the said AOCs from 1 January 2024 to 31 December 2028 together with the underlying bases and assumptions.

There is no assurance that the AOCs will be able to achieve the projected results in the future and that the key underlying bases and assumptions used in arriving at the valuation of the Target Companies will materialise as planned. In the event that the AOCs are unable to achieve the projected results in the future and/or if any of the key underlying bases and assumptions used in arriving at the valuation of the Target Companies does not materialise as planned, the valuation of the Target Companies may deteriorate and the New Aviation Group may be required to recognise an impairment loss on the carrying amount of its investments in the Target Companies (including any goodwill and intangible assets arising from the Proposed Acquisitions) and this may adversely affect the financial performance and financial position of the New Aviation Group.

In mitigating such risk and to ensure smooth daily operations including the execution of future plans and business strategies under the enlarged aviation group, a centralised leadership is intended to be established under Bo Lingam as the Group Chief Executive Officer of the New Aviation Group and he will be assisted by a team of experienced key senior management team with extensive experience in the aviation industry and in-depth operational knowledge of the respective airlines. In addition, it is worth noting that the Valuer has assigned additional risk premiums to the discount rates adopted in its DCF method to account for uncertainties and risks attributable to the cash flow projections for the respective AOCs.

10.4 Goodwill and impairment risk

The Proposed Acquisitions are expected to give rise to goodwill to be recognised, the amount of which will depend on the fair value of the Target Companies' identifiable assets acquired (including any intangible assets identified) and liabilities assumed upon completion of the Proposed Acquisitions.

The identifiable assets and liabilities of the Target Companies will initially be recorded in the New Aviation Group's books at their provisional fair values as at the acquisition date pending the conclusion of a purchase price allocation exercise in accordance with Malaysian Financial Reporting Standards 3 *Business Combinations*. Although a preliminary assessment has been conducted, the final outcome of the purchase price allocation exercise cannot be ascertained at this juncture. Any fair value adjustment to the identifiable assets and liabilities arising therefrom may affect the goodwill and financial position of the New Aviation Group. In addition, any impairment on the carrying amount of the investments in the Target Companies (including any goodwill and intangible assets arising from the Proposed Acquisitions) and amortisation of any intangible assets identified from the Proposed Acquisitions may affect the financial performance and financial position of the New Aviation Group.

For illustrative purposes, as set out in the pro forma consolidated statement of financial position of our Group as at 31 December 2023 in Appendix VIII of this Circular, the goodwill and intangible assets upon completion of the Proposed Acquisitions are RM10,090.74 million and RM2,430.84 million respectively, based on the assumptions and parameters stated therein.

Notwithstanding the above, the AAAGL Purchase Consideration and AAB Purchase Consideration fall within the range of valuation for the entire AAAGL Equity Interest and AAB Equity Interest as at 31 December 2023 respectively based on the valuation conducted by Deloitte.

10.5 Risk of triggering Practice Note 17 of the Listing Requirements ("PN17")

The outbreak of the global COVID-19 pandemic had created significant challenges for the aviation industry. As a result, the financial performance and financial position of Capital A was greatly impacted in an adverse manner. On 7 January 2022, Capital A was classified as a PN17 issuer as it triggered the prescribed criteria pursuant to Paragraph 8.04 of the Listing Requirements and Paragraphs 2.1(a) and 2.1(e) of PN17 as set out below:-

(i) Paragraph 2.1(a) – the shareholders' equity of the listed issuer on a consolidated basis is 25% or less of the share capital (excluding treasury shares) of the listed issuer and such shareholders' equity is less than RM40 million; and

(ii) Paragraph 2.1(e) – the auditors have highlighted a material uncertainty related to going concern or expressed a qualification on the listed issuer's ability to continue as a going concern in the listed issuer's latest audited financial statements and the shareholders' equity of the listed issuer on a consolidated basis is 50% or less of share capital (excluding treasury shares) of the listed issuer.

As at the LPD, Capital A is still classified as a PN17 issuer whereas our Company has been uplifted from being classified as a PN17 issuer on 22 November 2023.

There is no assurance that our Company will not trigger the prescribed criteria pursuant to Paragraph 8.04 of the Listing Requirements and Paragraph 2 of PN17 and be classified as a PN17 issuer again following the completion of the Proposed Acquisitions in view that the Target Companies were the major contributors to the decline in financial performance and financial position of Capital A during the COVID-19 pandemic period.

As at 31 December 2023, the AAAGL Group reported net current liabilities of RM9,127.04 million and a capital deficiency of RM5,187.04 million whereas the AAB Group reported a capital deficiency of RM1,504.69 million. These conditions may affect the ability of the Target Companies to meet their financial obligations as and when they fall due. For further information on the financial performance and financial position of the Target Companies for the past 3 financial years, please refer to the accountants' reports of AAAGL and AAB as set out in Appendix IX of this Circular and Appendix X of this Circular respectively.

Barring any unforeseen circumstances, our Board is optimistic of the prospects of the Target Companies and the New Aviation Group. 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, the enlarged aviation group is well-positioned to capitalise on the anticipated recovery of air travel moving forward.

In addition, our Company will undertake the Proposed Private Placement of RM1,000.00 million to strengthen our financial position amidst undertaking the Proposed Acquisitions. Furthermore, one of the conditions precedent in the SSPAs requires that each of the Target Companies (together with their respective group of companies) 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 Acquisition and Proposed AAB Acquisition.

10.6 Limitation of liabilities

Pursuant to the SSPAs, there are certain pre-determined minimum thresholds in respect of indemnities by the Vendor (as set out in Section 6 of Appendix II(A) of this Circular and Section 6 of Appendix II(B) of this Circular) and limitation of liabilities in respect of breach of warranties (as set out in Section 7 of Appendix II(A) of this Circular and Section 7 of Appendix II(B) of this Circular).

In the event that a claim by the Purchaser against the Vendor arising from, amongst others, unfavourable outcome of litigation cases, crystallisation of contingent liabilities and additional tax liabilities to be paid by the Target Companies, is limited or restricted due to pre-determined minimum thresholds and limitation of liabilities as abovementioned or the Vendor is unable to fulfill its obligations in respect of such claim, this may have a material adverse effect on the financial performance and financial position of the New Aviation Group.

As at the date of this Circular, the due diligence exercise on the Target Companies has been completed. Notwithstanding that, the SSPAs may still be terminated at any time prior to the completion of the Proposed Acquisitions in the event that the Purchaser becomes aware that any of the Vendor's warranties was untrue or inaccurate, any inconsistency with the warranties given by the Vendor is discovered, an AAAGL Material Adverse Change (as defined under Note (1) to Section 5(iii) of Appendix II(A) of this Circular) / AAB Material Adverse Change (as defined under Note (1) to Section 5(iii) of Appendix II(B) of this Circular) has occurred or any other breach on the part of the Vendor of the terms of the SSPAs has occurred.

10.7 Financing and default risk

Where necessary, the New Aviation Group may seek equity and/or debt financing for its future funding requirements. The New Aviation Group's ability to obtain such financing and the cost of financing will depend on numerous factors, such as general economic and market conditions, interest rates, credit availability from the banks and/or other lenders, any restriction imposed by the government as well as political, social and economic conditions. There is no assurance that the necessary financing will be available in amounts or on terms and conditions acceptable to the New Aviation Group.

In respect of debt financing, the New Aviation Group is highly geared and could potentially be exposed to risk of default and fluctuation in interest rates on the financing obtained. As set out in Section 11.3, Part A of this Circular, our Group's pro forma total borrowings, debentures and lease liabilities as at 31 December 2023 is RM24,492.69 million (gearing ratio of 42.60 times) upon completion of the Proposed Acquisitions. An increase in financing costs may adversely affect the New Aviation Group's financial performance and its ability to service the financial obligations.

In the event that the New Aviation Group is unable to generate sufficient cash flows to service principal repayments and/or interest costs in respect of any debt financing, this will constitute an event of default, and this may trigger cross default provisions of other financing facilities. In such circumstances, the affected lenders / financiers of the New Aviation Group may demand for an immediate repayment of outstanding amounts and withdraw financing facilities which would otherwise be available for the New Aviation Group.

The New Aviation Group will continuously monitor and review its debt portfolio, which takes into consideration the New Aviation Group's gearing level, interest costs and cash flows. Where necessary, the New Aviation Group may refinance its debt obligations to extend the tenure and/or to obtain more favourable financing terms. Further, as the New Aviation Group reactivates more aircraft and ramps up its operations in line with the revival and increase of air travel demand after the COVID-19 pandemic, its financial performance and financial position are expected to strengthen, and this will also mitigate the financing and default risk.

10.8 Foreign exchange risk

A portion of the airlines' revenue and costs are exposed to foreign exchange risks, including seat sales, freight services, fuel costs, maintenance, repair and overhaul expense and rental expense. Hence, any fluctuation in foreign exchange rates will have an impact to the financial performance of the airlines, e.g. an appreciation of USD against RM will result in the airlines incurring higher fuel costs, maintenance, repair and overhaul expense and rental expense.

The management of the New Aviation Group will manage the foreign currency exposures, to the extent possible, by natural hedges that arise when payments for foreign currency payables are matched against collections from receivables denominated in the same foreign currency or whenever possible, by intragroup arrangements and settlements. Where necessary, financial instruments such as foreign currency forwards may be entered into to hedge foreign exchange risk.

10.9 Risk of reliance on "AirAsia" brand (including "AirAsia X" brand) and AirAsia Ecosystem

The airlines to be housed under the New Aviation Group rely on the strength of "AirAsia" brand (including "AirAsia X" brand) to market and promote their seat sales and ancillary products and services. The New Aviation Group does not and will not own the "AirAsia" brand[(1)] following the completion of the Proposed Acquisitions.

Note:-

(1) The "AirAsia" brand is currently owned by Brand AA Sdn Bhd, a wholly-owned subsidiary of Capital A. As announced by Capital A on 28 February 2024, Capital A is undertaking a proposed business combination involving its equity interest in Brand AA Sdn Bhd with, amongst others, Aetherium Acquisition Corp, a special purpose acquisition corporation listed on the National Association of Securities Dealers Automated Quotations (NASDAQ) in the US to unlock the value of Brand AA Sdn Bhd.

Instead, pursuant to the 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 of the MBLA, the MBLA shall be automatically extended for a period of 10 years, provided that the MBLA has not been lawfully terminated by reason of breach or default in accordance with the terms and provisions of the MBLA.

In the event that the MBLA is not renewed at its expiry or is terminated, the New Aviation Group will not be able to continue leveraging on the "AirAsia" brand and this is expected to have a material adverse effect on the enlarged aviation group's financial performance. Further, any deterioration to the brand recognition may also have an adverse effect on the business, operations and financial performance of the airlines.

In addition, the airlines also rely on the AirAsia Ecosystem which helps to support the airlines' businesses, including AirAsia Group's online sales channels, maintenance, repair and overhaul services, digital payment and financial services, cargo and logistics services, ground handling services, in-flight meal services and a shared services centre. Losing such benefits of comprehensive support services from the AirAsia Ecosystem, the New Aviation Group may face challenges in running the operations of the airlines effectively and in a cost-efficient manner.

In mitigating such risk, a centralised leadership is intended to be established under Bo Lingam as the Group Chief Executive Officer of the New Aviation Group and he will be assisted by a team of experienced key senior management team with extensive experience in the aviation industry and in-depth operational knowledge of the respective airlines. Upon completion of the Proposed Acquisitions, the management of the New Aviation Group will continue to maintain good working relationship with other entities within the AirAsia Ecosystem to preserve the benefits and synergies derived therefrom.

10.10 Foreign investment risk

The investment in the AAAGL Group is subject to foreign investment risk. The ability of foreign entities within the AAAGL Group to repatriate profits will depend largely on the relevant legislations or policies relating to the repatriation of profits prevailing at the point of repatriation. In the event of any changes in the foreign investment policies in Labuan, Thailand, the Philippines and Indonesia which restrict or prohibit foreign investments in the respective foreign entities or repatriation of profits from these countries, there may be a material and adverse impact to the New Aviation Group.

The expert's report on policies on foreign investments, taxation and repatriation of profits under the relevant laws of Labuan, Malaysia, Thailand, the Philippines and Indonesia is set out in Appendix XIII of this Circular.

In addition, please refer to Appendix XIV of this Circular for the legal opinion on ownership of title to the securities or assets and the enforceability of agreements, representations and undertakings given by foreign counter-parties and other relevant legal matters under the relevant laws of Labuan, Malaysia, Thailand, the Philippines and Indonesia.

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10.11 Dilution of existing shareholdings of our Shareholders

The issuance of Placement Shares, Consideration Shares and Subscription Shares will have a dilutive impact to the existing shareholdings of our Shareholders in AAX, as illustrated in the table below:-

		Pro forma A: Based on the minimum issue price of RM1.00 per Placement Share				Pro forma B: Based on an illustrative issue price of RM1.13 per Placement Share			
		Total no. of issued Shares	Existing shareholdings of our Shareholders		% of dilution	Total no. of issued Shares	Existing shareholdings of our Shareholders		% of dilution
			No. of Shares	%			No. of Shares	%	
(I)	As at the LPD	447,072,803	447,072,803	100.00		447,072,803	447,072,803	100.00	
(II)	Based on (I) and after the issuance of Placement Shares pursuant to the Proposed Private Placement	1,447,072,803	447,072,803	30.89	(69.11)	1,332,028,555	447,072,803	33.56	(66.44)
(III)	After (II) and the issuance of Consideration Shares pursuant to the Proposed AAAGL Acquisition and Proposed Distribution by Capital A	3,754,765,110	447,072,803	11.91	(88.09)	3,639,720,862	447,072,803	12.28	(87.72)
(IV)	After (III) and assuming full subscription of the Subscription Shares	4,205,336,923	447,072,803	10.63	(89.37)	4,076,487,365	447,072,803	10.97	(89.03)
(V)	After (IV) and assuming full exercise of the Warrants	4,428,873,324	670,609,204	15.14	(84.86)	4,300,023,766	670,609,204	15.60	(84.40)

Based on the above, upon the issuance of Placement Shares, Consideration Shares and Subscription Shares, the existing shareholdings of our Shareholders in AAX will be diluted by 89.37% to 10.63% under Pro forma A (Pro forma B: diluted by 89.03% to 10.97%).

The Proposed Issuance of Free Warrants serves to mitigate the dilutive impact from the issuance of Placement Shares, Consideration Shares and Subscription Shares as there will be no Warrants to be issued in respect of the Placement Shares, Consideration Shares and Subscription Shares. Upon full exercise of the Warrants, the existing shareholdings of our Shareholders in AAX (including new Shares from the exercise of the Warrants) will increase to 15.14%, representing an effective dilution of 84.86% from your existing shareholdings in AAX under Pro Forma A (Pro forma B: increase to 15.60%; effective dilution of 84.40%).

Notwithstanding that the issuance of Placement Shares, Consideration Shares and Subscription Shares will result in a dilutive impact to the your existing shareholdings in AAX, you should note that:-

(i) the Proposed Private Placement is undertaken to strengthen the financial position of our Group and to raise funds of RM1,000.00 million for the New Aviation Group's aviation businesses. Furthermore, the Placement Shares are intended to be issued at the prevailing market price of our Shares at the price-fixing date of the Placement Shares, with a discount of not more than 15% and in any event, the issue price shall not be lower than the minimum issue price of RM1.00 per Placement Share;

(ii) the Proposed Acquisitions present an opportunity to you to own a part of the New Aviation Group and to bear the risks and rewards associated with ownership of the enlarged aviation group amidst the anticipated recovery of international air traffic post COVID-19 in addition to other rationale and benefits of the Proposed Acquisitions as set out in Section 8.3, Part A of this Circular. 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, the enlarged aviation group is well-positioned to capitalise on the anticipated recovery of air travel moving forward;

(iii) the Consideration Shares are issued to fully satisfy the AAAGL Purchase Consideration (which is fair and justifiable as explained in Section 4.3, Part A of this Circular) at an agreed issued price of RM1.30 each which reflects the prevailing market prices of our Shares prior to the signing of the SSPAs;

(iv) the issuance of Subscription Shares is a form of fund-raising exercise for our Group in the event that the Subscriber exercises the Subscription Options to subscribe for Subscription Shares. As set out in Section 7.3, Part A of this Circular, the mechanism under the Proposed Granting of Subscription Options allows our Company to issue any Subscription Shares at the prevailing market price of our Shares during the 24-month acceptance period and without any discount. Hence, this mechanism is expected to result in less dilution to our Shareholders as compared to the pricing mechanism of the Previous Subscription Option; and

(v) the issue prices of the Placement Shares, Consideration Shares and Subscription Shares are / are expected to be higher than the unaudited consolidated NA of AAX as at 30 June 2024 of RM0.46 per Share.

11. EFFECTS OF THE PROPOSALS AND PROPOSED GRANTING OF SUBSCRIPTION OPTIONS

11.1 Issued share capital

The Proposed AAB Acquisition will not have any effect on the issued share capital of our Company. The pro forma effects of the Proposed Issuance of Free Warrants, Proposed Private Placement, Proposed AAAGL Acquisition, Proposed Share Capital Reduction and the Proposed Granting of Subscription Options on the issued share capital of our Company are as follows:-

	Pro forma A: Based on the minimum issue price of RM1.00 per Placement Share		Pro forma B: Based on an illustrative issue price of RM1.13 per Placement Share	
	No. of Shares	**Share capital (RM'000)**	**No. of Shares**	**Share capital (RM'000)**
As at the LPD	447,072,803	51,029	447,072,803	51,029
Placement Shares to be issued pursuant to the Proposed Private Placement	1,000,000,000	1,000,000[(1)]	884,955,752	1,000,000[(2)]
	1,447,072,803	1,051,029	1,332,028,555	1,051,029
Consideration Shares to be issued pursuant to the Proposed AAAGL Acquisition	2,307,692,307	3,046,154[(3)]	2,307,692,307	3,046,154[(3)]
	3,754,765,110	4,097,183	3,639,720,862	4,097,183
Reduction of issued share capital pursuant to the Proposed Share Capital Reduction	-	(3,997,183)	-	(3,997,183)
	3,754,765,110	100,000	3,639,720,862	100,000
New Shares to be issued assuming full subscription of the Subscription Shares (up to)	450,571,813	594,755[(4)]	436,766,503	576,532[(4)]
	4,205,336,923	694,755	4,076,487,365	676,532
New Shares to be issued assuming full exercise of the Warrants (up to)	223,536,401	295,068[(5)]	223,536,401	295,068[(5)]
Issued share capital after the Proposals and Proposed Granting of Subscription Options	**4,428,873,324**	**989,823**	**4,300,023,766**	**971,600**

<u>*Notes:-*</u>

(1) *Based on the minimum issue price of RM1.00 per Placement Share as determined by our Company.*

(2) *Based on an illustrative issue price of RM1.13 per Placement Share, which represents a discount of approximately 14.39% to the 5-day VWAP of our Shares up to and including the LPD of RM1.32.*

(3) *Based on an illustrative price of RM1.32 per Consideration Share, using the 5-day VWAP of our Shares up to and including the LPD of RM1.32 as a proxy of the fair value of the AAAGL Purchase Consideration.*

(4) *Based on an illustrative issue price of RM1.32 per Subscription Share based on the 5-day VWAP of our Shares up to and including the LPD.*

(5) *Based on an illustrative exercise price of RM1.32 per Warrant based on the 5-day VWAP of our Shares up to and including the LPD.*

11.2 Substantial Shareholders' shareholdings

The Proposed AAB Acquisition and Proposed Share Capital Reduction are not expected to have any effect on the substantial Shareholders' shareholdings in our Company. The pro forma effects of the Proposed Issuance of Free Warrants, Proposed Private Placement, Proposed AAAGL Acquisition and Proposed Granting of Subscription Options on the substantial Shareholders' shareholdings in our Company based on the Register of Substantial Shareholders of our Company as at 2 September 2024 are as follows:-

Pro forma A: Based on the minimum issue price of RM1.00 per Placement Share

	As at 2 September 2024				A(I) After the AAX Stake Transfer			
	Direct		Indirect		Direct		Indirect	
Substantial Shareholders	**No. of Shares**	**%[1]**	**No. of Shares**	**%[1]**	**No. of Shares**	**%[1]**	**No. of Shares**	**%[1]**
Tan Sri Tony Fernandes	11,158,722	2.50	131,033,136[2]	29.31	11,158,722	2.50	131,033,136[4]	29.31
Datuk Kamarudin	37,070,993	8.29	131,033,136[2]	29.31	37,070,993	8.29	131,033,136[4]	29.31
AAB	57,072,850	12.77	-	-	-	-	-	-
Capital A	-	-	57,072,850[3]	12.77	57,072,850	12.77	-	-
Tune Group Sdn Bhd	73,960,286	16.54	-	-	73,960,286	16.54	-	-
Tune Live	-	-	-	-	-	-	-	-
Tune Air	-	-	-	-	-	-	-	-
Capital A and PACs	**179,262,851**	**40.10**			**179,262,851**	**40.10**		
Garynma	-	-	-	-	-	-	-	-
Public shareholding spread (%)	**59.90**				**59.90**			

	A(II) After A(I) and the Proposed Private Placement				A(III) After A(II) and the Proposed AAAGL Acquisition and Proposed Distribution by Capital A			
	Direct		Indirect		Direct		Indirect	
Substantial Shareholders	**No. of Shares**	**%[5]**	**No. of Shares**	**%[5]**	**No. of Shares**	**%[6]**	**No. of Shares**	**%[6]**
Tan Sri Tony Fernandes	11,158,722	0.77	131,033,136[4]	9.06	11,944,579	0.32	1,149,360,456[7]	30.61
Datuk Kamarudin	37,070,993	2.56	131,033,136[4]	9.06	37,856,850	1.01	1,149,360,456[7]	30.61
AAB	-	-	-	-	-	-	-	-
Capital A	57,072,850	3.95	-	-	672,457,465	17.91	-	-
Tune Group Sdn Bhd	73,960,286	5.11	-	-	73,960,286	1.97	-	-
Tune Live	-	-	-	-	200,000,800	5.33	-	-
Tune Air	-	-	-	-	202,941,905	5.40	-	-
Capital A and PACs	**179,262,851**	**12.39**			**1,199,161,885**	**31.94**		
Garynma	-	-	-	-	-	-	-	-
Public shareholding spread (%)	**87.61[8]**				**68.06[8]**			

	A(IV) After A(III) and assuming full subscription of the Subscription Shares				A(V) After A(IV) and assuming full exercise of the Warrants			
	Direct		Indirect		Direct		Indirect	
Substantial Shareholders	**No. of Shares**	**%[9]**	**No. of Shares**	**%[9]**	**No. of Shares**	**%[10]**	**No. of Shares**	**%[10]**
Tan Sri Tony Fernandes	11,944,579	0.29	1,149,360,456[7]	27.33	17,523,940	0.40	1,214,877,024[7]	27.43
Datuk Kamarudin	37,856,850	0.90	1,149,360,456[7]	27.33	56,392,346	1.27	1,214,877,024[7]	27.43
AAB	-	-	-	-	-	-	-	-
Capital A	672,457,465	15.99	-	-	700,993,890	15.83	-	-
Tune Group Sdn Bhd	73,960,286	1.76	-	-	110,940,429	2.50	-	-
Tune Live	200,000,800	4.76	-	-	200,000,800	4.52	-	-
Tune Air	202,941,905	4.82	-	-	202,941,905	4.58	-	-
Capital A and PACs	**1,199,161,885**	**28.52**			**1,288,793,310**	**29.10**		
Garynma	450,571,813[11]	10.71	-	-	450,571,813[11]	10.17	-	-
Public shareholding spread (%)	**60.77%[8]**				**60.73%[8]**			

Notes:-

(1) Based on 447,072,803 issued Shares as at 2 September 2024.

(2) Deemed interested by virtue of his interests in AAB and Tune Group Sdn Bhd pursuant to Section 8 of the Act.

(3) Deemed interested by virtue of its interest in AAB pursuant to Section 8 of the Act.

(4) Deemed interested by virtue of his interests in Capital A and Tune Group Sdn Bhd pursuant to Section 8 of the Act.

(5) Based on 1,447,072,803 issued Shares after the Proposed Private Placement assuming a total of 1,000,000,000 Placement Shares are issued at the minimum issue price of RM1.00 per Placement Share as determined by our Company to raise gross proceeds of RM1,000.00 million.

(6) Based on 3,754,765,110 issued Shares after the Proposed AAAGL Acquisition.

(7) Deemed interested by virtue of his interests in Capital A, Tune Group Sdn Bhd, Tune Live and Tune Air pursuant to Section 8 of the Act.

(8) Assuming that all investors who subscribe for the Placement Shares are considered as public shareholders in accordance with the Listing Requirements. In the event that such investors will become substantial Shareholders of our Company as a result of the subscription of the Placement Shares and hence, will not be considered as public shareholders in accordance with the Listing Requirements, the public shareholding spread of our Company will decrease to 18.51% in Pro forma A(II) (Pro forma A(III): 41.43%; Pro forma A(IV): 36.99%; Pro forma A(V): 38.15%). In such circumstance, in order to comply with the public shareholding spread requirement pursuant to Paragraph 8.02 of the Listing Requirements, the Placement Shares will be issued on the same day as the Consideration Shares.

(9) Based on 4,205,336,923 issued Shares assuming full subscription of the Subscription Shares.

(10) Based on 4,428,873,324 issued Shares assuming full exercise of the Warrants.

(11) The sole shareholder of Garynma is Cosima Investments Pte Ltd, which is wholly owned by Dato' Lim Kian Onn.

Pro forma B: Based on an illustrative issue price of RM1.13 per Placement Share

Substantial Shareholders	As at 2 September 2024				B(I) After the AAX Stake Transfer			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%(1)	No. of Shares	%(1)	No. of Shares	%(1)	No. of Shares	%(1)
Tan Sri Tony Fernandes	11,158,722	2.50	131,033,136(2)	29.31	11,158,722	2.50	131,033,136(4)	29.31
Datuk Kamarudin	37,070,993	8.29	131,033,136(2)	29.31	37,070,993	8.29	131,033,136(4)	29.31
AAB	57,072,850	12.77	-	-	-	-	-	-
Capital A	-	-	57,072,850(3)	12.77	57,072,850	12.77	-	-
Tune Group Sdn Bhd	73,960,286	16.54	-	-	73,960,286	16.54	-	-
Tune Live	-	-	-	-	-	-	-	-
Tune Air	-	-	-	-	-	-	-	-
Capital A and PACs	**179,262,851**	**40.10**			**179,262,851**	**40.10**		
Garynma	-	-	-	-	-	-	-	-
Public shareholding spread (%)	**59.90**				**59.90**			

Substantial Shareholders	B(II) After B(I) and the Proposed Private Placement				B(III) After B(II) and the Proposed AAAGL Acquisition and Proposed Distribution by Capital A			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%(5)	No. of Shares	%(5)	No. of Shares	%(6)	No. of Shares	%(6)
Tan Sri Tony Fernandes	11,158,722	0.84	131,033,136(4)	9.84	11,944,579	0.33	1,149,360,456(7)	31.58
Datuk Kamarudin	37,070,993	2.78	131,033,136(4)	9.84	37,856,850	1.04	1,149,360,456(7)	31.58
AAB	-	-	-	-	-	-	-	-
Capital A	57,072,850	4.29	-	-	672,457,465	18.48	-	-
Tune Group Sdn Bhd	73,960,286	5.55	-	-	73,960,286	2.03	-	-
Tune Live	-	-	-	-	200,000,800	5.49	-	-
Tune Air	-	-	-	-	202,941,905	5.58	-	-
Capital A and PACs	**179,262,851**	**13.46**			**1,199,161,885**	**32.95**		
Garynma	-	-	-	-	-	-	-	-
Public shareholding spread (%)	**86.54(8)**				**67.05(8)**			

Substantial Shareholders	B(IV) After B(III) and assuming full subscription of the Subscription Shares				B(V) After B(IV) and assuming full exercise of the Warrants			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%(9)	No. of Shares	%(9)	No. of Shares	%(10)	No. of Shares	%(10)
Tan Sri Tony Fernandes	11,944,579	0.29	1,149,360,456(7)	28.20	17,523,940	0.41	1,214,877,024(7)	28.25
Datuk Kamarudin	37,856,850	0.93	1,149,360,456(7)	28.20	56,392,346	1.31	1,214,877,024(7)	28.25
AAB	-	-	-	-	-	-	-	-
Capital A	672,457,465	16.50	-	-	700,993,890	16.30	-	-
Tune Group Sdn Bhd	73,960,286	1.81	-	-	110,940,429	2.58	-	-
Tune Live	200,000,800	4.91	-	-	200,000,800	4.65	-	-
Tune Air	202,941,905	4.98	-	-	202,941,905	4.72	-	-
Capital A and PACs	**1,199,161,885**	**29.42**			**1,288,793,310**	**29.97**		
Garynma	436,766,503(11)	10.71	-	-	436,766,503(11)	10.16	-	-
Public shareholding spread (%)	**59.87(8)**				**59.87(8)**			

Notes:-

(1) Based on 447,072,803 issued Shares as at 2 September 2024.
(2) Deemed interested by virtue of his interests in AAB and Tune Group Sdn Bhd pursuant to Section 8 of the Act.
(3) Deemed interested by virtue of its interest in AAB pursuant to Section 8 of the Act.
(4) Deemed interested by virtue of his interests in Capital A and Tune Group Sdn Bhd pursuant to Section 8 of the Act.
(5) Based on 1,332,028,555 issued Shares after the Proposed Private Placement assuming a total of 884,955,752 Placement Shares are issued at an illustrative issue price of RM1.13 per Placement Share to raise gross proceeds of approximately RM1,000.00 million.
(6) Based on 3,639,720,862 issued Shares after the Proposed AAAGL Acquisition.
(7) Deemed interested by virtue of his interests in Capital A, Tune Group Sdn Bhd, Tune Live and Tune Air pursuant to Section 8 of the Act.
(8) Assuming that all investors who subscribe for the Placement Shares are considered as public shareholders in accordance with the Listing Requirements. In the event that such investors will become substantial Shareholders of our Company as a result of the subscription of the Placement Shares and hence, will not be considered as public shareholders in accordance with the Listing Requirements, the public shareholding spread of our Company will decrease to 20.10% in Pro forma B(II) (Pro forma B(III): 42.74%; Pro forma B(IV): 38.16%; Pro forma B(V): 39.29%). In such circumstance, in order to comply with the public shareholding spread requirement pursuant to Paragraph 8.02 of the Listing Requirements, the Placement Shares will be issued on the same day as the Consideration Shares.
(9) Based on 4,076,487,365 issued Shares assuming full subscription of the Subscription Shares.
(10) Based on 4,300,023,766 issued Shares assuming full exercise of the Warrants.
(11) The sole shareholder of Garynma is Cosima Investments Pte Ltd, which is wholly owned by Dato' Lim Kian Onn.

Based on the pro forma effects above, the Proposals and Proposed Granting of Subscription Options are not expected to result in non-compliance with Paragraph 8.02(1) of the Listing Requirements and our Company will continue to comply with the public shareholding spread requirement.

The actual shareholdings in AAX held by Capital A and PACs after the Proposed Private Placement and/or Proposed AAAGL Acquisition (including the Proposed Distribution by Capital A) would depend on the issue price of the Placement Shares to be determined later. Pursuant to the Letter of Undertaking as set out in Section 4.11, Part A of this Circular, Capital A and PACs have irrevocably and unconditionally undertaken that in the event any circumstances or potential circumstances arise which will result in Capital A and PACs triggering any take-over obligations in the Rules at any given time throughout and/or upon completion of the Proposals and Proposed Distribution by Capital A, they will, or they will procure member(s) of the group of persons acting in concert to sell, transfer, give or otherwise dispose of our Shares or ordinary shares in Capital A held by it / them before completion of the Proposed Private Placement and/or Proposed Distribution by Capital A, as the case may be, so as to not trigger the take-over obligations.

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11.3 NA per share and gearing

Upon completion of the Proposed Acquisitions, the New Aviation Group's financial position will reflect the consolidated financial position of our Group and the Target Companies.

For illustrative purposes only, based on the latest audited consolidated financial statements of our Company for the FYE 31 December 2023 and assuming that the Proposals and Proposed Granting of Subscription Options had been effected on 31 December 2023, being the end of the FYE 31 December 2023, the pro forma effects of the Proposals and Proposed Granting of Subscription Options on the consolidated NA per share and gearing of our Company are as follows:-

Pro forma A: Based on the minimum issue price of RM1.00 per Placement Share

	Audited as at 31 December 2023 (RM'000)	A(I) After the Proposed Issuance of Free Warrants (RM'000)	A(II) After A(I) and the Proposed Private Placement (RM'000)	A(III) After A(II) and the Proposed AAAGL Acquisition[(1)] (RM'000)	A(IV) After A(III) and the Proposed AAB Acquisition (RM'000)
Share capital	51,029	51,029	1,051,029[(2)]	4,097,183	4,097,183
Capital reserve	-	-	-	931,700[(3)]	931,700
Merger deficit	-	-	-	(915,501)[(4)]	(915,501)
Foreign exchange reserve	(5,582)	(5,582)	(5,582)	53,833	53,833
Other reserves	-	-	-	(21,082)[(5)]	(21,082)
Retained earnings / (Accumulated losses)[(6)]	70,728	70,328	40,498	(3,565,158)[(7)]	(3,571,168)[(8)]
Shareholders' funds / NA	**116,175**	**115,775**	**1,085,945**	**580,975**	**574,965**
No. of Shares in issue ('000)	447,073	447,073	1,447,073	3,754,765	3,754,765
NA per Share (RM)	0.26	0.26	0.75	0.15	0.15
Total borrowings, debentures and lease liabilities (RM'000)	1,512,025	1,512,025	1,512,025	7,828,655[(9)]	24,492,686[(10)]
Deposits, bank and cash balances (RM'000)[(6)]	57,689	57,289	1,027,459	1,224,428	1,767,309[(10)]
Net borrowings, debentures and lease liabilities (RM'000)	1,454,336	1,454,736	484,566	6,604,227	22,725,377
Gearing (times)	13.02	13.06	1.39	13.48	42.60
Net gearing (times)	12.52	12.57	0.45	11.37	39.52

	A(V) After A(IV) and the Proposed Granting of Subscription Options (RM'000)	A(VI) After A(V) and the Proposed Share Capital Reduction[11] (RM'000)	A(VII) After A(VI) and assuming full subscription of the Subscription Shares (RM'000)	A(VIII) After A(VII) and assuming full exercise of the Warrants (RM'000)
Share capital	4,097,183	100,000	694,755[12]	989,823[13]
Capital reserve	931,700	1,357,115	1,357,115	1,357,115
Merger deficit	(915,501)	(915,501)	(915,501)	(915,501)
Foreign exchange reserve	53,833	53,833	53,833	53,833
Other reserves	(21,082)	(21,082)	(21,082)	(21,082)
Retained earnings / (Accumulated losses)[6]	(3,571,448)	-	-	-
Shareholders' funds / NA	**574,685**	**574,365**	**1,169,120**	**1,464,188**
No. of Shares in issue ('000)	3,754,765	3,754,765	4,205,337	4,428,873
NA per Share (RM)	0.15	0.15	0.28	0.33
Total borrowings, debentures and lease liabilities (RM'000)	24,492,686	24,492,686	24,492,686	24,492,686
Deposits, bank and cash balances (RM'000)[6]	1,767,029	1,766,709	2,361,464	2,656,532
Net borrowings, debentures and lease liabilities (RM'000)	22,725,657	22,725,977	22,131,222	21,836,154
Gearing (times)	42.62	42.64	20.95	16.73
Net gearing (times)	39.54	39.57	18.93	14.91

Notes:-

(1) *The Proposed AAAGL Acquisition has been accounted for as a reverse acquisition, following the guidelines outlined in Malaysian Financial Reporting Standards 3 Business Combinations. Even though our Company is the legal acquirer, for accounting purposes, AAAGL is considered the acquirer.*

(2) *Assuming a total of 1,000,000,000 Placement Shares are issued at the minimum issue price of RM1.00 per Placement Share as determined by our Company to raise gross proceeds of RM1,000.00 million.*

(3) *The capital reserve of RM931.70 million arises from the reverse acquisition accounting in respect of the Proposed AAAGL Acquisition.*

(4) *After taking into consideration the AAAGL Group's merger deficit of RM915.50 million as at 31 December 2023 which arises as a result of AAI, PAA, AAID and IAA becoming subsidiaries of AAAGL during the FYE 31 December 2023 as discussed in Section 1 of Appendix IV of this Circular. The business combinations of AAI, PAA, AAID and IAA were accounted for under the pooling of interest method and these have resulted in the merger deficit of RM915.50 million in the AAAGL Group.*

(5) *After taking into consideration the AAAGL Group's share option reserves of a debit balance of RM21.57 million (relating to employees share options granted by Capital A to certain eligible employees of the AAAGL Group) and surplus reserves of RM0.49 million maintained by AirAsia (Guangzhou) Aviation Service Limited Company, a wholly-owned subsidiary of AAAGL.*

(6) *After deducting estimated expenses of RM0.40 million (Proposed Issuance of Free Warrants), RM29.83 million (Proposed Private Placement), RM8.55 million (Proposed AAAGL Acquisition), RM6.01 million (Proposed AAB Acquisition), RM0.28 million (Proposed Granting of Subscription Options) and RM0.32 million (Proposed Share Capital Reduction).*

(7) *The accumulated losses of RM3,565.16 million arise from the reverse acquisition accounting in respect of the Proposed AAAGL Acquisition and after deducting estimated expenses for the Proposed AAAGL Acquisition of RM8.55 million. Pursuant to the reverse acquisition accounting, the accumulated losses of our Group will reflect the accumulated losses of the AAAGL Group (after adjusting for mainly the acquisition of 100% equity interest in AA Com Travel Philippines Inc. and the Vendor's Pre-Completion Restructuring).*

(8) The business combination of the AAB Group will be accounted for using acquisition method. The only pro forma effect of the Proposed AAB Acquisition on the shareholders' funds / NA of our Group is the estimated expenses of RM6.01 million for the Proposed AAB Acquisition.

(9) After taking into consideration the AAAGL Group's total borrowings, debentures and lease liabilities of RM6,316.63 million as at 31 December 2023.

(10) After taking into consideration the following:-

(i) consolidation of the AAB Group's total borrowings and lease liabilities of RM16,283.29 million and deposits, bank and cash balances of RM168.49 million respectively as at 31 December 2023;

(ii) pre-payment / repayment of the AAB Group's term loan facilities of RM300.00 million using proceeds from the Proposed Private Placement; and

(iii) proceeds received from the issuance of bonds by AirAsia RB 1 Ltd, a wholly-owned subsidiary of AAB, in August 2024, net of refinancing of lease liabilities and transaction costs. The proposed use of proceeds raised from the issuance of bonds is as set out in Section 10 of Appendix V of this Circular.

(11) Pursuant to the Proposed Share Capital Reduction, the issued share capital of our Company will be reduced from RM4,097.18 million to RM100.00 million, giving rise to a credit of RM3,997.18 million. The credit will be used to fully eliminate the accumulated losses of RM3,571.77 million (after including estimated expenses of RM0.32 million for the Proposed Share Capital Reduction) and the balance credit of RM425.41 million will be credited to a reserve account / capital reserve.

(12) Assuming a total of 450,571,813 Subscription Shares are subscribed at an illustrative issue price of RM1.32 per Subscription Share.

(13) Assuming a total of 223,536,401 Warrants are exercised at an illustrative exercise price of RM1.32 per Warrant.

Pro forma B: Based on an illustrative issue price of RM1.13 per Placement Share

	Audited as at 31 December 2023 (RM'000)	B(I) After the Proposed Issuance of Free Warrants (RM'000)	B(II) After B(I) and the Proposed Private Placement (RM'000)	B(III) After B(II) and the Proposed AAAGL Acquisition[1] (RM'000)	B(IV) After B(III) and the Proposed AAB Acquisition (RM'000)
Share capital	51,029	51,029	1,051,029[2]	4,097,183	4,097,183
Capital reserve	-	-	-	931,700[3]	931,700
Merger deficit	-	-	-	(915,501)[4]	(915,501)
Foreign exchange reserve	(5,582)	(5,582)	(5,582)	53,833	53,833
Other reserves	-	-	-	(21,082)[5]	(21,082)
Retained earnings / (Accumulated losses)[6]	70,728	70,328	40,498	(3,565,158)[7]	(3,571,168)[8]
Shareholders' funds / NA	**116,175**	**115,775**	**1,085,945**	**580,975**	**574,965**
No. of Shares in issue ('000)	447,073	447,073	1,332,029	3,639,721	3,639,721
NA per Share (RM)	0.26	0.26	0.82	0.16	0.16
Total borrowings, debentures and lease liabilities (RM'000)	1,512,025	1,512,025	1,512,025	7,828,655[9]	24,492,686[10]
Deposits, bank and cash balances (RM'000)[6]	57,689	57,289	1,027,459	1,224,428	1,767,309[10]
Net borrowings, debentures and lease liabilities (RM'000)	1,454,336	1,454,736	484,566	6,604,227	22,725,377
Gearing (times)	13.02	13.06	1.39	13.48	42.60
Net gearing (times)	12.52	12.57	0.45	11.37	39.52

	B(V) After B(IV) and the Proposed Granting of Subscription Options (RM'000)	B(VI) After B(V) and the Proposed Share Capital Reduction[11] (RM'000)	B(VII) After B(VI) and assuming full subscription of the Subscription Shares (RM'000)	B(VIII) After B(VII) and assuming full exercise of the Warrants (RM'000)
Share capital	4,097,183	100,000	676,532[12]	971,600[13]
Capital reserve	931,700	1,357,115	1,357,115	1,357,115
Merger deficit	(915,501)	(915,501)	(915,501)	(915,501)
Foreign exchange reserve	53,833	53,833	53,833	53,833
Other reserves	(21,082)	(21,082)	(21,082)	(21,082)
Retained earnings / (Accumulated losses)[6]	(3,571,448)	-	-	-
Shareholders' funds / NA	**574,685**	**574,365**	**1,150,897**	**1,445,965**
No. of Shares in issue ('000)	3,639,721	3,639,721	4,076,487	4,300,024
NA per Share (RM)	0.16	0.16	0.28	0.34
Total borrowings, debentures and lease liabilities (RM'000)	24,492,686	24,492,686	24,492,686	24,492,686
Deposits, bank and cash balances (RM'000)[6]	1,767,029	1,766,709	2,343,241	2,638,309
Net borrowings, debentures and lease liabilities (RM'000)	22,725,657	22,725,977	22,149,445	21,854,377
Gearing (times)	42.62	42.64	21.28	16.94
Net gearing (times)	39.54	39.57	19.25	15.11

Notes:-

(1) *The Proposed AAAGL Acquisition has been accounted for as a reverse acquisition, following the guidelines outlined in Malaysian Financial Reporting Standards 3 Business Combinations. Even though our Company is the legal acquirer, for accounting purposes, AAAGL is considered the acquirer.*

(2) *Assuming a total of 884,955,752 Placement Shares are issued at an illustrative issue price of RM1.13 per Placement Share to raise gross proceeds of approximately RM1,000.00 million.*

(3) *The capital reserve of RM931.70 million arises from the reverse acquisition accounting in respect of the Proposed AAAGL Acquisition.*

(4) *After taking into consideration the AAAGL Group's merger deficit of RM915.50 million as at 31 December 2023 which arises as a result of AAI, PAA, AAID and IAA becoming subsidiaries of AAAGL during the FYE 31 December 2023 as discussed in Section 1 of Appendix IV of this Circular. The business combinations of AAI, PAA, AAID and IAA were accounted for under the pooling of interest method and these have resulted in the merger deficit of RM915.50 million in the AAAGL Group.*

(5) *After taking into consideration the AAAGL Group's share option reserves of a debit balance of RM21.57 million (relating to employees share options granted by Capital A to certain eligible employees of the AAAGL Group) and surplus reserves of RM0.49 million maintained by AirAsia (Guangzhou) Aviation Service Limited Company, a wholly-owned subsidiary of AAAGL.*

(6) *After deducting estimated expenses of RM0.40 million (Proposed Issuance of Free Warrants), RM29.83 million (Proposed Private Placement), RM8.55 million (Proposed AAAGL Acquisition), RM6.01 million (Proposed AAB Acquisition), RM0.28 million (Proposed Granting of Subscription Options) and RM0.32 million (Proposed Share Capital Reduction).*

(7) *The accumulated losses of RM3,565.16 million arise from the reverse acquisition accounting in respect of the Proposed AAAGL Acquisition and after deducting estimated expenses for the Proposed AAAGL Acquisition of RM8.55 million. Pursuant to the reverse acquisition accounting, the accumulated losses of our Group will reflect the accumulated losses of the AAAGL Group (after adjusting for mainly the acquisition of 100% equity interest in AA Com Travel Philippines Inc. and the Vendor's Pre-Completion Restructuring).*

(8) The business combination of the AAB Group will be accounted for using acquisition method. The only pro forma effect of the Proposed AAB Acquisition on the shareholders' funds / NA of our Group is the estimated expenses of RM6.01 million for the Proposed AAB Acquisition.
(9) After taking into consideration the AAAGL Group's total borrowings, debentures and lease liabilities of RM6,316.63 million as at 31 December 2023.
(10) After taking into consideration the following:-
  (i) consolidation of the AAB Group's total borrowings and lease liabilities of RM16,283.29 million and deposits, bank and cash balances of RM168.49 million respectively as at 31 December 2023;
  (ii) pre-payment / repayment of the AAB Group's term loan facilities of RM300.00 million using proceeds from the Proposed Private Placement; and
  (iii) proceeds received from the issuance of bonds by AirAsia RB 1 Ltd, a wholly-owned subsidiary of AAB, in August 2024, net of refinancing of lease liabilities and transaction costs. The proposed use of proceeds raised from the issuance of bonds is as set out in Section 10 of Appendix V of this Circular.
(11) Pursuant to the Proposed Share Capital Reduction, the issued share capital of our Company will be reduced from RM4,097.18 million to RM100.00 million, giving rise to a credit of RM3,997.18 million. The credit will be used to fully eliminate the accumulated losses of RM3,571.77 million (after including estimated expenses of RM0.32 million for the Proposed Share Capital Reduction) and the balance credit of RM425.41 million will be credited to a reserve account / capital reserve.
(12) Assuming a total of 436,766,503 Subscription Shares are subscribed at an illustrative issue price of RM1.32 per Subscription Share.
(13) Assuming a total of 223,536,401 Warrants are exercised at an illustrative exercise price of RM1.32 per Warrant.

11.4 Earnings and EPS

Upon completion of the Proposed Acquisitions, our Company will consolidate the earnings of the Target Companies.

For illustrative purposes only, based on the latest audited consolidated financial statements of our Company for the FYE 31 December 2023 and assuming that the Proposals and Proposed Granting of Subscription Options had been effected on 1 January 2023, being the beginning of the FYE 31 December 2023, the pro forma effects of the Proposals and Proposed Granting of Subscription Options on the consolidated earnings and EPS of our Company are as follows:-

Pro forma A: Based on the minimum issue price of RM1.00 per Placement Share

	Audited for the FYE 31 December 2023	A(I) After the Proposed Issuance of Free Warrants	A(II) After A(I) and the Proposed Private Placement	A(III) After A(II) and the Proposed AAAGL Acquisition	A(IV) After A(III) and the Proposed AAB Acquisition
Profit after taxation attributable to the owners of our Company (RM'000)(1)	331,505(2)	331,105	301,275	1,429,909(3)	4,906,650(4)
Weighted average number of Shares in issue ('000)	447,073	447,073	1,447,073(5)	3,754,765	3,754,765
EPS (sen)	74.15	74.06	20.82	38.08	130.68

	A(V) After A(IV) and the Proposed Granting of Subscription Options	A(VI) After A(V) and the Proposed Share Capital Reduction	A(VII) After A(VI) and assuming full subscription of the Subscription Shares	A(VIII) After A(VII) and assuming full exercise of the Warrants
Profit after taxation attributable to the owners of our Company (RM'000)(1)	4,906,370	4,906,050	4,906,050	4,906,050
Weighted average number of Shares in issue ('000)	3,754,765	3,754,765	4,205,337(6)	4,428,873(7)
EPS (sen)	130.67	130.66	116.66	110.77

Notes:-

(1) After deducting estimated expenses of RM0.40 million (Proposed Issuance of Free Warrants), RM29.83 million (Proposed Private Placement), RM8.55 million (Proposed AAAGL Acquisition), RM6.01 million (Proposed AAB Acquisition), RM0.28 million (Proposed Granting of Subscription Options) and RM0.32 million (Proposed Share Capital Reduction).

(2) Includes reversal of additional loss in the investment in IAAX of RM223.25 million and other income of RM239.59 million comprising reversal of provision for travel voucher, reversal of impairment loss on amount due from an associate and reversal of provision for doubtful debt.

(3) After accounting for the consolidated profit after taxation attributable to the owners of AAAGL for the FYE 31 December 2023 amounting to approximately RM1,137.18 million which includes a gain on remeasurement of previously held interest in associate of RM1,547.87 million.

(4) After accounting for the (i) consolidated profit after taxation attributable to the owners of AAB for the FYE 31 December 2023 amounting to approximately RM3,620.87 million which includes a gain on disposal of "AirAsia" brand of RM4,500.00 million, (ii) annual interest savings (after taxation) of RM34.19 million based on the interest rate of 11.75% of the AAB Group's term loan facilities to be repaid using proceeds from the Proposed Private Placement and (iii) annual interest expenses (after taxation) and annual amortisation of transaction costs of approximately RM171.97 million as well as transaction costs directly charged to profit or loss of RM0.34 million in relation to the issuance of the bonds by AirAsia RB 1 Ltd, a wholly-owned subsidiary of AAB, in August 2024.

(5) Assuming a total of 1,000,000,000 Placement Shares are issued at the minimum issue price of RM1.00 per Placement Share as determined by our Company to raise gross proceeds of RM1,000.00 million.

(6) Assuming a total of 450,571,813 Subscription Shares are subscribed at an illustrative issue price of RM1.32 per Subscription Share.

(7) Assuming a total of 223,536,401 Warrants are exercised at an illustrative exercise price of RM1.32 per Warrant.

Pro forma B: Based on an illustrative issue price of RM1.13 per Placement Share

	Audited for the FYE 31 December 2023	B(I) After the Proposed Issuance of Free Warrants	B(II) After B(I) and the Proposed Private Placement	B(III) After B(II) and the Proposed AAAGL Acquisition	B(IV) After B(III) and the Proposed AAB Acquisition
Profit after taxation attributable to the owners of our Company (RM'000)[(1)]	331,505[(2)]	331,105	301,275	1,429,909[(3)]	4,906,650[(4)]
Weighted average number of Shares in issue ('000)	447,073	447,073	1,332,029[(5)]	3,639,721	3,639,721
EPS (sen)	74.15	74.06	22.62	39.29	134.81

	B(V) After B(IV) and the Proposed Granting of Subscription Options	B(VI) After B(V) and the Proposed Share Capital Reduction	B(VII) After B(VI) and assuming full subscription of the Subscription Shares	B(VIII) After B(VII) and assuming full exercise of the Warrants
Profit after taxation attributable to the owners of our Company (RM'000)[(1)]	4,906,370	4,906,050	4,906,050	4,906,050
Weighted average number of Shares in issue ('000)	3,639,721	3,639,721	4,076,487[(6)]	4,300,024[(7)]
EPS (sen)	134.80	134.79	120.35	114.09

Notes:-

(1) After deducting estimated expenses of RM0.40 million (Proposed Issuance of Free Warrants), RM29.83 million (Proposed Private Placement), RM8.55 million (Proposed AAAGL Acquisition), RM6.01 million (Proposed AAB Acquisition), RM0.28 million (Proposed Granting of Subscription Options) and RM0.32 million (Proposed Share Capital Reduction).

(2) Includes reversal of additional loss in the investment in IAAX of RM223.25 million and other income of RM239.59 million comprising reversal of provision for travel voucher, reversal of impairment loss on amount due from an associate and reversal of provision for doubtful debt.

(3) After accounting for the consolidated profit after taxation attributable to the owners of AAAGL for the FYE 31 December 2023 amounting to approximately RM1,137.18 million which includes a gain on remeasurement of previously held interest in associate of RM1,547.87 million.

(4) After accounting for the (i) consolidated profit after taxation attributable to the owners of AAB for the FYE 31 December 2023 amounting to approximately RM3,620.87 million which includes a gain on disposal of "AirAsia" brand of RM4,500.00 million, (ii) annual interest savings (after taxation) of RM34.19 million based on the interest rate of 11.75% of the AAB Group's term loan facilities to be repaid using proceeds from the Proposed Private Placement and (iii) annual interest expenses (after taxation) and annual amortisation of transaction costs of approximately RM171.97 million as well as transaction costs directly charged to profit or loss of RM0.34 million in relation to the issuance of the bonds by AirAsia RB 1 Ltd, a wholly-owned subsidiary of AAB, in August 2024.

(5) Assuming a total of 884,955,752 Placement Shares are issued at an illustrative issue price of RM1.13 per Placement Share to raise gross proceeds of approximately RM1,000.00 million.

(6) Assuming a total of 436,766,503 Subscription Shares are subscribed at an illustrative issue price of RM1.32 per Subscription Share.

(7) Assuming a total of 223,536,401 Warrants are exercised at an illustrative exercise price of RM1.32 per Warrant.

The computation of pro forma effects above is strictly for illustrative purposes only. It is not an indication of future financial performance of the New Aviation Group which will be dependent on, amongst others, the outcome of the New Aviation Group's future business plans and strategies, use of proceeds raised from issuance of Placement Shares, new Shares pursuant to the exercise of the Warrants and Subscription Shares as well as the bonds issued by AirAsia RB 1 Ltd, outlook of the aviation industry as well as prospects of the Target Companies and the New Aviation Group.

11.5 Convertible securities

As at the LPD, our Company does not have any outstanding convertible securities in issue.

The Proposed Private Placement, Proposed Acquisitions, Proposed Share Capital Reduction and Proposed Granting of Subscription Options will not give rise to any adjustment to the exercise price and the number of Warrants pursuant to the Deed Poll.

12. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed AAAGL Acquisition pursuant to Paragraph 10.02(g) of the Listing Requirements is 554.57%.

The highest percentage ratio applicable to the Proposed AAB Acquisition pursuant to Paragraph 10.02(g) of the Listing Requirements is 745.81%.

By applying the rule of aggregation pursuant to Paragraph 10.12(2) of the Listing Requirements as the Proposed AAAGL Acquisition and Proposed AAB Acquisition involve transactions entered into with the same party (i.e. Capital A), the highest percentage ratio applicable to the Proposed Acquisitions pursuant to Paragraph 10.12(2) of the Listing Requirements is 765.35%.

For the avoidance of doubt, the Proposed Acquisitions are not expected to result in a significant change in the business direction or policy of our Company pursuant to the Equity Guidelines issued by the Securities Commission Malaysia.

13. APPROVALS REQUIRED

The Proposals are subject to the following being obtained:-

(i) the approval from Bursa Securities for the following:-

(a) admission of up to 223,536,401 Warrants to be issued pursuant to the Proposed Issuance of Free Warrants to the Official List;

(b) listing and quotation of up to 223,536,401 Warrants on the Main Market of Bursa Securities;

(c) listing and quotation of up to 223,536,401 new Shares to be issued pursuant to the exercise of the Warrants on the Main Market of Bursa Securities;

(d) listing and quotation of up to 1,000,000,000 Placement Shares to be issued pursuant to the Proposed Private Placement on the Main Market of Bursa Securities; and

(e) listing and quotation of 2,307,692,307 Consideration Shares to be issued pursuant to the Proposed AAAGL Acquisition on the Main Market of Bursa Securities;

(ii) your approval for the Proposals at an EGM to be held;

(iii) the confirmation from the High Court for the Proposed Share Capital Reduction pursuant to Section 116 of the Act; and

(iv) the approvals / waivers / consents from any other relevant authorities and/or parties, including those set out in Section 3.1 of Appendix II(A) of this Circular and Section 3.1 of Appendix II(B) of this Circular.

The Proposed Granting of Subscription Options is subject to the following being obtained:-

(i) the approval from Bursa Securities for the listing and quotation of up to 450,571,813 Subscription Shares to be issued pursuant to the exercise of the Subscription Options on the Main Market of Bursa Securities;

(ii) your approval for the Proposed Granting of Subscription Options at an EGM to be held; and

(iii) the approvals / waivers / consents from any other relevant authorities and/or parties, if required.

The approval from Bursa Securities for the Proposals and Proposed Granting of Subscription Options was obtained vide its letter dated 11 September 2024, subject to the following conditions:-

Conditions imposed		Status of compliance
(i)	AAX and Interpac must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposals and Proposed Granting of Subscription Options	To be complied
(ii)	AAX or Interpac is required to furnish Bursa Securities with a certified true copy of the resolution passed by shareholders in general meeting approving the Proposals and Proposed Granting of Subscription Options	To be complied
(iii)	AAX and Interpac are required to inform Bursa Securities upon completion of the Proposals and Proposed Granting of Subscription Options	To be complied
(iv)	AAX is required to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposals and Proposed Granting of Subscription Options are completed	To be complied
(v)	AAX and Interpac are required to provide a written confirmation that the terms of the Warrants are in compliance with Paragraph 6.54(3) of the Listing Requirements	To be complied
(vi)	Interpac is required to furnish Bursa Securities with details of the placees in accordance with Paragraph 6.15 of the Listing Requirements as soon as practicable after each tranche of placement and before the listing of the new shares to be issued pursuant to the Proposed Private Placement	To be complied
(vii)	AAX must comply with the public security holding spread requirements pursuant to Paragraph 8.02(1) of the Listing Requirements at all times upon listing and quotation of the Placement Shares, Consideration Shares and Subscription Shares respectively	To be complied

Conditions imposed		Status of compliance
(viii)	AAX is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of Warrants and Subscription Options respectively as at the end of each quarter together with a detailed computation of listing fees payable	To be complied

14. CONDITIONALITY OF THE PROPOSALS AND PROPOSED GRANTING OF SUBSCRIPTION OPTIONS

The Proposed Issuance of Free Warrants is conditional upon the Proposed AAAGL Acquisition and Proposed AAB Acquisition but not *vice versa*. The Proposed Issuance of Free Warrants is not conditional upon the Proposed Private Placement and vice versa.

The Proposed AAAGL Acquisition is conditional upon the Proposed Private Placement but not *vice versa*. The Proposed AAB Acquisition is conditional upon the Proposed Private Placement but not *vice versa*. The Proposed AAAGL Acquisition is not conditional upon the Proposed AAB Acquisition and vice versa. Notwithstanding that, it is in the best interests of our Company to complete both the Proposed AAAGL Acquisition and Proposed AAB Acquisition and realise the full benefits as set out in Section 8.3, Part A of this Circular.

As part of the conditions precedent to the SSPAs, the Proposed AAAGL Acquisition and Proposed AAB Acquisition are conditional upon the approvals being obtained from:-

(i) our Shareholders for the Proposed AAAGL Acquisition and Proposed AAB Acquisition respectively; and

(ii) the shareholders of the Vendor and holders of the Capital A RCUIDS for the proposed disposal of AAAGL by Capital A and Proposed Distribution by Capital A, and proposed disposal of AAB by Capital A respectively.

Hence, the conditionality of the Proposed AAAGL Acquisition as set out in this Section 14 shall similarly apply for the proposed disposal of AAAGL by Capital A and Proposed Distribution by Capital A. The conditionality of the Proposed AAB Acquisition as set out in this Section 14 shall similarly apply for the proposed disposal of AAB by Capital A.

The Proposed Share Capital Reduction is not conditional upon the Proposed Issuance of Free Warrants, Proposed Private Placement, Proposed AAAGL Acquisition and Proposed AAB Acquisition and vice versa.

The Proposals are not conditional upon the Proposed Granting of Subscription Options and *vice versa*.

The Proposals and Proposed Granting of Subscription Options are not conditional upon any other corporate exercise / scheme undertaken or to be undertaken by our Company.

For the avoidance of doubt, the abovementioned conditionality of the Proposals and Proposed Granting of Subscription Options shall only apply in terms of the Shareholders' approval and shall not apply to the manner of implementation of the Proposals and Proposed Granting of Subscription Options.

The Proposals and Proposed Granting of Subscription Options is intended to be implemented in the following sequence:-

(1) Proposed Issuance of Free Warrants;
(2) Proposed Private Placement;
(3) Proposed AAAGL Acquisition[(1)] and Proposed Distribution by Capital A;
(4) Proposed AAB Acquisition[(1)];
(5) Proposed Granting of Subscription Options; and finally
(6) Proposed Share Capital Reduction.

Note:-

(1) Prior to the completion of the Proposed Acquisitions, Capital A and its group of companies will undertake the Vendor's Pre-Completion Restructuring.

15. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED

15.1 Proposed Issuance of Free Warrants

None of our Directors, Major Shareholders, chief executive of our Company and/or persons connected with them have any interest, whether direct or indirect, in the Proposed Issuance of Free Warrants other than their respective entitlements, if any, as our Shareholders under the Proposed Issuance of Free Warrants, of which all other Shareholders on the respective entitlement dates are similarly entitled to on a pro-rata basis.

15.2 Proposed Acquisitions and Proposed Private Placement

Save as disclosed below, none of our Directors, Major Shareholders, chief executive of our Company and/or persons connected with them have any interest, direct or indirect, in the Proposed Acquisitions:-

(i) Tan Sri Tony Fernandes, a Major Shareholder of our Company, is deemed interested in the Proposed Acquisitions by virtue of him being the Non-Independent Executive Director and Chief Executive Officer and a major shareholder of Capital A, being the Vendor for the Proposed Acquisitions;

(ii) Dato' Fam Lee Ee, the Non-Independent Non-Executive Chairman of our Company, is deemed interested in the Proposed Acquisitions by virtue of him being the Senior Independent Non-Executive Director of Capital A, being the Vendor for the Proposed Acquisitions;

(iii) Datuk Kamarudin, a Non-Independent Executive Director and a Major Shareholder of our Company, is deemed interested in the Proposed Acquisitions by virtue of him being the Non-Independent Executive Chairman and a major shareholder of Capital A, being the Vendor for the Proposed Acquisitions;

(iv) AAB, a Major Shareholder of our Company, is deemed interested in the Proposed Acquisitions by virtue of it being a wholly-owned subsidiary of Capital A, being the Vendor for the Proposed Acquisitions. For the avoidance of doubt, AAB is the target company under the Proposed AAB Acquisition. Prior to the completion of the Proposed AAB Acquisition, AAB will sell and transfer its entire shareholding in our Company to Capital A pursuant to the AAX Stake Transfer;

(v) Capital A, a Major Shareholder of our Company, is deemed interested in the Proposed Acquisitions by virtue of it being the Vendor for the Proposed Acquisitions; and

(vi) Tune Group Sdn Bhd, a Major Shareholder of our Company, is deemed interested in the Proposed Acquisitions by virtue of it being a person connected with Tan Sri Tony Fernandes and Datuk Kamarudin who hold more than 20% equity interest in Tune Group Sdn Bhd.

In view that the gross proceeds to be raised from the Proposed Private Placement are mainly intended to be used as additional funds for the New Aviation Group's aviation businesses as well as the conditionality of the Proposals as set out in Section 14, Part A of this Circular, the abovementioned persons are also deemed interested in the Proposed Private Placement.

Accordingly, our Interested Directors have abstained and will continue to abstain from deliberating and voting on the Proposed Acquisitions and Proposed Private Placement at our relevant Board meetings.

Our Interested Directors and Interested Major Shareholders will abstain and they have undertaken that they will ensure that persons connected with them will abstain from voting in respect of their respective direct and/or indirect shareholdings in our Company, if any, on the resolutions approving the Proposed Acquisitions and Proposed Private Placement at the EGM of our Company to be convened.

As at the LPD, the respective shareholdings of our Interested Directors and Interested Major Shareholders in our Company as follows:-

	Direct		Indirect	
Name	No. of Shares	%(1)	No. of Shares	%(1)
Tan Sri Tony Fernandes	11,158,722	2.50	131,033,136(2)	29.31
Dato' Fam Lee Ee	-	-	-	-
Datuk Kamarudin	37,070,993	8.29	131,033,136(2)	29.31
AAB	57,072,850	12.77	-	-
Capital A	-	-	57,072,850(3)	12.77
Tune Group Sdn Bhd	73,960,286	16.54	-	-

Notes:-
(1) Based on 447,072,803 issued Shares as at the LPD.
(2) Deemed interested by virtue of his interests in AAB and Tune Group Sdn Bhd pursuant to Section 8 of the Act.
(3) Deemed interested by virtue of its interest in AAB pursuant to Section 8 of the Act.

15.3 Proposed Share Capital Reduction and Proposed Granting of Subscription Options

None of our Directors, Major Shareholders, chief executive of our Company and/or persons connected with them have any interest, whether direct or indirect, in the Proposed Share Capital Reduction and Proposed Granting of Subscription Options.

16. TRANSACTIONS WITH THE SAME RELATED PARTIES FOR THE PRECEDING 12 MONTHS

Save as disclosed below and the recurrent related party transactions set out in the circular to our Shareholders dated 30 April 2024 for which shareholders' mandates have been sought or which are not subject to disclosure pursuant to Paragraph 10.09(1)(b) of the Listing Requirements, our Company and our subsidiaries have not entered into any transaction with our Interested Directors, Interested Major Shareholders and/or persons connected with them for the past 12 months up to the LPD:-

(i) Proposed Acquisitions;

(ii) On 2 November 2023, our Company had entered into a passenger charter and ancillary services agreement with AAB where our Company 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

(iii) On 5 December 2023, our Company had entered into an aircraft lease agreement with Asia Aviation Capital Limited, a wholly-owned subsidiary of AAB, 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.

17. ADVISERS

17.1 Principal Adviser and Placement Agent

Interpac has been appointed as the Principal Adviser to our Company for the Proposals and Proposed Granting of Subscription Options and the Placement Agent for the Proposed Private Placement.

17.2 Independent Adviser

As the Proposed Acquisitions are related party transactions pursuant to Paragraph 10.08 of the Listing Requirements, WYNCORP has been appointed to act as the Independent Adviser to undertake the following in relation to the Proposed Acquisitions:-

(i) comment as to:-

   (a) whether the Proposed Acquisitions are fair and reasonable in so far as our Shareholders are concerned; and

   (b) whether the Proposed Acquisitions are to the detriment of our non-interested Shareholders,

   and such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;

(ii) advise our non-interested Shareholders whether they should vote in favour of the Proposed Acquisitions; and

(iii) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in relation to paragraphs (i) and (ii) above.

The IAL from WYNCORP is set out in Part B of this Circular. You should read and carefully consider the contents of this Circular (including the IAL) before voting on the resolutions to give effect to the Proposed Acquisitions at our forthcoming EGM.

18. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of our Company, after having considered all relevant aspects of the Proposals (including but not limited to the rationale and benefits of the Proposals, basis and justification for the Total Purchase Consideration, issue price of the Consideration Shares and Placement Shares as well as the exercise price of the Warrants, use of proceeds from the Proposed Private Placement, prospects of the Target Companies and the New Aviation Group as well as outlook of the aviation industry, risks of the Proposals, effects of the Proposals, salient terms of the SSPAs as well as the advice from the Independent Adviser), is of the opinion that the Proposed Acquisitions are:-

(i) in the best interest of our Company;

(ii) fair, reasonable and on normal commercial terms; and

(iii) not detrimental to the interest of our non-interested Shareholders.

19. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board has considered all relevant aspects of the Proposals (including but not limited to the rationale and benefits of the Proposals, basis and justification for the Total Purchase Consideration, issue price of the Consideration Shares and Placement Shares as well as the exercise price of the Warrants, use of proceeds from the Proposed Private Placement, prospects of the Target Companies and the New Aviation Group as well as outlook of the aviation industry, risks of the Proposals, effects of the Proposals and salient terms of the SSPAs).

In addition, our Board has considered all relevant aspects of the Proposed Granting of Subscription Options (including but not limited to the rationale and benefits of the Proposed Granting of Subscription Options, basis and justification for the issue price of the Subscription Shares as well as effects of the Proposed Granting of Subscription Options).

19.1 Proposed Issuance of Free Warrants, Proposed Share Capital Reduction and Proposed Granting of Subscription Options

Having considered the above, our Board is of the opinion that the Proposed Issuance of Free Warrants, Proposed Share Capital Reduction and Proposed Granting of Subscription Options are in the best interests of our Company.

Accordingly, our Board recommends that you vote in favour of the resolutions to give effect to the Proposed Issuance of Free Warrants, Proposed Share Capital Reduction and Proposed Granting of Subscription Options at our forthcoming EGM.

19.2 Proposed Private Placement and Proposed Acquisitions

Having considered the above and the advice from the Independent Adviser, our Board (save for our Interested Directors) is of the opinion that the Proposed Private Placement and Proposed Acquisitions are in the best interests of our Company.

Accordingly, our Board (save for our Interested Directors) recommends that you vote in favour of the resolutions to give effect to the Proposed Private Placement and Proposed Acquisitions at our forthcoming EGM.

In arriving at the opinion that the Proposed Acquisitions are in the best interests of our Company, our Board (save for our Interested Directors) had rounds of deliberation and considered all relevant aspects of the Proposals, including the following:-

(i) the Proposed Acquisitions allow all the airline entities operating under the "AirAsia" brand (including "AirAsia X" brand) to be housed together, forming an enlarged aviation group comprising the New Aviation Group. 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;

(ii) the Proposed Acquisitions allow the New Aviation Group to achieve elevated synergistic benefits through centralised decision-making and more co-ordinated network plans as well as to achieve continued growth and expansion for all "AirAsia"-branded airlines, backed by about 400 new aircraft deliveries from Airbus over the next decade and an established AirAsia Ecosystem and "AirAsia" brand;

(iii) the Proposed Acquisitions present an opportunity to you to own a part of the New Aviation Group and to bear the risks and rewards associated with ownership of the enlarged aviation group amidst the anticipated recovery of international air traffic post COVID-19. 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, the enlarged aviation group is well-positioned to capitalise on the anticipated recovery of air travel moving forward;

(iv) financial information of the AAAGL Group and AAB Group as set out in the accountants' report of AAAGL in Appendix IX of this Circular and accountants' report of AAB in Appendix X of this Circular respectively as well as the pro forma financial effects of the Proposed Acquisitions on our Group's NA and gearing as set out in Section 11.3, Part A of this Circular, including the following:-

    (a) the AAAGL Group has audited negative shareholders' funds of RM2,234.00 million as at 31 December 2023 (AAB Group: negative shareholders' fund of RM1,504.69 million);

    (b) our shareholders' funds of RM1,085.95 million (with retained earnings of RM40.50 million) after the completion of the Proposed Private Placement will decrease to RM574.97 million (with merger deficit and accumulated losses) upon completion of the Proposed Acquisitions;

    (c) increase in our gearing from 1.39 times after the completion of the Proposed Private Placement to 42.60 times upon completion of the Proposed Acquisitions (net gearing: increase from 0.45 times to 39.52 times); and

    (d) the Proposed Share Capital Reduction will be undertaken to eliminate the accumulated losses after the completion of the Proposed Acquisitions.

The above is a result of the decline in financial performance and financial position of the AAAGL Group and AAB Group arising from the adverse impacts from the COVID-19 pandemic when travel and border restrictions were enforced and aircraft were grounded. Nonetheless, as the economic activities and supply chain of the aviation industry normalise post COVID-19 pandemic, the aviation industry in Malaysia and Asia Pacific region is forecasted to recover close to / exceed their respective pre-COVID-19 levels by 2024. In line with the revival and increase of air travel demand, as the AAAGL Group and AAB Group reactivate their remaining aircraft, their financial performance and financial position (including NA and gearing) are expected to improve after this transitioning period;

(v) the Proposed Private Placement will be undertaken to strengthen the financial position of our Group amidst undertaking the Proposed Acquisitions and to raise funds of RM1,000.00 million for the New Aviation Group's aviation business;

(vi) one of the conditions precedent in the SSPAs requires that each of the Target Companies (together with their respective group of companies) 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 Acquisition and Proposed AAB Acquisition; and

(vii) the AAAGL Purchase Consideration and AAB Purchase Consideration are fair and justifiable as explained in Sections 4.3 and 5.2, Part A of this Circular respectively.

20. ESTIMATED TIMEFRAME FOR COMPLETION

Subject to all relevant approvals being obtained, the Proposals and Proposed Granting of Subscription Options are expected to be completed by the 1st quarter of 2025.

The tentative timetable for the Proposals and Proposed Granting of Subscription Options is as follows:-

Date	Events
16 October 2024	• EGM for the Proposals and Proposed Granting of Subscription Options
November 2024 / December 2024	• Price-fixing for the Warrants and announcement of Warrants Entitlement Date • Warrants Entitlement Date • Listing and quotation of Warrants on the Main Market of Bursa Securities • Completion of the Proposed Issuance of Free Warrants
December 2024 / January 2025	• Price-fixing for the Placement Shares • Completion of the Proposed Private Placement • SSPAs becoming unconditional • Completion of the Proposed Acquisitions • Granting of 3 Subscription Options of 4% each to the Subscriber
January 2025 / February 2025	• High Court's order obtained for confirmation of the Proposed Share Capital Reduction • Lodgement of the High Court's order for confirmation of the Proposed Share Capital Reduction with the Registrar of Companies • Effective date of the Proposed Share Capital Reduction
January 2027	• Last day for the Subscriber to accept the Subscription Options
January 2029	• Last day for the Subscriber to exercise the Subscription Options

21. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals and Proposed Granting of Subscription Options, there are no other intended corporate exercises / schemes which have been announced by our Company but not yet completed as at the LPD.

22. EGM

The EGM, the notice of which is enclosed with this Circular, will be held as a virtual meeting via live streaming and online remote voting using the Remote Participation and Voting Facilities provided by Tricor Investor & Issuing House Services Sdn Bhd via its TIIH Online website at https://tiih.online, from the Broadcast Venue at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur, 64000 KLIA, Selangor Darul Ehsan, Malaysia on Wednesday, 16 October 2024 at 10.00 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the resolutions, with or without any modifications, to give effect to the Proposals and Proposed Granting of Subscription Options.

If you decide to appoint a proxy or proxies to participate and vote on your behalf at the EGM, you must complete, sign and return the Form of Proxy for the EGM and deposit it at the registered office of our Company at RedQ, Jalan Pekeliling 5, Lapangan Terbang Antarabangsa Kuala Lumpur, 64000 KLIA, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time appointed for holding the EGM or adjourned meeting at which the person named in the appointment proposes to vote. Your proxy appointment may also be lodged electronically via TIIH Online website at https://tiih.online. The completion and lodgement of the Form of Proxy for the EGM shall not preclude you from participating and voting in person at the virtual EGM should you subsequently wish to do so and in such an event, your Form of Proxy for the EGM shall be deemed to have been revoked.

23. FURTHER INFORMATION

You are advised to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board of
AIRASIA X BERHAD

DATO' ABDUL MUTALIB BIN ALIAS
Independent Non-Executive Director

PART B

INDEPENDENT ADVICE LETTER FROM WYNCORP TO OUR NON-INTERESTED SHAREHOLDERS IN RELATION TO THE PROPOSED ACQUISITIONS

All definitions used in this Executive Summary shall have the same meaning as the words and expressions defined in the "Definitions" section of the Circular, except where the context herein otherwise requires or where otherwise defined herein. All references to "you" or "your" are references to the non-interested Shareholders of AAX; whilst all references to "we", "us" or "our" are references to WYNCORP, being the Independent Adviser for the Proposed Acquisitions.

THE PURPOSE OF THIS EXECUTIVE SUMMARY IS TO HIGHLIGHT THE SALIENT INFORMATION ON THE PROPOSED ACQUISITIONS AND THE IAL. YOU ARE ADVISED TO READ AND UNDERSTAND THE IAL IN ITS ENTIRETY, TOGETHER WITH THE LETTER TO SHAREHOLDERS OF AAX AS SET OUT IN PART A OF THE CIRCULAR AND THE ACCOMPANYING APPENDICES FOR OTHER RELEVANT INFORMATION AND NOT TO RELY SOLELY ON THIS EXECUTIVE SUMMARY IN FORMING AN OPINION ON THE PROPOSED ACQUISITIONS.

YOU ARE ALSO ADVISED TO CAREFULLY CONSIDER THE RECOMMENDATIONS IN RELATION TO THE PROPOSED ACQUISITIONS CONTAINED IN THIS IAL AND THE LETTER TO SHAREHOLDERS OF AAX AS SET OUT IN PART A OF THE CIRCULAR, BEFORE VOTING ON THE RESOLUTIONS TO GIVE EFFECT TO THE PROPOSED ACQUISITIONS TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.

IF YOU ARE IN DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

1. INTRODUCTION

Please refer to Section 1 in Part A of the Circular for the chronological events in relation to the Proposals (including the Proposed Acquisitions) and Section 1 of this IAL for background information on the Proposed Acquisitions.

The purpose of the IAL is for us to provide the non-interested Shareholders of AAX with:

(i) an independent evaluation on the fairness and reasonableness of the Proposed Acquisitions insofar as the non-interested Shareholders of AAX are concerned;

(ii) whether the Proposed Acquisitions is detrimental to the non-interested Shareholders of AAX; and

(iii) our recommendation on whether the non-interested Shareholders should vote in favour of the resolutions pertaining to the Proposed Acquisitions to be tabled at the forthcoming EGM.

The IAL is prepared solely for the use of the non-interested Shareholders for the purpose of considering the Proposed Acquisitions at the forthcoming EGM and should not be used or relied upon by any other party or for any other purpose whatsoever. The non-interested Shareholders of AAX should rely on their own evaluation of the merits of the Proposed Acquisitions, before deciding on the course of action to be taken at the forthcoming EGM.

2. EVALUATION OF THE PROPOSED ACQUISITIONS

Section in the IAL / Area of evaluation	WYNCORP's comments
Section 7.1 / Rationale of the Proposed Acquisitions	We noted that the New Aviation Group upon completion of the Proposed Acquisitions would stand to be better-positioned to capitalise on the potential overall medium to long-term growth in passenger traffic for the Asia Pacific region, taking into consideration the potential enhancement on competitive advantages arising from greater economies of scale and cost-savings as well as greater resilience towards future market challenges and uncertainties with a larger revenue base. Shareholders stand to benefit from potential enhancement to the earnings of the New Aviation Group, equipped with greater resilience towards future market challenges and uncertainties. In addition, the Proposed Acquisitions do not expose AAX to entirely new business venture and would allow AAX to gain access to expansion without the exposure to risks associated with new start-up of operations. Whilst AAX would be exposed to additional operational and regulatory requirements in relation to the foreign markets in which the AOCs within the AAAGL Group operate upon completion of the Proposed Acquisitions, we are of the view that such additional exposure is inherent in nature and customary for any expansion involving foreign operations. We wish to highlight that upon completion of the Proposed Acquisitions, AAX will be exposed to additional financing and default risk in relation to the high gearing of the New Aviation Group. Please refer to Section 10.7, Part A of the Circular for further details. For information purposes, the Group's pro forma total borrowings, debentures and lease liabilities as at 31 December 2023 will increase from RM1,512.03 million to RM24,492.69 million upon completion of the Proposed Acquisitions. Whilst this risk cannot be fully mitigated, we are of the view that this risk has been adequately considered by the Board. Please refer to Section 7.1 of this IAL for further details on our evaluation on the rationale of the Proposed Acquisitions. Premised on our evaluation, the details of which as set out in Section 7.1 of this IAL, we are of the view that the rationale for the Proposed Acquisitions is **reasonable** and **not detrimental** to the interest of the non-interested Shareholders of AAX. We wish to highlight that the potential benefits from the Proposed Acquisitions are subject to risk factors as set out in Section 10, Part A of the Circular. Accordingly, we wish to draw your attention to our comments as set out in Section 7.6 of this IAL.
Section 7.2 / Evaluation of the Total Purchase Consideration	Premised on our evaluation on the basis and justification for the AAAGL Purchase Consideration and AAB Purchase Consideration (the details of which as set out in Section 7.2.1 of this IAL), and the fairness of the total purchase consideration (the details of which as set out in Section 7.2.2 of this IAL); we are of the view that: - (i) income approach – DCF method as the primary approach of valuation for the AOCs (namely, TAA, PAA, IAA and AAB) is **fair** and **reasonable**, as this valuation method gives due consideration to the income-producing ability of the AOCs, which is the critical element affecting value of the AOCs; and

Section in the IAL / Area of evaluation	WYNCORP's comments
	(ii) adjusted book value approach as the primary approach of valuation for the holding companies is **fair** and **reasonable**, as the book values of the respective holding companies have been adjusted to reflect the uplift in investment values arising from the difference between the fair values of the AOCs (appraised using the income approach – DCF method) and the current book values of the investment in the AOCs held by the respective holding companies. As such, the adjusted book value is considered an appropriate indication/approximation of the fair values of the holding companies, being investment-holding in nature without significant and distinctive income-producing ability; and (iii) the AAAGL Purchase Consideration and AAB Purchase Consideration are **fair** and **reasonable**, taking into consideration the following: (i) rationale and benefits of the Proposed Acquisitions as set out in Section 8.3, Part A of the Circular; (ii) outlook of the aviation industry and prospects of the Target Companies and the New Aviation Group as set out in Section 9, Part A of the Circular; (iii) the AAAGL Purchase Consideration (RM3,000.00 million) falls within the range of valuation for the entire AAAGL Equity Interest of between RM2,880.00 million and RM3,691.00 million as at the valuation date of 31 December 2023, whilst the AAB Purchase Consideration (RM3,800.00 million) falls within the range of valuation for the entire AAB Equity Interest of between RM3,721.00 million and RM4,602.00 million as at the valuation date of 31 December 2023, based on the valuation undertaken by Deloitte as set out in the Valuation Letter attached in Appendix VI(A) of the Circular; and (iv) the AAAGL Purchase Consideration (RM3,000.00 million) represents a discount of approximately RM285.50 million or 8.69% to the mid-point of the valuation range for AAAGL (being RM3,285.50 million), whilst the AAB Purchase Consideration (RM3,800.00 million) represents a discount of approximately RM361.50 million or 8.69% to the mid-point of the valuation range for AAB (being RM4,161.50 million); and the Total Purchase Consideration (RM6,800.00 million) represents a discount of approximately RM647.00 million or 8.69% to the aggregate of the mid-point of the valuation range for AAAGL and AAB (being RM7,447.00 million).

Section in the IAL / Area of evaluation	WYNCORP's comments
Section 7.3 / Evaluation of the modes of settlement for the Proposed Acquisitions and issue price of the Consideration Shares for the Proposed AAAGL Acquisition	Premised on our evaluation on the modes of settlement for the Proposed Acquisitions and issue price of the Consideration Shares for the Proposed AAAGL Acquisition (the details of which as set out in Section 7.3 of this IAL, we are of the view that the modes of settlement for the Proposed Acquisitions and issue price of the Consideration Shares for the Proposed AAAGL Acquisition is **fair** and **reasonable** and **not detrimental** to the interest of the non-interested Shareholders of AAX.
Section 7.4 / Salient terms of the SSPAs and the supplemental agreements to the SSPAs	We are of the view that the salient terms of the SSPAs (further amended by the supplemental agreements to the SSPAs) for the Proposed Acquisitions are **fair** and **reasonable** and **not detrimental** to the interest of the non-interested Shareholders of AAX.
Section 7.5 / Industry outlook and prospects	Premised on our evaluation on the industry outlook and prospects (the details as set out in Section 7.5 of this IAL), we are of the view that the Proposed Acquisitions are generally expected to contribute positively to the Company particularly over the medium and long term, and accordingly, the Proposed Acquisitions are deemed **fair** and **reasonable** and **not detrimental** to the interest of the non-interested Shareholders of AAX. Notwithstanding the positive and encouraging industry outlook and prospects, we wish to highlight that all businesses are subject to uncertainties and risks, some of which are not fully within the control of the Company. Accordingly, we advise the non-interested Shareholders of AAX to take note of, and carefully consider, the risks as set out in Section 10, Part A of the Circular and further discussed in Section 7.6 of this IAL.
Section 7.6 / Risks of the Proposed Acquisitions	Premised on our evaluation on the risks of the Proposed Acquisitions (the details of which as set out in Section 7.6 of this IAL), we are of the view that risks of the Proposed Acquisitions have been adequately considered. We noted that the non-interested Directors have, and will continue to, exercise due care in considering the potential risks and benefits associated with the Proposed Acquisitions and that the long-term benefits are expected to outweigh the cost and associated risks. We wish to highlight that notwithstanding any mitigating measures that may be put in place to limit and manage the abovementioned risks, there can be no assurance that the abovementioned risks will not materialise and give rise to material and adverse impact on the business operations, financial performance, financial position and the prospects of the enlarged aviation group thereon. Non-interested Shareholders of AAX are advised to take note of the indicated risks of the Proposed Acquisitions, which are not exhaustive; as well as the mitigating measures / factors, before deciding on how to vote on the Proposed Acquisitions at the forthcoming EGM of the Company.

Section in the IAL / Area of evaluation	WYNCORP's comments
Section 7.7 / Effects of the Proposed Acquisitions	We wish to highlight that the Proposed Acquisitions, upon completion, are expected to result in: - (i) overall dilution to the NA and NA per share of AAX Group, due to consideration of the shareholders' deficit of AAAGL Group on reverse acquisition accounting and the dilutive effect arising from the estimated expenses for the Proposed AAAGL Acquisition (estimated to be approximately RM8.55 million) and Proposed AAB Acquisition (estimated to be approximately RM6.01 million); and (ii) overall increase to the gearing of AAX Group, due to consolidation of borrowings, debentures and lease liabilities of AAAGL Group and AAB Group. Consequently, AAX Group will be exposed to additional financing and default risk in relation to the high gearing of the New Aviation Group upon completion of the Proposed Acquisitions. In addition, the actual effects of the Proposed Acquisitions to the earnings and EPS of AAX Group are only observable in the future upon completion of the Proposed Acquisitions, which is uncertain and dependent on the financial performance of AAAGL Group and AAB Group at that relevant point in time. Notwithstanding the above, we are of the view that the Proposed Acquisitions are **fair**, **reasonable** and **not detrimental to the interest of the non-interested Shareholders of AAX** from overall financial perspective, taking into consideration the following: - (i) the rationale of the Proposed Acquisitions (as set out in Section 8.3, Part A of the Circular and assessed in Section 7.1 of this IAL); (ii) the industry outlook and prospects (as set out in Section 9, Part A of the Circular and assessed in Section 7.5 of this IAL); (iii) the Proposed Acquisitions remain justifiable, notwithstanding the potential negative effects to the NA, NA per share and gearing of AAX Group upon completion of the Proposed Acquisitions, premised on the factors and considerations as discussed in Section 7.7.3 of this IAL; and (iv) the Proposed Acquisitions remain justifiable, notwithstanding the actual effects to the earnings and EPS of AAX Group are only observable in the future upon completion of the Proposed Acquisitions, which is uncertain and dependent on the financial performance of AAAGL Group and AAB Group at that relevant point in time; premised on the factors and considerations as discussed in Section 7.7.4 of this IAL.

3. CONCLUSION AND RECOMMENDATION

The non-interested Shareholders of AAX are advised to carefully consider the merits and demerits of the Proposal Acquisitions based on all relevant and pertinent factors, including those set out in this IAL as well as those highlighted by the Board in the letter to the Shareholders of AAX in relation to the Proposal Acquisitions as set out in Part A of the Circular, before voting on the resolutions pertaining to the Proposal Acquisitions at the forthcoming EGM of the Company.

We have assessed and evaluated the Proposed Acquisitions and have set out our evaluation in Section 7 of this IAL, after taking into consideration various aspects (financial and non-financial) of the Proposed Acquisitions.

Premised on our evaluation of the Proposed Acquisitions on a holistic basis, we are of the opinion that the Proposed Acquisitions are **FAIR, REASONABLE** and **NOT DETRIMENTAL TO THE INTEREST OF THE NON-INTERESTED SHAREHOLDERS OF AAX.**

Accordingly, we recommend that you **VOTE IN FAVOUR** of the ordinary resolutions pertaining to the Proposed Acquisitions to be tabled at the forthcoming EGM of the Company.

WYNCORP
CORPORATE FINANCE ADVISOR

WYNCORP ADVISORY SDN BHD
(Registration No.: 200301029902 [632322-H])
(Incorporated in Malaysia)

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Wisma UOA Damansara
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Damansara Heights
50490 Kuala Lumpur

Tel: (603) 2096 2286 /2289

24 September 2024

To: The non-interested Shareholders of AirAsia X Berhad ("AAX" OR "COMPANY")

Dear Sir / Madam,

INDEPENDENT ADVICE LETTER ("IAL") IN RELATION TO: -

(I) PROPOSED ACQUISITION OF 100% EQUITY INTEREST IN AIRASIA AVIATION GROUP LIMITED ("AAAGL") HELD BY CAPITAL A BERHAD ("CAPITAL A") FOR A PURCHASE CONSIDERATION OF RM3,000.00 MILLION ("AAAGL PURCHASE CONSIDERATION") TO BE SATISFIED ENTIRELY VIA THE ALLOTMENT AND ISSUANCE OF 2,307,692,307 NEW ORDINARY SHARES IN AAX ("CONSIDERATION SHARES") AT AN ISSUE PRICE OF RM1.30 EACH ("PROPOSED AAAGL ACQUISITION"); AND

(II) PROPOSED ACQUISITION OF 100% EQUITY INTEREST IN AIRASIA BERHAD ("AAB") HELD BY CAPITAL A FOR A PURCHASE CONSIDERATION OF RM3,800.00 MILLION ("AAB PURCHASE CONSIDERATION") TO BE SATISFIED ENTIRELY VIA THE ASSUMPTION BY AAX OF AN AMOUNT OF RM3,800.00 MILLION OWING BY CAPITAL A TO AAB ("DEBT SETTLEMENT") ("PROPOSED AAB ACQUISITION")

(COLLECTIVELY REFERRED TO AS THE "PROPOSED ACQUISITIONS")

This IAL is prepared for inclusion in Part B of the Circular to the Shareholders of AAX, and should be read in conjunction with Part A of the Circular and the accompanying appendices therein. All definitions used in this IAL shall have the same meaning as the words and expressions defined in the "Definitions" section of the Circular, except where the context herein otherwise requires or where otherwise defined in this IAL. All references to "you" or "your" are references to the non-interested Shareholders of AAX; whilst all references to "we", "us" or "our" in this IAL are references to WYNCORP, being the Independent Adviser for the Proposed Acquisitions.

1. INTRODUCTION

On 25 April 2024, the Company had entered into a conditional internal reorganisation agreement with AAG for the implementation of a proposed internal reorganisation by way of a members' scheme of arrangement under Section 366 of the Act ("**Proposed Internal Reorganisation**") comprising the following ("**Internal Reorganisation Agreement**"): -

(i) proposed exchange of all Shares with new ordinary shares in the AAG on the basis of 1 new ordinary share in AAG for every 1 existing Share held by the entitled Shareholders on an entitlement date to be determined and announced later; and

(ii) proposed assumption by AAG of the listing status of AAX and the admission of AAG to, and the withdrawal of AAX from, the Official List with the listing and quotation of the entire enlarged issued share capital of AAG on the Main Market of Bursa Securities.

On even date, AAG had entered into the AAAGL SSPA and AAB SSPA with Capital A for the Proposed AAAGL Acquisition and Proposed AAB Acquisition respectively. The Proposed Acquisitions are deemed to be a related party transactions pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of the Interested Directors and Interested Major Shareholders in the Proposed Acquisitions as set out in Section 15, Part A of the Circular.

Pursuant thereto, and in compliance with Paragraph 10.08(2) of the Listing Requirements, WYNCORP has been appointed as the independent adviser of the Company on 18 April 2024 to advise the non-interested Directors and the non-interested Shareholders on the fairness and reasonableness of the Proposed Acquisitions, and whether the Proposed Acquisitions are detrimental to the interest of the non-interested Shareholders.

In order to expedite the implementation and completion of the Proposed Acquisitions (if approved by you), the Board had on 26 July 2024 decided to abort the Proposed Internal Reorganisation and to undertake the Proposed Acquisitions under AAX instead of AAG as initially proposed. This decision was arrived at after weighing potential benefits of the Proposed Internal Reorganisation against time required for the implementation of the Proposed Internal Reorganisation and more critically, the importance of an expedient completion of the Proposed Acquisitions to the Group. Accordingly, AAX and AAG had on 26 July 2024 mutually terminated the Internal Reorganisation Agreement.

In addition, the Company (as the new purchaser), AAG (as the original purchaser) and Capital A (as vendor) had on 26 July 2024 entered into supplemental agreements to the respective SSPAs. Pursuant to the supplemental agreements dated 26 July 2024, the Company has assumed the rights and obligations of AAG to the AAAGL SSPA and AAB SSPA as the purchaser in respect of the Proposed AAAGL Acquisition and Proposed AAB Acquisition respectively.

Further, the Company and Capital A had on 4 September 2024 entered into second supplemental agreements to the respective SSPAs. Pursuant to the second supplemental agreements dated 4 September 2024, the approvals and/or consents of lenders / financiers of the AAAGL Group and AAB Group for the release and/or discharge of any corporate guarantee and/or security provided by the Capital A Group Post Disposal in favour of lenders / financiers of the AAAGL Group and AAB Group shall be obtained before the date of completion of the Proposed AAAGL Acquisition and Proposed AAB Acquisition respectively.

The purpose of the IAL is for us to provide the non-interested Shareholders of AAX with: -

(i) an independent evaluation on the fairness and reasonableness of the Proposed Acquisitions insofar as the non-interested Shareholders of AAX are concerned;

(ii) whether the Proposed Acquisitions is detrimental to the non-interested Shareholders of AAX; and

(iii) our recommendation on whether the non-interested Shareholders should vote in favour of the resolutions pertaining to the Proposed Acquisitions to be tabled at the forthcoming EGM.

The IAL is prepared solely for the use of the non-interested Shareholders for the purpose of considering the Proposed Acquisitions at the forthcoming EGM and should not be used or relied upon by any other party or for any other purpose whatsoever. The non-interested Shareholders of AAX should rely on their own evaluation of the merits of the Proposed Acquisitions, before deciding on the course of action to be taken at the forthcoming EGM.

YOU ARE ADVISED TO READ AND UNDERSTAND BOTH THIS IAL AND THE LETTER TO SHAREHOLDERS OF AAX IN RELATION TO THE PROPOSED ACQUISITIONS AS SET OUT IN PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES.

YOU ARE ADVISED TO CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED IN THIS IAL, AND THE LETTER TO THE SHAREHOLDERS OF AAX IN RELATION TO THE PROPOSED ACQUISITIONS AS SET OUT IN PART A OF THE CIRCULAR; BEFORE VOTING ON THE RESOLUTIONS TO GIVE EFFECT TO THE PROPOSED ACQUISITIONS TO BE TABLED AT THE FORTHCOMING EGM.

IF YOU ARE IN DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. SCOPE AND LIMITATION OF OUR EVALUATION OF THE PROPOSED ACQUISITIONS

WYNCORP was not involved in the formulation of, negotiations or discussions on, the terms and conditions pertaining to the Proposed Acquisitions. The terms of reference of our appointment as the Independent Adviser are in accordance with the requirements relating to independent adviser as set out in Paragraph 10.08(3) of the Listing Requirements.

Our scope as the Independent Adviser is limited to expressing an independent opinion on the fairness and reasonableness of the Proposed Acquisitions insofar as the non-interested Shareholders of AAX are concerned, and whether the Proposed Acquisitions is detrimental to the non-interested Shareholders of AAX; together with our recommendation on whether the non-interested Shareholders of AAX should vote in favour of the Proposed Acquisitions.

In performing our evaluation, we have relied on the following sources of information and documents made available to us and making enquiries as were reasonable in the circumstances, as set out below: -

(i) information contained in Part A of the Circular and the accompanying appendices;

(ii) the SSPAs and the supplemental agreements to the SSPAs;

(iii) the audited consolidated financial statements of AAX for the FYEs 31 December 2023, 2022 and 2021;

(iv) the audited consolidated financial statements of Capital A for the FYEs 31 December 2023, 2022 and 2021;

(v) the audited financial statements of AAAGL Group comprising the following: -

- audited financial statements of AAAGL for the FYEs 31 December 2023, 2022 and 2021;
- audited consolidated financial statements of AAID for the FYEs 31 December 2023, 2022 and 2021;
- audited financial statements of AAI for the FYEs 31 December 2023, 2022 and 2021;
- audited consolidated financial statements of AAV for the FYEs 31 December 2023, 2022 and 2021;
- audited financial statements of IAA, PAA and TAA respectively for the FYEs 31 December 2023, 2022 and 2021;

(vi) the audited financial statements of AAB for the FYEs 31 December 2023, 2022 and 2021;

(vii) the valuation letter issued by Deloitte on the indicative fair values of 100% equity interests in AAAGL and AAB respectively;

(viii) the valuer's assessment letter issued by Deloitte in respect of its assessment of the issuance of bonds by AirAsia RB 1 Ltd (a wholly-owned subsidiary of AAB) particularly on the valuation of the entire AAB Equity Interest;

(ix) financial projections and other relevant information, documents, and representations furnished to us by the Board, management and/or representatives of AAX; and

(x) other publicly available information which we consider relevant for our evaluation.

We have relied on the Board, management and representatives of AAX to take due care in ensuring that all information, data, documents, confirmations and representations provided to us to facilitate our evaluation are accurate, valid, complete, reasonable and free from omission in all material respects. WYNCORP has not conducted any audit or other verification procedures in respect of any financial and non-financial data and information used in our evaluation. Accordingly, WYNCORP shall not assume any responsibility or liability whatsoever to any party for any inaccuracies, misstatements or omissions of facts and information provided or represented by the Board, management and representatives of AAX.

In addition, the Board has seen and approved the contents of this IAL, and collectively and individually: -

o accepts full responsibility for the accuracy and completeness of the information, documents, data and statements provided to us and as contained in this IAL in relation to the Proposed Acquisitions (save and except for opinion expressed by WYNCORP which do not contain factual information provided by the Company and information procured or developed by WYNCORP independently of the Company); and

o confirms, after having made all reasonable enquiries and to the best of their knowledge and belief, that all relevant facts and information in relation to the Proposed Acquisitions that are necessary for our evaluation have been completely and accurately disclosed to us and there is no omission which would render any such information provided to us false, incomplete, misleading and/or inaccurate.

After making reasonable enquiries and to the best of our knowledge and belief, we are satisfied that sufficient information has been disclosed to us in enabling us to form our opinion; and are not aware of any facts or matters not disclosed which may render any such information untrue, inaccurate or misleading or the disclosure of which might reasonably affect our evaluation and opinion as set out in this IAL.

The non-interested Shareholders should note that our views expressed in this IAL are, amongst others, based on the information and/or documents made available to us as well as prevailing economic, market and other conditions (where applicable) as at and up to the LPD. Such conditions may change significantly over a short period of time after the date of this IAL, which may adversely affect amongst others, the financial and operational conditions of AAX, AAAGL Group and/or AAB. Accordingly, our evaluation and opinion expressed in this IAL do not consider information, events and/or conditions arising or may occur after the LPD. Our advice should be considered in the context of the entirety of this IAL.

We shall immediately notify the non-interested Shareholders of AAX through an announcement to Bursa Securities, or by way of issuing a supplementary IAL should the circumstances require; if, after this IAL is despatched, we become aware that this IAL: -

(i) contains a material statement which is false or misleading; or

(ii) contains a statement from which there is a material omission.

In rendering our advice, we have taken note of the pertinent matters which we believe are necessary and of importance to the assessment of the implications of the Proposed Acquisitions and therefore are of general concern to the non-interested Shareholders of AAX in making their decisions thereon. Notwithstanding the foregoing: -

(i) we do not express any opinion on the commercial merits of the Proposed Acquisitions which remain the sole responsibility of the Board. Comments or points of consideration which may be commercially-oriented such as the rationale, financial effects, potential benefits and future prospects of the Proposed Acquisitions that we deem necessary are included for disclosure purposes only to enable the non-interested Shareholders of AAX to consider and form their views in a more holistic manner thereon;

(ii) we do not express an opinion on the legal, accounting and taxation issues relating to the Proposed Acquisitions; and

(iii) we have not considered the specific investment objectives, risk profiles, financial and tax situations, and/or particular needs of any individual non-interested Shareholder or any specific group of non-interested Shareholders in our evaluation. We recommend that any individual non-interested Shareholder or group of non-interested Shareholders who is in doubt as to the action to be taken, or require advice in relation to the Proposed Acquisitions in the context of his/her individual investment objectives, risk profiles, financial and tax situations, and/or particular needs; to consult his/her respective stockbroker, bank manager, solicitor, accountant or other professional advisers immediately. We shall not be liable for any damages or losses of any kind sustained or suffered by any individual non-interested Shareholder or group of non-interested Shareholders in reliance on the opinion stated herein for any purpose whatsoever.

Based on the above and after making reasonable enquiries and to the best of our knowledge and belief, we are of the view that the information used is reasonable, accurate, complete and free from material omissions.

3. DECLARATION OF CONFLICT OF INTEREST

Save for the current appointment and professional fees paid/payable to us for acting as the Independent Adviser for the Proposed Acquisitions; and the expert to prepare the expert's report on the fairness of the AAAGL Purchase Consideration for the Proposed AAAGL Acquistion, we neither have any professional relationship with AAX, nor received/derived any financial interest/benefit from AAX, in the past 2 years prior to the date of this IAL. In addition, we do not have any financial interest/benefit arising from/dependent on the outcome of the Proposed Acquisitions. We are not aware of any conflict of interest which exist or likely to exist in our capacity as the Independent Adviser in respect of the Proposed Acquisitions.

4. CREDENTIALS AND EXPERIENCE OF WYNCORP

WYNCORP is a corporate finance advisory firm incorporated in Malaysia bearing a Capital Markets Services License (*License Number: eCMSL/A0126/2007*) issued by the Securities Commission Malaysia to carry out the regulated activity of advising on corporate finance under the Capital Markets and Services Act 2007.

For information purposes only, the following are our credentials and experiences as an independent adviser: -

(a) independent adviser to the non-interested shareholders of FITTERS Diversified Berhad in relation to the proposed ratification of the acquisitions, and disposals, of 12,140,000 ordinary shares and 6,180,000 warrants in Computer Forms (Malaysia) Berhad; further details of which as set out in our independent advice letter dated 7 September 2023;

(b) independent adviser to the non-interested shareholders of Heng Huat Resources Group Berhad in relation to the Proposed Jawi & Kulim Acquisitions (as defined in the circular dated 28 February 2022); further details of which as set out in our independent advice letter dated 28 February 2022; and

(c) independent adviser to the non-interested shareholders of JHM Consolidation Berhad in relation to the proposed acquisition of the entire equity interests in Mace Instrumentation Sdn Bhd; further details of which as set out in our independent advice letter dated 2 January 2018.

Premised on the above, we are capable of and competent in carrying out the roles and responsibilities as the Independent Adviser to advise the non-interested Directors and non-interested Shareholders of AAX in relation to the Proposed Acquisitions.

5. DETAILS OF THE PROPOSED ACQUISITIONS

The full details of the Proposed Acquisitions are set out in Section 4 (in relation to the Proposed AAAGL Acquisition) and Section 5 (in relation to the Proposed AAB Acquisition) of Part A of the Circular, and should be read in its entirety by the non-interested Shareholders of AAX.

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

The details of the directors, major shareholders, chief executive and/or persons connected to them who are deemed to have an interest, directly or indirectly, in the Proposed Acquisitions, are set out in Section 15, Part A of the Circular.

6.1 Interested Directors

Save as disclosed below, none of the Company's Directors and/or persons connected with them has any interest, whether direct or indirect, in the Proposed Acquisitions: -

(i) Dato' Fam Lee Ee, the Non-Independent Non-Executive Chairman of the Company, is deemed interested in the Proposed Acquisitions by virtue of him being the Senior Independent Non-Executive Director of Capital A, being the Vendor for the Proposed Acquisitions; and

(ii) Datuk Kamarudin, the Non-Independent Executive Director of the Company, is deemed interested in the Proposed Acquisitions by virtue of him being the Non-Independent Executive Chairman of Capital A, being the Vendor for the Proposed Acquisitions.

The above Interested Directors have abstained and will continue to abstain from all deliberating and voting at the relevant AAX board meetings in respect of the Proposed Acquisitions.

6.2 Interested Major Shareholders

Save as disclosed below, none of the Company's major shareholders and/or persons connected with them has any interest, whether direct or indirect, in the Proposed Acquisitions: -

(i) Tan Sri Tony Fernandes, a Major Shareholder of the Company, is deemed interested in the Proposed Acquisitions by virtue of him being the Non-Independent Executive Director and Chief Executive Officer and a major shareholder of Capital A, being the Vendor for the Proposed Acquisitions;

(ii) Datuk Kamarudin, a Major Shareholder of the Company, is deemed interested in the Proposed Acquisitions by virtue of him being the Non-Independent Executive Chairman and a major shareholder of Capital A, being the Vendor for the Proposed Acquisitions;

(iii) AAB, a Major Shareholder of the Company, is deemed interested in the Proposed Acquisitions by virtue of it being a wholly-owned subsidiary of Capital A, being the Vendor for the Proposed Acquisitions. For the avoidance of doubt, AAB is the target company under the Proposed AAB Acquisition. Prior to the completion of the Proposed AAB Acquisition, AAB will sell and transfer its entire shareholding in the Company to Capital A pursuant to the AAX Stake Transfer;

(iv) Capital A, a Major Shareholder of the Company, is deemed interested in the Proposed Acquisitions by virtue of it being the Vendor for the Proposed Acquisitions; and

(v) Tune Group Sdn Bhd, a Major Shareholder of the Company, is deemed interested in the Proposed Acquisitions by virtue of it being a person connected with Tan Sri Tony Fernandes and Datuk Kamarudin who hold more than 20% equity interest in Tune Group Sdn Bhd.

6.3 Shareholdings of the Interested Directors and Interested Major Shareholders in the Company

As at the LPD, the respective shareholdings of the Interested Directors and Interested Major Shareholders in the Company are as follows: -

	Direct		Indirect	
Name	**No. of shares**	**%[1]**	**No. of shares**	**%[1]**
Tan Sri Tony Fernandes	11,158,722	2.50	131,033,136[2]	29.31
Dato' Fam Lee Ee	-	-	-	-
Datuk Kamarudin	37,070,993	8.29	131,033,136[2]	29.31
AAB	57,072,850	12.77	-	-
Capital A	-	-	57,072,850[3]	12.77
Tune Group Sdn Bhd	73,960,286	16.54	-	-

<u>*Notes: -*</u>

(1) Based on 447,072,803 issued Shares as at the LPD.

(2) Deemed interested by virtue of his interest in AAB and Tune Group Sdn Bhd pursuant to Section 8 of the Act.

(3) Deemed interested by virtue of its interest in AAB pursuant to Section 8 of the Act.

The Interested Directors and Interested Major Shareholders will abstain, and they have undertaken that they will ensure that persons connected with them will abstain, from voting in respect of their respective direct and/or indirect shareholdings in the Company (if any) on the resolutions approving the Proposed Acquisitions at the forthcoming EGM of the Company.

7. EVALUATION OF THE PROPOSED ACQUISITIONS

In arriving at our opinion and recommendation, we have assessed and evaluated the Proposed Acquisitions based on the following pertinent factors: -

Consideration factors		Section
(i)	Rationale of the Proposed Acquisitions	7.1
(ii)	Evaluation of the Total Purchase Consideration	7.2
(iii)	Evaluation of the modes of settlement for the Proposed Acquisitions and issue price of the Consideration Shares for the Proposed AAAGL Acquisition	7.3
(iv)	Salient terms of the SSPAs and the supplemental agreements to the SSPAs	7.4
(v)	Industry outlook and prospects	7.5
(vi)	Risks of the Proposed Acquisitions	7.6
(vii)	Effects of the Proposed Acquisitions	7.7

7.1 Rationale of the Proposed Acquisitions

We take cognisance of the rationale of the Proposed Acquisitions as set out in Section 8.3, Part A of the Circular. Our observations and commentaries are discussed below: -

- *"The Proposed Acquisitions present an opportunity to you to own a part of the New Aviation Group that will house award-winning airlines with over 22 years of established history and track record (which 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) and to bear the risks and rewards associated with ownership of the enlarged aviation group amidst the anticipated recovery of international air traffic post COVID-19. The Proposed Acquisitions will allow our Company to consolidate the assets and liabilities[(1)] as well as earnings of all the abovementioned airlines entities operating under the "AirAsia" brand (including "AirAsia X" brand).*

  Note: -
  (1) As set out in Section 11.3, Part A of this Circular, our Group will have a pro forma NA as at 31 December 2023 of RM574.97 million and total borrowings, debentures and lease liabilities as at 31 December 2023 of RM24,492.69 million upon completion of the Proposed Acquisitions."

WYNCORP's comments
We are of the view that this rationale is valid and reasonable, where the New Aviation Group upon completion of the Proposed Acquisitions would stand to be better-positioned to capitalise on the potential overall medium to long-term growth in passenger traffic for the Asia Pacific region, taking into consideration the potential enhancement on competitive advantages arising from greater economies of scale and cost-savings as well as greater resilience towards future market challenges and uncertainties with a larger revenue base. Shareholders stand to benefit from potential enhancement to the earnings of the New Aviation Group, equipped with greater resilience towards future market challenges and uncertainties. In addition, the Proposed Acquisitions do not expose AAX to entirely new business venture and would allow AAX to gain access to expansion without the exposure to risks associated with new start-up of operations. Whilst AAX would be exposed to additional operational and regulatory requirements in relation to the foreign markets in which the AOCs within the AAAGL Group operate upon completion of the Proposed Acquisitions, we are of the view that such additional exposure is inherent in nature and customary for any expansion involving foreign operations. In addition, the centralised leadership intended to be established under Bo Lingam as the Group Chief Executive Officer of the New Aviation Group following the completion of the Proposed Acquisitions, where he will be assisted by a team of experienced key senior management team which comprises existing key senior management personnel of AAX Group, AAAGL Group and AAB Group, who have in-depth knowledge of the operations of the respective airlines; will help to mitigate any potential disruption or adverse impact arising from such additional exposure upon completion of the Proposed Acquisitions.

o *"The Proposed Acquisitions are expected to enable the New Aviation Group to achieve elevated synergistic benefits in 3 areas, i.e. (i) centralised decision-making, (ii) flexibility in fleet management and utilisation, and (iii) more economies of scale and cost savings, which are expected to drive the business success of the enlarged aviation group as elaborated below: -*

(i) Centralised decision-making

With the Proposed Acquisitions, our Group, AAAGL Group and AAB Group will be housed together, forming an enlarged aviation group. This allows for the streamlining of administrative, operational, reporting and decision-making processes through a centralised management and leadership within the New Aviation Group.

Following the completion of the Proposed Acquisitions, a centralised leadership is intended to be established under Bo Lingam as the Group Chief Executive Officer of the New Aviation Group and he will be assisted by a team of experienced key senior management team which comprises existing key senior management personnel of our Group, AAAGL Group and AAB Group, who have in-depth knowledge of the operations of the respective airlines. A centralised leadership will enable the consolidation of collaborations and business decision-making across all entities within the New Aviation Group and this will help rationalise the operations, improve efficiency across all business functions and processes, in addition to providing greater flexibility for the New Aviation Group to set the future business and strategic directions and business strategies.

In preparation for the Proposed Acquisitions to streamline aviation business functions and processes amongst the airlines in the New Aviation Group, key aviation business functions such as treasury, legal, human resources, airline operations, corporate communications, airline strategy, fleet, network, scheduling and regulatory affairs, safety, operational quality assurance, airport *partnerships and incentives, aircraft leasing, maintenance and lease restructuring, route revenue, and airline marketing functions are being taken over by AAAMS. As at the LPD, AAB and AAAGL have entered into service agreements with AAAMS for these services. Similarly, AAX will be entering into a service agreement with AAAMS for these services in the near future, subject to our Company obtaining your mandate to enter into such recurrent related party transactions, if required. Prior to this, the airlines have appointed AirAsia SEA Sdn Bhd and/or AirAsia SEA Limited, both of which are subsidiaries of Capital A, to provide business functions for the operations of the airlines.*

AAAMS is a wholly-owned subsidiary of AAAGL and will be part of the New Aviation Group after the Proposed Acquisitions. This arrangement enables enhanced efficiency as decision-making related to aviation business for all the airlines to be housed under the New Aviation Group will be centralised and eliminates tedious administrative procedures which are otherwise required for compliance with the requirements under the Listing Requirements in respect of recurrent related party transactions if the services are rendered by AirAsia SEA Sdn Bhd and/or AirAsia SEA Limited which will remain as subsidiaries of Capital A.

(ii) Flexibility in fleet management and utilisation

Generally, the airlines to be housed under the New Aviation Group adopt focused aircraft fleet operations whereby our Group operates medium and long-haul flights using widebody aircraft (i.e. A330-300 series aircraft), while the AAAGL Group and AAB Group operate short-haul flights using primarily narrowbody aircraft (i.e. A320-series aircraft). The aircraft leased and operated by each airline can only be shared between airlines by subleasing through wet lease arrangements, where an airline provides an aircraft together with the pilots and cabin crew to operate the aircraft. Due to lengthy administrative and decision-making processes, including adherence to the Listing Requirements particularly in areas of related party transactions, our Group, AAAGL Group and AAB Group have rarely entered into wet lease arrangements to cross utilise the aircraft in the past.

Under a centralised leadership and management, the New Aviation Group expects to increase cross utilisation of aircraft across the airlines through wet lease arrangements, subject to approval by the respective local aviation authorities in the countries where the New Aviation Group operates. With the housing of the airlines together forming the New Aviation Group, the administrative procedures and decision-making process will be simplified and the New Aviation Group will be more flexible in effectively and more conveniently deploying the suitable type of aircraft based on the prevailing needs from each airline within the enlarged aviation group, passenger volume and take-up rate. Consequently, this will ease operational processes and optimise the utilisation of the fleet of aircraft across airlines, which are expected to enhance the New Aviation Group's overall operational efficiency and cost management, and eventually benefit its financial performance.

The scheduling and deployment of aircraft under the enlarged aviation group can be arranged based on prevailing market demand to achieve optimal passenger loads in order to offer competitive flight ticket pricing while achieving reasonable profitability margin as well as potentially capture a higher market share for air travel within the Southeast Asia and Asia Pacific regions by organising more co-ordinated network plans as follows: -

(a) Right-sizing capacity based on demand

Due to the seasonality factor leading to peak travel periods for some of our Group's medium-haul routes (especially routes for holiday *destinations), these medium-haul routes operated by our Group may face decreases in passenger volume during non-peak seasons. When a widebody aircraft is deployed with small passenger loads, it reduces the revenue per RPK and may impact profitability margin and affect the ability to offer competitive flight ticket pricing for that route. The flexibility for the New Aviation Group, after the Proposed Acquisitions, to schedule and deploy more narrowbody aircraft during non-peak seasons will allow it to rationalise on the reduced passenger loads with the use of narrowbody aircraft which has a smaller passenger capacity.*

On the contrary, certain short-haul flights operated under the AAAGL Group and AAB Group may face seasonality increases in passenger volume during festive seasons which trigger back-to-hometown crowds for domestic flights, or sporadic increases in demand to popular international destinations such as Singapore, Bangkok and Bali. The flexibility for the New Aviation Group to schedule and deploy more widebody aircraft operated under the enlarged aviation group to cater to such increased demand will allow it to capitalise on sales opportunities on routes with slot constraints as a widebody aircraft has a larger passenger capacity than a narrowbody aircraft.

(b) Efficient aircraft deployment

Additionally, flexibility in aircraft deployment will allow the New Aviation Group to schedule and deploy aircraft according to the take-up rate of existing and new routes for profit maximisation whilst ensuring cost-efficiency.

Through more co-ordinated network plans, the New Aviation Group will be able to plan and organise its aircraft deployment and schedule more connecting flights (i.e. Fly-Thru services) to better connect short-haul networks (usually with high flight frequencies) to the medium and long-haul destinations (with lower flight frequencies). The increased number of connecting flights is expected to offer more convenience to the long-haul passengers to match their travelling schedule. This enables the New Aviation Group to potentially capture a higher market share for air travel.

Flexibility in fleet and network deployment is also envisioned to drive the growth of the New Aviation Group with the option to deploy narrowbody aircraft to new routes at the infancy stage, socialising new markets without excess capacity to flood the markets and only transitioning to full widebody capacity once the markets mature.

Moving forward, the New Aviation Group plans to continue to review its fleet plan from time to time and may order or lease more aircraft to respond to changes in the aviation industry and to enhance its air connectivity. As at the LPD, the airlines to be housed under the New Aviation Group collectively have an order of about 400 aircraft from Airbus (mainly secured by AAB, with scheduled delivery commencing from 2024 up until 2035), providing the New Aviation Group with certainty for aircraft deliveries to meet its fleet replacement and expansion plans. Closer to the delivery and prior to the finalisation of lease documents where the aircraft will be tagged to an airline, the New Aviation Group has the flexibility to deploy the aircraft to any of its airlines based on the suitability and prevailing needs of each airline.

The access to the enlarged aviation group's collective orderbook is critical for our Group's long-term growth prospects, which is currently limited as a result of the necessary corporate exercises undertaken during the COVID-19 pandemic. At the height of the COVID-19 pandemic, our Group (i) downsized *our aircraft orderbook consisting of A330neo aircraft and A321XLR aircraft and (ii) deferred delivery of the orderbook until 2026. While necessary at that time, our Group now faces limitation in our expansion prospects in the immediate term as world over, airlines recovery and by extent of such recovery, demand for additional aircraft capacity were on unparalleled scale.*

The Proposed Acquisitions are envisioned to enable our Group to access immediate fleet growth prospects through AAB's existing orderbook, with delivery between 2024 and 2035. Aircraft deliveries from this orderbook are envisioned to be allocated to AOCs within the New Aviation Group as necessary to facilitate continued growth and expansion for all "AirAsia"-branded airlines including our Group, thereby averting a scenario of fleet stagnation and losing market share to growing competitors locally and regionally.

(iii) More economies of scale and cost savings

<u>Potential interest savings and greater fund-raising capability</u>: Despite sharing some common shareholders, our Group negotiated our lease contracts and lease facilities separately from the AAAGL Group and AAB Group, and our Group's credit track record was generally assessed independently from the AAAGL Group and AAB Group.

Our Group, as part of the enlarged aviation group following the completion of the Proposed Acquisitions, will be able to leverage on the combined credit track record of the New Aviation Group to negotiate for better credit terms for our future leasing contracts and lease facilities.

Further, after the completion of the Proposals, the New Aviation Group as an enlarged aviation group operating and providing a full spectrum of short, medium and long-haul low-cost air transportation services, coupled with its strengthened and stronger financial position, will have greater fund-raising capability to support its future business growth and expansion.

<u>Joint sales and marketing activities</u>: With a centralised leadership and management, the New Aviation Group can enhance its cross selling between short and medium-haul flights across its airlines through participation in joint marketing campaigns. This allows the New Aviation Group to maximise its advertising spend i.e. to achieve a wider consumer reach, ultimately resulting in a stronger marketing impact under the "AirAsia" brand and capture potentially more sales across the airlines and achieve cost savings.

<u>Procurement of supplies</u>: As at the LPD, the purchase of certain supplies (e.g. spare parts, consumables and chemicals) for most of the airlines under the AAAGL Group and AAB Group have been centralised through Asia Digital Engineering Sdn Bhd, a subsidiary of Capital A, to minimise direct purchases and negotiations with third party suppliers. Our Company is in negotiation with Asia Digital Engineering Sdn Bhd for similar arrangement. Following the completion of the Proposed Acquisitions, under a centralised leadership and management, the consolidation of procurement of supplies for our Group, AAAGL Group and AAB Group through Asia Digital Engineering Sdn Bhd will be further enhanced, allowing the New Aviation Group to leverage on the enlarged need for any common supplies to negotiate for better supply contract terms, in particular more competitive pricing and better credit terms, as well as for greater assurance to secure the volumes required.

Further, centralised procurement strategies allow the enlarged aviation group to better manage supply contracts and provides flexibility to effectively utilise the supplies based on the needs from each entity within the New Aviation Group. Consequently, this is expected to ease operational processes, *minimise wastages and reduce inventory turnover rates which are expected to enhance the New Aviation Group's overall cost management, and eventually benefit its financial performance."*

WYNCORP's comments
We are of the view that this rationale is valid and reasonable, taking into consideration that the enlarged aviation group would be better-positioned to achieve additional cost-savings through centralised management, increased flexibility in fleet management and utilisation, potential enhancement to the overall credit rating and record of the enlarged aviation group which could lead to interest savings, joint sales and marketing activities as well as centralised procurement; which could not be fully optimised should AAX Group, AAAGL Group and AAB Group do not come under one consolidated group due to the restrictions and compliance requirements imposed by the Listing Requirements. Part D and E of Chapter 10 of the Listing Requirements specifically excludes transactions entered into between a listed issuer (or any of its wholly-owned subsidiaries) and its wholly-owned subsidiaries. Upon completion of the Proposed Acquisitions, transactions between AAX (or any of its wholly-owned subsidiaries) and its wholly-owned subsidiary (such as AAB and AAAMS) will no longer be classified as "related party transaction"; thereby relieving the New Aviation Group from the administrative hassle to obtain separate shareholders' approval and allowing for better coordination and expedient sharing of resources, whilst ensuring proper compliance with the Listing Requirements. We wish to highlight that there may be additional costs and expenditures to be incurred in the short-term for the integration activities in the formation of the enlarged aviation group. Nevertheless, we are of the view that the Proposed Acquisitions stand to contribute positively to the enlarged aviation group in the medium and longer term, taking into consideration the expected continual and sustainable growth of the respective AOCs and the expected elevated synergistic benefits envisaged by the Board and management of AAX. We wish to highlight that upon completion of the Proposed Acquisitions, AAX will be exposed to additional financing and default risk in relation to the high gearing of the New Aviation Group. Please refer to Section 10.7, Part A of the Circular for further details. For information purposes, the Group's pro forma total borrowings, debentures and lease liabilities as at 31 December 2023 will increase from RM1,512.03 million to RM24,492.69 million upon completion of the Proposed Acquisitions. Whilst this risk cannot be fully mitigated, we are of the view that this risk has been adequately considered by the Board, taking into consideration the following: - (i) the Proposed Acquisitions is conditional upon the Proposed Private Placement of RM1,000.00 million, of which RM300.00 million has been earmarked for pre-payment / repayment of the AAB Group's term loan facilities; (ii) lease liabilities (which accounted for approximately 83.5% of the Group's pro forma total borrowings, debentures and lease liabilities upon completion of the Proposed Acquisitions) are mainly relating to leases of aircraft and spare engines, which are backed by corresponding right-of-use assets; (iii) AAAGL Group and AAB Group have been able to sustain their operations over the years. For information purposes, both AAAGL Group and AAB Group generated positive cash flows from operating activities for the FYE 31 December 2023 and recorded positive cash and cash equivalents at the end of the FYE 31 December 2023; (iv) the projected future revenue growth of AAAGL Group and AAB Group, backed by the relatively positive prospects and industry outlook, are expected to further enhance the ability of the New Aviation Group to meet its future obligations in relation to the repayment of borrowings, debentures and lease liabilities; and

WYNCORP's comments
(v) where necessary, the New Aviation Group may refinance its debt obligations to extend the tenure and/or to obtain more favourable financing terms. Further, as the New Aviation Group reactivates more aircrafts and ramps up its operations in line with the revival and increase of air travel demand after the COVID-19 pandemic, its financial performance and financial position are expected to strengthen, and this will also mitigate the financing and default risk.

- *"Further, the Proposed Acquisitions allow our Group to strengthen the leverage to continue to benefit from the already-present synergies from being part of a wider AirAsia Ecosystem which is critical to support our Group's business operations and growth. Since the commencement of our Group's business, our Group's close association with other entities within the AirAsia Group has allowed us to leverage on "AirAsia" brand (including "AirAsia X" brand) and AirAsia Ecosystem and hence, our Group does not need to invest heavily on building our own brand and infrastructure. Our Group, as part of the enlarged aviation group following completion of the Proposed Acquisitions, 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 to run our airline operations effectively and in a cost-efficient manner. Without these benefits, our Group would face significant challenges in navigating through the competitive landscape of the aviation industry and securing long-term sustainability. Presently, through AirAsia MOVE app, together with the AirAsia Group's online web portal, www.airasia.com, our Group enjoys direct access to a wide market leveraging on the massive pool of users that were built over the years. In addition, a significant portion of our Group's revenue is derived from Fly-Thru services, i.e. connecting flights from the short-haul networks of the AAB Group.*

  For information purposes, the AirAsia Ecosystem encompasses multiple aspects of travel, lifestyle and aviation which support the airlines' business, including AirAsia Group's online sales channels, maintenance, repair and overhaul services, digital payment and financial services, cargo and logistics services, ground handling services, in-flight meal services and a shared services centre."

WYNCORP's comments
We are of the view that this rationale is valid and reasonable, taking into consideration that AAX Group may be exposed to potential cost increase and/or certain degree of disruption to its operations, should the Proposed Acquisitions did not take place and Capital A eventually resolved to dispose of AAAGL and AAB to other party, who may not seek to continue or renew the current arrangement of AAX Group within the AirAsia Ecosystem in connection with AAAGL Group and AAB Group (including brand licensing, cross-marketing under the Fly-Thru services, aircraft leasing arrangements, and other operational services); which may result in AAX Group having to seek for alternative replacement supplier(s) or commit additional resources to establish own/in-house functions for those areas that AAX Group is currently leveraging on the AirAsia Ecosystem. This process would be time-consuming and would potentially result in material additional costs to AAX Group's business operations.

Premised on the above, we are of the view that the rationale for the Proposed Acquisitions is <u>reasonable</u> and <u>not detrimental</u> to the interest of the non-interested Shareholders of AAX.

We wish to highlight that the potential benefits from the Proposed Acquisitions are subject to risk factors as set out in Section 10, Part A of the Circular. Accordingly, we wish to draw your attention to our comments as set out in Section 7.6 of this IAL.

7.2 Evaluation of the Total Purchase Consideration

7.2.1 Basis and justification for the AAAGL Purchase Consideration and AAB Purchase Consideration

We noted in Section 4.3 and Section 5.2 of Part A of the Circular respectively that, in justifying the AAAGL Purchase Consideration (RM3,000.00 million) and AAB Purchase Consideration (RM3,800.00 million), the Board (save for the Interested Directors) has taken into consideration the following:

(i) rationale and benefits of the Proposed Acquisitions as set out in Section 8.3, Part A of the Circular;

(ii) outlook of the aviation industry and prospects of the Target Companies and the New Aviation Group as set out in Section 9, Part A of the Circular;

(iii) the AAAGL Purchase Consideration (RM3,000.00 million) falls within the range of valuation for the entire AAAGL Equity Interest of between RM2,880.00 million and RM3,691.00 million as at the valuation date of 31 December 2023, whilst the AAB Purchase Consideration (RM3,800.00 million) falls within the range of valuation for the entire AAB Equity Interest of between RM3,721.00 million and RM4,602.00 million as at the valuation date of 31 December 2023, based on the valuation undertaken by Deloitte as set out in the Valuation Letter attached in Appendix VI(A) of the Circular; and

(iv) the AAAGL Purchase Consideration (RM3,000 million) represents a discount of approximately RM285.50 million or 8.69% to the mid-point of the valuation range for AAAGL (being RM3,285.50 million), whilst the AAB Purchase Consideration (RM3,800.00 million) represents a discount of approximately RM361.50 million or 8.69% to the mid-point of the valuation range for AAB (being RM4,161.50 million); and the Total Purchase Consideration (RM6,800.00 million) represents a discount of approximately RM647.00 million or 8.69% to the aggregate of the mid-point of the valuation range for AAAGL and AAB (being RM7,447.00 million).

We noted that Deloitte has been appointed by Capital A and AAX to conduct an independent valuation on AAAGL and AAB. Please refer to Appendix VI(A) of the Circular for the Valuation Letter issued by Deloitte.

7.2.2 Evaluation on the fairness of the Total Purchase Consideration

(1) Valuation currencies

We noted that the valuation of the respective entities has been performed based on the reporting currencies of the respective entities. Thereafter, for presentation purposes, the resulting valuation of the respective entities (based on their respective reporting currency) have been converted to USD and RM based on the applicable exchange rates as at the evaluation date of 31 December 2023 ("**Evaluation Date**"). The applicable exchange rates adopted as summarised in Table 1 below: -

Table 1 – Exchange rate as of the Evaluation Date

Entity	Country of incorporation	Reporting currency	Exchange rate to USD	Exchange rate to RM
AOCs				
AAB	Malaysia	RM	0.2180	1.0000
IAA	Indonesia	IDR	0.0001	0.0003
PAA	Philippines	PHP	0.0181	0.0828
TAA	Thailand	THB	0.0291	0.1334
Holding companies				
AAAGL	Malaysia	USD	1.0000	4.5875
AAID	Indonesia	IDR	0.0001	0.0003
AAI	Philippines	PHP	0.0181	0.0828
AAV	Thailand	THB	0.0291	0.1334

Remark: -
o The exchange rates above have been rounded to the nearest 4 decimal points for presentation purposes.

(Source: Deloitte's Valuation Letter)

As the operations of AAAGL and AAB involved multiple countries, we opine that: -

(i) the adoption of reporting currency of the respective entities as the primary currency in appraising the range of market value of the respective entities; and

(ii) the ultimate translation into RM based on the exchange rate as of the Evaluation Date for the purpose of determining the purchase consideration for the Proposed Acquisitions;

is appropriate and reasonable.

(2) Method of valuation

We noted that the following valuation methods have been considered by Deloitte in appraising the valuation range of AAAGL and AAB: -

	AOCs	Holding Companies
Primary approach	Income approach	Adjusted book value approach
Secondary approach, for cross-checking purposes	Market approach	Not applicable

(i) Income approach – The income approach provides an indication of value by converting future cash flow to a single current value, as defined by the International Valuation Standards ("**IVS**"). The income approach should be applied under the following circumstances: -

(a) the income-producing ability of the subject asset is the critical element affecting value; and/or

(b) reasonable projections of the amount and timing of future income are available for the subject asset, but there are few, if any, relevant market comparables.

In the context of the Proposed AAAGL Acquisition, the income-producing ability of the AOCs (namely, TAA, PAA and IAA) is the critical element affecting their values. Similarly, in the context of the Proposed AAB Acquisition, the income-producing ability of AAB as an AOC is the critical element affecting its values. As such, we are of the view that the adoption of income approach – discounted cash flows ("**DCF**") method by Deloitte in appraising the valuation range for the AOCs (namely, TAA, PAA, IAA and AAB) is appropriate and reasonable.

(ii) Market approach – The market approach provides an indication of value by comparing the subject asset with identical or comparable (that is similar) assets for which price information is available, as defined by the IVS. The market approach should be applied under the following circumstances: -

(a) the subject asset has recently been sold in a transaction appropriate for consideration under the basis of value;

(b) the subject asset or substantially similar assets are actively publicly traded; and/or

(c) there are frequent and/or recent observable transactions in substantially similar assets.

In the context of the Proposed AAAGL Acquisition and Proposed AAB Acquisition, we noted that market approach – guideline public company method ("**GPCM**") has been used as secondary valuation method (for cross-checking purposes) by Deloitte in appraising the range of market values for the AOCs (namely, TAA, PAA, IAA and AAB). The enterprise value ("**BEV**") over earnings before interest, tax, depreciation, amortisation and rental ("**EBITDAR**") ("**BEV/EBITDAR**") multiple of the guideline public companies ("**GPCs**") are considered as key valuation metrics. We are of the view that the adoption of GPCM by Deloitte as the secondary valuation method (for cross-checking purposes) is appropriate and reasonable, given that there are other similar (although not entirely identical) publicly-traded airline companies available for comparison.

(iii) Adjusted book value approach – The adjusted book value approach measures the net value of an enterprise after its assets and liabilities have been adjusted to its market value as at the valuation date.

In the context of the Proposed AAAGL Acquisition, we noted that: -

(a) the adjusted book value approach has not been applied by Deloitte in appraising the valuation range for the AOCs (namely, TAA, PAA and IAA) given that the net assets of the AOCs may not be reflective of their future earning capabilities; and

(b) the adjusted book value approach has been principally applied by Deloitte in appraising the valuation range for the holding companies within the AAAGL Group, given that their respective net assets as at the valuation date would be reflective of their market values as holding companies.

We are of the view that the adjusted book value approach adopted by Deloitte in appraising the valuation range for the holding companies within the AAAGL Group is appropriate and reasonable, taking into consideration the following: -

- the AOCs (namely, TAA, PAA and IAA), which constitute the core income-generating entities held by the respective holding companies, have been valued based on the income approach – DCF method and cross-checked using the market approach – GPCM as the secondary valuation method;

- o the book values of the respective holding companies have been adjusted to reflect the uplift in investment values arising from the difference between the fair values of the AOCs and the current book values of the investment in the AOCs held by the respective holding companies; and

- o Other entities held by the respective holding companies are either dormant, or not expected to contribute significantly to the future earnings of AAAGL Group as at the Evaluation Date.

In the context of the Proposed AAB Acquisition, we noted that the adjusted book value approach has not been applied by Deloitte, given that the net assets of AAB may not be reflective of the future earning capabilities of AAB as an AOC. We are of the view that this is appropriate and reasonable.

(3) Valuation

Proposed AAAGL Acquisition and AAAGL Purchase Consideration

The valuation of AAAGL Group is subject to the following general basis and assumptions: -

(i) the risks relating to the Proposed AAAGL Acquisition as summarised in Section 7.6 of this IAL (further details of which as set out in Section 10, Part A of the Circular) will not materialise, or in the unforeseen circumstances should one or more of those risks materialise, there will be no material adverse impact on the financial performance, financial position and operations of AAAGL Group and the New Aviation Group;

(ii) there are no material adverse changes to the book values and fair value of the AAAGL's investments in the AOCs (namely, TAA, PAA and IAA) and the intermediate holding companies (namely, AAV, AAI and AAID) from the Evaluation Date up to the completion date of the Proposed AAAGL Acquisition;

(iii) the time value implications, if any, from the Evaluation Date up to the actual completion date of the Proposed AAAGL Acquisition is not material;

(iv) there will be no material changes in the prevailing legislation, government regulations, inflation rates, interest rates, foreign exchange rates, taxation rates and any other applicable regulatory requirements which will materially and adversely affect the financial performance, financial position and operations of AAAGL Group and the New Aviation Group; and

(v) AAAGL Group will continue as a going concern, and the future financial performance and growth of the AOCs will meet the projected levels without any material adverse change to the requisite capital and cash flows requirements.

We are of the view that these general basis and assumptions are reasonable, as the business operations of the AAAGL Group are expected to continue as a going concern and the financial and cash flows projections are expected to be achieved without any material adverse changes.

(i) Income Approach for the AOCs (namely, TAA, PAA and IAA)

We noted that the AOCs considered by Deloitte in appraising the valuation range of AAAGL consist of TAA, PAA and IAA. We further noted that where applicable, Deloitte has referred to FYE 31 December 2019 as a base year in analysing the projections of each AOC, as FYE 31 December 2019 represents the financial performance of the respective AOCs prior to the COVID-19 pandemic.

The key bases and assumptions applied by Deloitte in appraising the range of market values for the AOCs under the income approach – DCF method are summarised below: -

Key bases and assumptions	WYNCORP's comments
o An explicit forecast period of 5 years (between FYE 31 December 2024 and FYE 31 December 2028) is applied for TAA, PAA and IAA.	We are of the view that this is appropriate and reasonable, as the explicit forecast period of 5 years would allow the effects arising from the ongoing and anticipated expansion plans of the AOCs to be reflected.
o The cash flows of AOCs are projected to grow in perpetuity after FYE 31 December 2028, using the following terminal year growth rate: - (i) TAA : 1.0% (ii) PAA : 3.0% (iii) IAA : 3.0%	We noted that the terminal year growth rate applied by Deloitte is based on the 20-year long-term inflation rate applicable to the respective countries in which the AOCs operate, sourced from Economist Intelligence Unit. We are of the view that the terminal year growth rate applied by Deloitte for the AOCs, is appropriate and with reasonable basis; taking into consideration that the AOCs are intended to continue as a going concern without any internally-prescribed time limit (namely, in perpetuity) under the New Aviation Group.
o Revenue is expected to grow at the following CAGRs: - (i) TAA : 11.0% (between 2024 and 2028) and 5.0% (between 2019 and 2028) (ii) PAA : 15.0% (between 2024 and 2028) and 11.0% (between 2019 and 2028) (iii) IAA : 21.0% (between 2024 and 2028) and 14.0% (between 2019 and 2028)	We noted that the revenue growth trend is consistent with the overall increasing trend expected for the aviation industry in the long run. We noted that revenue of TAA is estimated to grow at CAGR of 11.0% (between 2024 and 2028) and 5.0% (between 2019 and 2028). We observed that the estimated growth rates are reasonable after taking into consideration: - (a) the CAGR of 5.0%, over a longer time horizon (between 2019 and 2028), is relatively consistent with the overall long-term growth (2023-2043) for the Asia Pacific region (estimated at 5.3%, based on the Global Outlook for Air Transport, June 2024 by IATA); (b) whilst the CAGR of 11.0%, over a shorter time horizon (between 2024 and 2028), is higher than the overall long-term growth (2023-2043) for the Asia Pacific region, it is reasonable after taking into consideration the historical year-on-year growth rates (ranging from 3.3% to 11.1%) achieved by TAA prior to the COVID-19 pandemic between 2015 and 2019;

Key bases and assumptions	WYNCORP's comments
	(c) the growth in revenue by TAA is in line with its business plan to increase flight frequency of existing routes and introduce new routes, both of which are expected to be achieved by increasing the fleet size of TAA. The ability of TAA to increase its fleet size is supported by the current order of aircraft from Airbus, where the New Aviation Group collectively have an order of about 400 aircraft from Airbus (mainly secured by AAB, with scheduled delivery commencing from 2024 up until 2035); and (d) the assumed contribution of passenger revenues (which relate to scheduled passenger flights, chartered flight income and ancillary revenue including insurance charge and baggage fee) and freight services revenue of 99.0% and 1.0% respectively between FYE 31 December 2024 and FYE 31 December 2028 is fair, as it is consistent with the historical trend where passenger revenues accounted for approximately 99.3% of total revenue whilst freight services revenue accounted for 0.7% of the total revenue based on historical financial data in 2019 (being the financial performance prior to the COVID-19 pandemic). We noted that revenue of PAA is estimated to grow at CAGR of 15.0% (between 2024 and 2028) and 11.0% (between 2019 and 2028). We observed that whilst the growth rates are higher than the overall long-term growth (2023-2043) for the Asia Pacific region (estimated at 5.3%, based on the Global Outlook for Air Transport, June 2024 by IATA), the estimated growth rates are reasonable after taking into consideration: - (a) the historical year-on-year growth rates (ranging from 30.4% to 50.1%) achieved by PAA prior to the COVID-19 pandemic between 2015 and 2019; (b) the growth in revenue by PAA is in line with its business plan to increase flight frequency of existing routes and introduce new routes, both of which are expected to be achieved by increasing the fleet size of PAA. The ability of PAA to increase its fleet size is supported by the current order of aircraft from Airbus, where the New Aviation Group collectively have an order of about 400 aircraft from Airbus (mainly secured by AAB, with scheduled delivery commencing from 2024 up until 2035); and

Key bases and assumptions	WYNCORP's comments
	(c) the assumed contribution of passenger revenues (which relate to scheduled passenger flights, chartered flight income and ancillary revenue including insurance charge and baggage fee) and freight services revenue of 99.0% and 1.0% respectively between FYE 31 December 2024 and FYE 31 December 2028 is fair, as it is consistent with the historical trend where passenger revenues accounted for approximately 98.7% of total revenue whilst freight services revenue accounted for 1.3% of the total revenue based on historical financial data in 2019 (being the financial performance prior to the COVID-19 pandemic). We noted that revenue of IAA is estimated to grow at CAGR of 21.0% (between 2024 and 2028) and 14.0% (between 2019 and 2028). We observed that whilst the growth rates are higher than the overall long-term growth (2023-2043) for the Asia Pacific region (estimated at 5.3%, based on the Global Outlook for Air Transport, June 2024 by IATA), the estimated growth rates are reasonable after taking into consideration: - (a) the historical year-on-year growth rates (ranging from negative 23.0% to positive 58.5%) achieved by IAA prior to the COVID-19 pandemic between 2015 and 2019; (b) the growth in revenue by IAA is in line with its business plan to increase flight frequency of existing routes and introduce new routes, both of which are expected to be achieved by increasing the fleet size of IAA. The ability of IAA to increase its fleet size is supported by the current order of aircraft from Airbus, where the New Aviation Group collectively have an order of about 400 aircraft from Airbus (mainly secured by AAB, with scheduled delivery commencing from 2024 up until 2035); and (c) the assumed contribution of passenger revenues (which relate to scheduled passenger flights, chartered flight income and ancillary revenue including insurance charge and baggage fee) and freight services revenue of 98.0% and 2.0% respectively between FYE 31 December 2024 and FYE 31 December 2028 is fair, as it is consistent with the historical trend where passenger revenues accounted for approximately 98.7% of total revenue whilst freight services revenue accounted for 1.3%

<table>
<tr><th>Key bases and assumptions</th><th>WYNCORP’s comments</th></tr>
<tr><td></td><td>of the total revenue based on historical financial data in 2019 (being the financial performance prior to the COVID-19 pandemic).

Notwithstanding that a higher revenue growth rate has been applied for the AOCs (of which the management plans to achieve by offering new routes and increasing the frequency in existing routes served by the AOCs, to be backed by increased fleet size and passenger capacity), a company specific risk premium (“CSRP”) has been applied and imputed in the discount rate to address the potential uncertainties of the AOCs in achieving the projected numbers.

Premised on the above, we are of the view that the revenue growth rates are appropriate and reasonable.</td></tr>
<tr><td>o The operating expenditures include fuel costs, operating leases, maintenance and overhaul expenses, user charges, staff costs and other costs.</td><td>We are of the view that the operating expenditures adopted are appropriate and reasonable, as these are consistent with the actual costs incurred by AOCs in previous financial years and assumed to grow in tandem with the revenue growth.</td></tr>
<tr><td>o Others, comprising the following: -

• Unutilised tax losses are expected to be utilised and offset against projected earnings before interest and tax (“EBIT”) between FYE 31 December 2024 to FYE 31 December 2028: -

(i) TAA: Unutilised tax losses are expected to be utilised and offset against its projected EBIT between FYE 31 December 2024 to FYE 31 December 2027. Tax expenses have been assumed from FYE 31 December 2028 onwards at Thailand statutory tax rate of 20.0%

(ii) PAA : Unutilised tax losses are expected to be utilised and offset against its projected EBIT between FYE 31 December 2024 to FYE 31 December 2025. Tax expenses have been assumed from FYE 31 December 2026 onwards at Philippines statutory tax rate of 25.0%

(iii) IAA : Unutilised tax losses are expected to be utilised and offset against its projected EBIT between FYE 31 December 2024 to FYE 31</td><td>We noted that the AOCs have unutilised tax losses, which are allowed to be carried forward and offset against future profits generated by the AOCs. This is consistent with the prevailing tax regulations of the individual countries in which the AOCs operate. We further noted that the assumed corporate tax rates are consistent with the prevailing statutory corporate tax rate of the individual countries in which the AOCs operate.

We noted that the forecasted capital expenditure is on the basis of replenishing depreciated assets with new assets and not to facilitate expansion of operations and not to facilitate expansion of operations or increased capacity. We further noted that the projected rates fall within the range based on historical trends.

The assumed trade receivable turnover days of less than 1 week is reasonable and consistent with the commercial practice of the AOCs, as the transactions for passenger revenues (representing the main revenue contributor to the AOCs) are normally on cash terms.

The assumed trade payable turnover days and other working capital requirements are consistent with historical trends.

Premised on the above, we are of the view that other key bases and assumptions (comprising</td></tr>
</table>

Key bases and assumptions	WYNCORP's comments
December 2027. Tax expenses have been assumed from FYE 31 December 2028 onwards at Indonesia statutory tax rate of 22.0% • Capital expenditure for non-aircraft operating assets is projected to be: - (i) TAA : Approximately 0.2% of its total projected revenue between FYE 31 December 2024 and FYE 31 December 2028 (ii) PAA : Approximately 2.0% of its total projected revenue between FYE 31 December 2024 and FYE 31 December 2028 (iii) IAA : Approximately 1.0% of its total projected revenue between FYE 31 December 2024 and FYE 31 December 2028 • The working capital requirements of the have been assumed as follows: - - Trade receivable turnover days (i) TAA : Less than 1 week (ii) PAA : Less than 1 week (iii) IAA : Less than 1 week - Trade payable turnover days (i) TAA : Between 30 and 45 days (ii) PAA : Between 30 and 70 days (iii) IAA : Between 30 and 45 days - Other working capital requirements are based on historical trends and discussions with management.	taxation, capital expenditure for non-aircraft operating assets and the working capital requirements) adopted by Deloitte is fair and reasonable.
o The discount rates adopted have been developed based on the weighted average cost of capital ("**WACC**"). Amongst others, the WACC are based on the following: - (i) Cost of equity with reference to the respective markets which the AOCs operate in using the international cost of capital approach, which assumes adjustments for country risk factors and inflation differentials from a cost of capital benchmark based on a mature financial market. The US have been applied as a benchmark, and a US equity risk premium of approximately 5.0%, adjusted for country risk and inflation rate differentials ranging from approximately 2.0% to 4.0% have been	We noted that the WACC adopted for the respective AOCs is higher than the average cost of capital for the airline industry (about 9.1% based on the 2024 estimation by IATA), commensurate with the potential uncertainties of the AOCs in achieving the projected numbers. We noted that the discount rates applied have taken into consideration both commonly-applied parameters and company-specific parameters. In particular, we observed that: - (a) in estimating the commonly-applied parameters (such as the risk-free rate, equity risk premium, industry beta, debt yield rate and capital structure), standard market/industry inputs and measures are being adopted; and

Key bases and assumptions	WYNCORP's comments
adopted; (ii) Pre-tax cost of debt ranges from approximately 6.0% to 9.0%; (iii) Debt-to-capital ratio of approximately 30.0%; and (iv) Additional risk premiums, as appropriate, to consider uncertainties and risks attributable to the cash flow projections of the respective AOCs. o The adopted WACC for the respective AOCs are summarised below: - (i) TAA : 12.0% to 14.5% (ii) PAA : 17.0% to 19.0% (iii) IAA : 17.5% to 19.0%	(b) the commonly-applied parameters are then adjusted for country-specific parameters (such as risk premium, country-specific spread for debt yield rate, inflation rate, tax rate) and company-specific parameters (such as size premium and risk premium) to give effect to the differentials amongst the AOCs. We are of the view that the application of country-specific risk premiums is appropriate. Based on the research data published on Professor Damodaran's website, we have applied the following rates in the countries in which the AOCs operate: - (i) TAA : 2.3% (ii) PAA : 2.8% (iii) IAA : 2.8% To compensate for the uncertainties and risks attributable to the financial and cash flows projections of the AOCs such as the achievability of the projected revenue and profit growth as well as successful and timely implementation of the business plans (namely, to increase the flight frequency of existing routes and introduce new routes, both of which to be achieved by increasing the fleet size of the AOCs), we have applied the following company-specific risk premiums: - (i) TAA : 4% to 6% (ii) PAA : 8% to 10% (iii) IAA : 8% to 10% We noted that the WACC adopted is consistent with the range of discount rates computed by us applying the country-specific risk premiums and company-specific risk premiums indicated above. We further observed that the WACC adopted for the PAA and IAA are higher as compared to TAA, mainly due to a higher CSRP being assigned for PAA and IAA, to compensate for the increased level of uncertainties associated with the higher revenue growth rates forecasted. Premised on the above, we are of the view that the discount rates adopted are appropriate and reasonable.

Premised on the above key bases and assumptions, the 100% equity values of the AOCs (namely, TAA, PAA and IAA) on marketable and control basis appraised by Deloitte under the income approach – DCF method are as follows: -

	Valuation Range					
	TAA		PAA		IAA	
	Low (THB' mil)	High (THB' mil)	Low (PHP' mil)	High (PHP' mil)	Low (IDR' bil)	High (IDR' bil)
Business enterprise value ("**BEV**")[(1)]	25,757	31,889	17,020	21,679	3,683	4,345
Adjustment for Net debt	(1,792)	(1,792)	(10,997)	(10,997)	(3,031)	(3,031)
Equity value (reporting currency)	23,966	30,098	6,023	10,683	652	1,314
Equity value (USD' mil)	**697**	**875**	**109**	**193**	**42**	**85**
Equity value (RM' mil)	**3,198**	**4,016**	**499**	**885**	**196**	**394**

Remarks: -
- *"Mil" denotes million(s).*
- *"Bil" denotes billion(s).*
- *Due to rounding, the numbers presented in the table may not add up precisely to the totals provided.*

Note: -

(1) BEV is derived from the DCF, comprising the present value of discrete cash flows over the explicit forecast period of 5 years (between FYE 31 December 2024 and FYE 31 December 2028) and the present value of terminal year value, and after adjusting for excess/deficit in working capital changes.

Based on the cash flow projections made available by the management and the WACC adopted, we have computed the present value of the terminal value for the respective AOCs to be as follows: TAA (Approximately THB 15,000 million – THB 20,000 million); PAA (Approximately PHP 19,000 million – PHP 23,000 million; IAA (Approximately IDR 3,000 billion – IDR 4,000 billion). This is consistent with the respective AOCs' management's plan to grow their operations via increased fleet size and flight frequency, and introduction of new routes across the projection period from FYE 31 December 2024 to FYE 31 December 2028. The operations of the AOCs are expected to achieve a stable state by FYE 31 December 2028, and thereafter grow in perpetuity at a nominal growth rate based on the long-term inflation rates of the countries in which AOCs operate.

Secondary valuation method (for cross-checking purposes)

We noted that the 100% equity values of the AOCs (namely, TAA, PAA and IAA) on marketable and control basis appraised by Deloitte under the income approach – DCF method are cross-checked against the results derived based on market approach – GPCM and the outcomes support the valuation range derived under the income approach – DCF method.

For illustrative purposes only, we have computed the valuation based on market approach – GPCM using the average of market multiples and data from the financial projections furnished by the management, the results as summarised below: -

	Valuation Range		
	TAA (RM' mil)	PAA (RM' mil)	IAA (RM' mil)
Equity values of AOCs derived based on market approach – GPCM using the average of market multiples	4,750	650	380
Equity values of AOCs derived based on income approach – DCF method by Deloitte	3,198 – 4,016 (Mid-point: 3,607)	499 – 885 (Mid-point: 692)	196 – 394 (Mid-point: 295)

Remark: -
○ *"Mil" denotes million(s).*

The mid-point of valuation range derived based on the income approach – DCF method is consistent or lower as compared to the valuation derived based on market approach – GPCM using the average of market multiples. We are of the view that the valuation range derived based on the income approach – DCF method (which is a more appropriate approach to reflect the future earnings capabilities of the AOCs) is justifiable.

(ii) Adjusted Book Value Approach for the Holding Companies

We noted that the holding companies being appraised by Deloitte under the adjusted book value approach include the following: -

(a) AAAGL (being the subject company of the Proposed AAAGL Acquisition);

(b) AAV, being the intermediate holding company of TAA;

(c) AAI, being the intermediate holding company of PAA; and

(d) AAID, being the intermediate holding company of IAA.

The following key bases and assumptions are being applied by Deloitte in appraising valuation range for the holding companies under the adjusted book value approach: -

(a) The audited net book value of the respective holding companies as of the valuation date (being 31 December 2023) has been adopted;

(b) Adjustments to the book value mainly pertain to the fair value upliftment of their investments in subsidiaries and associates based on the market values of the AOCs derived using the income approach – DCF method; and

(c) The carrying amount of other assets and liabilities have been assumed to approximate their market value.

The 100% equity values of intermediate holding companies (namely AAV, AAI and AAID) derived based on the adjusted book value approach are summarised below: -

	Valuation Range					
	AAV		AAI		AAID	
	Low (THB' mil)	High (THB' mil)	Low (PHP' mil)	High (PHP' mil)	Low (IDR' bil)	High (IDR' bil)
Audited book value, as at 31 December 2023[1]	17,015	17,015	6,176	6,176	2,567	2,567
Adjustment for Upliftment in fair value of investments[2]	7,081	13,213	6,003	10,646	(2,228)	(1,849)
Adjusted book value (reporting currency)	24,095	30,227	12,178	16,822	339	718
Equity value (USD' mil)	**701**	**879**	**220**	**304**	**22**	**47**
Equity value (RM' mil)	**3,215**	**4,034**	**1,008**	**1,393**	**102**	**215**

Remarks: -
- *"Mil" denotes million(s).*
- *"Bil" denotes billion(s).*
- *Due to rounding, the numbers presented in the table may not add up precisely to the totals provided.*

Notes: -

(1) Based on the audited net assets of the respective intermediate holding companies, and after adjustments to reflect the latest plan for internal reorganisation and capitalisation of debts to be completed prior to the Proposed AAAGL Acquisition.

(2) The upliftment in fair value of investments is derived in the following manner: -

	AAV		*AAI*		*AAID*	
	Low (THB' mil)	*High (THB' mil)*	*Low (PHP' mil)*	*High (PHP' mil)*	*Low (IDR' bil)*	*High (IDR' bil)*
Fair value of investment in AOCs, based on the effective equity interest	*[a]23,966*	*[a]30,098*	*[b]6,003*	*[b]10,646*	*[c]373*	*[c]752*
Less: Carrying amount of intermediate holding companies' investments in the AOCs as at 31 December 2023	*(16,885)*	*(16,885)*	*-*	*-*	*(2,601)*	*(2,601)*
Upliftment in fair value of investments	*7,081*	*13,213*	*6,003*	*10,646*	*(2,228)*	*(1,849)*

Notes: -

(a) Calculated based on the valuation range determined using the income approach – DCF method (namely, low-range equity value of THB23,966 million and high-range equity value of THB30,098 million respectively), multiplied by the equity interest of 100.00% held in TAA.

(b) Calculated based on the valuation range determined using the income approach - DCF method (namely, low-range equity value of PHP6,023 million and high-range equity value of PHP10,683 million respectively), multiplied by the equity interest of 99.66% held in PAA.

(c) Calculated based on the valuation range determined using the income approach – DCF method (namely, low-range equity value of IDR652 billion and high-range equity value of IDR1,314 billion respectively), multiplied by the equity interest of 57.25% held in IAA.

Based on the valuation range of the AOCs (namely, TAA, PAA and IAA) and their respective intermediate holding companies (namely, AAV, AAI and AAID) as appraised by Deloitte, the valuation range for AAAGL has been appraised by Deloitte using the adjusted book value approach as illustrated below: -

	Low range (USD' mil)	**High range (USD' mil)**
Audited NA of AAAGL as at 31 December 2023[(1)(2)]	183	183
Adjustments: -		
o Upliftment in fair value of AAAGL's investments[(3)]	(61)	116
o Capital contribution from Capital A arising from capitalisation of the intercompany debts amongst Capital A, the AAAGL Group and AAB Group	505	505
o Cost of investment incurred for the acquisition of 100% equity interest in AA Com Travel Philippines Inc. from Move Travel Sdn Bhd (formerly known as AirAsia Com Travel Sdn Bhd), a subsidiary of Capital A, which was completed on 25 March 2024	* *(Represents negative USD0.2 mil)*	* *(Represents negative USD0.2 mil)*
Adjusted net assets value of AAAGL	**628**	**805**
Range of valuation (RM' mil)	**2,880**	**3,691**

Notes: -

(1) The audited NA of AAAGL as at 31 December 2023 of USD183 million is at the company level.

(2) For information purposes, the audited total shareholders' deficit of AAAGL as at 31 December 2023 at the group level is RM2,234.00 million (equivalent to approximately USD517.61 million) and after adjusting for the Vendor's Pre-Completion Restructuring, the pro forma total shareholders' deficit of AAAGL Group as at 31 December 2023 is RM970.78 million (equivalent to approximately USD224.93 million*).*

Note: -

** Based on Bank Negara Malaysia's closing middle exchange rate of USD1 : RM4.3160 as at the LPD.*

The shareholders' deficit and the effects of the Vendor's Pre-Completion Restructuring have been considered in determining the AAAGL Purchase Consideration. In order to derive the adjusted net assets value / valuation of AAAGL, Deloitte has derived the valuation of its major operating subsidiaries / AOCs using the DCF method. The DCF method, amongst others, incorporates the future cash flows arising from the operating assets and liabilities in the AOCs as at 31 December 2023, whereas non-operating assets and liabilities as at 31 December 2023 are adjusted against the business enterprise values (being the value of the business attributable to all providers of finance) in arriving at the respective equity values (being the value of the business attributable to equity holders) of the AOCs.

A fair value upliftment is subsequently applied to the audited NA of AAAGL as at 31 December 2023, calculated based on:-

(a) the fair value of AAAGL's investment stake in the AOCs; and

(b) the fair value of AAAGL's indirect investment stake in the AOCs, based on the adjusted book value of intermediate holding companies after incorporating the fair value of the AOCs.

The adjusted net assets value / valuation of AAAGL has also included the effects from the Vendor's Pre-Completion Restructuring.

(3) *Upliftment in fair value of investments consist of the following: -*

	Low range (USD' mil)	***High range (USD' mil)***
o *Upliftment in fair value of investment in IAA, calculated based on the valuation range determined using the income approach – DCF method (namely, low-range equity value of USD42 million and high-range equity value of USD85 million respectively), multiplied by the equity interest of 20.95% held in IAA*	*9*	*18*
o *Upliftment in fair value of investment in AAV, calculated based on the valuation range determined using the adjusted book value approach (namely, low-range equity value of USD701 million and high-range equity value of USD879 million respectively), multiplied by the equity interest of 40.71% held in AAV*	*285*	*358*
o *Upliftment in fair value of investment in AA Com Travel Philippines Inc., calculated based on the valuation range determined using the adjusted book value approach (namely, low-range equity value of USD116 million and high-range equity value of USD166 million).*	*116*	*166*
o *Upliftment in fair value of investment in AAI, calculated based on the valuation range determined using the adjusted book value approach (namely, low-range equity value of USD220 million and high-range equity value of USD304 million), multiplied by equity interest of 40.00% held in AAI*	*88*	*121*
o *Upliftment in fair value of investment in AAID, calculated based on the valuation range determined using the adjusted book value approach (namely, low-range equity value of USD22 million and high-range equity value of USD47 million), multiplied by equity interest of 46.25% equity interest held in AAID*	*10*	*22*
o *Cost value of the Investment in convertible bond issued by AAI(1)*	*25*	*25*
Total	*533*	*710*
Less:		
Adjusted carrying amount of AAAGL's investments as at 31 December 2023(2)	*(594)*	*(594)*
Upliftment in fair value of AAAGL's investments	***(61)***	***116***

Notes:-

(1) In May 2013, AAI issued USD25 million redeemable, unsecured convertible bonds to AAAGL. The bonds bear interest of 6% per annum.

(2) The carrying amount of AAAGL's investments as at 31 December 2023 has been adjusted to reflect the novation of perpetual capital securities in IAA held by AAB to AAAGL for a consideration of RM1,090.58 million.

Proposed AAB Acquisition and AAB Purchase Consideration

The valuation of AAB is subject to the following general basis and assumptions: -

(i) the risks relating to the Proposed AAB Acquisition as summarised in Section 7.6 of this IAL (further details of which as set out in Section 10, Part A of the Circular) will not materialise, or in the unforeseen circumstances should one or more of those risks materialise, there will be no material adverse impact on the financial performance, financial position and operations of AAB and the New Aviation Group;

(ii) there are no material adverse changes to the book values of AAB from the Evaluation Date up to the completion date of the Proposed AAB Acquisition;

(iii) the time value implications, if any, from the Evaluation Date up to the actual completion date of the Proposed AAB Acquisition is not material;

(iv) there will be no material changes in the prevailing legislation, government regulations, inflation rates, interest rates, foreign exchange rates, taxation rates and any other applicable regulatory requirements which will materially and adversely affect the financial performance, financial position and operations of AAB and the New Aviation Group; and

(v) AAB will continue as a going concern, and the future financial performance and growth of AAB will meet the projected levels without any material adverse change to the requisite capital and cash flows requirements.

We are of the view that these general basis and assumptions are reasonable, as the business operation of the AAB is expected to continue as a going concern and the financial and cash flows projections are expected to be achieved without any material adverse changes.

(i) Income Approach – with AAB being the AOC

Given that AAB is an AOC, the income approach has been applied by Deloitte in appraising the valuation range of AAB. We further noted that where applicable, Deloitte has referred to FYE 31 December 2019 as a base year in analysing the projections of AAB, as FYE 31 December 2019 represents the financial performance of AAB (being the AOC) prior to the COVID-19 pandemic.

The key bases and assumptions applied by Deloitte in appraising the valuation range for AAB under the income approach – DCF method are summarised below: -

Key bases and assumptions	WYNCORP's comments
o An explicit forecast period of 5 years (between FYE 31 December 2024 and FYE 31 December 2028) is applied for AAB.	We are of the view that this is appropriate and reasonable, as the explicit forecast period of 5 years would allow the effects arising from the ongoing and anticipated expansion plans of the AAB (as an AOC) to be reflected.
o The cash flows of AAB (as an AOC) are projected to grow in perpetuity after FYE 31 December 2028, using the terminal year growth rate of 2.0%.	We noted that the terminal year growth rate applied by Deloitte is based on the 20-year long-term inflation rate applicable to Malaysia in which AAB (as an AOC) operates, sourced from Economist Intelligence Unit. We are of the view that the terminal year growth rate applied by Deloitte AAB (as an AOC), is appropriate and with reasonable basis; taking into consideration that AAB (as an AOC) is intended to continue as a going concern without any internally-prescribed time limit (namely, in perpetuity) under the New Aviation Group.
o Revenue is expected to grow at the following CAGRs of 13.0% (between 2024 and 2028) and 6.0% (between 2019 and 2028).	We noted that the revenue growth trend is consistent with the overall increasing trend expected for the aviation industry in the long run. We noted that revenue of AAB (as an AOC) is estimated to grow at CAGR of 13.0% (between 2024 and 2028) and 6.0% (between 2019 and 2028). We observed that: - (a) the CAGR of 6.0%, over a longer time horizon (between 2019 and 2028), is relatively consistent with the overall long-term growth (2023-2043) for the Asia Pacific region (estimated at 5.3%, based on the Global Outlook for Air Transport, June 2024 by IATA); (b) whilst the CAGR of 13.0%, over a shorter time horizon (between 2024 and 2028), is higher than the overall long-term growth (2023-2043) for the Asia Pacific region, it is reasonable after taking into consideration the historical year-on-year growth rates (ranging from negative 0.9% to positive 12.1%) achieved by AAB (as an AOC) prior to the COVID-19 pandemic between 2015 and 2019; (c) the growth in revenue by AAB is in line with its business plan to increase flight frequency of existing routes and introduce new routes, both of which are expected to be achieved by increasing the fleet size of AAB. The ability of AAB to increase its fleet size is supported by the current order of aircraft from Airbus,

Key bases and assumptions	WYNCORP's comments
	where the New Aviation Group collectively have an order of about 400 aircraft from Airbus (mainly secured by AAB, with scheduled delivery commencing from 2024 up until 2035); and (d) the assumed contribution of passenger revenues (which relate to scheduled passenger flights, chartered flight income and ancillary revenue including insurance charge and baggage fee) and freight services revenue of 99.0% and 1.0% respectively between FYE 31 December 2024 and FYE 31 December 2028 is fair, as it is consistent with the historical trend where passenger revenues accounted for approximately 98.2% of total revenue whilst freight services revenue accounted for 1.8% of the total revenue based on historical financial data in 2019 (being the financial performance prior to the COVID-19 pandemic). Notwithstanding that a higher revenue growth rate has been applied (of which the management plans to achieve by offering new routes and increasing the frequency in existing routes served by AAB (as an AOC), to be backed by increased fleet size and passenger capacity), a CSRP has been applied and imputed in the discount rate to address the potential uncertainties of AAB (as an AOC) in achieving the projected numbers. Premised on the above, we are of the view that the revenue growth rate is appropriate and reasonable.
The operating expenditures include fuel costs, operating leases, maintenance and overhaul expenses, user charges, staff costs and other costs.	We are of the view that the operating expenditures adopted are appropriate and reasonable, as these are consistent with the actual costs incurred by AAB in previous financial years and assumed to grow in tandem with the revenue growth.
o Others, comprising the following: - • Unutilised tax losses of AAB are expected to be utilised and offset against EBIT between FYE 31 December 2024 to FYE 31 December 2028. Tax expenses are assumed in the terminal period at Malaysia statutory tax rate of 24.0% • Capital expenditure for non-aircraft operating assets is projected to be approximately 1.0% of AAB's total	We noted that AAB has unutilised tax losses, which are allowed to be carried forward and offset against future profits generated by AAB. This is consistent with the prevailing tax regulations of Malaysia in which AAB operate. We further noted that the assumed corporate tax rate is consistent with the prevailing statutory corporate tax rate of Malaysia in which AAB operate. We noted that the forecasted capital expenditure is on the basis of replenishing depreciated assets with new assets and not to facilitate expansion of

Key bases and assumptions	WYNCORP's comments
projected revenue between FYE 31 December 2024 and FYE 31 December 2028 • The working capital requirements of AAB have been assumed as follows: - - Trade receivable turnover days of less than 2 week - Trade payable turnover days between 30 and 45 days - Other working capital requirements are based on historical trends and discussions with management.	operations or increased capacity. We further noted that the projected rate falls within the range based on historical trends. The assumed trade receivable turnover days of less than 2 week is reasonable and consistent with the commercial practice of AAB, as the transactions for passenger revenues (representing the main revenue contributor to AAB) are normally on cash terms. The assumed trade payable turnover days and other working capital requirements are consistent with historical trends. Premised on the above, we are of the view that other key bases and assumptions (comprising taxation, capital expenditure for non-aircraft operating assets and the working capital requirements) adopted by Deloitte is fair and reasonable.
o The discount rates adopted have been developed based on the WACC. Amongst others, the WACC are based on the following: - (i) Cost of equity with reference to the market which AAB (as an AOC) operates in using the international cost of capital approach, which assumes adjustments for country risk factors and inflation differentials from a cost of capital benchmark based on a mature financial market. The US have been applied as a benchmark, and a US equity risk premium of approximately 5.0%, adjusted for country risk and inflation rate differentials of approximately 2.0% have been adopted; (ii) Pre-tax cost of debt of approximately 7.0%; (iii) Debt-to-capital ratio of approximately 30.0%; and (iv) Additional risk premiums, as appropriate, to consider uncertainties and risks attributable to the cash flow projections of AAB (as an AOC). o The adopted WACC for AAB (as an AOC) are 12.5% to 14.5%.	We noted that the WACC adopted for AAB (as an AOC) is higher than the average cost of capital for the airline industry (about 9.1% based on the 2024 estimation by IATA), as CSRP has been applied and imputed to address the potential uncertainties of AAB (as an AOC) in achieving the projected numbers. We noted that the discount rates applied have taken into consideration both commonly-applied parameters and company-specific parameters. In particular, we observed that: - (a) in estimating the commonly-applied parameters (such as the risk-free rate, equity risk premium, industry beta, debt yield rate and capital structure), standard market/industry inputs and measures are being adopted; and (b) the commonly-applied parameters are then adjusted for country-specific parameters (such as risk premium, country-specific spread for debt yield rate, inflation rate, tax rate) and company-specific parameters (such as size premium and risk premium) to give effect to the differentials. We are of the view that country-specific risk premium of 1.8% is appropriate and shall be applied, based on the research data published on Professor Damodaran's website and in accordance with the country in which AAB operate (namely, Malaysia).

Key bases and assumptions	WYNCORP's comments
	To compensate for the uncertainties and risks attributable to the financial and cash flows projections of AAB such as the achievability of the projected revenue and profit growth as well as successful and timely implementation of the business plans (namely, to increase the flight frequency of existing routes and introduce new routes, both of which to be achieved by increasing the fleet size of AAB), we have applied the company-specific risk premium of 4% to 6%. We noted that the WACC adopted is consistent with the range of discount rates computed by us applying the country-specific risk premium and company-specific risk premiums indicated above. Premised on the above, we are of the view that the discount rates adopted are appropriate and reasonable.

Premised on the above key bases and assumptions, the 100% equity values of AAB (as an AOC) on marketable and control basis appraised by Deloitte under the income approach – DCF method are as follows: -

	Valuation Range – AAB	
	Low (RM' mil)	**High (RM' mil)**
BEV[(1)]	2,278	3,158
<u>Adjustment for</u>		
Net debt	1,444	1,444
Equity value (reporting currency) / Equity value (RM' mil)	**3,721**	**4,602**

<u>Remarks: -</u>
- *"Mil" denotes million(s).*
- *Due to rounding, the numbers presented in the table may not add up precisely to the totals provided.*

<u>Note: -</u>

(1) BEV is derived from the DCF, comprising the present value of discrete cash flows over the explicit forecast period of 5 years (between FYE 31 December 2024 and FYE 31 December 2028) and the present value of terminal year value, and after adjusting for excess/deficit in working capital changes.

Based on the cash flow projections made available by the management and the WACC adopted, we have computed the present value of the terminal value for AAB (as the AOC) to be approximately RM 2,900 million – RM 3,700 million. This is consistent with AAB's management's plan to grow its operation via increased fleet size and flight frequency, and introduction of new routes across the projection period from FYE 31 December 2024 to FYE 31 December 2028. AAB's operation is expected to achieve a stable state by 2028, and thereafter grow in perpetuity at a nominal growth rate based on the long-term inflation rate of Malaysia in which AAB operate.

For information purposes, the audited total shareholders' deficit of AAB Group as at 31 December 2023 is RM1,504.69 million and after adjusting for the Vendor's Pre-Completion Restructuring, the pro forma total shareholders' deficit of AAB Group as at 31 December 2023 is RM3,882.69 million.

The shareholders' deficit and the effects of the Vendor's Pre-Completion Restructuring have been considered in determining the AAB Purchase Consideration. Deloitte has derived the valuation of AAB (the main operating entity within the AAB Group) using the income approach – DCF method. The income approach – DCF method, amongst others, incorporates the future cash flows arising from the operating assets and liabilities in AAB as at 31 December 2023, whereas non-operating assets and liabilities as at 31 December 2023 are adjusted against the business enterprise value in arriving at the equity value of AAB. The valuation of AAB has also included the effects from the Vendor's Pre-Completion Restructuring.

Secondary valuation method (for cross-checking purposes)

We noted that the 100% equity values of the AAB (as an AOC) on marketable and control basis appraised by Deloitte under the income approach – DCF method is cross-checked against the results derived based on market approach – GPCM and the outcome support the valuation range derived under the income approach – DCF method.

For illustrative purposes only, we have computed the valuation based on market approach – GPCM using the average of market multiples and data from the financial projections furnished by the management, the results as summarised below: -

	Valuation Range – AAB (RM' mil)
Equity value of AAB (as an AOC) derived based on market approach – GPCM using the average of market multiples	6,900
Equity values of AAB (as an AOC) derived based on income approach – DCF method by Deloitte	**3,721 – 4,602 (Mid-point: 4,161.50)**

Remark: -
- *"Mil" denotes million(s).*

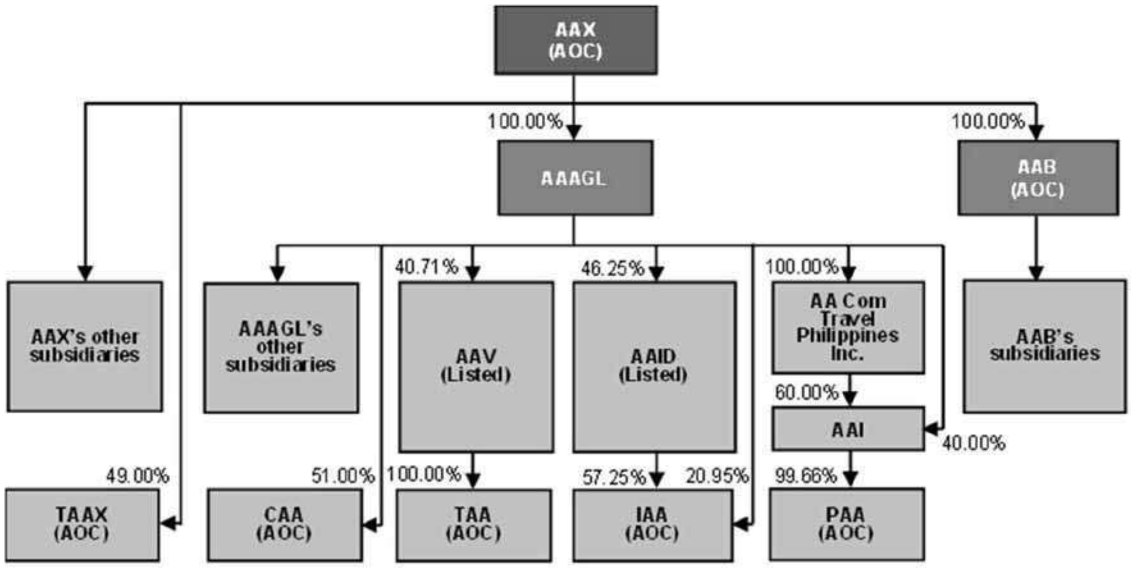
The mid-point of valuation range derived based on the income approach – DCF method is lower as compared to the valuation derived based on market approach – GPCM using the average of market multiples. We are of the view that the valuation range derived based on the income approach – DCF method (which is a more appropriate approach to reflect the future earnings capabilities of AAB) is justifiable.

Impact of the issuance of bonds (details as set out in Section 10 of Appendix V of the Circular) by AirAsia RB 1 Ltd, a wholly-owned subsidiary of AAB, particularly on the valuation of the entire AAB Equity Interest

We noted that further to the issuance of the Valuation Letter on 25 July 2024, Deloitte has evaluated the impact of issuance of the bonds (details as set out in Section 10 of Appendix V of the Circular) by AirAsia RB 1 Ltd, a wholly-owned subsidiary of AAB, particularly on the valuation of the entire AAB Equity Interest. Based on the Valuer's Assessment Letter as attached in Appendix VI(B) of the Circular, the range of valuation for the entire AAB Equity Interest after the issuance of the bonds is between RM3,735.00 million and RM4,563.00 million (mid-point of RM4,149.00 million), which represents a variance of less than 1% to the range of valuation as set out in the Valuation Letter. In addition, the variance represents about 1% or less to the AAB Purchase Consideration. Hence, the impact of the issuance of the bonds to the valuation of the entire AAB Equity Interest is deemed immaterial and no variation to the AAB Purchase Consideration or other terms in the AAB SSPA has been made. We are of the view that this is appropriate and reasonable, as the AAB Purchase Consideration continues to fall within the range of the valuation for the entire AAB Equity Interest after the issuance of the bonds.

(4) Group structure of the New Aviation Group

We noted that upon completion of the Proposed Acquisitions, the New Aviation Group will house all the airline entities operating under the "AirAsia" brand (including "AirAsia X" brand) and the aviation-related businesses currently undertaken by AAX Group, AAAGL Group and AAB Group. There will be 7 airlines operating under the enlarged aviation group, namely (1) 'Malaysia AirAsia' operated by AAB, (2) 'Thai AirAsia' operated by TAA, (3) 'Philippines AirAsia' operated by PAA, (4) 'Indonesia AirAsia' operated by IAA, (5) 'AirAsia Cambodia' operated by CAA, (6) 'AirAsia X' operated by AAX and (7) 'Thai AirAsia X' operated by TAAX.



Further information on the changes in corporate structure of the Group is set out in Appendix I of the Circular.

Premised on the above, we are of the view that: -

(i) income approach – DCF method as the primary approach of valuation for the AOCs (namely, TAA, PAA, IAA and AAB) is fair and reasonable, as this valuation method gives due consideration to the income-producing ability of the AOCs, which is the critical element affecting value of the AOCs; and

(ii) adjusted book value approach as the primary approach of valuation for the holding companies is fair and reasonable, as the book values of the respective holding companies have been adjusted to reflect the uplift in investment values arising from the difference between the fair values of the AOCs (appraised using the income approach – DCF method) and the current book values of the investment in the AOCs held by the respective holding companies. As such, the adjusted book value is considered an appropriate indication/approximation of the fair values of the holding companies, being investment-holding in nature without significant and distinctive income-producing ability; and

(iii) **the AAAGL Purchase Consideration and AAB Purchase Consideration are <u>fair</u> and <u>reasonable</u>, taking into consideration the following: -**

  (i) **rationale and benefits of the Proposed Acquisitions as set out in Section 8.3, Part A of the Circular;**

  (ii) **outlook of the aviation industry and prospects of the Target Companies and the New Aviation Group as set out in Section 9, Part A of the Circular;**

  (iii) **the AAAGL Purchase Consideration (RM3,000.00 million) falls within the range of valuation for the entire AAAGL Equity Interest of between RM2,880.00 million and RM3,691.00 million as at the valuation date of 31 December 2023, whilst the AAB Purchase Consideration (RM3,800.00 million) falls within the range of valuation for the entire AAB Equity Interest of between RM3,721.00 million and RM4,602.00 million as at the valuation date of 31 December 2023, based on the valuation undertaken by Deloitte as set out in the Valuation Letter attached in Appendix VI(A) of the Circular; and**

  (iv) **the AAAGL Purchase Consideration (RM3,000.00 million) represents a discount of approximately RM285.50 million or 8.69% to the mid-point of the valuation range for AAAGL (being RM3,285.50 million), whilst the AAB Purchase Consideration (RM3,800.00 million) represents a discount of approximately RM361.50 million or 8.69% to the mid-point of the valuation range for AAB (being RM4,161.50 million); and the Total Purchase Consideration (RM6,800.00 million) represents a discount of approximately RM647.00 million or 8.69% to the aggregate of the mid-point of the valuation range for AAAGL and AAB (being RM7,447.00 million).**

7.3 Evaluation of the modes of settlement for the Proposed Acquisitions and issue price of the Consideration Shares for the Proposed AAAGL Acquisition

We noted the following mode of settlement for the Proposed Acquisitions: -

(i) the AAAGL Purchase Consideration (RM3,000.00 million) for the Proposed AAAGL Acquisition is to be satisfied entirely via the allotment and issuance of 2,307,692,307 new Shares at an issue price of RM1.30 each, as set out in Section 4, Part A of the Circular; and

(ii) the AAB Purchase Consideration (RM3,800.00 million) for the Proposed AAB Acquisition is to be satisfied entirely via the Debt Settlement (namely, the assumption by AAX of an amount of RM3,800.00 million owing by Capital A to AAB), as set out in Section 5, Part A of the Circular.

WYNCORP's comments
We take cognisance that the Proposed Acquisitions do not involve any immediate cash outflows. We are of the view that: - (i) the issuance of Consideration Shares to satisfy the AAAGL Purchase Consideration and the Debt Settlement to satisfy the AAB Purchase Consideration would enable the Company to conserve its cash reserves for working capital and operational needs; (ii) the issuance of Consideration Shares to satisfy the AAAGL Purchase Consideration would help to enhance the Company's capital base; and (iii) the Debt Settlement to satisfy the AAB Purchase Consideration would help to clear off the outstanding amount owing by Capital A to AAB, which is necessary as upon completion of the Proposed AAB Acquisition, AAB will cease to be a wholly-owned subsidiary of Capital A and if such amount owing by Capital A to AAB shall persist, it would give rise to a "related party transaction" tantamount to provision of financial assistance and separate shareholders' approval may be required. Premised on the above, we are of the view that the mode of settlement for the Proposed Acquisition is fair and reasonable and not detrimental to the interest of the non-interested Shareholders of AAX.

We noted in Section 4.4, Part A of the Circular that the issue price of RM1.30 per Consideration Share for the AAAGL Purchase Consideration was determined after taking into consideration the 5-day VWAP of AAX Shares up to and including 15 April 2024, being the latest practicable date used to finalise the negotiation on the issue price of the Consideration Shares prior to the date of signing of the SSPAs and the announcement of the Proposals (including the Proposed Acquisitions) ("**Announcement LPD**").

In arriving at the issue price of the Consideration Shares for AAAGL Purchase Consideration, the Company had taken into consideration the following: -

(i) the issue price of RM1.30 per Consideration Share: -

  (a) is equivalent to the closing market price of AAX Shares as at the Announcement LPD;

  (b) is equivalent to the 5-day VWAP of AAX Shares up to and including the Announcement LPD; and

  (c) represents a premium of approximately 348.28% over the unaudited consolidated NA of AAX Group as at FYE 31 December 2023 of RM0.29 per AAX Share; and

(ii) the issuance of the Consideration Shares to fully satisfy the AAAGL Purchase Consideration allows AAX Group to conserve cash for working capital requirements.

We noted that the issue price of the Consideration Shares represents a premium of approximately 4.84% over the closing market price of AAX Shares as at 24 April 2024, being the last trading day prior to the date of the AAAGL SSPA ("**LTD**") of RM1.24, a premium of approximately 7.44% over the 5-day VWAP of AAX Shares up to and including the LTD of RM1.21 and a premium of 400.00% over the audited consolidated NA of AAX Group as at 31 December 2023 of RM0.26 per Share.

In assessing the fairness and reasonableness of the issue price of RM1.30 per Consideration Share for the AAAGL Purchase Consideration, we have compared the issue price against: -

(i) the closing market price of AAX Shares on the LTD and the respective VWAP as set out in the table below: -

Basis of Comparison	**Closing market price / VWAP**	**Premium / (Discount) over closing market price / VWAP**	
	RM	**RM**	**%**
Closing market price on the LTD	1.24	0.06	4.84
VWAP for 5-day up to LTD	1.21	0.09	7.44
VWAP for 1-month up to LTD	1.28	0.02	1.56
VWAP for 3-month up to LTD	1.47	(0.17)	(11.56)
VWAP for 6-month up to LTD	1.78	(0.48)	(26.97)
VWAP for 12-month up to LTD	1.98	(0.68)	(34.34)

(Source: Bloomberg)

(ii) the monthly highest and lowest transacted market prices of AAX Shares for the past 12 months from the LTD as set out in the table below: -

	Highest RM	**Lowest RM**	**Price Gap (Highest - Lowest)(1) %**
2023			
May	2.15	1.35	37.21
June	1.94	1.66	14.43
July	2.53	1.55	38.74
August	2.63	2.05	22.05
September	2.58	2.13	17.44
October	2.48	1.79	27.82
November	2.42	1.89	21.90
December	2.06	1.85	10.19
2024			
January	2.06	1.66	19.42
February	1.87	1.63	12.83
March	1.64	1.28	21.95
April	1.37	1.15	16.06

(Source: Bloomberg)

Note: -
(1) Calculated based on the formula: -

$$\frac{\text{(Highest transacted market price - Lowest transacted market price}}{\text{Highest transacted market price}} \times 100$$

(iii) The basis for the issue price of the Placement Shares to be issued pursuant to the Proposed Private Placement (of which the Proposed AAAGL Acquisition and the Proposed AAB Acquisition are individually conditional upon and not vice versa), where Placement Shares will be issued based on a discount of not more than 15% to the 5-day VWAP of AAX Shares up to and including the last trading day prior to the price-fixing date of the Placement Shares subject to a minimum price of RM1.00 per Placement Share.

WYNCORP's comments
We observed that: - (i) the issue price of RM1.30 per Consideration Share is at a premium to the closing market price on the LTD and the VWAPs for 5-day and 1-month up to the LTD, but at a discount to the VWAPs for 3-month, 6-month and 12-month up to the LTD; (ii) the highest and lowest transacted market prices of AAX Shares for the past 12 months from the LTD stood at RM2.63 and RM1.15 respectively, with relatively notable gap between the monthly highest transacted market price and lowest transacted market price; and the issue price of RM1.30 per Consideration Share falls within the range of the highest and lowest transacted market prices of AAX Shares for the past 12 months; (iii) the issue price of RM1.30 per Consideration Share is at a premium 400.00% over the audited consolidated NA of AAX Group for the FYE 31 December 2023 of RM0.26 per Share; and (iv) the basis for the issue price of RM1.30 per Consideration Share based on the 5-day VWAP is: - o a commonly-applied basis, particularly for issuance of new shares under a general mandate as permissible under the Listing Requirements; and o consistent with the basis for the issue price of the Placement Shares to be issued pursuant to the Proposed Private Placement (of which the Proposed AAAGL Acquisition and the Proposed AAB Acquisition are individually conditional upon and not vice versa), but without a discount.

Premised on the above, we are of the view that the modes of settlement for the Proposed Acquisitions and issue price of the Consideration Shares for the Proposed AAAGL Acquisition is <u>fair</u> and <u>reasonable</u> and <u>not detrimental</u> to the interest of the non-interested Shareholders of AAX.

7.4 Salient terms of the SSPAs and the supplemental agreements to the SSPAs

The salient terms of the SSPAs (amended where applicable by the supplemental agreements to the SSPAs) are set out in Appendix II(A) (in relation to the AAAGL SSPA) and Appendix II(B) (in relation to the AAB SSPA) of the Circular.

No.	Salient terms of the SSPAs	WYNCORP's comments
Salient terms of the AAAGL SSPA (as set out in Appendix II(A) of the Circular)		
1.	**<u>Sale and purchase of the AAAGL Equity Interest</u>** *"On and subject to the terms of the AAAGL SSPA, the Vendor agrees to sell, and the Purchaser agrees to purchase the entire equity interest (including any forms of capital contribution and any unissued capital) in AAAGL.* *The entire AAAGL Equity Interest shall be sold by the Vendor free from encumbrances and together with all rights and advantages attaching to them as at completion of the Proposed AAAGL Acquisition (including the right to receive all dividends and distributions declared, made or paid on or after the said completion)."*	We are of the view that this term is common and reasonable.
2.	**<u>AAAGL Purchase Consideration</u>** *"The consideration for the sale and purchase of the entire 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 Share.* *The Consideration Shares shall, upon allotment and issuance, rank equally in all respects with each other and with the then existing 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 our Shareholders, the entitlement date of which is prior to the date of allotment and issuance of the Consideration Shares."*	Premised on our view as set out in Sections 7.2 and 7.3 of this IAL, we are of the view that the AAAGL Purchase Consideration and issue price of RM1.30 per Consideration Share are fair and reasonable.
3.	**<u>AAAGL Conditions Precedent</u>** *"3.1 The obligations of the parties to the AAAGL SSPA 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**"): -*	We are of the view that the terms are common and justifiable for transaction of such nature, as these terms set out the requirement for the parties to procure all the necessary approvals for the completion of the Proposed AAAGL Acquisition. This is crucial to ensure a smooth and successful implementation of the Proposed AAAGL Acquisition.

<table>
<tr><th>No.</th><th>Salient terms of the SSPAs</th><th>WYNCORP's comments</th></tr>
<tr><td colspan="3">Salient terms of the AAAGL SSPA (as set out in Appendix II(A) of the Circular)</td></tr>
<tr><td></td><td>
(i) the approval of the shareholders of the Vendor being obtained at an EGM to be convened for the Proposed Distribution by Capital A and Proposed AAAGL Acquisition;

(ii) the approval of the holders of the Capital A RCUIDS being obtained for the Proposed Distribution by Capital A and Proposed AAAGL Acquisition;

(iii) the approval / consent of the governmental entity, financiers / lenders or any third party, as may be necessary, being obtained by (where applicable) the Vendor, the Vendor's subsidiaries or the relevant entity within the AAAGL Group for the Vendor's Pre-Completion Restructuring, Proposed Distribution by Capital A and Proposed AAAGL Acquisition as set out below: -

(a) (1) (A) agreement between the parties to the AAAGL SSPA after consultation with the MAVCOM or the CAAM or any successor thereof (as the case may be) or (B) the confirmation or concurrence of MAVCOM or CAAM or any successor thereof (as the case may be), that Section 54(1) of the MAVCOM Act[(1)] or Section 36T(1) of the CAAM Act[(2)] (as the case may be) is not applicable to the Proposed AAAGL Acquisition; or

(2) a decision is issued by MAVCOM or CAAM or any successor thereof (as the case may be) that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not infringed if the Proposed AAAGL Acquisition is carried into effect;

<u>Notes:</u> -
(1) Section 54(1) of the MAVCOM Act 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.

(2) Pursuant to Section 15 of the Civil Aviation Authority of Malaysia (Amendment) Act 2024, the CAAM Act will be amended by, amongst others, inserting a new Section 36T which 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. For information purposes, the aforesaid amendment of the CAAM Act has yet to come into force as at the LPD.
</td><td>
We wish to draw the attention to the following clauses: -

(i) Clause 3.1 (vi), which sets out that AAAGL Group collectively shall not incur or record an aggregate loss exceeding RM50,000,000 during the 3-month period immediately preceding the date of completion of the Proposed AAAGL Acquisition.

We are of the view that this condition precedent is justifiable, as it would serve as a mitigating measure to the "risk of triggering PN17" as elaborated in Section 10.5, Part A of the Circular.

(ii) Clause 3.1 (x), which sets out that AAX shall raise RM1,000,000,000 within the 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 the Purchaser and the identified investors in relation to the Proposed Private Placement.

We are of the view that this condition precedent is justifiable, as the Proposed AAAGL Acquisition is conditional upon the Proposed Private Placement, and the Proposed Private Placement would serve as a mitigating measure to the "risk of triggering PN17" and "financing and default risk" as elaborated in Sections 10.5 and 10.7, Part A of the Circular.
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No.	Salient terms of the SSPAs	WYNCORP's comments
Salient terms of the AAAGL SSPA (as set out in Appendix II(A) of the Circular)		
	(b) Bank Negara Malaysia, Foreign Exchange Administration with regards to the AAAGL Debt Novation; *(c) financiers / lenders in respect of the Capital A RCUIDS as well as banking facilities granted to certain subsidiaries of Capital A;* *(d) third parties in respect of certain aircraft lease as well as operational agreements;* *(e) any other approvals, waivers or consents of and/or notifications to any authorities or parties as may be required by law or regulation or deemed necessary and mutually agreed by the parties to the AAAGL SSPA; and* *(f) the approvals and/or consents of lenders / financiers of the relevant entity within the AAAGL Group for the release and/or discharge of any corporate guarantee and/or security provided by the Vendor or its group of companies (excluding the AAAGL Group) in favour of lenders / financiers of the relevant entity within the AAAGL Group shall be obtained before the date of completion of the Proposed AAAGL Acquisition. For the avoidance of doubt, Capital A and AAX agree that they shall not be entitled to waive this condition precedent.* *(iv) the completion of the Vendor's Pre-Completion Restructuring;* *(v) the sanction of the High Court being obtained for the capital reduction pursuant to the Proposed Distribution by Capital A;* *(vi) the AAAGL Group collectively does not incur or record an aggregate loss exceeding RM50,000,000[(1)] during the 3-month period immediately preceding the date of completion of the Proposed AAAGL Acquisition;* *Note: -* *(1) Together with the conditions precedent in the AAB SSPA, the AAAGL Group and AAB Group shall not incur or record an aggregate loss exceeding RM100.00 million during the 3-month period immediately preceding the dates of completion of the Proposed Acquisitions. The amount of RM100.00 million is determined based on*	

No.	Salient terms of the SSPAs	WYNCORP's comments
Salient terms of the AAAGL SSPA (as set out in Appendix II(A) of the Circular)		
	<u>*10% of the total gross proceeds of RM1,000.00 million to be raised from the Proposed Private Placement.*</u> *(vii) the completion of the due diligence exercise comprising examination and verification of the financial, legal and other affairs of the AAAGL Group by accountants, valuers, solicitors or such other professionals (if required) and the results of the due diligence exercise being reasonably satisfactory to the Purchaser;* *(viii) your approval being obtained at an EGM to be convened for the Proposed AAAGL Acquisition;* *(ix) the approval / consent of the governmental entity, financiers / lenders or any third party, as may be necessary, being obtained by (where applicable) the Purchaser, or any of the Purchaser's subsidiaries for the Proposed AAAGL Acquisition as set out below: -* *(a) (1) (A) agreement between the parties to the AAAGL SSPA after consultation with the MAVCOM or the CAAM or any successor thereof (as the case may be) or (B) the confirmation or concurrence of MAVCOM or CAAM or any successor thereof (as the case may be), that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not applicable to the Proposed AAAGL Acquisition; or* *(2) a decision is issued by MAVCOM or CAAM or any successor thereof (as the case may be) that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not infringed if the Proposed AAAGL Acquisition is carried into effect; where applicable* *(b) 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 the Purchaser from the obligation to undertake a tender offer to acquire all remaining shares in AAV not already owned by the Purchaser on completion of the Proposed AAAGL Acquisition;*	

No.	Salient terms of the SSPAs	WYNCORP's comments
Salient terms of the AAAGL SSPA (as set out in Appendix II(A) of the Circular)		
	(c) Bursa Securities for the listing and quotation of the Consideration Shares and Placement Shares on the Main Market of Bursa Securities; and *(d) any other approvals, waivers or consents of and/or notifications to any authorities or parties as may be required by law or regulation or deemed necessary and mutually agreed by the parties to the AAAGL SSPA; and* *(x) the Purchaser raising RM1,000,000,000 within the 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 the Purchaser and the identified investors in relation to the Proposed Private Placement.* *"**AAAGL Cut-Off Date**" means –* *(i) 6 months after the date of the AAAGL SSPA for the AAAGL Conditions Precedent (save for 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, 60 days after the date of the AAAGL SSPA with an automatic extension for a further period of 60 days,* *or such other date as mutually agreed between the parties to the AAAGL SSPA 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 parties to the AAAGL SSPA 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 to the AAAGL SSPA shall have no claim against the other party, save for a claim arising out of antecedent breaches of the AAAGL SSPA.* *3.3 Between the date of the AAAGL SSPA and completion of the Proposed AAAGL Acquisition, and except for the Proposed AAAGL Acquisition, Proposed Issuance of Free Warrants, Proposed Private Placement and Proposed Granting of Subscription Options, the Purchaser agrees that unless the prior written approval of the Vendor has been obtained, it shall not seek and/or obtain its shareholders' approval for the Purchaser 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 the Purchaser, including,*	

No.	Salient terms of the SSPAs	WYNCORP's comments
Salient terms of the AAAGL SSPA (as set out in Appendix II(A) of the Circular)		
	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, the Vendor may terminate the AAAGL SSPA (other than the surviving provisions as stipulated in the AAAGL SSPA) at any time prior to completion of the Proposed AAAGL Acquisition with the Vendor's interest in the AAAGL Equity Interest intact."	
4.	**<u>Completion of the Proposed AAAGL Acquisition</u>** *"4.1 Completion of the sale and purchase of the entire 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 of the Proposed AAAGL Acquisition (and have been satisfied, fulfilled and/or waived at completion of the Proposed AAAGL Acquisition) or at such other time as the parties to the AAAGL SSPA may mutually agree in writing.* *4.2 If any provision of the completion clause under the AAAGL SSPA is not fully complied with, the Purchaser, in the case of a default or non-compliance by the Vendor, or the Vendor, in the case of a default or non-compliance by the Purchaser, shall be entitled (in addition to and without prejudice to all other rights or remedies available to it): -* *(i) to effect completion of the Proposed AAAGL Acquisition so far as practicable having regard to the defaults which have occurred; or* *(ii) to fix a new date for completion of the Proposed AAAGL Acquisition not being later than 1 month after the intended date of completion of the Proposed AAAGL Acquisition, on the basis that such deferral may only occur once; or* *(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 Vendor's interest in the entire AAAGL Equity Interest intact.* *4.3 Notwithstanding the above, each party to the AAAGL SSPA shall be at liberty to take such action in law as may be necessary to compel the other party by way of specific performance*	We are of the view that the terms are common for transaction of such nature and justifiable, as these terms prescribe a timeframe for the completion of the Proposed AAAGL Acquisition and set out the rights of the non-defaulting party in the event of a default / breach.

No.	Salient terms of the SSPAs	WYNCORP's comments
Salient terms of the AAAGL SSPA (as set out in Appendix II(A) of the Circular)		
	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.	**<u>Right to claim for breach of warranties</u>** *"Each party to the AAAGL SSPA has a right to claim for breach of warranties by the other party only following and subject to completion of the Proposed AAAGL Acquisition. In the event the said 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 the completion of the Proposed AAAGL Acquisition 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) an AAAGL 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.* *<u>Note: -</u>* *(1) An "**AAAGL Material Adverse Change**" means any occurrence, condition, change, event or effect that is materially adverse to the AAAGL Group or our Company and our subsidiaries (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 an AAAGL 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);*	We are of the view that the terms are common and justifiable, as these terms set out the rights of the non-defaulting party in the event of breach of warranties. This is crucial, as the parties have entered into the transaction subject to, and after taking into consideration, the warranties provided. We wish to draw the attention to the AAAGL Material Adverse Change. This term is justifiable, as it provides assurance to both parties that there are no instances of material adverse change (in this context, those exceeding the prescribed threshold of RM65.00 million) remained unnotified to the other party, as well as safeguards the right of the non-defaulting party to claim damages or seek for remedial action in the event of a breach. We noted that a minimum threshold is being imposed and observed that the minimum threshold of RM65.00 million imposed represents approximately 2.17% of the AAAGL Purchase Consideration. Whilst such term is justifiable where it serves to confine the right to claim to situation where an adverse change that is material relative to the size of the transaction has occurred, which is crucial to enable a smooth and successful implementation of the Proposed AAAGL Acquisition; we would like to highlight that the imposition of a minimum threshold would have a restrictive effect on the

No.	Salient terms of the SSPAs	WYNCORP's comments
Salient terms of the AAAGL SSPA (as set out in Appendix II(A) of the Circular)		
	(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 Group or our Company and our subsidiaries (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 entire AAAGL Equity Interest (whichever applicable);* *(b) compliance by any party to the AAAGL SSPA with the terms of the AAAGL SSPA; and* *(c) actions made by any party to the AAAGL SSPA which are expressly contemplated and permitted by the AAAGL SSPA, or if not so permitted, otherwise consented to by the Vendor and the Purchaser 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 AAAGL Group or our Company and our subsidiaries (as the case may be) or the contemplated transaction.*	non-defaulting party, whereby the non-defaulting party would have to absorb the losses/damages in the event of such adverse change falls below the prescribed threshold.
6.	**<u>Indemnities</u>** *"The Vendor shall not be liable in respect of a specific indemnity claim (with regards to identified matters in the AAAGL SSPA relating to the conduct of the AAAGL Group's business prior to completion of the Proposed AAAGL Acquisition and any other specific indemnities as may be mutually agreed upon completion of the due diligence exercise on the AAAGL Group by the Purchaser) 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 Vendor 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 the Purchaser to the Vendor within 24 months following the completion of the Proposed AAAGL Acquisition.* *The Vendor will indemnify the Purchaser and hold the Purchaser and AAAGL Group 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 Group*	We are of the view that these terms are common and justifiable, as it serves to safeguard the Company from incurring losses arising from any identified / known ongoing litigation claims or dispute resolution proceedings. We noted that minimum thresholds are being imposed and observed that: - o for special indemnity claim – the prescribed minimum threshold of RM5.00 million represents approximately 0.17% of the AAAGL Purchase Consideration; and o for special claim – the prescribed minimum threshold of RM65.00 million represents

No.	Salient terms of the SSPAs	WYNCORP's comments
Salient terms of the AAAGL SSPA (as set out in Appendix II(A) of the Circular)		
	after completion of the Proposed AAAGL Acquisition) in respect of taxation liabilities of any entities within the AAAGL Group for the period up to the date of completion of the Proposed AAAGL Acquisition, except insofar as full provision is made for such liabilities in the accounts of any entities within the AAAGL Group; *(ii) any claim for income tax in respect of any dividend paid or any distribution made by any entities within the AAAGL Group before the date of completion of the Proposed AAAGL Acquisition, except insofar as full provision is made for such liabilities in the accounts of any entities within the AAAGL Group;* *(iii) any settlement of any actual or threatened claim, demand, direction, apportionment, assessment, recovery or counter-claim of any entities within the AAAGL Group in respect of taxation liabilities of any entities within the AAAGL Group for the period up to the date of completion of the Proposed AAAGL Acquisition;* *(iv) any amount recovered against any entities within the AAAGL Group in respect of the taxation liabilities of any entities within the AAAGL Group for the period up to the date of completion of the Proposed AAAGL Acquisition; and* *(v) any costs reasonably incurred by any entities within the AAAGL Group 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 any entities within the AAAGL Group for the period up to the date of completion of the Proposed AAAGL Acquisition."*	approximately 2.17% of the AAAGL Purchase Consideration. Whilst such terms are justifiable where they serve to confine the right to indemnity claim to situation where a breach deemed material relative to the size of the transaction has occurred, which is crucial to enable a smooth and successful implementation of the Proposed AAAGL Acquisition; we would like to highlight that the imposition of a minimum threshold would have a restrictive effect on the non-defaulting party, whereby the non-defaulting party would have to absorb the losses/damages in the event of such specific indemnity claim or special claim falls below the prescribed threshold.
7.	<u>**Limitation of liability in respect of breach of warranties**</u> *"7.1 Either party to the AAAGL SSPA shall not have liability in respect of any claims arising from the breach of its warranties ("**AAAGL Claim**") to the extent that the facts, matter or circumstances giving rise to the AAAGL Claim are disclosed in its disclosure letter and the AAAGL SSPA.* *7.2 **Time limitation**: Either party to the AAAGL SSPA shall not be liable under the AAAGL SSPA in respect of any AAAGL Claim unless a notice of the AAAGL Claim is given by the other party: -*	We are of the view that these terms and common and justifiable, as these terms clarify the timeframe for liability in respect of breach of warranties as well as situation and quantum upon which liability in respect of breach of warranties may be claimed. We noted that minimum thresholds are being imposed and observed that: - ○ a minimum threshold of 0.1% of the AAAGL Purchase Consideration or RM3.00 million

<table>
<tr><th>No.</th><th>Salient terms of the SSPAs</th><th>WYNCORP's comments</th></tr>
<tr><td colspan="3">Salient terms of the AAAGL SSPA (as set out in Appendix II(A) of the Circular)</td></tr>
<tr><td></td><td>(i) in the case of any AAAGL Claim relating to tax matters, within the applicable limitation period as stipulated under the relevant laws relating to taxation;

(ii) in the case of any AAAGL Claim relating to the fundamental warranties (as identified in the AAAGL SSPA), within 6 years following completion of the Proposed AAAGL Acquisition; or

(iii) in the case of any other AAAGL Claim, within 24 months following completion of the Proposed AAAGL Acquisition.

7.3 Minimum claims: Subject to aggregate minimum claims in Section 7.4 of this Appendix II(A), either party to the AAAGL SSPA shall not be liable in respect of an AAAGL Claim under the AAAGL SSPA in respect of any individual AAAGL Claim (provided that AAAGL Claims in respect of similar facts and circumstances may be aggregated for this purpose) where the liability in respect of any such AAAGL Claim does not exceed 0.1%(1) of the AAAGL Purchase Consideration (i.e. RM3,000,000). Where the liability exceeds such threshold, the defaulting party shall be liable for the whole amount and not merely the excess over the said threshold.

<u>Note: -</u>
(1) The threshold of 0.1% was arrived at after negotiations between our Company and Capital A, having taken into consideration market practices.

7.4 Aggregate minimum claims: Either party to the AAAGL SSPA shall not be liable under the AAAGL SSPA in respect of any AAAGL Claim (excluding AAAGL Claim for which liability is excluded under Section 7.3 of this Appendix II(A)) unless and until the aggregate amount of all such AAAGL Claims exceeds 1%(1) of the AAAGL Purchase Consideration (i.e. RM30,000,000). Where the liability exceeds such threshold, the defaulting party shall be liable for the whole amount and not just the excess over the said threshold.

<u>Note: -</u>
(1) The threshold of 1% was arrived at after negotiations between our Company and Capital A, having taken into consideration market practices.

7.5 Maximum liability: The aggregate liability of either party to the AAAGL SSPA in respect of all AAAGL Claims under the AAAGL SSPA shall not exceed: -</td><td>is being imposed for claims, subject to the aggregate minimum claims; and

o a minimum threshold of 1.0% of the AAAGL Purchase Consideration or RM30.00 million is being imposed for aggregate minimum claims.

Whilst such terms are justifiable, as they allow for ease of handling and monitoring by reducing the hassles in attending to smaller claim(s) the amount of which could be deemed immaterial or insignificant relative to the size of the transaction, we would like to highlight that the imposition of a minimum threshold would have a restrictive effect on the non-defaulting party, whereby the non-defaulting party would have to absorb the losses/damages in the event of such claim falls below the prescribed minimum threshold.

We further noted that capping is being imposed on maximum liability and observed that: -

o a capping of 100% of the AAAGL Purchase Consideration (i.e. RM3,000.00 million) in the case of any AAAGL Claim relating to the fundamental warranties (as identified in the AAAGL SSPA); and

o a capping of 25% of the AAAGL Purchase Consideration (i.e. RM750.00 million) in the case of any other AAAGL Claim.

Whilst such terms are justifiable, taking into consideration warranties have been provided and the completion of the Proposed AAAGL</td></tr>
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No.	Salient terms of the SSPAs	WYNCORP's comments
Salient terms of the AAAGL SSPA (as set out in Appendix II(A) of the Circular)		
	(i) 100%(1) of the AAAGL Purchase Consideration (i.e. RM3,000,000,000) in the case of any AAAGL Claim relating to the fundamental warranties (as identified in the AAAGL SSPA); and *(ii) 25%(1) of the AAAGL Purchase Consideration (i.e. RM750,000,000) in the case of any other AAAGL Claim.* *Note: -* *(1) The thresholds of 100% and 25% were arrived at after negotiations between our Company and Capital A, having taken into consideration market practices.* *7.6 None of the limitations above shall apply to any AAAGL Claim which arises or is increased or is delayed as the consequence of fraud or wilful concealment by either party to the AAAGL SSPA or any of its directors, officers, employees, agents, advisers, representatives or successors in title of such party."*	Acquisition is subject to conditions precedent for the completion of the due diligence exercise comprising examination and verification of the financial, legal and other affairs of the AAAGL Group by accountants, valuers, solicitors or such other professionals (if required) and the results of the due diligence exercise being reasonably satisfactory to the Company, we would like to highlight that the imposition of a capping on the maximum liability (particularly the capping of 25% of the AAAGL Purchase Consideration i.e. RM750.00 million imposed for any other AAAGL Claim) would have a restrictive effect on the non-defaulting party, whereby the non-defaulting party would have to absorb the losses/damages in the event of such claim goes beyond the prescribed capping on the maximum liability. Notwithstanding that, we noted that the limitation of liability would not apply to any AAAGL Claim which arises or is increased or is delayed as the consequence of fraud or wilful concealment by either party to the AAAGL SSPA or any of its directors, officers, employees, agents, advisers, representatives or successors in title of such party. This safeguards the right to claim damages of the non-defaulting party, regardless of materiality of the sum, in the event of fraud and wilful concealment.
8.	**<u>Non-competition and protective covenants</u>** *"The Vendor undertakes that it will not, and will procure that Capital A and its subsidiaries ("**Vendor Group**") will not during the period commencing on the date of completion of the Proposed AAAGL*	We are of the view that this term is common and justifiable, as it serves to protect AAX and the enlarged aviation group (upon completion of the Proposed AAAGL Acquisition) from unwanted competition from Capital A and its

No.	Salient terms of the SSPAs	WYNCORP's comments
Salient terms of the AAAGL SSPA (as set out in Appendix II(A) of the Circular)		
	Acquisition and ending on the date falling 5 years after the completion of the Proposed AAAGL Acquisition: - *(i) carry on in, be engaged in, or hold a substantial shareholding or equity interest (save for the equity interest held in the Purchaser) 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 AAAGL Prohibited Business(1);* *(ii) canvass, solicit, entice away, induce or encourage any employee or consultant or customer, the custom of the AAAGL Group and/or their affiliates to curtail, terminate or cease their employment or affiliation or custom / business with the AAAGL Group; 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 (i) the covenants under this paragraph 8 shall only take effect following and subject to completion of the Proposed AAAGL Acquisition and (ii) the covenants under this paragraph 8 shall not apply in respect of any member within the Vendor Group which is involved in the AAAGL Prohibited Business(1) as at the date of the AAAGL SSPA. In this respect, the Vendor represents, warrants and confirms that the only entities within the Vendor Group which are involved in the AAAGL Prohibited Business(1) (other than the AAAGL Group) are the AAB Group.* *Note: -* *(1) "**AAAGL Prohibited Business**" means the current aviation business operations of the Purchaser and the AAAGL Group, 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 Vendor Group provided that the Vendor Group does not include the AAAGL Group.*	subsidiaries in relation to the current aviation business operations of AAAGL Group. This is crucial as the valuation of AAAGL Group is subject to certain key underlying bases and assumptions and heavily dependent on the respective AOCs within the enlarged aviation group continue to operate as a going-concern and achieve continual and sustainable growth in terms of revenue and profitability level.

No.	Salient terms of the SSPAs	WYNCORP's comments
Salient terms of the AAB SSPA (as set out in Appendix II(B) of the Circular)		
1.	**<u>Sale and purchase of AAB Equity Interest</u>** *"On and subject to the terms of the AAB SSPA, the Vendor agrees to sell, and the Purchaser agrees to purchase the entire equity interest (including any forms of capital contribution and any unissued capital) in AAB.* *The entire AAB Equity Interest shall be sold by the Vendor free from encumbrances (save as disclosed in the Vendor's disclosure letter in respect of the AAB SSPA[(1)]) and together with all rights and advantages attaching to them as at completion of the Proposed AAB Acquisition (including the right to receive all dividends and distributions declared, made or paid on or after the said completion).* *<u>Note: -</u>* *(1) On 21 August 2024, AirAsia RB 1 Ltd, a wholly-owned subsidiary of AAB, had entered into definitive agreements with aircraft lessors and private credit funds for the issuance by AirAsia RB 1 Ltd, of Regulation S (under the US Securities Act) secured bonds of up to USD443.0 million, due September 2026 and August 2028, with AAB as a third party security provider, and both AAB and Capital A as corporate guarantors. Bank Negara Malaysia has vide its letters dated 26 March 2024 and 4 July 2024 approved the issuance of the bonds together with the proposed security under Bank Negara Malaysia's Foreign Exchange Policy. The bonds were issued on 23 August 2024.* *As part of the terms of the issuance of the bonds, there will be a first ranking share charge over 49% of the shares of AAB held by our Company upon completion of the Proposed Acquisitions.* *The salient terms of the bonds are set out in Appendix II(C) of this Circular. Further information on the bonds is set out in Section 10 of Appendix V of this Circular. "*	We are of the view that this term is common and reasonable.
2.	**<u>AAB Purchase Consideration</u>** *"The consideration for the sale and purchase of the entire AAB Equity Interest under the AAB SSPA shall be RM3,800,000,000 which is to be satisfied by the Purchaser's assumption of the amount owing by the Vendor to AAB.* *The Debt Settlement shall result in the following events occurring simultaneously: -* *(i) AAB fully releasing the Vendor from the liability for the payment of the amount owing by the Vendor to AAB of RM3,800,000,000; and*	Premised on our view as set out in Sections 7.2 and 7.3 of this IAL, we are of the view that the AAB Purchase Consideration is fair and reasonable.

No.	Salient terms of the SSPAs	WYNCORP's comments
Salient terms of the AAB SSPA (as set out in Appendix II(B) of the Circular)		
	(ii) the Purchaser fully assuming the liability for the payment of the amount owing by the Vendor to AAB of RM3,800,000,000; *by way of the issue of a promissory note from the Purchaser to AAB, which will substitute and cancel the existing promissory note issued by the Vendor to AAB".*	
3.	**<u>AAB Conditions Precedent</u>** *"3.1 The obligations of the parties to the AAB SSPA 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 Vendor being obtained at an EGM to be convened for the Proposed AAB Acquisition;* *(ii) the approval of the holders of the Capital A RCUIDS being obtained for the Proposed AAB Acquisition;* *(iii) the approval / consent of the governmental entity, financiers / lenders or any third party, as may be necessary, being obtained by (where applicable) the Vendor, the Vendor's subsidiaries or the relevant entity within the AAB Group for the Vendor's Pre-Completion Restructuring and Proposed AAB Acquisition as set out below: -* *(a) MAVCOM with regards to the proposed change in shareholding of AAB;* *(b) (1) (A) agreement between the parties to the AAB SSPA after consultation with the MAVCOM or the CAAM or any successor thereof (as the case may be) or (B) the confirmation or concurrence of MAVCOM or CAAM or any successor thereof (as the case may be), that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not applicable to the Proposed AAB Acquisition; or* *(2) a decision is issued by MAVCOM or CAAM or any successor thereof (as the case may be) that Section 54(1) of the MAVCOM Act or*	We are of the view that the terms are common and justifiable for transaction of such nature, as these terms set out the requirement for the parties to procure all the necessary approvals for the completion of the Proposed AAB Acquisition. This is crucial to ensure a smooth and successful implementation of the Proposed AAB Acquisition. We wish to draw the attention to the following clauses: - (i) Clause 3.1 (v), which sets out that AAB Group collectively shall not incur or record an aggregate loss exceeding RM50,000,000 during the 3-month period immediately preceding the date of completion of the Proposed AAB Acquisition. We are of the view that this condition precedent is justifiable, as it would serve as a mitigating measure to the "risk of triggering PN17" as elaborated in Section 10.5, Part A of the Circular. (ii) Clause 3.1 (ix), which sets out that AAX shall raise RM1,000,000,000 within the financial year ending 31 December 2024, pursuant to the placement letter(s) or commitment letter(s) or agreement(s) (as

No.	Salient terms of the SSPAs	WYNCORP's comments
Salient terms of the AAB SSPA (as set out in Appendix II(B) of the Circular)		
	Section 36T(1) of the CAAM Act (as the case may be) is not infringed if the Proposed AAB Acquisition is carried into effect; *(i) Bank Negara Malaysia, Foreign Exchange Administration with regards to the AAAGL Debt Novation;* *(ii) financiers / lenders in respect of the Capital A RCUIDS as well as banking facilities granted to certain subsidiaries of Capital A;* *(iii) third parties in respect of certain aircraft lease as well as operational agreements;* *(iv) notification to third parties and financiers / lenders in respect of certain operational agreements and banking facilities;* *(v) any other approvals, waivers or consents of and/or notifications to any authorities or parties as may be required by law or regulation or deemed necessary and mutually agreed by the parties to the AAB SSPA; and* *(vi) the approvals and/or consents of lenders / financiers of the relevant entity within the AAB Group for the release and/or discharge of any corporate guarantee and/or security provided by the Vendor or its group of companies (excluding the AAB Group) in favour of lenders / financiers of the relevant entity within the AAB Group shall be obtained before the date of completion of the Proposed AAB Acquisition. For the avoidance of doubt, Capital A and AAX agree that they shall not be entitled to waive this condition precedent.* *(iv) the completion of the Vendor's Pre-Completion Restructuring;* *(v) the AAB Group collectively does not incur or record an aggregate loss exceeding RM50,000,000[(1)] during the 3-month period immediately preceding the date of completion of the Proposed AAB Acquisition;* *Note: -* *(1) Together with the conditions precedent in the AAAGL SSPA, the AAAGL Group and AAB Group shall not incur or record an aggregate loss exceeding RM100.00 million during the 3-month period immediately preceding the dates of completion of the*	the case may be) executed by the Purchaser and the identified investors in relation to the Proposed Private Placement. We are of the view that this condition precedent is justifiable, as the Proposed AAB Acquisition is conditional upon the Proposed Private Placement, and the Proposed Private Placement would serve as a mitigating measure to the "risk of triggering PN17" and "financing and default risk" as elaborated in Sections 10.5 and 10.7, Part A of the Circular.

No.	Salient terms of the SSPAs	WYNCORP's comments
Salient terms of the AAB SSPA (as set out in Appendix II(B) of the Circular)		
	Proposed Acquisitions. The amount of RM100.00 million is determined based on 10% of the total gross proceeds of RM1,000.00 million to be raised from the Proposed Private Placement. *(vi) the completion of the due diligence exercise comprising examination and verification of the financial, legal and other affairs of the AAB Group by accountants, valuers, solicitors or such other professionals (if required) and the results of the due diligence exercise being reasonably satisfactory to the Purchaser;* *(vii) your approval being obtained at an EGM to be convened for the Proposed AAB Acquisition;* *(viii) the approval / consent of the governmental entity, financiers / lenders or any third party, as may be necessary, being obtained by (where applicable) the Purchaser or any of the Purchaser's subsidiaries for the Proposed AAB Acquisition as set out below: -* *(a) (1) (A) agreement between the parties to the AAB SSPA after consultation with the MAVCOM or the CAAM or any successor thereof (as the case may be) or (B) the confirmation or concurrence of MAVCOM or CAAM or any successor thereof (as the case may be), that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not applicable to the Proposed AAB Acquisition; or* *(2) a decision is issued by MAVCOM or CAAM or any successor thereof (as the case may be) that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not infringed if the Proposed AAB Acquisition is carried into effect;* *(b) Bursa Securities for the listing and quotation of the Placement Shares on the Main Market of Bursa Securities; and* *(c) any other approvals, waivers or consents of and/or notifications to any authorities or parties as may be required by law or regulation or deemed necessary and mutually agreed by the parties to the AAB SSPA; and*	

No.	Salient terms of the SSPAs	WYNCORP's comments
Salient terms of the AAB SSPA (as set out in Appendix II(B) of the Circular)		
	(ix) the Purchaser raising RM1,000,000,000 within the 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 the Purchaser and the identified investors in relation to the Proposed Private Placement. *"**AAB Cut-Off Date**" means –* *(i) 6 months after the date of the AAB SSPA for the AAB Conditions Precedent (save for 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, 60 days after the date of the AAB SSPA with an automatic extension for a further period of 60 days,* *or such other date as mutually agreed between the parties to the AAB SSPA 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 parties to the AAB SSPA 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 to the AAB SSPA 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 completion of the Proposed AAB Acquisition, and except for the Proposed AAAGL Acquisition, Proposed Issuance of Free Warrants, Proposed Private Placement and Proposed Granting of Subscription Options, the Purchaser agrees that unless the prior written approval of the Vendor has been obtained, it shall not seek and/or obtain its shareholders' approval for the Purchaser 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 the Purchaser, 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, the Vendor may terminate the AAB SSPA (other than the surviving provisions as stipulated in the AAB SSPA) at any time prior to completion of the Proposed AAB Acquisition with the Vendor's interest in the entire AAB Equity Interest intact."*	

No.	Salient terms of the SSPAs	WYNCORP's comments
Salient terms of the AAB SSPA (as set out in Appendix II(B) of the Circular)		
4.	**<u>Completion of the Proposed AAB Acquisition</u>** *"4.1 Completion of the sale and purchase of the entire 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 of the Proposed AAB Acquisition (and have been satisfied, fulfilled and/or waived at completion of the Proposed AAB Acquisition) or at such other time as the parties to the AAB SSPA may mutually agree in writing.* *4.2 If any provision of the completion clause under the AAB SSPA is not fully complied with, the Purchaser, in the case of a default or non-compliance by the Vendor, or the Vendor, in the case of a default or non-compliance by the Purchaser, shall be entitled (in addition to and without prejudice to all other rights or remedies available to it): -* *(i) to effect completion of the Proposed AAB Acquisition so far as practicable having regard to the defaults which have occurred; or* *(ii) to fix a new date for completion of the Proposed AAB Acquisition not being later than 1 month after the intended date of completion of the Proposed AAB Acquisition, 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 Vendor's interest in the entire AAB Equity Interest intact.* *4.3 Notwithstanding the above, each party to the AAB SSPA 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."*	We are of the view that the terms are common for transaction of such nature and justifiable, as these terms prescribe a timeframe for the completion of the Proposed AAB Acquisition and set out the rights of the non-defaulting party in the event of a default / breach.
5.	***<u>Right to claim for breach of warranties</u>***	We are of the view that the terms are common and justifiable, as these terms set out the rights of the non-defaulting party in the event of

No.	Salient terms of the SSPAs	WYNCORP's comments
Salient terms of the AAB SSPA (as set out in Appendix II(B) of the Circular)		
	"Each party to the AAB SSPA has a right to claim for breach of warranties by the other party only following and subject to completion of the Proposed AAB Acquisition. In the event the said 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 the completion of the Proposed AAB Acquisition 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) an AAB 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.* *Note: -* *(1) An "**AAB Material Adverse Change**" means any occurrence, condition, change, event or effect that is materially adverse to the AAB Group or our Company and our subsidiaries (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 an AAB 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 Group or our Company and our subsidiaries (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 entire AAB Equity Interest (whichever applicable);* *(b) compliance by any party to the AAB SSPA with the terms of the AAB SSPA; and*	breach of warranties. This is crucial, as the parties have entered into the transaction subject to, and after taking into consideration, the warranties provided. We wish to draw the attention to the AAB Material Adverse Change. This term is justifiable, as it provides assurance to both parties that there are no instances of material adverse change (in this context, those exceeding the prescribed threshold of RM65.00 million) remained unnotified to the other party, as well as safeguards the right of the non-defaulting party to claim damages or seek for remedial action in the event of a breach. We noted that a minimum threshold is being imposed and observed that the minimum threshold of RM65.00 million imposed represents approximately 1.71% of the AAB Purchase Consideration. Whilst such term is justifiable where it serves to confine the right to claim to situation where an adverse change that is material relative to the size of the transaction has occurred, which is crucial to enable a smooth and successful implementation of the Proposed AAB Acquisition; we would like to highlight that the imposition of a minimum threshold would have a restrictive effect on the non-defaulting party, whereby the non-defaulting party would have to absorb the losses/damages in the event of such adverse change falls below the prescribed threshold.

No.	Salient terms of the SSPAs	WYNCORP's comments
Salient terms of the AAB SSPA (as set out in Appendix II(B) of the Circular)		
	(c) actions made by any party to the AAB SSPA which are expressly contemplated and permitted by the AAB SSPA, or if not so permitted, otherwise consented to by the Vendor and the Purchaser 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 Group or our Company and our subsidiaries (as the case may be) or the contemplated transaction."*	
6.	**Indemnities** *"The Vendor shall not be liable in respect of a specific indemnity claim (with regards to identified matters in the AAB SSPA relating to the conduct of the AAB Group's business prior to completion of the Proposed AAB Acquisition and any other specific indemnities as may be mutually agreed upon completion of the due diligence exercise on the AAB Group by the Purchaser) 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 thresholds, the Vendor 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 the Purchaser to the Vendor within 24 months following the completion of the Proposed AAB Acquisition.* *The Vendor will indemnify the Purchaser and hold the Purchaser and AAB Group 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 Group after completion of the Proposed AAB Acquisition) in respect of taxation liabilities of any entities within the AAB Group for the period up to the date of completion of the Proposed AAB Acquisition, except insofar as full provision is made for such liabilities in the accounts of any entities within the AAB Group;* *(ii) any claim for income tax in respect of any dividend paid or any distribution made by any entities within the AAB Group before the date of completion of the Proposed AAB Acquisition,*	We are of the view that these terms are common and justifiable, as it serves to safeguard the Company from incurring losses arising from any identified / known ongoing litigation claims or dispute resolution proceedings. We noted that minimum thresholds are being imposed and observed that: - o for special indemnity claim – the prescribed minimum threshold of RM5.00 million represents approximately 0.13% of the AAB Purchase Consideration; and o for special claim – the prescribed minimum threshold of RM65.00 million represents approximately 1.71% of the AAB Purchase Consideration. Whilst such terms are justifiable where they serve to confine the right to indemnity claim to situation where a breach deemed material relative to the size of the transaction has occurred, which is crucial to enable a smooth and successful implementation of the Proposed AAB Acquisition; we would like to highlight that

No.	Salient terms of the SSPAs	WYNCORP's comments
Salient terms of the AAB SSPA (as set out in Appendix II(B) of the Circular)		
	except insofar as full provision is made for such liabilities in the accounts of any entities within the AAB Group; *(iii) any settlement of any actual or threatened claim, demand, direction, apportionment, assessment, recovery or counter-claim of any entities within the AAB Group in respect of taxation liabilities of any entities within the AAB Group for the period up to the date of completion of the Proposed AAB Acquisition;* *(iv) any amount recovered against any entities within the AAB Group in respect of the taxation liabilities of any entities within the AAB Group for the period up to the date of completion of the Proposed AAB Acquisition; and* (v) *any costs reasonably incurred by any entities within the AAB Group 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 any entities within the AAB Group for the period up to the date of completion of the Proposed AAB Acquisition."*	the imposition of a minimum threshold would have a restrictive effect on the non-defaulting party, whereby the non-defaulting party would have to absorb the losses/damages in the event of such specific indemnity claim or special claim falls below the prescribed threshold.
7.	**<u>Limitation of liability in respect of breach of warranties</u>** *"7.1 Either party to the AAB SSPA shall not have liability in respect of any claims arising from the breach of its warranties ("**AAB Claim**") to the extent that the facts, matter or circumstances giving rise to the AAB Claim are disclosed in its disclosure letter and the AAB SSPA.* *7.2 **Time limitation**: Either party to the AAB SSPA shall not be liable under the AAB SSPA in respect of any AAB Claim unless a notice of the AAB Claim is given by the other party: -* *(i) in the case of any AAB Claim relating to tax matters, within the applicable limitation period as stipulated under the relevant laws relating to taxation;* *(ii) in the case of any AAB Claim relating to the fundamental warranties (as identified in the AAB SSPA), within 6 years following completion of the Proposed AAB Acquisition; or* *(iii) in the case of any other AAB Claim, within 24 months following completion of the Proposed AAB Acquisition.* *7.3 **Minimum claims:** Subject to aggregate minimum claims in Section 7.4 of this Appendix II(B), either party to the AAB SSPA shall not be liable in respect of an AAB Claim under the AAB*	We are of the view that these terms and common and justifiable, as these terms clarify the timeframe for liability in respect of breach of warranties as well as situation and quantum upon which liability in respect of breach of warranties may be claimed. We noted that minimum thresholds are being imposed and observed that: - o a minimum threshold of 0.1% of the AAB Purchase Consideration or RM3.80 million is being imposed for claims, subject to the aggregate minimum claims; and o a minimum threshold of 1.0% of the AAB Purchase Consideration or RM38.00 million is being imposed for aggregate minimum claims.

No.	Salient terms of the SSPAs	WYNCORP's comments
Salient terms of the AAB SSPA (as set out in Appendix II(B) of the Circular)		
	SSPA in respect of any individual AAB Claim (provided that AAB Claims in respect of similar facts and circumstances may be aggregated for this purpose) where the liability in respect of any such AAB Claim does not exceed 0.1%[(1)] of the AAB Purchase Consideration (i.e. RM3,800,000). Where the liability exceeds such threshold, the defaulting party shall be liable for the whole amount and not merely the excess over the said threshold. *Note: -* *(1) The threshold of 0.1% was arrived at after negotiations between our Company and Capital A, having taken into consideration market practices.* *7.4 **Aggregate minimum claims:** Either party to the AAB SSPA shall not be liable under the AAB SSPA in respect of any AAB Claim (excluding AAB Claim for which liability is excluded under Section 7.3 of this Appendix II(B)) unless and until the aggregate amount of all such AAB Claims exceeds 1%[(1)] of the AAB Purchase Consideration (i.e. RM38,000,000). Where the liability exceeds such threshold, the defaulting party shall be liable for the whole amount and not just the excess over the said threshold.* *Note: -* *(1) The threshold of 1% was arrived at after negotiations between our Company and Capital A, having taken into consideration market practices.* *7.5 **Maximum liability:** The aggregate liability of either party to the AAB SSPA in respect of all AAB Claims under the AAB SSPA shall not exceed: -* *(i) 100%[(1)] of the AAB Purchase 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%[(1)] of the AAB Purchase Consideration (i.e. RM950,000,000) in the case of any other Claim.* *Note: -* *(1) The thresholds of 100% and 25% were arrived at after negotiations between our Company and Capital A, having taken into consideration market practices.* *7.6 None of the limitations above shall apply to any AAB Claim which arises or is increased or is delayed as the consequence of fraud or wilful concealment by either party to the AAB SSPA*	Whilst such terms are justifiable, as they allow for ease of handling and monitoring by reducing the hassles in attending to smaller claim(s) the amount of which could be deemed immaterial or insignificant relative to the size of the transaction, we would like to highlight that the imposition of a minimum threshold would have a restrictive effect on the non-defaulting party, whereby the non-defaulting party would have to absorb the losses/damages in the event of such claim falls below the prescribed minimum threshold. We further noted that capping is being imposed on maximum liability and observed that: - ○ a capping of 100% of the AAB Purchase Consideration (i.e. RM3,800.00 million) in the case of any AAB Claim relating to the fundamental warranties (as identified in the AAB SSPA); and ○ a capping of 25% of the AAB Purchase Consideration (i.e. RM950.00 million) in the case of any other AAB Claim. Whilst such terms are justifiable, taking into consideration warranties have been provided and the completion of the Proposed AAB Acquisition is subject to conditions precedent for the completion of the due diligence exercise comprising examination and verification of the financial, legal and other affairs of the AAB Group by accountants, valuers, solicitors or such other professionals (if required) and the results of the due diligence exercise being reasonably satisfactory to the Company, we

No.	Salient terms of the SSPAs	WYNCORP's comments
Salient terms of the AAB SSPA (as set out in Appendix II(B) of the Circular)		
	or any of its directors, officers, employees, agents, advisers, representatives or successors in title of such party."	would like to highlight that the imposition of a capping on the maximum liability (particularly the capping of 25% of the AAB Purchase Consideration i.e. RM950.00 million imposed for any other AAB Claim) would have a restrictive effect on the non-defaulting party, whereby the non-defaulting party would have to absorb the losses/damages in the event of such claim goes beyond the prescribed capping on the maximum liability. Notwithstanding that, we noted that the limitation of liability would not apply to any AAB Claim which arises or is increased or is delayed as the consequence of fraud or wilful concealment by either party to the AAB SSPA or any of its directors, officers, employees, agents, advisers, representatives or successors in title of such party. This safeguards the right to claim damages of the non-defaulting party, regardless of materiality of the sum, in the event of fraud and wilful concealment.
8.	**Non-competition and protective covenants** *"The Vendor undertakes that it will not, and will procure that the Vendor Group will not during the period commencing on the date of completion of the Proposed AAB Acquisition and ending on the date falling 5 years after the completion of the Proposed AAB Acquisition: -* *(i) carry on in, be engaged in or hold a substantial shareholding or equity interest (save for the equity interest held in the Purchaser) 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 aviation business operations of the AAB Prohibited Business[(1)];*	We are of the view that this term is common and justifiable, as it serves to protect AAX and the enlarged aviation group (upon completion of the Proposed AAB Acquisition) from unwanted competition from Capital A and its subsidiaries in relation to the current aviation business operations of AAB Group. This is crucial as the valuation of AAB Group is subject to certain key underlying bases and assumptions and heavily dependent on AAB (as an AOC) continues to operate as a going-concern and achieve continual and sustainable growth in terms of revenue and profitability level.

No.	Salient terms of the SSPAs	WYNCORP's comments
Salient terms of the AAB SSPA (as set out in Appendix II(B) of the Circular)		
	(ii) canvass, solicit, entice away, induce or encourage any employee or consultant or customer, the custom of the AAB Group and/or their affiliates to curtail, terminate or cease their employment or affiliation or custom / business with the AAB Group; 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 (i) the covenants under this paragraph 8 shall only take effect following and subject to completion of the Proposed AAB Acquisition and (ii) the covenants under this paragraph 8 shall not apply in respect of any member within the Vendor Group which is involved in the AAB Prohibited Business[(1)] as at the date of the AAB SSPA. In this respect, the Vendor represents, warrants and confirms that the only entities within the Vendor Group which are involved in the AAB Prohibited Business[(1)] (other than the AAB Group) are the AAAGL Group.* *Note: -* *(1) "**AAB Prohibited Business**" means the current aviation business operations of the Purchaser and the AAB Group, 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 Vendor Group provided that the Vendor Group does not include the AAB Group."*	

7.5 Industry outlook and prospects

7.5.1 Overview and outlook of the aviation industry

We noted on the overview and outlook of the aviation industry as set out in Section 9.1, Part A of the Circular: -

"The industry's air passenger traffic, measured in RPK, grew healthily in July 2024 while maintaining the trend of a smooth transition towards lower conventional figures. Volumes continued to soar above previous months and years. Yearly growth stood at 9.4% while 0.7% in month-on-month terms, based on seasonally adjusted data.

The supply of seats, measured in ASK, continued to grow, exemplified by an increase of 7.4% year-on-year. The load factor further improved, reaching 86%, following a positive streak that started in January of this year. Moreover, July 2024's load factor resulted in 0.5 percentage points above the previous year, suggesting higher demand for air travel. In year-to-date terms, load factor marked 0.5 percentage points above the previous year's. Despite the CrowdStrike IT outage on July 19, which affected global computers including those at airports and airlines, there was no noticeable negative impact on the industry.

Industry growth rates are gradually moderating, including in July. However, Asia Pacific airlines continue to lead in traffic growth. Particularly, the transition for Asia Pacific is prominent thanks to traffic surges from low volumes in 2023. It emphasizes the region's presence and effect on the industry's total passenger traffic growth.

Air Passenger Market in Detail – July 2024

	World share (% of industry RPKs in 2023) (%)	***RPK (% year-on-year)***	***ASK (% year-on-year)***	***Passenger load factor (%)***
Total market	***100.0***	***8.0***	***7.4***	***86.0***
Africa	*2.1*	*6.6*	*5.8*	*75.0*
Asia Pacific	*31.7*	*12.0*	*9.8*	*83.4*
Europe	*27.1*	*7.2*	*7.0*	*88.2*
Latin America	*5.5*	*7.5*	*8.4*	*86.2*
Middle East	*9.4*	*6.1*	*5.5*	*84.0*
North America	*24.2*	*4.9*	*5.1*	*88.9*

(Sources: Air Passenger Market Analysis July 2024, IATA)

As of 2024, the airline industry can turn its back on the COVID-19-induced crisis. This is a remarkable rebound, considering the initial shock that saw RPKs drop by 93% in April 2020.

Domestic travel bounced back to the pre-COVID-19 level in the spring of 2023, while international routes did so only recently. Total traffic matched and surpassed 2019 numbers in February 2024. The global network, however, has evolved since 2019. China's international traffic recovery has been slower due to the later easing of travel restrictions, economic uncertainties, and geopolitical tensions. Domestic traffic, on the other hand, has surged thanks to internal tourism, reaching record numbers. Moreover, traffic between Asia and Europe remains affected by the war in Ukraine.

Most regions are expected to climb above 2019 levels in 2024, and most countries will experience continuous growth. Connectivity to Asia Pacific should be fully restored this year. The anticipated increase in total passenger numbers for 2024 is 10.4% year-on-year or 11.6% in RPK.

Over the next 20 years, IATA expects world passengers to increase by 3.8% per year on average, resulting in over 4 billion additional passenger journeys in 2043 compared to 2023. European and North American markets will see a slower rise in demand, 2.3% and 2.7% per year respectively. Asia Pacific is anticipated to record the fastest rise in passenger numbers and to contribute to more than half of the net increase in global passenger numbers by 2043.

Region	***CAGR (2023 - 2043), %***	***Additional passengers by 2043, million***
Africa	*3.7*	*179*
Asia Pacific	*5.3*	*2,750*
Europe	*2.3*	*656*
Middle East	*3.9*	*282*
North America	*2.7*	*659*
Latin America & Caribbean	*2.9*	*311*
World	***3.8***	***4,154***

*The region is also slated to experience solid economic growth and improving living standards, which will drive demand for air transport well beyond the global average. Gross domestic product ("**GDP**") in the Asia Pacific region will grow by 65% over the coming 20 years, and trips per capita should almost triple. As a result, nearly half of global passenger traffic will originate or depart from the region in 2043, as opposed to 34.1% in 2023. The larger share of the region in total global traffic comes at the expense of the US, Europe, and Latin America which shares will fall. The Middle East and Africa are likely to see stable shares of the global total.*

IATA's baseline forecast comes with a large range of uncertainty that considers the upside and downside factors which could affect the industry's trajectory and air passenger demand. Favourable macro-economic conditions, such as the normalisation of supply chains and lower inflation rates, could potentially lead to an increase in demand. However, geopolitical tensions and conflicts, particularly the ongoing wars in Ukraine and the Middle East, pose substantial risks to the global economy. In addition, new climate policies could dampen the growth in demand for air travel over the coming decades. Overall, the balance of risks remains tilted to the downside, in the near-term but also in the longer term.

(Source: Global Outlook for Air Transport June 2024, IATA)

In 2024, the MAVCOM anticipates passenger traffic to reach between 93.9 million and 107.1 million passengers, reflecting a growth between 10% year-on-year 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 Association of Southeast Asian Nations (ASEAN) region will influence the recovery momentum.

In the tabling of the 2024 Budget, the government has allocated RM350.0 million to boost tourism promotion and activities to promote Malaysia as the top destination for international tourists. There will also be other initiatives to encourage more visitors from China and India, such as improving visa-on-arrival facilities, social visit passes, and multiple-entry visa offers.

(Source: Malaysian Aviation Industry Outlook December 2023, MAVCOM)

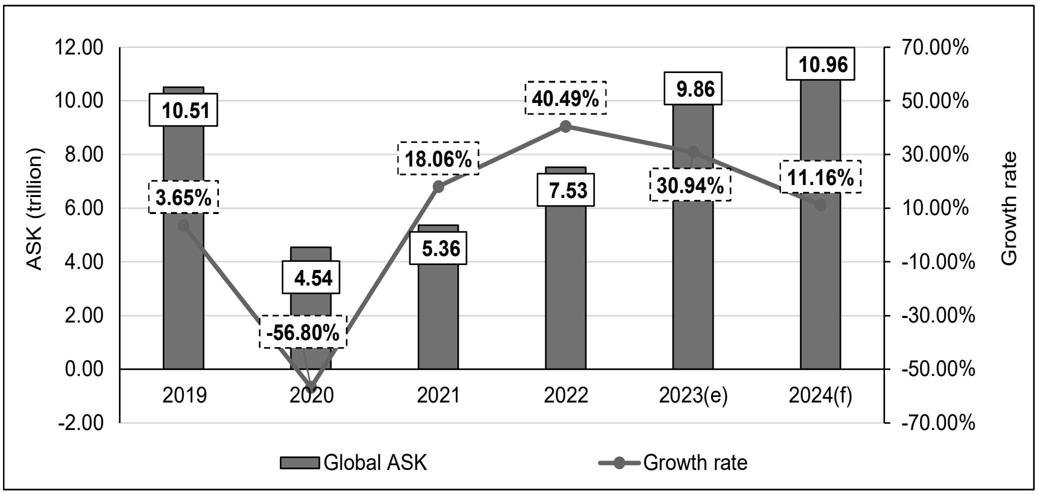
Supply conditions of the aviation industry

ASK measures flight capacity to transport passengers. It is calculated by multiplying the number of passenger seats available for sale and distance travelled.

As a result of decreased demand for air travel due to the COVID-19 pandemic, global ASK decreased year-on-year by 56.80% from 10.51 trillion in 2019 to 4.54 trillion in 2020. Following the gradual and eventual complete subsidence of the COVID-19 pandemic, the resumption of airline operations and improved demand for air travel have led to the restoration of operating aircraft, routes and frequencies by airlines in order to support the improved demand for air travel. From 2020 to 2022, global ASK recovered at a CAGR of 28.79% from 4.54 trillion to 7.53 trillion.

IATA estimates continued global ASK recovery in 2023, growing at a year-on-year rate of 30.94% to 9.86 trillion, and expects global ASK to return to pre-COVID-19 levels in 2024, reaching 10.96 trillion with a 11.16% growth rate.

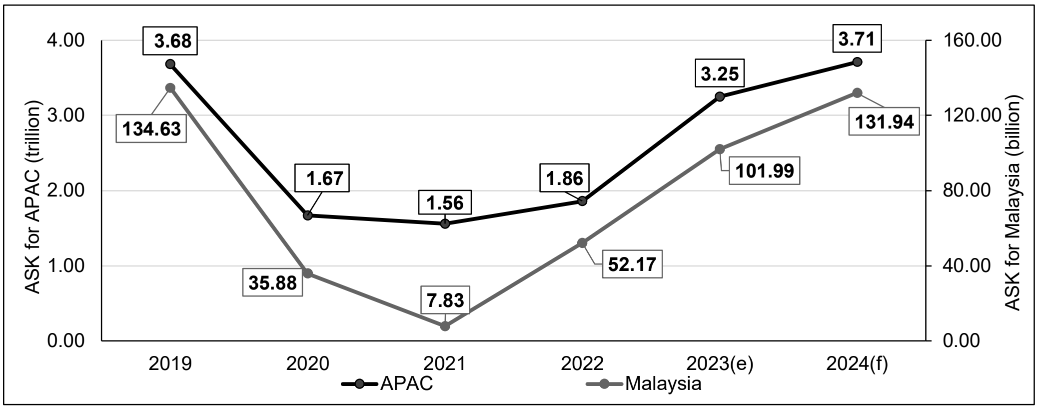
ASK (Global), 2019 – 2024(f)



<u>Notes: -</u>
- e – estimate
- f – forecast

*(Sources: IATA, International Civil Aviation Organization ("**ICAO**"), SMITH ZANDER)*

ASK (Asia Pacific (APAC) and Malaysia), 2019 – 2024(f)



<u>Notes: -</u>
- e – estimate
- f – forecast

(Sources: IATA, ICAO, MAVCOM, SMITH ZANDER)

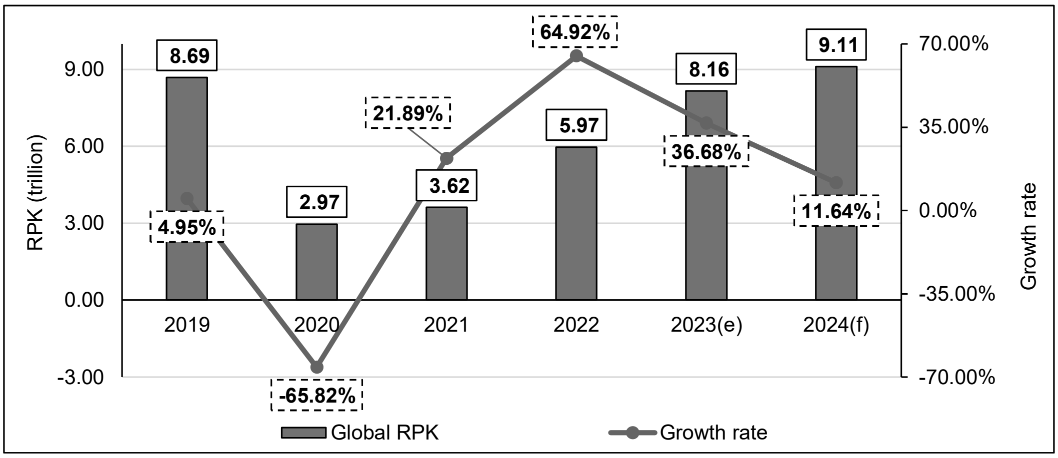
In line with the decline in global ASK between 2019 and 2021, ASK recorded for Asia Pacific and Malaysia also showed negative trends over the same period. During this period, ASK for Asia Pacific fell at a CAGR of 34.89% from 3.68 trillion to 1.56 trillion. Meanwhile, ASK for Malaysia decreased at a CAGR of 75.88% from 134.63 billion to 7.83 billion. From 2021 to 2022, ASK for Asia Pacific recovered by 19.23% from 1.56 trillion to 1.86 trillion while ASK for Malaysia recorded a massive growth of 566.28% from 7.83 billion to 52.17 billion. In 2022, Malaysia recorded a higher ASK recovery rate compared to Asia Pacific as air travel resumed with the full opening of its international borders in April 2022, while the international borders of some countries in Asia Pacific, particularly China, remained close throughout 2022.

With the reopening of China's international borders on 8 January 2023, the demand for air transportation services is expected to significantly boost and drive the recovery of ASK for Asia Pacific and Malaysia. IATA estimates ASK for Asia Pacific to grow year-on-year by approximately 74.73% to 3.25 trillion in 2023 and by approximately 14.15% to 3.71 trillion in 2024, which exceeds its pre-COVID-19 levels. Over the same period, SMITH ZANDER estimates ASK for Malaysia to expand year-on-year by 95.50% to 101.99 billion in 2023 and by 29.37% to 131.94 billion in 2024, which is close to its pre-COVID-19 levels, in tandem with MAVCOM's expectation of passenger traffic to reach close to 2019 levels in 2024.

Market demand of the aviation industry

RPK is a measure of flight demand from passengers through the multiplication of the number of paying passengers in a flight by the distance travelled by the aircraft.

RPK (Global), 2019 – 2024(f)



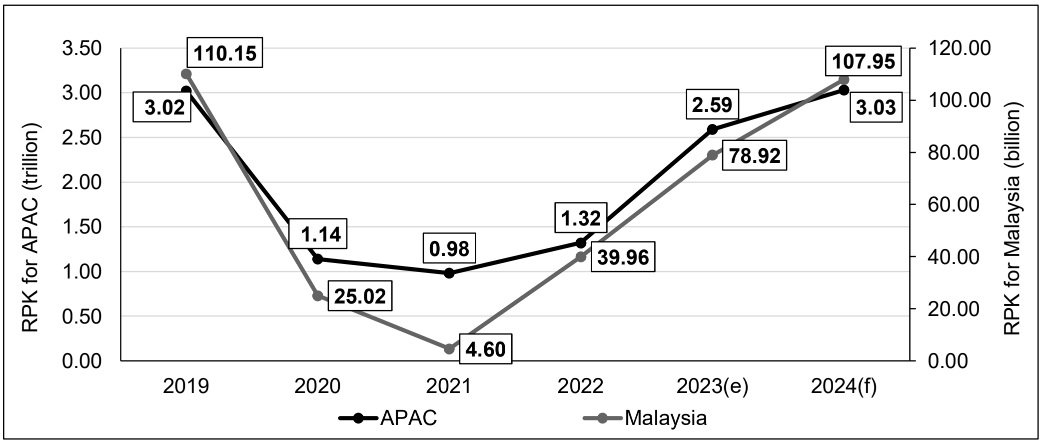
Notes: -
- e – estimate
- f – forecast

(Sources: IATA, SMITH ZANDER)

Consistent with the decrease in demand for air travel due to the COVID-19 pandemic, global RPK decreased year-on-year by 65.82% from 8.69 trillion in 2019 to 2.97 trillion in 2020. The decline in RPK shows that airlines were flying with significantly less passenger loads during this period which resulted in less revenue generated from each flight. With the recovery of air travel, global RPK increased from 2.97 trillion in 2020 to 5.97 trillion in 2022, at a CAGR of 41.78%.

The recovery in demand for air travel which ensued the ease of the COVID-19 pandemic impact resulted in the restoration of operating aircraft, routes and frequencies by airlines to meet this demand, which boosted global RPK. IATA estimates global RPK to surge by 36.68% in 2023 to 8.16 trillion. According to IATA, global RPK has returned to its pre-COVID-19 levels as of February 2024. As such, IATA expects global RPK to grow year-on-year by 11.64% to 9.11 trillion in 2024.

RPK (Asia Pacific (APAC) and Malaysia), 2019 – 2024(f)



Notes: -

- e – estimate
- f – forecast

(Sources: IATA, ICAO, MAVCOM, SMITH ZANDER)

The RPK for Asia Pacific and Malaysia also showed negative trends for the period of 2019 to 2020, consistent with that for global RPK, as airlines were generating significantly lower revenue from each flight compared to pre-COVID-19 levels. From 2019 to 2021, the RPK for Asia Pacific decreased from 3.02 trillion to 0.98 trillion, at a negative CAGR of 43.03%, while the RPK for Malaysia decreased from 110.15 billion to 4.60 billion, at a negative CAGR of 79.56%.

The recovery of RPK for Asia Pacific and Malaysia were relatively slower than global RPK, which began recovering in 2021 with the reopening of international borders in Europe and North America that led to recovery rates of 103.90% and 45.70% respectively in 2022. In 2022, the RPK for Europe and North America, at 1.77 trillion and 1.69 trillion respectively, overtook the RPK for Asia Pacific at 1.32 trillion, which was the leading region prior to the COVID-19 pandemic.

Nevertheless, many countries in Asia Pacific began to reopen their international borders in 2022 which fuelled the significant recovery in RPK for Asia Pacific by 34.69% to 1.32 trillion in 2022 from 0.98 trillion in 2021. Meanwhile, RPK for Malaysia expanded significantly by 768.70% in 2022, growing from 4.60 billion to 39.96 billion.

Further, China had also reopened its international borders on 8 January 2023. The reopening of China's international borders and other similar factors driving the recovery of passengers carried were expected to boost the recovery of RPK for Asia Pacific and Malaysia from 2023 onwards. IATA estimates RPK for Asia Pacific to recover at a CAGR of 51.51% from 1.32 trillion in 2022 to 3.03 trillion in 2024, which exceeds its pre-pandemic levels in 2019. SMITH ZANDER forecasts the RPK for Malaysia to increase from 39.96 billion in 2022 to 107.95 billion in 2024 at a CAGR of 64.36%, which is close to its pre-COVID-19 levels, in tandem with MAVCOM's expectation of passenger traffic to reach close to 2019 levels in 2024.

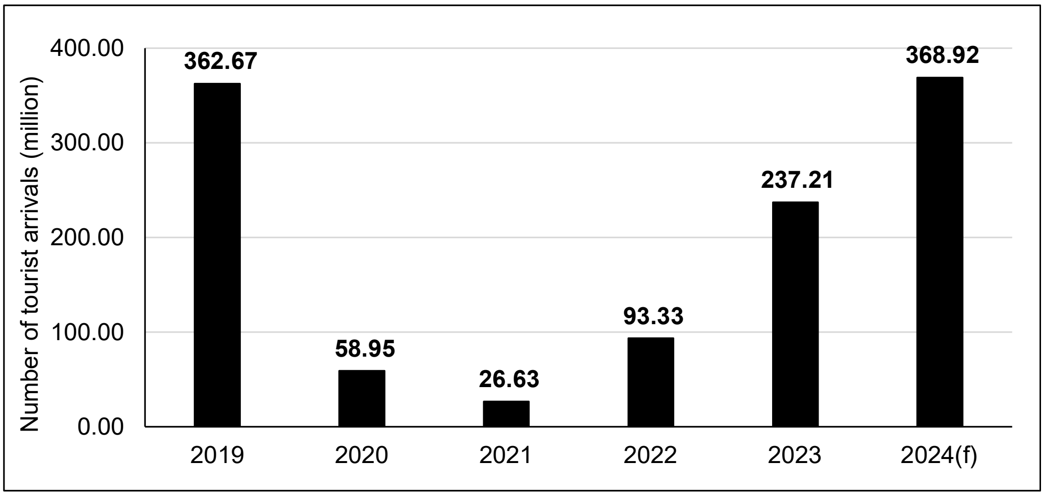
Demand drivers of the aviation industry

The growth of the aviation industry is expected to be driven and sustained by people's general desire to travel, government initiatives to revive the travel and tourism industry and attract international tourist spending, as well as economic growth which spurs the demand for air travel for leisure and business.

Pursuant to the outbreak of the COVID-19 pandemic, many countries closed their country borders, imposed nationwide lockdowns and/or implemented domestic and international travel restrictions as measures to contain the spread of the disease. This caused adverse impact to the travel and tourism industry as reflected in the decline in the number of tourist arrivals in Asia Pacific and Malaysia in 2020 and 2021. Following the uplifting of movement restrictions and reopening of international borders in 2022, travel and tourism activities have recovered due to people's pent-up desire to travel resulting from the prolonged lockdowns.

Tourist arrivals in Asia Pacific declined from 362.67 million in 2019 to 26.63 million in 2021 by a negative CAGR of 72.90%. From 2021 to 2023, the number of tourist arrivals in Asia Pacific recovered at a CAGR of 198.46% from 26.63 million to 237.21 million. SMITH ZANDER estimates that the number of tourist arrivals in Asia Pacific will exceed pre-COVID-19 levels at 368.92 million in 2024, at a year-on-year growth of 55.52%.

Number of tourist arrivals (Asia Pacific), 2019 – 2024(f)

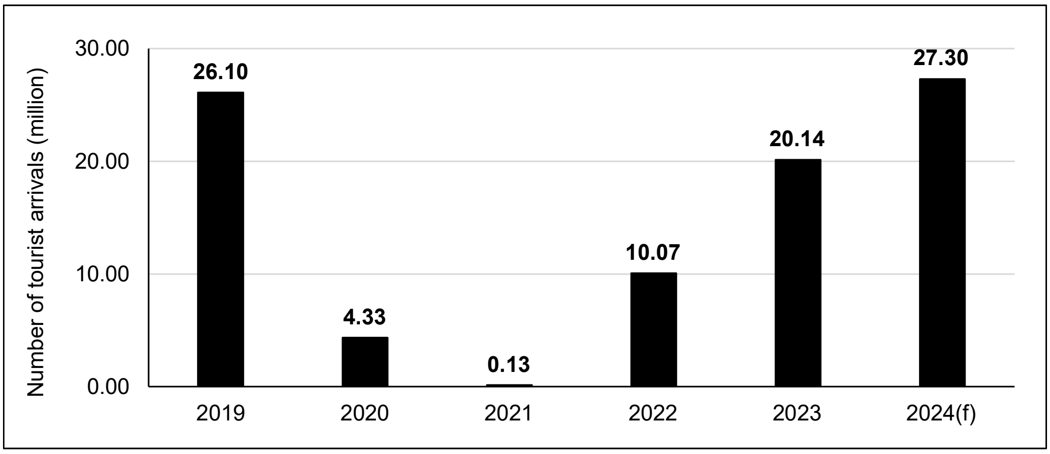


<u>Note: -</u>
- *f – forecast*

(Sources: United Nations World Tourism Organization, SMITH ZANDER)

Tourist arrivals in Malaysia declined from 26.10 million in 2019 to 0.13 million in 2021 at a negative CAGR of 92.94%. It has recovered at a CAGR of 1,144.68% from 0.13 million tourist arrivals in 2021 to 20.14 million tourist arrivals in 2023. Tourism Malaysia expects the number of tourist arrivals to reach 27.30 million in 2024, exceeding pre-COVID-19 levels, registering a year-on-year growth of 35.55%. In conjunction with Visit Malaysia Year 2026, the Ministry of Tourism, Arts and Culture, Malaysia is expecting 35.60 million tourists in 2026, an increase at CAGR of 4.53% from pre-COVID-19 levels of 26.10 million tourists in 2019.

Number of tourist arrivals (Malaysia), 2019 – 2024(f)



Note: -
- *f – forecast*

(Sources: Tourism Malaysia, SMITH ZANDER)

Further, as China began to reopen its international borders on 8 January 2023, outbound tourism from China has improved significantly and is expected to have boosted the growth of the tourism and aviation industry in the Southeast Asia region, which was the most popular outbound destination for Chinese tourists in 2019 where it accounted for approximately 60% of total outbound tourists from China. In 2019, Southeast Asian countries accounted for 6 out of the top 15 outbound travel destinations for Chinese tourists.

Based on the targets set by the Civil Aviation Administration of China (CAAC) in its 14th Five-Year Special Plan for Air Logistics Development, the target passenger traffic for international routes in 2025 of 65 million passengers is expected to exceed the pre-COVID-19 level of 44 million passengers in 2019.

To revive the travel and tourism industry, the governments of Malaysia and many countries across Asia Pacific have introduced various measures, with examples as follows:

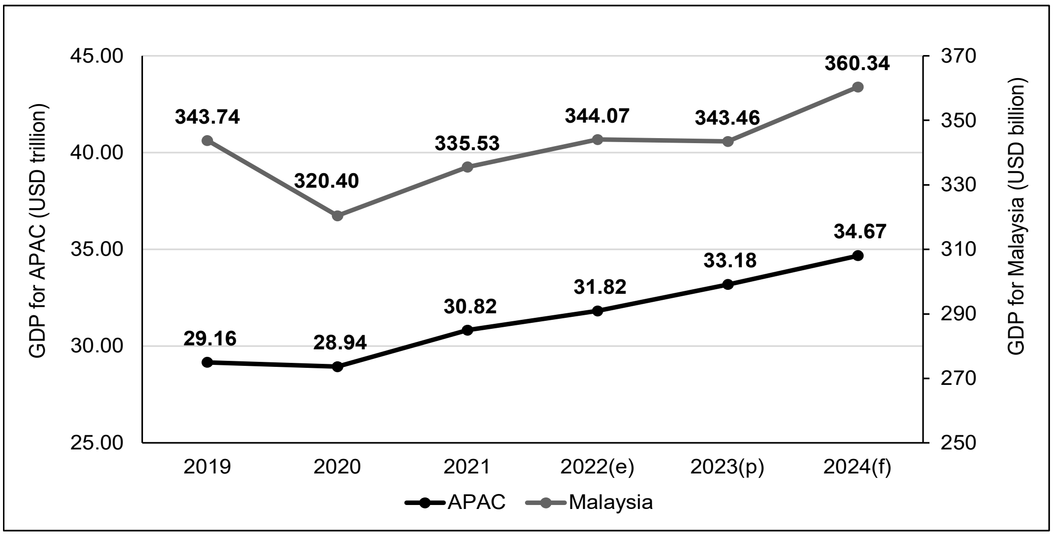
Country	***Initiatives and measures taken***
Malaysia	*Under Budget 2024, RM350 million will be allocated to support the promotion of the Visit Malaysia Year 2026 campaign, organisation of cultural and art activities, matching grants for charter flights and funds to support Muslim-friendly tourism.*
Thailand	*Effective 1 March 2024, Thailand adopted a permanent visa-free entry policy for Chinese nationals, allowing stays for a maximum of 30 days, which is expected to attract and benefit 8 million Chinese visitors in 2024, a little under the pre-COVID-19 figure of 11 million. This is expected to spur Thailand's tourism industry as Chinese tourists were the nation's key tourism industry driver pre-COVID-19.*
Indonesia	*The Government of Indonesia is setting their sight on initiating the Indonesia Tourism Quality Fund worth IDR2 trillion or around USD123.50 million, aiming at promoting the tourism industry as well as national branding through sports events, concerts and business events, which are expected to attract international tourists.*

Country	***Initiatives and measures taken***
Philippines	*In March 2023, the Government of the Philippines launched the 2023 – 2028 National Tourism Development Plan which outlines the nation's measures to achieve its aspiration in becoming a tourism powerhouse in Asia. Amongst these measures are to boost the nation's connectivity by aiming to increase more routes for air and sea travel as well as the development of more tourist spots and linking key destinations to emerging tourist spots.*
China	*The Government of China has re-implemented visa-free entry policies that were in place prior to the COVID-19 pandemic following the full reopening of its borders as an effort to foster the recovery of travel and tourism in China. The visa-free entry policies currently in place are applicable for tourists from countries including Malaysia, Thailand, Singapore, Switzerland, Ireland, Hungary, Austria, Belgium and Luxembourg.*

(Source: Various sources)

Economic activities in Malaysia and Asia Pacific have recovered from the adverse impact of the COVID-19 pandemic and demonstrated growth, as reflected in their respective GDP growth as shown below: -

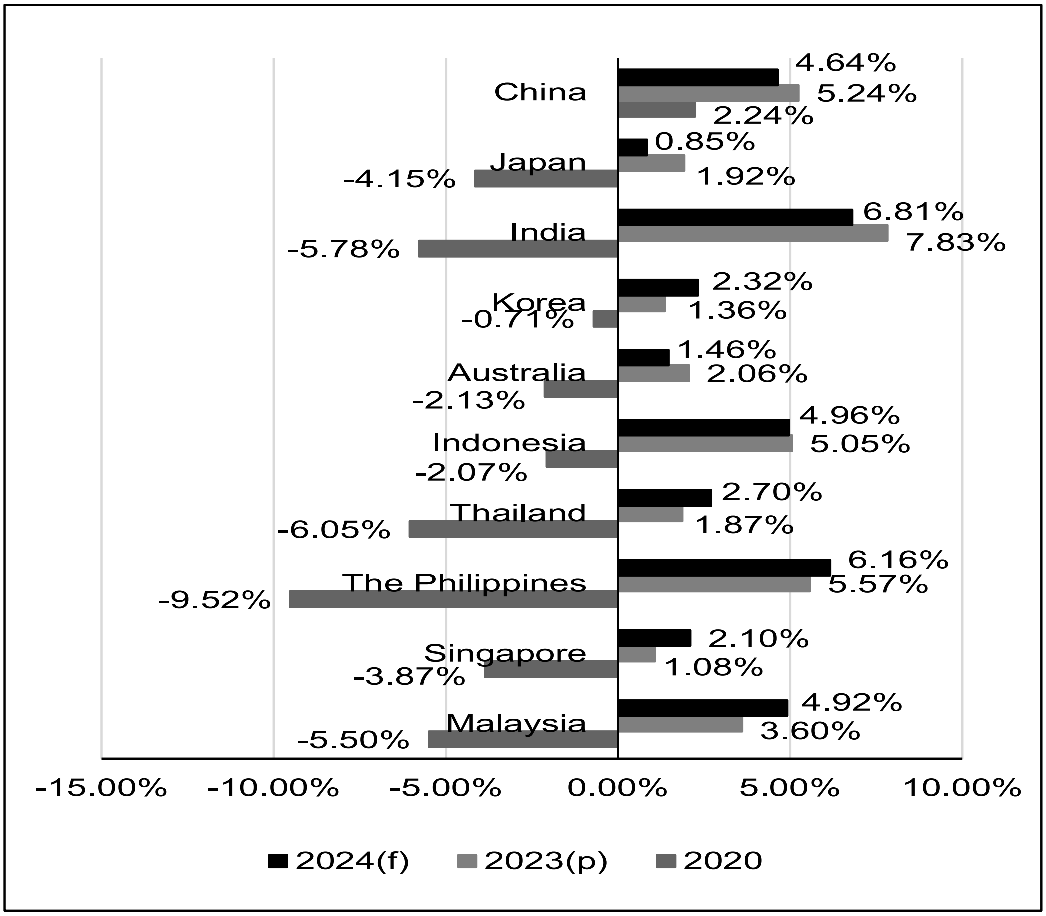
GDP (Asia Pacific (APAC) and Malaysia), 2019 – 2024(f)



<u>*Notes: -*</u>
- *e – estimate*
- *p – preliminary*
- *f – forecast*

(Sources: Department of Statistics Malaysia, International Monetary Fund, Ministry of Finance Malaysia, The World Bank, SMITH ZANDER)

GDP Growth of top 10 GDP countries in Asia Pacific



Notes: -
- *p – preliminary*
- *f – forecast*

(Sources: Department of Statistics Malaysia, International Monetary Fund, Ministry of Finance Malaysia, SMITH ZANDER)

In 2023, the GDP of major economies in Asia Pacific demonstrated positive GDP growth following the declines in 2020, and is expected to continue to record positive GDP growth in 2024 as shown above. With greater wealth, there will be higher disposable income to support leisure and business travel.

Further, air travel is an essential industry to support the business travel required to set up, operate and expand businesses. In order to boost economic growth over the next few years, countries in the Asia Pacific region have introduced various business incentives and investment opportunities, with examples as follows: -

- *In Malaysia, with the aim of building a wider ecosystem for the electronics and electrical sector in the northern region of Peninsular Malaysia, the Government has through the Budget 2024 proposed to open a high-tech industrial area in Kerian, Northern Perak, following the success of industrial areas in Bayan Lepas, Penang and Kulim Hi-Tech Park, Kedah in the electronics and electrical sector.*

- *In Thailand, the Government has approved the 2023 – 2027 Investment Promotion Strategy in October 2022 with the intention to restructure and strengthen the country's economy. Among the incentives include the relocation program which offers corporate income tax exemption to companies that relocate their regional headquarters, research and development centres, and/or manufacturing facilities to Thailand.*

- *In Indonesia, for a capital investment plan starting at IDR500 billion, the Government may offer a 100% tax holiday on corporate income tax due for 5 to 20 years from the beginning of commercial production, depending on the amount of the investment. Following the completion of the tax holiday, the companies are eligible to receive a 50% corporate income tax reduction for two years.*

- *In the Philippines, the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was implemented to provide various business incentives such as the reduction of Regular Corporate Income Tax rates whereby the Regular Corporate Income Tax rate for domestic corporations with net taxable income under PHP5 million and total assets under PHP100 million is reduced from 30% to 20% while all other domestic corporations and resident foreign corporations are eligible for Regular Corporate Income Tax rate reduction from 30% to 25%.*

Premised on the above, moving forward, the aviation industry will benefit from improved economic activities, which will spur leisure and business travel and drive the demand for passenger air services.

Low-cost carriers are believed to be able to continue increasing their growth and penetration in the aviation industry due to their core advantage of offering value flight services at lower-priced fares by placing emphasis on the core service which is transporting passengers by air from one destination to another with minimal complimentary ancillary services. Hence, low-cost carriers are generally more resilient and flexible in managing their cost structure to be able to offer low fares amidst sustaining through crises such as the COVID-19 pandemic. Moving forward, the sustainability of low-cost carriers is expected to be supported by the above premises, alongside their leverage on the recovery in air travel and surging demand for leisure travel as they continue to increase their capacity and rebuild their networks."

(Source: IMR Report)

7.5.2 Prospects of the Target Companies and the New Aviation Group

We noted on the prospects of the Target Companies and the New Aviation Group as set out in Section 9.2, Part A of the Circular: -

"With the Proposed Acquisitions, the New Aviation Group will house award-winning airlines with over 22 years of established history and track record, not to mention the reach to the world from its home region of Southeast Asia. Over the years, the New Aviation Group had received numerous awards and recognitions for its success in the aviation business, such as the World's Best Low-Cost Airline by Skytrax World Airline Awards for 15 consecutive years since 2009, and the World's Leading Low-Cost Airline by World Travel Awards for 11 consecutive years since 2013.

The New Aviation Group will continue to adopt a business model that will enable it to offer low fares by maintaining low cost per ASK, which has contributed to the past success of the airlines. The ability of the airlines to offer low fares and maintain low cost per ASK 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 AirAsia MOVE 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 airlines to be housed under the New Aviation Group will allow the enlarged aviation group to capture the travel needs of a wide range of customers travelling within the Southeast Asia and Asia Pacific regions. The airlines can 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 Southeast Asia and Asia Pacific regions. Therefore, this allows the New Aviation Group to potentially capture a higher market share for air travel within the regions.

The New Aviation 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 Acquisitions, under the leadership of Bo Lingam as the Group Chief Executive Officer of the New Aviation 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 / exceed their respective pre-COVID-19 levels by 2024. The recovery and growth of the industry are also expected to be fuelled by the various measures introduced by the respective government to revive the travel and tourism industry e.g. 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 2026 and 31 December 2024 respectively 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 CAGR 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 the New Aviation Group, as well as the synergistic benefits from the AirAsia Ecosystem and competitive strengths of the New Aviation 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 New Aviation 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, has recently commenced its operation in Cambodia in May 2024, utilising 2 A320 aircraft based at Phnom Penh International Airport to serve domestic flight operations, covering Phnom Penh, Siem Reap, and Sihanoukville and in August 2024, 'AirAsia Cambodia' launched its first international flight from Phnom Penh to Kuala Lumpur. The New Aviation Group will also assess the potential of expanding its coverage to new destinations.*

- *The New Aviation 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 New Aviation 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. The New Aviation Group also intends to increase its revenue and grow its market share in Cambodia through its latest airline, 'AirAsia Cambodia'.*

- *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 with the AirAsia Group to increase cross-selling opportunities.*

- *The New Aviation Group expects to also maintain an expanded portfolio of new-generation aircraft comprising both narrowbody and widebody aircraft types, namely the A321neo, the A321LR, the A321XLR and A330neo, supported by the New Aviation Group's aircraft orderbook totalling 396 aircraft, with delivery scheduled between 2024 and 2035. Within the next 3 years, the New Aviation Group expects to take delivery of a total of 34 aircraft from its orderbook, all of which are expected to be on operating* *leases by way of sale-and-leaseback arrangements with aircraft lessors. In addition, the New Aviation Group also expects to take delivery of 10 A321neo aircraft from an identified lessor's aircraft orderbook by way of operating leases in 2025.*

The future growth and success of the New Aviation Group will be backed by an established AirAsia Ecosystem. The New Aviation 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. The New Aviation Group will also have the requisite capacity for its growth ambitions. With all of its upcoming aircraft delivery structured under operating leases by way of sale-and-leaseback arrangements with lessors, the New Aviation Group would gain the flexibility in its future fleet management and utilisation, without the risks and costs of ownership, effectively contributing to the lean and savvy nature of its business model.

In terms of financing for the New Aviation Group's aviation businesses, the Proposed Private Placement is expected to provide necessary funds to the New Aviation Group in addition to its internally generated funds and externally sourced financing.

In view of the above and barring any unforeseen circumstances, our Board is optimistic of the prospects of the Target Companies and the New Aviation Group."

WYNCORP's comments
We take cognisance of the anticipated favourable industry outlook and prospects of the aviation industry, particularly over the medium and long term; and noted that the New Aviation Group is expected to be well-positioned to capitalise on the anticipated recovery of air travel through the following: - (i) the airlines within the New Aviation 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; (ii) increase the passenger volume which will then contribute to the growth in its market share, in line with the growing prospects of the aviation industry. The New Aviation Group also intends to increase its revenue and grow its market share in Cambodia through its latest airline, 'AirAsia Cambodia' which has commenced operation in May 2024; and (iii) achieve 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 with the AirAsia to increase cross-selling opportunities.

Premised on the above, we are of the view that the Proposed Acquisitions are generally expected to contribute positively to the Company particularly over the medium and long term, and accordingly, the Proposed Acquisitions are deemed <u>fair</u> and <u>reasonable</u> and <u>not detrimental</u> to the interest of the non-interested Shareholders of AAX.

Notwithstanding the positive and encouraging industry outlook and prospects, we wish to highlight that all businesses are subject to uncertainties and risks, some of which are not fully within the control of the Company. Accordingly, we advise the non-interested Shareholders of AAX to take note of, and carefully consider, the risks as set out in Section 10, Part A of the Circular and further discussed in Section 7.6 of this IAL.

7.6 Risks of the Proposed Acquisitions

In evaluating the Proposed Acquisitions, the non-interested Shareholders of AAX are advised to consider carefully the risk factors as set out in Section 10, Part A of the Circular before voting on the resolutions pertaining to the Proposed Acquisitions at the forthcoming EGM.

In view that AAX Group and the Target Companies are principally involved in the aviation industry, we are of the view that the business risk profile of AAX Group **will not change significantly** upon completion of the Proposed Acquisitions, especially for risk factors inherent in the aviation industry.

Nevertheless, taking into consideration the above and the differences between the Target Companies and AAX Group in terms of, amongst others, the scale of business operations (including type and number of aircraft operated, fleet expansion plan, type of services provided and flight destinations/routes serviced), operational and financial requirements as well as geographical locations of business operations, AAX Group may assume increased exposure to existing business risks related to the aviation industry as well as additional risks arising from acquisition of the Target Companies pursuant to the Proposed Acquisitions.

In addition, we wish to draw the attention of the non-interested Shareholders of AAX to the following risk factors as disclosed in Section 10, Part A of the Circular: -

7.6.1 Non-completion risk

"The completion of the Proposals and Proposed Granting of Subscription Options is subject to, amongst others, the approvals as set out in Section 13, Part A of this Circular being obtained.

In addition, the completion of the Proposed Acquisitions and the Proposed Granting of Subscription Options is subject to, amongst others, all the conditions precedent in the relevant agreements as set out in Section 3.1, Appendix II(A) of this Circular and Section 3.1, Appendix II(B) of this Circular and Section 2 of Appendix III of this Circular being fulfilled. There is no assurance that the said conditions precedent will be fulfilled or that the parties to the relevant agreements will be able to fulfil their respective obligations under the agreements within the timeframe stipulated therein.

In respect of the Proposed Private Placement, there is no assurance that the Placement Shares will be fully subscribed by investors.

In the event that any of the Proposals or Proposed Granting of Subscription Options does not proceed to completion, our Company will not be able achieve the objectives and benefits of the respective proposals as set out in Section 8, Part A of this Circular.

To mitigate such risk, our Company will take all necessary steps and reasonable efforts to obtain the requisite approvals and to ensure that the conditions precedent in the relevant agreements, which are within the reasonable control of our Company, are fulfilled within the timeframe stipulated in the agreements and duly perform our Company's obligations under the agreements in order to complete the Proposals and Proposed Granting of Subscription Options in a timely manner."

WYNCORP's comments
We are of the view that this risk is inherent in nature and customary for transactions of similar nature. We take note that the Company will take all necessary steps and reasonable efforts to ensure that the conditions precedent in the SSPAs in respect of the Proposed Acquisitions, which are within the reasonable control of the Company, are satisfied or waived (as the case may be), within the timeframe stipulated in the SSPAs and duly perform the obligations under the SSPAs; to complete the Proposed Acquisitions in a timely manner. In addition, we take note that as provided within the SSPAs, Capital A shall use its reasonable endeavours to procure the satisfaction of conditions precedent which are within its control such that those conditions precedent are satisfied within the timeframe stipulated in the SSPAs.

7.6.2 Investment risk

"There is no assurance that the anticipated benefits and synergies arising from the Proposed Acquisitions as set out in Section 8.3, Part A of this Circular will be realised or that the New Aviation Group will be able to generate sufficient returns to offset the dilutive effects to our Shareholders arising from the issuance of Consideration Shares. There is also no assurance that the projected financial performance of the Target Companies will be achieved after the completion of the Proposed Acquisitions.

The aviation businesses of the Target Companies and the New Aviation Group are closely correlated with the level of inbound and outbound travelling and tourism activities at both domestic and international levels and are subject to risks inherent in the aviation industry including: -

(i) changes in the general economic, social and political climate of the country;

(ii) changes in consumers' spending power, lifestyle and preferences for travel destinations;

(iii) natural disasters (e.g. earthquake, flood, tsunami, typhoon and volcanic eruption), outbreak of diseases and epidemics as well as weather conditions in the locality, country or region;

(iv) threats of terrorism, acts of sabotage, strikes, riots, geopolitical tensions, social unrest and declaration of war;

(v) changes in legislation and government policies;

(vi) negative reviews or adverse publicity affecting the reputation of the airlines, ultimately leading to negative public perception and loss of consumers' confidence towards the airlines;

(vii) increase in travelling costs as a result of higher airline operating costs arising from, amongst others, escalating fuel prices and depreciating local currencies;

(viii) ability to renew airline operator certificates and other relevant approvals / certifications to comply with the applicable regulations;

(ix) increased competition from other existing or new low-cost airlines;

(x) loss of key senior management and ability to hire replacement; and

(xi) ability to secure new aircraft deliveries for fleet replacement and expansion plans.

Nevertheless, our Group has exercised due care in considering the potential risks and benefits associated with the Proposed Acquisitions and our Board believes that the Proposed Acquisitions are critical to the long-term sustainability of our Group as we have been leveraging on the "AirAsia" brand and AirAsia Ecosystem since the commencement of our Group's business. Our Board also believes that the integration risk is low in view that our Group and the Target Companies have been operating within the same AirAsia Ecosystem."

WYNCORP's comments
We are of the view that this risk is inherent in nature and customary for transactions of similar nature.

7.6.3 Projection risk

"The AAAGL Purchase Consideration and AAB Purchase Consideration were arrived at after taking into consideration, amongst others, the range of valuation for the entire equity interests in the Target Companies based on the valuation undertaken by Deloitte. In arriving at the valuation of the Target Companies, the Valuer has considered a number of valuation approaches and adopted the DCF method of valuation as the primary method for the valuation of the AOCs, namely AAB, TAA, PAA and IAA using the 5-year financial projections of the said AOCs from 1 January 2024 to 31 December 2028 together with the underlying bases and assumptions.

There is no assurance that the AOCs will be able to achieve the projected results in the future and that the key underlying bases and assumptions used in arriving at the valuation of the Target Companies will materialise as planned. In the event that the AOCs are unable to achieve the projected results in the future and/or if any of the key underlying bases and assumptions used in arriving at the valuation of the Target Companies does not materialise as planned, the valuation of the Target Companies may deteriorate and the New Aviation Group may be required to recognise an impairment loss on the carrying amount of its investments in the Target Companies (including any goodwill and intangible assets arising from the Proposed Acquisitions) and this may adversely affect the financial performance and financial position of the New Aviation Group.

In mitigating such risk and to ensure smooth daily operations including the execution of future plans and business strategies under the enlarged aviation group, a centralised leadership is intended to be established under Bo Lingam as the Group Chief Executive Officer of the New Aviation Group and he will be assisted by a team of experienced key senior management team with extensive experience in the aviation industry and in-depth operational knowledge of the respective airlines. In addition, it is worth noting that the Valuer has assigned additional risk premiums to the discount rates adopted in its DCF method to account for uncertainties and risks attributable to the cash flow projections for the respective AOCs."

WYNCORP's comments
We are of the view that this risk is inherent in nature and customary for transactions of similar nature where purchase consideration is benchmarked to future earnings and range of valuation appraised on income approach. The valuation approach adopted by Deloitte is appropriate in this context, and commonly-applied in practice. As the Proposed Acquisitions do not constitute a significant change in business direction with AAX Group being presently involved in the airline business and aviation industry, and the valuation appraised by Deloitte has not factored in any elevated synergistic benefits that may potentially accrue to the enlarged aviation group upon completion of the Proposed Acquisitions which when materialise, stand to enhance the value of the enlarged aviation group; we are of the view that the exposure level of this risk may be further contained particularly a centralised leadership is intended to be established under Bo Lingam and assisted by a team of experienced key senior management personnel with extensive experience in the aviation industry and in-depth operational knowledge of the respective airlines.

7.6.4 Goodwill and impairment risk

"The Proposed Acquisitions are expected to give rise to goodwill to be recognised, the amount of which will depend on the fair value of the Target Companies' identifiable assets acquired (including any intangible assets identified) and liabilities assumed upon completion of the Proposed Acquisitions.

The identifiable assets and liabilities of the Target Companies will initially be recorded in the New Aviation Group's books at their provisional fair values as at the acquisition date pending the conclusion of a purchase price allocation exercise in accordance with Malaysian Financial Reporting Standards 3 Business Combinations. Although a preliminary assessment has been conducted, the final outcome of the purchase price allocation exercise cannot be ascertained at this juncture. Any fair value adjustment to the identifiable assets and liabilities arising therefrom may affect the goodwill and financial position of the New Aviation Group. In addition, any impairment on the carrying amount of the investments in the Target Companies (including any goodwill and intangible assets arising from the Proposed Acquisitions) and amortisation of any intangible assets identified from the Proposed Acquisitions may affect the financial performance and financial position of the New Aviation Group.

For illustrative purposes, as set out in the pro forma consolidated statement of financial position of our Group as at 31 December 2023 in Appendix VIII of this Circular, the goodwill and intangible assets upon completion of the Proposed Acquisitions are RM10,090.74 million and RM2,430.84 million respectively, based on the assumptions and parameters stated therein.

Notwithstanding the above, the AAAGL Purchase Consideration and AAB Purchase Consideration fall within the range of valuation for the entire AAAGL Equity Interest and AAB Equity Interest as at 31 December 2023 respectively based on the valuation conducted by Deloitte."

WYNCORP's comments
We take note that the Proposed Acquisitions are expected to give rise to goodwill to be recognised, the amount of which will depend on the fair value of AAAGL's and AAB's identifiable assets acquired (including any intangible assets identified) and liabilities assumed upon completion of the Proposed Acquisitions. Any fair value adjustment to the identifiable assets and liabilities arising therefrom may affect the goodwill and financial position of the enlarged aviation group. Any impairment on the carrying amount of the investments in AAAGL and AAB (including any goodwill and intangible assets arising from the Proposed Acquisitions) and amortisation of any intangible assets identified from the Proposed Acquisitions may affect the financial performance and financial position of the enlarged aviation group. We are of the view that this risk is inherent in nature and customary for transactions of similar nature. This risk has been adequately considered, taking into consideration: - (i) the purchase considerations for the Proposed Acquisitions are justified after taking into consideration the rationale and benefits of the Proposed Acquisitions as set out in Section 8.3 of Part A of the Circular, the outlook of the aviation industry and prospects of the Target Companies and the New Aviation Group as set out in Section 9 of Part A of the Circular, and the purchase considerations fall within the range of valuation appraised by Deloitte; (ii) the range of valuation has not factored in any elevated synergistic benefits that may potentially accrue to the enlarged aviation group upon completion of the Proposed Acquisitions which when materialise, stand to enhance the value of the enlarged aviation group which in turn, would help to reduce the occurrence and/or impact of impairment risk; and (iii) the Proposed Acquisitions do not constitute a significant change in business direction with AAX Group being presently involved in the airline business and aviation industry, and a centralised leadership is intended to be established under Bo Lingam and assisted by a team of experienced key senior management personnel with extensive experience in the aviation industry and in-depth operational knowledge of the respective airlines; which would help to enhance the likelihood and chances of the enlarged aviation group achieving the projected financial performance and the elevated synergistic benefits.

7.6.5 Risk of triggering PN17

"The outbreak of the global COVID-19 pandemic had created significant challenges for the aviation industry. As a result, the financial performance and financial position of Capital A was greatly impacted in an adverse manner. On 7 January 2022, Capital A was classified as a PN17 issuer as it triggered the prescribed criteria pursuant to Paragraph 8.04 of the Listing Requirements and Paragraphs 2.1(a) and 2.1(e) of PN17 as set out below: -

(i) Paragraph 2.1(a) – the shareholders' equity of the listed issuer on a consolidated basis is 25% or less of the share capital (excluding treasury shares) of the listed issuer and such shareholders' equity is less than RM40 million; and

(ii) Paragraph 2.1(e) – the auditors have highlighted a material uncertainty related to going concern or expressed a qualification on the listed issuer's ability to continue as a going concern in the listed issuer's latest audited financial statements and the shareholders' equity of the listed issuer on a consolidated basis is 50% or less of share capital (excluding treasury shares) of the listed issuer.

As at the LPD, Capital A is still classified as a PN17 issuer whereas our Company has been uplifted from being classified as a PN17 issuer on 22 November 2023.

There is no assurance that our Company will not trigger the prescribed criteria pursuant to Paragraph 8.04 of the Listing Requirements and Paragraph 2 of PN17 and be classified as a PN17 issuer again following the completion of the Proposed Acquisitions in view that the Target Companies were the major contributors to the decline in financial performance and financial position of Capital A during the COVID-19 pandemic period.

As at 31 December 2023, the AAAGL Group reported net current liabilities of RM9,127.04 million and a capital deficiency of RM5,187.04 million whereas the AAB Group reported a capital deficiency of RM1,504.69 million. These conditions may affect the ability of the Target Companies to meet their financial obligations as and when they fall due. For further information on the financial performance and financial position of the Target Companies for the past 3 financial years, please refer to the accountants' reports of AAAGL and AAB as set out in Appendix IX of this Circular and Appendix X of this Circular respectively.

Barring any unforeseen circumstances, our Board is optimistic of the prospects of the Target Companies and the New Aviation Group. 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, the enlarged aviation group is well-positioned to capitalise on the anticipated recovery of air travel moving forward.

In addition, our Company will undertake the Proposed Private Placement of RM1,000.00 million to strengthen our financial position amidst undertaking the Proposed Acquisitions. Furthermore, one of the conditions precedent in the SSPAs requires that each of the Target Companies (together with their respective group of companies) 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 Acquisition and Proposed AAB Acquisition."

WYNCORP's comments
We are of the view that this risk is inherent in this context, but has been adequately considered taking into consideration the following: - (i) the Proposed Acquisitions is conditional upon the Proposed Private Placement of RM1,000.00 million, which would help to strengthen the financial position of AAX prior to undertaking the Proposed Acquisitions; (ii) the SSPAs provide that there should be no AAAGL Material Adverse Change and AAB Material Adverse Change to AAAGL Group and AAB Group respectively; (iii) the SSPAs provide that AAAGL Group and AAB Group respectively and individually, shall 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 Acquisitions; (iv) the AAAGL Purchase Consideration, which is to be satisfied entirely via allotment and issuance of Consideration Shares, would further enhance the share capital of AAX upon completion of the Proposed Acquisitions; (v) the recovery of AAAGL Group's and AAB Group's airline business operations, and the anticipated financial performance of the enlarged aviation group, are backed by the relatively positive prospects and industry outlook; and (vi) the enlarged aviation group is expected to achieve elevated synergistic benefits and additional cost savings through centralised management and procurement, potential enhancement to the overall credit rating and record of the enlarged aviation group, and increased flexibility in fleet management and utilisation; which when materialise, stand to contribute positively to the financial performance of the enlarged aviation group.

7.6.6 Limitation of liabilities

"Pursuant to the SSPAs, there are certain pre-determined minimum thresholds in respect of indemnities by Vendor (as set out in Section 6 of Appendix II(A) of this Circular and Section 6 of Appendix II(B) of this Circular) and limitation of liabilities in respect of breach of warranties (as set out in Section 7 of Appendix II(A) of this Circular and Section 7 of Appendix II(B) of this Circular).

In the event that a claim by the Purchaser against the Vendor arising from, amongst others, unfavourable outcome of litigation cases, crystallisation of contingent liabilities and additional tax liabilities to be paid by the Target Companies, is limited or restricted due to pre-determined minimum thresholds and limitation of liabilities as abovementioned or the Vendor is unable to fulfil its obligations in respect of such claim, this may have a material adverse effect on the financial performance and financial position of the New Aviation Group.

As at the date of this Circular, the due diligence exercise on the Target Companies has been completed. Notwithstanding that, the SSPAs may still be terminated at any time prior to the completion of the Proposed Acquisitions in the event that the Purchaser becomes aware that any of the Vendor's warranties was untrue or inaccurate, any inconsistency with the warranties given by the Vendor is discovered, an AAAGL Material Adverse Change (as defined under Note (1) to Section 5(iii) of Appendix II(A) of this Circular) / AAB Material Adverse Change (as defined under Note (1) to Section 5(iii) of Appendix II(B) of this Circular) has occurred or any other breach on the part of the Vendor of the terms of the SSPAs has occurred."

WYNCORP's comments
We are of the view that this risk is inherent in this context, but has been adequately considered taking into consideration the following: - (i) the SSPAs may still be terminated at any time prior to the completion of the Proposed Acquisitions in the event that AAX (as the Purchaser) becomes aware that any of the Vendor's warranties was untrue or inaccurate, any inconsistency with the warranties given by the Vendor is discovered, an AAAGL Material Adverse Change (as defined under Note (1) to Section 5(iii) of Appendix II(A) of the Circular) / AAB Material Adverse Change (as defined under Note (1) to Section 5(iii) of Appendix II(B) of the Circular) has occurred or any other breach on the part of the Vendor of the terms of the SSPAs has occurred; and (ii) the limitation of liability would not apply to any AAAGL / AAB Claim which arises or is increased or is delayed as the consequence of fraud or wilful concealment by either party to the SSPAs or any of its directors, officers, employees, agents, advisers, representatives or successors in title of such party. This safeguards the right to claim damages of the non-defaulting party, regardless of materiality of the sum, in the event of fraud and wilful concealment.

7.6.7 Financing and default risk

"Where necessary, the New Aviation Group may seek equity and/or debt financing for its future funding requirements. The New Aviation Group's ability to obtain such financing and the cost of financing will depend on numerous factors, such as general economic and market conditions, interest rates, credit availability from the banks and/or other lenders, any restriction imposed by the government as well as political, social and economic conditions. There is no assurance that the necessary financing will be available in amounts or on terms and conditions acceptable to the New Aviation Group.

In respect of debt financing, the New Aviation Group is highly geared and could potentially be exposed to risk of default and fluctuation in interest rates on the financing obtained. As set out in Section 11.3, Part A of this Circular, our Group's pro forma total borrowings, debentures and lease liabilities as at 31 December 2023 is RM24,492.69 million (gearing ratio of 42.60 times) upon completion of the Proposed Acquisitions. An increase in financing costs may adversely affect the New Aviation Group's financial performance and its ability to service the financial obligations.

In the event that the New Aviation Group is unable to generate sufficient cash flows to service principal repayments and/or interest costs in respect of any debt financing, this will constitute an event of default, and this may trigger cross default provisions of other financing facilities. In such circumstances, the affected lenders / financiers of the New Aviation Group may demand for an immediate repayment of outstanding amounts and withdraw financing facilities which would otherwise be available for the New Aviation Group.

The New Aviation Group will continuously monitor and review its debt portfolio, which takes into consideration the New Aviation Group's gearing level, interest costs and cash flows. Where necessary, the New Aviation Group may refinance its debt obligations to extend the tenure and/or to obtain more favourable financing terms. Further, as the New Aviation Group reactivates more aircrafts and ramps up its operations in line with the revival and increase of air travel demand after the COVID-19 pandemic, its financial performance and financial position are expected to strengthen, and this will also mitigate the financing and default risk."

WYNCORP's comments
We are of the view that this risk is inherent in this context, but has been adequately considered taking into consideration the following: - (i) the Proposed Acquisitions is conditional upon the Proposed Private Placement, which would provide the enlarged aviation group with additional cash reserves for its future plans and business strategies, repayment of borrowings, as well as working capital requirements; (ii) the Proposed Acquisitions do not involve any actual cash outlays, as the AAAGL Purchase Consideration is to be satisfied entirely via allotment and issuance of Consideration Shares, whilst the AAB Purchase Consideration is to be satisfied entirely via Debt Settlement; (iii) lease liabilities (which account for a substantial portion of the Group's pro forma total borrowings, debentures and lease liabilities upon completion of the Proposed Acquisitions) are mainly relating to leases of aircraft and spare engines, which are backed by corresponding right-of-use assets; (iv) AAAGL Group and AAB Group have been able to sustain their operations over the years. For information purposes, both AAAGL Group and AAB Group generated positive cash flows from operating activities for the FYE 31 December 2023 and recorded positive cash and cash equivalents at the end of the FYE 31 December 2023; and (v) the projected future revenue growth of AAAGL Group and AAB Group, backed by the relatively positive prospects and industry outlook, are expected to further enhance the ability of the New Aviation Group to meet its future obligations in relation to the repayment of borrowings, debentures and lease liabilities.

7.6.8 Foreign exchange risk

"A portion of the airlines' revenue and costs are exposed to foreign exchange risks, including seat sales, freight services, fuel costs, maintenance, repair and overhaul expense and rental expense. Hence, any fluctuation in foreign exchange rates will have an impact to the financial performance of the airlines, e.g. an appreciation of USD against RM will result in the airlines incurring higher fuel costs, maintenance, repair and overhaul expense and rental expense.

The management of the New Aviation Group will manage the foreign currency exposures, to the extent possible, by natural hedges that arise when payments for foreign currency payables are matched against collections from receivables denominated in the same foreign currency or whenever possible, by intragroup arrangements and settlements. Where necessary, financial instruments such as foreign currency forwards may be entered into to hedge foreign exchange risk."

WYNCORP's comments
We are of the view that this risk is inherent and customary due to the industry and business nature, of which AAX Group is similarly and presently exposed to, where the enlarged aviation group upon completion of the Proposed Acquisitions would inevitably be exposed to in continuity.

7.6.9 Risk of reliance on "AirAsia" brand (including "AirAsia X" brand) and AirAsia Ecosystem

"The airlines to be housed under the New Aviation Group rely on the strength of "AirAsia" brand (including "AirAsia X" brand) to market and promote their seat sales and ancillary products and services. The New Aviation Group does not and will not own the "AirAsia" brand(1) following the completion of the Proposed Acquisitions.

Note: -

(1) The "AirAsia" brand is currently owned by Brand AA Sdn Bhd, a wholly-owned subsidiary of Capital A. As announced by Capital A on 28 February 2024, Capital A is undertaking a proposed business combination involving its equity interest in Brand AA Sdn Bhd with, amongst others, Aetherium Acquisition Corp, a special purpose acquisition corporation listed on the National Association of Securities Dealers Automated Quotations (NASDAQ) in the US to unlock the value of Brand AA Sdn Bhd.

Instead, pursuant to the 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 of the MBLA, the MBLA shall be automatically extended for a period of 10 years, provided that the MBLA has not been lawfully terminated by reason of breach or default in accordance with the terms and provisions of the MBLA.

In the event that the MBLA is not renewed at its expiry or is terminated, the New Aviation Group will not be able to continue leveraging on the "AirAsia" brand and this is expected to have a material adverse effect on the enlarged aviation group's financial performance. Further, any deterioration to the brand recognition may also have an adverse effect on the business, operations and financial performance of the airlines.

In addition, the airlines also rely on the AirAsia Ecosystem which helps to support the airlines' businesses, including AirAsia Group's online sales channels, maintenance, repair and overhaul services, digital payment and financial services, cargo and logistics services, ground handling services, in-flight meal services and a shared services centre. Losing such benefits of comprehensive support services from the AirAsia Ecosystem, the New Aviation Group may face challenges in running the operations of the airlines effectively and in a cost-efficient manner.

In mitigating such risk, a centralised leadership is intended to be established under Bo Lingam as the Group Chief Executive Officer of the New Aviation Group and he will be assisted by a team of experienced key senior management team with extensive experience in the aviation industry and in-depth operational knowledge of the respective airlines. Upon completion of the Proposed Acquisitions, the management of the New Aviation Group will continue to maintain good working relationship with other entities within the AirAsia Ecosystem to preserve the benefits and synergies derived therefrom."

WYNCORP's comments
We are of the view that this risk is associated with the prevailing commercial and business arrangements which are expected to subsist regardless of the Proposed Acquisitions, of which AAX Group is similarly and presently exposed to, where the enlarged aviation group upon completion of the Proposed Acquisitions would inevitably be exposed to in continuity.

7.6.10 Foreign investment risk

"The investment in the AAAGL Group is subject to foreign investment risk. The ability of foreign entities within the AAAGL Group to repatriate profits will depend largely on the relevant legislations or policies relating to the repatriation of profits prevailing at the point of repatriation. In the event of any changes in the foreign investment policies in Labuan, Thailand, the Philippines and Indonesia which restrict or prohibit foreign investments in the respective foreign entities or repatriation of profits from these countries, there may be a material and adverse impact to the New Aviation Group.

The expert's report on policies on foreign investments, taxation and repatriation of profits under the relevant laws of Labuan, Malaysia, Thailand, the Philippines and Indonesia is set out in Appendix XIII of this Circular.

In addition, please refer to Appendix XIV of this Circular for the legal opinion on ownership of title to the securities or assets and the enforceability of agreements, representations and undertakings given by foreign counter-parties and other relevant legal matters under the relevant laws of Labuan, Malaysia, Thailand, the Philippines and Indonesia."

WYNCORP's comments
We are of the view that this risk is inherent and customary for entities with foreign investment.

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7.6.11 Dilution of existing shareholdings of the Shareholders

"The issuance of Placement Shares, Consideration Shares and Subscription Shares will have a dilutive impact to the existing shareholdings of our Shareholders in AAX, as illustrated in the table below: -

		Pro forma A: Based on the minimum issue price of RM1.00 per Placement Share				Pro forma B: Based on an illustrative issue price of RM1.13 per Placement Share			
			Existing shareholdings of our Shareholders				Existing shareholdings of our Shareholders		
		Total no. of issued Shares	No. of Shares	%	% of dilution	Total no. of issued Shares	No. of Shares	%	% of dilution
(I)	As at the LPD	447,072,803	447,072,803	100.00		447,072,803	447,072,803	100.00	
(II)	Based on (I) and after the issuance of Placement Shares pursuant to the Proposed Private Placement	1,447,072,803	447,072,803	30.89	(69.11)	1,332,028,555	447,072,803	33.56	(66.44)
(III)	After (II) and the issuance of Consideration Shares pursuant to the Proposed AAAGL Acquisition and Proposed Distribution by Capital A	3,754,765,110	447,072,803	11.91	(88.09)	3,639,720,862	447,072,803	12.28	(87.72)
(IV)	After (III) and assuming full subscription of the Subscription Shares	4,205,336,923	447,072,803	10.63	(89.37)	4,076,487,365	447,072,803	10.97	(89.03)
(V)	After (IV) and assuming full exercise of the Warrants	4,428,873,324	670,609,204	15.14	(84.86)	4,300,023,766	670,609,204	15.60	(84.40)

Based on the above, upon the issuance of Placement Shares, Consideration Shares and Subscription Shares, the existing shareholdings of our Shareholders in AAX will be diluted by 89.37% to 10.63% under Pro forma A (Pro forma B: diluted by 89.03% to 10.97%).

The Proposed Issuance of Free Warrants serves to mitigate the dilutive impact from the issuance of Placement Shares, Consideration Shares and Subscription Shares as there will be no Warrant to be issued in respect of the Placement Shares, Consideration Shares and Subscription Shares. Upon full exercise of the Warrants, the existing shareholdings of our Shareholders in AAX (including new Shares from the exercise of the Warrants) will increase to 15.14%, representing an effective dilution of 84.86% from your existing shareholdings in AAX under Pro forma A (Pro forma B: increase to 15.60%; effective dilution of 84.40%).

Notwithstanding that the issuance of Placement Shares, Consideration Shares and Subscription Shares will result in a dilutive impact to your existing shareholdings in AAX, you should note that: -

(i) the Proposed Private Placement is undertaken to strengthen the financial position of our Group and to raise funds of RM1,000.00 million for the New Aviation Group's aviation businesses. Furthermore, the Placement Shares are intended to be issued at the prevailing market price of our Shares at the price-fixing date of the Placement Shares, with a discount of not more than 15% and in any event, the issue price shall not be lower than the minimum issue price of RM1.00 per Placement Share;

(ii) the Proposed Acquisitions present an opportunity to you to own a part of the New Aviation Group and to bear the risks and rewards associated with ownership of the enlarged aviation group amidst the anticipated recovery of international air traffic post COVID-19 in addition to other rationale and benefits of the Proposed Acquisitions as set out in Section 8.3, Part A of this Circular. 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, the enlarged aviation group is well-positioned to capitalise on the anticipated recovery of air travel moving forward;

(iii) the Consideration Shares are issued to fully satisfy the AAAGL Purchase Consideration (which is fair and justifiable as explained in Section 4.3, Part A of this Circular) at an agreed issued price of RM1.30 each which reflects the prevailing market prices of our Shares prior to the signing of the SSPAs;

(iv) the issuance of Subscription Shares is a form of fund-raising exercise for our Group in the event that the Subscriber exercises the Subscription Options to subscribe for Subscription Shares. As set out in Section 7.3, Part A of this Circular, the mechanism under the Proposed Granting of Subscription Options allows our Company to issue any Subscription Shares at the prevailing market price of our Shares during the 24-month acceptance period and without any discount. Hence, this mechanism is expected to result in less dilution to our Shareholders as compared to the pricing mechanism of the Previous Subscription Option; and

(v) the issue prices of the Placement Shares, Consideration Shares and Subscription Shares are / are expected to be higher than the unaudited consolidated NA of AAX as at 30 June 2024 of RM0.46 per Share."

WYNCORP's comments
We are of the view that this risk is inherent in nature and customary for transactions of similar nature. This risk has been adequately considered, taking into consideration that the Proposed Acquisitions do not involve any actual cash outlays, as the AAAGL Purchase Consideration is to be satisfied entirely via allotment and issuance of Consideration Shares, whilst the AAB Purchase Consideration is to be satisfied entirely via Debt Settlement. Such arrangement appears to be appropriate and justifiable, as it allows AAX to take control of AAAGL Group and AAB Group and form the enlarged aviation group expediently whilst preserving the cash flows and capacity / ability to secure additional financing for the future expansion and business needs of the New Aviation Group.

Premised on the above, we are of the view that risks of the Proposed Acquisitions have been adequately considered. We noted that the non-interested Directors have, and will continue to, exercise due care in considering the potential risks and benefits associated with the Proposed Acquisitions and that the long-term benefits are expected to outweigh the cost and associated risks.

We wish to highlight that notwithstanding any mitigating measures that may be put in place to limit and manage the abovementioned risks, there can be no assurance that the abovementioned risks will not materialise and give rise to material and adverse impact on the business operations, financial performance, financial position and the prospects of the enlarged aviation group thereon.

Non-interested Shareholders of AAX are advised to take note of the indicated risks of the Proposed Acquisitions, which are not exhaustive; as well as the mitigating measures / factors, before deciding on how to vote on the Proposed Acquisitions at the forthcoming EGM of the Company.

7.7 Effects of the Proposed Acquisitions

In evaluating the Proposed Acquisitions, we have taken note of the effects of the Proposed Acquisitions as set out in Section 11, Part A of the Circular.

7.7.1 Issued share capital

We noted that the Proposed AAB Acquisition will not have any effect on the issued share capital of the Company, as the Proposed AAB Acquisition does not involve any issuance of new Shares.

We further noted that the Proposed AAAGL Acquisition will result in an increase in the issued share capital of the Company, amounting to approximately RM3,484.62 million comprising 2,307,692,307 Consideration Shares in satisfaction of the AAAGL Purchase Consideration.

For illustrative purposes only, the pro forma effects of Proposed Private Placement (which the Proposed Acquisitions are conditional upon) and Proposed AAAGL Acquisition on the issued share capital of the Company are as follows: -

	Pro forma A: Based on the minimum issue price of RM1.00 per Placement Share		Pro forma B: Based on an illustrative issue price of RM1.13 per Placement Share	
	No. of Shares	**Share capital (RM'000)**	**No. of Shares**	**Share capital (RM'000)**
As at the LPD	447,072,803	51,029	447,072,803	51,029
Placement Shares to be issued pursuant to the Proposed Private Placement	1,000,000,000	1,000,000[(1)]	884,955,752	1,000,000[(2)]
	1,447,072,803	1,051,029	1,332,028,555	1,051,029
Consideration Shares to be issued pursuant to the Proposed AAAGL Acquisition	2,307,692,307	3,046,154[(3)]	2,307,692,307	3,046,154[(3)]
Issued share capital after the Proposed Private Placement and Proposed Acquisitions	**3,754,765,110**	**4,097,183**	**3,639,720,862**	**4,097,183**

Notes: -

(1) Based on the minimum issue price of RM1.00 per Placement Share as determined by the Company.

(2) Based on an illustrative issue price of RM1.13 per Placement Share, which represents a discount of approximately 14.39% to the 5-day VWAP of the Company's Shares up to and including the LPD of RM1.32.

(3) Based on an illustrative price of RM1.32 per Consideration Share, using the 5-day VWAP of the Company's Shares up to and including the LPD of RM1.32 as a proxy of the fair value of the AAAGL Purchase Consideration.

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7.7.2 Substantial Shareholder's shareholdings

We noted that the Proposed AAB Acquisition are not expected to have any effect on the substantial Shareholders' shareholding in the Company. The pro forma effects of the Proposed Private Placement (which the Proposed Acquisitions are conditional upon) and Proposed AAAGL Acquisition on the substantial Shareholders' shareholding in the Company based on the Register of Substantial Shareholders of the Company as at 2 September 2024 are as follows: -

Pro forma A: Based on the minimum issue price of RM1.00 per Placement Share

	As at 2 September 2024				A(I) After the AAX Stake Transfer			
	Direct		Indirect		Direct		Indirect	
Substantial Shareholders	**No. of Shares**	**%[(1)]**	**No. of Shares**	**%[(1)]**	**No. of Shares**	**%[(1)]**	**No. of Shares**	**%[(1)]**
Tan Sri Tony Fernandes	11,158,722	2.50	131,033,136[(2)]	29.31	11,158,722	2.50	131,033,136[(4)]	29.31
Datuk Kamarudin	37,070,993	8.29	131,033,136[(2)]	29.31	37,070,993	8.29	131,033,136[(4)]	29.31
AAB	57,072,850	12.77	-	-	-	-	-	-
Capital A	-	-	57,072,850[(3)]	12.77	57,072,850	12.77	-	-
Tune Group Sdn Bhd	73,960,286	16.54	-	-	73,960,286	16.54	-	-
Tune Live	-	-	-	-	-	-	-	-
Tune Air	-	-	-	-	-	-	-	-
Capital A and PACs	**179,262,851**	**40.10**			**179,262,851**	**40.10**		
Public shareholding spread (%)	**59.90**				**59.90**			

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Substantial Shareholders	A(II) After A(I) and the Proposed Private Placement				A(III) After (II) and the Proposed AAAGL Acquisition and Proposed Distribution by Capital A			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%(5)	No. of Shares	%(5)	No. of Shares	%(6)	No. of Shares	%(6)
Tan Sri Tony Fernandes	11,158,722	0.77	131,033,136(4)	9.06	11,944,579	0.32	1,149,360,456(7)	30.61
Datuk Kamarudin	37,070,993	2.56	131,033,136(4)	9.06	37,856,850	1.01	1,149,360,456 (7)	30.61
AAB	-	-	-	-	-	-	-	-
Capital A	57,072,850	3.95	-	-	672,457,465	17.91	-	-
Tune Group Sdn Bhd	73,960,286	5.11	-	-	73,960,286	1.97	-	-
Tune Live	-	-	-	-	200,000,800	5.33	-	-
Tune Air	-	-	-	-	202,941,905	5.40	-	-
Capital A and PACs	**179,262,851**	**12.39**			**1,199,161,885**	**31.94**		
Public shareholding spread (%)	**87.61(8)**				**68.06**			

Notes: -

(1) Based on 447,072,803 issued Shares as at the 2 September 2024.

(2) Deemed interested by virtue of his interests in AAB and Tune Group Sdn Bhd pursuant to Section 8 of the Act.

(3) Deemed interested by virtue of its interest in AAB pursuant to Section 8 of the Act.

(4) Deemed interested by virtue of his interests in Capital A and Tune Group Sdn Bhd pursuant to Section 8 of the Act.

(5) Based on 1,447,072,803 issued Shares after the Proposed Private Placement assuming a total of 1,000,000,000 Placement Shares are issued at the minimum issue price of RM1.00 per Placement Share as determined by the Company to raise gross proceeds of approximately RM1,000.00 million.

(6) Based on 3,754,765,110 issued Shares after the Proposed AAAGL Acquisition.

(7) Deemed interested by virtue of his interests in Capital A, Tune Group Sdn Bhd, Tune Live and Tune Air pursuant to Section 8 of the Act.

(8) Assuming that all investors who subscribe for the Placement Shares are considered as public shareholders in accordance with the Listing Requirements. In the event that such investors will become substantial Shareholders of our Company as a result of the subscription of the Placement Shares and hence, will not be considered as public shareholders in accordance with the Listing Requirements, the public shareholding spread of our Company will decrease to 18.51% in Pro forma A(II) (Pro forma A(III): 41.43%). In such circumstance, in order to comply with the public shareholding spread requirement pursuant to Paragraph 8.02 of the Listing Requirements, the Placement Shares will be issued on the same day as the Consideration Shares

Pro forma B: Based on the minimum issue price of RM1.13 per Placement Share

	As at 2 September 2024				B(I) After the AAX Stake Transfer			
	Direct		Indirect		Direct		Indirect	
Substantial Shareholders	No. of Shares	%[1]	No. of Shares	%[1]	No. of Shares	%[1]	No. of Shares	%[1]
Tan Sri Tony Fernandes	11,158,722	2.50	131,033,136[2]	29.31	11,158,722	2.50	131,033,136[4]	29.31
Datuk Kamarudin	37,070,993	8.29	131,033,136[2]	29.31	37,070,993	8.29	131,033,136[4]	29.31
AAB	57,072,850	12.77	-	-	-	-	-	-
Capital A	-	-	57,072,850[3]	12.77	57,072,850	12.77	-	-
Tune Group Sdn Bhd	73,960,286	16.54	-	-	73,960,286	16.54	-	-
Tune Live	-	-	-	-	-	-	-	-
Tune Air	-	-	-	-	-	-	-	-
Capital A and PACs	**179,262,851**	**40.10**			**179,262,851**	**40.10**		
Public shareholding spread (%)	**59.90**				**59.90**			

	B(II) After B(I) and the Proposed Private Placement				B(III) After (II) and the Proposed AAAGL Acquisition and Proposed Distribution by Capital A			
	Direct		Indirect		Direct		Indirect	
Substantial Shareholders	No. of Shares	%[5]	No. of Shares	%[5]	No. of Shares	%[6]	No. of Shares	%[6]
Tan Sri Tony Fernandes	11,158,722	0.84	131,033,136[4]	9.84	11,944,579	0.33	1,149,360,456[7]	31.58
Datuk Kamarudin	37,070,993	2.78	131,033,136[4]	9.84	37,856,850	1.04	1,149,360,456[7]	31.58
AAB	-	-	-	-	-	-	-	-
Capital A	57,072,850	4.29	-	-	672,457,465	18.48	-	-
Tune Group Sdn Bhd	73,960,286	5.55	-	-	73,960,286	2.13	-	-
Tune Live	-	-	-	-	200,000,800	5.49	-	-
Tune Air	-	-	-	-	202,941,905	5.58	-	-
Capital A and PACs	**179,262,851**	**13.46**			**1,199,161,885**	**32.95**		
Public shareholding spread (%)	**86.54[8]**				**67.05[8]**			

Notes: -

(1) Based on 447,072,803 issued Shares as at 2 September 2024.

(2) Deemed interested by virtue of his interests in AAB and Tune Group Sdn Bhd pursuant to Section 8 of the Act.

(3) Deemed interested by virtue of its interest in AAB pursuant to Section 8 of the Act.

(4) Deemed interested by virtue of his interests in Capital A and Tune Group Sdn Bhd pursuant to Section 8 of the Act.

(5) Based on 1,332,028,555 issued Shares after the Proposed Private Placement assuming a total of 884,955,752 Placement Shares are issued at an illustrative issue price of RM1.13 per Placement Share to raise gross proceeds of approximately RM1,000.00 million.

(6) Based on 3,639,720,862 issued Shares after the Proposed AAAGL Acquisition.

(7) Deemed interested by virtue of his interests in Capital A, Tune Group Sdn Bhd, Tune Live and Tune Air pursuant to Section 8 of the Act.

(8) Assuming that all investors who subscribe for the Placement Shares are considered as public shareholders in accordance with the Listing Requirements. In the event that such investors will become substantial Shareholders of our Company as a result of the subscription of the Placement Shares and hence, will not be considered as public shareholders in accordance with the Listing Requirements, the public shareholding spread of our Company will decrease to 20.10% in Pro forma B(II) (Pro forma B(III): 42.74%). In such circumstance, in order to comply with the public shareholding spread requirement pursuant to Paragraph 8.02 of the Listing Requirements, the Placement Shares will be issued on the same day as the Consideration Shares.

We noted that the actual shareholdings in AAX held by Capital A and PACs after the Proposed Private Placement and/or Proposed AAAGL Acquisition (including the Proposed Distribution by Capital A) would depend on the issue price of the Placement Shares to be determined later.

We noted that pursuant to the Letter of Undertaking as set out in Section 4.11, Part A of the Circular, Capital A and PACs have irrevocably and unconditionally undertaken that in the event of any circumstances or potential circumstances arise which will result in Capital A and PACs triggering any take-over obligations in the Rules at any given time throughout and/or upon completion of the Proposals (including the Proposed Acquisitions) and Proposed Distribution by Capital A, they will, or they will procure member(s) of the group of persons acting in concert to sell, transfer, give or otherwise dispose of the Company's Shares or ordinary shares in Capital A held by it / them before completion of the Proposed Private Placement and/or Proposed Distribution by Capital A, as the case may be, so as to not trigger the take-over obligations.

7.7.3 NA per share and gearing

Upon completion of the Proposed Acquisitions, the New Aviation Group's financial position will reflect the consolidated financial position of the AAX Group and the Target Companies.

For illustrative purposes only, based on the latest audited consolidated financial statements of AAX for the FYE 31 December 2023 and assuming that the Proposals (including the Proposed Acquisitions) had been effected on 31 December 2023, being the end of the FYE 31 December 2023, the pro forma effects of the Proposed Acquisitions on the consolidated NA per share and gearing of the Company are as follows: -

Pro forma A: Based on the minimum issue price of RM1.00 per Placement Share

	Audited as at 31 December 2023 (RM'000)	**A(I) After the Proposed Issuance of Free Warrants (RM'000)**	**A(II) After A(I) and the Proposed Private Placement (RM'000)**	**A(III) After (II) and the Proposed AAAGL Acquisition[1] (RM'000)**	**A(IV) After (III) and the Proposed AAB Acquisition (RM'000)**
Share capital	51,029	51,029	1,051,029[2]	4,097,183	4,097,183
Capital reserve	-	-	-	931,700[3]	931,700
Merger deficit	-	-	-	(915,501)[4]	(915,501)
Foreign exchange reserve	(5,582)	(5,582)	(5,582)	53,833	53,833
Other reserves	-	-	-	(21,082)[5]	(21,082)
Retained earnings / (Accumulated losses)[6]	70,728	70,328	40,498	(3,565,158)[7]	(3,571,168)[8]
Shareholders' funds / NA	**116,175**	**115,775**	**1,085,945**	**580,975**	**574,965**
No. of Shares in issue ('000)	447,073	447,073	1,447,073	3,754,765	3,754,765
NA per Share (RM)	0.26	0.26	0.75	0.15	0.15
Total borrowings, debentures and lease liabilities (RM'000)	1,512,025	1,512,025	1,512,025	7,828,655[9]	24,492,686[10]
Deposits, bank and cash balances (RM'000)[6]	57,689	57,289	1,027,459	1,224,428	1,767,309[10]
Net borrowings, debentures and lease liabilities (RM'000)	1,454,336	1,454,736	484,566	6,604,227	22,725,377
Gearing (times)	13.02	13.06	1.39	13.48	42.60
Net gearing (times)	12.52	12.57	0.45	11.37	39.52

Notes: -

(1) *The Proposed AAAGL Acquisition has been accounted for as a reverse acquisition, following the guidelines outlined in Malaysian Financial Reporting Standards 3 Business Combinations. Even though AAX is the legal acquirer, for accounting purposes, AAAGL is considered the acquirer.*

(2) *Assuming a total of 1,000,000,000 Placement Shares are issued at the minimum issue price of RM1.00 per Placement Share as determined by the Company to raise gross proceeds of approximately RM1,000.00 million.*

(3) *The capital reserve of RM931.70 million arises from the reverse acquisition accounting in respect of the Proposed AAAGL Acquisition.*

(4) *After taking into consideration the AAAGL Group's merger deficit of RM915.50 million as at 31 December 2023 which arises as a result of AAI, PAA, AAID and IAA becoming subsidiaries of AAAGL during the FYE 31 December 2023 as discussed in Section 1 of Appendix IV of the Circular. The business combinations of AAI, PAA, AAID and IAA were accounted for under the pooling of interest method and these have resulted in the merger deficit of RM915.50 million in the AAAGL Group.*

(5) *After taking into consideration the AAAGL Group's share option reserves of a debit balance of RM21.57 million (relating to employees share options granted by Capital A to certain eligible employees of the AAAGL Group) and surplus reserves of RM0.49 million maintained by AirAsia (Guangzhou) Aviation Service Limited Company, a wholly-owned subsidiary of AAAGL.*

(6) *After deducting estimated expenses of approximately RM0.40 million (Proposed Issuance of Free Warrants), RM29.83 million (Proposed Private Placement), RM8.55 million (Proposed AAAGL Acquisition) and RM6.01 million (Proposed AAB Acquisition).*

(7) *The accumulated losses of RM3,565.16 million arise from the reverse acquisition accounting in respect of the Proposed AAAGL Acquisition and after deducting estimated expenses for the Proposed AAAGL Acquisition of RM8.55 million. Pursuant to the reverse acquisition accounting, the accumulated losses of AAX Group will reflect the accumulated losses of the AAAGL Group (after adjusting for mainly the acquisition of 100% equity interest in AA Com Travel Philippines Inc. and the Vendor's Pre-Completion Restructuring).*

(8) *The business combination of the AAB Group will be accounted for using acquisition method. The only pro forma effect of the Proposed AAB Acquisition on the shareholders' funds / NA of our Group is the estimated expenses of RM6.01 million for the Proposed AAB Acquisition.*

(9) *After taking into consideration the AAAGL Group's total borrowings, debentures and lease liabilities of RM6,316.63 million as at 31 December 2023.*

(10) *After taking into consideration the following: -*

- (i) *consolidation of the AAB Group's total borrowings and lease liabilities of RM16,283.29 million and deposits, bank and cash balances of RM168.49 million respectively as at 31 December 2023;*
- (ii) *pre-payment / repayment of the AAB Group's term loan facilities of RM300.00 million using proceeds from the Proposed Private Placement; and*
- (iii) *proceeds received from the issuance of bonds by AirAsia RB 1 Ltd, a wholly-owned subsidiary of AAB, in August 2024, net of refinancing of lease liabilities and transaction costs. The proposed use of proceeds raised from the issuance of bonds is as set out in Section 10 of Appendix V of the Circular.*

Pro forma B: Based on the minimum issue price of RM1.13 per Placement Share

	Audited as at 31 December 2023 (RM'000)	A(I) After the Proposed Issuance of Free Warrants (RM'000)	A(II) After A(I) and the Proposed Private Placement (RM'000)	A(III) After (II) and the Proposed AAAGL Acquisition[1] (RM'000)	A(IV) After (III) and the Proposed AAB Acquisition (RM'000)
Share capital	51,029	51,029	1,051,029[2]	4,097,183	4,097,183
Capital reserve	-	-	-	931,700[3]	931,700
Merger deficit	-	-	-	(915,501)[4]	(915,501)
Foreign exchange reserve	(5,582)	(5,582)	(5,582)	53,833	53,833
Other reserves	-	-	-	(21,082)[5]	(21,082)
Retained earnings / (Accumulated losses)[6]	70,728	70,328	40,498	(3,565,158)[7]	(3,571,168)[8]
Shareholders' funds / NA	**116,175**	**115,775**	**1,085,945**	**580,975**	**574,965**
No. of Shares in issue ('000)	447,073	447,073	1,332,029	3,639,721	3,639,721
NA per Share (RM)	0.26	0.26	0.82	0.16	0.16
Total borrowings, debentures and lease liabilities (RM'000)	1,512,025	1,512,025	1,512,025	7,828,655[9]	24,492,686[10]
Deposits, bank and cash balances (RM'000)[6]	57,689	57,289	1,027,459	1,224,428	1,767,309[10]
Net borrowings, debentures and lease liabilities (RM'000)	1,454,336	1,454,736	484,566	6,604,227	22,725,377
Gearing (times)	13.02	13.06	1.39	13.48	42.60
Net gearing (times)	12.52	12.57	0.45	11.37	39.52

Notes: -

(1) *The Proposed AAAGL Acquisition has been accounted for as a reverse acquisition, following the guidelines outlined in Malaysian Financial Reporting Standards 3 Business Combinations. Even though AAX is the legal acquirer, for accounting purposes, AAAGL is considered the acquirer.*

(2) *Assuming a total of 884,955,752 Placement Shares are issued at an illustrative issue price of RM1.13 per Placement Share to raise gross proceeds of approximately RM1,000.00 million.*

(3) *The capital reserve of RM931.70 million arises from the reverse acquisition accounting in respect of the Proposed AAAGL Acquisition.*

(4) *After taking into consideration the AAAGL Group's merger deficit of RM915.50 million as at 31 December 2023 which arises as a result of AAI, PAA, AAID and IAA becoming subsidiaries of AAAGL during the FYE 31 December 2023 as discussed in Section 1 of Appendix IV of the Circular. The business combinations of AAI, PAA, AAID and IAA were accounted for under the pooling of interest method and these have resulted in the merger deficit of RM915.50 million in the AAAGL Group.*

(5) *After taking into consideration the AAAGL Group's share option reserves of a debit balance of RM21.57 million (relating to employees share options granted by Capital A to certain eligible employees of the AAAGL Group) and surplus reserves of RM0.49 million maintained by AirAsia (Guangzhou) Aviation Service Limited Company, a wholly-owned subsidiary of AAAGL.*

(6) *After deducting estimated expenses of approximately RM0.40 million (Proposed Issuance of Free Warrants), RM29.83 million (Proposed Private Placement), RM8.55 million (Proposed AAAGL Acquisition) and RM6.01 million (Proposed AAB Acquisition).*

(7) *The accumulated losses of RM3,565.16 million arise from the reverse acquisition accounting in respect of the Proposed AAAGL Acquisition and after deducting estimated expenses for the Proposed AAAGL Acquisition of RM8.55 million. Pursuant to the reverse acquisition accounting, the accumulated losses of our Group will reflect the accumulated losses of the AAAGL Group (after adjusting for mainly the acquisition of 100% equity interest in AA Com Travel Philippines Inc. and the Vendor's Pre-Completion Restructuring).*

(8) *The business combination of the AAB Group will be accounted for using acquisition method. The only pro forma effect of the Proposed AAB Acquisition on the shareholders' funds / NA of the Group is the estimated expenses of RM6.01 million for the Proposed AAB Acquisition.*

(9) *After taking into consideration the AAAGL Group's total borrowings, debentures and lease liabilities of RM6,316.63 million as at 31 December 2023.*

(10) *After taking into consideration the following: -*

- (i) *consolidation of the AAB Group's total borrowings and lease liabilities of RM16,283.29 million and deposits, bank and cash balances of RM168.49 million respectively as at 31 December 2023;*
- (ii) *pre-payment / repayment of the AAB Group's term loan facilities of RM300.00 million using proceeds from the Proposed Private Placement; and*
- (iii) *proceeds received from the issuance of bonds by AirAsia RB 1 Ltd, a wholly-owned subsidiary of AAB, in August 2024, net of refinancing of lease liabilities and transaction costs. The proposed use of proceeds raised from the issuance of bonds is as set out in Section 10 of Appendix V of the Circular.*

The overall increase in NA of AAX Group upon completion of the Proposed Acquisitions, as illustrated in the pro forma effects set out above and Section 11.3, Part A of the Circular, is solely due to the increase in share capital contributed by the Proposed Private Placement.

We wish to highlight that the Proposed Acquisitions, upon completion, are expected to result in overall dilution to the NA and NA per share of AAX Group. This is mainly due to consolidation of the shareholders' deficit of AAAGL Group as at 31 December 2023 on reverse acquisition accounting upon completion of the Proposed AAAGL Acquisition and the dilutive effect arising from the estimated expenses of RM8.55 million for the Proposed AAAGL Acquisition. The Proposed AAB Acquisition, which is to be accounted for using acquisition method, is not expected to have a material impact to the NA and NA per share of AAX Group on completion; save for the dilutive effect arising from the estimated expenses of RM6.01 million for the Proposed AAB Acquisition.

We further noted that the Proposed Acquisitions, upon completion, are expected to result in overall increase to the gearing of AAX Group. This is mainly due to the consolidation of borrowings, debentures and lease liabilities of AAAGL Group and AAB Group upon completion of the Proposed Acquisitions. Consequently, AAX Group will be exposed to additional financing and default risk in relation to the high gearing of the New Aviation Group upon completion of the Proposed Acquisitions. Whilst such increase in gearing is inherent in this context and the exposure to additional financing and default risk cannot be fully mitigated, we are of the view that this has been adequately considered by the Board, taking into consideration the following: -

(i) the Proposed Acquisitions is conditional upon the Proposed Private Placement of RM1,000.00 million, of which RM300.00 million has been earmarked for pre-payment / repayment of the AAB Group's term loan facilities;

(ii) lease liabilities (which accounted for approximately 83.5% of the Group's pro forma total borrowings, debentures and lease liabilities upon completion of the Proposed Acquisitions) are mainly relating to leases of aircraft and spare engines, which are backed by corresponding right-of-use assets;

(iii) AAAGL Group and AAB Group have been able to sustain their operations over the years. For information purposes, both AAAGL Group and AAB Group generated positive cash flows from operating activities for the FYE 31 December 2023 and recorded positive cash and cash equivalents at the end of the FYE 31 December 2023;

(iv) the projected future revenue growth of AAAGL Group and AAB Group, backed by the relatively positive prospects and industry outlook, are expected to further enhance the ability of the New Aviation Group to meet its future obligations in relation to the repayment of borrowings, debentures and lease liabilities; and

(v) where necessary, the New Aviation Group may refinance its debt obligations to extend the tenure and/or to obtain more favourable financing terms. Further, as the New Aviation Group reactivates more aircrafts and ramps up its operations in line with the revival and increase of air travel demand after the COVID-19 pandemic, its financial performance and financial position are expected to strengthen, and this will also mitigate the financing and default risk.

Whilst the Proposed Acquisitions are expected to result in overall dilution to the NA and NA per share of AAX Group and increase in gearing of AAX Group upon completion, we are of the view that the Proposed Acquisitions remain justifiable from financial perspective taking into consideration the following: -

(i) the projected revenue growth of AAAGL Group and AAB Group, coupled with the expected elevated synergistic benefits envisaged by the Board and management of AAX, are expected to contribute positively to the New Aviation Group's future financial performance and position when materialise;

(ii) the New Aviation Group, upon completion of the Proposed Acquisitions, would stand to be better-positioned to capitalise on the potential overall medium and long-term growth in passenger traffic for the Asia Pacific region, taking into consideration the potential enhancement on competitive advantages arising from greater economies of scale and cost-savings as well as greater resilience towards future market challenges and uncertainties with a larger revenue base;

(iii) the Proposed Acquisitions present an opportunity for AAX Group to achieve instant expansion without actual cash outlays amidst the anticipated recovery of air traffic post COVID-19, where there will be 7 airlines operating under the New Aviation Group on completion of the Proposed Acquisitions, which are currently income-generating and capable of growth via increasing the flight frequency of existing routes and introducing new routes;

(iv) the Proposed Private Placement, which the Proposed Acquisitions are conditional upon, will help to enhance the overall NA of the New Aviation Group; and

(v) AAX Group may encounter similar dilution to NA and/or NA per share, and increase to gearing, if AAX Group opted to undertake organic growth and expansion by setting up new operations in the respective countries in which the AAAGL Group and AAB Group operate on its own.

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7.7.4 Earnings and earnings per share ("EPS")

Upon completion of the Proposed Acquisitions, the Company will consolidate the earnings of the Target Companies.

For illustrative purposes only, based on the latest audited consolidated financial statements of AAX for the FYE 31 December 2023 and assuming that the Proposals (including the Proposed Acquisitions) had been effected on 1 January 2023, being the beginning of the FYE 31 December 2023, the pro forma effects of the Proposed Acquisitions on the consolidated earnings and EPS of the Company are as follows: -

Pro forma A: Based on the minimum issue price of RM1.00 per Placement Share

	Audited for the FYE 31 December 2023 (RM'000)	**A(I) After the Proposed Issuance of Free Warrants (RM'000)**	**A(II) After A(I) and the Proposed Private Placement (RM'000)**	**A(III) After (II) and the Proposed AAAGL Acquisition (RM'000)**	**A(IV) After (III) and the Proposed AAB Acquisition (RM'000)**
Profit after taxation attributable to the owners of the Company (RM'000)[(1)]	331,505[(2)]	331,105	301,275	1,429,909[(3)]	4,906,650[(4)]
Weighted average number of Shares in issue ('000)	447,073	447,073	1,447,073[(5)]	3,754,765	3,754,765
EPS (sen)	74.15	74.06	20.82	38.08	130.68

Notes: -

(1) After deducting estimated expenses of approximately RM0.40 million (Proposed Issuance of Free Warrants), RM29.83 million (Proposed Private Placement), RM8.55 million (Proposed AAAGL Acquisition) and RM6.01 million (Proposed AAB Acquisition).

(2) Includes reversal of additional loss in the investment in IAAX of RM223.25 million and other income of RM239.59 million comprising reversal of provision for travel voucher, reversal of impairment loss on amount due from an associate and reversal of provision for doubtful debt.

(3) After accounting for the consolidated profit after taxation attributable to the owners of AAAGL for the FYE 31 December 2023 amounting to approximately RM1,137,18 million which includes a gain on remeasurement of previously held interest in associate of RM1,547.87 million.

(4) After accounting for the (i) consolidated profit after taxation attributable to the owners of AAB for the FYE 31 December 2023 amounting to approximately RM3,620.87 million which includes a gain on disposal of "AirAsia" brand of RM4,500.00 million and (ii) annual interest savings (after taxation) of RM34.19 million based on the interest rate of 11.75% of the AAB Group's term loan facilities to be repaid using proceeds from the Proposed Private Placement and (iii) annual interest expenses (after taxation) and annual amortisation of transaction costs of approximately RM171.97 million as well as transaction costs directly charged to profit or loss of RM0.34 million in relation to the issuance of the bonds by AirAsia RB 1 Ltd, a wholly-owned subsidiary of AAB, in August 2024.

(5) Assuming a total of 1,000,000,000 Placement Shares are issued at the minimum issue price of RM1.00 per Placement Share as determined by the Company to raise gross proceeds of approximately RM1,000.00 million.

Pro forma B: Based on the minimum issue price of RM1.13 per Placement Share

	Audited for the FYE 31 December 2023 (RM'000)	A(I) After the Proposed Issuance of Free Warrants (RM'000)	A(II) After A(I) and the Proposed Private Placement (RM'000)	A(III) After (II) and the Proposed AAAGL Acquisition (RM'000)	A(IV) After (III) and the Proposed AAB Acquisition (RM'000)
Profit after taxation attributable to the owners of the Company (RM'000)(1)	331,505(2)	331,105	301,275	1,429,9093)	4,906,650(4)
Weighted average number of Shares in issue ('000)	447,073	447,073	1,332,029(5)	3,639,721	3,639,721
EPS (sen)	74.15	74.06	22.62	39.29	134.81

Notes: -

(1) After deducting estimated expenses of approximately RM0.40 million (Proposed Issuance of Free Warrants), RM29.83 million (Proposed Private Placement), RM8.55 million (Proposed AAAGL Acquisition) and RM6.01 million (Proposed AAB Acquisition).

(2) Includes reversal of additional loss in the investment in IAAX of RM223.25 million and other income of RM239.59 million comprising reversal of provision for travel voucher, reversal of impairment loss on amount due from an associate and reversal of provision for doubtful debt.

(3) After accounting for the consolidated profit after taxation attributable to the owners of AAAGL for the FYE 31 December 2023 amounting to approximately RM1,137.18 million which includes a gain on remeasurement of previously held interest in associate of RM1,547.87 million.

(4) After accounting for the (i) consolidated profit after taxation attributable to the owners of AAB for the FYE 31 December 2023 amounting to approximately RM3,620.87 million which includes a gain on disposal of "AirAsia" brand of RM4,500.00 million and (ii) annual interest savings (after taxation) of RM34.19 million based on the interest rate of 11.75% of the AAB Group's term loan facilities to be repaid using proceeds from the Proposed Private Placement and (iii) annual interest expenses (after taxation) and annual amortisation of transaction costs of approximately RM171.97 million as well as transaction costs directly charged to profit or loss of RM0.34 million in relation to the issuance of the bonds by AirAsia RB 1 Ltd, a wholly-owned subsidiary of AAB, in August 2024.

(5) Assuming a total of 775,193,798 Placement Shares are issued at an illustrative issue price of RM1.29 per Placement Share to raise gross proceeds of approximately RM1,000.00 million.

We noted that the computation of pro forma effects above is strictly for illustrative purposes only. It is not an indication of future financial performance of the New Aviation Group which will be dependent on, amongst others, the outcome of the New Aviation Group's future business plans and strategies, use of proceeds raised form issuance of Placement Shares and the bonds issued by AirAsia RB 1 Ltd, outlook of the aviation industry as well as prospects of the Target Companies and the New Aviation Group.

The overall increase in earnings and EPS of AAX Group upon completion of the Proposed Acquisitions, as illustrated in the pro forma effects set out above and Section 11.4, Part A of the Circular, is largely driven by non-recurring gains of the AAAGL Group (comprising gain on remeasurement of previously held interest in associate of RM1,547.87 million) and AAB Group (comprising gain on disposal of "AirAsia" brand of RM4,500.00 million) during the FYE 31 December 2023.

For information purposes, we noted that: -

(i) for the 6-month FPE 30 June 2024, AAAGL Group recorded revenue of RM5,446.37 million (6-month FPE 30 June 2023: RM2,126.62 million) and operating profit of RM216.71 million (6-month FPE 30 June 2023: operating loss of RM238.34 million). Notwithstanding that, AAAGL Group recorded loss after taxation of RM664.65 million for the 6-month FPE 30 June 2024, which was largely due to loss on foreign exchange of RM572.92 million was recorded for the 6-month FPE 30 June 2024. Please refer to Section 9, Appendix IV of the Circular for further information on the historical financial information of AAAGL Group;

(ii) for the 6-month FPE 30 June 2024, AAB Group recorded revenue of RM4,133.44 million (6-month FPE 30 June 2023: RM3,053.49 million) and operating profit of RM453.17 million (6-month FPE 30 June 2024: RM4,923.16 million). Notwithstanding that, AAB Group recorded loss after taxation of RM208.79 million for the 6-month FPE 30 June 2024, which was largely due to loss on foreign exchange of RM301.13 million. Please refer to Section 9, Appendix V of the Circular for further information on the historical financial information of AAB Group; and

The actual effects of the Proposed Acquisitions to the earnings and EPS of AAX Group are only observable in the future upon completion of the Proposed Acquisitions, which is uncertain and dependent on the financial performance of AAAGL Group and AAB Group at that relevant point in time.

The Proposed Acquisitions will contribute positively to the earnings and EPS of AAX Group, should AAAGL Group and AAB Group attain higher earnings and EPS as compared to the AAX Group on completion of the Proposed Acquisitions. Conversely, the Proposed Acquisitions will contribute negatively to the earnings and EPS of AAX Group, should AAAGL Group and AAB Group attain lower earnings and EPS as compared to the AAX Group on completion of the Proposed Acquisitions.

Notwithstanding that AAAGL Group and AAB Group have both recorded loss after taxation for the 6-month FPE 30 June 2024, we are of the view that the Proposed Acquisitions remain justifiable from financial perspective taking into consideration the following: -

(i) the revenue of both AAAGL Group and AAB Group are improving, backed by continued growth in domestic and regional travel demand;

(ii) the Proposed Acquisitions present an opportunity for AAX Group to achieve instant expansion without actual cash outlays amidst the anticipated recovery of air traffic post COVID-19, where there will be 7 airlines operating under the New Aviation Group on completion of the Proposed Acquisitions, which are currently income-generating and capable of growth via increasing the flight frequency of existing routes and introducing new routes; and

(iii) the projected revenue growth of AAAGL Group and AAB Group, coupled with the expected elevated synergistic benefits envisaged by the Board and management of AAX, are expected to contribute positively to the New Aviation Group's future financial performance and position when materialise.

7.7.5 Convertible securities

We noted in Section 11.5, Part A of the Circular that, as at the LPD, the Company does not have any outstanding convertible securities in issue. The Proposed Acquisitions will not give rise to any adjustment to the exercise price and the number of Warrants pursuant to the Deed Poll.

WYNCORP's comments
Based on the pro forma financial effects, we observed that the Proposed Acquisitions are expected to: - (i) increase the issued share capital pursuant to the issuance of Consideration Shares; (ii) increase the existing substantial Shareholders' (namely, Tan Sri Tony Fernandes, Datuk Kamarudin and Capital A) shareholdings and give rise to new substantial Shareholders' (namely, Tune Live and Tune Air) in the Company; (iii) increase the overall NA in line with the enlarged capital base pursuant to the issuance of Consideration Shares (to satisfy the AAAGL Purchase Consideration), but dilute the NA per Share resulting from the enlarged number of issued Shares pursuant to the issuance of Consideration Shares (to satisfy the AAAGL Purchase Consideration); (iv) increase the gearing pursuant to the consolidation of borrowings, debentures and lease liabilities of the AAAGL Group and AAB Group upon completion of the Proposed Acquisitions; and (v) increase the earnings and EPS pursuant to the consolidation of profit after taxation of the AAAGL Group and AAB Group upon completion of the Proposed Acquisitions. However, it is noted that such increase in the earnings and EPS based on the pro forma effects for the FYE 31 December 2023, is largely driven by one-off items. Actual effects of the Proposed Acquisitions on the earnings and EPS will be dependent on, amongst others, the outcome of the New Aviation Group's future business plans and strategies, use of proceeds raised from issuance of Placement Shares and the bonds issued by AirAsia RB 1 Ltd, outlook of the aviation industry as well as prospects of the Target Companies and the New Aviation Group.

We wish to highlight that the Proposed Acquisitions, upon completion, are expected to result in: -

(i) overall dilution to the NA and NA per share of AAX Group, due to consideration of the shareholders' deficit of AAAGL Group on reverse acquisition accounting and the dilutive effect arising from the estimated expenses for the Proposed AAAGL Acquisition (estimated to be approximately RM8.55 million) and Proposed AAB Acquisition (estimated to be approximately RM6.01 million); and

(ii) overall increase to the gearing of AAX Group, due to consolidation of borrowings, debentures and lease liabilities of AAAGL Group and AAB Group. Consequently, AAX Group will be exposed to additional financing and default risk in relation to the high gearing of the New Aviation Group upon completion of the Proposed Acquisitions.

In addition, the actual effects of the Proposed Acquisitions to the earnings and EPS of AAX Group are only observable in the future upon completion of the Proposed Acquisitions, which is uncertain and dependent on the financial performance of AAAGL Group and AAB Group at that relevant point in time.

Notwithstanding the above, we are of the view that the Proposed Acquisitions are <u>fair</u>, <u>reasonable</u> and <u>not detrimental to the interest of the non-interested Shareholders of AAX</u> from overall financial perspective, taking into consideration the following: -

(i) the rationale of the Proposed Acquisitions (as set out in Section 8.3, Part A of the Circular and assessed in Section 7.1 of this IAL);

(ii) **the industry outlook and prospects (as set out in Section 9, Part A of the Circular and assessed in Section 7.5 of this IAL);**

(iii) **the Proposed Acquisitions remain justifiable, notwithstanding the potential negative effects to the NA, NA per share and gearing of AAX Group upon completion of the Proposed Acquisitions, premised on the factors and considerations as discussed in Section 7.7.3 of this IAL; and**

(iv) **the Proposed Acquisitions remain justifiable, notwithstanding the actual effects to the earnings and EPS of AAX Group are only observable in the future upon completion of the Proposed Acquisitions, which is uncertain and dependent on the financial performance of AAAGL Group and AAB Group at that relevant point in time; premised on the factors and considerations as discussed in Section 7.7.4 of this IAL.**

8. CONCLUSION AND RECOMMENDATION

The non-interested Shareholders of AAX are advised to carefully consider the merits and demerits of the Proposal Acquisitions based on all relevant and pertinent factors, including those set out in this IAL as well as those highlighted by the Board in the letter to the shareholders of AAX in relation to the Proposal Acquisitions as set out in Part A of the Circular, before voting on the resolutions pertaining to the Proposal Acquisitions at the forthcoming EGM of the Company.

We have assessed and evaluated the Proposed Acquisitions and have set out our evaluation in Section 7 of this IAL, after taking into consideration various aspects (financial and non-financial) of the Proposed Acquisitions.

Premised on our overall evaluation of the Proposed Acquisitions on a holistic basis, we are of the opinion that the Proposed Acquisitions are **FAIR**, **REASONABLE** and **NOT DETRIMENTAL TO THE INTEREST OF THE NON-INTERESTED SHAREHOLDERS OF AAX**.

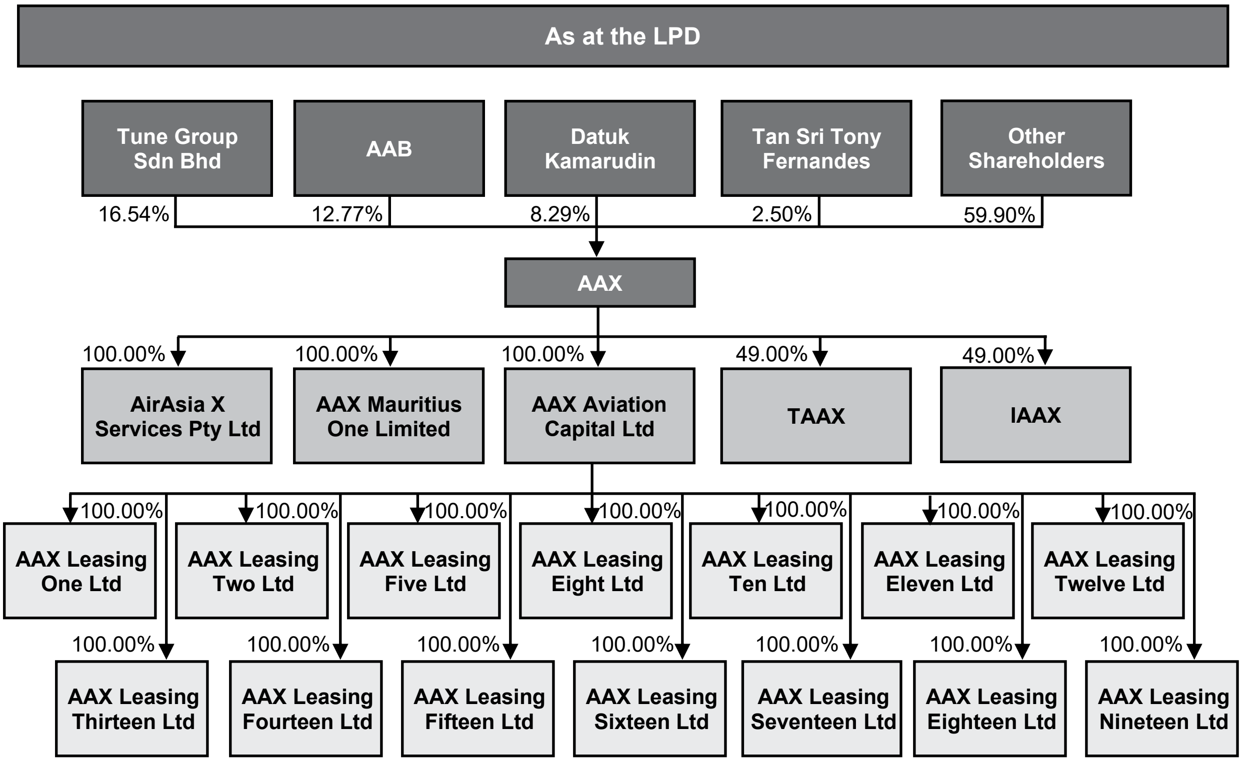
Accordingly, we recommend that you **VOTE IN FAVOUR** of the ordinary resolutions pertaining to the Proposed Acquisitions to be tabled at the forthcoming EGM of the Company.

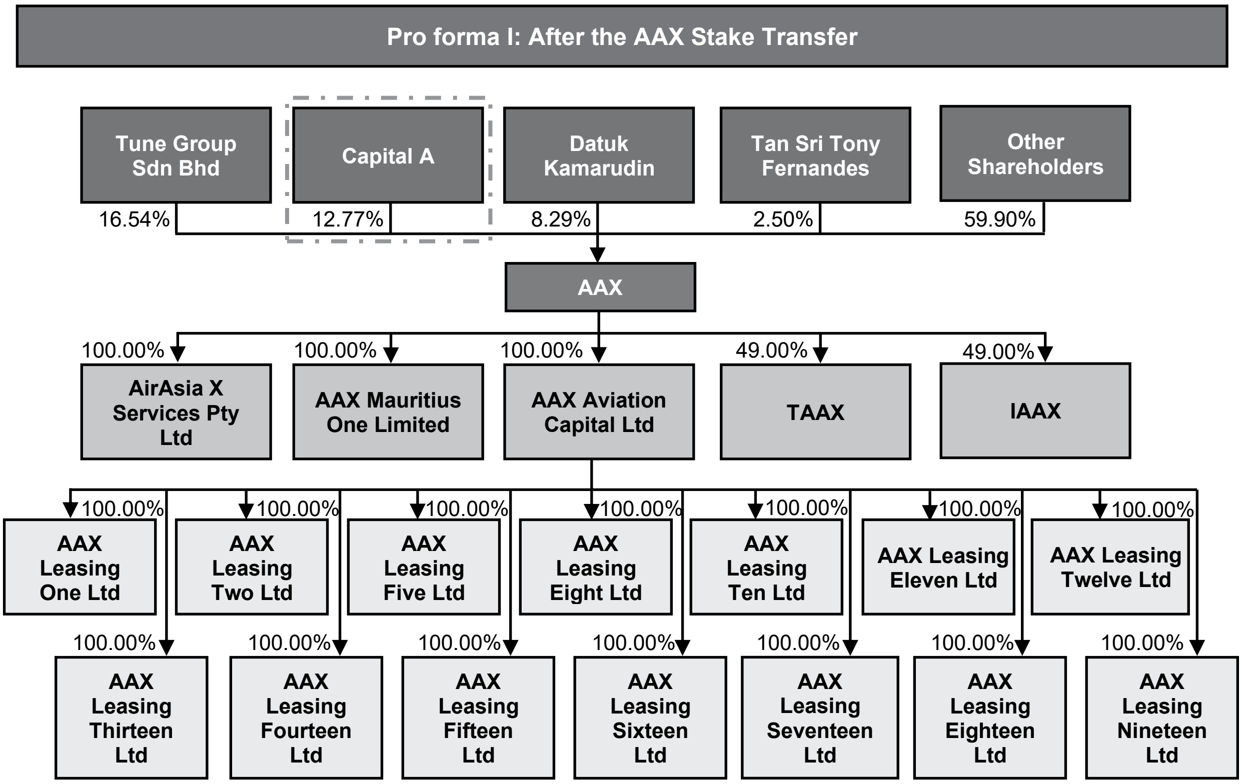
Yours faithfully
For and on behalf of
WYNCORP ADVISORY SDN BHD

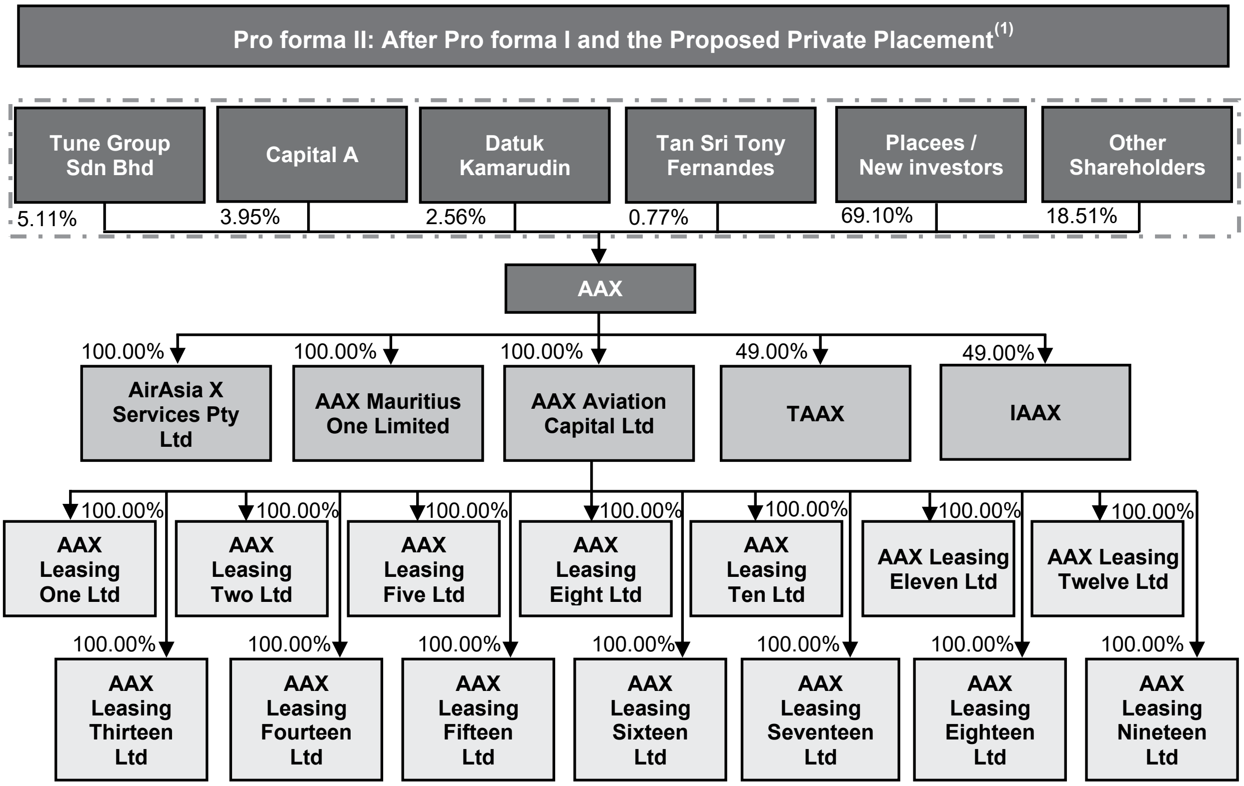
WONG YOKE NYEN
Managing Director

MOH JIUN HAUR
Director

The changes in corporate structure of our Group are as follows:-







Note:-

(1) Assuming a total of 1,000,000,000 Placement Shares are issued at an issue price of RM1.00 (representing the minimum issue price of the Placement Shares as determined by our Company) to raise gross proceeds of approximately RM1,000.00 million.

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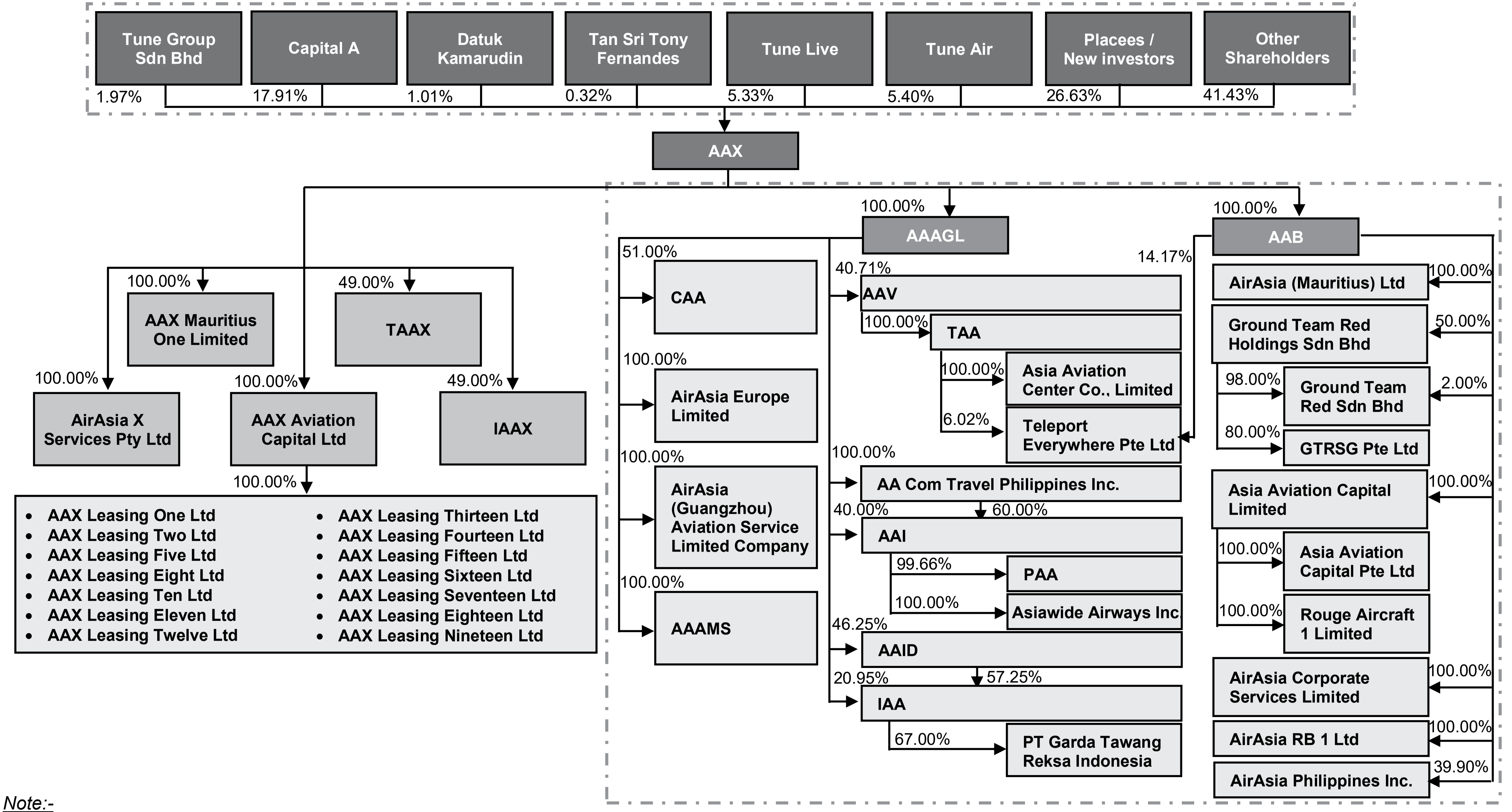
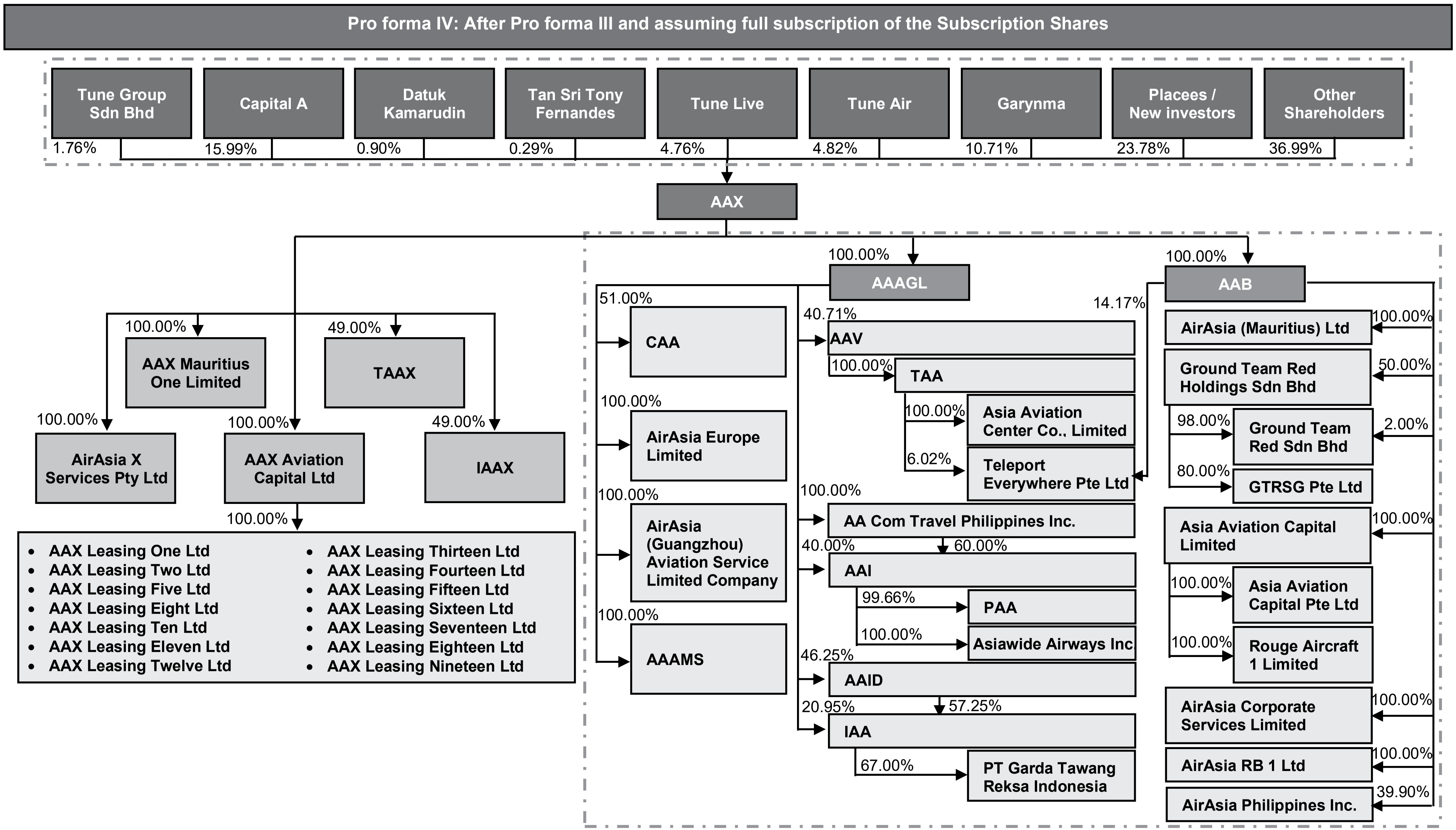
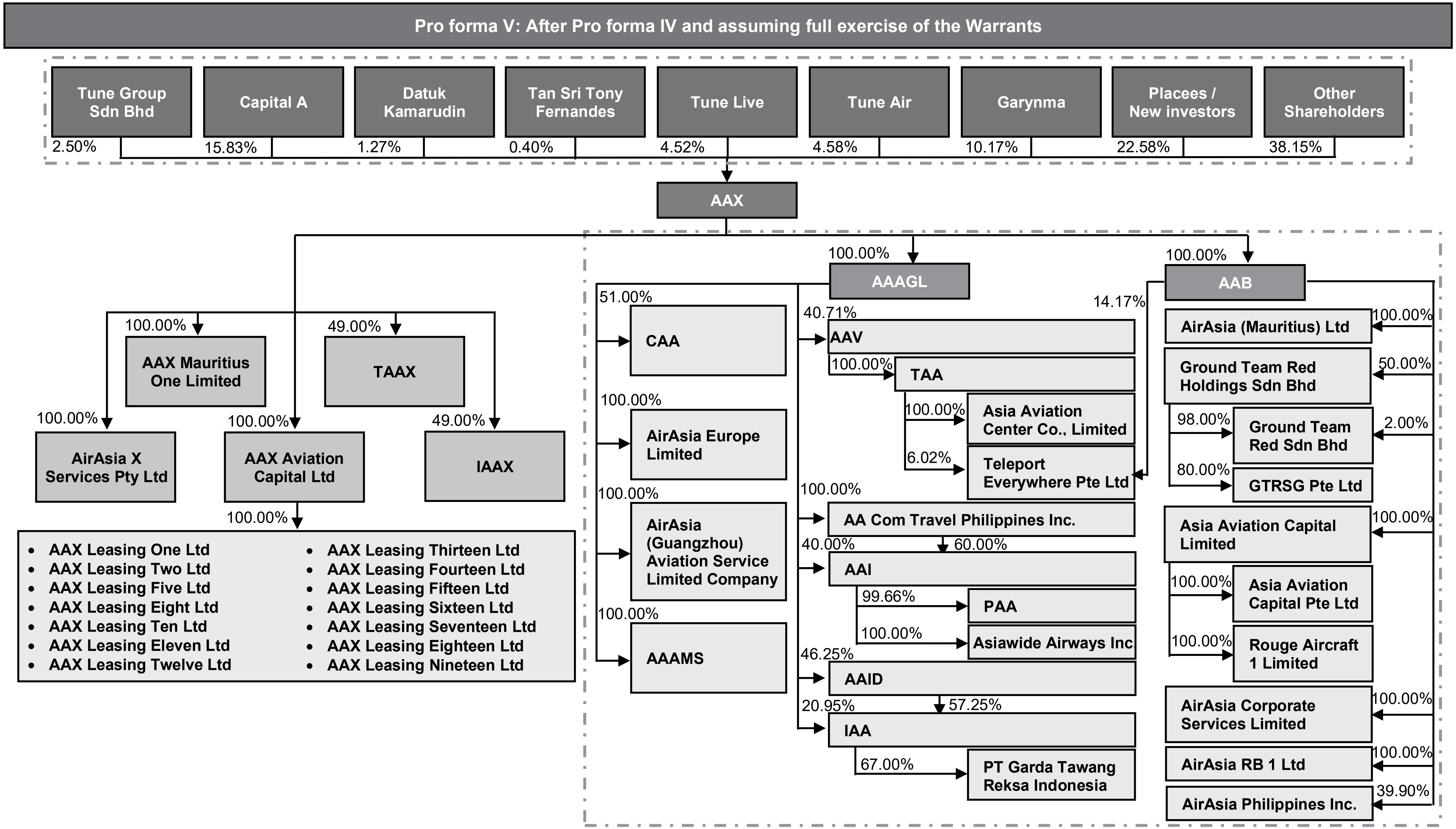
Pro forma III: After Pro forma II, the Proposed Acquisitions and Proposed Distribution by Capital A[(1)]



Note:-

(1) *Assuming none of the outstanding convertible securities in Capital A as at the LPD will be exercised or converted into new ordinary shares in Capital A prior to the entitlement date for the Proposed Distribution by Capital A.*


Pro forma IV: After Pro forma III and assuming full subscription of the Subscription Shares
Tune Group Sdn Bhd
1.76%
Capital A
15.99%
Datuk Kamarudin
0.90%
Tan Sri Tony Fernandes
0.29%
Tune Live
4.76%
Tune Air
4.82%
Garynma
10.71%
Places / New investors
23.78%
Other Shareholders
36.99%
AAX
100.00%
AirAsia X Services Pty Ltd
100.00%
AAX Mauritius One Limited
100.00%
AAX Aviation Capital Ltd
49.00%
TAAX
49.00%
IAAX
100.00%
AAX Leasing One Ltd
AAX Leasing Two Ltd
AAX Leasing Five Ltd
AAX Leasing Eight Ltd
AAX Leasing Ten Ltd
AAX Leasing Eleven Ltd
AAX Leasing Twelve Ltd
AAX Leasing Thirteen Ltd
AAX Leasing Fourteen Ltd
AAX Leasing Fifteen Ltd
AAX Leasing Sixteen Ltd
AAX Leasing Seventeen Ltd
AAX Leasing Eighteen Ltd
AAX Leasing Nineteen Ltd
100.00%
AAAGL
51.00%
CAA
100.00%
AirAsia Europe Limited
100.00%
AirAsia (Guangzhou) Aviation Service Limited Company
100.00%
AAAMS
40.71%
AAV
100.00%
TAA
100.00%
Asia Aviation Center Co., Limited
6.02%
Teleport Everywhere Pte Ltd
14.17%
100.00%
AA Com Travel Philippines Inc.
40.00%
60.00%
AAI
99.66%
PAA
100.00%
Asiawide Airways Inc
46.25%
AAID
20.95%
57.25%
IAA
67.00%
PT Garda Tawang Reksa Indonesia
100.00%
AAB
100.00%
AirAsia (Mauritius) Ltd
50.00%
Ground Team Red Holdings Sdn Bhd
98.00%
2.00%
Ground Team Red Sdn Bhd
80.00%
GTRSG Pte Ltd
100.00%
Asia Aviation Capital Limited
100.00%
Asia Aviation Capital Pte Ltd
100.00%
Rouge Aircraft 1 Limited
100.00%
AirAsia Corporate Services Limited
100.00%
AirAsia RB 1 Ltd
39.90%
AirAsia Philippines Inc.


Pro forma V: After Pro forma IV and assuming full exercise of the Warrants
Tune Group Sdn Bhd
2.50%
Capital A
15.83%
Datuk Kamarudin
1.27%
Tan Sri Tony Fernandes
0.40%
Tune Live
4.52%
Tune Air
4.58%
Garynma
10.17%
Placees / New investors
22.58%
Other Shareholders
38.15%
AAX
100.00%
AirAsia X Services Pty Ltd
100.00%
AAX Mauritius One Limited
100.00%
AAX Aviation Capital Ltd
49.00%
TAAX
49.00%
IAAX
100.00%
• AAX Leasing One Ltd
• AAX Leasing Two Ltd
• AAX Leasing Five Ltd
• AAX Leasing Eight Ltd
• AAX Leasing Ten Ltd
• AAX Leasing Eleven Ltd
• AAX Leasing Twelve Ltd
• AAX Leasing Thirteen Ltd
• AAX Leasing Fourteen Ltd
• AAX Leasing Fifteen Ltd
• AAX Leasing Sixteen Ltd
• AAX Leasing Seventeen Ltd
• AAX Leasing Eighteen Ltd
• AAX Leasing Nineteen Ltd
100.00%
AAAGL
51.00%
CAA
100.00%
AirAsia Europe Limited
100.00%
AirAsia (Guangzhou) Aviation Service Limited Company
100.00%
AAAMS
40.71%
AAV
100.00%
TAA
100.00%
Asia Aviation Center Co., Limited
6.02%
Teleport Everywhere Pte Ltd
14.17%
100.00%
AA Com Travel Philippines Inc.
40.00%
60.00%
AAI
99.66%
PAA
100.00%
Asiawide Airways Inc
46.25%
AAID
20.95%
57.25%
IAA
67.00%
PT Garda Tawang Reksa Indonesia
100.00%
AAB
100.00%
AirAsia (Mauritius) Ltd
50.00%
Ground Team Red Holdings Sdn Bhd
98.00%
2.00%
Ground Team Red Sdn Bhd
80.00%
GTRSG Pte Ltd
100.00%
Asia Aviation Capital Limited
100.00%
Asia Aviation Capital Pte Ltd
100.00%
Rouge Aircraft 1 Limited
100.00%
AirAsia Corporate Services Limited
100.00%
AirAsia RB 1 Ltd
39.90%
AirAsia Philippines Inc.

The salient terms of the AAAGL SSPA are as follows:-

1. Sale and purchase of the entire AAAGL Equity Interest

On and subject to the terms of the AAAGL SSPA, the Vendor agrees to sell, and the Purchaser agrees to purchase the entire equity interest (including any forms of capital contribution and any unissued capital) in AAAGL.

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

2. AAAGL Purchase Consideration

The consideration for the sale and purchase of the entire 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 Share.

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

3. AAAGL Conditions Precedent

3.1 The obligations of the parties to the AAAGL SSPA 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 Vendor being obtained at an EGM to be convened for the Proposed Distribution by Capital A and Proposed AAAGL Acquisition;

(ii) the approval of the holders of the Capital A RCUIDS being obtained for the Proposed Distribution by Capital A and Proposed AAAGL Acquisition;

(iii) the approval / consent of the governmental entity, financiers / lenders or any third party, as may be necessary, being obtained by (where applicable) the Vendor, the Vendor's subsidiaries or the relevant entity within the AAAGL Group for the Vendor's Pre-Completion Restructuring, Proposed Distribution by Capital A and Proposed AAAGL Acquisition as set out below:-

(a) (1) (A) agreement between the parties to the AAAGL SSPA after consultation with the MAVCOM or the CAAM or any successor thereof (as the case may be) or (B) the confirmation or concurrence of MAVCOM or CAAM or any successor thereof (as the case may be), that Section 54(1) of the MAVCOM Act[(1)] or Section 36T(1) of the CAAM Act[(2)] (as the case may be) is not applicable to the Proposed AAAGL Acquisition; or

(2) a decision is issued by MAVCOM or CAAM or any successor thereof (as the case may be) that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not infringed if the Proposed AAAGL Acquisition is carried into effect;

<u>*Notes:-*</u>

(1) Section 54(1) of the MAVCOM Act 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.

(2) Pursuant to Section 15 of the Civil Aviation Authority of Malaysia (Amendment) Act 2024, the CAAM Act will be amended by, amongst others, inserting a new Section 36T which 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. For information purposes, the aforesaid amendment of the CAAM Act has yet to come into force as at the LPD.

(b) Bank Negara Malaysia, Foreign Exchange Administration with regards to the AAAGL Debt Novation;

(c) financiers / lenders in respect of the Capital A RCUIDS as well as banking facilities granted to certain subsidiaries of Capital A;

(d) third parties in respect of certain aircraft lease as well as operational agreements;

(e) any other approvals, waivers or consents of and/or notifications to any authorities or parties as may be required by law or regulation or deemed necessary and mutually agreed by the parties to the AAAGL SSPA; and

(f) the approvals and/or consents of lenders / financiers of the relevant entity within the AAAGL Group for the release and/or discharge of any corporate guarantee and/or security provided by the Vendor or its group of companies (excluding the AAAGL Group) in favour of lenders / financiers of the relevant entity within the AAAGL Group shall be obtained before the date of completion of the Proposed AAAGL Acquisition. For the avoidance of doubt, Capital A and AAX agree that they shall not be entitled to waive this condition precedent.

(iv) the completion of the Vendor's Pre-Completion Restructuring;

(v) the sanction of the High Court being obtained for the capital reduction pursuant to the Proposed Distribution by Capital A;

(vi) the AAAGL Group collectively does not incur or record an aggregate loss exceeding RM50,000,000[(1)] during the 3-month period immediately preceding the date of completion of the Proposed AAAGL Acquisition;

<u>*Note:-*</u>

(1) Together with the conditions precedent in the AAB SSPA, the AAAGL Group and AAB Group shall not incur or record an aggregate loss exceeding RM100.00 million during the 3-month period immediately preceding the dates of completion of the Proposed Acquisitions. The amount of RM100.00 million is determined based on 10% of the total gross proceeds of RM1,000.00 million to be raised from the Proposed Private Placement.

(vii) the completion of the due diligence exercise comprising examination and verification of the financial, legal and other affairs of the AAAGL Group by accountants, valuers, solicitors or such other professionals (if required) and the results of the due diligence exercise being reasonably satisfactory to the Purchaser;

(viii) your approval being obtained at an EGM to be convened for the Proposed AAAGL Acquisition;

(ix) the approval / consent of the governmental entity, financiers / lenders or any third party, as may be necessary, being obtained by (where applicable) the Purchaser or any of the Purchaser's subsidiaries for the Proposed AAAGL Acquisition as set out below:-

(a) (1) (A) agreement between the parties to the AAAGL SSPA after consultation with the MAVCOM or the CAAM or any successor thereof (as the case may be) or (B) the confirmation or concurrence of MAVCOM or CAAM or any successor thereof (as the case may be), that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not applicable to the Proposed AAAGL Acquisition; or

(2) a decision is issued by MAVCOM or CAAM or any successor thereof (as the case may be) that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not infringed if the Proposed AAAGL Acquisition is carried into effect, where applicable;

(b) 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 the Purchaser from the obligation to undertake a tender offer to acquire all remaining shares in AAV not already owned by the Purchaser on completion of the Proposed AAAGL Acquisition;

(c) Bursa Securities for the listing and quotation of the Consideration Shares and Placement Shares on the Main Market of Bursa Securities; and

(d) any other approvals, waivers or consents of and/or notifications to any authorities or parties as may be required by law or regulation or deemed necessary and mutually agreed by the parties to the AAAGL SSPA; and

(x) the Purchaser raising RM1,000,000,000 within the 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 the Purchaser and the identified investors in relation to the Proposed Private Placement.

"**AAAGL Cut-Off Date**" means –

(i) 6 months after the date of the AAAGL SSPA for the AAAGL Conditions Precedent (save for 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, 60 days after the date of the AAAGL SSPA with an automatic extension for a further period of 60 days,

or such other date as mutually agreed between the parties to the AAAGL SSPA 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 parties to the AAAGL SSPA 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 to the AAAGL SSPA shall have no claim against the other party, save for a claim arising out of antecedent breaches of the AAAGL SSPA.

3.3 Between the date of the AAAGL SSPA and completion of the Proposed AAAGL Acquisition, and except for the Proposed AAAGL Acquisition, Proposed Issuance of Free Warrants, Proposed Private Placement and Proposed Granting of Subscription Options, the Purchaser agrees that unless the prior written approval of the Vendor has been obtained, it shall not seek and/or obtain its shareholders' approval for the Purchaser 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 the Purchaser, 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, the Vendor may terminate the AAAGL SSPA (other than the surviving provisions as stipulated in the AAAGL SSPA) at any time prior to completion of the Proposed AAAGL Acquisition with the Vendor's interest in the entire AAAGL Equity Interest intact.

4. Completion of the Proposed AAAGL Acquisition

4.1 Completion of the sale and purchase of the entire 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 of the Proposed AAAGL Acquisition (and have been satisfied, fulfilled and/or waived at completion of the Proposed AAAGL Acquisition) or at such other time as the parties to the AAAGL SSPA may mutually agree in writing.

4.2 If any provision of the completion clause under the AAAGL SSPA is not fully complied with, the Purchaser, in the case of a default or non-compliance by the Vendor, or the Vendor, in the case of a default or non-compliance by the Purchaser, shall be entitled (in addition to and without prejudice to all other rights or remedies available to it):-

(i) to effect completion of the Proposed AAAGL Acquisition so far as practicable having regard to the defaults which have occurred; or

(ii) to fix a new date for completion of the Proposed AAAGL Acquisition not being later than 1 month after the intended date of completion of the Proposed AAAGL Acquisition, on the basis that such deferral may only occur once; or

(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 Vendor's interest in the entire AAAGL Equity Interest intact.

4.3 Notwithstanding the above, each party to the AAAGL SSPA 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 party to the AAAGL SSPA has a right to claim for breach of warranties by the other party only following and subject to completion of the Proposed AAAGL Acquisition. In the event the said 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 the completion of the Proposed AAAGL Acquisition 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) an AAAGL 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) An "**AAAGL Material Adverse Change**" means any occurrence, condition, change, event or effect that is materially adverse to the AAAGL Group or our Company and our subsidiaries (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 an AAAGL 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 Group or our Company and our subsidiaries (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 entire AAAGL Equity Interest (whichever applicable);

(b) compliance by any party to the AAAGL SSPA with the terms of the AAAGL SSPA; and

(c) actions made by any party to the AAAGL SSPA which are expressly contemplated and permitted by the AAAGL SSPA, or if not so permitted, otherwise consented to by the Vendor and the Purchaser 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 AAAGL Group or our Company and our subsidiaries (as the case may be) or the contemplated transaction.

6. Indemnities

The Vendor shall not be liable in respect of a specific indemnity claim (with regards to identified matters in the AAAGL SSPA relating to the conduct of the AAAGL Group's business prior to completion of the Proposed AAAGL Acquisition and any other specific indemnities as may be mutually agreed upon completion of the due diligence exercise on the AAAGL Group by the Purchaser) 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 Vendor 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 the Purchaser to the Vendor within 24 months following the completion of the Proposed AAAGL Acquisition.

The Vendor will indemnify the Purchaser and hold the Purchaser and AAAGL Group 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 Group after completion of the Proposed AAAGL Acquisition) in respect of taxation liabilities of any entities within the AAAGL Group for the period up to the date of completion of the Proposed AAAGL Acquisition, except insofar as full provision is made for such liabilities in the accounts of any entities within the AAAGL Group;

(ii) any claim for income tax in respect of any dividend paid or any distribution made by any entities within the AAAGL Group before the date of completion of the Proposed AAAGL Acquisition, except insofar as full provision is made for such liabilities in the accounts of any entities within the AAAGL Group;

(iii) any settlement of any actual or threatened claim, demand, direction, apportionment, assessment, recovery or counter-claim of any entities within the AAAGL Group in respect of taxation liabilities of any entities within the AAAGL Group for the period up to the date of completion of the Proposed AAAGL Acquisition;

(iv) any amount recovered against any entities within the AAAGL Group in respect of the taxation liabilities of any entities within the AAAGL Group for the period up to the date of completion of the Proposed AAAGL Acquisition; and

(v) any costs reasonably incurred by any entities within the AAAGL Group 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 any entities within the AAAGL Group for the period up to the date of completion of the Proposed AAAGL Acquisition.

7. Limitation of liability in respect of breach of warranties

7.1 Either party to the AAAGL SSPA shall not have liability in respect of any claims arising from the breach of its warranties ("**AAAGL Claim**") to the extent that the facts, matter or circumstances giving rise to the AAAGL Claim are disclosed in its disclosure letter and the AAAGL SSPA.

7.2 **Time limitation:** Either party to the AAAGL SSPA shall not be liable under the AAAGL SSPA in respect of any AAAGL Claim unless a notice of the AAAGL Claim is given by the other party:-

(i) in the case of any AAAGL Claim relating to tax matters, within the applicable limitation period as stipulated under the relevant laws relating to taxation;

(ii) in the case of any AAAGL Claim relating to the fundamental warranties (as identified in the AAAGL SSPA), within 6 years following completion of the Proposed AAAGL Acquisition; or

(iii) in the case of any other AAAGL Claim, within 24 months following completion of the Proposed AAAGL Acquisition.

7.3 **Minimum claims:** Subject to aggregate minimum claims in Section 7.4 of this Appendix II(A), either party to the AAAGL SSPA shall not be liable in respect of an AAAGL Claim under the AAAGL SSPA in respect of any individual AAAGL Claim (provided that AAAGL Claims in respect of similar facts and circumstances may be aggregated for this purpose) where the liability in respect of any such AAAGL Claim does not exceed 0.1%[(1)] of the AAAGL Purchase Consideration (i.e. RM3,000,000). Where the liability exceeds such threshold, the defaulting party shall be liable for the whole amount and not merely the excess over the said threshold.

Note:-
(1) The threshold of 0.1% was arrived at after negotiations between our Company and Capital A, having taken into consideration market practices.

7.4 **Aggregate minimum claims:** Either party to the AAAGL SSPA shall not be liable under the AAAGL SSPA in respect of any AAAGL Claim (excluding AAAGL Claim for which liability is excluded under Section 7.3 of this Appendix II(A)) unless and until the aggregate amount of all such AAAGL Claims exceeds 1%[(1)] of the AAAGL Purchase Consideration (i.e. RM30,000,000). Where the liability exceeds such threshold, the defaulting party shall be liable for the whole amount and not just the excess over the said threshold.

Note:-
(1) The threshold of 1% was arrived at after negotiations between our Company and Capital A, having taken into consideration market practices.

7.5 **Maximum liability:** The aggregate liability of either party to the AAAGL SSPA in respect of all AAAGL Claims under the AAAGL SSPA shall not exceed:-

(i) 100%[(1)] of the AAAGL Purchase Consideration (i.e. RM3,000,000,000) in the case of any AAAGL Claim relating to the fundamental warranties (as identified in the AAAGL SSPA); and

(ii) 25%[(1)] of the AAAGL Purchase Consideration (i.e. RM750,000,000) in the case of any other AAAGL Claim.

Note:-
(1) The thresholds of 100% and 25% were arrived at after negotiations between our Company and Capital A, having taken into consideration market practices.

7.6 None of the limitations above shall apply to any AAAGL Claim which arises or is increased or is delayed as the consequence of fraud or wilful concealment by either party to the AAAGL SSPA or any of its directors, officers, employees, agents, advisers, representatives or successors in title of such party.

8. Non-competition and protective covenants

The Vendor undertakes that it will not, and will procure that Capital A and its subsidiaries ("**Vendor Group**") will not during the period commencing on the date of completion of the Proposed AAAGL Acquisition and ending on the date falling 5 years after the completion of the Proposed AAAGL Acquisition:-

(i) carry on in, be engaged in, or hold a substantial shareholding or equity interest (save for the equity interest held in the Purchaser) 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 AAAGL Prohibited Business[(1)];

(ii) canvass, solicit, entice away, induce or encourage any employee or consultant or customer, the custom of the AAAGL Group and/or their affiliates to curtail, terminate or cease their employment or affiliation or custom / business with the AAAGL Group; 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 (i) the covenants under this paragraph 8 shall only take effect following and subject to completion of the Proposed AAAGL Acquisition and (ii) the covenants under this paragraph 8 shall not apply in respect of any member within the Vendor Group which is involved in the AAAGL Prohibited Business(1) as at the date of the AAAGL SSPA. In this respect, the Vendor represents, warrants and confirms that the only entities within the Vendor Group which are involved in the AAAGL Prohibited Business(1) (other than the AAAGL Group) are the AAB Group.

Note:-

*(1) "**AAAGL Prohibited Business**" means the current aviation business operations of the Purchaser and the AAAGL Group, 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 Vendor Group provided that the Vendor Group does not include the AAAGL Group.*

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The salient terms of the AAB SSPA are as follows:-

1. Sale and purchase of the entire AAB Equity Interest

On and subject to the terms of the AAB SSPA, the Vendor agrees to sell, and the Purchaser agrees to purchase the entire equity interest (including any forms of capital contribution and any unissued capital) in AAB.

The entire AAB Equity Interest shall be sold by the Vendor free from encumbrances (save as disclosed in the Vendor's disclosure letter in respect of the AAB SSPA[(1)]) and together with all rights and advantages attaching to them as at completion of the Proposed AAB Acquisition (including the right to receive all dividends and distributions declared, made or paid on or after the said completion).

Note:-

(1) On 21 August 2024, AirAsia RB 1 Ltd, a wholly-owned subsidiary of AAB, had entered into definitive agreements with aircraft lessors and private credit funds for the issuance by AirAsia RB 1 Ltd, of Regulation S (under the US Securities Act) secured bonds of up to USD443.0 million, due September 2026 and August 2028, with AAB as a third party security provider, and both AAB and Capital A as corporate guarantors. Bank Negara Malaysia has vide its letters dated 26 March 2024 and 4 July 2024 approved the issuance of the bonds together with the proposed security under Bank Negara Malaysia's Foreign Exchange Policy. The bonds were issued on 23 August 2024.

As part of the terms of the issuance of the bonds, there will be a first ranking share charge over 49% of the shares of AAB held by our Company upon completion of the Proposed Acquisitions.

The salient terms of the bonds are set out in Appendix II(C) of this Circular. Further information on the bonds is set out in Section 10 of Appendix V of this Circular.

2. AAB Purchase Consideration

The consideration for the sale and purchase of the entire AAB Equity Interest under the AAB SSPA shall be RM3,800,000,000 which is to be satisfied by the Purchaser's assumption of the amount owing by the Vendor to AAB.

The Debt Settlement shall result in the following events occurring simultaneously:-

(i) AAB fully releasing the Vendor from the liability for the payment of the amount owing by the Vendor to AAB of RM3,800,000,000; and

(ii) the Purchaser fully assuming the liability for the payment of the amount owing by the Vendor to AAB of RM3,800,000,000,

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

3. AAB Conditions Precedent

3.1 The obligations of the parties to the AAB SSPA 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 Vendor being obtained at an EGM to be convened for the Proposed AAB Acquisition;

(ii) the approval of the holders of the Capital A RCUIDS being obtained for the Proposed AAB Acquisition;

(iii) the approval / consent of the governmental entity, financiers / lenders or any third party, as may be necessary, being obtained by (where applicable) the Vendor, the Vendor's subsidiaries or the relevant entity within the AAB Group for the Vendor's Pre-Completion Restructuring and Proposed AAB Acquisition as set out below:-

(a) MAVCOM with regards to the proposed change in shareholding of AAB;

(b) (1) (A) agreement between the parties to the AAB SSPA after consultation with the MAVCOM or the CAAM or any successor thereof (as the case may be) or (B) the confirmation or concurrence of MAVCOM or CAAM or any successor thereof (as the case may be), that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not applicable to the Proposed AAB Acquisition; or

(2) a decision is issued by MAVCOM or CAAM or any successor thereof (as the case may be) that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not infringed if the Proposed AAB Acquisition is carried into effect;

(c) Bank Negara Malaysia, Foreign Exchange Administration with regards to the AAAGL Debt Novation;

(d) financiers / lenders in respect of the Capital A RCUIDS as well as banking facilities granted to certain subsidiaries of Capital A;

(e) third parties in respect of certain aircraft lease as well as operational agreements;

(f) notification to third parties and financiers / lenders in respect of certain operational agreements and banking facilities;

(g) any other approvals, waivers or consents of and/or notifications to any authorities or parties as may be required by law or regulation or deemed necessary and mutually agreed by the parties to the AAB SSPA; and

(h) the approvals and/or consents of lenders / financiers of the relevant entity within the AAB Group for the release and/or discharge of any corporate guarantee and/or security provided by the Vendor or its group of companies (excluding the AAB Group) in favour of lenders / financiers of the relevant entity within the AAB Group shall be obtained before the date of completion of the Proposed AAB Acquisition. For the avoidance of doubt, Capital A and AAX agree that they shall not be entitled to waive this condition precedent;

(iv) the completion of the Vendor's Pre-Completion Restructuring;

(v) the AAB Group collectively does not incur or record an aggregate loss exceeding RM50,000,000[(1)] during the 3-month period immediately preceding the date of completion of the Proposed AAB Acquisition;

Note:-

(1) Together with the conditions precedent in the AAAGL SSPA, the AAAGL Group and AAB Group shall not incur or record an aggregate loss exceeding RM100.00 million during the 3-month period immediately preceding the dates of completion of the Proposed Acquisitions. The amount of RM100.00 million is determined based on 10% of the total gross proceeds of RM1,000.00 million to be raised from the Proposed Private Placement.

(vi) the completion of the due diligence exercise comprising examination and verification of the financial, legal and other affairs of the AAB Group by accountants, valuers, solicitors or such other professionals (if required) and the results of the due diligence exercise being reasonably satisfactory to the Purchaser;

(vii) your approval being obtained at an EGM to be convened for the Proposed AAB Acquisition;

(viii) the approval / consent of the governmental entity, financiers / lenders or any third party, as may be necessary, being obtained by (where applicable) the Purchaser or any of the Purchaser's subsidiaries for the Proposed AAB Acquisition as set out below:-

(a) (1) (A) agreement between the parties to the AAB SSPA after consultation with the MAVCOM or the CAAM or any successor thereof (as the case may be) or (B) the confirmation or concurrence of MAVCOM or CAAM or any successor thereof (as the case may be), that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not applicable to the Proposed AAB Acquisition; or

(2) a decision is issued by MAVCOM or CAAM or any successor thereof (as the case may be) that Section 54(1) of the MAVCOM Act or Section 36T(1) of the CAAM Act (as the case may be) is not infringed if the Proposed AAB Acquisition is carried into effect;

(b) Bursa Securities for the listing and quotation of the Placement Shares on the Main Market of Bursa Securities; and

(c) any other approvals, waivers or consents of and/or notifications to any authorities or parties as may be required by law or regulation or deemed necessary and mutually agreed by the parties to the AAB SSPA; and

(ix) the Purchaser raising RM1,000,000,000 within the 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 the Purchaser and the identified investors in relation to the Proposed Private Placement.

"**AAB Cut-Off Date**" means –

(i) 6 months after the date of the AAB SSPA for the AAB Conditions Precedent (save for 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, 60 days after the date of the AAB SSPA with an automatic extension for a further period of 60 days,

or such other date as mutually agreed between the parties to the AAB SSPA 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 parties to the AAB SSPA 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 to the AAB SSPA 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 completion of the Proposed AAB Acquisition, and except for the Proposed AAAGL Acquisition, Proposed Issuance of Free Warrants, Proposed Private Placement and Proposed Granting of Subscription Options, the Purchaser agrees that unless the prior written approval of the Vendor has been obtained, it shall not seek and/or obtain its shareholders' approval for the Purchaser 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 the Purchaser, 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, the Vendor may terminate the AAB SSPA (other than the surviving provisions as stipulated in the AAB SSPA) at any time prior to completion of the Proposed AAB Acquisition with the Vendor's interest in the entire AAB Equity Interest intact.

4. Completion of the Proposed AAB Acquisition

4.1 Completion of the sale and purchase of the entire 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 of the Proposed AAB Acquisition (and have been satisfied, fulfilled and/or waived at completion of the Proposed AAB Acquisition) or at such other time as the parties to the AAB SSPA may mutually agree in writing.

4.2 If any provision of the completion clause under the AAB SSPA is not fully complied with, the Purchaser, in the case of a default or non-compliance by the Vendor, or the Vendor, in the case of a default or non-compliance by the Purchaser, shall be entitled (in addition to and without prejudice to all other rights or remedies available to it):-

(i) to effect completion of the Proposed AAB Acquisition so far as practicable having regard to the defaults which have occurred; or

(ii) to fix a new date for completion of the Proposed AAB Acquisition not being later than 1 month after the intended date of completion of the Proposed AAB Acquisition, 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 Vendor's interest in the entire AAB Equity Interest intact.

4.3 Notwithstanding the above, each party to the AAB SSPA 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 party to the AAB SSPA has a right to claim for breach of warranties by the other party only following and subject to completion of the Proposed AAB Acquisition. In the event the said 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 the completion of the Proposed AAB Acquisition 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) an AAB 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.

Note:-

*(1) An "**AAB Material Adverse Change**" means any occurrence, condition, change, event or effect that is materially adverse to the AAB Group or our Company and our subsidiaries (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 an AAB 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 Group or our Company and our subsidiaries (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 entire AAB Equity Interest (whichever applicable);

(b) compliance by any party to the AAB SSPA with the terms of the AAB SSPA; and

(c) actions made by any party to the AAB SSPA which are expressly contemplated and permitted by the AAB SSPA, or if not so permitted, otherwise consented to by the Vendor and the Purchaser 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 Group or our Company and our subsidiaries (as the case may be) or the contemplated transaction.

6. Indemnities

The Vendor shall not be liable in respect of a specific indemnity claim (with regards to identified matters in the AAB SSPA relating to the conduct of the AAB Group's business prior to completion of the Proposed AAB Acquisition and any other specific indemnities as may be mutually agreed upon completion of the due diligence exercise on the AAB Group by the Purchaser) 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 thresholds, the Vendor 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 the Purchaser to the Vendor within 24 months following the completion of the Proposed AAB Acquisition.

The Vendor will indemnify the Purchaser and hold the Purchaser and AAB Group 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 Group after completion of the Proposed AAB Acquisition) in respect of taxation liabilities of any entities within the AAB Group for the period up to the date of completion of the Proposed AAB Acquisition, except insofar as full provision is made for such liabilities in the accounts of any entities within the AAB Group;

(ii) any claim for income tax in respect of any dividend paid or any distribution made by any entities within the AAB Group before the date of completion of the Proposed AAB Acquisition, except insofar as full provision is made for such liabilities in the accounts of any entities within the AAB Group;

(iii) any settlement of any actual or threatened claim, demand, direction, apportionment, assessment, recovery or counter-claim of any entities within the AAB Group in respect of taxation liabilities of any entities within the AAB Group for the period up to the date of completion of the Proposed AAB Acquisition;

(iv) any amount recovered against any entities within the AAB Group in respect of the taxation liabilities of any entities within the AAB Group for the period up to the date of completion of the Proposed AAB Acquisition; and

(v) any costs reasonably incurred by any entities within the AAB Group 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 any entities within the AAB Group for the period up to the date of completion of the Proposed AAB Acquisition.

7. Limitation of liability in respect of breach of warranties

7.1 Either party to the AAB SSPA shall not have liability in respect of any claims arising from the breach of its warranties ("**AAB Claim**") to the extent that the facts, matter or circumstances giving rise to the AAB Claim are disclosed in its disclosure letter and the AAB SSPA.

7.2 **Time limitation:** Either party to the AAB SSPA shall not be liable under the AAB SSPA in respect of any AAB Claim unless a notice of the AAB Claim is given by the other party:-

(i) in the case of any AAB Claim relating to tax matters, within the applicable limitation period as stipulated under the relevant laws relating to taxation;

(ii) in the case of any AAB Claim relating to the fundamental warranties (as identified in the AAB SSPA), within 6 years following completion of the Proposed AAB Acquisition; or

(iii) in the case of any other AAB Claim, within 24 months following completion of the Proposed AAB Acquisition.

7.3 **Minimum claims:** Subject to aggregate minimum claims in Section 7.4 of this Appendix II(B), either party to the AAB SSPA shall not be liable in respect of an AAB Claim under the AAB SSPA in respect of any individual AAB Claim (provided that AAB Claims in respect of similar facts and circumstances may be aggregated for this purpose) where the liability in respect of any such AAB Claim does not exceed 0.1%(1) of the AAB Purchase Consideration (i.e. RM3,800,000). Where the liability exceeds such threshold, the defaulting party shall be liable for the whole amount and not merely the excess over the said threshold.

Note:-

(1) The threshold of 0.1% was arrived at after negotiations between our Company and Capital A, having taken into consideration market practices.

7.4 **Aggregate minimum claims:** Either party to the AAB SSPA shall not be liable under the AAB SSPA in respect of any AAB Claim (excluding AAB Claim for which liability is excluded under Section 7.3 of this Appendix II(B)) unless and until the aggregate amount of all such AAB Claims exceeds 1%(1) of the AAB Purchase Consideration (i.e. RM38,000,000). Where the liability exceeds such threshold, the defaulting party shall be liable for the whole amount and not just the excess over the said threshold.

Note:-

(1) The threshold of 1% was arrived at after negotiations between our Company and Capital A, having taken into consideration market practices.

7.5 **Maximum liability:** The aggregate liability of either party to the AAB SSPA in respect of all AAB Claims under the AAB SSPA shall not exceed:-

(i) 100%(1) of the AAB Purchase Consideration (i.e. RM3,800,000,000) in the case of any AAB Claim relating to the fundamental warranties (as identified in the AAB SSPA); and

(ii) 25%(1) of the AAB Purchase Consideration (i.e. RM950,000,000) in the case of any other AAB Claim.

Note:-

(1) The thresholds of 100% and 25% were arrived at after negotiations between our Company and Capital A, having taken into consideration market practices.

7.6 None of the limitations above shall apply to any AAB Claim which arises or is increased or is delayed as the consequence of fraud or wilful concealment by either party to the AAB SSPA or any of its directors, officers, employees, agents, advisers, representatives or successors in title of such party.

8. Non-competition and protective covenants

The Vendor undertakes that it will not, and will procure that the Vendor Group will not during the period commencing on the date of completion of the Proposed AAB Acquisition and ending on the date falling 5 years after the completion of the Proposed AAB Acquisition:-

(i) carry on in, be engaged in or hold a substantial shareholding or equity interest (save for the equity interest held in the Purchaser) 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 aviation business operations of the AAB Prohibited Business(1);

(ii) canvass, solicit, entice away, induce or encourage any employee or consultant or customer, the custom of the AAB Group and/or their affiliates to curtail, terminate or cease their employment or affiliation or custom / business with the AAB Group; 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 (i) the covenants under this paragraph 8 shall only take effect following and subject to completion of the Proposed AAB Acquisition and (ii) the covenants under this paragraph 8 shall not apply in respect of any member within the Vendor Group which is involved in the AAB Prohibited Business(1) as at the date of the AAB SSPA. In this respect, the Vendor represents, warrants and confirms that the only entities within the Vendor Group which are involved in the AAB Prohibited Business(1) (other than the AAB Group) are the AAAGL Group.

Note:-

*(1) "**AAB Prohibited Business**" means the current aviation business operations of the Purchaser and the AAB Group, 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 Vendor Group provided that the Vendor Group does not include the AAB Group.*

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The salient terms of the bonds are as follows:-

1. Issuance of bonds and intercompany loan

On and subject to the terms of the transaction documents for the bonds (“**Bonds Transaction Documents**”), AAB’s wholly-owned subsidiary, AirAsia RB 1 Ltd, has agreed to issue Regulation S secured bonds as follows:-

(i) Tranche 1 representing USD242,907,000.00 7.00% bonds due September 2026 (“**Tranche 1 Notes**”); and

(ii) Tranche 2 representing USD200,000,000.00 14.00% bonds due August 2028 (“**Tranche 2 Notes**”).

Pursuant to the terms of Bonds Transaction Documents, AirAsia RB 1 Ltd subsequently on-lends the proceeds of the bonds to AAB for AAB to refinance its lease liabilities, aircraft and engine maintenance costs, and to support the working capital requirements of AAB, Capital A and all of their affiliates.

2. Guarantee and security

The bonds are guaranteed by AAB and Capital A as corporate guarantors (“**Bonds Corporate Guarantees**”). It is a term of the bonds that Capital A will be released as a corporate guarantor upon fulfilment of the conditions for substitution and release pursuant to the terms and conditions of the trust deed dated 21 August 2024, constituting the bonds, which includes the replacement of our Company as a corporate guarantor for the bonds upon completion of the Proposed Acquisitions. The reference to “**Bonds Corporate Guarantors**” shall refer to (a) AAB; (b) Capital A, prior to the completion of the Proposed Acquisitions; and (c) our Company, upon completion of the Proposed Acquisitions.

The bonds and/or the Bonds Corporate Guarantees (as the case may be) are also secured by, amongst others:-

(i) as security for the Bonds Corporate Guarantees:-

(a) a first ranking assignment by AAB over all present and future revenue proceeds generated by AAB from passenger seat sales (including fuel surcharges) and ancillary revenue from the selected specified routes (“**Secured Routes**”) after deduction of any refunds, airport taxes, merchant discount fees and bank charges which are held by AAB (“**Revenue Proceeds**”); and

(b) a floating charge by AAB over certain sub-accounts of AAB’s general operating account (“**Sub-General Accounts**”), which shall receive the Revenue Proceeds generated by AAB through distribution channels other than AirAsia Move app;

(ii) as security for the bonds:-

(a) a first ranking share charge by AAB over 100% of the shares of AirAsia RB 1 Ltd held; and

(b) a first ranking charge and assignment over all present and future interest, rights, benefits, titles and assets of AirAsia RB 1 Ltd including:-

(1) the intercompany loan between AirAsia RB 1 Ltd and AAB;

(2) the designated operating account (“**Designated AOC Operating Account**”) which shall be established in the name of AirAsia RB 1 Ltd to capture certain Revenue Proceeds generated by AAB through AirAsia Move app (“**SuperApp Revenue Proceeds**”);

(3) the revenue reserve account ("**Reserve Account**") which shall be established in the name of AirAsia RB 1 Ltd and certain funds (including amounts derived from Revenue Proceeds) will be required to be retained in that account from time to time; and

(4) upon completion of the Proposed Acquisitions, a first ranking share charge by our Company in respect of 49% of the shares of AAB held.

3. Ranking

The bonds are direct, unconditional and secured obligations of AirAsia RB 1 Ltd and rank and will rank *pari passu*, without any preference among themselves, and rank and will rank in priority to all other outstanding unsecured and unsubordinated obligations of AirAsia RB 1 Ltd, present and future, but, in the event of insolvency, only to the extent permitted by the relevant applicable laws relating to creditors' rights.

4. Redemption

4.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as provided in the Bonds Transaction Documents, AirAsia RB 1 Ltd must redeem the bonds at their relevant maturity dates.

4.2 Redemption by instalments

Tranche 1 Notes

Unless previously redeemed or purchased and cancelled in full, AirAsia RB 1 Ltd will, having given not less than 5 business days' notice to the noteholders of the Tranche 1 Notes ("**Tranche 1 Noteholders**"), on each payment date in respect of the Tranche 1 Notes falling between the period between 30 September 2024 up to (and including the) maturity date, redeem all or some only of the Tranche 1 Notes then outstanding at their principal amount together with interest accrued (calculated based on simple interest methodology, and on a non-compounding basis) to but excluding the date of redemption and in an amount as specified in the Bonds Transaction Documents until the principal amount of the Tranche 1 Notes is reduced to zero.

Tranche 2 Notes

Unless previously redeemed or purchased and cancelled in full, AirAsia RB 1 Ltd will, having given not less than 5 business days' notice to the noteholders of the Tranche 2 Notes ("**Tranche 2 Noteholders**"), on each payment date in respect of the Tranche 2 Notes falling between the period from (and including) the first payment date in respect of the Tranche 2 Notes to occur after (but not on) the date on which the Tranche 1 Notes have been redeemed in full, to (and including) the payment date on which the Tranche 2 Notes are redeemed in full, pay such specified amount under the Bonds Transaction Documents, toward redeeming the Tranche 2 Notes until the principal amount of the Tranche 2 Notes is reduced to zero.

4.3 Redemption upon Change of Control Early Redemption Event[(1)]

Unless previously redeemed or purchased and cancelled in full, upon the occurrence of a Change of Control Early Redemption Event, AirAsia RB 1 Ltd will redeem all (but not some only) of the bonds, at a redemption price equal to 100% of the principal amount thereof plus accrued interest on the date of the redemption pursuant to the Change of Control Early Redemption Event and plus such other specified amount as may be specified under the Bonds Transaction Documents.

Note:-
*(1) **"Change of Control Early Redemption Event"** means that Tan Sri Tony Fernandes and Datuk Kamarudin ceasing to collectively beneficially own, directly or indirectly, at least 15% in aggregate of the total shares in the share capital of AAB, and the parent of AAB from time to time.*

4.4 Redemption for taxation reasons

If AirAsia RB 1 Ltd or the Bonds Corporate Guarantors satisfies the trustee immediately before the giving of the notice referred to below that:-

(i) as a result of any change in, or amendment to, the laws or regulations, or any change in the application or official interpretation of the laws or regulations, on the next payment date, AirAsia RB 1 Ltd would be required to pay additional amounts as provided or referred to under the Bonds Transaction Documents for an affected tranche of bonds ("**Affected Tranche(s)**"); and

(ii) the requirement cannot be avoided by AirAsia RB 1 Ltd taking reasonable measures available to it,

AirAsia RB 1 Ltd or the Bonds Corporate Guarantors may at its option, having given not less than 30 nor more than 60 days' notice to the noteholders of such Affected Tranche(s), redeem all the bonds comprised in the Affected Tranche(s), but not some only, on the next payment date at their principal amount together with interest accrued to but excluding the date of redemption and in the case of any Tranche 2 Notes, such specified amount under the Bonds Transaction Documents, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which AirAsia RB 1 Ltd would be obliged to pay such additional amounts, were a payment in respect of such Affected Tranche of bonds then due.

4.5 Mandatory redemption upon prepayment of intercompany loan

Tranche 1 Notes

Under the terms of the Bonds Transaction Documents, AAB is permitted to prepay the intercompany loan corresponding to the Tranche 1 Notes at any time, whether in part or in full, upon not less than 15 nor more than 30 days' notice to AirAsia RB 1 Ltd and the trustee (such notice being a "**Tranche 1 Loan Prepayment Notice**"). In the event that a Tranche 1 Loan Prepayment Notice is received by AirAsia RB 1 Ltd, then AirAsia RB 1 Ltd must, amongst others, within 5 business days of receipt of the actual proceeds of the relevant prepayment of the Tranche 1 intercompany loan, apply all such proceeds received toward redemption of the Tranche 1 Notes, depending upon the amount of proceeds actually received at their principal amount and payment of interest accrued thereon to the date of redemption.

Tranche 2 Notes

Under the terms of the Bonds Transaction Documents, AAB is permitted to prepay the intercompany loan corresponding to the Tranche 2 Notes at any time, whether in part or in full, upon not less than 15 nor more than 30 days' notice to AirAsia RB 1 Ltd and the trustee (such notice being a "**Tranche 2 Loan Prepayment Notice**"). In the event that a Tranche 2 Loan Prepayment Notice is received by AirAsia RB 1 Ltd, then AirAsia RB 1 Ltd must, amongst others, within 5 business days of receipt of the actual proceeds of the relevant prepayment of the Tranche 2 intercompany loan, apply all such proceeds received toward redemption of the Tranche 2 Notes only, depending upon the amount of proceeds actually received in respect of the Tranche 2 Notes at such redemption amounts as may be specified in the Bonds Transaction Documents.

5. Salient covenants in respect of the Revenue Proceeds

Amongst others, AirAsia RB 1 Ltd and the Bonds Corporate Guarantors (collectively, the "**Obligors**") have jointly and severally, covenant with the trustee that, for so long as any bonds remain outstanding, it shall procure compliance by AAB of the following covenants in respect of the bonds:-

(i) AAB undertakes that an amount equal to the aggregate of all SuperApp Revenue Proceeds shall be paid directly into a Designated AOC Operating Account no later than 7 days following booking by, or on behalf of, AAB in accordance with terms of the Bonds Transaction Documents.

(ii) On or prior to the issue date of the bonds, AAB has entered into tripartite agreements with identified counterparties and vendors of AAB in respect of the control and transmission of the SuperApp Revenue Proceeds into the Designated AOC Operating Account upon booking by, or on behalf of, AAB.

(iii) AAB undertakes that the aggregate amount of SuperApp Revenue Proceeds paid into the Designated AOC Operating Account during each quarter will be at least equal to such specified amount in the Bonds Transaction Documents (such amount being the "**Minimum SuperApp Proceeds**"), provided that AAB shall not be in breach of this undertaking and the relevant Minimum SuperApp Proceeds Shortfall will not trigger an event of default in the event the aggregate amount of SuperApp Revenue Proceeds paid into the Designated AOC Operating Account during the immediately prior quarter is less than the Minimum SuperApp Proceeds (the amount of any such shortfall being a "**Minimum SuperApp Proceeds Shortfall**").

(iv) In the case of a Minimum SuperApp Proceeds Shortfall, AAB shall procure that the aggregate of the credit balances of the Sub-General Accounts during the following quarter is at least equal to the Minimum SuperApp Proceeds Shortfall in respect of that following quarter (such amount being the "**Minimum Sub-General Account Balance**"), provided that, for so long as the aggregate of the cash balance standing to the credit of the Designated AOC Operating Account and the Reserve Account (excluding such specified amounts which have been specifically earmarked under the Bonds Transaction Documents)) is at least equal to such specified minimum amount under the Bonds Transaction Documents, AAB will have no obligation under this undertaking to procure that the aggregate of the credit balances of the Sub-General Accounts is at least equal to the Minimum Sub-General Account Balance.

(v) If on any relevant test date there has been a Minimum SuperApp Proceeds Shortfall in respect of two consecutive quarters, AAB shall, amongst others, deliver an additional route designation notice identifying and designating additional flight routes ("**Additional Designated Routes**") to be included as Secured Routes, that will, based on performance in the immediately preceding quarter, result in the aggregate amount of SuperApp Revenue Proceeds (taking into account the revenue of such Additional Designated Routes) paid into the Designated AOC Operating Account during each subsequent calendar quarter being at least such specified minimum amount in the Bonds Transaction Documents, the Additional Designated Routes so identified shall be selected by AAB (in its sole discretion) from a list of pre-identified additional designated routes. For the avoidance of doubt, upon the fulfilment of conditions as may be specified under the Bonds Transaction Documents including where the SuperApp Revenue Proceeds during each of the four immediately preceding calendar quarters exceeds such specified sum under Bonds Transaction Documents, AAB may deliver an excluded route designated notice to the trustee to exclude any previously identified and designated Additional Designated Routes from the list of Secured Routes.

(vi) AAB undertakes that an amount equal to the aggregate of all Revenue Proceeds other than Super App Revenue Proceeds ("**Non-SuperApp Revenue Proceeds**") will be paid into the Sub-General Accounts by no later than the latter of the day falling (A) one business day following booking of the relevant sale and (B) one business day following receipt of such amount by AAB. To facilitate such payment of Non-SuperApp Revenue Proceeds, AAB shall ensure that:-

(a) after the issuance of the bonds, all contracts executed with and/or invoices in respect of Non-SuperApp Revenue Proceeds issued to customers, including travel agents, government agencies and corporates (collectively, "**Third Party Intermediaries"**), require that such amounts are paid directly into the Sub-General Accounts;

(b) to the extent that there are existing contracts or payment arrangements in respect of Non-SuperApp Revenue Proceeds in place with the Third Party Intermediaries before the additional route designation notice, all such contracts and payment arrangements shall be amended to require that such amounts are paid directly into the Sub-General Accounts; and

(c) all Non-SuperApp Revenue Proceeds (whether generated by cash, credit card, debit card payment or other payment methods) are deposited directly into the Sub-General Accounts by no later than the latter of the day falling (A) one business day following booking of the relevant sale and (B) one business day following receipt of such amount by AAB.

(vii) To the extent that there is a shortfall in respect of available funds to the cash manager on any payment date prior to any enforcement by the trustee, AAB shall, on or before the third business day immediately preceding each such payment date, transfer an amount from the Sub-General Accounts to the Designated AOC Operating Account equal to the lesser of:-

(a) such shortfall; and

(b) the aggregate amount of Non-SuperApp Revenue Proceeds that has been paid into the Sub-General Accounts during the quarter ending immediately before that payment date,

as may be specified under the Bonds Transaction Documents.

6. Salient events of default

The terms of the bonds include events of default which are customary and appropriate for transactions of this nature and subject to an agreed remedy period. These include, but not limited to the following:-

(i) if default is made by AirAsia RB 1 Ltd in the payment of any principal or interest due in respect of the bonds, unless (A) such default is caused by administrative or technical error or a disruption event; and (B) payment is made within 3 business days of the date on which such amount was due;

(ii) other than in respect of any amounts referred to in paragraph (i) above, if default is made by any party to a Bonds Transaction Document in the payment of any amount due by it under such Bonds Transaction Document and that default continues for a period exceeding 30 days;

(iii) if AAB fails to take such action as may be required to maintain the loan to value ratio in respect of the Secured Routes within the relevant cure dates;

(iv) if an Obligor fails to comply with any of its other obligations under the Bonds Transaction Documents and the failure continues for the period of 30 days after the service by the trustee on each of the relevant Obligors of notice requiring the same to be remedied;

(v) if (a) any financial indebtedness of the Obligors (excluding any financial indebtedness due and payable in respect of any leasing agreement which is due and payable prior to the issue date of the bonds) has been declared due and repayable prematurely by reason of an event of default (howsoever described) or (b) an Obligor fails to make any payment in respect of any financial indebtedness (excluding any financial indebtedness due and payable in respect of any leasing agreement which is due and payable prior to the issue date of the bonds) on the due date for payment as extended by any originally applicable grace period, provided that it will not be an event of default if the amount of the financial indebtedness falling within this paragraph (v)(a) or (v)(b) is (collectively) less than such specified threshold under the Bonds Transaction Documents;

(vi) any final judgment or order from which no further appeal or judicial review is permissible for the payment of money shall be rendered against AirAsia RB 1 Ltd or any Obligor in an amount in excess of such specified threshold under the Bonds Transaction Documents individually or in the aggregate for all such final judgments or orders against all such persons (treating any deductibles, self-insurance or retention as not so covered) and shall not be discharged, and there shall be any period of 30 consecutive days following entry of the final judgment or order in excess of such specified threshold under the Bonds Transaction Documents individually or in the aggregate during which a stay of enforcement of such final judgment or order, irrespective of reason, shall not be in effect;

(vii) an insolvency event occurs in respect of an Obligor or any subsidiary of an Obligor;

(viii) if any security document in respect of the bonds ceases to be, or is claimed by AirAsia RB 1 Ltd, any Obligor or any party to such security document not to be, in full force and effect or any security document does not create a security interest it purports to create;

(ix) if any approval granted by Bank Negara Malaysia to any Obligor in respect of the transactions contemplated by the Bonds Transaction Documents is revoked or any conditions of any such approval is breached, and such revocation or breach is continuing for 30 days after written notice thereof has been delivered to any Obligor; or

(x) any Obligor fails to comply with any of the specified conditions subsequent under the Bonds Transaction Documents to the issue of the bonds.

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The salient terms of the Subscription Option Agreement are as follows:-

1. Subscription Options

Our Company agrees to grant to the Subscriber 3 Subscription Options of 4% each immediately after the completion of the Proposed Acquisitions, upon the terms and subject to the conditions of the Subscription Option Agreement.

The parties to the Subscription Option Agreement agree and acknowledge that:-

(i) each Subscription Option may be individually accepted in full or in part by the Subscriber at any point of time during a period of 24 months from the date of granting of the Subscription Option;

(ii) upon acceptance of a relevant Subscription Option by the Subscriber, the Subscription Option may be exercised by the Subscriber at any point of time during a period of 48 months from the date of granting of the relevant Subscription Option to subscribe for such number of Subscription Shares;

(iii) any Subscription Option not accepted or if accepted, but not exercised by the Subscriber within the stipulated period shall lapse and cease to be valid for any purpose; and

(iv) subject to adjustments pursuant to provisions in the Subscription Option Agreement, the actual number of Subscription Shares to be issued under each Subscription Option will depend on the total enlarged issued shares in our Company after the completion of the Proposed Acquisitions and the number of Subscription Shares subscribed by the Subscriber during the Subscription Option Period.

2. Conditions to Subscription Options

The granting of the Subscription Options by our Company to the Subscriber under the Subscription Option Agreement is conditional upon the following conditions:-

(i) your approval having been obtained for the Proposed Granting of Subscription Options; and

(ii) the approval from Bursa Securities having been obtained for the listing and quotation of the Subscription Shares pursuant to the exercise of the Subscription Options on the Main Market of Bursa Securities.

If any of these conditions are not fulfilled within 6 months from the date of the Subscription Option Agreement or such other period as mutually agreed by the parties to the Subscription Option Agreement, the Subscription Option Agreement shall not automatically terminate and shall subsist as long as it is required for the parties to the Subscription Option Agreement to enter into bona fide discussions on such alternative arrangements (including entering into new transaction document(s)) as may be fair and reasonable with the effect of allowing the Subscriber to have continuing rights to subscribe for such number of AAX Shares under the Previous Subscription Agreement (as defined in Section 7, Part A of this Circular) or the Subscription Option Agreement, as the case may be (“**New Transaction Document**”).

Upon execution of the New Transaction Document, the Subscription Option Agreement shall terminate and no party shall thereafter have any claim, further rights or obligations against the other party under the Subscription Option Agreement save for any antecedent breach or breach of any provisions expressly stated to continue to apply after termination of the Subscription Option Agreement. The parties to the Subscription Option Agreement further agree that notwithstanding the termination of the Subscription Option Agreement, the Previous Subscription Agreement shall continue to subsist and its termination shall be dealt with in the New Transaction Document.

3. Issue price of the Subscription Shares

The issue price of the Subscription Shares shall be the closing market price of our Shares as at the last Market Day prior to acceptance by the Subscriber of the grant of the relevant Subscription Option subject to adjustments pursuant to provisions in the Subscription Option Agreement. For the avoidance of doubt, as each Subscription Option granted may be individually accepted in full or in part by the Subscriber at any point of time during a period of 24 months from the date of granting of the Subscription Option, the date of acceptance of each Subscription Option and hence, the issue price of the Subscription Shares comprised in each Subscription Option may be different.

4. Ranking of the Subscription Shares

The Subscription Shares shall, upon allotment and issuance, rank equally in all respects with the then existing Shares, save and except that the holder of the Subscription Shares shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid to our Shareholders, the entitlement date of which is prior to the date of allotment and issuance of the Subscription Shares.

5. Termination of the Subscription Option Agreement

In the event that, at any time prior to the expiry of the Subscription Option Period, any party to the Subscription Option Agreement:-

(i) breaches the undertaking, covenant, representation or warranties expressed under the Subscription Option Agreement; or

(ii) fails, neglects or refuses to comply or to perform any of the material undertakings and covenants expressed under the Subscription Option Agreement,

then the non-defaulting party shall be entitled to give a notice in writing to the defaulting party specifying the default or breach, and requiring the defaulting party to remedy the said default or breach within 14 days of the receipt of such notice.

If the defaulting party fails to remedy the relevant default or breach within 14 days, the non-defaulting party shall be entitled to, without limiting any right or remedy available to the non-defaulting party at law or in equity (which includes the right to claim damages and to specific performance), serve a notice to the defaulting party to terminate the Subscription Option Agreement.

Upon termination of the Subscription Option Agreement, the Subscription Option Agreement shall be null and void and of no further force and neither party shall have any further rights against the other, save for any rights, claims or remedies already accrued to the non-defaulting party.

6. Termination of the Previous Subscription Agreement

Provided always that the Subscription Options in the Subscription Option Agreement shall remain valid and effective in accordance with the terms therein, the parties to the Subscription Option Agreement mutually agree to terminate the Previous Subscription Agreement, and the Previous Subscription Agreement shall cease to have any effect from the date on which the last of such conditions under Section 2 of this Appendix III being fulfilled or satisfied and none of the parties to the Subscription Option Agreement shall have any further claims against the other save and except for any antecedent breach.

For the avoidance of doubt, where the conditions under Section 2 of this Appendix III are not fulfilled or satisfied within 6 months from the date of the Subscription Option Agreement or such other period as mutually agreed by the parties to the Subscription Option Agreement, the parties agree and acknowledge that the Previous Subscription Agreement would not terminate, and the Subscriber shall have continuing rights to the Previous Subscription Option under the Previous Subscription Agreement.

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, namely TAA, PAA, IAA and 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 (commenced 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 airlines of the AirAsia Group 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 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 of the MBLA, the MBLA shall be automatically extended for a period of 10 years, provided that the MBLA has not been lawfully terminated by reason of breach or default in accordance with the terms and provisions of the MBLA. Pursuant to the Brand Sub-Licensing Agreements between AAAGL and the respective 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 during the FYE 31 December 2023. Prior to the FYE 31 December 2023, AAAGL did not exercise control over the abovementioned entities (excluding CAA which was only incorporated in 2023) and hence, the investments in these entities were accounted for as investments in associates.

As one of the key components in the AirAsia Ecosystem, the AAAGL Group transacts with other entities within the AirAsia Group in the ordinary course of its business. After the Proposed AAAGL Acquisition, AAAGL will become a wholly-owned subsidiary of our Company. Accordingly, where required, our Company will seek for our Shareholders' mandate for the AAAGL Group to enter into such recurrent related party transactions with other entities within the AirAsia Group.

Based on the accountants' report of AAAGL as set out in Appendix IX of this Circular:-

(i) the breakdown of AAAGL's revenue by reportable geographical segment for the FYE 31 December 2023 is as follows:-

FYE 31 December 2023	RM'000	%
Malaysia	20,697	0.37
Foreign countries	5,610,272	99.63
Total	**5,630,969**	**100.00**

(ii) AAAGL's material assets comprise the following:-

Type of asset	Audited carrying amount as at 31 December 2023 (RM'000)
• Property, plant and equipment	818,845(1)
• Right-of-use assets	5,398,005(2)
• Intangible assets	
○ Landing rights	2,430,840(3)
○ Goodwill	1,933,688(4)
• Receivables and prepayments	1,126,515(5)
• Deferred tax assets	268,225
• Inventories	137,473
• Cash and bank balances	205,340

Notes:-

(1) *Property, plant and equipment comprises mainly aircraft, engines, airframes and service potential (RM332.61 million), freehold land (RM139.83 million), buildings (RM138.19 million) and aircraft spares (RM104.01 million).*

(2) *Right-of-use assets comprise mainly leased aircraft. As at 31 December 2023, the AAAGL Group leases 110 aircraft and owns 3 aircraft, with 88 aircraft in operation.*

(3) *Landing rights relate to traffic rights and landing slots for destinations operated by TAA, PAA and IAA.*

(4) *Goodwill arises mainly as a result of AAV and TAA becoming subsidiaries of AAAGL during the FYE 31 December 2023 as discussed in Section 1 of this Appendix IV. The business combinations of AAV and TAA were accounted for as a step-up from associate to subsidiary using acquisition method.*

(5) *Receivables and prepayments comprise mainly other receivables (which are mainly amounts set aside for leased rental security and maintenance reserve fund) (RM749.48 million), deposits (which mainly relate to operational security deposits which are short-term in nature) (RM124.75 million), trade receivables (RM99.98 million) and amount due from related companies (RM94.39 million).*

As at the LPD, the AAAGL Group maintains a fleet of 118 aircraft with 96 aircraft in operation. The AAAGL Group leases its entire fleet of aircraft (save for 3 aircraft which are owned by TAA).

The entities within the AAAGL Group holding the airline operator certificates are TAA, PAA, IAA and CAA. The historical key operating statistics of these airlines are as follows:-

TAA

Key operating statistics	Unit	FYE 31 December			
		2020	2021	2022	2023
Passengers carried	'million no.	9.38	2.92	9.96	18.88
Seat capacity	'million no.	12.63	4.31	11.90	20.89
Passenger load factor	%	74	68	84	90
RPK	'million km	7,691	1,961	8,680	20,644
ASK	'million km	10,173	3,002	10,257	22,843
Number of stages	No.	69,313	23,899	66,121	114,571
Average stage length	km	802	697	866	1,094
Fleet size at year end	No.	62	60	54	56
Operating aircraft at year end	No.	41	25	41	50

As at the LPD, TAA maintains a fleet of 59 aircraft with 54 aircraft in operation. TAA leases its entire fleet of aircraft (save for 3 aircraft which are owned).

PAA

Key operating statistics	Unit	FYE 31 December			
		2020	**2021**	**2022**	**2023**
Passengers carried	'million no.	1.98	0.88	4.22	6.61
Seat capacity	'million no.	2.49	1.10	4.76	7.29
Passenger load factor	%	80	80	89	91
RPK	'million km	2,030	613	3,081	6,237
ASK	'million km	2,526	770	3,481	6,882
Number of stages	No.	13,852	6,100	26,418	40,502
Average stage length	km	1,013	702	732	944
Fleet size at year end	No.	24	24	23	25
Operating aircraft at year end	No.	9	4	9	15

As at the LPD, PAA maintains a fleet of 25 aircraft with 16 aircraft in operation. PAA leases its entire fleet of aircraft.

IAA

Key operating statistics	Unit	FYE 31 December			
		2020	**2021**	**2022**	**2023**
Passengers carried	'million no.	2.17	0.81	3.25	6.18
Seat capacity	'million no.	3.15	1.26	4.12	7.27
Passenger load factor	%	69	64	79	85
RPK	'million km	2,489	898	4,062	8,787
ASK	'million km	3,615	1,401	5,139	10,338
Number of stages	No.	17,518	6,986	22,759	40,409
Average stage length	km	1,146	1,114	1,246	1,421
Fleet size at year end	No.	28	26	24	32
Operating aircraft at year end	No.	11	7	11	23

As at the LPD, IAA maintains a fleet of 32 aircraft with 24 aircraft in operation. IAA leases its entire fleet of aircraft.

CAA

CAA has only commenced its business in Cambodia with 2 A320 aircraft in May 2024.

As at the LPD, CAA maintains a fleet of 2 aircraft with both aircraft in operation. CAA leases its entire fleet of aircraft.

Notes:-

(1) Passenger load factor is a measure of the utilisation rate of the airline's passenger capacity. It is calculated by dividing passengers carried by seat capacity.
(2) RPK is a measure of the volume of passengers carried by the airline. It is the product of the number of passengers and number of kilometres those passengers were flown.
(3) ASK is a measure of the airline's passenger capacity. It is the product of the number of seats and number of kilometres those seats were flown.
(4) Number of stages refers to the number of flights flown.
(5) Average stage length refers to the average number of kilometres flown per flight.

2. SHARE CAPITAL

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

3. SHAREHOLDER

As at the LPD, AAAGL is a direct wholly-owned subsidiary of Capital A. The background information on Capital A is set out in Section 4.2, Part A of this Circular.

4. DIRECTORS

As at the LPD, the directors of AAAGL and their respective shareholdings in AAAGL are as follows:-

			Direct		Indirect	
Name	**Nationality**	**Designation**	**No. of shares**	**%**	**No. of shares**	**%**
Tan Sri Jamaludin bin Ibrahim	Malaysian	Director	-	-	-	-
Bo Lingam	Malaysian	Director	-	-	-	-
Suvabha Charoenying	Thai	Director	-	-	-	-
Lim Serh Ghee	Singaporean	Director	-	-	-	-
Francisco Edralin Lim	Filipino	Director	-	-	-	-
Khoo Gaik Bee	Malaysian	Director	-	-	-	-

5. SUBSIDIARIES AND ASSOCIATED COMPANY

5.1 Subsidiaries

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

Name of company	Date / Place of incorporation	Issued share capital	Effective equity interest held (%)	Principal activities
CAA	3.4.2023 / Cambodia	USD25,000,000	51.00	Passenger air transport
AirAsia Europe Limited	17.9.2020 / United Kingdom	100 pound sterling	100.00	Commercial air services
AirAsia (Guangzhou) Aviation Service Limited Company	13.11.2017 / China	USD1,000,000	100.00	Aviation and commercial services
AAAMS	6.8.2004 / Malaysia	RM300,000	100.00	Provision of aviation management services and information services
AAV	26.12.2011 / Thailand	THB1,285,000,000	40.71	Investment holding
TAA	19.9.2003 / Thailand	THB967,969,520	40.71	Low-fare airline service
Asia Aviation Center Co., Limited	27.1.2021 / Thailand	THB10,000,000	40.71	Providing academy institution of learning and competency development for aviation tourism and hospitality industries
AA Com Travel Philippines Inc.	19.6.2020 / Philippines	PHP10,500,000	100.00	Tour and travel services

Name of company	Date / Place of incorporation	Issued share capital	Effective equity interest held (%)	Principal activities
AAI	17.3.2011 / Philippines	PHP597,510,500	100.00	Commercial air transport services
PAA	9.7.1997 / Philippines	PHP595,000,000	99.66 (including preferred shares)	Commercial air transport services
Asiawide Airways Inc.	25.6.2008 / Philippines	PHP125,000,000	100.00	Dormant
AAID	21.8.1991 / Indonesia	IDR2,671,281,110,250	46.25	Investment holding
IAA	6.12.1999 / Indonesia	IDR421,066,000,000	47.43	Commercial air transport services
PT Garda Tawang Reksa Indonesia	15.11.2016 / Indonesia	IDR15,000,000,000	31.78	Provision of airport related services

5.2 Associated company

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

6. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

6.1 Material commitments

As at the LPD, there are no material commitments incurred or known to be incurred by AAAGL and its subsidiaries that have not been provided for in the financial statements and which, upon becoming enforceable, may have a material impact on their profits or NA.

6.2 Contingent liabilities

As at the LPD, save as disclosed below, there are no contingent liabilities incurred or known to be incurred by AAAGL and its subsidiaries which, upon becoming enforceable, may have a material impact on their profits or NA:-

<u>Litigation involving AirAsia (India) Limited and Commissioner of Central Tax, Bangalore North</u>

During the course of the operations of AirAsia (India) Limited (an entity in which AAAGL had 49% equity interest), it had received certain demands and assessment orders from the tax authorities in India dated 19 October 2016, 19 July 2019, 30 June 2021, 25 September 2021, 21 April 2022 and 29 April 2022. The tax demands remain pending as at the LPD.

The maximum liability which may arise from the tax demands is approximately RM252.7 million based on 49% of the aggregate liability of AirAsia (India) Limited of INR10,022.2 million (approximately RM515.8 million based on an exchange rate of INR1 : RM0.051464), arising from the indemnities provided by AAAGL and AAB jointly and severally pursuant to 2 share purchase agreements dated 29 December 2020 and 2 November 2022 respectively for the disposal of 49% equity interest held by AAAGL in the share capital of AirAsia (India) Limited via 2 tranches.

The disposal of 49% equity interest held by AAAGL in the share capital of AirAsia (India) Limited were completed and as at the LPD, AAAGL does not hold any interest in AirAsia (India) Limited.

Based on the assessment by the tax and legal experts, AirAsia (India) Limited has a defensible position against the tax demands. Further, in the event any liabilities arising from the ongoing litigation proceedings on taxation involving AirAsia (India) Limited and the relevant parties have claimed against AAAGL and AAB pursuant to the indemnities provided by AAAGL and AAB under the share purchase agreements, Capital A shall indemnify our Company in respect of such claims in accordance with the terms and conditions of the AAAGL SSPA and AAB SSPA.

7. MATERIAL CONTRACTS

AAAGL and its subsidiaries have not entered into any material contracts (not being contracts entered into in the ordinary course of business) within 2 years immediately preceding the date of this Circular save for the deed of assignment dated 6 May 2024 entered into between AAI (as assignor) and PAA (as assignee), whereby the liabilities owing by PAA to AAI amounting to PHP10,500,000,000 (equivalent to approximately RM807,093,000*) ("**PAA Liabilities**") was assigned by AAI to PAA by way of converting the PAA Liabilities to the equity of PAA. Pursuant to the terms of the deed of assignment, AAI had subscribed for 205,000,000 common shares in PAA ("**PAA Subscription Shares**") and the PAA Liabilities was applied as full payment of the subscription price payable for the PAA Subscription Shares by AAI to PAA.

Note:-

* *Based on Bank Negara Malaysia's closing middle exchange rate of PHP100 : RM7.6866 as at the LPD*.

8. MATERIAL LITIGATION

As at the LPD, AAAGL and its subsidiaries are not involved in any material litigation, claims or arbitration, either as plaintiff or defendant, and the board of directors of AAAGL is not aware of any proceedings, pending or threatened, against AAAGL and its subsidiaries or any facts which are likely to give rise to any proceedings which may materially and adversely affect the business or financial position of AAAGL and its subsidiaries.

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9. HISTORICAL FINANCIAL INFORMATION

A summary of the financial information of the AAAGL Group for the FYE 31 December 2021, FYE 31 December 2022, FYE 31 December 2023, 6-month FPE 30 June 2023 and 6-month FPE 30 June 2024 are as follows:-

	Audited			Unaudited	
	FYE 31 December			FPE 30 June	
	Economic entity[(1)]	Group		Group	
	2021	2022	2023	2023	2024
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue	-	22,245	5,630,969	2,126,623	5,446,368
Operating loss	(954)	(6,463)	(508,954)	(238,337)	216,710
Gain on remeasurement of previously held interest in associate	-	-	1,547,872	1,369,258	-
Share of results of associates	-	(297,829)	35,237	-	817
Profit / (Loss) before taxation	3,701	(302,591)	874,985	983,822	(669,548)
Profit / (Loss) after taxation	3,701	(302,591)	868,299	981,995	(664,650)
Profit / (Loss) after taxation attributable to the owners of AAAGL	3,701	(302,591)	1,137,184	1,204,093	(424,771)
Share capital	21,652	21,652	21,652	21,652	21,652
Shareholders' deficit	(10,210)	(350,631)	(2,234,004)[(2)]	(1,925,088)[(2)]	(4,515,397)[(3)]
Total borrowings, debentures and lease liabilities	-	171,376	9,789,132[(2)]	9,288,007[(2)]	9,638,715
No. of shares in issue ('000)	5,270	5,270	5,270	5,270	5,270
EPS / (LPS) attributable to the owners of AAAGL (RM)	0.70	(57.42)	215.78	228.48	(80.60)
Net liabilities per share attributable to the owners of AAAGL (RM)	(1.94)	(66.53)	(423.91)	(365.29)	(856.81)
Current ratio (times)	0.86	0.16	0.09	0.10	0.11
Gearing (times)	-	n/a[(4)]	n/a[(4)]	n/a[(4)]	n/a[(4)]

Notes:-

(1) Economic entity refers to AAAGL and its interests in associates.

(2) As set out in Section 1 of this Appendix IV, AAV, TAA, AAI, PAA, AAID and IAA have become subsidiaries of AAAGL during the FYE 31 December 2023. Arising therefrom, the AAAGL Group has a higher total borrowings, debentures and lease liabilities as at 30 June 2023 and 31 December 2023 as compared to as at 31 December 2022. The business combinations of AAI, PAA, AAID and IAA were accounted for under the pooling of interest method and this has resulted in the higher shareholders' deficit of the AAAGL Group as at 30 June 2023 and 31 December 2023 as compared to as at 31 December 2022.

(3) The increase in shareholders' deficit of the AAAGL Group from RM2,234.00 million as at 31 December 2023 to RM4,515.40 million as at 30 June 2024 was mainly due to the business combination of AA Com Travel Philippines Inc. during the 6-month FPE 30 June 2024 and the loss after taxation attributable to the owners of AAAGL of RM424.77 million for the 6-month FPE 30 June 2024.

(4) n/a denotes not applicable.

Accounting policies and audit qualification

Based on the accountants' report of AAAGL as set out in Appendix IX of this Circular, for the financial years under review:-

(i) there were no accounting policies adopted by the AAAGL Group which are peculiar to the AAAGL Group because of the nature of the business or the industry the AAAGL Group is involved in; and

(ii) there were no audit qualifications for the financial statements of the AAAGL Group.

Commentaries on financial performance

(a) Comparison between FYE 31 December 2021 and FYE 31 December 2022

The AAAGL Group recorded revenue of RM22.25 million for the FYE 31 December 2022 (FYE 31 December 2021: Nil), which was contributed mainly from the provision of aviation and commercial services of RM22.09 million by AirAsia (Guangzhou) Aviation Service Limited Company which was acquired during the FYE 31 December 2022.

The AAAGL Group recorded a loss after taxation of RM302.59 million for the FYE 31 December 2022, a decrease of RM306.29 million or 8,278.11% as compared to a profit after taxation of RM3.70 million for the FYE 31 December 2021, mainly attributed to the share of losses of associates of approximately RM297.83 million mainly arising from the share of losses in AAV.

(b) Comparison between FYE 31 December 2022 and FYE 31 December 2023

The AAAGL Group recorded an improved revenue of RM5,630.97 million for the FYE 31 December 2023 (FYE 31 December 2022: RM22.25 million), which was contributed mainly from the sale of scheduled flights and chartered flights of RM4,569.55 million and ancillary revenue of RM1,030.85 million, contributed from TAA, IAA and PAA which were deemed as subsidiaries of AAAGL for accounting purposes during the FYE 31 December 2023 as discussed in Section 1 of this Appendix IV.

The AAAGL Group recorded a profit after taxation of RM868.30 million for the FYE 31 December 2023, an improvement of RM1,170.89 million or 386.96% as compared to a loss after taxation of RM302.59 million for the FYE 31 December 2022, mainly attributed to higher revenue as explained above, offset by the operating expenses, particularly aircraft fuel expenses of RM2,375.25 million, maintenance and overhaul expenses of RM1,365.68 million and user charges of RM932.64 million for the scheduled flights and chartered flights operations. In addition, there was a gain on remeasurement of previously held interest in associate of RM1,547.87 million, derived primarily from the impacts resulting from the change of status of AAV from associate to subsidiary during the FYE 31 December 2023 as discussed in Section 1 of this Appendix IV.

(c) Comparison between 6-month FPE 30 June 2023 and 6-month FPE 30 June 2024

The AAAGL Group recorded revenue of RM5,446.37 million for the 6-month FPE 30 June 2024, an increase of RM3,319.75 million or 156.10% from RM2,126.62 million for the 6-month FPE 30 June 2023, contributed from the continued growth in regional travel demand, particularly routes to China and India, following visa-free travel implementation at the end of 2023 for China and India travellers, Sale of scheduled flights and chartered flights increased by RM2,747.22 million or 161.33% to RM4,450.13 million for the 6-month FPE 30 June 2024 as compared to RM1,702.91 million for the 6-month FPE 30 June 2023. Additionally, ancillary revenue increased by RM541.96 million or 129.66% to RM959.96 million for the 6-month FPE 30 June 2024 as compared to RM418.00 million for the 6-month FPE 30 June 2023.

Despite the higher revenue achieved, the AAAGL Group recorded a loss after taxation of RM664.65 million for the 6-month FPE 30 June 2024, a decrease of RM1,646.65 million or 167.68% as compared to a profit after taxation of RM982.00 million for the 6-month FPE 30 June 2023. This was mainly attributable to the absence of the gain on remeasurement of previously held interest in associate of RM1,369.26 million recorded for the corresponding preceding financial period. Additionally, the AAAGL Group recorded a loss on foreign exchange of RM572.92 million for the 6-month FPE 30 June 2024 (6-month FPE 30 June 2023: less than RM0.01 million), contributing to the loss after taxation for the 6-month FPE 30 June 2024.

For further financial information on AAAGL's major operating subsidiaries / AOCs, you may refer to:-

(i) https://www.aavplc.com/en/investor-relations/document/financial-performance for the financial statements of TAA and its holding company, AAV (listed on the Stock Exchange of Thailand);

(ii) Appendix XV of this Circular for the financial statements of PAA; and

(iii) https://ir.aaid.co.id/ar.html for the financial statements of IAA's holding company, namely AAID (listed on the Indonesia Stock Exchange).

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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 AirAsia Group in the ordinary course of its business. After the Proposed AAB Acquisition, AAB will become a wholly-owned subsidiary of our Company. Accordingly, where required, our Company will seek for our Shareholders' mandate for the AAB Group to enter into such recurrent related party transactions with other entities within the AirAsia Group.

Based on the accountants' report of AAB as set out in Appendix X of this Circular:-

(i) the breakdown of AAB's revenue by reportable geographical segment for the FYE 31 December 2023 is as follows:-

FYE 31 December 2023	RM'000	%
Malaysia	6,420,374	100.00
Foreign countries	-	-
Total	**6,420,374**	**100.00**

(ii) AAB's material assets comprise the following:-

Type of asset	Audited carrying amount as at 31 December 2023 (RM'000)
• Property, plant and equipment (comprising mainly buildings)	263,044
• Right-of-use assets	6,768,547[(1)]
• Finance lease receivables	3,783,046[(2)]
• Investment in associates	435,771
• Investment securities	106,847
• Deferred tax assets	734,085
• Receivables and prepayments	11,994,069[(3)]
• Deposits on aircraft purchase	663,757
• Deposits, cash and bank balances	168,491

Notes:-

(1) Right-of-use assets comprise mainly leased aircraft and spare engines. As at 31 December 2023, AAB leases 103 aircraft and does not own any aircraft, with 71 aircraft in operation.

(2) Finance lease receivables relate to amount receivable by the AAB Group from its aircraft subleases.

(3) Receivables and prepayments comprise mainly the following:-

(i) amount due from Capital A of RM3,803.60 million, representing mainly the balance cash consideration receivable by AAB from Capital A for the disposal of "AirAsia" brand to Capital A for a cash consideration of RM4,500.00 million;

(ii) prepayments of RM3,870.80 million include advances for purchases of fuel and prepaid engine maintenance to the service provider for the upcoming services being scheduled more than 1 year;

(iii) amount due from related companies of RM2,904.28 million, which includes amount due from the AAAGL Group which shall be novated to Capital A pursuant to the Vendor's Pre-Completion Restructuring; and

(iv) deposits of RM912.03 million, which are primarily with airports and aviation authorities.

The entity within the AAB Group holding the airline operator certificate is AAB. The historical key operating statistics of the airline are as follows:-

Key operating statistics	Unit	FYE 31 December			
		2020	2021	2022	2023
Passengers carried	'million no.	9.03	3.13	16.78	25.32
Seat capacity	'million no.	12.30	4.15	20.06	28.95
Passenger load factor	%	73	76	84	87
RPK	'million km	9,547	2,670	17,237	30,326
ASK	'million km	12,980	3,551	20,574	34,670
Number of stages	No.	66,890	22,263	107,753	157,104
Average stage length	km	1,053	858	1,016	1,198
Fleet size at year end	No.	96	103	105	103
Operating aircraft at year end	No.	35	14	43	71

As at the LPD, AAB maintains a fleet of 103 aircraft with 80 aircraft in operation. AAB leases its entire fleet of aircraft and does not own any aircraft.

Notes:-

(1) *Passenger load factor is a measure of the utilisation rate of the airline's passenger capacity. It is calculated by dividing passengers carried by seat capacity.*

(2) *RPK is a measure of the volume of passengers carried by the airline. It is the product of the number of passengers and number of kilometres those passengers were flown.*

(3) *ASK is a measure of the airline's passenger capacity. It is the product of the number of seats and number of kilometres those seats were flown.*

(4) *Number of stages refers to the number of flights flown.*

(5) *Average stage length refers to the average number of kilometres flown per flight.*

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 in AAB.

3. SHAREHOLDER

As at the LPD, AAB is a direct wholly-owned subsidiary of Capital A. The background information on Capital A is set out in Section 4.2, Part A of this Circular.

4. DIRECTORS

As at the LPD, the directors of AAB and their respective shareholdings in AAB are as follows:-

Name	Nationality	Designation	Direct		Indirect	
			No. of shares	%	No. of shares	%
Datuk Kamarudin	Malaysian	Director	-	-	3,341,974,080[(1)]	100.00
Riad Asmat	Malaysian	Director	-	-	-	-
Jasmindar Kaur A/P Sarban Singh	Malaysian	Director	-	-	-	-
Dato' Captain Fareh Ishraf Mazputra bin Ahmad Fairuz	Malaysian	Director	-	-	-	-

Note:-

(1) *Deemed interested by virtue of his interest in Capital A pursuant to Section 8 of the Act.*

5. SUBSIDIARIES AND ASSOCIATED COMPANIES

5.1 Subsidiaries

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

Name of company	Date / Place of incorporation	Issued share capital	Effective equity interest held (%)	Principal activities
AirAsia (Mauritius) Ltd	20.8.2004 / Mauritius	USD1	100.00	Providing aircraft leasing facilities
Asia Aviation Capital Limited	26.9.2014 / Labuan	USD5,000,000	100.00	Providing aircraft leasing facilities
Asia Aviation Capital Pte Ltd	18.7.2016 / Singapore	SGD4,110,001	100.00	Providing supporting services to air transport
Rouge Aircraft 1 Limited	28.11.2017 / Labuan	USD1,000	100.00	Providing supporting services to air transport
AirAsia Corporate Services Limited	21.10.2008 / Labuan	USD10,000,000	100.00	Facilitate insurance services for Capital A and its subsidiaries
AirAsia RB 1 Ltd	15.3.2024 / Labuan	USD1,000	100.00	Investment holding

5.2 Associated companies

As at the LPD, the associated companies of AAB are as follows:-

Name of company	Date / Place of incorporation	Issued share capital	Effective equity interest held (%)	Principal activities
AirAsia Philippines Inc.	22.3.2005 / Philippines	PHP1,000,000	39.90	Dormant
Ground Team Red Holdings Sdn Bhd	21.9.2017 / Malaysia	RM63,177,130	50.00	Investment holding
Ground Team Red Sdn Bhd	26.12.2007 / Malaysia	RM86,213,964	51.00	Ground handling services
GTRSG Pte Ltd	5.9.2017 / Singapore	SGD3,768,950	40.00	Ground handling services

6. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

6.1 Material commitments

Save for capital commitments in respect of aircraft purchase as disclosed below, as at the LPD, there are no material commitments incurred or known to be incurred by AAB and its subsidiaries that have not been provided for in the financial statements and which, upon becoming enforceable, may have a material impact on their profits or NA:-

Commitments	**Amount (RM'000)**
Property, plant and equipment	
- Approved and contracted for	103,027,097

6.2 Contingent liabilities

As at the LPD, save for any claims which may arise from the ongoing litigation proceedings on taxation involving AirAsia (India) Limited (further details as set out in Section 6.2 of Appendix IV of this Circular), there are no contingent liabilities incurred or known to be incurred by AAB and its subsidiaries which, upon becoming enforceable, may have a material impact on their profits or NA.

7. MATERIAL CONTRACTS

AAB and its subsidiaries have not entered into any material contracts (not being contracts entered into in the ordinary course of business) within 2 years immediately preceding the date of this Circular save for an intellectual property assignment agreement dated 27 June 2023 entered into between AAB (as seller), Capital A (as purchaser) and Brand AA Sdn Bhd (as nominee of Capital A), wherein AAB assigned all its rights, titles and interests in and to the "AirAsia" brand to Brand AA Sdn Bhd, being a nominee of Capital A for a cash consideration of RM4,500.00 million effective from the date of the agreement in accordance with the terms and conditions contained therein.

8. MATERIAL LITIGATION

Save as disclosed below, as at the LPD, AAB and its subsidiaries are not involved in any material litigation, claims or arbitration, either as plaintiff or defendant, and the board of directors of AAB is not aware of any proceedings, pending or threatened, against AAB and its subsidiaries or any facts which are likely to give rise to any proceedings which may materially and adversely affect the business or financial position of AAB and its subsidiaries:-

<u>Arbitration matter involving Mr. Christopher Davison and Mr. Navin Rajagopalan (as claimants) v Move Digital Sdn Bhd (formerly known as AirAsia Digital Sdn Bhd) ("**Move Digital**"), AAB and BigPay Pte Ltd ("**BigPay SG**") (as respondents) at Singapore International Arbitration Centre in respect of disputes arising from the shareholder disputes in relation to BigPay SG</u>

On 17 March 2017, the claimants, AAB and BigPay SG have entered into the following agreements in relation to the regulation of affairs of BigPay SG:-

(1) Shareholders' agreement which sets out the terms governing the relationship between the shareholders of BigPay SG ("**BigPay SHA**"); and

(2) Investment agreement which sets out the terms and conditions relating to AAB's investment in BigPay SG ("**BigPay IA**").

On 1 November 2019, AAB has transferred its entire shareholding in BigPay SG to Move Digital, a wholly-owned subsidiary of Capital A and consequently, Move Digital agreed to be subject to the same restrictions and obligations as AAB pursuant to the terms and conditions of the BigPay SHA and BigPay IA.

On 18 November 2021, the claimants issued a notice of arbitration against Move Digital, AAB and BigPay SG to initiate arbitration proceedings under the Arbitration Rules of the Singapore International Arbitration Centre 2016.

The claimants, as minority shareholders of BigPay SG alleged that amongst others, for breaches and wrongful termination of the BigPay IA and BigPay SHA by the respondents and minority oppression under section 216(1) of the Companies Act 1967 of Singapore ("**Singapore Companies Act**"). Pursuant to the notice of arbitration, the claimants claimed for, amongst others, a buy-out by Move Digital of the shares held by the claimants in BigPay SG pursuant to section 216(2)(d) of the Singapore Companies Act with an initial quantification of the claim in the region of USD105,000,000 (equivalent to approximately RM453,180,000*).

On 2 December 2021, the respondents have respectively filed responses to the notice of arbitration to deny the claimants' claims. Move Digital and AAB have also counterclaimed for damages against the respondents in the torts of defamation, malicious falsehood and conspiracy in which their case will be set out in full in the statement of defence and counterclaim.

Pursuant to the statement of claim dated 26 August 2022 (as amended on 14 October 2022) filed by the claimants against Move Digital, AAB and BigPay SG, the claimants have claimed for amongst others, the following:-

(1) In respect of the claim in minority oppression:

(a) A declaration that AAB and Move Digital have conducted the affairs of BigPay SG and/or caused the powers of their nominee directors to be exercised in a manner that oppresses, disregards the interests of, unfairly discriminates against or otherwise prejudices the claimants in contravention of section 216(1) of the Singapore Companies Act;

(b) An order that the issuance of 197,309,509 shares in BigPay SG to Move Digital on 21 May 2021 (which resulted in the dilution of the claimants' shareholding in BigPay SG) be struck down and invalidated; and

(c) An order providing for Move Digital to purchase the shares of the claimants pursuant to section 216(2)(d) of the Singapore Companies Act on such terms to be determined by the arbitral tribunal after considering submissions from the parties ("**Buy-Out Order**").

(2) In respect of the claim for breaches of the BigPay IA and the BigPay SHA, a declaration that BigPay SG, AAB and Move Digital have breached the BigPay IA and the BigPay SHA.

(3) In respect of either or both claims:-

(a) Damages, to the extent that the arbitral tribunal does not order a buy-out pursuant to section 216(2)(d) of the Singapore Companies Act or the buy-out does not fully compensate the claimants for the oppressive conduct by AAB and Move Digital and/or the breaches of the BigPay IA and the BigPay SHA by BigPay SG, AAB and Move Digital. In particular, the dilution in the claimants' shareholding in BigPay SG;

(b) Interest on the amounts claimed; and

(c) An order that BigPay SG, AAB and/or Move Digital pay the claimants' costs, including legal, direct costs, and all other costs, fees and expenses of any kind, on a full indemnity basis.

In relation to the Buy-Out Order, the claim made by the claimants in relation to the value of shareholding to which the claimants have alleged to be rightfully entitled to under the BigPay IA and the BigPay SHA are in the region of at least USD140,000,000 to USD183,000,000 (equivalent to approximately RM604,240,000* to RM789,828,000*). The claimants further stated in the statement of claim that they reserve their right to supplement and/or amend their position on valuation once they have had the benefit of reviewing all relevant documents provided by the respondents as part of the disclosure phase in the proceedings.

On 17 October 2022, Move Digital, AAB and BigPay SG have filed the statements of defence and counterclaim respectively to deny and defend the claims. AAB and Move Digital have counterclaimed for amongst others, joint and several liability by the claimants for damages to AAB and Move Digital for the tort of malicious falsehood in respect of the statements in an article authored and circulated by the claimants, including to news outlets that dishonestly alleged corruption and fraud on the part of AirAsia Group while revealing confidential information regarding AirAsia Group's financial affairs. AAB and Move Digital have in their statement of defence and counterclaim claimed for, amongst others, the following:-

(1) A declaration that the BigPay SHA has been validly terminated;

(2) A declaration that the BigPay IA has been validly terminated;

(3) A declaration that the claimants' interest in the shares of BigPay SG are as reflected in the BigPay SG's register of members;

(4) An order that the claimants shall pay to AAB and Move Digital damages for the counterclaim of malicious falsehood in an amount to be assessed; and

(5) An order that the claimants shall pay to AAB and Move Digital all of the costs of the arbitration (including all attorney's fees and expenses) on a full indemnity basis.

The claimants have subsequently filed the reply and defence to counterclaim to the Move Digital and AAB's defence and counterclaim as well as reply to BigPay SG's defence on 29 November 2022. Move Digital and AAB have also filed the 1st and 2nd respondents' statement of reply to defence to counterclaim ("**Rejoinder**") on 23 December 2022. On 10 March 2023, the claimants have filed the claimants' surrejoinder in response to the Rejoinder.

As at the LPD, the arbitration proceedings remain pending. The evidentiary hearing concluded on 13 October 2023 and an award is expected to be issued in 2024.

The solicitors acting for Move Digital and AAB are of the view that Move Digital and AAB have reasonable prospects of successfully defending the claim.

Note:-
* *Based on Bank Negara Malaysia's closing middle exchange rate of USD1 : RM4.3160 as at the LPD.*

9. HISTORICAL FINANCIAL INFORMATION

A summary of the financial information of the AAB Group for the FYE 31 December 2021, FYE 31 December 2022, FYE 31 December 2023, 6-month FPE 30 June 2023 and 6-month FPE 30 June 2024 are as follows:-

	Audited			Unaudited	
	FYE 31 December			FPE 30 June	
	2021	2022	2023	2023	2024
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue	691,358	3,784,775	6,420,374	3,053,487	4,133,437
Operating (loss) / profit	(1,549,495)	(328,102)	4,704,492	4,923,160	453,169
Share of results of associates	(44,130)	(19,965)	(14,583)	(10,948)	(4,374)
(Loss) / Profit before taxation	(2,472,776)	(1,778,995)	3,626,938	4,019,104	(208,164)
(Loss) / Profit after taxation	(2,473,766)	(1,782,331)	3,620,868	4,016,287	(208,794)
(Loss) / Profit after taxation attributable to the owners of AAB	(2,473,766)	(1,782,331)	3,620,868	4,016,287	(208,794)
Share capital	2,515,673	2,515,673	2,515,673	2,515,673	2,515,673
Shareholders' deficit	(3,460,239)	(5,208,655)[(1)]	(1,504,694)[(1)]	(1,267,425)	(1,825,633)
Total borrowings and lease liabilities	13,049,438	14,749,122[(2)]	16,283,292[(2)]	15,125,777	16,444,286
No. of shares in issue ('000)	3,341,974	3,341,974	3,341,974	3,341,974	3,341,974
(LPS) / EPS attributable to the owners of AAB (RM)	(0.74)	(0.53)	1.08	1.20	(0.06)
Net liabilities per share attributable to the owners of AAB (RM)	(1.04)	(1.56)	(0.45)	(0.38)	(0.55)
Current ratio (times)	0.43	0.41	1.07	1.06	1.00
Gearing (times)	n/a[(3)]	n/a[(3)]	n/a[(3)]	n/a[(3)]	n/a[(3)]

Notes:-

(1) *The increase in shareholders' deficit of the AAB Group from RM3,460.24 million as at 31 December 2021 to RM5,208.66 million as at 31 December 2022 was mainly due to the loss after taxation of RM1,782.33 million recorded for the FYE 31 December 2022 as the aviation industry was adversely affected by the COVID-19 pandemic. The shareholders' deficit of the AAB Group decreased from RM5,208.66 million as at 31 December 2022 to RM1,504.69 million as at 31 December 2023, mainly due to the profit after taxation of RM3,620.87 million recorded for the FYE 31 December 2023 resulting from a one-off gain from the disposal of "AirAsia" brand of RM4,500.00 million and higher revenue achieved during the financial year.*

(2) *The increase in total borrowings and lease liabilities of the AAB Group from RM13,049.44 million as at 31 December 2021 to RM14,749.12 million as at 31 December 2022 was mainly due to additional lease liabilities and financing facilities obtained during the financial year. The total borrowings and lease liabilities of the AAB Group increased further to RM16,283.29 million as at 31 December 2023, mainly due to additional lease liabilities and financing facilities obtained during the financial year.*

(3) *n/a denotes not applicable.*

Accounting policies and audit qualification

Based on the accountants' report of AAB as set out in Appendix X of this Circular, for the financial years under review:-

(i) there were no accounting policies adopted by the AAB Group which are peculiar to the AAB Group because of the nature of the business or the industry the AAB Group is involved in; and

(ii) there were no audit qualifications for the financial statements of the AAB Group.

Commentaries on financial performance

(a) Comparison between FYE 31 December 2021 and FYE 31 December 2022

The AAB Group recorded revenue of RM3,784.78 million for the FYE 31 December 2022, an increase of RM3,093.42 million or 447.44% from RM691.36 million for the 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 the FYE 31 December 2022 as compared to 3.13 million in the previous financial year. Hence, seat sales revenue increased by RM2,361.65 million or 474.72% to RM2,859.13 million for the FYE 31 December 2022 as compared to RM497.48 million for the FYE 31 December 2021. Additionally, ancillary revenue increased by RM685.71 million or 379.85% to RM866.23 million for the FYE 31 December 2022 as compared to RM180.52 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.

The AAB Group recorded a loss after taxation of RM1,782.33 million for the FYE 31 December 2022 as compared to a loss after taxation of RM2,473.77 million for the previous financial year, representing a decrease in losses of approximately RM691.44 million or 27.95%. This was mainly due to the higher revenue as explained above, partially offset by higher operating expenses, particularly aircraft fuel expenses which increased by RM1,694.86 million or 741.90% from RM228.45 million for the FYE 31 December 2021 to RM1,923.31 million for the FYE 31 December 2022, resulting from higher fuel consumption and rising fuel prices in the global market.

(b) Comparison between FYE 31 December 2022 and FYE 31 December 2023

The AAB Group recorded revenue of RM6,420.37 million for the FYE 31 December 2023, an increase of RM2,635.59 million or 69.64% from RM3,784.78 million for the FYE 31 December 2022. The increased revenue during the FYE 31 December 2023 was mainly attributable to the reactivation of an additional 28 operating aircraft during the said financial year. This brought the total number of operational aircraft in the AAB Group's fleet to 71 as at 31 December 2023, significantly increasing the seat capacity for the AAB Group's scheduled flight operations. Hence, seat sales revenue increased by RM1,450.21 million or 50.72% to RM4,309.34 million for the FYE 31 December 2023 as compared to RM2,859.13 million for the FYE 31 December 2022. The AAB Group also recorded an increase in its average base fare as compared to the previous financial year. Additionally, ancillary revenue increased by RM1,160.76 million or 134.00% reaching RM2,026.99 million for the FYE 31 December 2023 as compared to RM866.23 million for the previous financial year driven by the increased fees from checked baggage, seat selection, processing, and service fees due to the higher number of passengers, resulting from more aircraft being brought back into service.

The AAB Group recorded a profit after taxation of RM3,620.87 million for the FYE 31 December 2023 as compared to a loss after taxation of RM1,782.33 million for the previous financial year, representing an increase in profit of approximately RM5,403.20 million or 303.15%. The improvement was mainly due to a one-off gain from the disposal of "AirAsia" brand of RM4,500.00 million and the higher revenue as explained above, partially offset by higher operating expenses, particularly from aircraft fuel expenses which rose by RM879.54 million or 45.73% from RM1,923.31 million for the FYE 31 December 2022 to RM2,802.85 million for the FYE 31 December 2023 resulting from higher fuel consumption and rising fuel prices in the global market.

(c) Comparison between 6-month FPE 30 June 2023 and 6-month FPE 30 June 2024

The AAB Group recorded revenue of RM4,133.44 million for the 6-month FPE 30 June 2024, an increase of RM1,079.95 million or 35.37% from RM3,053.49 million for the 6-month FPE 30 June 2023, mainly attributed to the continued growth in domestic travel demand and the increase in the total number of operational aircraft in the AAB Group's fleet to 79 as at 30 June 2024. Seat sales revenue increased by RM1,007.14 million or 42.43% to RM3,380.58 million for the 6-month FPE 30 June 2024 as compared to RM2,373.44 million for the 6-month FPE 30 June 2023. Additionally, ancillary revenue increased by RM195.30 million or 35.69% to RM742.56 million for the 6-month FPE 30 June 2024 as compared to RM547.26 million for the 6-month FPE 30 June 2023.

The AAB Group recorded a loss after taxation of RM208.79 million for the 6-month FPE 30 June 2024 as compared to a profit after taxation of RM4,016.29 million for the 6-month FPE 30 June 2023, a decrease of RM4,225.08 million or 105.20%. This was mainly due to the absence of the one-off gain from the disposal of "AirAsia" brand of RM4,500.00 million recorded for the corresponding preceding financial period, as explained above.

10. INFORMATION ON THE BONDS ISSUED BY AIRASIA RB 1 LTD

On 21 August 2024, AirAsia RB 1 Ltd, a wholly-owned subsidiary of AAB, had entered into definitive agreements with aircraft lessors and private credit funds for the issuance by AirAsia RB 1 Ltd, of Regulation S (under the US Securities Act) secured bonds of up to USD443.0 million, due September 2026 and August 2028, with AAB as a third party security provider, and both AAB and Capital A as corporate guarantors. Bank Negara Malaysia has vide its letters dated 26 March 2024 and 4 July 2024 approved the issuance of the bonds together with the proposed security under Bank Negara Malaysia's Foreign Exchange Policy. The bonds were issued on 23 August 2024.

The rationale for the issuance of the bonds is to raise proceeds which shall be on-lent by AirAsia RB 1 Ltd to AAB, for AAB to refinance its lease liabilities, aircraft and engine maintenance costs, and to support the working capital requirements of AAB. The use of gross proceeds from the issuance of the bonds of USD443.0 million is as follows:-

Use of proceeds	Expected timeframe for use of proceeds from the completion of the issuance of the bonds	Amount (USD'000)
(i) Refinancing of lease liabilities[(a)]	Fully utilised	262,907
(ii) Aircraft and engine maintenance costs[(b)]	Fully utilised	82,000
(iii) General working capital[(c)]	By December 2024	43,500
(iv) Debt service reserve[(d)]	By September 2024	32,000
(v) Transaction costs in relation to the issuance of the bonds[(e)]		
(a) Stamp duty	By December 2024	2,500
(b) Other transaction costs	Fully utilised	20,000
Total		**442,907**

Notes:-

(a) As at the date of this Circular, AAB has used gross proceeds of USD262.9 million to fulfill aircraft lease obligations to the lessors who have restructured the lease contracts.

(b) As at the date of this Circular, AAB has used gross proceeds of USD82.0 million to make payments for aircraft and engine maintenance to ensure that the aircraft remains fit for flying as AAB reactivates its remaining aircraft and ramps up its operations in line with the revival and increase of air travel demand after the COVID-19 pandemic.

(c) *AAB has allocated gross proceeds of USD43.5 million to part finance the general working capital requirements of the AAB Group for the day-to-day operations which include staff-related costs, training costs for pilot and cabin crew, jet fuel, information technology (IT) operating expenses and other general working capital requirements such as back-office support services fees, and office maintenance related expenses.*

(d) *Pursuant to the terms of issuance of the bonds, AAB shall maintain a minimum cash balance in a reserve account.*

(e) *Transaction costs in relation to the issuance of the bonds include professional fees such as legal and advisory fees, upfront fee as well as stamp duty.*

The bonds are guaranteed by AAB and Capital A as corporate guarantors. It is a term of the bonds that Capital A will be released as a corporate guarantor upon fulfilment of the conditions for substitution and release pursuant to the terms and conditions of the trust deed dated 21 August 2024, constituting the bonds, which includes the replacement of our Company as a corporate guarantor for the bonds upon completion of the Proposed Acquisitions.

The bonds and/or the corporate guarantees (as the case may be) are also secured by, amongst others:-

(i) a first ranking assignment by AAB over all present and future revenue proceeds generated by AAB from passenger seat sales (including fuel surcharges) and ancillary revenue from the selected specified routes ("**Secured Routes**") after deduction of any refunds, airport taxes, merchant discount fees and bank charges which are held by AAB ("**Revenue Proceeds**")[(1)];

(ii) a floating charge by AAB over certain sub-accounts of AAB's general operating account ("**Sub-General Accounts**"), which shall receive the Revenue Proceeds generated by AAB through distribution channels other than AirAsia Move app[(1)];

(iii) a first ranking share charge by AAB over 100% of the shares of AirAsia RB 1 Ltd held; and

(iv) a first ranking charge and assignment over all present and future interest, rights, benefits, titles and assets of AirAsia RB 1 Ltd including:-

    (a) the intercompany loan between AirAsia RB 1 Ltd and AAB;

    (b) the designated operating account ("**Designated AOC Operating Account**")[(1)] which shall be established in the name of AirAsia RB 1 Ltd to capture certain Revenue Proceeds generated by AAB through AirAsia Move app;

    (c) the revenue reserve account ("**Reserve Account**")[(1)] which shall be established in the name of AirAsia RB 1 Ltd and certain funds (including amounts derived from Revenue Proceeds) will be required to be retained in that account from time to time; and

    (d) upon completion of the Proposed Acquisitions, a first ranking share charge by our Company in respect of 49% of the shares of AAB held.

Note:-

(1) *From the date of issuance of the bonds, the Revenue Proceeds from the Secured Routes will be deposited into the Designated AOC Operating Account and Sub-General Accounts, depending on the distribution channels. These Revenue Proceeds shall be applied towards (i) any fees and/or costs which may be incurred, (ii) repay the bonds (including interest) and (iii) maintain a certain minimum cash balance of at least the expected sum of next quarterly interest and principal payment due to the bondholders in the Reserve Account as collateral (collectively, "**cash waterfall payments**").*

The Designated AOC Operating Account and Reserve Account (both accounts consist of Revenue Proceeds from the Secured Routes only) are managed by the appointed transaction administrator which will ensure that AirAsia RB 1 Ltd complies with the agreed cash waterfall payments and shall be responsible for making payment of any excess cash post application for such cash waterfall payments back to the AAB Group for working capital purposes.

The Sub-General Accounts (which may include Revenue Proceeds from non-Secured Routes) shall be managed by AAB in the ordinary course of business, and AAB shall be responsible for transferring the Revenue Proceeds from the Secured Routes which are collected in this account to the Designated AOC Operating Account to ensure that the cash waterfall payments are met.

The charges over the abovementioned Revenue Proceeds, Sub-General Accounts, Designated AOC Operating Account and Reserve Account are to secure the interests of the bondholders. The abovementioned arrangements shall continue after AAB becomes a subsidiary of AAX upon completion of the Proposed Acquisitions. Further details are set out in Section 5 of Appendix II(C) of this Circular.

Based on the bonds' interest rate for tranche 1 (USD242.9 million) of 7% per annum and tranche 2 (USD200.0 million) of 14% per annum, AirAsia RB 1 Ltd is expected to incur an interest payment of approximately RM195 million per annum (based on Bank Negara Malaysia's closing middle exchange rate of USD1 : RM4.3160 as at the LPD). The pro forma financial effects of the issuance of the bonds on the gearing and EPS of AAX are illustrated in Sections 11.3 and 11.4, Part A of this Circular (Pro forma NA of AAX: No impact from the issuance of the bonds).

For information purposes, the principal amount for tranche 1 of the bonds will be payable quarterly in arrear commencing from 30 September 2024 until the maturity in September 2026 while the principal amount for tranche 2 of the bonds will be payable by the maturity in August 2028. The source of funds for the repayment of the bonds over the bond tenure will be the Revenue Proceeds from the Secured Routes.

AAB's debt payment capability to the bondholders is dependent on the cash flows generated from the passenger seat sales and ancillary revenue of the Secured Routes under the bonds, and the profitability of AAB's airline business in general. The profitability of AAB's airline business in general are, in turn, dependent on, amongst others, the demand for air travel and competition from other airlines. There is no assurance that the cash flows generated by AAB would be timely or sufficient to ensure the interest and principal payment of the bonds are paid when due. Nevertheless, AAB will continuously monitor and review the cash flows of its operations to ensure the ability of AirAsia RB 1 Ltd to meet its bond payment obligations is not compromised.

The salient terms of the bonds are set out in Appendix II(C) of this Circular.

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25 July 2024

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64000 KLIA
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Attention: Ms. Pattra Boosarawongse, Group Chief Financial Officer

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64000 KLIA
Selangor Darul Ehsan
Malaysia

Attention: Encik Benyamin Ismail, Chief Executive Officer

VALUATION LETTER – INDEPENDENT VALUATION OF 100% EQUITY INTERESTS IN AIRASIA BERHAD, AIRASIA AVIATION GROUP LIMITED AND ITS SUBSIDIARIES

1.0 Introduction

Deloitte Corporate Advisory Services Sdn. Bhd. (“DCAS”) has been engaged by Capital A Berhad (“Capital A”) and AirAsia X Berhad (“AAX”) (hereinafter referred to as the “Clients”) to perform an independent valuation (“Services”) on AirAsia Berhad (“AAB”), AirAsia Aviation Group Limited (“AAAGL”) and its subsidiaries (“AAAGL Group”) (collectively known as the “Targets”) in connection with a proposed internal restructuring of Capital A and its subsidiaries, and AAX (“Proposed Transaction”) in accordance with the terms of the engagement letter dated 21 October 2022 (“Engagement Letter”), the addendums dated 29 March 2023 and 01 April 2024 (“Addendums”) and a letter of representation on the assumption dated 24 July 2024. The proposed internal restructuring entails the acquisition by AAX of 100% equity interests in AAAGL and AAB held by Capital A.

For the purposes of this valuation letter (“Valuation Letter” or “Letter”), the AAAGL Group comprises AAAGL, PT AirAsia Indonesia TBK (“AAID”), PT Indonesia AirAsia (“IAA”), AirAsia Inc. (“AAI”), Philippines AirAsia Inc. (“PAA”), Asia Aviation Public Company Limited (“AAV”) and Thai AirAsia Company Limited (“TAA”).

2.0 Terms of Reference

DCAS has been appointed to conduct an independent valuation of the Targets in connection with the Proposed Transaction.

This Valuation Letter is prepared for inclusion in the circular to the shareholders of Capital A and AAX for the Proposed Transaction (“Purpose” or “Circular”), which has been updated subsequent to the initial valuation letter dated 15 April 2024 to consider the audited financial statements of the Targets and the latest plan for the internal reorganisation and capitalisation of debts.

The financial year end (“FY”) of the Targets is 31 December and the agreed valuation date is 31 December 2023 (“Valuation Date”). The latest financial statements used for the Services are the audited financial statements (“AFS”) for the financial year ended 31 December 2023 provided by the management of the Clients (“Management”).

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2.0 Terms of Reference (cont'd)

Save and except for the Purpose stated above, this Valuation Letter cannot be used or relied upon for any other purpose and/or by any other person including, without limitation, any of the shareholders, employees, directors as individuals, investors or any other person.

For the avoidance of doubt, the Clients are solely responsible for determining the ultimate price to be paid with respect to the Proposed Transaction. DCAS will not render any advice as to whether, or at what price the Proposed Transaction should be entered into.

This Valuation Letter and the data herein are not intended to form the only basis of any decisions in relation to the Proposed Transaction. Furthermore, this Letter does not contain all the information necessary to fully evaluate the Proposed Transaction.

In addition to the Services, other Deloitte network firms in Malaysia are also providing advisory services to Capital A and AAX, and we are not aware of any conflicts to the Services. Other than the existing relationship as set out above, DCAS was not involved in any other aspects pertaining to the Proposed Transaction. DCAS does not, by this Letter or otherwise, advise, recommend, evaluate, comment or form any judgment or opinion on the legal, commercial or financial rationale, merits or risks in relation to the Proposed Transaction or the relative merits of the Proposed Transaction as compared to any alternative transactions previously considered by the Clients or that otherwise may be available to the Clients in the future or on the future growth prospects or earnings potential of the Targets. Such advice, recommendations, evaluations, comments, judgements or opinions are and remain the sole responsibility of the Board of Directors of both Capital A and AAX, and other advisors engaged for the Proposed Transaction.

The Clients have confirmed that to the best of their knowledge and belief, the information in relation to the financials, operations and any other information of the Targets provided to DCAS are accurate in all material respects, that the Clients have made available to DCAS all significant information relevant to the Services of which the Clients have knowledge and that they are not aware of any material matters relevant to DCAS' terms of reference which have been excluded. The Clients have read this Valuation Letter and agreed to DCAS' key bases and assumptions in connection with the Services.

DCAS does not guarantee or warrant the achievability of the financial projections provided by the Targets. Financial projections are inherently uncertain and are based on estimations of future events that cannot be assured and could be based on certain assumptions that may not materialise. Accordingly, actual results can be significantly different from those projected. Hence, the Services may be materially or adversely affected should the actual results differ from the bases and assumptions which the Services were based upon.

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3.0 Background Information of the Targets and AAX

The proposed internal restructuring entails the acquisition by AAX of 100% equity interests in AAAGL and AAB held by Capital A.

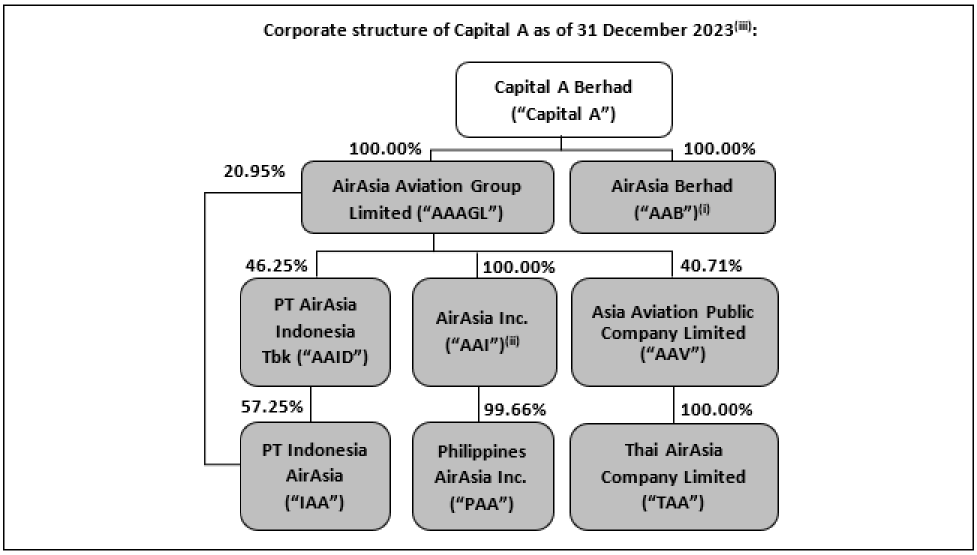
Capital A is an investment holding company with a portfolio of synergistic travel and lifestyle businesses; AAX is a medium to long-haul airline operating primarily in the Asia-Pacific region.

For the purposes of the Proposed Transaction, DCAS has been engaged to perform an independent valuation of AAAGL and AAB, which represents the aviation business of Capital A. AAAGL has equity ownership in three investment holding companies, namely AAID, AAI and AAV. The intermediate holding companies in turn are invested in IAA, PAA and TAA. These companies are collectively known as the Targets.

IAA, PAA, TAA and AAB are low-cost carriers which provide air transportation services spanning domestic and international routes, mainly focusing on short-haul flights (hereafter also referred to as airline operating companies or AOC).

The corporate structure of the Targets as of the Valuation Date are as outlined in Diagram 1 below.

Diagram 1 – Group structure of companies subject to valuation for the Proposed Transaction



Source: Management information, DCAS analysis

Note:
(i) The subsidiaries and associates held by AAB are mostly dormant in nature. As such, their carrying amounts based on the audited financial statements as of the Valuation Date have been considered as surplus assets in the valuation of AAB.
(ii) On 5 June 2023, AA Com Travel Philippines Inc., entered into a sale and purchase agreement to acquire 60% of the issued share capital of AAI, translating to a post-acquisition ownership of 100% in AAI (40% direct ownership in AAI and 60% indirect ownership via AA Com Travel Philippines Inc). Management represented that AA Com Travel Philippines Inc. will be transferred to AAAGL prior to the Proposed Transaction. For the purposes of this Letter, DCAS has been instructed to consider the net assets of AA Com Travel Philippines Inc. in valuing AirAsia Aviation Group Limited. As of the date of this Letter, the transfer of AA Com Travel Philippines Inc. to AAAGL has been completed.
(iii) The corporate structure is a simplified structure and only illustrates the companies that are relevant to the valuation exercise. Grey highlights denote valuation subjects.

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4.0 Valuation Bases and Approaches

4.1 Subject of Valuation

The subject of valuation covers 100% equity value of the following entities on marketable and control basis:

i. The AOC which include AAB, IAA, PAA and TAA; and
ii. The holding companies which include AAAGL, AAID, AAI and AAV.

The valuation has been undertaken on an "as-is" basis, assuming the Targets to be going concern as standalone entities.

4.2 Date of Valuation

The valuation is based on an agreed valuation date of 31 December 2023.

Events which take place post Valuation Date have not been considered, except those specifically mentioned in this Letter.

As of the date of this Letter, DCAS is not aware of any event or fact that will materially affect the valuation of the Targets.

4.3 Standard of Value

The standard of value that has been applied is market value, which is defined by International Valuation Standards effective 31 January 2022, as an estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion.

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4.4 Valuation Currencies

The valuation of each of the entities has been performed based on the reporting currencies of the respective entities.

For presentation purposes, the resulting valuation of entities with respective reporting currency will be converted to United States Dollar ("USD") and Ringgit Malaysia ("RM") based on the applicable exchange rates as at the Valuation Date in Table 1 below.

Table 1 – Exchange rate as of the Valuation Date

Entity	Country of incorporation	Reporting currency	Exchange rate to USD	Exchange rate to RM
AOC				
AAB	Malaysia	RM	0.2180	1.0000
IAA	Indonesia	Indonesian Rupiah ("IDR")	0.0001	0.0003
PAA	Philippines	Philippines Peso ("PHP")	0.0181	0.0828
TAA	Thailand	Thai Baht ("THB")	0.0291	0.1334
Holding companies				
AAAGL	Malaysia	USD	1.0000	4.5875
AAID	Indonesia	IDR	0.0001	0.0003
AAI	Philippines	PHP	0.0181	0.0828
AAV	Thailand	THB	0.0291	0.1334

Source: Management information, Capital IQ, DCAS analysis

Note: The exchange rates above have been rounded to the nearest 4 decimal points for presentation purposes.

4.5 Methods of Valuation

The following valuation methods have been considered in deriving the range of market value of the Targets:

i. Income approach – The income approach bases value on the estimated future cash flows which an entity is expected to generate. Discounted cash flows are estimated based on discussions and projections by the Management and other publicly available information.

ii. Market approach – The market approach estimates value based on market prices of comparable companies, adjusted for differences between the subject company and comparable companies. Guideline Public Company Method ("GPCM") is used to estimate value based on comparable listed companies. The enterprise value ("BEV") over earnings before interest, tax, depreciation, amortisation and rental ("EBITDAR") ("BEV/EBITDAR") multiple of the guideline public companies ("GPC") are considered as key valuation metrics to form the ranges of values; and

iii. Adjusted book value approach – The adjusted book value approach measures the net value of an enterprise after its assets and liabilities have been adjusted to its market value as at the Valuation Date.

The AOC are income-generating companies with active operations, as such the income approach has been adopted as the primary approach to determine the market value of the AOC whilst the market approach has been used for cross-checking purposes. The adjusted book value approach has not been applied given that the net assets of the AOC may not be reflective of their future earning capabilities.

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4.5 Methods of Valuation (Cont'd)

The adjusted book value approach has been principally applied in valuing for the holding companies given that their respective net assets as at the Valuation Date would be reflective of their market values as holding companies.

4.6 Key Bases

The key bases adopted in the valuation of the Targets are as follows:

i. The Services are based on generally accepted valuation procedures and practices that rely on the use of assumptions and considerations of uncertainties that cannot be easily quantified or ascertained;

ii. The analysis leading to DCAS' valuation presents an assessment based on DCAS' best professional judgment and experience. The Clients should note that there would usually be differences between the projections and the actual results because events and circumstances frequently do not occur as expected and these differences may be material;

iii. By its very nature, DCAS' valuation work cannot be regarded as an exact science and the conclusions arrived in many cases will of necessity be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single value. Whilst DCAS consider the valuation to be both reasonable and defensible based on the information available to DCAS, others may place a different value on the Targets;

iv. In arriving at the valuation of the Targets, DCAS has relied on the information and data supplied by the Management. DCAS is not required to and has not carried out an audit on the financial statements or the underlying assumptions to the projections;

v. DCAS has made necessary enquiries on the information provided including the Targets' projections. DCAS has not verified the information or materials provided during the performance of the Services;

vi. The detailed historical financial information of the Targets for the FY2018 to FY2023 provide a true and fair view of the Targets' financial positions and financial performances;

vii. The findings and assumptions of the valuations have been discussed with the Management prior to finalisation, we understand that the Management is agreeable to and responsible for the assumptions the projection relied on;

viii. The Services have assumed that the Targets are and will continue as a going concern;

ix. There are no undisclosed actual or contingent assets or liabilities which would have a material effect on the financial positions of the Targets;

x. There will be no material changes in the present legislation, government regulations, inflation rates, interest rates, foreign exchange rates, bases and rates of taxation and other lending guidelines which will affect the activities of the Targets;

xi. For presentation purposes, DCAS has rounded the disclosed percentages and whole numbers to the nearest unit. Due to rounding, the numbers presented throughout this Valuation Letter may not add up precisely to the totals provided; and

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4.6 Key Bases (Cont'd)

xii. The principal sources of information from the Management which have been considered in the Services include, but is not limited to, the following:

- Audited financial statements of the Targets from FY2018 to FY2023;
- Detailed historical financial information of the Targets from FY2018 to FY2023;
- Capital A's plan for reorganisation and capitalisation of debts;
- Annual reports of Capital A from FY2017 to FY2023;
- Quarterly operating statistics provided by the Management from FY2018 to FY2023;
- Fleet details provided by Management for FY2019 to FY2023;
- Historical jet fuel (Mean of Platts Singapore) prices from January 2017 to December 2023; Forecast projections of the Targets from FY2024 to FY2028; and
- Published market information from the public domain.

5.0 Valuation of the Targets

5.1 Key assumptions applied in the income approach for the AOC

The AOC include AAB, IAA, PAA, and TAA. Where applicable, DCAS will make a reference to FY2019 as a base year in analysing the projections of each AOC, as FY2019 represents the financial performance of the AOC prior to the COVID-19 pandemic.

5.1.1 AAB

Revenue

- AAB is a low-cost passenger airline which provides air transportation services out of Malaysia. As at the Valuation Date, AAB has more than 100 leased aircraft and serves around 50 destinations with more than 80 routes.
- AAB's revenue streams mainly consist of:
  i. Passenger revenues which relate to scheduled passenger flight, chartered flight income and ancillary revenue including insurance charge and baggage fee etc. It is expected to contribute circa ("c.") 99.0% of the total projected revenue between FY2024 and FY2028; and
  ii. Revenue from freight services which relate to shipment of goods through air carrier. It is expected to contribute c. 1.0% of the total revenue between FY2024 and FY2028.
- The total revenue is expected to grow at a compound annual growth rate ("CAGR") of c. 13.0% between FY2024 and FY2028 and c. 6.0% between FY2019 and FY2028.

Operating expenditure

- The operating expenditure includes fuel costs, operating leases, maintenance and overhaul expenses, user charges, staff costs and other costs.

Others

- Unutilised tax losses of AAB are expected to be utilised and offset against its projected Earnings Before Interest and Tax ("EBIT") between FY2024 to FY2028. Tax expenses are assumed in the terminal period at Malaysia statutory tax rate of 24.0%.
- Capital expenditure for non-aircraft operating assets is projected at c. 1.0% of the total projected revenue between FY2024 and FY2028.

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Others (cont'd)

- The working capital requirements of AAB have been assumed as follows:
  - i. Trade receivable turnover days of less than 2 weeks;
  - ii. Trade payable turnover days between 30 and 45 days; and
  - iii. Other working capital requirements are based on historical trends and discussions with Management.
- The cash flows are projected to grow in perpetuity after FY2028, using a terminal year growth rate of c. 2.0%, being the 20-year long-term inflation rate in Malaysia sourced from Economist Intelligence Unit ("EIU").

5.1.2 IAA

Revenue

- IAA is a low-cost passenger airline which provides air transportation services out of Indonesia. As at the Valuation Date, it has more than 30 leased aircraft and serves around 20 destinations with more than 30 routes.
- Its revenue streams mainly consist of:
  - i. Passenger revenues which relate to scheduled passenger flights, chartered flight income and ancillary revenue including insurance charge and baggage fee etc. It is expected to contribute c. 98.0% of the total projected revenue between FY2024 and FY2028; and
  - ii. Revenue from freight services which relate to shipment of goods through air carrier. It is expected to contribute c. 2.0% of the total revenue between FY2024 and FY2028.
- The total revenue is expected to grow at a CAGR of c. 21.0% between FY2024 and FY2028 and c. 14.0% between FY2019 and FY2028.

Operating expenditure

- The operating expenditure includes fuel costs, operating leases, maintenance and overhaul expenses, user charges, staff costs and other costs.

Others

- Unutilised tax losses of IAA are expected to be utilised and offset against its projected EBIT between FY2024 to FY2027. Tax expenses have been assumed from FY2028 onwards at Indonesia statutory tax rate of 22.0%.
- Capital expenditure for non-aircraft operating assets is projected at c. 1.0% of the total projected revenue between FY2024 and FY2028.
- The working capital requirements of IAA have been assumed as follows:
  - i. Trade receivable turnover days of less than 1 week;
  - ii. Trade payable turnover days between 30 and 45 days; and
  - iii. Other working capital requirements based on historical trends and discussions with Management.
- The cash flows are projected to grow in perpetuity after FY2028, using a terminal year growth rate of c. 3.0%, being the 20-year long-term inflation rate in Indonesia sourced from EIU.

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5.1.3 PAA

Revenue

- PAA is a low-cost passenger airline which provides air transportation services out of Philippines. As at the Valuation Date, it has more than 20 leased aircraft and serves more than 20 destinations with more than 20 routes.
- Its revenue streams mainly consist of:
  - i. Passenger revenues which relate to scheduled passenger flight, chartered flight income and ancillary revenue including insurance charge and baggage fee etc. It is expected to contribute c. 99.0% of the total projected revenue between FY2024 and FY2028; and
  - ii. Revenue from freight services which relate to shipment of goods through air carrier. It is expected to contribute c. 1.0% of the total revenue between FY2024 and FY2028.
- The total revenue is expected to grow at a CAGR of c. 15.0% between FY2024 and FY2028 and c. 11.0% between FY2019 and FY2028.

Operating expenditure

- The operating expenditure includes fuel costs, operating leases, maintenance and overhaul expenses, user charges, staff costs and other costs.

Others

- Unutilised tax losses of PAA are expected to be utilised and offset against its projected EBIT in FY2024 and FY2025. Tax expenses are assumed from FY2026 onwards at Philippines statutory tax rate of 25.0%.
- Capital expenditure for non-aircraft operating assets is projected at c. 2.0% of the total projected revenue for FY2024 and FY2028.
- The working capital requirements of PAA have been assumed as follows:
  - i. Trade receivable turnover days of less than 1 week;
  - ii. Trade payable turnover days between 30 and 70 days; and
  - iii. Other working capital requirements are based on historical trends and discussions with Management.
- The cash flows are projected to grow in perpetuity after FY2028, using the terminal year growth rate of c. 3.0%, being the 20-year long-term inflation rate in Philippines sourced from EIU.

5.1.4 TAA

Revenue

- TAA is a low-cost passenger airline which provides air transportation services out of Thailand. As at the Valuation Date, it has more than 50 leased aircraft and serves around 50 destinations with more than 60 routes.
- Its revenue streams mainly consist of:
  - i. Passenger revenues which relate to scheduled passenger flight, chartered flight income and ancillary revenue including insurance charge and baggage fee etc. It is expected to contribute c. 99.0% of the total projected revenue between FY2024 and FY2028; and
  - ii. Revenue from freight services which relate to shipment of goods through air carrier. It is expected to contribute c. 1.0% of the total revenue between FY2024 and FY2028.

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5.1.4 TAA (Cont'd)

- The total revenue is expected to grow at a CAGR of c. 11.0% between FY2024 and FY2028 and c. 5.0% between FY2019 and FY2028.

Operating expenditure

- The operating expenditure includes fuel costs, operating leases, maintenance and overhaul expenses, user charges, staff costs and other costs.

Others

- Unutilised tax losses of TAA are expected to be utilised and offset against its projected EBIT between FY2024 to FY2027. Tax expenses are assumed from FY2028 onwards at Thailand statutory tax rate of 20.0%.
- Capital expenditure for non-aircraft operating assets is projected at 0.2% of the total projected revenue between FY2024 and FY2028.
- The working capital requirements of TAA have been assumed as follows:
  - i. Trade receivable turnover days of less than 1 week;
  - ii. Trade payable turnover days between 30 and 45 days; and
  - iii. Other working capital requirements are based on historical trends and discussions with Management.
- The cash flows are projected to grow in perpetuity after FY2028, using a terminal year growth rate of c. 1.0%, being the 20-year long-term inflation rate in Thailand sourced from EIU.

5.1.5 Discount rates

- The discount rates adopted have been developed based on the weighted average cost of capital ("WACC"). Amongst others, the WACC are based on the following:
  - i. Cost of equity with reference to the respective markets which the AOC operate in using the international cost of capital ("ICOC") approach, which assumes adjustments for country risk factors and inflation differentials from a cost of capital benchmark based on a mature financial market. The United States ("US") have been applied as a benchmark, and a US equity risk premium of c. 5.0%, adjusted for country risk and inflation rate differentials ranging from c. 2.0% to 4.0% have been adopted;
  - ii. Pre-tax cost of debt ranges from c. 6.0% to c. 9.0%;
  - iii. Debt-to-capital ratio of c. 30.0%; and
  - iv. Additional risk premiums, as appropriate, to consider uncertainties and risks attributable to the cash flow projections of the respective AOC.
- The adopted WACC for the respective AOC are summarised as below:
  - i. AAB: 12.5% to 14.5%;
  - ii. IAA: 17.5% to 19.0%;
  - iii. PAA: 17.0% to 19.0%; and
  - iv. TAA: 12.0% to 14.5%.

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5.2 Key assumptions applied in the market approach for the AOC

- Forward EBITDAR has been considered given that the AOC operations are expected to recover to pre COVID-19 levels in the projection period, consistent with general market consensus of the recovery of the overall airline industry.
- Low-cost carriers which mainly provide air transportation services within the Asia Pacific region have been selected as comparable companies. The GPC are enclosed in the Appendix of this Letter.

5.3 Key assumptions applied in the adjusted book value approach for the holding companies

- The holding companies which include AAAGL, AAID, AAI and AAV have been valued based on their adjusted book value.
- The audited net book value of the respective holding companies as of the Valuation Date has been adopted.
- Adjustments to the book value will mainly pertain to the fair value upliftment of their investments in subsidiaries based on the market values of the AOC derived in the preceding section of this Valuation Letter.
- The carrying amount of other assets and liabilities have been assumed to approximate their market value.

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5.4 Income approach

Under the income approach, the 100% equity value of the AOC including AAB, IAA, PAA, and TAA on marketable and control basis are as follows:

Table 2 – Indicative value of the Targets based on income approach

	AAB		IAA		PAA		TAA	
	Low range (RM'mil)	High range (RM'mil)	Low range (IDR'bil)	High range (IDR'bil)	Low range (PHP'mil)	High range (PHP'mil)	Low range (THB'mil)	High range (THB'mil)
Discount rates	14.5%	12.5%	19.0%	17.5%	19.0%	17.0%	14.5%	12.0%
BEV	2,278	3,158	3,683	4,345	17,020	21,679	25,757	31,889
Adjustment for:								
Net (debt) / cash	1,444	1,444	(3,031)	(3,031)	(10,997)	(10,997)	(1,792)	(1,792)
Equity value	3,721	4,602	652	1,314	6,023	10,683	23,966	30,098
Equity value (USD'mil)	**811**	**1,003**	**42**	**85**	**109**	**193**	**697**	**875**
Equity value (RM'mil)	**3,721**	**4,602**	**196**	**394**	**499**	**885**	**3,198**	**4,016**

Source: Audited financial statements, Management information, DCAS analysis
Note:
- *Mil denotes millions and bil denotes billions.*
- *Due to rounding, the numbers presented in the table may not add up precisely to the totals provided.*

DCAS has cross-checked the valuation ranges from the income approach to market approach and the outcomes support the value ranges above.

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5.5 Adjusted book value approach

Under the adjusted book value approach, the 100% equity value of AAAGL, AAV, AAI and AAID are as follows:

Table 3 – Indicative value of AAAGL, AAV, AAI and AAID based on adjusted book value approach

	AAAGL		AAV		AAI		AAID	
	Low range (USD'mil)	High range (USD'mil)	Low range (THB'mil)	High range (THB'mil)	Low range (PHP'mil)	High range (PHP'mil)	Low range (IDR'bil)	High range (IDR'bil)
Audited book value	183	183	17,015	17,015	6,176	6,176	2,567	2,567
Adjustments:								
(1) Upliftment in fair value of investments	(61)	116	7,081	13,213	6,003	10,646	(2,228)	(1,849)
(2) Capital contribution from Capital A arising from the capitalisation of the intercompany debts.	505	505	n/a	n/a	n/a	n/a	n/a	n/a
(3) Cost of investment for the acquisition of 100% equity interest in AA Com Travel Philippines Inc.	(0.2)	(0.2)	n/a	n/a	n/a	n/a	n/a	n/a
Adjusted book value	628	805	24,095	30,227	12,178	16,822	339	718
Equity value (USD'mil)	**628**	**805**	**701**	**879**	**220**	**304**	**22**	**47**
Equity value (RM'mil)	**2,880**	**3,691**	**3,215**	**4,034**	**1,008**	**1,393**	**102**	**215**

Source: Audited financial statements, Management information, DCAS analysis
Note:
- *Mil denotes millions and bil denotes billions.*
- *Due to rounding, the numbers presented in the table may not add up precisely to the totals provided.*
- *Audited book values have been adjusted to reflect the latest plan for internal reorganisation and capitalisation of debts to be completed prior to the Proposed Transaction.*

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5.5 Adjusted book value approach (Cont'd)

Note: Upliftment in fair value of AAAGL's investments are shown as below:

	Low range (USD'mil)	High range (USD'mil)
• 20.95% equity interest in IAA	9	18
• 40.71% equity interest in AAV	285	358
• 100.00% equity interest in AA Com Travel Philippines Inc	116	166
• 40.00% equity interest in AAI	88	121
• Investment in convertible bond issued by AAI	25	25
• 46.25% equity interest in AAID	10	22
Total	**533**	**710**
Less: Adjusted carrying amount of AAAGL's investments as at 31 December 2023	(594)	(594)
Upliftment in fair value of AAAGL's investments	**(61)**	**116**

Note: Carrying amount of AAAGL's investments have been adjusted to reflect the proposed novation of perpetual capital securities from AAB to AAAGL, to be completed prior to the Proposed Transaction.

6.0 Key risk factors

This section highlights some of the inherent key risk factors in the financial projections adopted in the valuation of the AOC including AAB, IAA, PAA, and TAA.

Correspondingly, the holding companies including AAAGL, AAID, AAI and AAV would also be subject to the same risk factors due to their shareholdings in the underlying AOC.

i. Recovery of demands for the AOC's air transportation services

The AOC are expected to recover to its pre-pandemic revenue in FY2024 which is in line with the overall increase in demands for air transportation services post-pandemic. However, there is no certainty that the speed of recovery would be in line with the projection by the AOC.

ii. Ability to achieve planned capacity expansion

The projected growth in revenue of the AOC is expected to be contributed by the growth in the number of stages and expansion of new routes.

This is dependent on the timely delivery of aircraft from suppliers to be utilised in servicing the increased capacity, which is inherently uncertain given the current backlog prevalent in the aircraft supply industry. Further, there are also uncertainties in securing the necessary approvals to fly the new routes.

iii. Ability to achieve projected improvement in profitability margins

The AOC are expected to achieve improvement in margins between FY2024 and FY2028 due to economies of scale and cost optimization initiatives by the Management. However, there is no guarantee of the achievability of the projected growths and margins.

iv. Fluctuations of exchange rate and movement in crude oil prices

Fuel cost is a major cost component in the AOC operations, price of which is closely related to movement in crude oil prices. Most of the AOC's costs, including fuel costs are also denominated in USD. Fluctuations in fuel prices and exchange rates will therefore potentially contribute to uncertainties in the projected cash flows of the AOC.

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7.0 Conclusion

Based upon and subject to the foregoing and other information used in the preparation of this Letter, DCAS has estimated the values of 100% equity interests in the Targets on a marketable and control basis, as shown below:

Table 4 – Summary of indicative value of the Targets in their respective reporting currencies and USD

			Reporting currency		USD'mil		RM'mil	
Entity	**Country of incorporation**	**Reporting currency**	**Low range**	**High range**	**Low range**	**High range**	**Low range**	**High range**
AOC								
AAB	Malaysia	RM'mil	3,721	4,602	811	1,003	3,721	4,602
IAA	Indonesia	IDR'bil	652	1,314	42	85	196	394
PAA	Philippines	PHP'mil	6,023	10,683	109	193	499	885
TAA	Thailand	THB'mil	23,966	30,098	697	875	3,198	4,016
Holding companies								
AAAGL	Malaysia	USD'mil	628	805	628	805	2,880	3,691
AAID	Indonesia	IDR'bil	339	718	22	47	102	215
AAI	Philippines	PHP'mil	12,178	16,822	220	304	1,008	1,393
AAV	Thailand	THB'mil	24,095	30,227	701	879	3,215	4,034

Source: Audited financial statements, Management information, DCAS analysis

The equity values of the Targets above are based on several assumptions set out in the previous sections. As with all assumptions, there are inherent uncertainties and there can be no guarantee that the assumptions will be achieved. The valuation ranges should be considered together with the key bases and assumptions adopted.

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8.0 Restriction

This Valuation Letter is prepared strictly and solely for inclusion in the Circular. The valuation of 100% equity interest in the Targets should be considered in the context of the entirety of this Letter. Save for the purpose of public inspection in relation to the Proposed Transaction and other public documents to be made in accordance with the rules and regulations set out by the relevant authorities, this Letter may not be reproduced, disseminated or quoted for any other purpose without DCAS' prior written consent.

This Letter is governed by, and should be construed in accordance with, the laws of Malaysia, and are strictly limited to the matters stated herein. DCAS reserves the right to amend this Letter in terms of its format and contents before providing our consent.

Accordingly, we are not responsible or liable for any form of losses however occasioned to any third party as a result of the circulation, publication, reproduction or use of, or reliance on this Letter, in whole or in part, contrary to the provision set out in this Letter and our Engagement Letter.

Neither DCAS nor any of its members or employees undertakes responsibilities arising in any way whatsoever to any person in respect of this Letter, including any error or omission therein, however caused, as a result of the unauthorised circulation, publication, reproduction or use of this Letter, or any part hereof.

We are under no obligation to update this Letter in respect of events or information that came to our attention subsequent to the date of this Letter.

Yours faithfully,

DELOITTE CORPORATE ADVISORY SERVICES SDN. BHD.

Leonard Woo
Executive Director

Yap Kong Meng
Executive Director

encl.
Appendix: Guideline Public Companies

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Appendix – Guideline Public Companies

No.	Name	Country	Business description
1	Air Busan Co., Ltd.	South Korea	Air Busan Co., Ltd. provides passenger airline services. It offers domestic and international flight services.
2	AirAsia X Berhad	Malaysia	AirAsia X Berhad, together with its subsidiaries, provides long haul air transportation services under the AirAsia X brand in Malaysia, Thailand, and Indonesia. The company also offers logistical Management and marketing services; and leases aircraft facilities.
3	Asia Aviation Public Company Limited	Thailand	Asia Aviation Public Company Limited, through its subsidiary, provides airline services in Thailand. The company operates through Scheduled Flight Operations and Charter Flight Operations segments.
4	Capital A Berhad	Malaysia	Capital A Berhad, an investment holding company, provides air transportation services internationally under the AirAsia brand. It also offers management, engineering, tour operating, consultancy services, inflight services as well as provides logistic and payment services for cross border e-commerce marketing.
5	Cebu Air, Inc.	Philippines	Cebu Air, Inc., an airline, provides international and domestic air transportation services. It offers scheduled air travel services and ancillary services to passengers, as well as airport-to-airport cargo services on its domestic and international routes. Cebu Air, Inc. operates as a subsidiary of CP Air Holdings, Inc.
6	InterGlobe Aviation Limited	India	InterGlobe Aviation Limited provides air transportation services in India and internationally. The company primarily operates IndiGo passenger airline. It also offers ancillary products and services comprising cargo, service requests, ticket modification and cancellation, in-flight sales, ground handling, and tour services.
7	Jeju Air Co., Ltd.	South Korea	Jeju Air Co., Ltd. provides airline services in South Korea, Japan, China, Taiwan, the Philippines, Vietnam, Thailand, and Guam. It also offers in-flight, airport, and other additional services. Jeju Air Co., Ltd. is a subsidiary of AK Holdings, Inc.
8	Nok Airlines Public Company Limited	Thailand	Nok Airlines Public Company Limited, together with its subsidiaries, provides air transport services for passengers, and parcels and parcel posts in Thailand.
9	PT AirAsia Indonesia Tbk	Indonesia	PT AirAsia Indonesia Tbk, through its subsidiary, PT Indonesia AirAsia, provides scheduled commercial air transport services in Indonesia.
10	SpiceJet Limited	India	SpiceJet Limited offers passengers and cargo air transportation services under the SpiceJet brand name. It operates 98 fleets covering 250 routes, which include 212 domestic and 38 international destinations.
11	Spring Airlines Co., Ltd.	China	Spring Airlines Co., Ltd. engages in the air passenger and cargo transportation business in China. The company also provides services related to air transportation. Spring Airlines Co., Ltd. is a subsidiary of Shanghai Spring International Travel Services Ltd.

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Source: Capital IQ, DCAS analysis

Appendix – Guideline Public Companies (cont'd)

No.	Name	Country	Business description
12	T'Way Air Co., Ltd.	South Korea	T'Way Air Co., Ltd. provides air transportation services. The company was formerly known as Hansung Airlines Co. Ltd. and changed its name to T'Way Air Co., Ltd. in August 2010.
13	Tigerair Taiwan Co., Ltd.	Taiwan	Tigerair Taiwan Co., Ltd. provides airline services. It offers air transportation services for passengers and cargo, and ground handling services. Tigerair Taiwan Co., Ltd. is a subsidiary of China Airlines Co., Ltd.
14	VietJet Aviation Joint Stock Company	Vietnam	VietJet Aviation Joint Stock Company provides passenger and cargo air transportation services, and airline-related support services. It also provides aircraft rental and in-flight advertising services; and trades in and leases aircraft and aircraft components, as well as offers ancillary and payment services.

Source: Capital IQ, DCAS analysis

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Deloitte.

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10 September 2024

Capital A Berhad
RedQ, Jalan Pekeliling 5
Lapangan Terbang Antarabangsa Kuala Lumpur (KLIA2)
64000 KLIA
Selangor Darul Ehsan
Malaysia

Attention: Ms. Pattra Boosarawongse, Group Chief Financial Officer

AirAsia X Berhad
RedQ, Jalan Pekeliling 5
Lapangan Terbang Antarabangsa Kuala Lumpur (KLIA2)
64000 KLIA
Selangor Darul Ehsan
Malaysia

Attention: Encik Benyamin Ismail, Chief Executive Officer

ASSESSMENT OF THE ISSUANCE OF REVENUE BOND ON THE VALUATION OF AIRASIA BERHAD, AIRASIA AVIATION GROUP AND ITS SUBSIDIARIES

1.0 Introduction

Further to the issuance of the valuation letter on 25 July 2024, Capital A and AAX have requested DCAS to evaluate the impact of issuance of Revenue Bond (as hereinafter defined) which has been secured on 21 August 2024 after the date of issuance of the valuation letter, on the valuation of the Targets as defined in the valuation letter dated 25 July 2024.

Unless otherwise stated, the abbreviations or definitions in this document have the same meaning as those in the valuation letter dated 25 July 2024.

Subsequent to the Letter, AAB's wholly owned subsidiary, AirAsia RB1 Ltd ("AARB1") has on 21 August 2024, entered into agreement with its aircraft lessors and private credit funds for the issuance of bonds with the following terms:

i. Tranche 1 – USD 243.0 mil with an interest rate of 7% per annum repayable within two years (i.e., by September 2026); and
ii. Tranche 2 – USD 200.0 mil with an interest rate of 14% per annum repayable within four years (i.e., by August 2028).

Further details on the terms of the bonds can be found in the Circular to the shareholders of Capital A and AAX ("Revenue Bond").

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2.0 Assessment

Save as expressly mentioned in this document, all the other assumptions undertaken in the valuation of the Targets remain the same as those stated in the valuation letter dated 25 July 2024.

As disclosed in our valuation letter dated 25 July 2024, DCAS has applied the income approach as the primary method in valuing the AOCs, including AAB.

We understand from the Management that the Revenue Bond is used for repayment of existing lease payables and for working capital purposes. As such, the Revenue Bond is deemed as an operational rather than a financing debt.

Based on this understanding, the impact of the Revenue Bond would therefore be assessed based on the incremental cash inflows and outflows arising from the drawdown and repayment of the principal and interest and associated tax savings based on the contractual terms of the Revenue Bond between FY2024 and FY2028.

These cash flows will form part of the incremental net working capital funding which will be attributed to AAB during the tenure of the Revenue Bond.

Further, as the Revenue Bond is used to fund AAB's existing operations, it is assumed that there are no other changes in the assumptions to arrive at the projected cash flows of AAB.

3.0 Impact of valuation

The impact of Revenue Bond on the valuation of AAB is summarised in the table below:

Table 1 – Comparison of the indicative value of AAB based on cash flows before and after the issuance of Revenue Bond

	As of valuation letter dated 25 July 2024		Assessment on valuation after Revenue Bond	
	Low range (RM'mil)	**High range (RM'mil)**	**Low range (RM'mil)**	**High range (RM'mil)**
Discount rate	14.5%	12.5%	14.5%	12.5%
BEV	2,278	3,158	2,291	3,119
Adjustment for:				
Net (debt) / cash	1,444	1,444	1,444	1,444
Equity value of AAB	3,721	4,602	3,735	4,563
Equity value of AAB (USD'mil)	**811**	**1,003**	**814**	**995**

Note:
- Mil denotes millions.
- Due to rounding, the numbers presented in the table may not add up precisely to the totals provided.

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3.0 Impact of valuation (Cont'd)

The midpoint of equity value of AAB after Revenue Bond is RM4,149 mil, which is lower than RM4,161 mil based on the valuation letter dated 25 July 2024. The difference arises from the following factors, including:

i. Lower average interest rate on the Revenue Bond as compared to the adopted discount rate of AAB;
ii. Additional transaction cost arising from the Revenue Bond facility; and
iii. Tax savings arising from interest payments on Revenue Bond.

Yours faithfully,

DELOITTE CORPORATE ADVISORY SERVICES SDN. BHD.

Leonard Woo
Executive Director

Yap Kong Meng
Executive Director

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WYNCORP
CORPORATE FINANCE ADVISOR

24 September 2024

The Board of Directors
AIRASIA X BERHAD
RedQ, Jalan Pekeliling 5
Lapangan Terbang Antarabangsa
Kuala Lumpur
64000 KLIA, Selangor
Malaysia

Dear Sirs,

AIRASIA X BERHAD ("AAX" OR "COMPANY" OR "PURCHASER")

EXPERT'S REPORT ON THE FAIRNESS OF THE PURCHASE CONSIDERATION FOR THE PROPOSED ACQUISITION FROM CAPITAL A BERHAD ("CAPITAL A") OF 100% EQUITY INTEREST IN AIRASIA AVIATION GROUP LIMITED ("AAAGL") ("EXPERT'S REPORT")

Unless otherwise stated herein, the terms and abbreviations used in this Expert's Report shall have the same meanings as set out in the "Definitions" Section of the Circular.

1. INTRODUCTION

On 25 April 2024, the Company had entered into a conditional internal reorganisation agreement with AAG for the implementation of a proposed internal reorganisation by way of a members' scheme of arrangement under Section 366 of the Act ("**Proposed Internal Reorganisation**") comprising the following ("**Internal Reorganisation Agreement**"): -

(i) the proposed exchange of all Shares with new ordinary shares in AAG ("**AAG Share(s)**") on the basis of 1 new AAG Share for every 1 existing Share held by the entitled Shareholders on an entitlement date to be determined by the Board and announced later; and

(ii) the proposed assumption by AAG of the listing status of AAX and the admission of AAG to, and the withdrawal of AAX from, the Official List with the listing and quotation of the entire enlarged issued share capital of AAG on the Main Market of Bursa Securities.

On even date, AAG had entered into, amongst others, the AAAGL SSPA with Capital A for the Proposed AAAGL Acquisition.

In order to expedite the implementation and completion of the Proposals (including the Proposed AAAGL Acquisition) (if approved by Shareholders), the Board had on 26 July 2024 decided to abort the Proposed Internal Reorganisation and to undertake the Proposals (including the Proposed AAAGL Acquisition) under AAX instead of AAG as initially proposed. Accordingly, the Company and AAG had on 26 July 2024 mutually terminated the Internal Reorganisation Agreement.

In addition, on 26 July 2024, the Company, AAG and Capital A had amongst others, entered into supplemental agreement to the AAAGL SSPA. Pursuant to the supplemental agreement dated 26 July 2024, AAX has assumed the rights and obligations of AAG to the AAAGL SSPA as the purchaser in respect of the Proposed AAAGL Acquisition.

Further, the Company and Capital A had on 4 September 2024 entered into second supplemental agreement to the AAAGL SSPA. Pursuant to the second supplemental agreement dated 4 September 2024, the approvals and/or consents of lenders / financiers of the AAAGL Group for the release and/or discharge of any corporate guarantee and/or security provided by the Capital A Group Post Disposal in favour of lenders / financiers of the AAAGL Group shall be obtained before the date of completion of the Proposed AAAGL Acquisition.

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The purchase consideration for the Proposed AAAGL Acquisition amounting to RM3,000.00 million ("**AAAGL Purchase Consideration**") to be satisfied entirely via the allotment and issuance of 2,307,692,307 new Shares ("**Consideration Shares**") at an issue price of RM1.30 each.

In accordance with Appendix 10B, Part F, Item (4) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Listing Requirements**"), where any one of the percentage ratios is 25% or more in relation to foreign securities or assets proposed to be acquired, an expert's report on the fairness of the total purchase consideration for the foreign securities or assets proposed to be acquired shall be prepared and included within the circular to shareholders for the transaction.

The Proposed AAAGL Acquisition falls within the scope as provided under Appendix 10B, Part F, Item (4) of the Listing Requirements. Accordingly, WYNCORP Advisory Sdn Bhd (**"WYNCORP"**) has been appointed by AAX to provide an Expert's Report that opines on the fairness of the AAAGL Purchase Consideration payable by AAX for the Proposed AAAGL Acquisition ("**Expert's Report**").

WYNCORP's opinion and the Expert's Report may not be quoted, referred to or otherwise disclosed, in whole or in part, in any document other than for inclusion in the Circular. Additionally, this Expert's Report is not intended to be and does not constitute a recommendation by us on the Proposed AAAGL Acquisition. It is not intended to be relied on to address the business concerns and risks pertaining to the AAAGL Group.

2. SCOPE AND LIMITATIONS OF OUR EVALUATION ON THE FAIRNESS OF THE PURCHASE CONSIDERATION FOR THE PROPOSED AAAGL ACQUISITION

Declaration of independence
Save for being mandated to act in the professional capacity for the issuance of this Expert's Report and the independent advice letter (as contained in Part B of the Circular), WYNCORP and/or its directors and staff who are involved in this exercise neither own any equity ownership in AAX's or Capital A's shares, nor involved in the provision of any other advisory services to AAX or Capital A.

Principal sources of information
WYNCORP was not involved in any formulation of, or any deliberations and negotiations on, the terms and conditions pertaining to the Proposed AAAGL Acquisition. In arriving at our opinion on the fairness of the purchase consideration for the Proposed AAAGL Acquisition, we have relied on, inter-alia, the following information and/or documents made available to us by the management of AAX: -

(i) the AAAGL SSPA and the supplemental agreements to the AAAGL SSPA;

(ii) the audited financial statements of AAAGL Group comprising the following: -

- audited financial statements of AAAGL for the FYEs 31 December 2023, 2022 and 2021;
- audited consolidated financial statements of AAID for the FYEs 31 December 2023, 2022 and 2021;
- audited financial statements of AAI for the FYEs 31 December 2023, 2022 and 2021;
- audited consolidated financial statements of AAV for the FYEs 31 December 2023, 2022 and 2021;
- audited financial statements of IAA, PAA and TAA respectively for the FYEs 31 December 2023, 2022 and 2021;

(iii) the valuation letter issued by Deloitte on the indicative fair values of 100% equity interests in AAAGL;

(iv) the Circular and the accompanying appendices;

(v) other relevant information, documents and representations furnished to us by the representatives of AAX; and

(vi) other publicly available information which we consider relevant for our evaluation.

We have relied on the Board and management of AAX to take due care in ensuring that all information, data, documents and representations provided to us to facilitate our evaluation are accurate, valid, complete, reasonable and free from omission in all material respects. WYNCORP has not conducted any audit or other verification procedures in respect of any financial and non-financial data and information used in our evaluation. Accordingly, WYNCORP shall not assume any responsibility or liability whatsoever to any party for any inaccuracies, misstatements or omissions of facts and information provided or represented by the Board and management of AAX. It is not within our terms of reference to express any opinion on legal, accounting, auditing and taxation issues relating to the Proposed AAAGL Acquisition.

Please note that our opinion and evaluation is based on the valuation as of 31 December 2023 ("**Evaluation Date**") and the economic, market and other conditions prevailing as at the Evaluation Date, except otherwise specifically mentioned herein. Such conditions may change significantly over a short period of time after the Evaluation Date and the date of this Expert's Report. It should be noted that our evaluation and opinion expressed in this Expert's Report do not consider any subsequent information, events or conditions arising after the Evaluation Date or such other period as specified herein.

3. OVERVIEW OF AAAGL GROUP

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.

As at the LPD, the issued share capital of AAAGL is USD5,270,000 comprising 5,270,000 ordinary shares in AAAGL. As at the LPD, AAAGL is a direct wholly-owned subsidiary of Capital A, being the Vendor for the Proposed AAAGL Acquisition.

The directors of AAAGL as at the LPD are Tan Sri Jamaludin bin Ibrahim, Tharumalingam A/L Kanagalingam (better known as "**Bo Lingam**"), Suvabha Charoenying, Lim Serh Ghee, Francisco Edralin Lim and Khoo Gaik Bee.

The principal activity of AAAGL is investment in shares outside Malaysia. Through its subsidiaries, TAA, PAA, IAA and CAA, the AAAGL Group provides air transport services from Thailand (commenced business in second quarter of 2004), the Philippines (commenced business in first quarter of 2012), Indonesia (commenced business in second quarter of 2005) and Cambodia (commenced business in May 2024).

Further information on AAAGL is set out in Appendix IV of the Circular.

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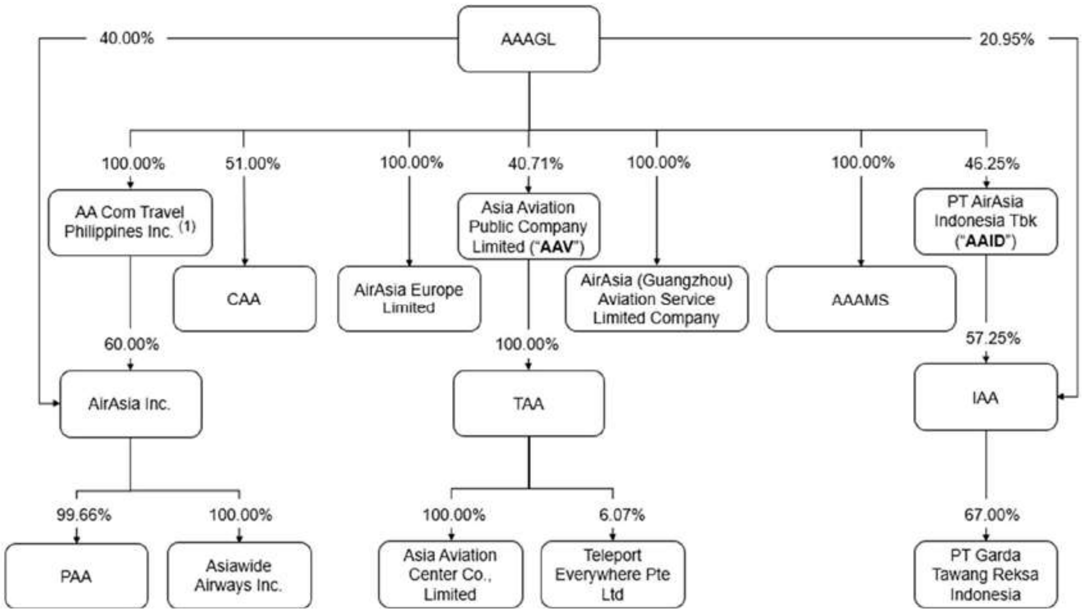
CORPORATE FINANCE ADVISOR

As at the Evaluation Date, the composition of AAAGL Group is as follows: -



Note: -
(1) *The acquisition of 100% equity interest in AA Com Travel Philippines Inc. by AAAGL from AirAsia Com Travel Sdn Bhd, a subsidiary of Capital A, was completed on 25 March 2024. In appraising the indicative fair values of AAAGL, Deloitte has been instructed by the management of Capital A and AAX to take into consideration the net assets of AA Com Travel Philippines Inc. as if the said acquisition has been completed as at the Evaluation Date.*

4. INDUSTRY OUTLOOK AND PROSPECTS

We take cognisance of the industry outlook and prospects as set out in Sections 9.1 and 9.2, Part A of the Circular.

Based on the IMR Report, the aviation industry will benefit from improved economic activities, which will spur leisure and business travel and drive the demand for passenger air services. Low-cost carriers are believed to be able to continue increasing their growth and penetration in the aviation industry due to their core advantage of offering value flight services at lower-priced fares by placing emphasis on the core service which is transporting passengers by air from one destination to another with minimal complimentary ancillary services. Hence, low-cost carriers are generally more resilient and flexible in managing their cost structure to be able to offer low fares amidst sustaining through crises such as the COVID-19 pandemic. Moving forward, the sustainability of low-cost carriers is expected to be supported by the various factors as set out in Section 9.1, Part A of the Circular, alongside their leverage on the recovery in air travel and surging demand for leisure travel as they continue to increase their capacity and rebuild their networks.

Please refer to Sections 9.1 and 9.2, Part A of the Circular for the further details on the industry outlook and prospects.

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5. RISKS OF THE PROPOSED AAAGL ACQUISITION

We take cognisance of the risk factors as set out in Section 10, Part A of the Circular.

The Proposed AAAGL Acquisition will subject the Group to the following key risks, which are by no means exhaustive: -

(a) Non-completion risk
(b) Investment risk
(c) Projection risk
(d) Goodwill and impairment risk
(e) Risk of triggering Practice Note 17 of the Listing Requirements
(f) Limitation of liabilities
(g) Financing and default risk
(h) Foreign exchange risk
(i) Risk of reliance on "AirAsia" brand (including "AirAsia X" brand) and AirAsia Ecosystem
(j) Foreign investment risk
(k) Dilution of existing shareholdings of AAX Shareholders

Please refer to Section 10, Part A of the Circular for the further details on risks of the Proposed Acquisitions (including the Proposed AAAGL Acquisition).

6. EVALUATION ON THE FAIRNESS OF THE PURCHASE CONSIDERATION FOR THE PROPOSED AAAGL ACQUISITION

We take cognisance of the basis and justification for the AAAGL Purchase Consideration as set out in Section 4.3, Part A of the Circular. In justifying the AAAGL Purchase Consideration, the Board (save for Interested Directors of AAX) has taken into consideration the following: -

(i) Rationale and benefits of the Proposed AAAGL Acquisition as set out in Section 8.3, Part A of the Circular;

(ii) Outlook of the aviation industry and prospect of the AAAGL Group and the New Aviation Group as set out in Section 9, Part A of the Circular;

(iii) Deloitte has been appointed by Capital A and AAX to conduct an independent valuation on AAAGL Group. The AAAGL Purchase Consideration falls within the range of valuation for the entire AAAGL Equity Interest of between RM2,880.00 million and RM3,691.00 million as at the valuation date of 31 December 2023 based on the valuation undertaken by Deloitte (further details of which as set out in the Valuation Letter attached in Appendix VI(A) of the Circular); and

(iv) The AAAGL Purchase Consideration (RM3,000.00 million) represents a discount of approximately RM285.50 million or 8.69% to the mid-point of the valuation range for AAAGL (being RM3,285.50 million).

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CORPORATE FINANCE ADVISOR

6.1 VALUATION CURRENCIES

We noted that the valuation of the respective entities has been performed based on the reporting currencies of the respective entities. Thereafter, for presentation purposes, the resulting valuation of the respective entities (based on their respective reporting currency) have been converted to USD and RM based on the applicable exchange rates as at the Evaluation Date. The applicable exchange rates adopted as summarised in Table 1 below: -

Table 1 – Exchange rate as of the Evaluation Date

Entity	Country of incorporation	Reporting currency	Exchange rate to USD	Exchange rate to RM
AOCs				
IAA	Indonesia	IDR	0.0001	0.0003
PAA	Philippines	PHP	0.0181	0.0828
TAA	Thailand	THB	0.0291	0.1334
Holding companies				
AAAGL	Malaysia	USD	1.0000	4.5875
AAID	Indonesia	IDR	0.0001	0.0003
AAI	Philippines	PHP	0.0181	0.0828
AAV	Thailand	THB	0.0291	0.1334

(Source: Deloitte's Valuation Letter)

As the operations of AAAGL Group involved multiple countries, we opine that: -

(i) the adoption of reporting currency of the respective entities as the primary currency in appraising the range of market value of the respective entities; and

(ii) the ultimate translation into RM based on the exchange rate as of the Evaluation Date for the purpose of determining the valuation for the Proposed AAAGL Acquisition;

is appropriate and reasonable.

6.2 METHOD OF VALUATION

We noted that the following valuation methods have been considered by Deloitte in appraising the valuation range of the respective entities of AAAGL Group: -

	AOCs	Holding Companies
Primary approach	Income approach	Adjusted book value approach
Secondary approach, for cross-checking purposes	Market approach	Not applicable

(i) Income approach – The income approach provides an indication of value by converting future cash flow to a single current value, as defined by the International Valuation Standards ("**IVS**"). The income approach should be applied under the following circumstances:

(a) The income-producing ability of the subject asset is the critical element affecting value; and/or

(b) Reasonable projections of the amount and timing of future income are available for the subject asset, but there are few, if any, relevant market comparables.

In the context of the Proposed AAAGL Acquisition, the income-producing ability of the AOCs (namely, TAA, PAA and IAA) is the critical element affecting their values. As such, we are of the view that the adoption of income approach – discounted cash flows ("**DCF**") method by Deloitte in appraising the valuation range for the AOCs is appropriate and reasonable.

(ii) Market approach – The market approach provides an indication of value by comparing the subject asset with identical or comparable (that is similar) assets for which price information is available, as defined by the IVS. The market approach should be applied under the following circumstances:

(a) The subject asset has recently been sold in a transaction appropriate for consideration under the basis of value;

(b) The subject asset or substantially similar assets are actively publicly traded; and/or

(c) There are frequent and/or recent observable transactions in substantially similar assets.

In the context of the Proposed AAAGL Acquisition, we noted that market approach – guideline public company method ("**GPCM**") has been used as secondary valuation method (for cross-checking purposes only) by Deloitte in appraising the valuation range for the AOCs. The enterprise value ("**BEV**") over earnings before interest, tax, depreciation, amortisation and rental ("**EBITDAR**") ("**BEV/EBITDAR**") multiple of the guideline public companies ("**GPCs**") are considered as key valuation metrics. We are of the view that the adoption of GPCM by Deloitte as the secondary valuation method (for cross-checking purposes only) is appropriate and reasonable, given that there are other similar (although not entirely identical) publicly-traded airline companies available for comparison.

(iii) Adjusted book value approach – The adjusted book value approach measures the net value of an enterprise after its assets and liabilities have been adjusted to its market value as at the valuation date.

In the context of the Proposed AAAGL Acquisition, we noted that: -

(a) The adjusted book value approach has not been applied by Deloitte in appraising the valuation range for the AOCs given that the net assets of the AOCs may not be reflective of their future earning capabilities; and

(b) The adjusted book value approach has been principally applied by Deloitte in appraising the valuation range for the holding companies given that their respective net assets as at the valuation date would be reflective of their market values as holding companies.

We are of the view that the adjusted book value approach adopted by Deloitte in appraising the valuation range for the holding companies is appropriate and reasonable, taking into consideration the following: -

- The AOCs (namely, TAA, PAA and IAA), which constitute the core income-generating entities held by the respective holding companies, have been valued based on the income approach – DCF method;

- The book values of the respective holding companies have been adjusted to reflect the uplift in investment values arising from the difference between the fair values of the AOCs and the current book values of the investment in the AOCs held by the respective holding companies; and

- Other entities held by the respective holding companies are either dormant, or not expected to contribute significantly to the future earnings of AAAGL Group as at the Evaluation Date.

6.3 VALUATION

The valuation of AAAGL Group is subject to the following general basis and assumptions: -

(i) The risks relating to the Proposed AAAGL Acquisition as summarised in Section 5 of this Expert's Report (further details of which as set out in Section 10, Part A of the Circular) will not materialise, or in the unforeseen circumstances should one or more of those risks materialise, there will be no material adverse impact on the financial performance, financial position and operations of AAAGL Group and the New Aviation Group;

(ii) There are no material adverse changes to the book values and fair value of the AAAGL's investments in the AOCs (namely, TAA, PAA and IAA) and the intermediate holding companies (namely, AAV, AAI and AAID) from the Evaluation Date up to the completion date of the Proposed AAAGL Acquisition;

(iii) The time value implications, if any, from the Evaluation Date up to the actual completion date of the Proposed AAAGL Acquisition is not material;

(iv) There will be no material changes in the prevailing legislation, government regulations, inflation rates, interest rates, foreign exchange rates, taxation rates and any other applicable regulatory requirements which will materially and adversely affect the financial performance, financial position and operations of AAAGL Group and the New Aviation Group; and

(v) AAAGL Group will continue as a going concern, and the future financial performance and growth of the AOCs will meet the projected levels without any material adverse change to the requisite capital and cash flows requirements.

We are of the view that these general basis and assumptions are reasonable, as the business operations of the AAAGL Group are expected to continue as a going concern and the financial and cash flows projections are expected to be achieved without any material adverse changes.

6.3.1 Income Approach for the AOCs

We noted that the AOCs considered by Deloitte in appraising the valuation range of AAAGL consist of TAA, PAA and IAA. We further noted that where applicable, Deloitte has referred to FYE 31 December 2019 as a base year in analysing the projections of each AOC, as FYE 31 December 2019 represents the financial performance of the respective AOCs prior to the COVID-19 pandemic.

The key bases and assumptions applied by Deloitte in appraising the valuation range for the AOCs under the income approach – DCF method are summarised below: -

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CORPORATE FINANCE ADVISOR

Key bases and assumptions	Commentaries
o An explicit forecast period of 5 years (between FYE 31 December 2024 and FYE 31 December 2028) is applied for TAA, PAA and IAA.	We are of the view that this is appropriate and reasonable, as the explicit forecast period of 5 years would allow the effects arising from the ongoing and anticipated expansion plans of the AOCs to be reflected.
o The cash flows of AOCs are projected to grow in perpetuity after FYE 31 December 2028, using the following terminal year growth rate: - (i) TAA : 1.0% (ii) PAA : 3.0% (iii) IAA : 3.0%	We noted that the terminal year growth rate applied by Deloitte is based on the 20-year long-term inflation rate applicable to the respective countries in which the AOCs operate, sourced from Economist Intelligence Unit. We are of the view that the terminal year growth rate applied by Deloitte for the AOCs, is appropriate and with reasonable basis; taking into consideration that the AOCs are intended to continue as a going concern without any internally-prescribed time limit (namely, in perpetuity) under the New Aviation Group.
o Revenue is expected to grow at the following CAGRs: - (i) TAA : 11.0% (between 2024 and 2028) and 5.0% (between 2019 and 2028) (ii) PAA : 15.0% (between 2024 and 2028) and 11.0% (between 2019 and 2028) (iii) IAA : 21.0% (between 2024 and 2028) and 14.0% (between 2019 and 2028)	We noted that the revenue growth trend is consistent with the overall increasing trend expected for the aviation industry in the long run. We noted that revenue of TAA is estimated to grow at CAGR of 11.0% (between 2024 and 2028) and 5.0% (between 2019 and 2028). We observed that the estimated growth rates are reasonable after taking into consideration: - (a) the CAGR of 5.0%, over a longer time horizon (between 2019 and 2028), is relatively consistent with the overall long-term growth (2023-2043) for the Asia Pacific region (estimated at 5.3%, based on the Global Outlook for Air Transport, June 2024 by IATA); (b) whilst the CAGR of 11.0%, over a shorter time horizon (between 2024 and 2028), is higher than the overall long-term growth (2023-2043) for the Asia Pacific region, it is reasonable after taking into consideration the historical year-on-year growth rates (ranging from 3.3% to 11.1%) achieved by TAA prior to the COVID-19 pandemic between 2015 and 2019; (c) the growth in revenue by TAA is in line with its business plan to increase flight frequency of existing routes and introduce new routes, both of which are expected to be achieved by increasing the fleet size of TAA. The ability of TAA to increase its fleet size is supported by the current order of aircraft from Airbus, where the New Aviation Group collectively have an order of about 400 aircraft from

Key bases and assumptions	Commentaries
	Airbus (mainly secured by AAB, with scheduled delivery commencing from 2024 up until 2035); and (d) the assumed contribution of passenger revenues (which relate to scheduled passenger flights, chartered flight income and ancillary revenue including insurance charge and baggage fee) and freight services revenue of 99.0% and 1.0% respectively between FYE 31 December 2024 and FYE 31 December 2028 is fair, as it is consistent with the historical trend where passenger revenues accounted for approximately 99.3% of total revenue whilst freight services revenue accounted for 0.7% of the total revenue based on historical financial data in 2019 (being the financial performance prior to the COVID-19 pandemic). We noted that revenue of PAA is estimated to grow at CAGR of 15.0% (between 2024 and 2028) and 11.0% (between 2019 and 2028). We observed that whilst the growth rates are higher than the overall long-term growth (2023-2043) for the Asia Pacific region (estimated at 5.3%, based on the Global Outlook for Air Transport, June 2024 by IATA), the estimated growth rates are reasonable after taking into consideration: - (a) the historical year-on-year growth rates (ranging from 30.4% to 50.1%) achieved by PAA prior to the COVID-19 pandemic between 2015 and 2019; (b) the growth in revenue by PAA is in line with its business plan to increase flight frequency of existing routes and introduce new routes, both of which are expected to be achieved by increasing the fleet size of PAA. The ability of PAA to increase its fleet size is supported by the current order of aircraft from Airbus, where the New Aviation Group collectively have an order of about 400 aircraft from Airbus (mainly secured by AAB, with scheduled delivery commencing from 2024 up until 2035); and (c) the assumed contribution of passenger revenues (which relate to scheduled passenger flights, chartered flight income and ancillary revenue including insurance charge and baggage fee) and freight services revenue of 99.0% and 1.0% respectively between FYE 31 December 2024 and FYE 31 December 2028 is fair, as

Key bases and assumptions	Commentaries
	it is consistent with the historical trend where passenger revenues accounted for approximately 98.7% of total revenue whilst freight services revenue accounted for 1.3% of the total revenue based on historical financial data in 2019 (being the financial performance prior to the COVID-19 pandemic). We noted that revenue of IAA is estimated to grow at CAGR of 21.0% (between 2024 and 2028) and 14.0% (between 2019 and 2028). We observed that whilst the growth rates are higher than the overall long-term growth (2023-2043) for the Asia Pacific region (estimated at 5.3%, based on the Global Outlook for Air Transport, June 2024 by IATA), the estimated growth rates are reasonable after taking into consideration: - (a) the historical year-on-year growth rates (ranging from negative 23.0% to positive 58.5%) achieved by IAA prior to the COVID-19 pandemic between 2015 and 2019; (b) the growth in revenue by IAA is in line with its business plan to increase flight frequency of existing routes and introduce new routes, both of which are expected to be achieved by increasing the fleet size of IAA. The ability of IAA to increase its fleet size is supported by the current order of aircraft from Airbus, where the New Aviation Group collectively have an order of about 400 aircraft from Airbus (mainly secured by AAB, with scheduled delivery commencing from 2024 up until 2035); and (c) the assumed contribution of passenger revenues (which relate to scheduled passenger flights, chartered flight income and ancillary revenue including insurance charge and baggage fee) and freight services revenue of 98.0% and 2.0% respectively between FYE 31 December 2024 and FYE 31 December 2028 is fair, as it is consistent with the historical trend where passenger revenues accounted for approximately 98.7% of total revenue whilst freight services revenue accounted for 1.3% of the total revenue based on historical financial data in 2019 (being the financial performance prior to the COVID-19 pandemic). Notwithstanding that a higher revenue growth rate has been applied for the AOCs (of which the management plans to achieve by offering new

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Key bases and assumptions	Commentaries
	routes and increasing the frequency in existing routes served by the AOCs, to be backed by increased fleet size and passenger capacity), a company specific risk premium ("**CSRP**") has been applied and imputed in the discount rate to address the potential uncertainties of the AOCs in achieving the projected numbers. Premised on the above, we are of the view that the revenue growth rates are appropriate and reasonable.
o The operating expenditures include fuel costs, operating leases, maintenance and overhaul expenses, user charges, staff costs and other costs.	We are of the view that the operating expenditures adopted are appropriate and reasonable, as these are consistent with the actual costs incurred by AOCs in previous financial years and assumed to grow in tandem with the revenue growth.
o Others, comprising the following: - • Unutilised tax losses are expected to be utilised and offset against projected earnings before interest and tax ("**EBIT**") between FYE 31 December 2024 to FYE 31 December 2028: - (i) TAA: Unutilised tax losses are expected to be utilised and offset against its projected EBIT between FYE 31 December 2024 to FYE 31 December 2027. Tax expenses have been assumed from FYE 31 December 2028 onwards at Thailand statutory tax rate of 20.0% (ii) PAA : Unutilised tax losses are expected to be utilised and offset against its projected EBIT between FYE 31 December 2024 to FYE 31 December 2025. Tax expenses have been assumed from FYE 31 December 2026 onwards at Philippines statutory tax rate of 25.0% (iii) IAA : Unutilised tax losses are expected to be utilised and offset against its projected EBIT between FYE 31 December 2024 to FYE 31 December 2027. Tax expenses have been assumed from FYE 31 December 2028 onwards at Indonesia statutory tax rate of 22.0%	We noted that the AOCs have unutilised tax losses, which are allowed to be carried forward and offset against future profits generated by the AOCs. This is consistent with the prevailing tax regulations of the individual countries in which the AOCs operate. We further noted that the assumed corporate tax rates are consistent with the prevailing statutory corporate tax rate of the individual countries in which the AOCs operate. We noted that the forecasted capital expenditure is on the basis of replenishing depreciated assets with new assets and not to facilitate expansion of operations and not to facilitate expansion of operations or increased capacity. We further noted that the projected rates fall within the range based on historical trends. The assumed trade receivable turnover days of less than 1 week is reasonable and consistent with the commercial practice of the AOCs, as the transactions for passenger revenues (representing the main revenue contributor to the AOCs) are normally on cash terms. The assumed trade payable turnover days and other working capital requirements are consistent with historical trends. Premised on the above, we are of the view that other key bases and assumptions (comprising taxation, capital expenditure for non-aircraft operating assets and the working capital requirements) adopted by Deloitte is fair and reasonable.

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Key bases and assumptions	Commentaries
• Capital expenditure for non-aircraft operating assets is projected to be: - (i) TAA : Approximately 0.2% of its total projected revenue between FYE 31 December 2024 and FYE 31 December 2028 (ii) PAA : Approximately 2.0% of its total projected revenue between FYE 31 December 2024 and FYE 31 December 2028 (iii) IAA : Approximately 1.0% of its total projected revenue between FYE 31 December 2024 and FYE 31 December 2028 • The working capital requirements of the have been assumed as follows: - - Trade receivable turnover days (i) TAA : Less than 1 week (ii) PAA : Less than 1 week (iii) IAA : Less than 1 week - Trade payable turnover days (i) TAA : Between 30 and 45 days (ii) PAA : Between 30 and 70 days (iii) IAA : Between 30 and 45 days - Other working capital requirements are based on historical trends and discussions with management.	
o The discount rates adopted have been developed based on the weighted average cost of capital ("**WACC**"). Amongst others, the WACC are based on the following: - (i) Cost of equity with reference to the respective markets which the AOCs operate in using the international cost of capital approach, which assumes adjustments for country risk factors and inflation differentials from a cost of capital benchmark based on a mature financial market. The US have been applied as a benchmark, and a US equity risk premium of approximately 5.0%, adjusted for country risk and inflation rate differentials ranging from approximately 2.0% to 4.0% have been adopted;	We noted that the WACC adopted for the respective AOCs is higher than the average cost of capital for the airline industry (about 9.1% based on the 2024 estimation by IATA), commensurate with the potential uncertainties of the AOCs in achieving the projected numbers. We noted that the discount rates applied have taken into consideration both commonly-applied parameters and company-specific parameters. In particular, we observed that: - (a) in estimating the commonly-applied parameters (such as the risk-free rate, equity risk premium, industry beta, debt yield rate and capital structure), standard market/industry inputs and measures are being adopted; and (b) the commonly-applied parameters are then adjusted for country-specific parameters

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Key bases and assumptions	Commentaries
(ii) Pre-tax cost of debt ranges from approximately 6.0% to 9.0%; (iii) Debt-to-capital ratio of approximately 30.0%; and (iv) Additional risk premiums, as appropriate, to consider uncertainties and risks attributable to the cash flow projections of the respective AOCs. o The adopted WACC for the respective AOCs are summarised below: - (i) TAA : 12.0% to 14.5% (ii) PAA : 17.0% to 19.0% (iii) IAA : 17.5% to 19.0%	(such as risk premium, country-specific spread for debt yield rate, inflation rate, tax rate) and company-specific parameters (such as size premium and risk premium) to give effect to the differentials amongst the AOCs. We are of the view that the application of country-specific risk premiums is appropriate. Based on the research data published on Professor Damodaran's website, we have applied the following rates in the countries in which the AOCs operate: - (i) TAA : 2.3% (ii) PAA : 2.8% (iii) IAA : 2.8% To compensate for the uncertainties and risks attributable to the financial and cash flows projections of the AOCs such as the achievability of the projected revenue and profit growth as well as successful and timely implementation of the business plans (namely, to increase the flight frequency of existing routes and introduce new routes, both of which to be achieved by increasing the fleet size of the AOCs), we hav applied the following company-specific risk premiums: - (i) TAA : 4% to 6% (ii) PAA : 8% to 10% (iii) IAA : 8% to 10% We noted that the WACC adopted is consistent with the range of discount rates computed by us applying the country-specific risk premiums and company-specific risk premiums indicated above. We further observed that the WACC adopted for the PAA and IAA are higher as compared to TAA, mainly due to a higher CSRP being assigned for PAA and IAA, to compensate for the increased level of uncertainties associated with the higher revenue growth rates forecasted. Premised on the above, we are of the view that the discount rates adopted are appropriate and reasonable.

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Premised on the above key bases and assumptions, the 100% equity values of the AOCs (namely, TAA, PAA and IAA) on marketable and control basis appraised by Deloitte under the income approach – DCF method are as follows: -

	Valuation Range					
	TAA		**PAA**		**IAA**	
	Low (THB' mil)	**High (THB' mil)**	**Low (PHP' mil)**	**High (PHP' mil)**	**Low (IDR' bil)**	**High (IDR' bil)**
Business enterprise value ("**BEV**")(1)	25,757	31,889	17,020	21,679	3,683	4,345
<u>Adjustment for</u> Net debt	(1,792)	(1,792)	(10,997)	(10,997)	(3,031)	(3,031)
Equity value (reporting currency)	23,966	30,098	6,023	10,683	652	1,314
Equity value (USD' mil)	**697**	**875**	**109**	**193**	**42**	**85**
Equity value (RM' mil)	**3,198**	**4,016**	**499**	**885**	**196**	**394**

<u>Remarks: -</u>
- *"Mil" denotes million(s).*
- *"Bil" denotes billion(s).*
- *Due to rounding, the numbers presented in the table may not add up precisely to the totals provided.*

<u>Note: -</u>

(1) BEV is derived from the DCF, comprising the present value of discrete cash flows over the explicit forecast period of 5 years (between FYE 31 December 2024 and FYE 31 December 2028) and the present value of terminal year value, and after adjusting for excess/deficit in working capital changes.

Based on the cash flow projections made available by the management and the WACC adopted, we have computed the present value of the terminal value for the respective AOCs to be as follows: TAA (Approximately THB 15,000 million – THB 20,000 million); PAA (Approximately PHP 19,000 million – PHP 23,000 million; IAA (Approximately IDR 3,000 billion – IDR 4,000 billion). This is consistent with the respective AOCs' management's plan to grow their operations via increased fleet size and flight frequency, and introduction of new routes across the projection period from FYE 31 December 2024 to FYE 31 December 2028. The operations of the AOCs are expected to achieve a stable state by FYE 31 December 2028, and thereafter grow in perpetuity at a nominal growth rate based on the long-term inflation rates of the countries in which AOCs operate.

<u>Secondary valuation method (for cross-checking purposes)</u>

We noted that the 100% equity values of the AOCs (namely, TAA, PAA and IAA) on marketable and control basis appraised by Deloitte under the income approach – DCF method are cross-checked against the results derived based on market approach – GPCM and the outcomes support the valuation range derived under the income approach – DCF method.

For illustrative purposes only, we have computed the valuation based on market approach – GPCM using the average of market multiples and data from the financial projections furnished by the management, the results as summarised below: -

	Valuation Range		
	TAA	**PAA**	**IAA**
	(RM' mil)	**(RM' mil)**	**(RM' mil)**
Equity values of AOCs derived based on market approach – GPCM using the average of market multiples	4,750	650	380
Equity values of AOCs derived based on income approach – DCF method by Deloitte	3,198 – 4,016 (Mid-point: 3,607)	499 – 885 (Mid-point: 692)	196 – 394 (Mid-point: 295)

Remark: -
- *"Mil" denotes million(s).*

The mid-point of valuation range derived based on the income approach – DCF method is consistent or lower as compared to the valuation derived based on market approach – GPCM using the average of market multiples. We are of the view that the valuation range derived based on the income approach – DCF method (which is a more appropriate approach to reflect the future earnings capabilities of the AOCs) is justifiable.

6.3.2 Adjusted Book Value Approach for the Holding Companies

We noted that the holding companies being appraised by Deloitte under the adjusted book value approach include the following: -

(i) AAAGL (being the subject company of the Proposed AAAGL Acquisition);

(ii) AAV, being the intermediate holding company of TAA;

(iii) AAI, being the intermediate holding company of PAA; and

(iv) AAID, being the intermediate holding company of IAA.

The following key bases and assumptions are being applied by Deloitte in appraising valuation range for the holding companies under the adjusted book value approach: -

(i) The audited net book value of the respective holding companies as of the valuation date (being 31 December 2023) has been adopted;

(ii) Adjustments to the book value mainly pertain to the fair value upliftment of their investments in subsidiaries and associates based on the market values of the AOCs derived using the income approach – DCF method; and

(iii) The carrying amount of other assets and liabilities have been assumed to approximate their market value.

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The 100% equity values of intermediate holding companies (namely AAV, AAI and AAID) derived based on the adjusted book value approach are summarised below: -

	Valuation Range					
	AAV		**AAI**		**AAID**	
	Low (THB' mil)	**High (THB' mil)**	**Low (PHP' mil)**	**High (PHP' mil)**	**Low (IDR' bil)**	**High (IDR' bil)**
Audited book value, as at 31 December 2023[1]	17,015	17,015	6,176	6,176	2,567	2,567
<u>Adjustment for</u> Upliftment in fair value of investments[2]	7,081	13,213	6,003	10,646	(2,228)	(1,849)
Adjusted book value (reporting currency)	24,095	30,227	12,178	16,822	339	718
Equity value (USD' mil)	**701**	**879**	**220**	**304**	**22**	**47**
Equity value (RM' mil)	**3,215**	**4,034**	**1,008**	**1,393**	**102**	**215**

<u>Remarks: -</u>
- *"Mil" denotes million(s).*
- *"Bil" denotes billion(s).*
- *Due to rounding, the numbers presented in the table may not add up precisely to the totals provided.*

<u>Notes: -</u>

(1) Based on the audited net assets of the respective intermediate holding companies, and after adjustments to reflect the latest plan for internal reorganisation and capitalisation of debts to be completed prior to the Proposed AAAGL Acquisition.

(2) The upliftment in fair value of investments is derived in the following manner: -

	AAV		*AAI*		*AAID*	
	Low (THB' mil)	*High (THB' mil)*	*Low (PHP' mil)*	*High (PHP' mil)*	*Low (IDR' bil)*	*High (IDR' bil)*
Fair value of investment in AOCs, based on the effective equity interest	*[a]23,966*	*[a]30,098*	*[b]6,003*	*[b]10,646*	*[c]373*	*[c]752*
<u>Less:</u> Carrying amount of intermediate holding companies' investments in the AOCs as at 31 December 2023	*(16,885)*	*(16,885)*	*-*	*-*	*(2,601)*	*(2,601)*
Upliftment in fair value of investments	*7,081*	*13,213*	*6,003*	*10,646*	*(2,228)*	*(1,849)*

Notes: -

(a) *Calculated based on the valuation range determined using the income approach – DCF method (namely, low-range equity value of THB23,966 million and high-range equity value of THB30,098 million respectively), multiplied by the equity interest of 100.00% held in TAA.*

(b) *Calculated based on the valuation range determined using the income approach - DCF method (namely, low-range equity value of PHP6,023 million and high-range equity value of PHP10,683 million respectively), multiplied by the equity interest of 99.66% held in PAA.*

(c) *Calculated based on the valuation range determined using the income approach – DCF method (namely, low-range equity value of IDR652 billion and high-range equity value of IDR1,314 billion respectively), multiplied by the equity interest of 57.25% held in IAA.*

Based on the valuation range of the AOCs (namely, TAA, PAA and IAA) and their respective intermediate holding companies (namely, AAV, AAI and AAID) as appraised by Deloitte, the valuation range for AAAGL has been appraised by Deloitte using the adjusted book value approach as illustrated below: -

	Low range (USD' mil)	**High range (USD' mil)**
Audited NA of AAAGL as at 31 December 2023[(1)(2)]	183	183
Adjustments: -		
o Upliftment in fair value of AAAGL's investments[(3)]	(61)	116
o Capital contribution from Capital A arising from capitalisation of the intercompany debts amongst Capital A, the AAAGL Group and AAB Group	505	505
o Cost of investment incurred for the acquisition of 100% equity interest in AA Com Travel Philippines Inc. from Move Travel Sdn Bhd (formerly known as AirAsia Com Travel Sdn Bhd), a subsidiary of Capital A, which was completed on 25 March 2024	* *(Represents negative USD0.2 mil)*	* *(Represents negative USD0.2 mil)*
Adjusted net assets value of AAAGL	**628**	**805**
Range of valuation (RM' mil)	**2,880**	**3,691**

Notes: -

(1) *The audited NA of AAAGL as at 31 December 2023 of USD183 million is at the company level.*

(2) *For information purposes, the audited total shareholders' deficit of AAAGL as at 31 December 2023 at the group level is RM2,234.00 million (equivalent to approximately USD517.61 million*) and after adjusting for the Vendor's Pre-Completion Restructuring, the pro forma total shareholders' deficit of AAAGL Group as at 31 December 2023 is RM970.78 million (equivalent to approximately USD224.93 million*).*

Note: -

* *Based on Bank Negara Malaysia's closing middle exchange rate of USD1: RM4.3160 as at the LPD.*

The shareholders' deficit and the effects of the Vendor's Pre-Completion Restructuring have been considered in determining the AAAGL Purchase Consideration. In order to derive the adjusted net assets value / valuation of AAAGL, Deloitte has derived the valuation of its major operating subsidiaries / AOCs using the DCF method. The DCF method, amongst others, incorporates the future cash flows arising from the operating assets and liabilities in the AOCs as at 31 December 2023, whereas non-operating assets and liabilities as at 31 December 2023 are adjusted against the business enterprise values (being the value of the business attributable to all providers of finance) in arriving at the respective equity values (being the value of the business attributable to equity holders) of the AOCs.

A fair value upliftment is subsequently applied to the audited NA of AAAGL as at 31 December 2023, calculated based on: -

(a) the fair value of AAAGL's investment stake in the AOCs; and

(b) the fair value of AAAGL's indirect investment stake in the AOCs, based on the adjusted book value of intermediate holding companies after incorporating the fair value of the AOCs.

The adjusted net assets value / valuation of AAAGL has also included the effects from the Vendor's Pre-Completion Restructuring.

(3) Upliftment in fair value of investments consist of the following: -

	Low range (USD' mil)	***High range (USD' mil)***
o *Upliftment in fair value of investment in IAA, calculated based on the valuation range determined using the income approach – DCF method (namely, low-range equity value of USD42 million and high-range equity value of USD85 million respectively), multiplied by the equity interest of 20.95% held in IAA*	*9*	*18*
o *Upliftment in fair value of investment in AAV, calculated based on the valuation range determined using the adjusted book value approach (namely, low-range equity value of USD701 million and high-range equity value of USD879 million respectively), multiplied by the equity interest of 40.71% held in AAV*	*285*	*358*
o *Upliftment in fair value of investment in AA Com Travel Philippines Inc., calculated based on the valuation range determined using the adjusted book value approach (namely, low-range equity value of USD116 million and high-range equity value of USD166 million).*	*116*	*166*
o *Upliftment in fair value of investment in AAI, calculated based on the valuation range determined using the adjusted book value approach (namely, low-range equity value of USD220 million and high-range equity value of USD304 million), multiplied by equity interest of 40.00% held in AAI*	*88*	*121*
o *Upliftment in fair value of investment in AAID, calculated based on the valuation range determined using the adjusted book value approach (namely, low-range equity value of*	*10*	*22*

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	Low range (USD' mil)	***High range (USD' mil)***
USD22 million and high-range equity value of USD47 million), multiplied by equity interest of 46.25% equity interest held in AAID		
o *Cost value of the Investment in convertible bond issued by AAI(1)*	*25*	*25*
Total	*533*	*710*
Less:		
Adjusted carrying amount of AAAGL's investments as at 31 December 2023(2)	*(594)*	*(594)*
Upliftment in fair value of AAAGL's investments	***(61)***	***116***

Notes:-

(1) In May 2013, AAI issued USD25 million redeemable, unsecured convertible bonds to AAAGL. The bonds bear interest of 6% per annum.

(2) The carrying amount of AAAGL's investments as at 31 December 2023 has been adjusted to reflect the novation of perpetual capital securities in IAA held by AAB to AAAGL for a consideration of RM1,090.58 million.

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7. CONCLUSION

We are of the opinion that from the AAAGL Purchase Consideration for the Proposed AAAGL Acquisition is **FAIR** from financial point of view; after taking into consideration the following: -

(i) The rationale for the Proposed AAAGL Acquisition as set out in Section 8.3, Part A of the Circular;

(ii) The overview and outlook of the aviation industry as set out in Section 9.1, Part A of the Circular and prospects of the New Aviation Group as set out in Section 9.2, Part A of the Circular;

(iii) The AAAGL Purchase Consideration, amounting to RM3,000.00 million falls within the range of valuation for the entire AAAGL Equity Interest of between RM2,880.00 million and RM3,691.00 million as at the valuation date of 31 December 2023, based on the valuation undertaken by Deloitte as set out in the Valuation Letter attached in Appendix VI(A) of the Circular; and

(iv) the AAAGL Purchase Consideration (RM3,000.00 million) represents a discount of approximately RM285.50 million or 8.69% to the mid-point of the valuation range for AAAGL (being RM3,285.50 million).

This report is addressed to the Board and is intended only for inclusion in the Circular to the shareholders of AAX. This report is prepared solely for the purposes of expressing our opinion on the fairness of the AAAGL Purchase Consideration for the Proposed AAAGL Acquisition, being part of the Proposals to be considered by the non-interested shareholders of AAX and should not be used or relied upon by any other party for any other purposes.

Our opinion in this report may not be quoted, referred to or otherwise disclosed (in whole or in part) without our prior written consent. This report is not intended to be, and does not constitute our recommendation, on the Proposed AAAGL Acquisition. It is also not intended to be relied upon to address any business concerns or risks pertaining to the Proposed AAAGL Acquisition.

Yours faithfully
For and on behalf of
WYNCORP ADVISORY SDN BHD

WONG YOKE NYEN	**MOH JIUN HAUR**
Managing Director	Director

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REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

23 September 2024

The Board of Directors
AirAsia X Berhad
Red Q, Jalan Pekeliling 5
Lapangan Terbang Antarabangsa Kuala Lumpur (KLIA)
64000 KLIA
Selangor Darul Ehsan

Dear Sirs,

Report on the compilation of pro forma consolidated statement of financial position included in the Circular to Shareholders of AirAsia X Berhad in relation to the Proposed Issuance of Free Warrants, Proposed Private Placement, Proposed Acquisition of AirAsia Aviation Group Limited, Proposed Acquisition of AirAsia Berhad and Proposed Capital Reduction (the "Proposals")

We have completed our assurance engagement to report on the compilation of the pro forma consolidated statement of financial position of AirAsia X Berhad ("AAX" or the "Company") and its subsidiaries (collectively known as the "Group") prepared by the directors of the Company (the "Directors"). The pro forma consolidated statement of financial position consists of the pro forma consolidated statement of financial position as at 31 December 2023 and related notes as set out in Attachment A.

The applicable criteria on the basis of which the Directors have compiled the pro forma consolidated statement of financial position is in accordance with Chapter 10 of the Main Market Listing Requirements issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") ("Applicable Criteria") which we have stamped for identification purposes.

The pro forma consolidated statement of financial position has been compiled by the Directors to illustrate the impact of the events or transactions as set out in Note 1 of Attachment A on the Group's financial position as at 31 December 2023, as if those transactions or events had taken place on 31 December 2023. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the financial year ended 31 December 2023, on which audit reports have been published.

The Directors' responsibility for the Pro Forma Consolidated Statement of Financial Position

The Directors are responsible for compiling the Pro Forma Consolidated Statement of Financial Position on the basis of the Applicable Criteria.

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REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Our independence and quality control

We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm also applies Malaysia Approved Standard on Quality Management and International Standard on Quality Management 1 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibilities

Our responsibilities is to express an opinion, as required under Chapter 10 of the Main Market Listing Requirements issued by Bursa Malaysia, about whether the Pro Forma Consolidated Statement of Financial Position has been compiled, in all material respects, by the Directors on the basis of the Applicable Criteria.

We conducted our engagement in accordance with Malaysian Approved Standards on Assurance Engagements and International Standard on Assurance Engagements, ISAE 3420: *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Malaysian Institute of Accountants and International Auditing and Assurance Standards Board. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Consolidated Statement of Financial Position on the basis of the Applicable Criteria.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinion on any historical financial information used in compiling the Pro Forma Consolidated Statement of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statement of Financial Position.

The purpose of the Pro Forma Consolidated Statement of Financial Position included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for the purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at that date would have been as presented.

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REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Our responsibilities (contd.)

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statement of Financial Position has been compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors in the compilation of the Pro Forma Consolidated Statement of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Consolidated Statement of Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regards to our understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Consolidated Statement of Financial Position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statement of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Pro Forma Consolidated Statement of Financial Position has been compiled, in all material respects, on the basis of the Applicable Criteria as set out in Note 1 and Note 2 of Attachment A.

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REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Emphasis of matter

We draw attention to Pro Forma 2 in Attachment A to the Pro Forma Consolidated Statement of Financial Position, which describes that as at the date of this Reporting Accountants' Report, the Company has not identified any investor or underwriter for the Proposed Private Placement of RM1,000,000,000. The completion of the Share Sale Purchase Agreements between Capital A Berhad and AirAsia Group Berhad (formerly known as AirAsia Aviation Group Sdn Bhd) (subsequently novated to AAX based on a supplemental agreement dated 26 July 2024) as set out in Proforma 3 and Pro Forma 4 in Attachment A to the Pro Forma Consolidated Statement of Financial Position are conditional upon the Company raising RM1,000,000,000 within the financial year ending 31 December 2024.

Due to the significance of the matter, it is in our judgment that the matter is of such importance that it is fundamental to users' understanding of the Pro Forma Consolidated Statement of Financial Position as at 31 December 2023. Our opinion is not modified in respect of this matter.

Other Matters

This report is issued for the sole purpose of complying with Chapter 10 of the Main Market Listing Requirements issued by Bursa Malaysia in connection with the Proposals. Our work had been carried out in accordance with Malaysia Approved Standards on Assurance Engagements, International Standards on Assurance Engagements and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions. Therefore, this report is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the Proposals as described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this report in connection with any type of transaction, including the sale of securities other than the Proposals.

Yours faithfully,

Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Low Khung Leong
02697/01/2025 J
Chartered Accountant

Kuala Lumpur, Malaysia
23 September 2024

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 OF AIRASIA X BERHAD AND THE NOTES THEREON

Attachment A

AirAsia X Berhad

Notes to the pro forma consolidated statement of financial position as at 31 December 2023

1. Introduction

The pro forma consolidated statement of financial position of AirAsia X Berhad ("AAX" or the "Company") and its subsidiaries (collectively known as the "Group") as at 31 December 2023 ("Pro Forma Consolidated Statement of Financial Position"), for which the Directors are solely responsible, have been prepared for illustration purposes only in accordance with Chapter 10 of the Main Market Listing Requirements issued by Bursa Malaysia for inclusion in the Circular to shareholders of AAX. The pro forma consolidated statement of financial position has considered the effects of the following matters/transactions:

a) Proposed Issuance of Free Warrants

AAX intends to issue free warrants to its existing shareholders on the basis of 1 free warrant for every 2 ordinary shares in AAX ("AAX Shares").

b) Proposed Private Placement

AAX intends to secure additional funding through a proposed private placement amounting to RM1,000,000,000 via an issuance of new AAX Shares.

c) Proposed Acquisition of AirAsia Aviation Group Limited

AAX intends to acquire 100% equity interest in AirAsia Aviation Group Limited ("AAAGL") from Capital A Berhad ("CAB") to be satisfied via the issuance of 2,307,692,307 AAX Shares ("Proposed Acquisition of AAAGL").

d) Proposed Acquisition of AirAsia Berhad

AAX intends to acquire 100% equity interest in AirAsia Berhad ("AAB") from CAB for a cash consideration of RM3,800,000,000 ("Proposed Acquisition of AAB").

e) Proposed Capital Reduction

AAX intends to reduce its issued and paid-up share capital via a proposed capital reduction exercise pursuant to Section 116 of the Companies Act 2016.

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Chartered Accountants, Kuala Lumpur.
For identification purpose only.

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 OF AIRASIA X BERHAD AND THE NOTES THEREON

Attachment A

1. Introduction (contd.)

The Proposed Issuance of Free Warrants, Proposed Private Placement, Proposed Acquisition of AAAGL, Proposed Acquisition of AAB and Proposed Capital Reduction are collectively hereby known as the "Proposals".

2. Basis of preparation

The pro forma consolidated statement of financial position as at 31 December 2023 has been compiled based on the audited financial statements of the Group for the financial year ended 31 December 2023 and in a manner consistent with the format of the financial statements and the accounting policies adopted by the Group. The audited financial statements of the Group for the financial year ended 31 December 2023 were prepared in accordance with Malaysia Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

The pro forma consolidated statement of financial position as at 31 December 2023 has been prepared for illustrative purposes to show the effects of the Proposals as described above, with the assumption that these transactions were completed on 31 December 2023. The pro forma consolidated statement of financial position is not necessarily indicative of the financial position that would have been attained had the Proposals actually occurred on that date. Accordingly, such information, because of its nature, may not be reflective of the actual financial position of the Group and does not purport to predict the future financial position of the Group.

The pro forma consolidated statement of financial position as at 31 December 2023 is presented in RM and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

The pro forma consolidated statement of financial position as at 31 December 2023 of AAX were adopted and approved by the Board of Directors on 23 September 2024.

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 OF AIRASIA X BERHAD AND THE NOTES THEREON

Attachment A

3. Pro forma consolidated statement of financial position

	Audited as at 31.12.2023	Adjustment for Proposed Issuance of Free Warrants RM'000	Pro Forma 1 RM'000	Adjustment for Proposed Private Placement RM'000	Pro Forma 2 RM'000	Adjustment for Proposed Acquisition of AAAGL Group RM'000	Pro Forma 3 RM'000	Adjustment for Proposed Acquisition of AAB Group RM'000	Pro Forma 4 RM'000	Adjustment for Proposed Capital Reduction RM'000	Pro Forma 5 RM'000
Non-current assets											
Property, plant and equipment	35,295	-	35,295	-	35,295	819,066	854,361	263,044	1,117,405	-	1,117,405
Right of use assets	1,306,448	-	1,306,448	-	1,306,448	5,398,005	6,704,453	6,768,547	13,473,000	-	13,473,000
Finance lease receivables	-	-	-	-	-	-	-	280,081	280,081	-	280,081
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Investment in associates	-	-	-	-	-	-	-	435,760	435,760	-	435,760
Investment securities	-	-	-	-	-	5,770	5,770	132	5,902	-	5,902
Intangible assets	-	-	-	-	-	2,430,841	2,430,841	-	2,430,841	-	2,430,841
Goodwill	-	-	-	-	-	2,408,048	2,408,048	7,682,694	10,090,742	-	10,090,742
Deferred tax assets	601,908	-	601,908	-	601,908	268,225	870,133	734,085	1,604,218	-	1,604,218
Receivables and prepayments	436,266	-	436,266	-	436,266	611,065	1,047,331	3,547,345	4,594,676	-	4,594,676
Amount due from related parties	-	-	-	-	-	-	-	-	-	-	-
Aircraft maintenance reserves	-	-	-	-	-	-	-	-	-	-	-
Investment property	-	-	-	-	-	67,311	67,311	-	67,311	-	67,311
Other non-current financial assets	-	-	-	-	-	-	-	-	-	-	-
Deposits on aircraft purchase	-	-	-	-	-	-	-	617,412	617,412	-	617,412
Amount due from associate	32,641	-	32,641	-	32,641	-	32,641	-	32,641	-	32,641
Amount due from related parties	21,935	-	21,935	-	21,935	(21,935)	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-
	2,434,493	-	2,434,493	-	2,434,493	11,986,396	14,420,889	20,329,100	34,749,989	-	34,749,989
Current assets											
Inventories	6,968	-	6,968	-	6,968	137,473	144,441	18,757	163,198	-	163,198
Receivables and prepayments	224,610	-	224,610	-	224,610	391,966	616,576	721,663	1,338,239	-	1,338,239
Finance lease receivables	-	-	-	-	-	-	-	30,463	30,463	-	30,463
Deposits on aircraft purchase	-	-	-	-	-	-	-	46,345	46,345	-	46,345
Amounts due from associates	-	-	-	-	-	1,638	1,638	(1,638)	-	-	-
Amounts due from related parties	381,848	-	381,848	-	381,848	-	381,848	(381,848)	-	-	-
Amounts due from CAB Group	31,767	-	31,767	-	31,767	29,194	60,961	(60,961)	-	-	-
Deposits, bank and cash balances	57,689	(400)	57,289	970,170	1,027,459	196,969	1,224,428	(137,519)	1,086,909	(320)	1,086,589
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-
Tax recoverable	198	-	198	-	198	3,965	4,163	10,728	14,891	-	14,891
	703,080	(400)	702,680	970,170	1,672,850	761,205	2,434,055	245,990	2,680,045	(320)	2,679,725
Less: Current liabilities											
Trade and other payables	360,232	-	360,232	-	360,232	5,812,454	6,172,686	(2,375,694)	3,796,992	-	3,796,992
Aircraft maintenance provisions and liabilities	57,747	-	57,747	-	57,747	402,436	460,183	876,155	1,336,338	-	1,336,338
Sales in advance	612,296	-	612,296	-	612,296	1,205,688	1,817,984	809,091	2,627,075	-	2,627,075
Amounts due to associates	4,603	-	4,603	-	4,603	5,762	10,365	(1,208)	9,157	-	9,157
Amounts due to related parties	9,394	-	9,394	-	9,394	56,838	66,232	83,484	149,716	-	149,716
Amounts due to CAB Group	32,007	-	32,007	-	32,007	605,795	637,802	(407,134)	230,668	-	230,668
Borrowings	-	-	-	-	-	430,101	430,101	147,024	577,125	-	577,125
Current portion of short term debentures	-	-	-	-		190,800	190,800	-	190,800	-	190,800
Lease liabilities	152,392	-	152,392	-	152,392	1,385,906	1,538,298	3,459,872	4,998,170	-	4,998,170
Provision of taxation	-	-	-	-	-	122,995	122,995	2,473	125,468	-	125,468
Derivative financial instruments	-	-	-	-	-	467	467	-	467	-	467
Other provision	13,000	-	13,000	-	13,000	-	13,000	-	13,000	-	13,000
	1,241,671	-	1,241,671	-	1,241,671	10,219,242	11,460,913	2,594,063	14,054,976	-	14,054,976
Net current (liabilities)/assets	(538,591)	(400)	(538,991)	970,170	431,179	(9,458,037)	(9,026,858)	(2,348,073)	(11,374,931)	(320)	(11,375,251)
Non-current liabilities											
Trade and other payables	-	-	-	-	-	21,372	21,372	802,108	823,480	-	823,480
Sales in advance	55,320	-	55,320	-	55,320	-	55,320	-	55,320	-	55,320
Aircraft maintenance provisions and liabilities	331,774	-	331,774	-	331,774	230,154	561,928	4,808,533	5,370,461	-	5,370,461
Borrowings	-	-	-	-	-	490,007	490,007	1,732,798	2,222,805	-	2,222,805
Non-Current portion of long term debenture	-	-	-	-		359,037	359,037	-	359,037	-	359,037
Lease liabilities	1,359,633	-	1,359,633	-	1,359,633	3,460,779	4,820,412	10,643,598	15,464,010	-	15,464,010
Deferred tax liabilities	-	-	-	-	-	110,346	110,346	-	110,346	-	110,346
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-
Provision for retirement benefits	-	-	-	-	-	199,534	199,534	-	199,534	-	199,534
Other provision	33,000	-	33,000	-	33,000	-	33,000	-	33,000	-	33,000
	1,779,727	-	1,779,727	-	1,779,727	4,871,229	6,650,956	17,987,037	24,637,993	-	24,637,993
	116,175	(400)	115,775	970,170	1,085,945	(2,342,870)	(1,256,925)	(6,010)	(1,262,935)	(320)	(1,263,255)
Capital and reserves											
Share capital	51,029	-	51,029	1,000,000	1,051,029	3,046,154	4,097,183	-	4,097,183	(3,997,183)	100,000
Capital Reserve	-	-	-	-	-	931,700	931,700	-	931,700	425,695	1,357,395
Merger Deficit	-	-	-	-	-	(915,501)	(915,501)	-	(915,501)	-	(915,501)
Reverse acqusition reserve	-	-	-	-	-	-	-	-	-	-	-
Other reserves	-	-	-	-	-	(21,082)	(21,082)	-	(21,082)	-	(21,082)
Foreign exchange reserve	(5,582)	-	(5,582)	-	(5,582)	59,415	53,833	-	53,833	-	53,833
Warrant reserve	-	-	-	-	-	-	-	-	-	-	-
(Accumulated losses)/Retained earnings	70,728	(400)	70,328	(29,830)	40,498	(3,605,656)	(3,565,158)	(6,010)	(3,571,168)	3,571,168	-
Total shareholders' (deficit)/funds	116,175	(400)	115,775	970,170	1,085,945	(504,970)	580,975	(6,010)	574,965	(320)	574,645
Non-controlling interests	-	-	-	-	-	(1,837,900)	(1,837,900)	-	(1,837,900)	-	(1,837,900)
Total equity	116,175	(400)	115,775	970,170	1,085,945	(2,342,870)	(1,256,925)	(6,010)	(1,262,935)	(320)	(1,263,255)

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